Thousands of companies have joined the employee participation/involvement movement, because involvement programs, if conducted properly, improve employee morale, diminish labor/management conflict, and boost productivity and quality. Some companies have found to their dismay that their programs have failed. These companies did not understand the key components essential to all successful employee involvement programs. Nor did they realize that a five-step progression must be followed if an involvement program is to be successful in producing sizable gains in productivity and quality.

Fuzzy Lingo

One reason executives have difficulty with involvement programs is the fuzziness of all the “buzz words” that surround the programs. Quality circles, T-Groups, participation teams, peer-group hiring and discipline, ad-hoc task forces, labor management participation teams, self-managed work teams, employee empowerment, total quality — almost all have different meanings to different people.

Take “employee empowerment,” for example. Apple Computer, Inc.’s chief executive officer, John Sculley, recently announced plans to diversify the company's business into the fields of mobile communications, consumer electronics, and entertainment. “We have a new agenda. The vision is the same — empowering individuals.”

Just who is “empowered” to do what, and by whom? Because words like “empowerment” and “participation teams,” are used so loosely, discussions of employee involvement programs are vague and confusing. As a result, many executives do not understand how to start an involvement program in their organization nor do they have any firm idea what such a program should accomplish.

What is Employee Involvement?

According to my experience with such programs, there are only three essential activities in all successful employee involvement programs. To some degree, virtually every company attempts to incorporate these activities in the normal course of business — some more effectively than others. These activities are: giving employees relevant information about their performance, listening to their suggestions for improvement, and then doing something with their suggestions for improvement. All involvement programs have these three basic activi-
Levels of Employee Involvement With Typical Activities

<table>
<thead>
<tr>
<th>LEVEL 5</th>
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<tr>
<td><strong>Strategic Analysis</strong>&lt;br&gt;Problem solving on strategic level: access to strategic planning information, data relevant to plant start up/shut down. Competitive market analysis. New product design and structure.</td>
<td><strong>Business Unit Analysis</strong>&lt;br&gt;Problem solving on business unit level: access to cost data of moving, production lines from one plant to another. Individual product cost analysis; capital investment plans; product marketing plans; organizational design and structure.</td>
<td><strong>Plant Analysis</strong>&lt;br&gt;Problem solving on a plant level: access to business plan. Plant-wide quality and productivity statistics. Cost of quality under total quality concept; organizational analysis.</td>
<td><strong>Shift Analysis</strong>&lt;br&gt;Problem solving on an inter-departmental level: access to plant-wide quality and productivity statistics.</td>
<td><strong>Department Analysis</strong>&lt;br&gt;Problem solving on a departmental level: access to departmental quality and productivity statistics.</td>
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**LEVEL 5**
- Ability to develop a "vision" for the organization's future. Gain its acceptance of it at all levels. And then make it happen. In periods of rapid change — growth or downsizing — through:
  - Full employee ownership (ESOPs, etc.)
  - Union involvement: Union participation at all levels in policy development and implementation. With complete disclosure of all confidential information.
  - Knowledge required: Negotiating strategies: ability to shape and share current and future expectations and generate commitment to vision.

**LEVEL 4**
- Ability to develop systematic methods to involve multi-discipline task forces in decision making.
  - In technically diverse organizations, through:
    - Formal employee participation in policy formulation (work rules, personnel policies, design of benefit plans).
    - Sale-sharing plans.
  - Union involvement: advanced notification of major business plans. To seek effective input.
  - Knowledge required: resolution of conflict: ability to work vertically and laterally within organization while addressing disruptive behaviors and coping with difficult relationships.

**LEVEL 3**
- Ability to use systematic methods to involve inter-departmental groups in decision making, through:
  - Profit sharing.
  - Project management.
  - Complex two-way communications systems.
  - Employee involvement in peer discipline.
  - Union involvement: Advanced notification of routine business plans for discussion purposes.
  - Knowledge required: Team building motivational theories. Powerful interpersonal skills developing individual commitment when opportunities for advancement are limited.

**LEVEL 2**
- Ability to use systematic methods to involve intra-departmental groups in decision making, through:
  - Informed employee participation in policy information.
  - Flex time.
  - Ad hoc task forces.
  - Continuous improvement teams.
  - Simple two-way communications systems.
  - Formal suggestion/recognition systems.
  - Union involvement: union leadership, participation in traditional labor/management committee.
  - Knowledge required: work rule decisions.
  - Brainstorming techniques: developing individual commitment, when opportunities for advancement are limited.

**LEVEL 1**
- Ability to run a department efficiently by leading and coaching rather than driving, through:
  - Individual goal-setting in performance reviews (supervisor/peer).
  - Informal suggestion/recognition programs.
  - Basic departmental meetings.
  - Union involvement: None.
  - Knowledge required: simple supervisory skills. Problem resolution with individuals grievance handling; communications; styles of leadership; conducting meetings.

Figure 1.

Many companies, unfortunately, have been reluctant to release to their employees similar information dealing with defect rates, productivity levels, or profit margins. Some programs may have additional activities, but they are merely bells and whistles put there by the public relations gurus.

Figure 1 shows different levels of employee involvement a company can use to raise morale, productivity, and quality, the types of information that need be shared with employees in these programs; and typical activities at these different levels.

**First Activity — Giving**

The first activity in a successful employee involvement program is sharing with employees the facts about how they are performing — widgets produced per man hour, errors per 100 processed insurance claims, or the percentage of on-time deliveries. Most employees want to know how well they and their plant, office, or division are doing. Their jobs are at stake if somebody elsewhere outperforms them. Robert L. Loughhead's turnaround of employee-owned Weirton Steel Corp. in the early 80s was based on a simple, basic employee involvement program. It involved frank videotapes and articles in the company newsletter, as well as many speeches and small group talks. They discussed how Weirton was doing — percent of unhappy customers, rate of internal defects and profits per ton of steel. Then employee ideas were solicited for improvement. At first they came slowly, then in volumes.
Some executives feel that if employees are performing well, it is better to say nothing because the workers may want more money. If business is slack, these same executives believe that employees will slow down, to preserve jobs and avoid layoffs. Again, better to say nothing. Without management’s willingness to share basic production information with employees, even simple participation programs are virtually impossible.

**Second Activity — Listening**

After having informed employees how they are performing, the second basic activity in all successful involvement programs is to listen to employee ideas for improving their facility’s performance. These ideas may include procuring higher quality raw materials, redesigning the forms on which the insurance claims are processed, or better employee training to eliminate rework and scrap.

Executives at a sheet metal fabricator cut waste by 11 percent and improved productivity by seven percent by actively seeking and acting on such employee suggestions as:

“I do rework. They reject stuff 3-4 times a night from the same press because the back-gauge slips. It’s never fixed! The inspector tells them, they don’t care. Sometimes I go yell at them. I am the expeditor. It’s like no one cares. Let’s get it fixed.”

“As I said, I spent two hours with a guy today looking for parts for a welded special unit. I’ve seen cases where we’ve re-made the parts and found them later on. I proposed a racking system for that. We might have five different units in one pile. This affects mostly the guy on the floor. It’s an epidemic — it’s ongoing.”

“We have a chip-wringer and the on-off switch is on the opposite wall. It takes a few minutes to get over there to switch it on. We have asked several times to have the switch moved over but no one has done anything about it. Maintenance guys come around and see that switch and even ask why it isn’t moved. They won’t do it themselves until somebody tells them to.’’

Listening to employees runs counter to many traditional customs. One basic steel company executive told me that seeking employee suggestions to improve operations was like letting the inmates of an insane asylum run the institution. The same executive laughingly said they tested the quality of their steel bars by tossing some in Lake Erie. “If they sink, they’re good enough to ship.” No wonder the American steel industry needs Washington to protect it from foreign competition!

In steel mills like this — and indeed, in all companies with a history of close-mouthedness — a good place to start employee participation is in the ranks of mid-managers and supervisors. Only when they are accustomed to receiving information about plans, order-levels, customer complaints, and productivity will they be willing to pass along the same facts to the workers. This often requires a special indoctrination of management. Expert guidance on such indoctrination helps ensure satisfactory results.

**Third Activity — Doing**

Finally, the third activity in involvement programs is for management to do something with the employee ideas after they have been garnered. Creating an environment in which employees believe their ideas will be taken seriously requires more than fixing the food vending machines or cleaning up the restrooms.

Painting the cafeteria and replacing broken windows are “neutral” items that employees first suggest as they test the system to see if there will be any reprisals for critical comments. When they see things being done, and no retribution is taken, they quickly start talking about defective parts, poor scheduling and maintenance, out-of-date blue prints, and similar hard, tangible items.

For example, employees from a number of companies recorded the following reactions to management action:

“We need two batteries for the forklift. We ruined one and there is no spare. You have to do a full charge, not just a short one. Sometimes there is a ten-minute charge and that runs out fast and damages the battery. They got the spare quickly, and now we can move products faster.” (Children’s apparel)

“When we charge the soaking pits with ingots, there is supposed to be an identification number with the ingots in the cars. But many times, there are errors in the information. Maybe five percent are misidentified. That is a big loss, in handling the energy costs. Nobody cares.” (Basic steel)
"We asked for and received tie-rod covers, guide skirts, and conveyor covers. That's what we need to keep the grease and oil off the batteries." (Auto batteries)

"Everything is finally marked. Each part now has a part number. The pieces no longer get lost in the shuffle. I used to spend an average of two hours identifying parts before they followed our suggestions for a marking system." (Commercial laundry equipment)

"At the big cold strip mill, the edge to edge profile is the biggest contribution of SPC. My friend taught all the foremen there to caliper the mill. Then he goes on vacation, and it is all forgotten. The whole thing falls apart while he is gone. Why doesn't the management train a couple of guys to do this? Why not keep it up to cut downgrades on quality?" (Basic steel)

Gary L. Neilson, vice president of Booz, Allen & Hamilton, pointed out in an interview, "We see companies have begun to recognize that the next wave of productivity and quality improvement involves the acceptance of employee participation measures, not just cost reductions from downsizing... Employees are being asked to work more closely as teams, become more involved in planning and take more individual responsibility... This pays off handsomely." 5

Responding to the variety of employee concerns takes time, and requires changing managerial behavior. Obviously, this does not happen overnight, and should be done under some experienced guidance. But like most programs for improving productivity and quality, the eventual payoff is worth the effort. Frequently, beginning an involvement program means starting at the supervisory level. Unless supervisors and mid-managers support the effort, the results will be mediocre.

Most companies are already engaged in a variety of activities that make starting a formal involvement program relatively easy. Companies that follow the five-step approach to a formal involvement program have realized the biggest gains in productivity and quality.

**Step 1, Awakening to Reality**

The first step is recognition by executive managers that authoritarian methods of yesterday are no longer effective in today's competitive environment. Market share may have slipped, or new (often foreign) competition may have eroded profit margins. Management realizes that the imperatives of quality and productivity, which lie at the heart of the new global industrial competition, are impossible to satisfy without the active and committed participation of a well-trained and constantly improving workforce. Japanese companies like Kyocera, Toyota, Nippon Steel, or Fuji Photo Film; Korean companies like Pohang Steel or Samsung; French companies like Michelin Tire or Schlumberger; German companies like Siemens A.G. or Daimler-Benz A.G.; or Swiss companies like ASEA Brown Boveri, have changed the fundamental rules by which competition in the auto, steel, machine tool, aircraft, tire, and other industries is carried out. In this new environment, a traditional, old line authoritarian culture is not only out of date; it can be lethal to those who continue to rely upon it.

**The Role of Employee Audits**

Before attempting the process of changing a plant's culture to conform to today's competitive world, astute executives start by ascertaining employee perceptions of the current environment. This is done through an employee audit conducted by an outside expert, as was done, for example, at the big, Cleveland-based Leaseway Transportation Corporation.6 This was not a paper-and-pencil survey. The best results are achieved through an employee audit such as interviews of employees in specially structured groups, supervised by an outsider to assure the workforce that this is an objective assessment of the current attitudes within the company.

Organizations attempt audits in a variety of ways. Hospitals and other health care institutions, for example, frequently ask their marketing department to conduct "focus groups" with employees. Unfortunately, marketing staffers rarely understand the employee problems and frustrations of caregivers on busy medical and surgical floors. Other companies ask the local human resource director or another "neutral" staff manager to conduct the interviews. Often employees are reluctant to speak honestly to these company executives, because they fear reprisals if they are critical of management and its methods, or sometimes because the credibility of the company interviewer is poor, or the trust the employees have in him is even less. The most important element of the interview conferences is employee freedom to speak without fear of reprisal. That atmosphere cannot be created overnight, and may require outside, expert help to start the audit because of employee apprehension.7
we have two different companies here
is like
supposed to be.

For example, an employee audit at one national apparel manufacturer quickly uncovered employee, supervisory, and mid-management perceptions of their company’s problems:

“We need more organization. The style description sheet for a garment comes down from New York. It is incomplete or incorrect. We have a hard time getting people in New York to commit to an answer. I call and explain the situation, and it takes them a long time to get them to say yes or no.”

“It seems like we have two different companies here — the garment designers in New York are going one way; and manufacturing down here in the South is going another way. We’re not sure what our focus is supposed to be.”

“New York buys new embroidery machines from Japan, and never asks us plant managers whether they are suitable. Well, they are not, which explains why we have fallen behind on deliveries of garments with appliques.”

“I asked the plant manager about the schedules, which are causing us many problems on the second shift, which I am responsible for. All I get for an answer is: ‘That’s the way I want it.””

Taking reams of such observations from all levels and disciplines within the company, the apparel maker’s management held a weekend retreat, first to review perception of the current climate as seen by a vertical cross-section of employees. Then the executives projected how the company’s organizational climate should be altered in order to improve overall effectiveness. The executives were able to make a comparison, based on the undeniable results of the employee audit (see Figure 2).

“Where We Are Now” and “Where We Want To Be” are the beginning and end of the journey to better operat-

TRW, Inc., has “split” the difference. They started their audit program with outsiders, thus establishing trust and credibility in the process. TRW then asked its divisional human resources director to travel to other divisions, to interview employees in different locations.

Yet other companies, like Bell & Howell, Cooper Tire, Kraft Foods, Mercy Health Systems, Monfort of Colorado (now part of ConAgra) and Timken, stay with outside experts, to take advantage of the insights gleaned from their broad experience in a variety of business settings. 8

For example, an employee audit at one national apparel manufacturer quickly uncovered employee, supervisory, and mid-management perceptions of their company’s problems:

“Where We Are Now, Where We Want To Be
Management primarily uses its status as a basis of authority.
Management relies upon its competence and technical knowledge as its first basis of authority, and only secondarily does it use its status to achieve desired results.
Little trust within the organization, among the various levels.
A high degree of trust exists within the organization, among the various levels.
Technical decisions and engineering designs are concocted by senior levels, with those having to implement the decisions or make the designs operate being ignored.
Technical decisions and engineering designs are discussed with, and possibly modified by those having to make them work, before the decisions or designs subordinate suggestions for improvements; in some cases, supervisors are threatened by such subordinate activities.Supervisors solicit and welcome subordinate ideas — not only are they easier to put into practice, but the end results frequently are better.
Supervisors at all levels feel they have a hammer-lock on technical matters; subordinates are ignorant.
Supervisors realize that subordinates are closest to the work, and have a wealth of technical and product knowledge, waiting to be tapped.

Step 2, The Learning Process

The second step in a successful involvement program is a learning process. Executive management investigates participation techniques others are using to change their cultures, and evaluates their usefulness and applicability. In so doing companies often make two erroneous assumptions at this stage of their investigations. One assumption is that an employee involvement program that works in Company A or B can be replicated exactly and will work equally well in their own company. In actuality, each company is a unique mixture of personalities, programs, and workforces. Thus, each company must design its own program to fit its special needs. In some cases, an outside expert may ease the process. Purchasing a “canned,” off-the-shelf program won’t work.

A second assumption often made by executives of multi-location companies is to assume that the same program can be applied precisely in all their plants. Union Camp, for example, attempted to install a gain-sharing program — the exact same program — in each of its 27 paper converting plants all around the country, union and non-union, big and small.

After nearly 18 months of debate in an effort to placate everybody’s divergent interests, Union Camp executives in Wayne, NJ, threw up their hands at the argu-
Employees rarely mention problems without making some suggestions on solutions. Some may be off the wall, but others may well be very helpful.

“Employees rarely mention problems without making some suggestions on solutions. Some may be off the wall, but others may well be very helpful.”

Step 3, Sending Signals

The third step in starting an employee involvement program is to send extensive signals to middle management to change their ways. Perhaps the most powerful signal is for the major executives themselves to modify company procedures, their own management styles, and their communication practices.

This means more than closing the executive dining room. More staff meetings can be scheduled, in which issues can be openly discussed and subordinate opinions solicited. Sign-offs on capital appropriations can be shortened; more projects can be delegated, in whole or part; and mid-managers and supervisors can be encouraged to share information. At Inland Steel’s Indiana Harbor complex, company executives after an audit began their efforts at the mid-management level, by dealing with such supervisory criticisms as these:

“"The general foreman, in my opinion, doesn’t filter down the information to us about customer quality requirements. Everything the superintendent tells him is a god damn secret. But the next day, he expects us to know what went on in their meeting. How the hell I’m supposed to know that is beyond me."

“"The bargaining unit now thinks you’re crazy to ask them for any suggestions after all the years of ignoring them. How are they going to change that?""

Step 4, Training

In step four of the process of developing an effective employee involvement program, efforts at supervisory training and development are made, based in part upon the input drawn from the employee audit. The point of the training is to indoctrinate supervisors and middle managers on how to elicit employee suggestions and comments on improvement, and to deal with them with an open mind.

A key to an effective training course is to explain again the purpose of employee involvement — to allow the employees closest to the work and its problems to make suggestions on ways to improve, after they have been initially given simple measures of their performances. This allows managers to manage and supervisors to supervise more effectively. As John Hurley, vice president of the Chase Manhattan Bank, pointed out recently, “Productivity gains from workplace training as a result of employee participation programs, exceed the gain from capital investment by more than two to one.”

Step 5, Start Simple

Step five of the process is for executive management to start creating elementary programs, situations and/or opportunities — say simple departmental meetings, on a monthly basis, coupled with quarterly state of the business addresses and some sort of an upward communications program — designed to allow the rank and file to make suggestions for ways to improve productivity and product quality. For a simple program to produce results, management must be willing to release simple productivity data — machine downtime, percent of internal defects, the average time to process a mortgage, widgets per man hour, or whatever is relevant. Employees typically will respond with a series of tangible, quick-fix items dealing with tooling, maintenance, scheduling, and simple quality concerns. Employees rarely mention problems without making some suggestions or solutions. Some may be off the wall, but others may well be very helpful.

Executives at a family-owned, Midwestern metal
fabricator were interested in starting a gainsharing program, and starting it fast. These executives had read about gainsharing somewhere and figured it was just the ticket to give their financially ailing company a quick boost. The executives were given a simplified version of the chart which accompanies this article. Based on their present activities, they were asked at what level current employee participation and information sharing was within their company, with examples. Here were the responses of different executives in the company:

"We are between level 1 and 2 because: (A) simple supervisory skills are in place with process training program ongoing; (B) weakness in informal suggestion/ recognition program being recognized and attempting to correct; (C) departmental meetings with leadership and communication skills are being planned."

"We are level 2 because we have continuous improvement teams, task forces, union involvement, development and informed employees in policy formulation, communications systems is relayed to employees through supervisors. Also, we are working on vision and plans for the future!"

"We are level 2. We seek employee input and request their help to work on task forces dealing with quality, production, efficiencies, etc. We have a close working relationship with the union and its representatives which aids in layoff, biring, shop rules, employee benefits, etc."

"We are between zero and one; no performance reviews — supervisor/subordinate; have informal suggestion program; no recognition at any level. We have ad hoc task forces."

"We are at level two. Task forces are in existence — quality; labor improvement teams — departmental two-way communication systems — labor reports, job evaluations. Union involvement is with the insurance committee. We use brainstorming techniques in meetings."

"We are at level one. Only basic suggestion program with informal recognition; however, some level two activities (such as task forces, improvement teams)."

After these comments were written on a blackboard, these executives were then asked for concrete examples of how these activities worked — the task forces, the fuzzy suggestion program, the so-called improvement teams, etc. — and what results they had actually produced.

After a period of awkward silence, the company president finally mentioned that perhaps they were not as far along as they had imagined, maybe their efforts were more talk than action, and it might be wise for the company to install the basic building blocks of a participation program, before they tackled a gainsharing plan. The company conducted an employee audit.

Once simple departmental problems have been solved in a basic participation program, executives can tackle more complex ones through higher levels of employee involvement. Ad hoc task forces can be formed; more difficult inter-departmental problems can be handled. Employees, for example, can participate sensibly in writing the personnel policies which govern them. Signode, one of the nation's most successful metal strapping manufacturers, now a division of Illinois Tool Works, has done this successfully for years.

Harley-Davidson saved itself through its employee participation programs and efforts, A.O. Smith, the auto parts company, greatly improved profitability of its large Milwaukee facility after it adopted an employee team approach to manufacturing. At General Electric's lighting panel factory in Salisbury, NC, productivity improved 250 percent after a similar conversion. Like results have also been reported in white-collar environments. At AT&T's Credit Corporation subsidiary in Morris-town, NJ which provides financing for companies leasing equipment from AT&T and others, productivity doubled, and response time to customers was cut in half.

James P. Womack, research director of the International Motor Vehicle Program at Massachusetts Institute of Technology, pointed out the virtues of increased employee participation. "You have to reach beyond form to substance. If all you do is to put people in teams and uniforms, you get nothing. The idea behind employee participation now is to get the guys on the line into the process of problem solving instead of staring at the floor and thinking about punching out after 30 years."

James P. Womack
tion-sharing requirements to the more complex types. A simple program may produce only modest five to nine percent gains in productivity. But it will improve management credibility to the point where more complex programs will be readily accepted. These can lead to continued major improvements in productivity and quality of from 12 to 20 percent annually.

Like cash management, JIT inventory techniques, and total quality programs, the work involved in launching and sustaining an employee involvement program eventually pays off in higher employee morale, and gratifying increases in productivity, quality levels, and on-time shipments. When you realize your competition is hard at work at this process, do you and your company have a choice?

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