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**Human Resource Productivity in the 80's:  
A Critical Analysis of Trends**

**CEO Publication  
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HUMAN RESOURCE PRODUCTIVITY  
IN THE '80's: A CRITICAL  
ANALYSIS OF TRENDS

by

Edward Lawler

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ABSTRACT

Discusses the current fascination with participative management and points out how many companies are inadequately using participative management. Identifies a number of characteristics that tend to be associated with successful quality of worklife and employee involvement projects.



## Human Resource Productivity in the '80s:

### A Critical Analysis of Trends

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The beginning of new decades typically bring forth predictions about future trends and major issues that must be dealt with. The beginning of the 1980 decade was no exception. Numerous observers of management practices in the United States produced prognostications and prescriptions about what management would and should be like in the 1980s. One thing that emerged rather consistently in these statements concerned human resource productivity. There seemed to be a consensus that the 1980s would be a decade in which increased attention and concern would be focused on the effective utilization of human resources. The reasons for the increased concern with human resource productivity were rather clearly stated and indeed most of them were already present at the beginning of the decade. They included such things as the changing nature of work force, increased international competition from countries like Japan which seem to be making more effective use of their human resources, and the changing society in the United States. All these seemed to point to the need to focus on human resource productivity and to use more participative management practices.

Although the '80s are just unfolding, it is not too early to step back for a moment and review how the predictions about human resource productivity are working out. This will be done by first considering whether indeed there is a greater concern about human resource

management. Then consideration will be given to what organizations are doing to improve human resource productivity and to how effective these efforts are.

#### CONCERN FOR HUMAN RESOURCE PRODUCTIVITY

There is a considerable amount of evidence that in fact organizations are paying more attention to human resource management. This attention seems to be manifesting itself in a number of new practices, policies and beliefs. Many of the new practices which are being tried in organizations emphasize, as was predicted, more participative approaches to management. This is consistent with the view that people are better educated, less accepting of traditional authority and that as such they can and should be involved in decisions that effect their day to day work life.

Indeed, given the relatively high wage levels in many U.S. industries and the relatively high education level of the work force, the case can be made that the failure to use the intellectual power of people as well as the physical power is a severe waste of a valuable and expensive resource. It is an inefficiency which organizations often cannot afford in a very competitive international market place. Perhaps in years past it was economically feasible to pay one person to think and one person to do, but in today's competitive market place that, in some respects, is a luxury that organizations cannot afford and thus they seem to be looking for ways to have one person both do and think. In this case thinking means planning, scheduling, organizing, and deciding how the work will be done with a minimum of management input and direction.

In some organizations the belief is that better management of human resources can be a strategic advantage in the market place. This view is based on the reasoning that since good human resource management leads to lower cost and higher quality production, the organization which is more effective in utilizing its people will have a market place competitive advantage.

The point that changes actually are taking place can perhaps best be made by stating some of the emerging practices and projects which are representative of the move toward more participative management.

- Quality circles have grown at a dramatic rate in the last two years. Hundreds of companies for the first time now have employees meeting in groups to solve productivity and quality problems.
- Attitude surveys are increasingly being used by companies as a way to find out what employees want and to give them a chance to input to decisions.
- Many companies are experimenting with self-managing work teams and other job-enrichment approaches designed to give employees a change to make more and more of the day-to-day decisions concerning their work.
- More and more people are being given a chance to decide for themselves what time they come to work, and indeed what fringe benefits they will receive through flex-time and flexible benefit programs.
- Joint union management committees are meeting in a number of companies to facilitate cooperative problem-solving between unions and management.



- New plants are being built that minimize the distance between workers and managers. The plants involve employees in many decisions and are structured on the basis of work teams.

Some idea of the amount of increased activity in this area is shown by a survey done by the newsletter "Productivity". The survey of 532 private and public organizations found a dramatic increase in worker participation in responding organizations. Fifty-eight percent of the organizations said they have established worker programs compared with 33% in the previous years survey. In addition 2/3 of the companies without participative programs said they were planning to start one soon. Not surprisingly quality circles were the most widely used form of worker participation: 37% of the companies had circle programs among blue collar workers, 24% among office workers, and 19% among professional workers.

One interesting side effect of the increased prominence of human resource management in corporations is the increased status of people in the personnel of human resource management function. They often now are part of the senior decision making group in corporations. Reflecting this is their increased compensation. The salary of top level human resource management people has risen faster than that of most other groups in corporations over the last few years. In short, the evidence strongly suggests that top management has opened the door to input from people with expertise in the area of human resource management. They are willing to listen and indeed to make changes that promise better productivity through more effective human resource management. In many ways this represents the culmination of decades of writing and argument

by people in the field of human resource management which stress they have something to contribute to the bottom line.

In summary, the evidence suggests that the early part of the 1980s has seen a growing concern for the management of human resources. Numerous projects have been started and almost every major corporation seems to have some sort of effort under way to improve human resource productivity. This leads us to an obvious question: how effective are the current approaches to improving human resource productivity?

#### EFFECTIVENESS OF HUMAN RESOURCE PRODUCTIVITY EFFORTS

The results of employee involvement oriented productivity improvement programs show a highly mixed picture. There is no question that there are some highly visible, notable success stories to tell. Indeed, these success stories are often told over and over again. At this point who hasn't heard of the highly successful General Motors effort at Tarreytown, New York, or of one of the successful new high involvement plant, such as Procter & Gamble's efforts, or those of such other companies as TRW, General Foods, Cummings Engine and Sherwin Williams. There also are a number of success stories that center on the installation of such financial gain sharing plans as IMPROSHARE and Scanlon. Dawa Corporation for example has installed the Scanlon plan in a number of plants. In addition, the IMPROSHARE has been installed in over a hundred locations. Such major corporations as General Electric and TRW have installed multiple gain sharing plans in their plants. Overall several reviews of the results of these pay plans suggest that they do indeed improve productivity when they are combined with a participative management style.

Other success stories concern the use of self-managing work teams in plants of Butler Manufacturing Company and Digital Equipment Corporation. Finally there are the many successes concerned with individual job enrichment projects such as those at Lincoln National Life Insurance. Indeed, at a distance it's a rather impressive array of successful projects. Some of these projects in fact seem to have achieved a celebrity status of their own. They regularly appear on conference programs concerned with human resource productivity and have developed a national following.

The picture however is far from a totally positive one. Balancing the highly visible success stories are a number of much less successful projects. In many cases problems develop because of a failure to understand what it takes to make a project successful. In effect they have been seduced by the apparent ease with which many of the highly visible projects have achieved significant productivity improvements. Indeed, it may be time to turn on a caution light because human resource productivity programs have become a fad in their own right.

All too often companies seem to be entering into programs because "everyone else is doing it," "we're expecting a quick payoff from this," or "when people are involved, they're more productive." All this suggests that some employee involvement programs: (1) have become fadish, (2) overly short-term in their orientation, (3) often bear no thought-through relationship to productivity that is based on research evidence, and (4) are not integrated into an overall approach to management. These four characteristics seem to be particularly typical of human resource productivity technologies that are purchasable in an "off the shelf" manner. Leading the pack are quality circles, followed

closely by attitude surveys, and certain kinds of leadership training programs. These human resource programs are all easily purchased and started in a company and are particularly prone to being installed because everyone else is doing them. A quick look at some of the improper uses of them will highlight the problems with many human resource productivity improvement programs.

### Quality Circles

Undoubtedly the most frequently used and abused approach to employee involvement is quality circles. There is no question that their use can produce greater employee involvement, satisfaction, and ideas that can have a direct bottom line saving for the company. However, they are not, as is often suggested, a tool which can be safely used as an independent short-term stand-alone picker-upper for productivity and quality. They set in place in organizations a very complicated set of processes that ultimately can demand a significant change in the overall management style of the organization and the way it is managed.

It may be that in Japan many organizations have been successful in encapsulating quality circles to such a degree that they have not produced demands for changes in the pay system, promotion system, and the overall way of managing the organization. There is considerable evidence building, however, that it is not reasonable to assume that they can be successfully encapsulated in the U.S. For this reason successful long term utilization of quality circles is likely to require a dramatic change in the way most organizations are managed. They almost immediately raise issues around extra pay for participation in circles and for the ideas produced. They challenge traditional

autocratic supervision because they make people more knowledgeable and ask them to become intellectually active. Finally when good suggestions are developed they call for significant work place redesign that has to be acted upon favorably by middle managers if the programs are going to pay off. The latter point requires that many levels of management change their management style, learn to listen, and indeed to react nondefensively to ideas that come from nontraditional places (read lower level) in the organization.

There already are examples in the U.S. of what happens to quality circle programs that are not carefully integrated into a long term program of organization development. They go through a cycle of initial enthusiasm followed by the generation of some good suggestions for change (if people have been properly trained in decision making and they know the work situation well enough to make informed decisions). There usually then follows a period of hope while they wait for their ideas to be implemented. When many of the quality circle's ideas ultimately are not implemented or delayed to the point where they feel that no one is listening to them, the initial enthusiasm and optimism turns to bitterness and anger and the circles finally stop functioning. People then return to business as usual but they are more cynical and disillusioned than ever about the sincerity of management and the effectiveness of management.

Implementation of some ideas sets into place a different sequence of events. It is usually followed by a period of increased self esteem and raised expectations on the part of both program participants and non-participants. Often these expectations cannot be met because they call for extensive change and the results is disillusionment.

### Attitude Surveys

The use of attitude surveys is not new but it is increasing. All too often surveys are done by managers who "want to find out what people think." Typically, data are gathered and presented to management. Often the data contain reactions that somewhat surprise the managers and frequently present them with demands for change that they simply are not able or willing to respond to. At this point the results are usually either suppressed or they are given out to the employees in such an innocuous form that it is difficult to recognize the original items and the real thrust of the employee remarks.

Initially the employees are quite pleased that they have been asked to participate in a survey and indeed hopeful that it will produce change. But when considerable time elapses between their responding to the questionnaire and any feedback, they begin to become disillusioned and negative about the purposes of the survey. When nothing ultimately happens, they give up hope and decide that once again they have been had by management. The net effect of the attitude survey effort is usually negative because no action plan for change was developed and no thought-through feedback plan was prepared.

### Management Training

Management training programs and participative management have gotten increasingly sophisticated and prevalent in the last few years. Large numbers of companies and consulting firms offer them and they often are quite good in educating people to behave in a participative way and to understand the concepts behind employee involvement. Unfortunately, organizations sometimes conclude that simply training some managers in participative methods is an adequate intervention in order

to produce significant productivity improvements. Nothing could be further from the truth. Research evidence on what happens to supervisors who are trained to behave in a participative manner is quite clear. In the absence of other organizational changes and a clearly developed mandate from the top to change the management style of the organization, training is usually wasted. Supervisors often make an initial try at being participative but if it is not rewarded and supported back in the work place they quickly stop their behavior. Employees for their part are usually mystified and then pleased by the changes in the supervisor but before they have a real chance to respond to the changes the behavior has typically disappeared.

#### Summary

In summary then the boom in employee involvement programs all too often ends up as a bust for organizations. Too often they are buying pieces of technology without really understanding how the technologies can and should be used and without understanding the overall relationship between the technologies and productivity improvement. It's not hard to see why organizations are so susceptible to buying technology. To begin with organizations are very used to spending money to buy new pieces of equipment, new accounting procedures and new work methods as developed by industrial engineers. It only follows that when they want to engage in employee involvement that they should do the same thing, that is buy a piece of technology.

Quality circles in particular are an appealing piece of technology. They profit from the reflective glory of Japan's productivity accomplishments and they clearly have reached fad proportions in the U.S. so that it is now "in" to have a quality circle program. They also have

the advantage that they do not appear to necessitate any direct alteration of the power structure in a organization. They are typically installed with instructions that say they give no decision power to the circles. The circles are simply created in order to make suggestions that management acts upon. Thus, they come across as a piece of technology which supports business as usual and which requires no significant behavioral change on the part of managers. As has already been suggested nothing could be further from the truth.

#### KEYS TO SUCCESSFUL EMPLOYEE INVOLVEMENT PROGRAMS

The discussion so far has clearly made the point that there is no guarantee of success when employee involvement productivity programs are undertaken. It is not like buying a piece of technology which has a predictable payoff and return. Indeed, it is important that organizations think about employee involvement programs in a quite different way and that they attend to some issues that they may not be used to focusing on. Specifically the following points need to be considered when employee involvement programs are being considered.

Employee involvement programs are not short term, quick pay back programs. Indeed, most successful projects are the result of considerable time and effort being invested over several years. This is not to suggest that in the first few weeks or months there won't be some positive signs and some indications of positive results but during the initial start-up often the costs exceed the benefits. In addition, the training costs and other costs associated with change often continue for several years. This means that those organizations that look for a quick turnaround will usually be disappointed.



Employee involvement is difficult to encapsulate. Organizations should be aware that when they start an employee involvement project even though it is with a small group of people and even though it may involve changing only one feature of an organization, it can ultimately lead to requests for much wider-scale change. Indeed, one of the reasons that most employee involvement projects need to be long term in their orientation is that the initial changes often lead to an escalation of the number of changes and it is only after multiple years that the whole change process has played out. For example, starting one quality circle can set in motion the desire for other employees to have their own quality circle. The circles in turn can lead to suggestions for change in the way jobs are designed, the way information is distributed, the way supervisors behave, and so on. The net effect of all this is that the ultimate change process can end up being organization wide in its ramifications and it can affect multiple systems in the organization, not just the suggestion making system which the initial quality circle effort was designed to improve.

Organizations need to determine carefully the relationship between corporate business strategy and employee involvement efforts. It is not obvious that employee involvement efforts are appropriate for all organizations. Because they tend to take a considerable amount of initial development time and expense they are only likely to pay off in organizations that will profit from employees who are committed to the organization over a long period of time. In addition, they tend to affect product quality or service quality strongly and not to affect productivity quite as strongly. They also usually have a positive impact on turnover.

Before an organization ventures into this kind of project, therefore, they need to assess whether long term changes (in turnover, in product quality and service quality, in particular), will provide them with a strategic advantage, which is likely to have a profit associated with it. Most employee involvement practices only tend to pay off where having employees who know more and care more is important to the success of the business. If business success rests upon people doing highly repetitive bureaucratic or manual task behaviors then involvement is unlikely to produce enough strategic advantage to support the very significant costs of installing it.

Multiple system changes may be necessary. As has been suggested already, a key to most successful employee involvement programs is multiple system change. That is, changes typically need to be made in a number of human resource management systems--not just in one. For example, it is typically not enough to simply change the management training program or to change the job design program, or to change the pay system. Successful long term change usually requires changes in all of these areas because organizations operate effectively only when there is congruence among all the human resource management systems. When one system is moved towards a more participative approach it simply puts it out of balance with the other systems in the organization and as a result pressure builds to bring everything back into congruence. Unless this pressure results in organizations moving toward an integrated set of employee involvement oriented practices, the result is usually an end to the participative practice which was originally installed to improve productivity.

Only certain changes produce productivity improvement. Many employee involvement programs have floundered because their original focus has been on changing such hygienic issues as the cafeteria food, the bathrooms, or the parking lots. The assumption seems to be that if people are involved in decision making they'll be happier and more productive. Unfortunately, happiness and involvement do not automatically lead to higher productivity. The implication of this is clear; if organizations want employee involvement activities to pay off in productivity improvements they must focus these efforts on things that directly impact productivity. This usually means such things as the way the work is done, the way people are paid, how skilled the employees are, the kind of information that people have about work processes and cost, and the nature of the groups that people operate in.

Process can be as important as content. Typically employee involvement efforts focus too much on a piece of technology which is being put in place and not enough on the process which is used to install the technology. Research evidence is building which suggests that carefully specified highly programmed change programs often end up being less effective than ones which allow local adaptation and innovation. For example, in the installation of job enrichment programs or quality circles an installation process which allow local people to alter it by participating in the design of its components is more likely to be successful than one which follows a rigid text book approach about what "should" be done in order to make the program successful.

The key difference here seems to be that between a minimal specification design and a maximal specification engineering approach to change. The latter is often highly effective when a piece of hard

technology is being put into place. Then most of the design parameters can be known and acceptance on the part of the users is less of an issue. In the case of most employee involvement, acceptance is critical and local conditions often do need to modify what is done. This seems to create situations where less specification leads to greater effectiveness because it in turn produces a better design and better acceptance.

Vision is important. A high percentage of the successful employee involvement projects seem to have one or more people associated with them who have a vision of the ultimate system which is being developed. Often this vision is not apparent at the beginning because change starts with a single intervention like the installation of a self managing work team or an attitude survey. Ultimately it becomes clear that someone or some set of individuals in the organization has an overall concept or vision of how the organizations should be managed. They may not have the details marked out and developed, but they do have some fundamental principles about how people should be dealt with, how work should be organized, and how communication should take place that can be articulated over and over again. These principles provide fundamental touch stone guidance for the organization. In traditional organizations these often do not need to be stated because they are so well accepted in the management literature that everyone understands them. In the development of employee involvement programs, however, they often do need to be stated, restated, and clearly seen by the people leading the effort because they are uncommon and not immediately obvious. Indeed, it is the sense of a vision that often distinguishes the effective leaders in high involvement systems from ineffective ones.

In summary, there are a number of identifiable characteristics which seem to be associated with successful employee involvement programs. In many respects it is an overwhelming list of attributes for many managers. Nevertheless, they need to be emphasized when employee involvement programs are begun. If they're not organizations are likely to begin projects and rather quickly find that they are not a position to effectively implement, manage, and profit from the enthusiasm that their employees show when the idea of greater involvement, learning and influence is presented. To repeat, before organizations start employee involvement programs they should realize that such programs are long term in nature, need to be integrated into corporate business strategy, need to involve organization wide change, multiple demand system change, use a minimum design specification process, and finally must be lead by individuals who have vision that includes a well articulated set of values and strategies for participative management.

Admittedly, it is difficult to find locations where all of these conditions are met and as a result some employee involvement effort need to be started where conditions are suboptimal. On the other hand if too many employee involvement efforts are begun because it is the "in" thing to do and because they are seen as an interesting thing to experiment with, something that can be encapsulated and something that needs to produce quick results, the 1980s will be remembered as a decade where employee involvement was tried and found wanting.

My sense of the 1980s so far is that it is not at all clear that the trend is in the direction of employee involvement programs being seen as generally effective in improving productivity. Indeed, despite the considerable publicity that the success stories are getting there

are enough failure stories around so that the good and the bad are balanced. In short, the jury is still out on whether employee involvement is going to be the management approach of the 1980s and beyond.