American labor unions' impact on the success or failure of Total Quality Management systems

Robert J. Blumhagen

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AMERICAN LABOR UNIONS' IMPACT ON THE SUCCESS OR FAILURE OF TOTAL QUALITY MANAGEMENT SYSTEMS

by

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Abstract

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Transforming an organization to total quality management (TQM) is extremely difficult. Many researchers claim failure rates around 80% after two or three years. When both management and union officials jointly administer TQM systems, the probability of success and long-term commitment to continuous improvement should increase significantly.

This paper is a comprehensive review of the current literature. It is augmented with perspectives from involved organizations and a case study.

Many recent studies confirm that union/management partnerships in managing these programs is important for long-term survival. Unions that collaborate with management provide a structure for employee involvement not existing in non-union organizations or in union organizations where management unilaterally implements TQM. Institutionalizing TQM with formal labor agreements enhances the likelihood that companies and unions pursuing strong partnerships will be among the 20% who see their TQM efforts succeed.
Acknowledgments

This paper would have been much more difficult without the generous help of several individuals. I would like to thank Dr. Dong-One Kim and Dr. Paula Voos from the University of Wisconsin at Madison. Dr. Voos supplied an article which was difficult to locate and Dr. Kim provided me with a source with the names of companies, unions, individual contacts, and brief descriptions of their respective programs. Thanks should also go to Markley Roberts, Assistant Director/Economic Research Department, and John Zalusky, Head of Office of Wages and Industrial Relations/Department of Economic Research, at the AFL-CIO headquarters in Washington D.C. Each provided excellent and timely material that is not widely distributed. In addition, the library services department at the Work In America Institute of Scarsdale, New York, readily supplied me with two very fine articles pertaining to my topic.

Special thanks go to Tom Bryant, Director of Human Resources at Alladin Industries. Mr. Bryant made arrangements for Bill Cooper, Vice President of Operations, Joe Russell, President of Local 4802, United Steelworkers of America and Charlotte Harris, Chairperson of the Grievance Committee of Local 4802 to telephone me. Alladin provided office space and time for the union representatives to participate in this project. All of the people from Alladin
were extremely forthcoming with helpful information and very generous with their time.

Defining a topic narrow enough for a Masters thesis under the broad umbrella of TQM was difficult. Gary Parson, Assistant Professor and my undergraduate advisor at Central Washington University, suggested focusing on the role unions play in the current work environment. His suggestion was the inspiration for this paper.

I would also like to thank my graduate committee of Dr. Maureen Fleming, Dr. Lee Tangedahl, and Dr. Gary Cleveland for their patience in this project. It took me considerable time to define my proposal. Current literature on this topic is appearing regularly in professional journals and the mainstream press. Cutting off the plethora of information and finally writing the paper took longer than originally anticipated. Committee chair, Dr. Cleveland was instrumental in guiding me through this process.

Finally, I want to thank my wife Francy for her support throughout the process of earning this degree. We maintained two households, over five hundred miles apart, for about ten months so I could realize this dream. It would not have happened without her unwavering support.
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CHAPTER 1

Introduction

Japanese firms began surpassing their American competitors in product quality in the 1970s. The emphasis on meeting or exceeding customer's needs was a result of Dr. W. Edwards Deming's and Dr. Joseph M. Juran's work with the Japanese following World War II. They both stressed the importance of quality, continuous improvement, trust, and employee participation in achieving a competitive advantage. Japanese automobile manufacturers gained substantial market share in the 1970's as a result of the OPEC oil embargo and the quality of their smaller fuel efficient vehicles. They produced a vehicle that met the American consumer's needs when U.S. manufacturers were still producing large fuel inefficient cars and trucks.

Many articles began appearing in America's mainstream press about the Japanese management philosophy and work environment. In the United States, Ford, General Motors, Xerox and others began experimenting with "Quality of Work Life" programs (QWL) (Beer, et al, 1985). In many respects, total quality management is an extension of QWL. Both systems emphasize trust and employee empowerment.

Union membership declined precipitously during the 1980s (Noble, 1993). It began when the Reagan administration busted the Air Traffic Controllers Union in 1981. This action created a climate where organized labor
was placed on the defensive. Many American businesses began demanding major concessions during contract negotiations. Two entirely different strategies regarding labor relations were pursued by business. The first was an adversarial relationship where blatant attempts were made to oust the unions or close plants and re-locate to areas where union support was weak or move out of the country. The second path was one of cooperation and treating unions as business partners.

Competitive business conditions during this time forced many organizations to re-evaluate their management practices. The dominant thrust has focused on total quality management (TQM). TQM requires a transformation of corporate culture in most organizations. The TQM philosophy focuses on the customer and employee empowerment where the worker who makes the actual product has more decision making authority and in many cases has direct contact with the customers (Juran, 1986). This shift of responsibility has significant implications on labor/management relations.

Organized labor’s poor reputation got worse during the Reagan and Bush administrations. Some may argue that unions are responsible for the decline in American manufacturing and competitiveness. Strict work rules and specialized job classifications prevent the flexibility enjoyed by the Japanese. In recent years, some unions have agreed to loosen the prohibitive work restrictions and contract
language (Noble, 1993).

Transforming an organization to total quality management is extremely difficult. Some researchers claim an 80% failure rate on these new systems (Bak, 1992). Some reasons for the high failure rate are lack of commitment from top management, shortage of employee "buy-in", and a view toward short-term success. This research project will evaluate relationships between unions and management and the likelihood of success when TQM and employee participation systems are implemented. If both union and management jointly administer TQM systems, the probability of success and long-term commitment to continuous improvement should increase significantly (Harrison, 1991, and Kelley and Harrison, 1992). In this scenario, both parties must compromise on adversarial contract provisions. When both parties are equally committed to the long-term success of TQM and employee participation systems, they can reduce the risk of being one of the 80% failures that attempt these programs.
CHAPTER 2

Methodology

This paper is a comprehensive review of the current literature. It is augmented with perspectives from involved organizations and a case study.

Recent research articles are appearing that examine business success rates concerning TQM related employee participation systems and the relationships between unions and management. Interviews were conducted with the research division of the AFL-CIO of Washington, D.C., the American Society for Quality Control (ASQC) of Milwaukee, WI., and the Industrial Relations Research Association at the University of Wisconsin, Madison. After these initial interviews, a questionnaire was developed and used to interview a company that is unionized and has implemented an employee participation system. Four individuals were interviewed, a company officer, an operations manager, a local union official, and a plant steward. Contacts were made by telephone. Each interview took between 45 minutes to one hour and 15 minutes. This anecdotal research contributes to the existing body of knowledge on jointly administered TQM efforts.

The company was selected from five candidates. The candidates were selected from the U.S. Department of Labor’s publication The New Work Systems Network: A Compendium of Selected Work Innovation Cases, 1990. Since a primary
purpose of this study was to examine the level of sustainability for more than a few years, this publication was an excellent source. Mid-size companies between 800-1500 employees were selected. Smaller firms of less than 800 employees may not have adequate resources to implement and sustain TQM properly. Larger companies with multiple unions would appear to have difficult logistical problems in starting participative programs.

The company selected was Alladin Industries of Nashville, Tenn. Alladin was very enthusiastic about this project and went out of its way to accommodate my requests.
CHAPTER 3

Case Study

Alladin employs 1400 people of which about 1000 are in the bargaining unit, Local 4802 of the United Steelworkers of America (USW). There are two divisions of Alladin: The Vacuum Bottle and Kerosene Lamp Division and Alladin Synergetics, Inc. The Synergetics division manufactures feeding systems for large institutions such as hospitals and prisons. The Vacuum Bottle and Kerosene Lamp division manufactures the Stanley thermos bottle and plastic thermal cups. The thermal cups are sold extensively for promotional purposes at convenience stores and are also a popular item on college and university campuses. These cups are custom printed for each respective customer. They are also sold generically through large retailers such as K-mart and WalMart. Interestingly, retailing the thermal cups to the general public was a result of their popularity in the institutional market. Hospitals reported that patients "stole" the cups and they couldn’t keep them in stock. Alladin felt if they were so popular in that environment a strong marketing opportunity existed for the general public.

A brief description of their various employee participation programs follows. There are several different group efforts in place at Alladin Industries.

1) Production Cells: The plastics department has production cells with between 5-20 members depending on the
task. One management supervisor will have either two or three cells reporting to them. Production cells have a union "Set-up Person" who is responsible for ensuring that the machinery is performing within quality standards. If an operator notices the process is out of control, he/she reports to the set-up person who makes the necessary adjustments to the machine to bring it back in control. If the adjustment doesn't take care of the problem, the set-up person will report to the supervisor who decides if the process should be shut down. However, every person is responsible for quality on the shop floor and has the ability to stop a process if it is not meeting quality standards.

2) Labor Management Committee: This group consists of both Management and Union Negotiating Committees and the USW district director from Atlanta. This group was started in 1981 and meets halfway through the life of the contract, about every three years, in what the company calls the Mid-term Review. The purpose of the review is to discuss the concerns of both parties about the present labor agreement or any other items of interest. This meeting is held off-site and usually lasts one day. Any item can be discussed at these meetings and if necessary task forces will be formed to achieve additional results. The contract is not officially altered as a result of these discussions, but corrective action is taken if both parties agree. The
contract language will be updated with the signing of the new agreement. Each contract lasts for three years.

3) Quarterly Reviews: As a result of the success of the Mid-term Review, both parties agreed it would benefit everyone if management and hourly workers met more frequently. In 1981, a joint committee of union and management started attending trade shows. The company felt this would be an effective way of getting to know each other better. It also allows the hourly workers who actually make the product to meet the end user of the product. Management selects the supervisors and the union selects the hourly employees. Each trade show has a contingent of 6-8 people. The people attending trade shows become members of the Quarterly Review group in addition to both negotiating committees. There are 3-5 trade shows per year which the company/union attend.

The biggest show, The AFL-CIO Union Industry Show, is open to the general public with attendance approaching 250,000 people. Alladin was the first company to have hourly workers staff the booth in 1981. Most companies have sales representatives staff their booths but some have followed Alladin’s lead and are now staffing booths with hourly workers.

The company also sends representatives to the National Housewares Manufacturers Show, the American Dietetic Association Show, The Premium Show and the National
Association of Convenience Stores Show. Each person who attends a trade show is a member of the Quarterly Review group. Shortly after a show, a quarterly review is held to discuss what the group discovered. The members of the quarterly review are encouraged to communicate with fellow workers about the trade shows and the quarterly review meeting. The company gives the employees time off and pays for the trade show visits and for the quarterly and mid-term reviews.

At the beginning of each new contract term, the quarterly review group consists of both negotiating committees and the group that attends the National Housewares Show, which precedes the contract signing. This group expands throughout the life of the contract with the addition of other trade show participants. At the end of the contract, the quarterly review group will consist of approximately 60-80 members.

Alladin’s management has been cautious in labeling any of their programs. The three mentioned above are the exceptions. They have purposely stayed away from labels such as Quality of Work Life, Total Quality Management, or Just-in-time. But Alladin’s Human Resource practices parallel all of the programs promoting employee
participation.

Alladin’s experiences will be integrated throughout this paper.
CHAPTER 4

Historical Perspectives

Quality innovator J.M. Juran, on May 24, 1994 at the Annual Quality Conference sponsored by the American Society for Quality Control, Inc., predicted that "future historians will refer to the 21st century as the Century of Quality" (Juran, 1994). If this is the case, many American businesses will need to abandon the mass production mentality that has dominated since the late 1800s. A new paradigm will be necessary which will have broad repercussions on labor/management relations.

This current emphasis on quality has deep historic roots. The role of the craftsman as both manufacturer and inspector dates back to the European Middle Ages where craft guilds were highly structured with apprenticeship training, journeyman, and masters. Many of these craftsmen dealt directly with the customer and the quality of their products determined whether they remained in business. (Evans and Lindsay, 1993). Craftsmen were important in early American history. Adam Smith published the Wealth of Nations in 1776 and his principle of breaking industrial work into its simplest and most basic tasks was forerunner to mass production as we know it today. His philosophy was a reaction to "restrictions imposed on business and trade by medieval guilds and mercantilism of the sixteenth and seventeenth centuries" (Collier's Encyclopedia, 1958).

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The industrial revolution capitalized on Smith’s philosophy and by the last half of the 1800s, U.S. manufacturing had shifted from an environment where skilled craftsmen were responsible for the quality of their product to one where unskilled labor predominated and managers and engineers determined the production processes. "The control styles of management in this country come out of low trust" (Covey, 1990). This distrust sowed the seeds for early union organizing activities in this country. Lynn Williams, President of the United Steelworkers of America, contends that:

"Steel craftsmen, who built the first union in the steel industry in the 1890s, were, in many ways, the managers of the shop floor and, therefore, of production in that era. They functioned with pride in craft and product. These craftsmen’s business was smashed by industrialists Andrew Carnegie and Henry Clay Frick, not because of the quality of their product--which made Carnegie and Frick among the wealthiest men in the world--but because these two men resented the increasing influence of the craftsmen" (Williams, 1993).

Taylorism, or scientific management, was popularized around World War I and is still widely embraced today. Frederick Winslow Taylor described his approach to management this way:

"The managers assume... the burden of gathering together all of the traditional knowledge which in the past has been processed by the workmen and then of classifying, tabulating, and reducing this knowledge to rules, laws and formulae. ... All possible brain work should be removed from the shop and centered in the planning or laying-out department [sic] (AFL-CIO, 1994)."
Working conditions under this environment further encouraged union organizing efforts where workers sought protection against abusive employers.

Taylorism flourished throughout American society during World War II in business practices, government organizations, educational systems, and military command and control structures. Millions of military personnel returned to civilian life firmly believing in the hierarchical structure where managers made decisions and workers carried out those decisions.

Following the war, American businesses concentrated on producing mass volumes of goods to meet "an unparalleled demand for consumer goods. In addition, management and leadership skills learned in the military created an environment where Taylor's scientific management flourished" (Jackson and Frigon, 1994). American businesses were not concerned about quality until foreign competition, especially Japanese and German, began to increase market share in the 1970s. Our toughest competitors enjoyed distinct competitive advantages. The U.S. helped rebuild Japan's and Europe's infrastructure following WWII. Their manufacturing facilities were newer and the technology they utilized was more efficient. America's heavy manufacturing sector, especially steel and automobiles, were still producing in factories constructed around the turn of the century. Work processes were designed under the Taylor
model and new technological innovations were often opposed by powerful union officials.

The OPEC oil embargo in 1973 proved to be a critical turning point in global competition. Higher gas prices led to an increased demand for more fuel efficient vehicles. The big three U.S. automakers were still producing large fuel inefficient cars and trucks while the Japanese and Germans produced quality fuel-efficient vehicles. American automakers were unable to produce the type of vehicles the consumer demanded. When they introduced smaller models, the quality didn’t match their foreign competitors. Poor quality was widely blamed on lazy American workers and unions. Little attention was focused on the production process itself. According to W. Edwards Deming it is the process that is responsible for 85% of quality problems (Deming, 1975, and Costin, 1994).

Numerous articles began appearing in the American press stressing quality and Japanese participatory management styles. Deming and Juran had worked extensively with Japanese manufacturers since WWII but received very little recognition for their successful efforts in the U.S. Most executives felt management practices in Japan were unique to their culture and would not work in America. "American society itself is characterized by individualism and adversarialism . . . Even our education system is premised on individual competition--not cooperation" (Kearney and
Hays, 1994). These articles in conjunction with declining market share and profits led to experiments in employee participation programs such as Employee Involvement (EI), Quality of Work Life (QWL), Quality Circles (QC), Self-Directed Work Teams (SDWT), Participative Decision Making (PDM), and others which have evolved into today's popular term of Total Quality Management (TQM). The early attempts were designed to develop more positive attitudes among workers thus increasing their commitment to the products they produced. It was believed absenteeism and employee turnover would decline when workers had more say in their work environment. Workers were still identified as the source of the quality problem rather than the system itself.

The 1980s produced a radical shift in public sentiment toward unions with the election of Ronald Reagan. In 1981, Reagan ousted the Air Traffic Controllers Union (ATCU) after making extensive campaign promises seeking their endorsement during the 1980 presidential campaign (Beer, et al, 1985). Reagan not only broke promises to the ATCU but established an anti-union environment, which permeated the 1980s.

During the last three decades American businesses pursued three different labor relation strategies: union avoidance, cooperation or a mixed strategy. The union avoidance approach emphasized de-certification of bargaining units, introducing new technology to reduce the workforce, concession bargaining techniques which reduced the union's
power, opening new plants in right-to-work states, closing plants with unions, adamantly opposing any union organizing efforts, and replacing striking workers with no provisions for re-hiring the strikers (e.g., Air Traffic Controllers). The cooperative approach incorporated a number of different employee involvement programs such as employee involvement, quality circles, self-directed work teams, and quality of work life programs. The mixed strategy combined cooperative efforts in unionized facilities and the union avoidance tactics in non-union facilities and new plant openings.

Some bold experiments began emerging in the 1970’s, specifically in the U.S. auto industry, called Quality of Work Life (QWL). These programs were based on the premise that employee involvement would lead to more satisfied workers which would translate to a more productive workforce. "The main impetus for employee involvement has been the declining competitiveness of American companies, primarily in the manufacturing sector" (Levine, 1992). Many of the experiments failed to obtain the desired results and were abandoned in a few years. Some, however, flourished and evolved into a corporate philosophy or culture. The new paradigm on employee empowerment is popularly called Total Quality Management (TQM).

Dr. A. V. Feigenbaum first coined the term total quality control when he published the book Total Quality Control (TQC) in 1961. In the book he emphasized "that all
functions of the company must join their efforts to build quality into its products instead of ‘inspecting’ quality in" (Jackson and Frigon, 1994). Control in the name of the system was replaced by Management over the years because control was so closely aligned with Taylorism, which is identified today "with bureaucratic efficiency without a human face, a deadening science that undermines quality rather than creating it" (Waxler and Higginson, 1992).

TQM’s basic premise is meeting or exceeding customers' expectations. There are two types of customers, external customers who eventually buy the product, and internal customers who transform the product in the next step of the process. Under TQM, employees are empowered. Employees are responsible for the quality of their products. When products don’t conform to quality standards the process is either shut down or the product is rejected. Each organization must tailor TQM for its own unique situation but some fundamental beliefs apply:

Each company adapts the primary principles to fit their unique culture, but there are several elements common to all TQM programs:
1) a focus on the customer;
2) continuous improvement based on measurements;
3) preventing rather than detecting errors;
4) top management commitment and involvement;
5) strategic business focus on quality; and
6) employee involvement (Levine, 1992).

Such programs are difficult to sustain for very long. Many researchers claim TQM systems surviving more than five years range between approximately 20-30% (Bak, 1992,
Huszczo, 1991, and Jacob, 1993). Perhaps the greatest reason for these high failure rates is that TQM cannot be treated as management’s latest program-of-the-month or be implemented in a cookie cutter fashion. TQM requires a total change in philosophy about how workers and management relate with each other and how they might compete more effectively in the global marketplace. In other words, a transformation of the corporate culture is needed.

The heavily unionized manufacturing sector has suffered the most economic difficulty from foreign competition in the past twenty years. In order to succeed against increasing foreign competition both management and organized labor need to re-evaluate their historically adversarial relationship. For both to survive in the 21st Century of Quality each party must develop a new paradigm, a new way of conducting business.
CHAPTER 5

The Need for Change

As major U.S. industries experienced a continual decline in market share, the decade of the 1980s saw a tremendous interest in the quality phenomenon "by customers, industry, and government" (Evans and Lindsay, 1993). In 1984, the federal government proclaimed October as National Quality Month. The Malcolm Baldridge Award was established by an act of Congress in 1987 to honor U.S. firms committed to quality leadership. Work systems were introduced in new American facilities modelled after Japanese management styles which empowered employees (Rubinstein, 1993). In an effort to survive, both management and organized labor started re-evaluating their traditional roles in the collective bargaining relationship.

To facilitate discussion about work environment experimentation, in 1990 the U.S. Department of Labor published an extensive book entitled *The New Work Systems: A Compendium of Work Innovation Cases*. This book profiled approximately 400 companies involved in cooperative efforts with employees. It listed companies within industries, by unions, and by geographic regions and how they approached employee involvement programs.

To compete effectively in the global marketplace during the Century of Quality, business will require the flexibility in work processes to respond quickly to
customer’s demands and competitor’s marketing strategies. Flexibility translates into reduced set-up time in production processes, broader skills and knowledge required of workers, faster product introduction time, and more relaxed job definitions in union environments. The bureaucratic systems so well entrenched by Taylorism don’t lend themselves to flexibility. Economies of scale in manufacturing were proving too costly. Huge inventory build-ups occurred when the economy slowed as a result of mass production of certain model types in the auto industry. Designing and introducing new models took several years in the U.S. auto industry. The Japanese were introducing new models in about half the time.

New technology and products are being introduced at a record pace creating many problems for global competitors. Highly successful products are being replaced in the growth period of their product-life-cycle by new versions with more amenities or alterations requested by consumers. Since it was introduced in 1979 Sony Corporation developed 227 different models of the "Walkman" or a new model every three weeks. Competition for shelf space has never been more aggressive than it is today. Tom Peters claimed, "there were 16,143 new drug and grocery store consumer products introduced in 1991, up from 2,689 in 1980. The average supermarket now carries 30,000 items versus 9,000 in 1976" (Peters, 1992). Computer software and operating system
upgrades are introduced incessantly.

This rapid paced environment of global competition requires a workforce which is able to adjust to competitive pressures quickly and the ability to produce quality products. To accomplish this, many organizations have revised their systems but have failed to abandon Taylorism.

Many U.S. firms have responded to the pressures of increased competition by attempting to make mass production more flexible. Flexible mass production retains hierarchial management structures, old power relations between managers and workers, separation of conception and execution, relatively high use of low- or narrow-skilled workers, and the routinization of work (Applebaum and Batt, 1993).

Many early efforts at TQM were unilaterally implemented by management. Eaton found that 73 of 86 participation programs in unionized companies in 1987, were initiated by management (Eaton, 1990). Most union leaders were reluctant to give official union endorsements to these programs. Leaders feared they might be viewed by the rank and file as selling out to management and undermining the viability of the union’s role in the collective bargaining process. In the case of Ford Motor Co., which had been experimenting and expanding their Quality of Work Life System since the early 1970s, management and unions were forging partnerships in the management of these programs.

For organizations to fully capitalize on their workers’ experience, education, and intelligence, management must change its long standing method of organizing work and begin
to empower employees. "The traditional system of work organization is built on mutual distrust; that is why it relies on a hierarchical command-and-control regime" (AFL-CIO, 1994). Employee empowerment and collaboration requires an environment of trust and cooperation.

"Companies generally agree that the Taylor system is obsolete and should be replaced, but don’t agree on what should replace it" (Juran, 1994). The historical adversarial approach between workers and management "is essentially obsolete, rendered inappropriate by today’s mutual requirement for better productivity and a more successful battle against foreign competition" (Gilmour, 1992).

Management itself may provide the greatest obstacle to accomplishing a more flexible work environment. All layers of management have power bases established on the extent of span of control and information. When each worker is responsible for quality and has the necessary information to make decisions, the foundation of the power base is severely eroded. Many of the failed attempts at TQM are a result of mid-level manager’s and first-line supervisor’s direct subversion of the programs and top management’s lack of commitment and follow through to ensure all layers of management are "walking the walk." Top management must be fully committed to a new philosophy in worker/management relations if the new work systems are to succeed.
The sharp decline in union membership during the 1980s presented union officials with many problems. Companies were introducing new technology to lower labor costs by displacing workers. When management discussed the impact of global competition with union leaders, "most unions dismissed employers' demands for change as the same old handwringing by fat-cat bosses" (Bernstein, 1994). As membership declined, many unions were reluctant to organize new industries or non-union facilities because of their declining public image and the expense involved. Slowly, some union leaders began to see cooperation with management as an opportunity to stabilize or increase memberships. Unfortunately, "most collaborative efforts appear to be formed only when the company's well-being and employees' job security have been or are about to be threatened by competition" (Cooke, 1990).

At Alladin the motivation for change was a result of a three day wild-cat strike in March 1973 followed by a twenty three week contract strike beginning in January 1974. All of the individuals interviewed at Alladin went through this experience. Both company and union officials described a horrible situation where long time friends turned on each other, hourly workers were fired, and customer service and quality deteriorated. Tom Bryant, Director of Human Resources, said, "It screwed up an already screwed up relationship. It damn near ruined the company and damn near
ruined the union." Joe Russell, present Union President, stated, "Prior to the strike, each side tried to prove who was stronger. Union leaders were fighting the company all the time. It was us against them."

Following the 1974 strike at Alladin, two groups emerged within the Steelworkers local. One faction, headed by the elected union leaders, wanted to continue the adversarial relationship. Another faction wanted a different environment. At the next election, according to Russell, "the vote wasn't even close. Only a small minority didn't want change."

Another reason for changing the work environment is strictly for financial reasons. Juran estimated, that "quality improvement projects provide a higher return on investment than virtually any other investment." With initial outlays between $5,000 to $20,000 to diagnose the cause of the problem and identify its remedy, large organizations with sales of $1 billion or more will, on the average, yield cost reductions of $100,000 on quality improvement projects (Juran, 1986). Ironically, many companies do not provide the necessary resources or lack the commitment for quality improvement. Juran also classifies four types of costs associated with poor quality. First, internal failure costs that are incurred prior to shipping products to customers. Second, external failure costs associated with product defects after shipping to the
customer. Third, appraisal costs that identify the condition of products and raw materials. And fourth, prevention costs associated with preventing defects and limiting failure and appraisal costs (Juran, See Appendix A: Juran's Categories of Quality Costs). Philip Crosby states, "Quality is free. . . What costs money are the unquality things--all the actions that involve not doing jobs right the first time" (Crosby, 1979).

Deming attributes causes of variation which lead to lost sales and high costs under two categories:
1) Faults in the System that account for 85% of products not conforming to quality standards. These faults are designed into the system and will never be corrected unless management directly addresses system design.
2) Special Causes that are specific to a certain worker or machine. The operator can usually identify and correct such causes. These account for 15% of non-conforming products (Deming, 1975).

Management must recognize its responsibility for correcting the system and building quality in, rather than inspecting for quality and blaming workers for sub-standard products. Only then are they likely to seek input from the workers who actually perform the tasks. "Implementing empowerment in an ongoing operation is more difficult because of the need to change the old autocratic structure and control practices" (Rubinstein, 1993). Dispelling long
standing antagonistic attitudes takes time. However, if this new relationship can be created it should break the traditional mass production mentality and replace it with an attitude where every employee is concerned about producing quality products.

As companies move away from the Taylor model, management may embrace the concept "that labor is an important human agent in the formulation and control of the production process" and seek the cooperation of union leaders and their members (Waxler and Higginson, 1992). Ignoring the importance of labor has created "a profound sense of mistrust that has often led to lower productivity and poor quality at a time when increased productivity and high quality are often the only way for a company to survive" (Waxler and Higginson, 1992). According to Owen Bieber, President of the UAW, "world class quality can only be achieved when workers have a genuine voice in decisions that affect the quality of products and services" (Bieber, 1993).

Managers must determine how their organizations can sustain TQM beyond the two to three year time frame. When continuous improvement is one of the primary objectives for implementation, management must create an environment where TQM philosophy becomes a way of life not just another faddish program. Key elements of that philosophy are trust and commitment. To "walk the walk" both unions and managers
should pursue a joint partnership in managing TQM systems, otherwise they are just paying it lip service.
CHAPTER 6
Transforming Culture

America’s approach to labor relations is unique in the global marketplace. Our approach to organized labor has been adversarial in most cases. In comparison, our strongest competitors, the Japanese and Europeans have universally recognized trade unions as an integral part of running a business. Labor councils are established through governmental legislation and are key participants in hiring practices, work rules and capital investment decisions. Unions and management work cooperatively with one another and have not relinquished their traditional power bases. "[E]very Western European country except Britain and Ireland has a legally mandated second channel, such as works councils... These groups, usually elected by employees, provide input into making managerial decisions" (Bernstein, 1994). In Japan, companies with communist labor unions commonly experience "mental and physical disturbances." (Matsuo, 1983). Unions are guaranteed that right under Japanese labor law which was originally drafted under the supervision of General Douglas McArthur. However, each party recognizes that prosperity for the company is in the long-term interest of each and "most union members have an underlying trust in the company and usually consider the general welfare of the entire company before they present their demands" (Matsuo, 1983).
In the U.S., "few American managers have ever accepted the right of unions to exist, even though that's guaranteed by the 1935 Wagner Act" (Bernstein, 1994). Most managers feel threatened by unions and believe if their companies are unionized they will be unable or strictly limited to manage their business effectively. Union organizing drives are a stinging commentary on past management practices and an indictment of certain managers.

Recently, there has been a slow shift from adversarial relationships. At the 1993 Malcolm Baldridge National Quality Award Ceremony, President Clinton in addressing the winners said:

All of the success stories have a common theme: The companies listen to the needs of their customers and to the ideas of their workers. The companies streamline their operations and adopt the idea of continuous improvement in products and services. They manage from the top down and from the bottom up. This is better known now as quality management (Bemowski, 1994).

There has been a split between managers and workers in this country ever since the industrial revolution. It has been documented by novelists, song writers, social scientists, and political commentators. The divide has been described as: "thinkers and doers, capitalists and proletarian workers, skilled and unskilled workers, master and servant" (Beer, et al, 1985). This attitude has led to the development of two cultures in most organizations. These two cultures have typically been adversarial and distrustful toward each other. "Union leaders and their
counterpart labor relations managers have their own culture" (Evans and Lindsay, 1993). Total Quality Management is an attempt to create single culture organizations, which breaks down these traditional animosities.

Professor William N. Cooke of Wayne State University identified four fundamental problems organizations must overcome when unions and management attempt to implement and sustain TQM over the long-term. They are: problems of distrust between the parties, insufficient commitment from management or union members, demoralization of workers and managers, and the balancing of cooperation with the more traditional collective bargaining relationship (Cooke, 1991).

The first major impediment to overcome is distrust. The two different cultures present in most organizations were probably developed when the company was founded. These cultures need to come together to create a common culture which is mutually beneficial to both parties. Many union leaders believe that employee participation programs are a direct threat to their existence. Some unions have resisted involvement in these efforts out of fear that the company is attempting to subvert traditional union roles by changing work "schedules, assignments, and job classifications or by usurping grievance procedures and union authority in resolving grievances" (Cooke, 1992). To overcome these long-standing attitudes, astute managers should involve
union leaders early in the process and proceed slowly on substantive issues, sending clear signals they can be trusted. "[A] true collaborative effort cannot be undertaken if at the same time the company is pursuing union busting tactics or other actions perceived to dilute the strength of the union" (Levine, 1992). Hostilities developed over many years cannot be changed overnight.

Alladin management and the newly elected union officials wanted to avert what led to the 1974 strike. The union recommended a forum to develop better communication. The Mid-Term Review was formed in an attempt to address each side's concerns. Both negotiating committees began meeting at off-site locations. An open dialogue developed and the 1977 contract was signed four months prior to expiration.

Commitment is the second obstacle to overcome. For TQM to be more than the program-of-the-month, top managers must be thoroughly committed to a fundamental change in their management techniques. They must discard the short-term outlook, so prevalent in U.S. companies over the past several decades, and realize that TQM efforts "may easily take five to ten years to implement properly during which time setbacks are likely to occur" (Sharp, 1991). Top management must recognize that TQM will result in a fundamental change in the organization and "the failure to implement it correctly can leave a company much worse off than it was before it even considered the process" (Niven,
CEOs must become active and visible participants who promote quality planning on an equal basis with financial and market planning. They must realize that if global competitors are producing goods and services of higher quality than theirs, all the financial and market planning will be worthless. The CEO needs all levels of management to be equally committed to the process. Adequate resources must be allocated for training. Before committing to TQM, all of the firm's top executives, including the CEO, should receive extensive training (Gilbert, 1992, and Ferguson, 1993). These individuals must be fully aware of the potential risk involved with such a radical departure from traditional management styles. The CEO should be intimately aware of Juran's seven nondelegable roles of top management (See Appendix B: CEO's Nondelegable Roles).

"Management's treatment of management often becomes the crucial determinant of whether the 'culture' of the organization truly changes. . . Middle level managers have subtly sabotaged more EI efforts than perhaps any other group" (Huszczo, 1991). Most managers must genuinely change their ideologies and values. "Actions must replace words. . . Too often leaders are more capable of saying the words than changing their behavior" (Huszczo, 1991).

The third hurdle facing cultural transformation is demoralization. Early in the process, numerous inefficient
and wasteful practices are easily identified and corrected. These are usually minor adjustments in processes which increase productivity and save money. Workers have probably been aware of these for some time but had never been asked how to improve the system. As the TQM process advances, methods for continuous improvement become more difficult to identify and may involve numerous departments. Cross-functional teams are established and solutions become more complex and time consuming. In many cases, management has unrealistic expectations and time tables to achieve certain goals. Believing that every group should and must succeed is unrealistic. Early champions of TQM may leave the organization without a sufficient foundation developed to ensure continual enthusiasm for the process.

The fourth obstacle is combining joint efforts with traditional collective bargaining. These two activities are inherently in conflict, with deep historical roots. The unions’ traditional role of protecting its members from harsh management practices must continue. Cooperation doesn’t imply grievances will be eliminated, nor does it mean that unions will forfeit their right to strike. However, both sides can agree to disagree but still work in an environment of cooperation.

Traditional bargaining relations exist at Alladin but the trust developed over the years has led to reduced grievances. Both parties tend to address issues immediately
and seek acceptable resolution. Charlotte Harris, Chair of Union Grievance Committee, said they try to resolve differences before the complaint is officially filed in the form of writing.

The high failure rate of TQM after a few years may be due to the lack of initial agreement by unions to actively participate. Unilateral implementation by management is risky. United Auto Workers (UAW) Vice President Irving Bluestone warned, "Unless the union is involved as an equal partner, these programs amount to paternalism. Whatever management gives, management can take away" (Beer and Spector, 1985). After the initial burst of successes in cooperation programs, problems become increasingly complex and momentum is difficult to maintain. Many people lose interest or become frustrated and the programs slowly die. In non-union environments, successful TQM efforts usually hinge on a few key leaders. When these people are promoted or leave there may not be adequate interest to continue the effort.

Each cooperative effort has to be uniquely designed for each situation. "TQM is not a one-size-fits all program. It needs to take conditions at each company into account" (Niven, et al, 1993). When General Motors (GM) and the UAW agreed to cooperate at the national level, both "carefully avoided imposing any set QWL package or program on the local plants" (Beer, et al, 1985).
The most common starting point for implementing TQM is the appointment of a top level steering committee or council. The CEO should play a major role in this group. This group becomes responsible for formulating and coordinating the activity throughout the company (Juran, 1986). "The most effective systems include union representatives and managers in these coordinating groups" (Rubinstein, 1993). By involving the union, communication channels are improved, in all directions, throughout the company. The union can facilitate worker buy-in more effectively than management. Unions often have more credibility with their members than management has and can legitimize employee involvement programs in the eyes of workers (Stuart, 1993, and Bahr, 1993). The steering committee oversees the creation of the infrastructure, establishes goals, allocates the resources and ensures top management commitment.

The "infrastructure includes the facilities, personnel, training, systems, and core competencies. . . Required for implementing the policies and guidelines" (Jackson and Frigon, 1994). Union involvement in these efforts "provide a check on managers and owners who waver in their commitment to the new work order or who seek to revert to old ways" (AFL-CIO, 1994). Middle managers and first-line supervisors are naturally anxious about these new work systems and perceive them as a threat to their historic "authority,
power, and status" (Cooke, 1991). The traditional structure of tasks, departments, and divisions should be "supplemented to enable it to meet strategic quality needs" (Juran, 1986).

Initial goal setting can be problematic from the standpoint that goals based on historic performance may not be appropriate in the new model. "This practice has tended to perpetuate the sins of the past" (Juran, 1986).

Allocating sufficient resources for extensive training is crucial. Training for quality in the hierarchial organization has normally been concentrated on quality managers and engineers. In a collaborative system, training must involve all functions. Workers must learn and feel confident with the seven quality training tools as well as understanding the philosophy of continuous improvement and employee empowerment. "The expenses of training as well as the wages for people attending meetings rather than working on the production line can become quite large" (Huszczo, 1991). Applebaum and Batt found that two highly successful participative programs at Corning and Xerox spent huge sums on training employees. In the implementation phase at Corning, training costs ran as high as 23 percent of payroll. Xerox spent, on trainers alone, $9 million in 1985, and valued the entire time employees spent in training over a three year period at $70 million (Applebaum and Batt, 1993).

Upper management leadership may involve revising
managers incentive plans to coincide with quality objectives. Managers will become facilitators and coaches and will need to be evaluated on different criteria. Groups or teams will be responsible for the organization's success, not "star" performers. With regard to union/management relations, Bill Cooper, Vice President of Operations at Alladin, stated, "Our livelihood depends on how you perform as a group not against each other." Breakthroughs in process improvements need to be communicated throughout the organization and be used as role models for other groups or teams.

Certain individuals will be skeptical of such far reaching shifts in the company's culture. Top management must be totally committed, involved and visible. Lower level managers and supervisors will follow the examples of their superiors. Managers involved in successful participative cultures point out that training is essential to teach executives down the line how to empower employees (Brown, 1992). For all of the workers to become active participants, management should invite union leaders to help plan and administer the program. Treating them as equal partners will enhance management's credibility with the rank and file. "[T]he unions interest must be the long-term viability of the company because this provides for job security for members and ensures an adequate retirement income in the future" (Sharp, 1991).
CHAPTER 7

Training, Sharing Information and Transferring Knowledge

Training individuals in empowerment and participatory decision making skills is management's responsibility. Adequate resources must be allocated in the earliest phases of TQM implementation. "Training or lack of it is part of the system. Training can be improved only by management, certainly not by the workers" (Deming, 1975). Many executives who embarked on TQM stress the importance of top management training before implementing the system (Gilbert, 1992). The executive steering committee must be fully committed to this new philosophy or it won't work. "One shot training sessions aimed at changing styles that represent years of habits just don't have much effect" (Huszczo, 1991).

This new participative model requires different skills than the traditional hierarchial system. Management must demonstrate their sincerity through their own actions and union leaders must respond in kind. Many executives covet the end result of TQM but are not capable of actually dealing with the dilemmas associated with relinquishing power to the workers. Certain individuals can talk the talk but not walk the walk. "A dude is a person who can dress like a cowboy, but can't ride a horse... Actions must replace words... Too often leaders are more capable of
saying the words than changing their behaviors" (Huszczo, 1991). Rubbermaid’s CEO Wolfgang Schmitt stated "I’ve had to visibly be part of it. People look to see if you just talk about it or actually do it" (Jacob, 1993).

Once top management has decided to embrace TQM philosophy, middle managers and supervisors must receive appropriate training. Empowerment implies trust. The role of the manager/supervisor "requires skills above and beyond the skills needed to perform such roles in the traditional manner" (Huszczo, 1991). A fundamental element of TQM is the recognition by management that 85% of quality problems are attributable to the system. The system is the responsibility of management. Participatory management, in many ways, is contradictory to American business practices. We preach and practice democracy in our society but leave it behind at the corporate gate. Taylorism prevails even when most people are bored with their jobs. Taylorism and rugged individualism are "diametrically opposed to communal decision making and power" (Brown, 1992).

Juran said that one broad corporate training program appropriate for all employees should be designed, "but with provision for plugging in special case examples as warranted" (Juran, 1986). Attempting to fine tune training for each area in the company isn’t necessary. This approach should help facilitate a common culture in the organization with every person receiving the same basic message.
Training should focus on team-building, problem solving, communication skills, cooperation and the seven quality tools. These include flowcharts, check sheets, histograms, pareto diagrams, cause-and-effect diagrams, scatter diagrams, and control charts (Evans and Lindsay, 1993).

Not all employees want to be empowered because they are either "not trained to make decisions or they are afraid of the risks involved" (Niven, et al, 1993). Training workers on the seven quality tools, especially statistical process control, assists workers in identifying machines needing adjustment and whether incoming materials and parts conform to quality standards. When workers are exposed to these concepts and put them to practice, decision making skills and confidence levels will increase. "If the union is to fulfill its role as an equal partner in increasing productivity, improving quality, and lowering costs, it must have the knowledge to participate effectively" (Sharp, 1991).

Many firms have refined their training programs to just-in-time practices. This method provides training to workers when they actually need it. One company, Analog Devices, experimented with half of its 900 employees receiving standard classroom training while the other half received team training on the job. "Less than 40% of the first group felt they had actually put their learning to work, while 80% of those trained as teams did" (Jacob,
1993). Typically in unionized settings, management attendance at training sessions is required while the participation of hourly workers was voluntary. The hourly workers have generally participated more enthusiastically than many expected. At GM, "participation ran between 90 and 99 percent (Beer, et al, 1985).

There are two basic types of teams: functional and cross-functional (Jackson and Frigon, 1994). Functional teams consist of workers doing the same type of job for a certain process where cross-functional team members contribute to the same process but have different jobs in different departments. TQM and employee participation focuses on processes and how to make each one the most efficient. "As key processes begin to prevail over functions, organizational structures and internal boundaries are being redrawn, and the results are improved service quality and shorter cycle times" (Bak, 1992). When teams improve process efficiencies, these successes should be widely publicized as model programs. The knowledge of how it was accomplished should be shared with other teams so they might benefit from the experience.

Many organizations transfer this knowledge either verbally, in company newsletters, posting on bulletin boards, internal memoranda, group meetings, or a combination of these. There has been a great deal of attention paid recently to knowledge transfer or sharing of information.
"[W]hen an organization reengineers itself around information, the majority of management layers becomes redundant. Most turn out to have been just information relays. Now, each layer has much more information responsibility" (Harris, 1993). Traditionally, knowledge has been equated with power and for that reason many managers withheld it from contemporaries. In the emerging global marketplace, "power comes from transmitting information to make it productive, not hiding it" (Harris, 1993). Knowledge should not be confused with data. Companies successfully sharing information within their organizations try to focus on what information they need to serve their customers. (Harris, 1993) Some businesses are developing formal structures to ensure pertinent information is catalogued and readily available to anyone who needs it. The personal computer has contributed to this phenomenon. Individuals are discovering that the sharing of one idea can lead to input from numerous sources improving the initial concept. The computer also allows a number of individuals to access the same file simultaneously, unlike capturing information on paper, storing it in a file, and passing it on sequentially after each task is completed (Hammer and Champy, 1993). Any number of people can work on the same project at the same time providing better service to the customer. Knowledge data banks are becoming formalized in many companies. They allow individuals to gain from others'
experiences. When knowledge is shared with team members and others in the organization the company achieves greater workplace flexibility.

Another strategy in training and knowledge transfer is to hold certain types of training in abeyance until the business experiences economic downturns. "An organization that implements quality systems properly should recognize the value of training as a way of filling in the inevitable valleys in the business cycle" (Rubinstein, 1993). When production requirements diminish, employees receive pertinent training which facilitates greater flexibility when production demands increase. Training of this nature increases two important aspects of the employee’s relationship with the company—mutual respect and trust (Rubinstein, 1993). It is extremely difficult for many firms to obtain skilled workers "in view of the lack of national training standards or programs for training and retraining the 70 percent of workers without college degrees" (Applebaum and Batt, 1993). Training existing employees, rather than laying them off, during downturns could be cost effective and develop the committed workforce companies desire.

Employees involved in collaborative efforts need pertinent information to make informed decisions. Withholding information resorts to paternalistic practices that Irving Bluestone was concerned about in the QWL program.
pursued by General Motors. QWL was initially proposed by the UAW but was rejected by GM. Many GM executives felt the program was a sell-out to the union. Ironically, whoever finally agrees to collaboration, participation, or joint administration of these programs is viewed by their colleagues as surrendering to the enemy. Who is the enemy? Our global competitors or our workforce or management? When unions are truly involved in joint administration of the programs, pertinent information must be exchanged between the parties. The concept of empowerment rings hollow if this fundamental ideology is not adhered to. Selectively supplying information to the other party undermines respect and mutual trust, it’s not consistent with the principals of TQM. Unions can establish the checkpoints in information transfer more effectively than coinciding efforts in non-union environments. Union leaders normally have better access to top management than their non-union counterparts in TQM systems. At Alladin information is shared with union officials at the Quarterly and Mid-term Reviews. Alladin is privately held and does not release profit and loss statements but does share production and sales reports by manufacturing areas on percentage comparisons to previous years, reports on competitors, and information on major developments in manufacturing processes and new technology. The union officials said they are well informed on overall business conditions and the company responds positively when
additional information is requested. At Xerox, union and management officials are trained jointly in statistics. Internal financial documents are shared with the union. At National Steel Corporation, "USW officers get data on everything from earnings to market conditions--to help see what it takes to compete" (Bernstein, 1994).
CHAPTER 8

Streamlining

Flexibility requires an atmosphere where decisions can be made quickly. In a traditional hierarchial organization, problems are sent up the chain of command to the appropriate decision maker, possibly shifted to another functional area, and then passed back to where it originated. During this time of indecision, virtually nothing is done to correct the problem. Critical time has been wasted and little or no value has been added to the product or service. Verbal communication may also distort the nature of the problem at each step of the decision making process where the "real" problem may not be properly identified. An inappropriate solution could result, frustrating the workers and customers involved.

Many companies have been eliminating layers of management to address this dilemma. Technology is playing a vital role in corporate downsizing. The personal computer can make information instantly available to anyone who needs it. "Management used to mean getting things done through others, now it means getting value added" (Higginson and Waxler, 1993). As a result, work is being organized around processes, not functions or departments. Many layers of middle management are eliminated (Bak, 1992).

When these layers disappear, "decisions get kicked up to senior executives, rather than down to first-line
supervisors" providing top management with a better understanding of the organization's pressing problems (Brown, 1992). Union Pacific Railroad executives believe that 95 to 99.95 percent of their time is wasted by not adding value to their product or service (Peters, 1992). To effectively implement a downsizing strategy, "two key messages must be articulated by senior management. . . The first is here is where we are as a company and this is why we can't stay here. The second is: This is what we as a company need to become" (Hammer and Champy, 1993).

According to Cooper, Alladin has eliminated at least two layers of management in the production department since 1981 and in certain areas as many as four layers have been cut. When union officials, Russell and Harris, were asked about the number of management layers between the worker and the CEO, they felt there were about the same or one more, but top management was more accessible.

A philosophical shift occurs in a situation where management begins to trust employees. Teamwork is encouraged and managers become more participative. They realize "workers who are closest to the problems have the understanding and knowledge necessary to make all but the most nonroutine decisions" (Kearney and Hays, 1994). Who reports to whom becomes unimportant. Verifon CEO Hatim
Tyabji described their structure "as the blueberry pancake model, very flat, with all blueberries equal" (Peters, 1994).
CHAPTER 9

Labor/Management Relations

Sustaining TQM efforts in an organization for more than a few years is difficult. Initial champions of the effort either retire, leave, or get promoted. "Efforts that are dependent upon the enthusiasm and skills of a few key people are very vulnerable" (Huszczo, 1991). If the TQM philosophy is to prevail over the long-term, both management and unions must re-evaluate their traditional relationships.

"Effective collaboration is constructed from a foundation of mutual respect and trust--not a simple thing to build in the face of years of fierce adversarialism and bitter battles across the bargaining table" (Kearney and Hays, 1994). The adversarial relationship also diverts money from other areas which would benefit both parties such as organizational development, problem solving, communications, training, and productivity improvements (Katz, Kochin and Weber, 1985).

The union proposed the Mid-term review at Alladin. Both parties learned to work together on issues of mutual concern and interests in the early sessions. As time progressed, these discussions have become more substantive. According to Tom Bryant, Director of Human Resources, there was a common understanding from the outset. They were all riding the same train. He also stated, "union officials felt uncomfortable with labels such as Quality Circles," a
popular term at the time, and leaders felt there was potential for management circumvention of the union's role as the worker's representative. Alladin still doesn't attach a term to their employee participation program. According to Cooper and Russell, "It's just a way of life and the way we do things around here."

Both parties should consider that many of their historic power roles may undermine the very essence of the TQM philosophy. Management rights clauses exist in virtually every collective bargaining agreement in the U.S. They provide that management can operate the business in any manner they deem appropriate if it is not specifically negotiated in the contract. These may include plant or department closings, work scheduling, sub-contracting bargaining unit work, methods of production engineering and design of products, types of equipment to be used, etc. This is the very system that Deming feels is responsible for up to 85% of the business' quality problems. These management rights preclude viable input from the union in many areas where a team/collaborative approach is desirable. "[M]anagement rights... doctrine is an enemy of quality and high performance in the workplace" (Sheinkman, 1993).

Top management decides whether TQM will be implemented and how. Introducing just-in-time production strategies and other TQM approaches will be viewed skeptically by a number of groups. Workers and lower level management personnel may
fear that they will not be able to cope with the new skills and behavior that will be required (Jackson and Frigon, 1994). Union leaders feel threatened that management will usurp the union’s role as the worker’s representative, circumvent the grievance procedure, and make process improvements that affect job security (Levine, 1992). Any of these groups, workers, union officials, first-line supervisors, and middle managers, can subvert the effort during the planning or implementation phase by giving lip service to it, while not actually doing what is necessary to make it succeed. People strongly resent forced change (Jackson and Frigon, 1994).

It is imperative that top management involve all of these constituencies to facilitate as much buy-in as possible. It is their responsibility to properly train all levels of managers and the workers. However, they have no obligation to involve union leaders unless they choose. Involving union leadership can encourage cooperation by the rank and file, if the workers believe management’s sincerity in allowing them to be partners in the design and implementation of the system.

Union officials, on the other hand, will be required to change some long held beliefs. Michael E. Bennett, UAW President of Local 1853, predicts that the most successful unions in the 1990s will also be the most participatory (Levine, 1992). The AFL-CIO recommended:
The new work systems require unions to embrace an expanded agenda and to assume an expanded role as the representative of workers in the full range of management decisions in which those workers are interested (AFL-CIO, 1994).

Rapid technological advances in the last decade were never envisioned when labor relation laws were enacted in the 1930s. These innovations have significant implications on the collective bargaining process. Most agreements are negotiated for three to four years, with pay scale adjustments made during the life of the contract. Substantive language remains the same for the duration of the contract. In today's rapidly changing global marketplace, more flexibility and methods for adjusting the contract may be necessary. Charley Richardson of the University of Massachusetts maintains:

Bargaining over technology takes three general forms: conditions bargaining, impact bargaining, and technology bargaining. Historically, most unions have done conditions bargaining, wherein conditions of work, pay, advancement, etc. are contractually imposed regardless of technological change. Impact bargaining...recognizes that technology is changing and allows the union the right to bargain over the impacts...only after the major decisions have been made... Technology bargaining begins from the assumption that, at every stage of design, development, and implementation, there must be negotiations between the company and the union (Richardson, 1993).

The concept of unions negotiating over technology undermines the essence of management rights clauses. This has normally been management’s exclusive privilege and may necessitate a new approach in labor/management relations.
Organized labor and business leaders have addressed this new philosophy in a few recent reports. The Collective Bargaining Forum was comprised of corporate executives from Xerox, American Airlines, Ford, Kaiser Foundation, Scott Paper, Alcoa, CSX, and Ameritech and union presidents from the Communication Workers, the Auto Workers, the Paperworkers, the Bricklayers, the Clothing and Textile Workers, and the Steelworkers.

The purpose of the forum is to seek ways to improve the climate and the conduct of labor-management relations in the United States while improving American businesses' competitive capabilities with ever increasing global competition (Gilmour, 1992).

The forum released an initial report in 1988 through the U.S. Department of Labor entitled New Directions for Labor and Management. A second treatise was released in 1991 entitled Labor-Management Commitment: A Compact for Change. The Compact identifies seven obligations and responsibilities to deal with the future of labor bargaining relationships. They are:

1) American unions and management must accept their joint responsibility to work together to improve the economic performance of U.S.-based enterprises in ways that serve the interests of consumers, stockholders, workers, and society.

2) Unions can not commit to aid the competitive economic performance of companies unless management accepts and
supports the legitimate role of unions within the enterprise and throughout society as a whole.

3) Employment security must be taken into account when reconciling the tensions between competitiveness and human values.

4) Full employee participation on a sustained basis is critical to competing in a changing world.

5) Conflicting goals must be resolved without destroying or jeopardizing the bonds between union and management.

6) Managements and unions should explore ways to increase joint efforts with a sense of immediacy.

7) Where cooperative efforts to deal with workplace problems are not enough to secure competitiveness, it may serve the mutual interest of the parties to work together in developing joint positions that can be used in seeking the participation of executive and legislative branches of government, both federal and state" (Gilmour, 1992).

In February 1994, the AFL-CIO released a monograph, compiled by its Committee on the Evolution of Work, entitled *The New American Workplace: A Labor Perspective.* This committee was comprised of top union officials from about thirty of America’s most powerful unions. It reiterated many of the points made by the Collective Bargaining Forum and went on to recommend that the AFL-CIO "should take the initiative in convening conferences and seminars for trade unionists to share experiences, to teach
and learn from each other" (AFL-CIO, 1994). If collaborative efforts become as widespread as these studies indicate, labor/management relations could see the most drastic change in our history.

Whether management involves the union at the beginning or later on is their choice. Once empowerment or involvement programs are established, union leaders should establish a parallel structure which has the proper safeguards in place. This might be negotiated in the contract or a side-letter of agreement. As Irving Bluestone stated when these programs are unilaterally implemented, "what management gives, management can take away."

Professor George Strauss at the University of California stated, "Unless the new system is embedded in law, as in the form of a union contract, the majority of employee involvement programs will be dead in four years" (Brown, 1992). By acknowledging collaboration in a formal agreement, "neither party is likely to ask for their removal, even when interest in the activities is waning" (Huszczo, 1991). Both parties are more likely to focus on long-term competitiveness rather than short-term financial performance. Many companies have acknowledged the benefit of involving the union in these efforts. "The presence of the union at Xerox strengthened the process of change, provided continuity in the face of management turnover, and provided a constant pressure for management to be
accountable to its work force" (Sheinkman, 1993). Rubinstein discovered formalized agreements on quality are starting to become more common.

Appendix Q of the collective bargaining agreement between the United Auto Workers and Ford Motor Company provides for joint leadership in the quality improvement effort. Provisions are made for union-management joint quality committees at corporate, division, and facility levels. These committees have the authority of the contract to jointly plan, implement, evaluate, and expand quality systems as needed. That kind of commitment cannot be easily changed by a change in management or, for that matter, a change in union leadership (Rubinstein, 1993).

During the 1992 negotiations at AT&T, both union and management recognized the fast-paced and dramatic change in the marketplace, technology, and competition required a different relationship. Cooperation and collaboration should replace the adversarial labor-management relationship to assure the survival of both the company and the union (Stuart, 1993). A greater number of companies acknowledge that their success in quality systems can be credited to the union. "Enlightened managers are providing a receptive environment and the unions are providing the competitive edge. It is now critical for labor relations attitudes in this country to shift" (Rubinstein, 1993).

The collective bargaining agreement between Alladin and the United Steelworkers of America local 4802 does not contain language regarding their employee involvement programs. Cooper stated they try to keep contractual language as simple as possible and if any party has concerns
about specific language during the life of the contract, these are discussed. If the parties agree to a change, the new interpretation will be honored until the next contract negotiations when the language is modified.

Both parties must retain certain rights in this cooperative environment. Identifying those areas where both sides agree to cooperate while not sacrificing traditional power roles can be an arduous task. "[P]arties choosing to cooperate must fashion relationships that effectively balance cooperation and conflict. Cooperation does not mean... that unions and employers are expected to relinquish their relative power or their primary end goals" (Cooke, 1991). Conflicts will continue to exist. That does not mean that union/management relations must be contentious. The AFL-CIO envisions partnerships where these conflicts are addressed in "an atmosphere of mutual respect, trust and good will" (AFL-CIO, 1994). Indeed, many unions have continued adversarial relations at the bargaining table, representing their member's best interests, while cooperating and embracing TQM philosophy on the shop floor (Business Week, 1981, and Myers and Killeen, 1994). Cooperation does not mean unions will relinquish their grievance procedure rights. But the hostile attitude during grievance meetings may change to one of more open dialogue when the parties are accustomed to working cooperatively on other matters. Alladin union officials Joe Russell and
Charlotte Harris, Chairperson of the Grievance Committee confirmed this. They both attended a grievance meeting the day before our interview. Both felt each party openly expressed their concerns and both sides listened. They feel the number of grievances have declined and those that do proceed are resolved more quickly with fewer going to final arbitration.

One reason unions may be instrumental in sustaining quality programs is the existence of the grievance procedure. Non-union firms typically do not have a formal process for resolving conflicts between workers and management, where 99 percent of unionized firms have contractual grievance language and 95 percent provide for third party arbitration if disputes are not satisfactorily settled between the two parties (Freeman and Medoff, 1979). When one side dictates the rules, policies and objectives of involvement, maintaining worker’s commitment to continuous improvement is extremely difficult.
Forging partnerships between unions and management can strengthen the competitive position of the company, therefore increasing long-term job security for the workers. In numerous companies the TQM effort was initially proposed by unions. The United Autoworkers' Irving Bluestone initially proposed the possibility of a joint union-management QWL committee. General Motors declined to participate. A large number of GM executives felt QWL was another passing fad, or worse, a capitulation of management rights to the union (Beer, et al, 1985). At Corning, management initially began the program in 1982 but it did not prosper until 1989 when both sides drew up company goals. The union first encouraged TQM "but it never would have worked if management had not demonstrated clearly its good faith by putting up millions of dollars for training" (Waxler and Higginson, 1992). Traditional adversarial positions have been abandoned by both parties to facilitate cooperation and collaboration. Managements have agreed not to oppose union representational drives at new plants in a number of instances. Corning built two new facilities "that were immediately filled with union employees, thus saving the union money by avoiding a costly union organizing campaign and immediately creating an environment of trust" (Waxler and Higginson, 1992). In 1979, GM agreed to "a preferential
transfer policy for unionized workers who wished to move into the new Southern plants. . . virtually assuring the UAW's victory in all ensuing representational elections" (Beer, et al, 1985).

Forming union/management partnerships is not so radical as it might first appear. Joint partnerships have existed for many years in numerous areas of human relations such as safety and health or training. "Virtually every function (except discipline) traditionally managed by a Personnel/Human Resources Department has become a joint program in some organization in this country today" (Huszczo, 1991). Treating unions as equal partners in areas which determine the long-term viability of the company gives them an opportunity to help shape the future of the company. These areas include engineering and product design, work processes, capital expenditures, and new technology. (Applebaum and Batt, 1993). Unions have complained about having to suffer the effects of mismanagement. Being an equal partner will enable them to have more input on critical decisions affecting their job security (Huszczo, 1991).

Partnerships in cooperative efforts are at record levels in this country. About half of all unionized facilities have joint union/management programs in place (Cooke, 1991, and Applebaum and Batt, 1993). United Steelworkers President Lynn Williams stated in late 1993:
As I write this, the United Steelworkers of America has achieved the first of its New Directions agreements with the Inland Steel Company. It is truly a joint accomplishment, with a new partnership that provides:
* Full worker involvement across the company with information and effective participation at every level
* Training of workers and managers, together and separately, in the skills and understanding required in this new approach
* Restructuring and modernization within the framework of employment security
* A new level of guarantee by the company that, whatever the future holds, its obligations to its employees will be met
* Recognition of the union as a quality organization, its need to exist, and its right to seek representational authority in areas where it does not exist (Williams, 1993).

This agreement conforms with the four general guidelines advanced by the AFL-CIO's Committee on the Evolution of Work. Williams was a member. They are:

First, we seek partnerships based on mutual recognition and respect.

Second, and in accordance with the concept of recognition and respect, the partnerships we seek must be based on the collective bargaining relationship.

Third, the partnerships must be founded on the principle of equality. In concrete terms, this means that unions and management must have an equal role in the development and implementation of new work systems, including equal representation and control over any bodies created as part of the work reorganization.

Fourth, the partnerships must be dedicated to advancing certain agreed-upon goals reflecting the parties' mutual interests. . . .successful partnerships must be dedicated to achieving both more productive and more democratic and humane workplaces (AFL-CIO, 1994).

Lastly, if these relationships are to succeed,
management must consult with unions on all reductions in workforce matters, including sub-contracting of bargaining unit work, and allow the union to evaluate previous sub-contracting decisions. Reductions in force is the major reason cooperative efforts are abandoned (Sharp, 1991).
CHAPTER 11

Effects of Participation in Union and Nonunion Environments

Employee participation programs exist in a variety of settings: non-union operations, unionized operations where programs are implemented and administrated by management, or in unionized settings where joint committees of executives and union leaders direct the programs.

By definition, partnerships cannot exist in non-union facilities because there is no recognized group officially representing the workers. There may be certain workers viewed by their peers as leaders, but these individuals have no legal standing, as their union counterparts do. In non-union operations, sustaining EI programs is dependant on a few influential individuals. These people leave for a variety of reasons and the program's support tends to leave with them. Sidney Rubinstein, a team consultant for labor and management since the 1950s, estimates "four-fifths of unionless programs fail" (Noble, 1993). Many feel that it takes extraordinary management in non-union environments to promote and sustain EI because individual managers can develop their own departmental agenda, which may be inconsistent with top management's intention. In this situation, top management must discover, on their own, which managers are undermining their objectives. The workers may not fully understand these objectives, since the goals may
have been conveyed by these same unsupportive managers. "In a union setting, the union is present to point out the concerns of employees when individual managers are not supporting the program" (Sharp, 1991).

Programs controlled exclusively by management, in either union or non-union environments, violate fundamental tenets of TQM philosophy and may be the reason 80% of TQM efforts fail. One of Deming’s fourteen points was the elimination of fear in the workplace (See Appendix C, Deming’s 14 Points). Eliminating fear empowers employees who are not reluctant to make suggestions and identify systematic problems (Gilbert, 1992). Union membership provides workers with a certain level of protection when they openly disagree with supervisors. This can promote respect and trust. Trust flows both ways. When workers aren’t trusted to cooperate in the design, direction, and establishment of priorities in TQM then it really isn’t TQM. When employees don’t have a true voice in the process, sustaining worker’s commitment over several years is difficult and most likely the attempt for continuous improvement will vanish. When "unions are excluded from or choose not to assist in administering programs, participation activities yield no gain in quality" (Cooke, 1991). However, when unions attempt to sabotage participation efforts, there is no significant correlation with program survival rates. This interesting finding by
Adrienne Eaton suggests, "that although the lack of union commitment may hurt a program, active attempts to get rid of the program tend to have no such effect, a conclusion many trade unionists would probably find disturbing" (Eaton, 1994).

In those situations where the union is asked to participate in administering the programs, Cooke found that:

Establishments with jointly administered programs achieve quality improvements substantially greater than those achieved through either management-controlled programs or traditional collective bargaining relationships that exclude direct participation activities (Cooke, 1992).

There are certain situations where union involvement has yielded little or no benefit. A more experienced workforce tends to resist team efforts because of long-standing work rules and certain privileges accruing with seniority. More senior workers may not want to perform some of the mundane tasks associated with less senior positions which are still necessary procedures in the team-based approach (Cooke, 1990). Another situation which hinders the survival of the programs is when multiple unions are represented in the same facility. Each one is likely to have different approaches to collaboration "making their administration more complex" (Eaton, 1994).

The most successful Employee Involvement efforts have several common traits. First, traditional management power is replaced with employee responsibility and a focus on the
customer. Second, communication channels are redefined and traditional organization boundaries are adjusted. Third, significant attention is paid to activities which increase trust, mutual respect, and commitment. Fourth, an understanding that improvements in processes won't translate into job loss. Fifth, both union and management representatives are active participants on all coordinating committees. And last and certainly not least, the participation is institutionalized by formal language in the collective bargaining agreement or in a side-letter agreement.

Early studies examining the impact on companies' economic performance with Quality of Work Life, Employee Involvement, Quality Circles, or Total Quality Management programs were mixed. In 1985, Katz and others revealed two somewhat contradictory findings. The first was that "hourly workers' involvement in QWL programs has no impact on economic performance." They also found a "positive association between comparatively high levels of hourly workers' involvement in QWL programs and relatively high level of direct labor efficiency and product quality" (Katz, Kochan and Weber, 1985). Their study evaluated 25 manufacturing facilities of a large durable goods manufacturer for the period 1978-1980. They did not specify how long these programs were in effect at the different plants nor did they address how these plants compared with
competitors during the economic recession which existed at the time. TQM concepts have advanced a great deal since the time of this study. And the programs may not have existed for the five or six years it takes to realize significant benefits.

Subsequent studies have revealed different results. In 1986, William Cooke conducted a study comparing the results of firms pursuing cooperative teamwork and those pursuing an adversarial approach in unionized settings. His measurement, value added, was defined as operating income plus inventory divided by the number of workers. He compared the results of the two different approaches over a decade. He found those companies pursuing a cooperative teamwork approach reported a 19% increase in value added while combative firms reported a 15% decline. The 34% difference represents a significant cost to those firms seeking union avoidance tactics (Bernstein, 1991, and Waxler and Higginson, 1992).

In 1990, Cooke studied employee/supervisor relationships. He reported when there is substantial union leader membership on the top steering committees employee/supervisor relations showed greater improvement than when they were not well represented. He also found team-based programs meeting weekly yielded "substantially greater improvements in employee/supervisor relations than either less active teams or committee-based programs"
In 1991, Cooke determined that "jointly-administered participation programs (but not unilaterally administered programs) in unionized firms lead to quality improvements equivalent to, if not slightly greater than, participation programs in nonunion firms." He surmised that "the key to unleashing positive union effects is through the joint administration of participation programs." He also found, "Where unions are excluded from or choose not to assist in administering programs, participation activities yielded no gains in quality" (Cooke, 1991).

Cooke researched participation programs again in 1992 comparing the three different environments: unionized firms with jointly administered programs, unionized firms with unilaterally managed programs and non-union organizations. He found that workers in non-union or unionized firms, with sole management control of the program, received only the information management believed they needed to know. In jointly administered programs, union leaders were in a better position to obtain additional information they felt was necessary to make informed decisions. Union officials may interpret the information differently than management, leading to a broader discussion of potential solutions. Union leaders have better access to top management when proposals are blocked or ignored by lower level managers. In non-union environments, workers have very little access
to top management. Jointly-administered programs provide
the framework for indoctrinating new managers in the
participation principles when the ground rules are clearly
understood (Cooke, 1992). "Unions have a positive effect on
quality circles. . . the average survival rate of circles
increased from 65 percent in nonunion firms to 91 percent in
unionized firms" (Levine, 1992). Both Bryant and Cooper of
Alladin feel there are certain advantages in dealing with
unions. Supervisors can’t make up their own rules and a
structure exists where everyone knows what to expect.

EI programs are implemented intending to improve
product quality, increase worker’s commitment to their jobs,
reduce turnover and absenteeism, facilitate improved
communication and cooperation between workers and
management, broaden worker’s skills, and improve labor
relations. If these objectives were to be realized, rework
would decline significantly, inventories and safety stocks
would be virtually eliminated, market share should increase,
processes would be fine-tuned, grievances would decline, and
negotiations at contract time would go more smoothly.

At Alladin the contract has been re-negotiated at least
four times since forming the union-management committee.
All parties agreed that grievances have declined. Rework is
minimal, an incredible $4200 of re-work performed on a $15
million production budget over the past three months.
Productivity is up. Management officials said employee
turnover is about the same while the union leaders said it was down. Everyone felt negotiations went more smoothly and took less time. The number of issues remained about the same but they swept unimportant issues aside quickly getting down to "brass tacks earlier."

In Katz' 1985 study, he stated:

> The more telling test is whether industry can maintain positive effects through a complete cycle of contract negotiations, negotiation of changes in local work rules, and turnover of key management or union decision makers; also telling are events in an even broader context—for instance, engagement of management and union officials in major bargains over strategic issues like the organization of new plants or reinvestment of resources in existing plants (Katz, et al, 1985).

In the late 80s and early 90s, as these programs matured, many of these concerns were addressed. Most notably by The Collective Bargaining Forum in 1988 and 1991 and the AFL-CIO's Committee on the Evolution of Work in 1994. The Carnegie Mellon Institute found in a recent study that, "Non-union factories with employee involvement programs are 34.9% less productive than union factories with no formal programs at all" (Waxler and Higginson, 1992).

"[N]onunion workplaces with joint labor-management problem-solving committees are significantly less efficient and less likely to provide employment security than is a traditional union-based system" (Kelley and Harrison, 1992, and Thornburg, 1993). The researchers found that for TQM programs to be successful in large, multi-facility companies
the support of the union is essential. There has been a general perception that unionized facilities are less cost effective than their non-union competitors because of higher wages. However, "more than 50 quantitative studies have concluded that the higher productivity of unionized companies offsets most of their higher costs" (Bernstein, 1994). When the union is directly involved in the administration of the programs "workers are more likely to participate aggressively and without fear through their own organization than through a system dependent solely on management’s goodwill" (Sheinkman, 1993).

Many academicians, business executives and labor leaders are realizing significant benefits of jointly-administered programs. "[M]any of the best-practice cases of team production involve unionized workplaces; and managers in these companies argue it is precisely the combination of human resource practices and partnership processes with unions that makes the decisive difference" (Applebaum and Batt, 1993). USW President Lynn Williams predicted participation programs in non-union environments won’t survive very long because the workers don’t have a say in how the gains are shared, unlike their union counterparts (Noble, 1993). Recently, more publicity has focused on American businesses benefiting from these new management approaches. Success stories from Ford, Xerox, AT&T, Scott Paper, National Steel and others have encouraged diverse
industries and their respective unions "to collaborate daily on everything from work assignments to marketing strategies." One such attempt at GM's Saturn Corp. has redefined roles for managers and union leaders. "[T]eams of workers largely govern themselves and union officials are involved at every level of management" (Bernstein, 1994).

This new paradigm requires fundamental changes in the leaders' and workers' roles. Both parties have great stakes in the outcome--survival. If the participation programs are implemented properly and are to be sustained for more than a few years, unions must be treated as equal partners. When company profits increase from improved productivity and cost reductions, there will be a greater economic pie enabling the union to negotiate more favorable collective bargaining agreements (Sharp, 1991).

Many people have questioned whether TQM is just another passing fad. TQM is not a program but a new philosophy. It is far more encompassing than many of its predecessors and requires a new way of working and thinking. Covey believes we can't just work faster if the system is the cause for poor quality. If we work faster and harder, we will just produce more of the same inferior products. The system needs to be fixed and a new "road map" developed. Much of that system is based on Taylorism which most agree has outlived its usefulness in a highly competitive global marketplace (Covey, 1990).
In 1994, Adrienne E. Eaton examined survival rates of participation programs in unionized settings. She compared data from two different surveys and found that the failure rate ran between 20-30%. This is significantly below the commonly accepted failure rate, anywhere between 70-80%, in participation programs after two or three years. Her research covered 86 bargaining units in companies with participative programs in early 1987 with a follow-up survey in 1990 of the same worksites. She proposed:

[Although there was no steady increase in the number of program starts from year to year, the number of programs did jump after 1985. This pattern suggests either that six years is a more natural half-life than the three to five years often mentioned by observers or that the "fad" of participation took a major leap after 1985 (Eaton, 1994).

Cooke asserted that "the perceived improvement in relations begins to wane after three years and levels off after six years" (Cooke, 1990).

Eaton also found the "perspectives of managers and union representatives differed sharply." She observed that union leaders "viewed a good labor relations climate as essential to program viability," but management respondents did not. Both parties agreed that union commitment was a decisive factor in program survival and management respondents felt "top management's commitment as vitally important." Managers, on the average, didn't think strategies that conflicted with the union's best interest might diminish the union's commitment to the program, such
as concession bargaining or other management power plays. There was also a different perspective regarding outcomes of the program.

The changes resulting from the program that were most often mentioned were those more often identified with management goals than with union goals: improved productivity, reduced production costs, and improved quality. Much less often mentioned were improved labor relations, avoidance of layoffs and plant closings, and better working conditions and worker morale, matters likely to be of more concern to labor than to management (Eaton, 1994).

It is understandable both parties don't view the programs identically. These are innovative approaches attempting to radically change the workplace based on over a century of mistrust, adversity, and confrontation. Developing a corporate culture focusing on the customer and based on mutual respect, trust, collaboration, and continuous improvement will take some time. But it does appear many companies and their unions are making very serious advances. If this continues, it will mark a new era of labor/management relations in the United States. "The 1990s could prove a revolutionary--and transforming--decade for the American labor movement" (Nulty, 1993).
CHAPTER 12

A Look to the Future

There are many skeptics who question if TQM is just another fad that will soon disappear. New concepts are introduced continually. Some of the latest are re-engineering, learning organizations, and principle centered leadership programs (Peters, 1994, Senge, 1990, and Covey 1990). However, they all build upon the same basic principles of focusing on customers, involving and trusting employees, and redefining processes rather than functions. Bill Cooper of Alladin Industries correctly questions whether these new concepts aren’t the product of consultants and trainers colluding on how to keep executives in a constant state of training. This might be true, but the common principles mentioned above are here to stay.

The American worker today is one of the best educated in our history. Democracy in the work environment may be the best method to retain and develop loyal employees. Involving workers in routine decisions and treating their leaders as equal partners in administering programs, creates a climate where everyone is familiar with the organization’s goals, resources, and priorities. In this environment, "involved employees are able to shake off more quickly the anxiety and distractions that often accompany downsizing and threaten productivity" (Niven, et al, 1993).

Many skeptics of TQM believed that American workers can
not adapt to a management philosophy pioneered in Japan. Our ideology of rewarding rugged individualism, star performers, and adversarialism is contrary to team-oriented approaches. However, numerous companies in this country have attained world-class quality proving it can be done in our society. These role models are sharing their experiences with others and the momentum continues to build (Juran, 1994). These new attitudes are filtering "into industries as diverse as farm equipment, autos, electrical equipment, garments, mining, paper, steel and telecommunications" (Bernstein, 1994).

Most companies concede that Taylor’s scientific management model is obsolete and needs replacing. What to replace it with is the major challenge. Juran identified four options which include:
* Creating the conditions for worker self-control
* Creating the conditions for worker self-inspection
* Job enlargement, both horizontal and vertical
* Self-directed teams
All of these have been attempted in numerous settings. Each, however, "involves extensive transfer of work from supervisors and specialists to the work force" (Juran, 1994). Each option involves a major reorganization of the workplace.

There is a general consensus that all three sectors of commerce, manufacturing, service, and government, need to be
more responsive to consumers. Bureaucratic red-tape needs to be eliminated. Proponents of change are suggesting two methods of accomplishing a more flexible, responsive, and knowledgeable workforce. The first, is systematically developing a corporate plan to implement TQM. This involves establishing a steering committee which administers the overall program. The steering committee appoints pilot teams to address specific problems. When the pilot teams succeed, other teams are formed and gradually the program expands throughout the firm.

Tom Peters and others suggest a more drastic approach. They contend that incremental expansion of TQM in today's competitive environment is too slow. They propose swift and all-encompassing change. They feel an old Chinese proverb is appropriate: "It is very dangerous to try to leap a chasm in two bounds" (Peters, 1994). Most firms are too tentative in their corporate reorganizations and are not succeeding. Asea Brown Boveri CEO Percy Barnevik says, "you have to accept a fair share of mistakes, but I'd rather be roughly right and fast than exactly right and slow" (Peters, 1992).

Whatever method is utilized, the workforce needs to be prepared for rapid change. Most union members and their leaders understand participation is the future. What they must decide is "under what conditions and how" they want to be involved. "Participation puts major new demands on the administrative, leadership, and technical capabilities of
unions in a period of dramatically reduced organizational and financial resources" (Applebaum and Batt, 1993). This could be where the AFL-CIO’s proposed resource and training program will prove beneficial for financially troubled unions.

Unions will continue to exist. Membership levels had declined significantly in the 1980s but cooperation rather than adversarialism seems to be gaining hold. If companies abandon union avoidance techniques and recognize the legitimate role of unions, former non-union facilities could become unionized. The Clinton administration has toned down the anti-union rhetoric of the recent past but labor lost much clout. That could be changing. "The decline in union membership has reversed. In 1993, union membership roles swelled by 200,000, the first increase in 14 years" (Associated Press, 1994).

Technological breakthroughs will continue at a staggering pace. Personal computers today have the speed and sophistication of main frame computers just ten years ago. The ability to access information immediately will significantly impact the way work is performed in the future. Managers who acted as information relay points in the hierarchial structure will share information instantly with the workers who will want more say in how to perform their jobs most effectively.
CHAPTER 13

Conclusion

If Juran's prediction that the 21st century will be known as the Century of Quality is realized, a new paradigm of work organization must be achieved. It appears TQM provides the proper principles to realize a new collaborative model. However, an appropriate labor-management spirit must exist. When adversarial relations exist that preclude joint decision making, management seems unable, on average, to tap the full potential of employee input (Cooke, 1992). When a cooperative spirit exists, and the "unions have the organizational capacity and leadership to become involved in production decisions, they appear to provide an organizational asset not available in nonunion settings" (Applebaum and Batt, 1993).

To sustain TQM for more than a few years requires strong commitment from both management and unions. Treating each other as equal partners appears to be the most effective way to realize continuous improvement. "[T]here is research that shows that workers who judge a participative program as successful tend to credit both the union and management, whereas those who see the program as a failure blame management for its lack of success" (Levine, 1992).

Research results have been mixed on the effectiveness of participatory programs on companies' performance when
comparing collaborative and adversarial approaches. The most recent studies show collaboration has significant positive effects on labor relations and performance. Cooke aptly points out, "One can surmise that unless plant-level collaborative activities... yield greater overall performance outcomes than adversarial activities, those companies engaged in collaboration will be forced to abandon their collaborative efforts. Conversely, if collaboration is successful, adversaries may be forced into collaboration, or else face their own demise" (Cooke, 1990).

While adversarial relations between unions and management violate the very character of TQM philosophy, jointly administered programs appear to be the most effective method of ensuring TQM survival. Top union officials recognize the importance of cooperation and are currently addressing the training needs of local union leaders on the most successful techniques being practiced today. Business executives recognize that competing in the global marketplace requires world class quality products or services. Achieving these objectives requires a new paradigm in the workplace. Those companies which pursue strong partnerships between management and union employees will probably be among the 20% who see their TQM efforts succeed.
Juran's Categories of Quality Costs

Internal failure costs = costs from product defects before shipment to the customer. They include the following:

* Scrap -- net losses in labor and material resulting from defective goods that cannot economically be repaired or used.

* Rework -- costs of correcting defective products to make them usable.

* Retest -- costs of reinspection and retesting of products that have been reworked.

* Downtime -- costs of idle facilities, equipment, and labor due to defective products.

* Yield losses -- cost of process yields lower than could be attained through improved process control.

* Disposition -- the time of those involved in determining whether nonconforming products are usable and what should be done with them.

External failure costs = costs associated with defects found after shipment to customer. They include the following:

* Complaint adjustment -- cost of investigating and responding to complaints due to defective products, faulty installation, or improper instructions to users.

* Returned material -- costs associated with receiving and replacing defective products returned from the field.

* Warranty charges -- costs of services and repairs performed under warranty contracts.

* Allowances -- income losses due to downgrading products for sale as seconds and to concessions made to customers who accept substandard products as is.

Appraisal costs = costs associated with discovering the condition of products and raw materials. They include the following:

* Incoming materials inspection -- costs associated with determining the quality of vendors' products.
* Inspection and test--cost of checking product conformance throughout design and manufacture, including test done on customers' premises.

* Maintaining accuracy of test equipment--costs of operating and maintaining measuring instruments.

* Materials and services consumed--cost of products consumed in destructive tests; also materials and services (e.g., electrical power) consumed in testing.

* Evaluation of stocks--costs of testing products in storage to assess their condition.

Prevention costs = costs associated with preventing defects and limiting failure and appraisal costs. They include the following:

* Quality planning--costs of creating and communicating plans and data systems for quality, inspection, reliability, and related activities--includes the costs of preparing all necessary manuals and procedures.

* New products review--costs of preparing bid proposals, evaluating new designs, preparing test and experimentation programs, and related activities associated with launching new products.

* Training--costs of developing and conducting training programs aimed at improving quality performance.

* Process control--costs of process control aimed at achieving fitness for use, as distinguished from productivity (a difficult distinction to make in practice).

* Quality data acquisition and analysis--costs of operating the quality data system to get continuing data on quality performance.

* Quality Reporting--cost of bringing together and presenting quality data to upper management.
* Improvement projects--costs of building and implementing breakthrough projects.

Note: This a summary and rewording of Juran and Gryna, Quality Planning, pp. 14-16.

APPENDIX B

CEO's Nondelegable Roles

"There are seven steps that a responsible CEO must take to achieve quality in any organization. They are strikingly similar to the steps that CEO's already routinely take in managing for financial results. To lead a revolution for quality, every CEO must:

* Set up and serve on the company's quality council, the quality equivalent of the finance committee.
* Establish corporate quality goals, including quality improvement goals, and make them part of the business plan.
* Make provisions for training the entire company hierarchy in managing for quality.
* Establish the means to measure quality results against quality goals.
* Review results against goals on a regular basis.
* Give recognition for superior quality performance.
* Revise the reward system to respond to the changes demanded by world-class quality."

Reference
J.M. Juran, "Made in the USA--A Renaissance in Quality,"
APPENDIX C

Deming’s 14 Points

1. Create constancy of purpose for improvement of product and service. Management must change from a preoccupation with the short run to building for the long run. This requires dedication to innovation in all areas to best meet the needs of customers.

2. Adopt the new philosophy. Shoddy materials, poor workmanship, defective products, and lax service must become unacceptable.

3. Cease dependence on mass inspection. Inspection is equivalent to planning for defects; it comes too late and is ineffective and costly. Instead, processes must be improved.

4. End the practice of awarding business on price tag alone. Price has no meaning without a measure of the quality being purchased. Therefore, the job of purchasing will change only after management establishes new guidelines. Companies must develop long-term relationships and work with fewer suppliers. Purchasing must be given statistical tools to judge the quality of vendors and purchased parts. Both purchasing and vendors must understand specifications, but they must also know how the material is to be used in production and by the final customer.

5. Constantly and forever improve the system of production and service. Waste must be reduced and quality improved in every activity: procurement, transportation, engineering, methods, maintenance, sales, distribution, accounting, payroll, customer service, and manufacturing. Improvement, however, does not come from studying the defects produced by a process that is in control but from studying the process itself. Most of the responsibility for process improvement rests with management.

6. Institute modern methods of training on the job. Training must be restructured and centered on clearly defined concepts of acceptable work. Statistical methods must be used for deciding when training has been completed successfully.
7. **Institute modern methods of supervising.** Supervisors must be empowered to inform upper management about conditions that need correction; once informed, management must take action. Barriers that prevent hourly workers from doing their jobs with pride must be removed.

8. **Drive out fear.** Because of the tremendous economic losses cause by fear on the job, people must not be afraid to ask questions, to report problems, or to express ideas.

9. **Break down barriers between departments.** Members of the research, design, procurement, sales, and receiving departments must learn about problems with raw materials and specifications in production and assembly. Each discipline must stop optimizing its own work and instead work together as a team for the company as a whole. Multidisciplinary quality-control circles can help improve design, service, quality, and costs.

10. **Eliminate numerical goals for the work force.** Targets, slogans, pictures, and posters urging people to increase productivity must be eliminated. Most of the necessary changes are out of workers' control, so such exhortations merely cause resentment. Although workers should not be given numerical goals, the company itself must have a goal: never-ending improvement.

11. **Eliminate work standards and numerical quotas.** Quotas focus on quantity, not quality. Therefore, work standards practically guarantee poor quality and high costs. Work standards that state percentage-defective or scrap goals normally reach those targets but never exceed them. Piecework is even worse, for it pays people for building defective units. But if someone's pay is docked for defective units, that is unfair, for the worker did not create the defects.

12. **Remove barriers that hinder the hourly workers.** Any barrier that hinders pride in work must be removed, including not knowing what good work is, supervisors motivated by quotas, off-gauge parts and material, and no response to reports of out-of-order machines.
13. **Institute a vigorous program of education and training.** Because quality and productivity improvements change the number of people needed in some areas and the jobs required, people must be continually trained and retrained. All training must include basic statistical techniques.

14. **Create a structure in top management that will push every day on the above 13 points.**

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a. Deming's words are in bold headings. The remainder of each paragraph paraphrases his discussions.

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