

**A Presentation  
on  
Employee Communications in Troubled Times  
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for  
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# Employee Communications in Troubled Times

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## **The Thesis of this Talk**

### **Troubled Times**

1. In International Relations
2. In International Economics
3. In Domestic Political Systems

### **The Consequences**

1. Price Instability
2. Price Volatility

### **The Responses**

1. In the Management of Employee Relations
2. In the Adoption of Refined Approaches to Employee Communications

# Troubled Times in International Relations

## The challenge in international relations

The world is currently undergoing significant challenges to the consensus positions of the last seventy years:

- The challenge to the consensus position in the management of national security through NATO may be more imagined than real. President Trump has challenged all members of NATO to increase its financial support to the agreed 2% of GDP. However, with the renewed belligerence of Russia, as witnessed by its aggressive policy in Ukraine and Syria, this challenge by President Trump does have some justification. That said, President Trump has openly stated that he favours bilateral agreements rather than alliances and, with the economic and military might of the US, he will always, except possibly with China, be in a position to negotiate a better deal for the US at the expense of the other party to the bilateral agreement.
- The apparent turmoil in domestic politics in major world capitals, say Washington, London and Paris, and the destabilisation of the democratic paradigm, is pushing local South Asian countries to consider making deals with China, where “autocracy combined with market economics” may appear safer than “democracy combined with market economics”. Historically, world leadership has come from the US, the country that has had to assume the role of world policeman, given the destabilising effect of Russia and China on the Security Council of the United Nations. However, that role of world policeman can only be properly fulfilled as long as the US has the international respect to maintain the gravitational pull of other nations.
- In the Middle East, escalating conflict between Israel and Iran, now operating in their own right rather than as surrogates to the US and Russia, seems inevitable as Iran pushes to become the prime regional power, having already established dominance in Iraq, most of Syria, the Lebanon and the Palestinian territories as well as fighting to take control of Yemen. The US White House is in a dilemma, not wanting Iran to fill the vacuum left by ISIS but at the same time wanting to limit US intervention and not be a part of the Iran containment deal. Part of the US strategy is to back Saudi Arabia as a counterweight to Iran in the region.
- In South East Asia, North Korea can never become the prime regional power due to the presence of China and Russia but at least a containment policy is required as long as denuclearisation proves elusive and the costs of reunification appear prohibitive. The real need is for a NATO-type structure for the region but who will lead?

# Troubled Times in International Economics

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## The challenge to the world economic order

- The two dominant world economic powers have diametrically opposed views on the future of the world economic order:
  - ❖ President Trump for the USA is openly seeking to reverse the process of globalisation which for his base support in the US hinterland had prior to his presidency resulted in the departure of major industries to overseas destinations with the consequential reduction in employment.
  - ❖ President Xi Jinping for China perceives globalisation as to the benefit of China's prosperity and development through the inclusion of its industries in the supply chain for the West based on the attraction of low prices facilitated through lower comparative cost.
- The conflict between the two world economic powers is compounded by China's illegal use of intellectual property purloined from the West and applied without either permission or restraint.
- The consequence is a trade war, initiated by the USA using tariffs as weapons and, in so doing, ironically endangering US indigenous business, particularly in agriculture, whereas historically the use of tariffs has been to protect local business and stimulate domestic employment which President Trump has expressed are indeed his ambitions from the use of tariffs.
- This is a time when the markets experience two-to-three days of turmoil followed by a return to their relentless march upwards for which the following observations are true:
  - ❖ Potential share price volatility arising from significant market adjustment as the world economy is reorganised away from globalisation into regional trading blocs.
  - ❖ Tariffs initiated by the US as an attempt to correct the US trade deficit but this short-term tariff policy could persist into the medium-term and beyond as the US has a propensity to generate trade deficits anyway: US consumption feeds demand from imports as well as home-produced goods and the demand for US dollars worldwide increases the value of the dollar and the cost of US imports while reducing revenues from US exports.

# Troubled Times in Domestic Political Systems

## The challenge to domestic political systems

- The challenge to the consensus position on the management of the domestic political system through seeking to capture the centre ground has come under attack through the rise of nationalist movements throughout Europe. The economic success of Germany since their “Year Zero” in 1945 is to a large degree attributed to its political system which favours the formation of centre-based coalitions which by definition have historically side-lined the more extremist parties from government.
- The UK in 2019 in the run up to the European elections is a long way from the days of the Blair New Labour Government when Tony Blair contended that the days of political parties being favoured for their strong ideologies had been replaced by the predominant requirement for administrative competency.
- The challenge to the political systems and the rise of nationalism is illustrated in the UK where Brexit has attacked the underlying assumptions upon which British democracy functions:
  - ❖ The political system is being challenged by the intrusion into representative democracy, based on decisions made in Parliament by elected officials, of democracy by plebiscite, based on a simple majority view determined through referenda but with Parliament retaining “the meaningful vote” on the final decision – a recipe for political confusion!
  - ❖ The problem is compounded by the revisionist second chamber in the UK’s bicameral system not being elected and operating through appointment for life without any accountability to the electorate through the ballot box and, therefore, lacking credibility when it seeks to moderate the bills from the House of Commons with sensible revision.
  - ❖ The most profound demonstration or symptom of the breakdown in the British system of government is the persistent failure of the Prime Minister, Theresa May, to command a majority in the House of Commons which, as it happens, is the one real constitutional requirement to be Prime Minister.
- The rise of populism as expressed through referenda is assumed to be democracy in action when in reality wise political philosophy teaches that tyranny can be by the majority as much as it can be by a single despot if the views of the minority are not taken into account and, indeed, the Founding Fathers of the USA, mindful of this principle, constructed the US constitution to be suitably protected through the electoral college for the election of the President and various other features.
- The consistent preoccupation of the British Government with Brexit as well as causing distraction from other issues that need to be addressed generates share price instability in the markets as businesses struggle to plan, as they face rising import costs with a low sterling and as the temptation for some to leave the UK for relocation in Europe becomes irresistible.
- The further challenge is how far Brexit will inspire nationalist movements in France, Germany, the Netherlands and elsewhere to reinvigorate their own campaigns, thereby creating further instability in politics and in the markets.

## Share Price Instability and Volatility

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### **The management of employee communications in troubled times: where there is share price instability and volatility**

- Put any downturn into context as investment through comparison with other investments and peer group companies.
- Explain the business plan and future opportunities for the company through development plans.
- Give emphasis to the longer-term nature of the investment potential and demonstrate past trend.
- Recognise that the downturn has captured the interest of the employees and use this opportunity to build trust.

## Share Price Instability and Volatility

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### **The management of employee communications in troubled times: where share price instability and volatility (Continued)**

- Continue to invest in the employee workforce, work on other employee participation policies and demonstrate that the employee ownership culture is not limited to employee share schemes.
- Seek to avoid redundancies, if at all possible, and demonstrate that the shareholders are sharing with the employees in the distress through, say, lower dividends, rather than the employees take all the burden.
- Hold regular meetings with the employees, inviting regular discourse on employee share scheme matters.
- Keeping all channels of communications open to avoid pent-up feelings is so essential to the health of corporate relations anyway.

## Sensitising Communications by Country

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### **The subtle communication point is this:**

- The structure of the employee share scheme should be as similar as possible around the world. However, although the content of the communication will be similar, the delivery will be highly sensitised to the different audiences around the world.

### **To maximise employee understanding, this is the key recipe for success:**

- The cultures in which the businesses operate must be understood through research that is internal to the company.
- The use of indices that are developed external to the company enable the company to identify differences between cultural environments in which the company operates.

### **The use of the cultural indices:**

- To develop a cultural profile for a given country, with each index on a scale of 1 to 5.
- Each index score indicates something important about the understanding of that country's predominant culture.
- The communication can then be refined accordingly to maximize the benefit from the introduction of the employee share scheme.
- The outcome is a cultural profile for each country which must then be interpreted in the light of the company profile and the objectives of the company in introducing the employee share scheme.

## The Cultural Indices: The Tools

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**(1) The Emotional Distance Index:**

Measures the level of emotional distance between managers and the people reporting to them. Emotional distance is sometimes referred to as “power distance” and measures the level of trust and affinity between people in authority and the people who are subject to that authority.

**(2) The Individualism/Collectivism Index:**

Measures the extent to which a community is bound by ties of collectivity or, alternatively, is made up of individuals who are pursuing their own personal agendas with or without regard to the collective good of the community.

**(3) The Gender Index:**

Measures the extent to which the traditional role of men and women still prevail in the community.

**(4) The Risk Index:**

Measures the inclination of the culture to avoid uncertainty and for people within that culture to accumulate around them benchmarks as points of certainty and inflexibility.

**(5) The Timescale Index:**

Measures the extent to which the community thinks short-term at the expense of long-term or vice versa.

## Immigrant Minorities

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### When cultures come together in one country:

- The extent to which the presence of migrant minorities presents a challenge depends upon the degree of assimilation.
- Migration, particular if not planned and prepared, can cause severe culture shock which can lead to illness, both physical and mental.
- Research shows that migrants will settle more easily at work than at home and that an apparent normality at work can disguise cultural turmoil back in their domestic setting.
- Language is central to cultural transfer and respect must be given to different levels of fluency so as not to undermine the confidence of those who are using the language as a means of assisting their cultural assimilation.
- The deception of language is to make the rash assumption that peoples who speak the same language will necessarily receive the message in the same way: often they will not!!! the language may be common but the culture may not be common at all.

## Linguistic Implications

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### **Different uses of language that can contribute to cultural misunderstandings:**

- The choice of vocabulary, e.g. (1) The use of the word “Scheme” in the U.S. rather than the word “Plan”; (2) The words “Share” and “Trust” have universal connotation.
- The use of powerful imagery, e.g. (1) The planting of seeds for Sharesave, (2) The division of a cake for profit-sharing, (3) Images of different ethnic backgrounds working together, (4) Images pertaining to the company’s products as a cross-cultural point of unity.
- The Chinese and Japanese have a particular set of beliefs (never say superstitions!!!) revolving around the use of numbers, e.g. (1) In Chinese communities, “4” connotes “death” while “8” connotes “success”, (2) In Japan, always check the use of numbers in examples with the local company.
- Always ensure that the interpreters understand the scheme, speak in detail with them before the communication to ensure their “buy-in” to the scheme.
- Use the tradition of story-telling in agricultural communities.

## Intelligence Levels

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- Always the intention should be to simplify the communication materials and any accompanying presentations.
- Avoid employee embarrassment and humiliation by offering an opportunity to ask questions in private.
- Maximise the ways in which questions can be asked, i.e. in the group setting, in a private meeting or by private e-mail or letter.
- Often a mix of intelligence levels in the communication group can be a help and point of unity, but it can also be a hindrance.
- Enhancing the meaning through significant simplification, using symbols, illustrations and presentational aids, e.g. with miners in South Africa who can neither read or write.
- What is intelligence? Remember that intelligence can take different forms; for some intellectual intelligence may predominate, for others it is emotional intelligence.

## Collectivism Versus Individualism

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### **The relative strength of collectivism versus individualism:**

- The 1980s/1990s/2000s U.K. legislation has sought to encourage both: (1) individual wealth creation and (2) collective social cohesion.
- An understanding of any national or ethnic culture reveals a natural propensity to a predominant disposition of individualism or collectivism.
- Strong individualist countries are (1) former imperialist nations, e.g. U.K. and the Netherlands and (2) countries with significant ambitious populations , e.g. U.S., Australia and Canada.
- The requirement is to achieve an understanding of the balance between the two dispositions.
- The correlation between countries that have an individualist disposition and countries that have a capacity to generate wealth.
- The words individualist” and “collectivist” refer to the natural inclination of a country and not to any enforced approach by a totalitarian government or authority.

# The Gender Factor

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## **The balance between masculine and feminine characteristics:**

- The concern is not the innate biology of man and woman but the gender characteristics of masculinity and femininity.
- The mark of a mature society is where there is a high level of tolerance and this usually correlates with a healthy balance between masculine and feminine characteristics.
- The outcome of the index hinges on the extent to which (1) there is a breakdown of traditional roles within the country and (2) roles are interchangeable within the country.
- The countries in which the natural characteristics of compassion and tenderness prevail, characteristics traditionally associated with femininity, are usually countries in which there is a high level of co-operation that is conducive to employee share ownership and a natural appeal and reception for the employee share scheme initiative.

## Timescale Orientation

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### **Compare and contrast the following:**

- In 1924, when asked about the effects of the French Revolution, Chou En-lai of China replied: “It is too early to say”.
- In 1996, during the last years of British colonial rule in Hong Kong, a group of potential share scheme participants remarked that three years was too long a term for the employee share scheme.

### **The timescale index is impacted by the following:**

- The perception of what constitutes long-term and short-term.
- The expected length of service of the employees.
- The cyclical nature of the business.
- The potential volatility of the country’s political status.
- The state and the response to the world economy.

## Using Cultural Indices: Full Example

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### **Full Example: The U.S.A.**

- Where the indices are not determined by indigenous Americans.
- A country that is a melting pot of migrant cultures.

### **What is the overall relative position on the indices?**

- (1) **Emotional Distance Index**: Low
- (2) **Individualism/ Collectivism Index**: High
- (3) **Gender Index**: Mid-Point with a competitive edge
- (4) **Risk Index**: Entrepreneurial risk in some communities, very conservative in others
- (5) **Timescale Index**: Long-term visionary strategy with short-term steps

# The Summary Approach

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## **The general principles on the use of the cultural indices:**

- (1) Relative benchmarking
- (2) Based on national cultures
- (3) A management tool rather than an absolute science
- (4) Interpret with common sense and practical knowledge

## **The application of the communication strategy:**

- (1) Define the share scheme objectives
- (2) Research the national cultural environment
- (3) Understand the natural cultural inclinations
- (4) Couple with an understanding of the economic situation
- (5) Use cause and effect analysis to best effect
- (6) Apply the cultural indices
- (7) Refine the share scheme communication accordingly

## **Pivotal to this approach are the following:**

- (1) Always seeking to maximise human motivation
- (2) Always seeking to create the compatible environment
- (3) Always seeking to achieve the corporate objectives

## Employee Share Schemes

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**All Best Wishes For Your Business Initiative**

**From David Craddock  
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