C E Center for Effective Organizations

Employee Participation Programs: Implications for Productivity Improvement

CEO Publication
G 82-12(31)

Susan A. Mohrman
University of Southern California

Center for Effective Organizations - School of Business Administration
University of Southern California - Los Angeles, CA 90089-1421 (213)740-9814

Employee Participation Programs: Implications for Productivity Improvement

CEO Publication
G 82-12(31)

Susan A. Mohrman
University of Southern California

Center for Effective Organizations - School of Business Administration
University of Southern California - Los Angeles, CA 90089-1421 (213)740-9814

EMPLOYEE PARTICIPATION PROGRAMS:
IMPLICATIONS FOR PRODUCTIVITY IMPROVEMENT

by

Susan Albers Mohrman

The relationship between organizational effectiveness and employee participation in decision-making has been the subject of academic interest for decades. In the United States, early arguments for increased participation came from the human relations school (e.g., McGregor, 1960; Likert, 1961, 1967). Human growth and fulfillment were seen as a desirable outcome of participation. It was believed that participative approaches to managing would also contribute to a well-integrated organization in which people accept organizational decisions and feel that their personal interests and those of the organization are in alignment.

The admittedly normative approach of the human relations school contrasted with a more "rational, scientific" examination of the effects of participation by scholars who were interested in the relationship between participation and the prevailing American value of organizational efficiency. Building on a simple but profound notion by Norman R. R. Maier that many decisions must be of high quality and be accepted by organizational implementers (Maier, 1973), Vroom and Yetton (1973) developed a scheme whereby a manager could examine the characteristics of a decision situation and determine whether a participatory decision mode is likely to be effective and efficient. Several early field studies offered some support for the notion that employees' acceptance, understanding and implementation of a decision

are enhanced by participation in the decision (Morse and Reimer, 1956; Coch and French, 1948; Lawler and Hackman, 1969). Meanwhile, survey researchers attempted to determine whether there is indeed a relationship between people's perception that they participate and positive individual and organizational outcomes (e.g., Alutto and Belasto, 1973). Others searched this literature and pointed out that the results of participation research are equivocal, that the proponents of participation are biased by their normative beliefs, and that the research methodologies tend to be seriously flawed (e.g., Locke and Schweiger, 1979).

Despite academic arguments over the efficiency and human outcomes of participation in decision-making, organizations such as General Motors continued to try to increase worker involvement (Landen, 1978). While some organizational scholars were relegating the subject of participation to the shelf, practitioners were taking it to the field, where during the 1970s a number of participative organizational experiments were conducted and researched. The impetus for these experiments was the normative belief that society ought to attend both to the economic/productivity aspects of its organizations and to the quality of the worklife which such organizations afford their employees. In addition, a growing literature suggested that such job characteristics as autonomy and the ability to impact one's job outcomes are related to motivation and satisfaction (Hackman and Lawler, 1971; Lawler, 1970). Finally, there was increasing recognition that involvement in the change process is critical to the acceptance and institutionalization of change (Bennis, Benne, Chin, 1969), an issue of no small importance in a rapidly changing world.

The essence of the quality of worklife experiments in the '70s was the establishment of participative structures in which workers and managers could jointly identify problems and opportunities in the work environment, make decisions and implement changes. Some plants were participatively designed to optimize both technical and human outcomes, following a technique called sociotechnical systems design which was borrowed from academics in Europe (Cummings and Srivastva, 1977). Many of these endeavors were carefully watched and reported by academic researchers housed in such institutions as the Institute for Social Research at the University of Michigan and the Center for the Quality of Worklife at UCLA.

Systematic results of QWL undertakings have begun to appear in the literature (e.g., Goodman, 1979). At first glance, it appears that academic observers once again say that impact on both organizational and individual outcomes is equivocal and context-dependent. Advocates of these organizational reforms say that we are just beginning to understand what is required to effect large scale social change in organizations.

There has been a widespread interest in participative management by U.S. organizations in the 1980s, despite the absence of strong findings that it relates to productivity. This interest is motivated less by concern with the human outcomes of organizational life than by an increasing recognition that American organizations and our country as a whole are facing a productivity crisis that threatens both our way of life and the existence of many of our basic industries. Fearful for their own competitive viability, American business leaders are taking a close look at alternative management approaches. The management style

in Japan, a country that has rapidly risen to prominence in the world economy, has particularly caught the attention of our business leaders. Japanese management has been described as highly participative and consensus based (Cole, 1979; Ouchi, 1981; Pascale and Athos, 1981). Employees are treated with respect and concern, and in turn are ideologically and culturally inclined to act in the best interests of the company. Some American businesses apparently hope that if they adopt the practices of Japanese organizations, the U.S. employee will respond in a manner similar to the Japanese employee, thus reversing the trend toward declining productivity.

Current interest in alternatives to the status quo stems mainly from the problem at hand--comparative decreases in productivity growth in the U.S. Managements are considering and implementing a large number of techniques to enhance productivity. Many of these techniques are designed to increase human involvement and contribution to the organization. The remainder of this paper will examine some of these techniques and begin to assess what has been learned in the experiments of the 1970s in the U.S. context. Comparing this with observations of the experience of other countries, it will identify aspects of the U.S. context which facilitate and block the potential impact of these participative strategies on productivity.

Forms of Participation

For the purposes of this paper, consideration of employee participation techniques will be limited to group-based change strategies. Individual participation mechanisms such as suggestion

systems, performance appraisal and goal setting, and grievance procedures will not be discussed. Five general kinds of techniques can be identified: (1) Worker problem-solving groups; (2) Union-management cooperative projects; (3) Participative work design and new design plants; (4) Gain sharing, profit-sharing and Scanlon plans; (5) Worker ownership/employee stock ownership. Each will be briefly discussed.

1. <u>Employee problem-solving groups</u> take many forms, including the quality circles format that is popular in Japan. Groups of employees are given the opportunity to meet and solve problems. The focus of these groups tends to be on organizational efficiency issues concerning waste, damage and equipment maintenance, on contextual hygiene issues such as facilities, or on communication. Although these groups often try to make changes in job design, these changes often fail to become implemented or institutionalized in the work setting (Lawler and Ledford, 1982).

2. <u>Union-management cooperative problem-solving ventures</u> differ from employee problem-solving in that they explicitly recognize the need to bring two often conflicting groups together to identify areas of mutual concern and to reduce the level of dysfunctional adversarial behavior in the work setting. Union-management committees often serve as sounding boards and attempt to prevent problems from escalating. In addition, a joint committee may identify opportunities, solve problems and/or guide the establishment of union-management problem solving groups and task forces.

3. <u>Participative work design</u> is generally accomplished by a cross-sectional design team which follows specific techniques such as a sociotechnical systems process to analyze the technical and human

requirements of a work area and to redesign the jobs and the technical set-up. Such a process has been found to be particularly effective in work settings where there is task flow interdependence and employees have high growth needs (Cummings and Srivastva, 1977). Semi-autonomous work teams with cross training are frequently the outcome of this process.

4. Gain sharing, profit-sharing and Scanlon plans are formula-based approaches to sharing economic outomes with employees. They are particularly effective in situations where workers can impact on the major variables which determine economic performance, such as labor hours, materials or damage. Workers tend to focus on the variables which are included in the formula which determines the pay-out. Some plans, such as the Scanlon plan, build in several levels of committees to ensure the implementation of ideas and include training in problem-solving (Lawler and Ledford, 1982; Moore and Ross, 1978). These plans have been found to be generally successful in impacting productivity in manufacturing organizations. Their use assumes that productivity can be accurately measured and compared from year to year.

5. Employee participation in the ownership of a company ranges from Employee Stock Ownership Programs (ESOPs) to outright employee ownership. The former has been found to be most effective in relatively small firms where workers own a substantial amount of stock and where they have voting rights (O'Toole, 1982). Most ESOP programs do not have these characteristics and seem to have minimal impact on worker attitudes and performance. Worker ownership often occurs in rather desperate situations where workers purchase a plant rather than allow it to be sold or go out of business. Although this has been found to be a

highly motivating situation for worker-owners, it has also been found that decision-making in such plants does not look much different from traditional plants (Hammer and Stern, 1980). Workers prefer to leave managerial decision-making in the hands of the management.

General Findings

It is too early to make definite statements concerning which approaches are effective. However, it is possible to detect themes in the emerging literature. These themes are preliminary and should be tested more completely as more studies are published.

1. Worker participation programs, such as Scanlon plans, which are tied directly to financial incentives for the participants tend to result in productivity increases for the organization. This is especially true if workers are provided with training and information, and if there are structural mechanisms to make sure their ideas reach the attention of those who can approve implementation. Participation programs will eventually generate feelings of inequity if workers perceive their efforts to benefit only the company, with "nothing in it" for the participants (e.g., Novelli and Mohrman, 1982). The benefits need not be financial. In one large automotive plant, an increase in the percentage of workers who achieved "standard" during a day was achieved by a worker-generated plan in which time off was earned when standard was reached.

2. Participation programs generally are positively perceived by those workers who directly participate, but can negatively affect non-involved workers (Nurick, 1982; Macy and Peterson, 1981; Novelli and Mohrman, 1982). Non participating union members have pressured for the

termination of a large union/management work design effort because of perceived salary inequities (Goodman, 1979).

3. Participative strategies which alter the job itself tend to have lasting impact on attitudes and productivity if the new job involves substantial increases in responsibility and autonomy. Participation in problem-solving which does not alter the primary task and job rotational schemes that do not add responsibility and challenge tend to achieve only short-term motivational impact and pay-off (Lawler and Ledford, 1982; Novelli and Mohrman, 1982).

4. Worker participation programs become encapsulated and eventually die out if there are no provisions for altering the organizational context to be congruent with the values and behaviors of the participation program. A variety of factors can contribute to the demise:

a. Supervisors fail to change their day-to-day behavior toward the workers in a manner which recognizes their dignity.

b. Middle and upper management cease their responsiveness to worker suggestions after the initial enthusiasm is over.

c. The pay system fails to acknowledge the new activities and contributions of workers.

d. Participating workers develop distorted perceptions of their own promotability and value to the company, and become disillusioned by their inability to advance.

e. Supervisors resent the increased attention to workers, and undermine the program by failing to cooperate with the groups. Supervisors feel that they are not achieving a greater opportunity to participate in decisions.

f. Workers fail to secure cooperation from staff and technical support groups in areas where they are needed resources.

g. Corporate personnel place requirements for day to day reporting, short-term performance, and staff initiated project implementation on the local site. These corporate demands may be incongruent with the innovative system which the local site is trying to install.

h. The advocates of the participation program are fired or transferred out of the system, leaving a void of management support.

All of these occurrences are indicative of an essential cultural reality. Many American organizations embody a hierarchical, departmentalized structure, a set of management assumptions and a set of behaviors which discourage employees from taking initiative, accepting responsibility and cooperating with one another (O'Toole, 1981; Pascale and Athos, 1981). The unlearning of these assumptions and behaviors would require nothing short of a conscious attempt to alter the culture of the organization, something which some organizations (e.g., Honeywell, Cummins Engine, Westinghouse) are systematically setting out

to do. One by one, the components of the system will need to be examined to determine whether they fit with a system which expects employees to contribute ideas and take initiative.

5. Many participative experiments underestimate the amount of training and learning necessary to support worker involvement (Mohrman and Cummings, 1982). Workers need exposure to problem-solving, group process and business concepts. Managers need training in facilitative and responsive skills necessary to work with groups of workers who are taking responsibility for decision making. All levels must learn the basic human interaction skills necessary to treat others with dignity and respect. In addition, workers and managers need to learn a new set of assumptions and a new set of behaviors required to examine and refine one's own social system. The process requires a group to generate alternatives, consider feedback, encourage diversity and be sufficiently committed to the well-being of the organization as a whole to contribute to and abide by a consensus (Argyris and Schon, 1978; Pascale and Athos, 1981).

6. Workers sometimes reject the participation program. Often this reflects the official position of a union which sees a threat to its long-term institutional strength. Union and non-union employees often perceive participation programs as management manipulation, in which workers are expected to contribute something for nothing (Jacoby, 1982, Koch and Fox, 1977). Managers frequently perceive a participative program as something they are doing "for" workers. Workers detect this attitude and judge it as at best paternalistic and at worst deceptive.

What Can Be Learned from a Cross-Cultural Comparison

A brief look at the participative processes in Japan and in Western Europe provides a greater understanding of the American challenge in implementing participative management approaches. Before trying to imitate another culture, it is wise to determine what is different about the culture, and whether it is even possible or desirable to adopt its practices. Additionally, by contrasting participation in the U.S. with that abroad, it is possible to identify the salient aspects of one's own culture which must be accommodated in a change effort.

Japan: Much has been made of the Japanese management style and its embodiment of participation and consensus management techniques in day-to-day activities. The fundamental assumption of harmony (wa) and the identification of self as belonging rather than apart from others are frequently contrasted with American emphasis on "self" and independence. Practices such as life-long employment, job rotation, continual training and development and daily meetings to generate consensus are offered as reasons why employees identify strongly with their company, feel integrated with the decisions that are made, and automatically make decisions which are congruent with company goals. Emphasis is placed on integration--on downplaying differences and on encouraging groups to work together. Quality assurance, for instance, is placed in the hands of those who do the work--not in the hands of an independent group which is perceived as a watchdog. On-site financial officers are expected to work with and support plant managers--not to operate as a separate control group. The effect is a sense of value congruence--all parties working toward the same goal and willing to go

along with the judgment of the group to achieve that goal (Ouchi, 1981; Pascale and Athos, 1981).

More recently, attention has been focussed on the societal arrangements which provide a context for the Japanese management style (Ouchi, 1981). Again, one finds a great deal of harmony and cooperation, with networks of organizations providing mutual support and services. To American firms, this has the appearance of collusion and government price support, and the effect of providing an unfair trade advantage.

This description of Japan can be contrasted with some salient aspects of U.S. culture: emphasis on competition; emphasis on self-interest; short-term time horizon; government-enforced separation of management of banks, suppliers, and competitors; extreme specialization of functions, with multiple staff groups serving as checks and balances on one another; and extreme heterogeneity of the workforce.

Western Europe: Although it is misleading to treat the diverse group of nations which constitute western Europe as if they were homogeneous, there are several trends in their approach to worker participation which are similar. Worker influence on managerial decisions occurs at multiple levels--through the political power of union at the governmental, institutional level; and through government mandated committees or councils at the local plant level. To a degree which makes American managers shudder, European labor unions have achieved influence over policy and strategy decisions which have been the uncontested domain of management in the U.S. This reflects a political environment which has long recognized class differences and the need for a consultative forum in which to address conflicting

interests. It also reflects the socialistic roots of the European labor movement, and the political clout which labor possesses. A directive currently being debated within the EEC would extend the consultative rights of labor throughout western Europe (Wallace, 1982).

The operation of this participative system can be demonstrated by examining the manner in which new technology is adopted. In several countries, national legislation specifies the participative steps which must be taken before new technology is introduced into the workplace (Chanot and Dymmel, 1982). Local workers and managers together plan the introduction of the technology and attend to the productivity and human implications of the change. The societal assumption is that there are multiple interests in such a profound change situation. A forum is created where these interests have equal power in order for all criteria to receive attention. This approach is quite different from the U.S., where managerial prerogative is maintained, and the idiosyncratic power relationships at the bargaining table determine whether worker concerns are addressed.

The Contrast: In Japan, as we have seen, participation is an outgrowth of the culture which reflects the assumptions and norms of the people. Quality circles, a highly touted Japanese approach to quality improvement, were not a "program" which was invented to deal with quality problems. Rather, they were the response of Japanese engineers to the statistical quality concepts which were introduced into Japan by American engineers. Some Japanese engineers got together and decided to hold meetings to educate each other concerning these concepts and to solve quality problems in their companies. The American response to the same statistical quality control concepts was to create a special department with responsibility for quality (Ohmae, 1982).

On the other hand, European response to computer technology was not a special program, but was a manifestation of a cultural tendency to establish multi-constituency committees to deal with the assumed conflicts of interest. Although European and Japanese participative systems are manifestations of radically different cultural assumptions, they are both expressions of their own culture. Furthermore, both forms of participation were developed during the years following World War II, when viable reindustrialization demanded concerned societal effort. It was imperative that a system be worked out where groups could "work together" to meet the challenge.

American ventures into participative problem-solving efforts, on the other hand, have largely been perceived as "special programs" which are being introduced into the organization. The fact that allowing workers to generate ideas and participate in decisions is perceived as "special" is a strong testimony to the distinction between workers and manager. Because participation is a "special program," it is usually approached as an innovation, with steps, roles and costs prespecified. There is a strong tendency to try it out, declare it a failure when problems are encountered, and abandon the effort. The first task for American management who are serious in their efforts to create high involvement organizations is to understand that they are considering a management style which is a radical departure from the status quo, and to expect to go through many phases of trying things out, examining them, and learning from them. Participation will only become a part of the day-to-day management style if individuals are willing to try out new behaviors and learn new ways of looking at the world. This transition will not be effective if it is perceived as a special program.

A common element in all the case studies which were reviewed is that the motivation of workers and managers to participate in a participative program is closely linked to their perceived self-interest--not to a cultural belief in interdependence or need to protect conflicting interests. American managers must identify the salient cultural elements which will be central to a participative effort. The self-interest of workers at all levels can be aligned with organizational and societal productivity needs if managers are willing to consider and try out innovative reward structures, and flexible work settings. Worker preoccupation with flexibility, growth and independence can be a benefit in a change designed to alter roles and increase initiative in organizations. Such change requires movement away from a "control" mentality, however, and the development of organizational tolerance of risk-taking.

Is Change Worth the Effort?

Challenges of the '80s

Is the long-term and expensive process of culture-change toward higher worker involvement and commitment possible in the United States? Some American companies such as Hewlett-Packard and some Japanese subsidiaries in the U.S. have a management style very similar to that found in Japan. American workers do adjust to this style. Successful new design plant start-ups provide evidence that organizational units that depart substantially from cultural norms can thrive if they are buffered from the traditional demands of the institutions which surround them. It is far more difficult for an older organization to effect a transition in this direction. However, it has been accomplished by Japanese management which took over Motorola (Pascale and Athos, 1981; Ouchi, 1981).

The desirability of effecting such large-scale cultural reorientation in our organizations remains a subjective judgment. There are forces, such as the changing nature of our workforce, which push in the direction of the increased participation and involvement. Today's workers are more highly educated and rights conscious and have higher expectations for participation than did their predecessors (O'Toole, 1981; Yankelovich, 1981). Other forces such as the increasing technological capacity for centralized control systems, the increasing worker concern with leisure and the decrease in organizational commitment among workers at all levels seem to favor less participative settings.

The internal operating inefficiency which results from under-utilization of human resources is a serious threat to productivity. There are other threats, however, which are beginning to be felt and voiced by American businesses. Energy and resource shortages, an aging workforce, technological advances and the attendant problems of automation, the burgeoning costs of information processing, and declining white collar productivity are but a few of the challenges of the decade. It is incumbent on American management to consider how a strategy of participation might be congruent or incongruent with a strategy for dealing with these major societal issues. The ultimate worth of participation lies in the problems which it can help address.

Ultimately it will probably not be the evaluation of scholars as to the productivity impact of worker involvement that will determine whether participation becomes part of American work settings. Value will be placed on participation by those who participate. Human aspirations for themselves and hopes for their society will provide the driving force for the kind of organizations which emerge.

<u>References</u>

Alutto, Joseph A. and James A. Belasco, "Patterns of Teacher Participation in School System Decision Making" <u>Educational Administration Quarterly</u> 9:1 (Winter, 1973) 27-41.

Argyris, C. and Schon, D. A. <u>Organizational Learning: A Theory of Action Pespective</u>. (Reading, Mass.: Addision Wesley Publishing Company, 1978).

Bennis, W. G., Benne, K. D. and Chin, R. (eds.) <u>The Planning of Change</u> Second Edition (New York: Holt, Rinehart and Winston, Inc., 1969).

Chamot, D. and Dymmel, D. "Unions View European Strategies for Coping with Technological Change: <u>World of Work Report</u> 7:7 (July, 1982) 50, 54-55.

Coch, L. and French, J.R.P. "Overcoming Resistance to Change" <u>Human Relations</u>, 1 (1948), 512-532.

Cole, R. E. <u>Work, Mobility and Participation: A Comparative Study of American and Japanese Industry</u> (Berkeley: University of California Press, 1979).

Cummings, T. G. and Srivastva, S. <u>Management of Work: A Socio-Technical Systems Approach</u> (San Diego: University Associates, 1977).

Dachler, H. P. and Wilpert, B. "Conceptual Dimensions and Boundaries of Participation in Organizations. A Critical Evaluation" <u>Administrative Science Quarterly</u>, 1978, 23: 1, pp. 1-39.

Goodman, P. S. <u>Assessing Organizational Change: The Rushton Quality of Work Experiment</u> (New York: John Wiley and Sons, 1979).

Hackman, J. R. and Lawler, E. E. "Employee Reactions to Job Characteristics" <u>Journal of Applied Psychology Monograph</u>, 55 (1971) 259-286.

Hammer, T. H. and Stern, R. W. "Employee Ownership: Implications for the Organizational Distribution of Power," <u>Academy of Management Journal</u> 23:1 (March 1981) 78-100.

Jacoby, S. M. "Union Management Cooperation in the United States, 1915-1945" Working Paper, Graduate School of Management, University of California at Los Angeles, 1981.

Koch, J. L. and Fox, C. L. "The Industrial Relations Setting, Organizational Forces and the Form and Content of Worker Participation" <u>Academy of Management Review</u> (July, 1978) 572-583.

Lawler, E. E. "Job Attitudes and Employee Motivation: Theory, Research and Practice" <u>Personnel Psychology</u> (1970) 12, pp. 223-237.

Lawler, E.E. "The New Plant Revolution" Organizational Dynamics (Winter, 1978) pp. 3-12.

Lawler, E. E. and Hackman, J. R. "Impact of Employee Participation in the Development of Pay Incentive Plans: A Field Experiment". Journal of Applied Psychology, 1969, 53, 467-471.

Lawler, E. E. and Ledford, G. E. "Productivity and the Quality of Work Life National Productivity Review (1982) 2:2.

Likert, R. New Patterns of Management. New York. McGraw Hill, 1961.

Likert, R. The Human Organization: Its Management and Value. New York: McGraw-Hill, 1967.

Locke, E. A. and Schweiger, D. M. "Participation in Decision-Making: One More Look" Research in Organizational Behavior, Vol. I. B. Staw (Ed), (Greenwich, Conn.: JAI Press, Inc., 1979) 265-339.

MacGregor, Douglas. The Human Side of Enterprise (New York: McGraw-Hill Book Company, Inc., 1960).

Macy, B. and Peterson, M. "Evaluating Attitudinal Change in a Longitudinal Quality of Work Life Intervention." Paper Presented at the Annual Meeting of the Academy of Management, San Diego, August 1981.

Maier, N. R. F. Psychology in Industrial Organizations (Boston: Houghton Mifflin Company, 1973).

Mohrman, S. A. and Cummings, T. "Implementing Quality of Work Life Programs" National Training Laboratory, 1982.

Mohrman, S. A. and Novelli, L. "Beyond Testimonials: Evaluation of a Quality Circles Program," Paper Presented at the Academy of Management Annual Meetings. New York, New York, August 16, 1982.

Moore, B. E. and Ross, T. L. The Scanlon Way to Improved Productivity: A Practical Guide (New York: John Wiley and Sons, 1978).

Nurick, A. J. "Participation in Organizational Change: A Longitudinal Field Study" Human Relations 35:5 (1982) 413-430.

Ohmae, K. "Quality Control Circles: They Work and Don't Work" The Wall Street Journal Monday, March 29, 1982.

O'Toole, J. Making America Work: Productivity and Responsibility (New York: Continuum Publishing Company, 1981).

Ouchi, W. G. Theory Z: How American Business Can Meet the Japanese Challenge (Reading, Mass.: Addison-Wesley Publishing Company, 1981).

Ouchi, W. G. "Organizational Control Systems and Productivity: Annual Report, October, 1981" Office of Naval Research (Code 452) Contract No. N00014-81-k-1135.

Pascale, R. T. and Athos, A. G. The Art of Japanese Management: Applications for American Executives (New York: Simon and Schuster, 1981).

Vroom, V. H. and Yetton, P. W. Leadership and Decision Making Pittsburgh: University of Pittsburgh Press, 1973.

Wallace, A. "Move to Expand Worker Control Over Corporate Decisions Creates a Stir." World of Work Report 7:8 (August, 1982).