

Good Governance and Social Responsibility

Lecture 13: Consumer Relations

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Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Understand the basics of Customer Relationship Management
2. Explain the value of the customer
3. Reason out how to create the Base of Relationship Management
4. Understand the reasons for customer failure
5. Discuss what community relations in the context of commerce is
6. Understand the importance of having a good relationship with the different communities that brands or companies have
7. Show the basic premise of employee relations in your own understanding
8. Distinguish the difference between industrial relations and employee relations
9. Understand why keep good employee and industrial relations important for business and what could happen if handled incorrectly

Consumer Relations

Relationships extend to various aspects of commerce and one of which is the ongoing affairs between companies and their customers. Many are puzzled and met with trepidation when confronted to elaborate on their customer relations strategy's specifics. Here, we will focus on the specific ways in how customer relationships are managed. Furthermore, we will demystify the long-established notion that customer relationship management cannot be discussed concisely and directly due to the vastness of variables that come into play when we talk about it. Going further, the lecture will lay out the most basic terms, why maintaining customer relations is important, what are the reasons the companies lose grip on their customers, and finally, what exemplifies excellent customer service.

The Basics of Customer Relationship Management

Customer Relationship Management (CRM) may sound daunting at first, as some may think it is a tool of automation. Some may argue that it is simply a program, and others see it as a definite set of long-established techniques that encompass anything and everything about customer relations. Sorry to burst this bubble, but customer relationship management, while it may also include elements of the aforementioned, is in its most basic form, a way of thinking that captures the value one can put in the relationship of one's business to its customers. Given this angle, we can see that customer relations are more of an art than an arbitrary system. However, what best describes it is a method of growing the value of your business within every customer's perspective. To do this, customer relationships extend not only on the point of sale and

physical communication with each customer, but it goes deep within the organization's DNA from within its hierarchy to the customers and the general public.

To shift toward customer relationship management, the organization should be aware of its **three most basic pillars**.

(1) Customer Retention

Think of customers as a flowing stream and your business as your hand as you scoop water. Your hand may have the capacity to hold some, but it cannot fully contain the fast flow of water and its total volume. This simply implies that you cannot satisfy everyone, and even some customers that land on your hand can just slip away in time. It is the main task of businesses to keep customers and retain their loyalty. Normally, a business may lose 50 percent of its customers per year, which may affect the stability of the business's cash flow if it cannot retain its customers. Widely considered in the industry as the norm, the Pareto principle also takes effect in most businesses where 80 percent of the cash flow is generated from transactions with 20 percent of their repeat customers. This implies that businesses can thrive just by focusing on customer retention. What is challenging, rather, is how businesses can hold on to their cash cows.

(2) Customer Engagement

While maintaining customers is one factor, developing new loyal customers is another factor that should be looked into regarding customer relations management. We are looking into creating new ardent consumers, but the challenge is how businesses can achieve more value from new customers and turn them into brand advocates that can carry the brand or company to a whole new audience through **word-of-mouth marketing or referrals**.

(3) Customer De-selection

Unknown to many, businesses should also be wary of customers that can bring down the company's overall value. Not all customers are good for the organization as some may be too disruptive, costly, or tenuous to retain. Some may even pose a danger to the brand's reputation or cause harm to employees if not given much attention and care in dealing with them. Transaction and opportunity costs tend to be higher on these customers who tend also to give less value than what the organization has spent in maintaining them. Therefore, it is also an important part of customer relations to select customers in some situations.

The Value of the Customer

Customer relations management's bottom line is how the company can reap more value from customers sustainably and repeatedly over time. **Loyal customers** are more valuable than others because of the overall value they bring to the company. **Customer loyalty** also brings more income by turning the customers themselves as brand advocates or evangelists that push the brand beyond its marketing reach at zero cost. A vital element of this is the emotion that customers have toward your company or brand.

Without this human connection, brands tend to fail to acquire and maintain customers through years and decades of operation.

How to Create the Base of Relationship Management

To create a relationship-based engagement with customers, it needs the following **steps to start:**

1. Identify and segment
2. Studying consumer behavior
3. Setting up a strategy
4. Maintaining the relationship

The above pertains to how the business can specify its target audiences from the herd and then maintain customer value for the long haul. This can be done by studying the current transactional records of customers in existing companies, looking into the history of past promotional campaigns, communications with the customer, and other market research sources and knowledge available. The importance of access should be highlighted in this, and the records should be available. Once this is known, companies can then identify and target customers with the most potential from others that do not. By studying consumer behavior, the organization can then create solid strategies moving forward. The **strategy** is the most critical part of the process as these grounds are the assumptions and generalizations derived from studying the customers and their relation to the company. A **strategy** should fit the organization's need and cover short-, medium-, and long-term plans to meet set milestones and goals. **Short-term strategies** mostly aim to test access to market segments by using ads, promos, pop-up shops, and perks, just to name a few, streamline and contribute to medium- and long-term strategies. Keeping projects short, easily deployable, and cost- efficient is business-friendly, and can give the company more chances to develop new concepts in targeting and segmenting their audience. **Medium- and long-term strategies** are mostly tested concepts that have been proven to be correct, impactful, and sustainable for the business. Looking into the patterns of behavior exhibited by the customers from buying trends, reaction to ads, Internet marketing among other projects will give longer-term projects a direction of growth in the future, such as areas to focus on whether to increase the customer's spending, the number of transactions, or any targeted behavior desired that will raise company value.

After you have identified and segmented, studied, strategized, and maintained customer relationships, the next level is to automate the system. These are aided by hardware or software that will help you keep, manage, find, and identify patterns of behavior from your customers from a source. Once this is also in place, the business can easily draw the success or failure of certain strategies and campaigns that will also help in determining its prolonged feasibility or if a certain strategy needs to be tweaked or overhauled entirely. Before rolling it out to the market, it is advisable to pilot or test these strategies to selected members or locations to minimize losses and avoid wide-scale failure if it does not go to plan.

Reasons for Failure

As we have said, not all relations with the customer can be smooth sailing. Sometimes, losing customers are inevitable and here are just a **few examples of how organizations or companies lose customers:**

- Negligence of their concerns
- Fraudulent claims such as false advertising
- Failing to meet customer standards or expectations
- Service incompetence
- Wrong pricing
- Blaming them
- No methods of communication with the customer
- Lack of marketing
- Not replying to customer queries
- Discrimination
- Insensitive marketing

These are not all the reasons customers tend to veer away from brands, and as much as possible, the business should be avoided at all costs. To put a method in the madness, there is a need to study **the trends why customers say no.**

Relative price - Customers are naturally picky about the price of goods and want to maximize value relative to the price set. This is highly critical for new customers coming in, while it matters less for those already engaged with the brand. **Price** should reflect the value that the product offers to its customers or the perceived value it embodies.

Proximity - Location is one of the determinants for customers. Exerting more effort to gain access to physical stores may be one of the first factors that most look into, and having a nearby facility will enable customers to feel a sense of assurance for aftermarket care or repeat engagements all because of the proximity of stores. Stores closer to communities generally create more trust and, therefore, loyal fans.

Proactivity to customer needs - Attentiveness and eagerness to help customers are important for businesses, especially in the service and hospitality sectors. Staff training and seminars will help in the initiative by aligning these to the company's norms, ethics, goals, and vision to ensure every employee buys into the customer-centric philosophy.

Hard to follow instructions - With more services, options, and features, businesses can offer more of their products and services than what the average consumer is looking for. One of the traps where eager entrepreneurs fall for is the pressure to deliver so much to a point that it forgets to focus on the needs and wants of the customers they are targeting. Due to their eagerness, products

become harder to use, and services can be daunting to subscribe to, which is why modern smartphones are revolutionary because of how intuitive they are to the customer with having only one physical button to navigate and using gestures for other controls. Because they were more focused on the customer by making daunting tasks easier and more accessible, Steve Jobs, founder of a famous brand of smartphones, has now become synonymous with changing the tech world forever.

Global competition - Due to free trade, there is more competition within markets and more choices for customers. Because the market is more cutthroat than ever before in history, smaller brands find it a monumental task to carve a niche in the industry because it demands start-ups to be more innovative, competitive in pricing while also reducing overall cost. If the business cannot satisfy these three, the faster the start-up would cease to operate or breakout.

Cost - With any business venture, the cost is an important part of management. The major economic shifts and volatility can quickly and drastically change the outlook of the entire market. As one of the drivers of demand, the cost is constantly factored into decision-making to extract more value from the current economic condition.

On the other side of the fence, noncommercial organizations have other factors why customers are not satisfied with their brand. For companies that offer utilities, it is notably harder for customers to change and therefore, reasons for their complaints vary from commercial establishments. Yet, mostly, there are still some levels of parallels between them.

Cause of Complaints about Noncommercial Establishments

- Little to no customer support
- Delay in fixing problems and lack of initiative to solve it
- Lacking work quality of the finished project
- Poor overall service
- Overpricing (most common for monopolies)

Customer Service Excellence, Defined

Discussing customer service excellence can be summed up by a simple quote; competence, not hype, keeps customers loyal, while incompetence, not competition, destroys consumer relationships. Keeping customers to your brand is both an art and a science. A method should be in place for a strategy to reap a significant upside. Creating competence is something that businesses aspire to have to gain the trust of their customers. For them to do this, brands, service businesses, and other sectors should factor in a handful of proven **customer-focused principles to imbibe**.

1. Urgent delivery of value
2. Personalized service to every customer

3. Proactivity and exceeding expectations
4. Hospitality in all engagements
5. Transparency with the customer
6. Consistency in delivering value

(1) Urgent Delivery of Value

Time is of the essence, and the customer's time should always be a priority. There should be no excuse for delivery delays or noncompliance of deadlines unless it was not possible due to unforeseen events such as "force majeure" or simply, "Act of God" events that cannot be avoided like natural disasters. Once a purchase is transacted, it cannot be revoked unless there are conditions written in contracts on some grounds that will be covered and those that are not. The urgency of value delivery also applies to the speed of answering calls, emails, or other queries that come from customers. **Delays** can be very costly for businesses once customers decide to move their dealings elsewhere due to frustration and loss of trust.

(2) Personalized Service to Every Customer

Every customer has varying needs, wants, as well as preferences. Despite this, all customers expect to be prioritized at all times. Answering the needs of the customer is one of the primary tasks of any business. Adding to this, every customer's service should be tailor-made to each to ensure those specific expectations are met. Making the interaction personal is all about the small details. Remembering the name of the customer is just a small example of how relations with customers are created. Just a simple gesture of remembering someone's name or preferential product goes deep into the emotions of the customer, making his interaction more special and significant. The key is to seize these small opportunities and maintain them. To instill emotion is to create a moment that can keep customers coming back. Customer experience matters, and it demands creativity and sincerity to make it work.

(3) Proactivity and Exceeding Expectations

Proactivity is all about anticipating, meeting, and exceeding customer needs and satisfaction. While many would argue that meeting the expectation of the customer is enough, we must unlearn this behavior and center our service or product that creates long-lasting impressions to our target audience. Meeting the expectations set by the customers is purely transactional and superficial. With this type of relationship, most dealings often end after the transaction is done between the buyer and seller, and therefore it could mean that the brand might have also lost a potential lifetime customer all because of the reluctance to go beyond the norm. Going over and beyond their expectations first starts by knowing customers beforehand by identifying trends in past transactions' marketplace behaviors. An **example** of this may be that women are more inclined to purchase a certain color during a specific season based on data. Knowing this, the sales force can be trained to anticipate these nuances and act on the trend on a whim, which could spell a sale or losing one. Next is upon doing so, meeting the expectation of the target signals comfort from the customers. Once they are invested and engaged, they are ready to be "closed." The term "closing" will be used in this context as the act of going beyond the expected. Again, if the sales force is well equipped with the right information, it is easier for them to close by again, anticipating what the customer would want. By

giving them other ideas or things to purchase, the customer is then given a choice to add more value to their decision, which is both empowering and exciting. When properly done with the right timing and enthusiasm, the customer will be one step closer to be a repeat customer or someone loyal to the brand.

(4) Hospitality in All Engagements

This may be self-explanatory for many, but still, numerous businesses badly miss the point of hospitality and respect when dealing with customers. Regardless of the situation, all customers expect to be treated fairly, humanely, and with respect. Anyone who is a part of the company must always remember that they do not only carry their reputation, but also the brand they are employed in. Any outburst or sign of disrespect is highly damaging to any brand or company. Especially today, everything can be just a click away, and it may take years to mend a reputation once it is tarnished.

(5) Transparency with the Customer

Another easily missed factor in customer relations management is transparency. Being open to the customer about everything he or she has to know regarding a product or service is always a top priority. Any missed detail that puts the customer in an uncomfortable position may easily end up in a lawsuit. Please remember to be open and divulge all important details before purchasing for the customers to have an informed choice on the sale. Truthfulness, honesty, and transparency guarantee lifetime customers.

(6) Consistency in Delivering Value

To be consistent is to create trust and commitment. After going through the grocery list of must-dos and reminders, the most critical thing above all else is maintaining these not just for a short period but from day one onward. Quality never goes out of style, and this saying goes as well with attracting long-term customers. Maintaining quality and dedication to pursue it at all costs is the key to customer relationship management. Consistency creates long-term value for both sellers and buyers, which is the soul of this lecture.

Community Relations

Moving beyond the dynamic of brands and consumers we move toward stakeholders or the very communities that exist around the company or organization. Later, this lecture will elaborate on the nuances of various communities, their importance, philosophy, and the role of the companies in this interaction. The importance of community relations will also be raised in discussion, emphasizing the various narratives surrounding it. Finally, a discussion on the core strategies will be tackled as well as the advantages of proper community relations in the following sections. Furthermore, we will also focus on the problems that may happen if the businesses would disregard their relationship with their communities.

Psychological Contract and the Community

Later we will discuss employees and employers, we will tackle the psychological contract between them. It was established that this relationship strives to create overall value by reciprocating each other's expectations. Discussing it as concisely as possible, this contract is neither absolute nor infallible. Its success and continuity rest on each party's dedication to meet and exceed their expectations from one another.

This type of relationship does not only exist within the confines of the company, but as well as outside of it. There exist multiple communities within the brand, employee, or company ecosystem beyond the company or the customers' boundary or control. A psychological contract between companies and communities also exists and is as important as the bond with the industries, customers, and employees. The psychological contract that exists with companies and communities mimics the same characteristics as those with the relationship between companies to employees and companies to customers. The bottom line here is that companies are also expected to meet the expectations of the communities around them.

The bilateral and communal relationship also works both ways where both parties have a set of needs and wants, which adds to their expected behavior from the other. To give an example of what could be the general questions of the company and community in the context of a company moving into a certain town, here are **some queries**:

Company Questions:

- What are the community's pressing needs and expectations of the company?
- What is the community's culture, and what types of behavior are accepted and detested?
- What should not be done by the company to avoid hostilities with the local folk?
- How welcoming are they to corporations coming in?
- How can we reach the community and who are the best channels to communicate with?

Community Questions:

- What does the company need from us, and what do they expect from the community?
- What will the company do, and will they cause problems or opportunities for the people?
- What will the company bring to the community? Will these be beneficial?
- How will they mesh with the culture we have?
- How can the community be protected from possible exploitative practices of the company?

If we are going to study the exchange here, we can easily conclude that at the end of the day, both company and community reap value and benefit from each other, and these questions will eventually create their perspectives and view on the situation at large. Expectations are created from this exchange, and the success or failure of the move may

well be determined by this initial engagement. Of course, the questions are not only limited to the given above, but these will provide some insight into how the process of bargaining takes place.

The Community as Gatekeepers

The role of the community is a large one in the success factor of a company. Later on, we will see various kinds of communities, but in this instance, we are sticking with the most basic community collective, and these are the people living within cities and towns. Using this as our basis, communities are members of a collective that share a common or shared identity. While each member has their own perspectives and interests, the amalgamation of these views culminates in the overall expectation of the community. Ideals such as a peaceful and safe living space, an environment that is free from pollution, and job opportunities are shared by the members of the community. In a larger perspective, government or state power can be felt being one of the primary gatekeepers of their vicinity with the implementation of law and order among other examples. Even if large businesses gain approval from the government, community members have the power to influence and overturn this decision. If they deem that the companies that are moving in will be a detriment or do not share their ideals, communities can go against and stop a company from conducting its business within their space. **Examples** of this in the Philippines is the **challenge for telecommunications companies to put up cellular sites within towns since many are scared of the long-term health effects due to having a cellular site near their living space.** Another conflict that is often heard in local media are **factories that deal with hazardous chemicals that intend to relocate to rural areas, but are often shunned away by community members because of the environmental repercussions of having such a plant in their vicinity.** The final example are **malls that often dominate local wet and dry markets that will cause many community members to lose their livelihoods as sellers and middlemen.** These instances show the power of communities and what companies should never overlook.

A Brief History of Community Engagement

Before the eighties, companies were contented with dole-outs as their primary tool for community engagement. The power of the bank check defines the era, and it was the only way to every community's heart. Many in the industry have coined the term "balloons and T-shirts" because of how these projects are conducted. Frequently, the strategy is simple and direct; community engagements are limited merely to donations. These donations are directed to particular units of the community, such as hospitals, schools, and police, or fire departments to show solidarity and support. The act of goodwill is expected to have some traction in the community or the media that acts as a catalyst toward long-lasting partnerships. After the 1980s, there was a shift in how community engagement is also done because of the emergence of new actors and ways of communicating with the community. During the eighties, what was in the vogue were neoliberal ethos of the free market where government intrusion is frowned upon. As the abbreviation T.I.N.A. (There Is No Alternative) would suggest and as a reference to the

rise of the free market, the way companies are being run are also on track toward the same neoliberal evolution and lack of other substitutes. Coming alongside this free-market philosophy are the budget cuts that severely affected social services. In the United States, Raegan era economics ushered in the new era of community relations by enticing companies to increase their involvement with the public and also support nongovernmental organizations that were hit hard by the budget cuts.

During this era, companies were on the move, and have grown steadily in their involvement with communities. Despite the cuts, nonprofit organizations were flourishing and growing, and in the mid-nineties, it grew exponentially, and demand more funding from companies compounded on their worries. This triggered yet again another evolution of thought. Businesses found the need to manage demand by creating dedicated departments within their corporate hierarchy to handle these cases. Mostly, staff members filling up these roles came from their public relations arm to facilitate communications and coordination with other organizations. More so, business owners saw the need to create to serve and manage the expectations of customers, employees, shareholders, and now, communities.

Businesses also saw the need to organize their ranks by creating associations to consolidate their efforts with the communities. The Philippines was a pioneer in this regard with the establishment of the Philippine Business for Social Progress that was established in 1970 with members coming from the top 50 corporations in the Philippines. The organization aimed to aid communities with projects to alleviate poverty in the Philippines. Today, its current chairman is Manny V. Pangilinan, with Ramon R. Del Rosario, Jr. as vice chairman, and Br. Armin A. Luistro FSC as its president. The board is made up of various corporate heads of the top firms in the country and has made significant contributions in the field of education, health, environment, and local entrepreneurship.

Why is there a Need to be Involved?

At first, companies did not see the importance of community involvement in the company's growth. They saw community relations as a token for companies to ensure their approval within the community. Ritualistic, tokenistic, and temporary; this is how companies initially saw community relations. It was during the nineties when community relations have become trendy for companies. With the advent of information technology and globalization, consumers are aware and conscious of what companies and brands' values are. No longer are buyers acting as mindless or passive consumers, but as meticulous judges of a company. Many see the importance of trust, values, and responsibility that later became "corporate responsibility." Fueling this trend further were nonprofit organizations and advocacy groups fanning the flames, asking companies to be accountable and responsible for their actions that directly affect communities, environment, and public safety. Technology became a huge part of this push, and slowly, companies had no choice but to accept the new norm, and this is the birth of the socially responsible corporation.

Marketing the "Good"

Later on, companies saw the opportunity of doing good and jumped on the opportunity to maximize it to their benefit. This served as a precursor for the creation of **two marketing strategies** that raise the good in each company.

Cause marketing - It works by highlighting the causes that companies support through tri-media, such as print, television, and radio as well as the Internet. Focusing on the cause is an effective call-to-action not just for the cause but is also a good tool to associate subconscious awareness to the brand by association.

Social marketing - This targets consumer behavior indirectly by tying the cause to the purchase of the product or service. This can be done by tying the transaction to the supported cause, such as giving away a portion of proceeds through the sale of a certain product or promoting green practices by using a certain product that the brand has under its line.

These examples of how companies utilize small openings left some in bad taste because they saw the act or campaign as manipulative and insidious regardless of the cause they are championing. On the contrary, this practice is still practiced by global businesses and has only widened in scope and use throughout the years. With the growth of the Internet, information transparency has reached an all-time high, and consumers, businesses, and communities have reached new highs in partnerships and co-generation of value across the board.

Strategies for Community Relations

Companies essentially need strategies to build sustainable community relations practices. For it to matter and be productive, the brand or company should use holistic methods to reach out and ensure the welfare of their new partnership. This can be done by implementing **three simple philosophies**.

1. **Create sustainable community links** - When engaging in the community, have a long-term timeline in mind. Meaningful connections demand time, effort, and commitment to create trust. Having a constant working relationship with the community is essential in making the company grow and the people with it, creating opportunities for partnerships with the community and the local government, and the media in the long run.
2. **Knowing the needs of the people** - Being sensitive to the plight of the community bolsters the bond between the company and the community. Immersing with the people will give the company other perspectives and information essential for foreseeing trends and even problems that may arise in the future. Anticipating spaces for growth will add value to the company while creating contingency plans that will help ensure the future of the business and the well-being of the employees.

3. **Aim to improve the community** - A company coming to operate within the community has vast repercussions and ripple effects on the community's way or quality of life. Essential to this are disruptions that may happen due to operations that could endanger the community or the processes that can be toxic to the environment that directly affect their health. Others can be a little bit indirect, such as marketing that may offend the community's sensibilities and beliefs. If the companies themselves are not keen on the fine details regarding the possible effects of their actions, in that case, they may be a start of something more detrimental that can ruin the overall relationship and destroy the trust between the company and the community. Companies should ensure that their "community practice" is well in line with the community as well as develop "community support" programs that will aid in improving the welfare of the people.

Different Kinds of Communities

Communities are not only, as what we have discussed in this lecture, but the immediate neighbors of the company also labeled as the "**fence line community**." There are various communities that the company must deal with, and it should be known that they have different sets of expectations that the company must meet and exceed.

Types of Communities Around the Corporation:

1. **Fenceline community** - As said above, these are the communities that live near the site of the company. They are one of the first people to be impacted by the operations of the company and should be one of the priorities of the company.
2. **Site community** - This is the town or city the company is operating in. They are one of the important community pillars around the company because local governments have the power to allow or stop companies from operating if it violates the interests of the constituents. Laws, policies, and ordinances should be followed by the company at all times and maintain a good working relationship with its leaders.
3. **Interest community** - These are communities that are made up of individuals that share a common intent or goal. Common interest communities share mores and norms that are parts of advocacies that they champion. Examples of these are environmental organizations and other groups that uphold a specific interest.
4. **Impact community** - This describes the communities that are outside the geographic location of the company but are also affected by its operations. A good example of this is remote warehouses where goods are dropped off inside the company's control and management.

5. **Employee community** - It pertains to the communities of the employees. This is to ensure the welfare of employees and their relations with their communities.
6. **Cyber community** - One of the fastest growing communities, cyber community is a virtual community. Today, this pertains to Internet users, including social media and other platforms that are engaged with the brand. Although unlike the communities discussed, it is more decentralized and lacks a hierarchy that exists in other communities. However, because of this, the complexity of managing cyber communities falls into the hands of social media managers and forum moderators that can control and influence the flow of information and interaction between users.

Employee and Industry Relations

The idea of employee relations is a loaded one. Many may think that the idea behind it is too abstract that cannot be subjected to a systemic and grounded explanation. Some may agree that to capture the essence of what it is about would be a tall order given the complexity of variables involved in discussing its dynamics. However, in this lecture, we will seek to rationalize the core of employee and industrial relations by first learning the basics of employee relations, its variables, and the dynamics and models that best capture it. Various perspectives will be peered from the microcosm of employee dynamics to the greater whole, as seen in the lens of the company.

Employee Relations vs Industry Relations

Over the past few decades, there has been confusion between the two terms. A debate regarding the nuances between the concept of "Employee Relations" and "Industry Relations" has continuously been contested. Many see the need to differentiate the two, others see that there are overlaps, and many see that these are linked together to the point that they can be used interchangeably (Blyton & Turnball, 1994).

What is "Industrial Relations" for many:

- The term is synonymous and associated with collectives, such as mass movements of workers, trade unions, and others.
- It was also linked to "Industrial" work, such as the manufacturing sector, labor-intensive tasks, and factory work that are full-time.
- The tone of "Industrial Relations" was thought to be more focused on "collective action," such as bargaining agreements.

What is "Employee Relations" for many:

- The term revolves around a smaller subset of industries and goes beyond the collectives, such as trade unions.
- Are no longer just focused on factory work, manufacturing jobs, but now also includes the service sector/non-union entities, part-time, and contractual workers

The emergence of the distinction is also brought upon by the changing industry environment over the past decades. Before the industrial revolution, work was more

inclined toward factory work. Now, we see the factory's idea has diminished also because of the onset of technology and evolution of labor demand from workers. Moreover, the dynamics within these labor spaces have drastically altered the relations between the employer to labor unions against a more individualistic approach now between the employer directly to the employee. The difference in the industry jargon, type of work, and management focus changed the locus from industrial toward the employees.

In more recent practices, the term "Employee Relations" generally focuses on the restrictions and agreements between the industry to its workers in various levels of collectivization, as a union or as an individual. Its main goal is to ossify the interest of its subjects toward the company's goals and aspirations. Under this premise, the idea of industry and employee has moved once more, wherein the relationship between the company and its workers is seen as a unitary entity, working toward a common goal compared to two separate entities in a constant state of bargaining between conflict and resolution.

In this part of the lecture, we will open up our discussion regarding employee relationships.

Psychological Contract and Why It Matters

An intangible agreement between both parties binds the relationship between the employer and their employees. This means that the relationship within the corporate structure is guided and predicated on a set of practices and expectations between them. There exist various sets of assumptions that may not be bound by a solid contract but are, nonetheless, practices that are accepted and expected in the relationship between the employee and their employers.

Examples of these norms are as follows:

- Both parties observe fairness and transparency.
- Employee impact and value are recognized and rewarded by their employer in various forms, such as benefits, tenure, or career growth.
- Both employer and employee will work toward the shared goal of growth that will be beneficial for both parties based on shared values, mores, and vision.

The set norms between employer and employee relationship provide the necessary environment for co-creating value for the workplace environment. Reciprocity exists in this interaction where the employer extracts value from the labor generated by its subjects while at the same time, employees earn monetary compensation, security, and self-fulfillment. Once attained, this psychological contract drives employee satisfaction and motivation, which in turn, creates more value to the organization through better work quality and output. Adding to the broad prescriptions above, the employees themselves seek specific conditions that will further elevate their sense of belongingness and self-actualization, which could be, but are not limited to, **the set of examples below:**

- Community building among peers
- Tenure and security

- Corporate mobility and promotions
- Expansion of skillsets and training
- Humane treatment
- Work/life balance or integration
- Having their voices and suggestions heard by the management
- Impact and performance are duly rewarded
- Flexibility on tasks and processes

For these to work flawlessly, the industry also **sets its standards on its employees** in a cycle where both mutually benefit from their work engagement.

- Proactive and willing to learn
- Has the necessary skills and competence to work on designated tasks
- A team player willing to work with others
- Focused on achieving the goals set by the organization
- Has the initiative to work on tasks with minimal supervision

However, it has to be understood that these are not the only expectations that both the employee and employer may demand from each other since it may vary from different scenarios, organizational dynamics, intensity, extensity, and other forms. What is common is that the harmony between the employer and the employee must exert the best effort to derive the best from their work and tasks, therefore elevating overall productivity and value across the organizational hierarchy.

The challenge for both is to find the right compromise in reconciling many of their differences and instill a system that can operationalize and standardize practices. Failure to meet at a compromise from both parties may mean additional opportunity and transactional cost. This is the worst-case scenario, and therefore, it is in the best interest of employers and employees to arrive at the best compromise that will be fair and just for all.

This dimension of knowing the psychological contract is essential in understanding the dynamics within organizations. Values such as justice, fairness, transparency, trust, dignity, and cooperation come into play in employee/employer dynamic. Therefore, it should not, on the contrary, be assumed that employees and employers share these values by default toward common goals. The diversity embedded in human relationships and collectives complicates the idea of the interactions.

Job satisfaction is an instance where the dynamic is being studied. Employee satisfaction is measured through surveys regarding various aspects of their jobs and each employee's views regarding them. Questions may be asked to raise discussions on reward systems, compensation, conflict resolution, community relations, work processes, and others in both external and intrinsic levels.

Example of factors:

- Power, influence, control, and freedom regarding the tasks given

- Self-actualization and fulfillment when doing their jobs
- Respect among peers and working relationship in the workplace
- Compensation
- Recognition of the personal value

Today's generation of workers is more selective regarding their job choices, resulting in more resignations that contribute to a rising trend of high attrition rates among businesses. The decline in overall satisfaction may be linked to the changing workplace market that is now more accessible and transparent than before. Other than technology, the idea of changing jobs in short periods is also linked to the lack of growth within companies because of the flatter organizational structures, which were widely popular in the 2000s onward due to the rise of smaller and more agile start-up companies. Another contributing factor to this is the emergence of the "Gig Economy," where more and young workers are pushed to pursue part-time jobs because of the lack of wages relative to the demands of the current-day economy. By overstressing their time and energy, most workers lead to burnout that pushes them to leave their post and look for other posts.

Relationship Attachment: Compliance and Commitment

Compliance

The word itself conjures ideas of submission and power. In the relationship between employee and employer, compliance has **different forms and root sources of power** present in this interaction (Etzioni, 1975).

Sources of power:

- Coercive - Punishment
- Remunerative - Financial reward
- Normative - Symbolic awards tied to values held by the company

Forms of involvement:

- Alienative - Negative or antagonistic
- Calculative - Careful and thoughtful of choices
- Moral - Positive and in accordance with norms set by the company

Furthermore, he explained that the sources of power and forms of involvement could be combined, making it nine different combinations. An example of this is if a worker's involvement or reaction toward a task is alienating or negative, resulting in him or her being negligent, then it could be best for the company to be coercive toward the employee to correct the action or subdue the damage to be incurred. Another example is if the act is calculative to the point that it resulted in positive growth and development, then the company may be remunerative in their approach. Lastly, suppose an employee acted positively, and is in line with the moral standards and examples by the organization. In that case, the individual may be given awards of recognition that may bring prestige to the one to be rewarded.

Commitment

Again, following Etzioni, "Commitment" is about involvement or moral bond between employer and employee and sharing an optimistic view that leads to a mutually beneficial relationship. In the nineties, commitment is defined as a belief leading to employees creating positive value and even beyond the expected output. On both definitions, commitment is assumed as a bond between employees and employers and a behavior that can be described and differentiated from others. Experts see that commitment has slight variations between them that can be split into **two distinct forms**.

- **Attitudinal commitment** - Commitment that can be distinguished with the psychological bond of the employer and employee that is held by common norms and values
- **Behavioral commitment** - Commitment that can be described as "going beyond expectations" or loyalty to the company

It should be noted that differences in work environments depend on the culture, industry needs, contractual obligations, and traditions of the environment. Thus, bonds can be interpreted in various magnitudes with slight variations on a common theme. An example of this would be the level of commitment by contractual employees. Comparing it to full-time employees would be faulty. The contractual employees may not exhibit the same level of commitment because of the limited time he/she is expected to engage with the company.

The relationship of the employer to their employees should not be seen as a one-way street where one party sends a message to another: end of the story. In reality, the norms, attitudes, and culture are created by the reciprocation of actors, as one sends a message to the other, he/she then interprets it and gives their feedback; vice versa. Through this ongoing discourse between both, compromises are made, and a new course of action is agreed upon moving forward. In a sense, the company is looking for different ways of acquiring commitment from its workers while the workers are asking for their organizations to meet certain obligations and adjustments to create more value for the company. Companies go to various lengths to show their employees that their work is highly valued, fair treatment is given, and their welfare is looked upon by the organization. This can manifest in performance rewards, added vacation leaves, parties, or awards, just to name a few. Communication between the employer and the employee is key to building the base of this relationship to ensure employee involvement is present in all aspects of this bond. Within an organization that is well managed, workers are expected to yield more value in a workplace that best supports their interests. While some argue that employee focus is nothing but a fad, security employee commitment is one of the most challenging puzzles to answer today's modern workforce. The goals of building this relationship aim to foster values that are important for high performing groups, such as espousing teamwork, proactivity, and continuous improvement or what the Japanese call "Kaizen."

Two Sides of the Coin: Cooperation and Conflict

The relationship between the employee and the employer is best achieved in an environment of mutual support and transparency to reach their desired goals. However, this relationship is never linear nor is ensured. Volatility exists in this interaction just like any human relationship outside the context of the organization. Cooperation and conflict exist and are a part of this ongoing and never-ending interaction. As with other types of human communication and relations, it is never a sure case. The interaction is further developed and improved through the constant construction and reconstruction of norms and beliefs to suit the interests of both parties where the synthesis ends in a compromise. Conflict and cooperation are more akin to the push and pulls of the system and like your laws of physics, minute variations of action contribute to the reaction of other variables in a system.

Central to this relationship is the idea of "perspective" that different actors have. One view on a topic cannot be assumed to be universal unless it is agreed by both parties or written as a doctrine or universal law. Therefore, it should be clarified that perspective is not the view per se but is the way or approach to view a certain idea, context, or worldview. Each actor has these certain variations in views or perspectives that, as students of commerce and industry, should remember and recognize this diversity of thought. Each person has a certain view or basis of their perspectives. Fox (1966) identified that this "frame of reference" has **three different frames**, and these are "unitarist," "pluralist," and "radical/ Marxist" references, which were then expanded in the nineties with the inclusion of the feminist perspective.

(1) Unitarism

As the term suggests, it is a view that assumes that companies and their employees are like-minded and thus, share various commonalities, such as norms and aspirations. Also, central to this perspective is the role of the management and its role as the primary authority over its subordinates, while at the same time, the reason for employee loyalty. This is best described as both paternalistic and at the same breath, controlling. **Examples** of this are the idea of a family or pushing for communal spirit across the organization. In this view, conflict should be avoided at all costs, and is seen as a distraction in the workplace. Therefore, for a unitarist, conflict is a direct result of "poor communication" and not a faulty capitalist system. This perspective is akin to looking at rose-colored glasses where the employment relationship is leaning more on cooperation than conflict.

(2) Pluralism

The difference between unitarism and pluralism is that pluralism looks into the diversity of individuals and acknowledges it. Therefore, it accepts the notion that there are differences in objectives, norms, and perspectives which then creates groups or unions. These groups then create their networks and power structures that may or may not overlap in their goals and preferences leading to conflicts. An **example** of this is the varying functions of departments that may be conflicting to the motives of the other. A

simple representation of this may be in the direction in which the finance and purchasing departments may conflict with the budget and strategy. Another **example** of conflicts that may arise may be on the bounds of job roles and processes that may differ from group to group. For a pluralist, these kinds of conflicts are welcomed and anticipated, and the commitment of the workers is not centered on the management but to their interests. Managers, in this perspective, are not the be-all and end-all of leadership, but a shared structure of power with their subjects or employees. Managers here seek compromise through more engagement and conflict resolution. Differences in this manner are seen as part of the managerial process necessary for the facilitation of leadership and bargaining with employees.

Employees can make their voices heard through collective bargaining which is a mechanism largely associated with unions. By unionizing, the powerless workers now have a solid bargaining base against their employers and have changed the way employee relations work from the industrial revolution to what they are today.

(3) Radical/Marxist

Class and exploitation of workers are the central notions behind the Radical/Marxist perspective. In a much simpler sense, the employer is seen as the evil that merely exploits workers for labor to derive surplus value, which is only accessible to the capitalists and not the laborers themselves. To make a profit, it is acknowledged by believers of this perspective that it can only be extracted by employing cheap labor that costs way less than the final product. This alienation from work is the driving force for Marxist thought that fuels class division and exploitation.

It is understood in this perspective that:

Labor + Technology + Capital = Goods and Services with (Surplus Value)

Tying this belief down to society at large, the same class conflict exists within organizations all because Marxists see that the system is unjust and only reinforces the machine of the rich to accumulate more. In conclusion, this employee relation is merely one-sided and exploitative, which is impossible to resolve unlike the unitarist and pluralists. Conflict in this sense is unavoidable, and resolution through mediation is impossible all because Marxists see compromise and collective bargaining agreements as a surrender to the capitalist machine; therefore, only reinforces the cycle than breaks it. The Radicals/ Marxists only see revolution as an escape and final solution to break the cycle of exploitation and end the practice once and for all in a class war against the capitalists.

Industrial Relations as a System

In 1958, a man named J.T. Dunlop created the idea of industrial relations as a system. For Dunlop, he sees the system rooted in the ideas of "Inputs, Processes, and Outputs"

Outputs

Dunlop sees outputs defined by substantive and procedural rules that manage the main characters or actors within an industrial environment. The difference in substantive and procedural rules for some is rather unclear and hard to grasp.

- Substantive rules - Result of rules such as hourly wages
- Procedural rules - Result of compromises about the system

Procedural rules commonly define substantive rules. In the simplest sense, substantive rules emanate from procedural rules such as an example of how both parties negotiate wages. Just as was said previously, the by-product of the interaction between two parties is then translated as substantive rules. Outputs are the outcome of this that then, in turn, governs the system moving forward. These procedural rules vary from culture, customs, and ethics not only from the perspective of organizations, but also from country to country.

Inputs

Again, for Dunlop, there are three pillars that are the independent variables under "Inputs"; these are actors, contexts, and ideology.

Actors

- A group comprised of laborers who are not part of the managerial level
- A group comprised of managers that may also include employee collectives
- Exogenous agencies that exist beyond the employee/employer relations, such as government agencies, national labor associations, and others.

Contexts

- **Market influence** - Economics and the market play a huge part in industrial relations such as that of emerging market trends, a global competition that pressures firms to be more accommodating, and flexible to employee terms.
- **Technological influence** - The impact of disruptive innovation plays an important role in the system, such as that of drastic changes to production practices, which will force the industry to adapt to the skills sets, manpower requirement, and labor to achieve targets.

Power in this interaction is shared beyond the employee and employer. Recognizing other variables that play a part in the relationship is important for us to see the big picture rationale behind industry relations. Third-party actors, market, and technology variables contribute to the variances of power and distribution of it across the labor chain. This power distribution must be agreed upon by parties involved to create the base for hierarchies and agencies.

Ideology

It is simply the totality of values, beliefs, ideas, and more that are reinforced and shared by all actors across the different hierarchies. Ideologies that are shared strongly

by the actors correspond to a better working relationship and harmonious environment, making the system more stable.

Process Synthesis: Inputs and Outputs

For the system to find a consensus, the inputs are turned to outputs with the help of a process in which actors are subjected. These processes include collective bargaining agreements in resolving the conflict by arriving at a consensus where both parties agree upon. Another way is through arbitration through a third party, or in some severe cases, government intervention to resolve the case. In some other cases, there is no longer a need to tap other parties because it is already resolved at the earlier phase when one party gives way to the other.

Textbook:

Good Governance & Social Responsibility, Danilo Lorenzo S. Delos Santos and
Leveric T. Ng, Rex Bookstore, Inc.
2021