

# THE NEW EMPLOYMENT RELATIONSHIP MODEL

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**Abstract**

This paper introduces a model of the new psychological contract. The employment relationship or psychological contract phenomenon is receiving considerable attention from organizational development researchers and practitioners. The model aligns the changing needs of individual and organizations around eight values: *Flexible Deployment, Customer-focus, Performance-focus, Project-based Work, Human Spirit & Work, Commitment, Learning & Development, and Open Information*. This model can be used to benchmark an organization shifting from a culture underpinned by the traditional employment relationship to the new employment relationship.

**Introduction**

This paper introduces the *New Employment Relationship Model*. The model has been tested in an organizational case as part of doctoral research assignment (see Baker, 2005). This model provides a foundation for creating a productive workplace culture with a backdrop of increasing marketplace instability and uncertainty. It consists of eight values: *Flexible*

*Deployment, Customer-focus, Performance-focus, Project-based Work, Human Spirit & Work, Commitment, Learning & Development, and Open Information.* There are several features that make this model distinctive. One of the distinguishing features of the model is that it illustrates the appropriate responses from the individual and organization perspective in a balanced way. The eight values underpinning the model are diametrically opposite to those of the traditional employment relationship. There are significant benefits for both the employee and employer in embracing these new values in their workplace. The successful implementation of each value can be benchmarked. Established Human Resource Development (HRD) strategies fail to tackle the employment relationship and are more concerned with changing people's behaviour than their thinking. These are two shortcomings that this model attempts to address. There are significant overlaps between the eight values and their associated elements. Corporate culture change therefore ought to take into account the interdependence of the eight values.

### **What is Organizational Culture?**

The successful application of the *New Employment Relationship Model* is about changing the culture of a company in a sustainable way. Changing corporate culture is based on transforming the psychological contract between employee and employer. A modern productive culture can be founded on the eight values in the model. The eight values meet the requirements of the current worker and organization.

Workplace culture has a direct and indirect relationship with productivity. Most managers are aware that a suitable workplace culture is likely to lead to higher levels of productivity and equally, an inappropriate culture tends to result in lower levels of productivity. Most managers understand and appreciate this connection, but are not too sure where and how to start this process. Consequently - they have - and may possibly continue - to employ ad hoc HRD approaches that sidestep the employer/employee relationship. Changing workplace culture is not just about changing the thinking of workers. There must be a commitment to change the thinking of management as well. Organizational culture is a by-product of the interaction between employer and employee. Transforming the culture of a company from a traditional employment mind-set to the new employment relationship will provide the basis for an increase in sustainable productivity.

Organizational culture has of late attracted considerable attention from researchers (Carmeli, Sternberg, & Elizur, 2008). Nonetheless, it is difficult to find a universally accepted definition of organizational culture. McNamara (2008) broadly defines organizational culture as the personality of the organization. Culture is one of those terms that are difficult to express distinctly, but everyone knows it when they sense it. In layman's terms, organizational culture is the 'way we do things around here'. The way things are done in an organizational setting is a reflection of the relationship between employer and employee. The psychological contract is based on the expectations the two parties have of each other in the employment relationship. Generally speaking, the new employment relationship is a collaborative association, as distinct from the 'them and us' mind-set underpinning the traditional employment relationship.

The past 25 years have seen the requirements of employees and employers 'turn on their head'. Accelerated change and uncertainty in the marketplace has meant that company structures have had to transform from stable and predictable to maneuverable and responsive. At the same time, the requirements of employees have altered from job security to expanding their portfolio of skills so that they can be more employable. These fundamental shifts in priorities have not necessarily translated into accommodating workplace cultures. The model provides a roadmap for navigating the change process to produce an organizational culture that is more receptive to the demands of employee and employer.

### **The New Employment Relationship Model**

There are four characteristics that distinguish this model from other models found in the management literature. These factors include:

1. This model is one of the few empirically researched models, which mean that it has a degree of academic rigor.
2. The model looks at the employment relationship from the dual perspective of the individual and the organization. Most models look at the psychological contract from the perspective of the employee and how he or she needs to change. Few models consider how the employer and employee relate to each other based on a set of specific values.

3.The model is based on eight values that can be used to align the shifting individual and organization paradigms.

4.A description of each value is provided, in terms of why it is important and what the appropriate individual and organizational response needs to be to implant the value as a feature of the company's culture.

Indeed, this paper gives a comprehensive overview of the model and its uniqueness.

Table 1 below illustrates the model with the eight values and the appropriate responses from the individual and organization perspectives.

**Table 1 New Employment Relationship Model**

| <b>Individual Accountability</b>   | <b>New Value of the Employment Relationship</b> | <b>Organization Accountability</b>   |
|--|---|--|
| Work in a variety of organizational settings.  | <i>Flexible Deployment</i>                      | Encourage employees to work in other organizations or organizational units within the same organization. |
| Serve the customer before your manager.  | <i>Customer-focus</i>                           | Provide information, skills & incentives to focus externally.  |
| Focus on what you do, not where you work.  | <i>Performance-focus</i>                        | Link rewards & benefits with performance rather than organizational dependency.                          |
| Accept & embrace yourself as a project-based worker rather than a function-based employee. | <i>Project-based Work</i>                       | Focus on projects rather than organizational functions.  |
| Find work that is meaningful.  | <i>Human Spirit &amp; Work</i>                  | Provide work (wherever possible) that is meaningful.   |
| Commit to assisting the organizational achieve its organizational outcomes.                | <i>Commitment</i>                               | Commit to assisting employees to achieve their personal objectives.                                      |
| Be committed to life-long learning.  | <i>Learning &amp; Development</i>               | Enter into a partnership for employee development.   |
| Be willing to contribute to the organizational decision-making processes.                  | <i>Open Information</i>                         | Providing employees with access to information about organizational goals, needs, & HR systems.          |

SOURCE: Baker, T. B. (in press). *The 8 values of highly productive companies: Creating wealth from a new employment relationship*. Brisbane: Australian Academic Press.

In summary, the eight values are defined as follows:

- *Flexible Deployment* is the provision of a functionally flexible work force;
- *Customer-focus* is breaking the organizational barriers to focus on the requirements of the customer;
- *Performance-focus* is linking rewards and benefits with performance rather than organizational dependency;
- *Project-based Work* is boundary managing the shift from functional to cross-functional organizational structures;
- *Human Spirit & Work* is increasing the likelihood that workers will find their organizational work meaningful;
- *Learning & Development*: is shifting from a training culture to a broader learning and development culture;
- *Commitment* is a more pragmatic substitute for loyalty; and
- *Open Information* is moving from a closed to open information environment.

The application of these eight values in a company culture is a dual responsibility of the individual and the organization.

The model is in direct contrast to the traditional employment relationship as illustrated in Table 2 below.

**Table 2 Traditional Employment Relationship Model**

| <b>Employee Accountability</b>  | <b>Traditional Values of the Employment Relationship</b> | <b>Employer Accountability</b>  |
|---|--|---|
| Work in one organizational setting & specialise.                        | <i>Specialised Employment</i>                            | Encourage workers to specialise & remain in one organizational unit.                    |
| Serve your manager before the customer.                                 | <i>Internal-focus</i>                                    | Emphasis on organizational policies & procedures.                                       |
| Focus on fulfilling your job requirements.                              | <i>Job-focus</i>   | Link rewards & benefits to organizational dependency.                                   |
| Accept & embrace yourself as a functional -based worker                 | <i>Functional-based Work</i>                             | Focus on organizational functions.  |
| Find & accept any work.   | <i>Human Dispirit &amp; Work</i>                         | Provide any work.   |
| Demonstrate loyalty to organizational processes, procedures & policies. | <i>Loyalty</i>   | Demonstrate loyalty to employees who are loyal to the organization.                     |
| Commit to achieving qualifications.                                     | <i>Training</i>  | Train employees in organizational processes & procedures.                               |
| Be willing to carry out managerial instructions.                        | <i>Closed Information</i>                                | Providing employees with enough information to carry out their organizational function. |

SOURCE: Baker, T. B. (in press). *The 8 values of highly productive companies: Creating wealth from a new employment relationship*. Brisbane: Australian Academic Press.

By comparing Tables 1 and 2, it is easy to see the completely opposing values and individual and organization responses.

### **The Changing Employment Relationship Values**

For convenience, Table 3 below illustrates the changing employment relationship values. Table 3 illustrates the polarised shift in mind-sets from the traditional to new psychological contract between employer and employee.

**Table 3 The Changing Employment Relationship Values**

| <b>Old Values</b>      |        | <b>New Values</b>      |
|------------------------|--------|------------------------|
| Specialized Employment | —————▶ | Flexible Deployment    |
| Internal-focus         | —————▶ | Customer-focus         |
| Job-focus              | —————▶ | Performance-focus      |
| Functional-based Work  | —————▶ | Project-based Work     |
| Human Dispirit & Work  | —————▶ | Human Spirit & Work    |
| Loyalty                | —————▶ | Commitment             |
| Training               | —————▶ | Learning & Development |
| Closed Information     | —————▶ | Open Information       |

SOURCE: Baker, T. B. (in press). *The 8 values of highly productive companies: Creating wealth from a new employment relationship*. Brisbane: Australian Academic Press.

To fully appreciate these paradigm shifts, a brief summary of Table 3 is given here. Specialisation in the workplace, once highly valued, has now been replaced by *Flexible Deployment* of skills. The focus was once on internal processes and procedures as the basis of providing consistency to the customer. Although this is still important, the shift in companies must be to a *Customer-focus*. A *Performance-focus* is now more important than

focussing on carrying out the duties of a clearly defined job. *Project-based Work* is now more important than functional-based work. It is increasingly significant and in the interests of employees and employers that work is meaningful and nurtures the human spirit, hence the emphasis on *Human Spirit & Work*. *Organizational Commitment* has now replaced a sense of loyalty between organization and individual. *Learning & Development* with its broader emphasis is now more important than a narrower focus on technical training. *Open Information* systems are likely to assist employees to make quality decisions in their day-to-day work than closed information channels.

The juxtapositioning of the 'old' and 'new' employment relationship models underpins the speedy transformation from a stable and constant marketplace to a turbulent and uncertain environment. In particular, the changing employment relationship values in Table 3 show the dramatic shift in focus in a relatively short timeframe.

### **The Model as an Exchange Process**

The model functions as a typical exchange process. In other words, the new employment relationship is formed jointly by fulfilling the requirements of both parties. To satisfying the wants of both parties in the employment relationship, there needs to be a shared understanding of what these shifting priorities are, and how they can be met in the modern-day workplace. If managers do not appreciate the requirements of modern employees, they are unlikely to be in a position to fulfill their requirements. Alternatively, if traditional workers are unfamiliar with the needs of a modern company will not be able to fulfill their

obligations. In sum, to apply the model in an organizational setting, both entities have responsibility that need to be fulfilled.

This conceptualization of the individual-organization interface can be likened to the 'yin and yan' freedom dance. In a yin-yan relationship, both halves are incomplete and need each other to achieve the unified whole. In a similar way, the model specifies eight values of employee-employer relationship. In this model, the individual and organization are co-dependent of each other. Co-dependency is defined in relational terms as the individual and organization being reliant on each other. The worker and organization were also co-dependent in the traditional employment relationship. In essence, the difference is the needs of the employee and employer were diametrically opposite to those in the new model and therefore the values and responses from both parties were fundamentally different.

Managers and workers operating out of a conflicting mind-set will be confused about the signals they are receiving from each other. For instance, an organizationally-dependent worker is less likely to be flexible with customer requests, particularly if they interfere with company policy. The traditional worker, confusing the act with a gesture of organizational loyalty, is likely to disappoint a customer-focused boss. Likewise, a modern thinking worker will find proactive behavior may be detrimental to his or her career in a traditional bureaucratically run organization. This misunderstandings occur on a daily basis in most companies and generate a lack of trust and elevate stress levels. Nevertheless, these paradigm shifts, and the inevitable tension they bring, provide companies with an

opportunity to develop of a new form of collaboration based on appreciating the changing individual and organization requirements.

### **Benefits of the Model**

Table 4 below illustrates the benefits of each of the eight values from the perspective of the employee and employer.

**Table 4 Benefits of the Model**

| <b>Value</b>                      | <b>Benefits to individual</b>   | <b>Benefits to organization</b>  |
|-----------------------------------|---|--|
| <i>Flexible Deployment</i>        | A variety of skills to be more employable within & outside the organization.                      | More maneuverability to respond faster to changing market forces.                  |
| <i>Customer-focus</i>             | Improvement of customer service skills enhances employability.                                    | Retain & increase market share.  |
| <i>Performance-focus</i>          | Potential to increase value to the organization & be rewarded for this.                           | Focusing on performance is likely to increase productivity.                        |
| <i>Project-based Work</i>         | Opportunity to develop team building skills, add variety & interest beyond their functional role. | Ability to respond quickly to challenges & opportunities in the marketplace.       |
| <i>Human Spirit &amp; Work</i>    | Opportunity to gain greater satisfaction & meaning from work.                                     | Retention of staff & knowledge.  |
| <i>Commitment</i>                 | Opportunity to build career capabilities.   | Instilling greater commitment from individuals to achieve organizational outcomes. |
| <i>Learning &amp; Development</i> | Opportunity to learn & develop skills beyond the scope of the current job.                        | Organizational growth & development.   |
| <i>Open Information</i>           | Greater capacity to make decisions within the organizational setting.                             | More responsive to customers through quicker decision-making processes.            |

SOURCE: Baker, T. B. (in press). *The 8 values of highly productive companies: Creating wealth from a new employment relationship*. Brisbane: Australian Academic Press.

As Table 4 illustrates, the individual benefits are linked to employability, development of new skills, greater job satisfaction, and more autonomy to make decisions. These advantages are consistent with the changing individual paradigm (see Simonsen, 1997). Therefore, employees who have these mind-sets are likely to want to work in an organization that fosters these values. From the organizational perspective, Table 4 illustrates the organizational benefits as having greater flexibility, responsiveness and maneuverability in the marketplace. These advantages are consistent with the changing organizational paradigm (see Simonsen, 1997). Consequently, employers who foster these values are likely to attract and retain employees that have similar mind-sets. So these eight values can be conceptualized as the glue that binds the changing paradigms.

### **Applying the Model**

Table 5 below is a summary of how to apply the eight values in a company. This table illustrates the necessary interventions, Key Performance Indicators (KPIs) and targets for developing a productive company culture based on the model.

**Table 5 Applying the New Employment Relationship Model**

| <b>Value</b>                      | <b>Intervention</b>   | <b>KPI</b>   | <b>Target</b>  |
|-----------------------------------|---|--|--|
| <i>Flexible Deployment</i>        | Co-ordinated functional & cross-functional multi-skilling program.  | Workplace Skills' Matrix.                            | Achieving competency in a pre-set number of skills.  |
| <i>Customer-focus</i>             | Co-ordinated program inclusive of customer interaction skills, CRM system, guidelines on managing customer-organization interface & incentives for customer-focused behavior. | Annual customer satisfaction survey.                 | Qualitative & quantitative responses to survey.  |
| <i>Performance-focus</i>          | Creating role descriptions rather than job descriptions reflecting agreed upon KPIs & targets for both job- and non-job tasks.  | Up-to-date employee role descriptions.               | Bi-annual performance reviews.   |
| <i>Project-based Work</i>         | Implementation & support of cross-functional project teams to deal with organizational problems, challenges & opportunities on a needs basis.                                 | Staff involvement in cross-functional project teams. | Number of staff involved in cross-functional teams.  |
| <i>Human Spirit &amp; Work</i>    | Implementation of an employee engagement strategy.  | Employee Engagement survey.                          | Qualitative & quantitative responses to survey.  |
| <i>Commitment</i>                 | Enterprise agreement between employees and employer   | Enterprise agreement.                                | Annual review of agreement.  |
| <i>Learning &amp; Development</i> | Implementation of a balanced L & D program emphasizing job skills, personal development & enhancing problem solving capabilities.   | Balanced budget.                                     | Annual expenditure on L & D activities evenly spread between skill, personal, & problem solving development. |
| <i>Open Information</i>           | Implementation of a workplace initiative program clarifying the extent & limits of staff authority across all functions of the business.                                      | Training program                                     | All staff attending training.  |

SOURCE: Baker, T. B. (in press). *The 8 values of highly productive companies: Creating wealth from a new employment relationship*. Brisbane: Australian Academic Press.

As Table 5 illustrates, the interventions necessary to facilitate the model are a combination of implementing programs, processes, engagements and strategies, learning and

development initiatives, and agreements. These interventions will provide the basis for instilling eight values in the workplace. The KPIs indicate how these interventions will be monitored. As Table 5 shows, these KPIs include internal and external annual surveys, performance appraisals, training program take-up, staff involvement in cross-functional activities and skill development, budgets, enterprise agreements, and up-to-date role descriptions. The targets are quantitative and qualitative benchmarks to determine the success or otherwise of the KPIs. These yardsticks will put into action the values of the model.

### **Flaws in Traditional HRD Approaches**

There is no shortage of HRD approaches designed to make organizations more flexible, customer-focussed, more performance-based, less functionally structured, capture the 'hearts and minds' of employees, obtain employee commitment, develop skills and competencies, and open information channels. Within the context of the model, these archetypal HRD approaches have two flaws. Firstly, they usually deal with a single issue, failing to take into account the interdependency of workplace dilemmas. At the same time, traditional HRD approaches often handle these issues with a linear start and finish stage. In other words, they fail to take a broad viewpoint incorporating a multi-dimensional insight. By not taking a more eclectic outlook, these typical HRD methods are more often techniques that fail to deal with the employee-employer relationship. Many of these established HRD approaches are therefore ill-equipped to deal strategically with the

changing individual and organizational paradigms. Organizational change should be viewed as continuous processes rather than just detached episodes.

The second defect of most HRD programs - from the point-of-view of the model - is that they are intent on changing people's behaviour more so than their thinking. For instance, most training programs are designed to assist participants develop or acquire new skills or competencies. There is often an assumption supporting these programs that participants understand why and how these new skills will benefit them and those they come in contact with. And so, little or no time is spent on changing the participants' perspective. Sustainable behaviour change arguably comes from changing people's thinking. Most HRD programs either assume that people's perspectives will change as an outcome of the training, or that performing these newly acquired skills is more important than thinking about why and how they can and should be used. Prolonged behaviour change comes from fresh thinking and new insights about the issues at hand. The model - in contrast - is about changing the mind-sets of employees and employers as a precondition for changing behaviour.

It is acknowledge that there are overlapping characteristics in the model. For instance, the presence of the value of *Flexible Deployment* in a company's culture is dependent on secondary elements of the related values of *Customer-focus*, *Performance-focus*, *Human Spirit & Work*, *Commitment*, *Learning & Development*, and *Open Information*. As an example, customer service training – an element of *Customer-focus* – broadens and consequently enhances the skills of employees as a basis for greater flexibility. Therefore a focus on one value will impact on other values in the model.

## **Conclusion**

The *New Employment Relationship Model* gives organizations a framework for changing their workplace culture. The model illustrates the appropriate individual and organization responses to this changing value system. In a broader context, the model serves as a useful starting point to explore some of the relational and transactional issues associated with the changing requirements of employees and employers. Further, the model provides managers and management researchers with a conceptual framework for benchmarking an organization's transition from the traditional to new organizational culture with regard to the psychological contract. The eight values conceptualize and operationalize a framework for a new employment relationship. There may well be - and probably are - other values that could be included in the model. Nonetheless, by understanding and applying these eight paradigm shifts, managers and management researchers have a potentially useful tool to consciously aligning the changing needs and interests of individual and organization for the benefit of all stakeholders (employee, employer, and customer).

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