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Declining Organizations**

**CEO Publication
G 83-15 (46)**

Susan S. Mohrman
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ABSTRACT

Declining organizations are both an impetus for and an impediment to employee involvement approaches to management. This paper describes employee involvement approaches and their requirements for success. These are contrasted with the conditions present in declining organizations. Case descriptions of employee involvement in declining organizations reveal the dynamics that determine when employee involvement succumbs under the burden of decline and when employee involvement can help the organization transcend decline conditions.

EMPLOYEE INVOLVEMENT IN DECLINING ORGANIZATIONS

by

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INTRODUCTION

Employee Involvement and Quality of Work Life efforts are gaining widespread recognition and use in United States Industry. These approaches are designed to improve organizational performance through increased involvement of employees in organizational decisions. This movement has risen, in part, because much of the basic industry in the United States has been in decline. There has been foreign encroachment on traditional markets and American corporations have been unable to compete with some foreign goods production. There has been a general slow-down in economic growth and productivity improvement. Traditional approaches to the management of organizations are often seen as unable to deal with these problems. Employee involvement is now seen in many firms as an alternative approach to management that can help counteract these trends, as well as provide a response to societal pressures for meaningful work and the opportunity to participate in decisions (Mohrman and Lawler, 1983).

We see frequent use of employee involvement programs in organizations that face the threat of decline. But organizations in decline are generally stressful and threatening places in which to work; they tend to elicit self-protective and rigid behavior that further threatens the viability of the organization. (Staw, Sandelands and

Dutton, 1981; Whetten, 1980). The primary issues are whether the individual and organizational behavior patterns that emerge during periods of decline are conducive to employee involvement efforts and when and how such efforts can be used to reduce or eliminate these often dysfunctional behavior patterns. In this paper, we first describe the characteristics of employee involvement processes. Then we present examples of the behavior patterns that are common in declining organizations and the ways that these patterns interact with employee involvement efforts. Finally, we discuss the implications for such programs.

THE EMPIRICAL EXAMPLES

Our examples are drawn from our experience and research on employee involvement efforts in organizations facing the threat of decline. The organizational units we studied are substantial in size and significance, e.g. manufacturing plants and regional transportation operations, but do not have responsibility for strategic corporate direction or redirection. Thus these units live within the constraints defined by the larger corporation. Our study sites are typical of the primary locus and level at which employee involvement programs take place. Thus the points presented here should be relevant to most employee involvement efforts conducted in declining organizations.

The site-related examples are from detailed case studies by the authors. The settings from a number of diverse industries and technologies are described below:

1. We studied two plants in different aspects of the wood products industry, both of which were attempting to implement a transition to a high employee involvement culture based on cooperative union/management problem solving. The long-term conditions of stagnation in the wood industry were exacerbated by the recessionary conditions of the early

1980's. Both plants were threatened with their current form of existence. One was explicitly threatened with shut-down if it could not turn around its economic performance. The other was in danger of becoming an "orphan" plant. Its ownership was in question and it was continually threatened with being sold off from the family of plants of which it was a member.

2. We also studied two regional transportation and warehousing operations. After a period of rapid growth, a shakeout in that industry was threatening the viability of the mother corporations of both of these organizations. They were experiencing layoffs, hiring freezes, pay freezes for management, and other cost reduction techniques. In addition, they were attempting to implement cooperative labor/management problem-solving around the problems which they were facing.
3. Four plants and small businesses within major electronics firms comprise the remainder of our sample. The firms were in a process of retrenchment and redirection as a result of increased competition in the electronics industry and increasingly adverse business conditions. Layoffs were common, product lines were being eliminated and plant closures were under consideration. The parent corporations were considering selling two of the units. We studied the employee involvement programs in each of these settings. These programs were usually promoted--and often required--by the parent corporation.

EMPLOYEE INVOLVEMENT INTERVENTIONS

Organizational interventions designed to increase employee involvement hold to two basic tenets: 1) that organizations, to be effective, must attend to the needs and goals of individuals as well as those of the organization; and 2) that such integration of individual and organizational needs is best accomplished when organizational members are actively involved in problem-solving and decision making pertinent to their organizational role (Nadler and Lawler, 1983; Mohrman and Lawler, 1983). Many employee involvement projects begin as attempts to establish participation groups. These groups seek to give interested employees the opportunity to solve problems, to identify areas for improvement and to influence their worklives. In return, the

organization receives the fruits of increased employee involvement and enthusiasm, as well as the ideas of the people closest to the day to day work. Although these concepts appear on the surface to be quite straightforward, they represent a philosophical shift which requires alterations in many aspects of traditional American organizations. (Lawler, 1982; Nadler and Lawler, 1983).

In essence, successful employee involvement projects represent a major transition in management style, organizational climate, organizational structure, and individual skills, abilities and orientation to work. This transition requires changes in many of the formal systems of the organization. These will be briefly described below:

Management Style

A successful program requires three basic changes in management style. First, managers must become more responsive to the needs and the welfare of the employees in the organization. This implies the development of adequate interpersonal skills to exchange ideas and concerns with others in the organization. Human welfare must be a legitimate and explicit criterion in the organizational decision-making process. The second change is that managers must provide increased opportunities for employees to give input, to participate in decision-making and problem-solving and to assume organizational responsibilities. A third change is required that is supportive of the other two. Explicit managerial attention must be given to establishing effective organizational communication so that people are operating in a high information environment. Both managerial knowledge of the needs and concerns of employees and constructive employee participation depend on two-way communication of information. Both managers and subordinates

must have sufficient knowledge and understanding to make informed decisions.

Interpersonal Climate

At least three aspects of the climate of most traditional organizations require alteration in order to support employee involvement efforts. First, an increase in the amount of trust among all organizational members facilitates open communication and constructive conflict management. Long-standing patterns of information withholding, hesitance to be the bearer of bad news, and reluctance to disagree with superiors are barriers to the participation process. Second, a conscious effort is required to integrate the various parts of the organization sufficiently to establish a framework for cooperative problem-solving. Bridges of understanding must be built between various groups and individuals to overcome stereotypes and to erode the "we-they" orientations that prevent integrative activity. Third, the climate must foster innovation and tolerance of new ideas.

Organizational Structure

Opportunities to participate frequently are created by establishing participative structures where individuals with different views can solve problems that are not currently being addressed. In addition, changes in structure and in the design of jobs should move decisions to lower levels of the organization so people make relevant and salient decisions about their work and their worklives.

Individual Change

Changes in the skills, abilities, attitudes and beliefs of individuals are usually required to sustain employee involvement. Managers and supervisors often need more effective leadership and

supervision skills. Employees must be effective in group and individual problem-solving processes. These skills are often improved by training. In addition, many employees must learn about their organization as a business, and become more familiar with the responsibilities, tasks, and viewpoints of others in the organization. This familiarity can be best obtained by exposure.

Changes in the beliefs and attitudes of the organizational members are generally required. Many managers and supervisors, some of whom have been extremely successful in traditional organizations, do not believe that increased attention to human outcomes and to the involvement of employees in decisions will result in a more effective organization. Nor do they value these as desirable ends. Changes in fundamental attitudes require experience that disconfirms the original set of values and beliefs.

Formal System

Employee involvement processes often are incongruent with the existing formal personnel systems of the organization. Individuals are generally not rewarded for being good team players or for developing their subordinates. They are rarely selected, evaluated or promoted because of their abilities or values in these areas. Transition to a high involvement system is facilitated by altering personnel practices to explicitly encourage and reinforce congruent behavior.

Summary

It is evident that building a high involvement culture represents a significant and very difficult transition for many organizations. Certain contextual elements facilitate such a large-scale change. The process requires a substantial commitment of resources. It is essential

that a strong foundation be built so that there is a common understanding of the transition process and its goals. Much time is required to develop the skills necessary to effect the change, to build organizational teams, to start the problem-solving process, and to implement ideas and changes generated by the program.

Enthusiasm and excitement about the potential of the change process is useful, and perhaps essential, to sustain momentum throughout the change process. In addition, employees are more likely to try out untested ideas in a setting in which they feel relatively secure that they will not be punished for failure. Finally, the essence of employee involvement requires that individuals exert more initiative and take more responsibility for day to day decisions. This is most likely to occur in organizational units where members feel that they have some autonomy, and can establish control over important aspects of organizational functioning.

It is evident that employee involvement threatens the status quo and therefore may be threatening to the people that have learned to thrive in the "old" system. The employee involvement process represents decline of the status quo and is often met with the same kinds of behavioral tendencies that exist in any decline situation. Thus, while there may be a clear need for change in organizational practices to cope with the decline process, there may also be a substantial resistance to change in comfortable and well understood behaviors.

ORGANIZATIONAL DECLINE AND EMPLOYEE INVOLVEMENT

As has been stated, employee involvement efforts are often an organizational attempt to reverse decline or stagnation. This section of the paper draws on both the research literature about organizations

in decline and our own experience with such organizations to generate understanding of the implementation issues which are faced in such settings. We will first discuss the typical context of decline. Then we will examine the individual and organizational forces that may promote or inhibit meaningful change in declining organizations.

The Context

Most of the organizational units that we studied were part of a larger corporation that was in a period of uncertainty about its mission and strategy. All were studied during the late 1970's and early 1980's. The general economy was growing more slowly than in the past; Americans were beginning to realize that their domination of the world economy was ending. International competition had eroded the foundation of many basic industries and was beginning to threaten the arena of high-technology leadership. A societal movement toward deregulation was leading to a proliferation of competition and impending shake-outs in many industries. This was a period of acquisitions, mergers, and divestitures. High-technology companies tried to compete head-on in many markets, and corporations which had been the backbone of our basic industrial strength attempted to acquire the ability to be part of the world of information, finance and high technology. Most of the units that we studied were caught in a corporate context of retrenchment, consolidation or redirection. Several were in corporations that were themselves in a state of decline. Others were potential casualties of a retrenchment process, which might leave the corporation stronger than before, but put the particular unit in a precarious position.

We were struck by several similarities among the organization units in which the employee involvement efforts were implemented. A

fundamental uncertainty about the future and a shrinking resource base created a highly stressful context for employees. In addition the local management generally felt powerless to impact key decisions about the future of the organization. These conditions will be described below, along with some illustrative examples.

Uncertain Future

The future of each of these organizations was quite uncertain. Most faced the threat of being shut down or divested. Some were unprofitable and others had a mission which was incongruent with that of the larger corporation. Very little information was supplied to the local unit concerning corporate activities and plans that influenced its future. This usually led to a plethora of rumors, and to a general lack of trust and confidence in corporate management. This condition of uncertainty lasted months and sometimes years.

In defense of the corporate posture, we must point out that decisions about these units were often being made through a time-consuming corporate strategy process, or through prolonged negotiation with potential buyers for the units in question. This precluded quick and accurate feedback to the units about their destiny. The corporate staff often responded with platitudes or reassurances when pressed for information. This was apparently done to reduce the level of anxiety. In many cases these reassurances were followed weeks later by announcements that were the opposite of the earlier reassurances. As a result, there was almost no trust in these units of the information that they received from top management.

Inability to Exert Control

Many of the important decisions concerning the future of these organizational units were made outside of the units. Local management thus perceived little ability to exert control and determine a direction for the unit. The employee involvement process itself was generally mandated from above. In some cases it was part of general corporate direction, in others, it was an attempt to reverse poor performance at the local level, or to "get the unit in shape for a sale."

Local management generally responded with a "learned helplessness" (Seligman, et al., 1971), defending their lack of action by referring to the unknowns and to all the factors that were beyond their control. This attitude prevented them from implementing any significant course of action, since the managers' "wait and see" approach went on for months. There was often a "pro forma" acceptance of the employee involvement effort as well as of other corporate programs. The managers usually went through the motions without enthusiasm; they often grumbled and expressed cynicism. If corporate wanted ten groups, corporate would get ten groups. If it wanted an elaborate statement of principles and goals, that is just what it would get. Hours of time were put into group activities to choose goals, direction and courses of action. This was unfortunately followed by little or no implementation.

In some of our settings employee involvement was not mandated, but it was made available to each organizational unit if both local management and local union leadership committed to the effort. Our questionnaire data from one such setting showed that over 90% of the people believed that the company faced severe financial difficulties and that this problem was the most important facing the local unit. Almost

60% of the respondents also felt that the best way to deal with this problem was through local union-management cooperative problem-solving. This illustrates both the strong desire among these people (management and union) to exert control over the decline forces as well as the belief that they could turn-around the organization. Ironically, even though the local unit began a cooperative union-management venture, it was hampered by a more characteristic wait-and-see stance at the corporate level. During the period of EI start-up the union-management contract expired and negotiations for a new three-year contract began. These negotiations lasted well over one year as both sides "treaded water" waiting for clarification of the financial situation. Local union-management cooperative endeavors were held back during this time because key union people were often away attending negotiations. Many of the issues that could have been considered were avoided because of their possible political use in negotiations.

Shrinking Resources

These organizations were experiencing a period of stagnation or decline in resources. Corporate policies of cost containment, layoffs of personnel, and pay raise reductions and freezes were the order of the day. Periods of rapid growth were only memories; employees saw little room for advancement and growth. In fact, many had experienced the opposite. People were often bumped down the hierarchy in adjustment to staff reductions. The pie was smaller, competition for scarce resources was more evident, and there was a general lack of excitement about future opportunities.

To the members of these organizations, promises of higher involvement, opportunities for growth and development, and greater

attention to individual need often rang hollow and generated little energy. The fact that corporate management wanted local personnel to aim for these goals was taken by some as further proof that they were "out of touch" with the operating units. Employees suspected that employee involvement was simply a manipulative tactic to achieve further sacrifices.

In addition, a credibility gap was generated by seemingly conflicting messages from "corporate." Corporate management was asking the unit to apply resources to the involvement process at a time when some individuals were being asked to make pay sacrifices, and others were being laid off. In several organizations, off-site team building exercises amidst financial cutbacks caused a profound negative reaction among all ranks. They objected to sending the staff to a "country-club" when times were tough. It was not uncommon for consultants to encounter rumors that they were fired, reflecting disbelief that corporate would spend resources on a consultant when the economic situation was so serious.

Stress and Insecurity

Conditions of uncertainty combine with feelings of lack of control to create an extremely stressful situation for individuals (Kahn, 1981). The shrinking resource pool also reduces perceived response options. The threats of shut-down, divestiture and further layoffs were additional contributors to a high level of job insecurity and anxiety. In many of our sites workers and managers saw peers furloughed, fired, not replaced, and demoted. Personal security as well as the security of the unit as a whole was fast disappearing. The employee involvement effort was strongly influenced by these conditions. Key players in the

participative efforts sometimes quit or were victims themselves of cutbacks. Sometimes others divorced themselves from the efforts because they felt that such activity could increase their risk. In the wood products industry, where nation-wide capacity exceeded product demand, some unionized employees were reluctant to engage in cooperative activities for fear that increased productivity would erode an already dwindling employment base. This reaction was strong enough in some work areas to overcome the felt need for change which is generally also present to some degree in declining organizations (Lawler and Drexler, 1978).

When taken as a whole, the four conditions listed above, which we found to be characteristic of our units in decline, are the opposite of those that we have found to facilitate the transition to high employee involvement: clear goals, security, commitment of resources, enthusiasm about the effort and sense of local control. The contextual aspects of the decline situation in turn evoke in the organization and its members responses that can also inhibit the employee involvement effort. Some of these responses have been illustrated above. The following section presents these responses more completely.

Responses to Decline Conditions

The conditions of decline evoke organizational responses that create stress for the individuals in the organization. They then respond to that stress in a manner that increases their own level of stress, and also evokes an organizational reaction (see Figure I). Our experience with such organizational settings agree with much of the literature that outlines characteristic responses to crisis and decline (eg. Whetten, 1980; Hall and Mansfield, 1971; Starbuck, 1982).

Figure I further shows that the organizational and individual responses to decline have a direct impact on the very elements of the organization that the employee involvement process is designed to change. In most cases, the impact is opposite of the intended purpose of the involvement effort, making implementation very difficult. We will give examples illustrating the interference of the responses to decline with the employee involvement process.

Organizational Responses

The most overwhelming organizational response is to do whatever possible to perpetuate existence. Organizational goals and needs assume paramount importance and all responses are evaluated relative to the organization's needs. The tendency is to rely on well-proven techniques (Whetten, 1980; Hall and Mansfield, 1971), and standard solutions despite evidence that current methodologies are not adequate. We see an increase in the speed and intensity of application of traditional techniques rather than a search for new responses (Staw, Sandelands and Dutton, 1981). Generally this domination of the organization's goal of continued existence takes three forms; which will be described below.

Stress on Short-Term Solutions and Goals: There is an increased emphasis on a quick impact on operating results, increased pressure on supervisors to show paper gains, and less attention to long range improvements and development. People look for the obvious way to cut and save, often without systematic diagnosis of the problems at hand. The organization falls more solidly into a "firefighting" mode of management.

A behavior characteristic of almost all of the organizations we studied was the cancelling of scheduled events. Training sessions,

planning and goal-setting sessions, and meetings were put off with little or no notice when an operational problem arose unexpectedly. Another manifestation of this same tendency was continual failure to follow through on agreed-upon actions not directly linked to short-term operating results. Managers in particular were unwilling to accept the relationship of the longer-range developmental activities of the involvement effort to improvement of operating results. Interviews with people at all levels in these declining organizations frequently yielded statements like the following quote from a production manager: "Our efforts are resulting in more openness of information sharing, and I find that I am more aware of the problems out on the floor than I used to be. But we surely don't have any hard productivity gains to show for all the time we've spent in meetings. I think they're a waste of time." As a result of this attitude, there often developed a true separation between the EI meetings and operating issues. Managers complained that the meetings were a waste of time. On the other hand, they would not trust the workers enough to raise significant issues for the teams to deal with.

Tighter Controls: Organizations experiencing decline often implement tighter control systems. Record keeping needs escalate because of the desire of management to scrutinize all transactions, to experience no surprises, and to make all decisions that may reduce cost or increase performance. Both controlling others and being controlled takes a great deal of time. Supervisors in several of the organizations we studied experienced a large increase in the time they spent on paperwork as a result of requests for increased reporting and more careful scrutiny of the reports which they submitted. They turned deaf

ears to requests to be more responsive to the needs of their workers. Workers in these settings often reported that their team meetings generated good ideas, but that their supervisor never had time to follow up on any of them. "We hardly ever see our supervisor anymore unless we screw up. He's always counting and reporting."

All members of the organization felt the time burden of increased reporting. In one organization, all requisitions began to require approval from the general manager, whose ability to address long-term development and diagnosis of organizational need was severely hampered by the time he spent reading reports, granting approval and examining requests. In another, all hiring decisions had to be made at the corporate level, which meant that key positions sat empty, and key daily tasks were left undone for long periods of time. This further stretched the demands on personnel and decreased the time available to respond constructively to the decline situation. Managers at another location discovered an obscure company policy that had previously not been enforced when they tried to get reimbursed for breakfast prior to a 7 a.m. team building session. It seems the company would not reimburse breakfast within a 50-mile radius of the plant.

The tightening of controls promotes a climate that stresses conformity to guidelines, and discourages initiative from below. Management begins to fear any change in procedure or deviation from daily routine that might reflect on short-term results. This has a stultifying impact on efforts to increase initiative in the system.

Many of the organizations we have worked with were gamely trying--not always successfully--to overcome the kind of tendencies we are illustrating. Yet, even potentially positive changes by the

corporation to reverse the decline can have subtly disruptive results for EI. For instance, one organization pursued a number of major changes in workflow, computerization, and incentive systems, as well as in participation in decision making. Each of these changes demanded time and energy of the participants. When time and energy are limited, focusing on implementing any of these will interfere with the implementation of the others. None have been completely implemented. The incentive program, for instance, was designed, announced, and achieved results, one of which was anticipated payout of bonuses. As of this writing, bonuses, though allocated, had yet to be paid out because no one had found time to set up a bonus distribution system.

Ideally, employees can become involved in implementation of these other programs, so that effort and time spent on them is congruent with the high involvement thrust. In the above example, the employee involvement structures were used to facilitate implementation of some corporate programs in the unit. This meant that individual input and needs were being attended to during implementation and planning. Nevertheless, the programs were organizationally imposed. The involvement process dealt primarily with organizational programs and only tangentially with separate but important needs and issues of employees--such as supervisor-subordinate relationships, that could only be raised in a bottom-up process.

Elimination of Non-Essentials: In times of decline, the organization often eliminates non-essential expenses. Since organizational goals assume importance over individual goals and needs, non-essentials often include people-oriented expenses and programs. Curtailing of training and development activities interferes with the

growth and development of people, and thus with their ability to become more informed and skillful participants in organizational decision making processes. Many of our organizations had cut back severely on their human resource function, thereby reducing organizational responsiveness to human concerns. In one organization, the plant manager had difficulty getting a high quality manager to be in charge of the employee involvement effort because "such positions tend to be the first to be eliminated." In our experience, an employee involvement process funded through Personnel or Human Resources departments is especially likely to be perceived as a frill.

Cutbacks also affected the support groups in some of the organizations. Reduced levels of planning, production and industrial engineering, and other technical support groups, made it difficult for those remaining to perform the essentials of their jobs, let alone to work cooperatively with participation groups to help solve problems and implement solutions. Under such conditions, cooperation between functional areas was minimal.

Ideas and solutions that emerge from the employee involvement groups often are perceived by management to be "non-essential." The implicit logic seems to be that the organization has gotten along without them so far. In one case, a production group generated the idea of a chemical retrieval tub to catch splinters of gold that fell to the ground during a soldering process. Production engineers estimated a \$200,000/year savings. The controller vetoed the \$10,000 expenditure on the grounds that "we have done without it up to this point." In another case, corporate approval for a \$40,000 expansion of a maintenance work

area was held up for well over a year, despite the fact that key repairs were severely backlogged because of insufficient work area.

Summary

The organization in decline places increased emphasis on meeting its goals at the expense of meeting the needs of its employees and addressing the interpersonal tensions in the organization (Bales, 1965; Hall and Mansfield, 1971). Typically, organizations pursue their own goals at the expense of individual needs in their approaches to retrenchment, such as reductions in force and in pay, and in their mechanisms for relocating, retraining and demoting. There is typically a tightening of controls over much of the organizational decision making, such as spending and budgeting, to reflect this increased focus on organizational goals.

The focus on the organization and its goals has its costs. The obvious cost is that individual needs and goals are given short shrift so that the links between organizational and individual interests begin to disintegrate. Individuals adopt strategies of self-protection resulting in splintering of groups, unresolved conflicts, tension, low cooperation and related dynamics. This disintegration reflects the individually-oriented responses of employees in a decline situation. These will be discussed next.

Employee Response

Role Confusion: The conditions of organizational decline and the organizational responses discussed above create a profound stress for individuals within the organization. Organizational employees, in

general, will feel role conflict, uncertainty and ambiguity (Hall and Mansfield, 1971; Kahn, et al., 1964). The introduction of a management program aimed at changing the management style accentuates that ambiguity. Already overloaded, individuals are now asked to spend time participating, learning, and changing. The rhetoric of the EI process conflicts with the simultaneous tightened control, stress on short-term goals, and elimination of non-essentials.

The role conflict is particularly severe for first-line supervisors. Pressured for daily operating results, they respond in the way they know the best--by both watching over subordinates and enforcing rules and regulations more vehemently than ever. They know less about how to be participative than about how to police. This problem was often compounded because supervisors were asked to achieve production levels higher than normal. This stressed the existing effort norms in their work groups.

Blame and Mistrust: Individuals become increasingly alienated from both the organization and its managers. People tend to place blame for the organization's state of affairs and often that blame is directed at top management. In our experience, top managers of declining organizations are held in very low regard. Each new program, including the EI process, is likely to be regarded as another example of continued bumbling. The rhetoric of the involvement effort contrasts with the increase in task-oriented behavior and decrease in supportive behavior. This contradiction is seen as further confirmation of management incompetence. Worse, it often contributes to mistrust of management motivations.

Self-Protective Behavior: The heightened levels of mistrust and insecurity contribute to a decrease in the amount of openness of communication flow in the organization, particularly where individuals feel they want to hide something. In several of the organizations, for example, graveyard shifts were buffered from the frenzy and tensions of decline and resisted the employee involvement efforts to coordinate and integrate practices across shifts. The grave shift employees preferred not to let others know that they were relatively comfortable in the formal and informal arrangements they have worked out.

Managers under the stress of decline rely more and more on proven programs, seek less counsel from subordinates, concentrate on ways to improve efficiency, and tend to shun innovative solutions (Whetten, 1980). The anxiety of the managers is evident in their day to day management style. There was a great deal of self-protective behavior among managers in the organizations we studied. Despite hard evidence that the organization had performance problems, managers adamantly defended current management style and denied the need for change. Ideas were continually rejected because "that's not the way we do things." Trying new ideas would be equivalent to admitting to being part of the problem. Most were quick, however, to point out that others in the system could use some of the principles of employee involvement. Peers, corporate managers, or their own boss could certainly benefit from doing things differently. However, there seemed to be a total unwillingness to accept personal responsibility for anything so nebulous as management style.

In most of the organizations there were some managers who did see the potential benefit of the employee involvement process. These

managers were either already inclined in that direction, or were growth oriented and eager to learn more up-to-date management practices. Pockets of participative activity appeared. Some of these flourished. Others were snuffed out by the lack of cooperation from the rest of the organization. Still others failed to achieve internal momentum to survive.

A top management staff would formally adopt actions plans committing each member to proceed with the development of the employee involvement process, and at the same time mercilessly rib and criticize the participative activities which other managers had implemented. Managers in several of our organizations actually tried to "cover up" their participative activities. The second-level managers in one department of a unionized firm saw great potential in the concepts of employee involvement, and began to vigorously implement participative groups. Second-level managers reported a substantial overall time savings due to more efficiency in the workflow and reduction of backlogs. The department manager, however, never reported favorably on the efforts in the top staff meetings; on the contrary, he contributed vocally to the general staff impression that employee involvement efforts were a big time drain. The staff had developed a cohesion which prevented a member from defending the importance of the employee involvement process.

Conflict: Conflict increases in an organization that is experiencing decline. This reflects the increase in stress, the decrease in time spent on maintenance functions and integrative efforts, and the increased competition for scarce resources. Much of the conflict takes the form of backstabbing, placing of blame, and overt

failure to cooperate. When constructive conflict resolution is attempted--through employee involvement processes, perhaps--it frequently breaks down. The shrinkage of resources associated with decline makes it more difficult for various stakeholders to believe in the likelihood of finding "win-win" approaches to the problems at hand.

Conditions of resource scarcity strained interdepartmental relations badly in many of the organizations. Department heads worked to strengthen their own departments, often at the expense of working relations with other interdependent units. The amount of backstabbing increased dramatically despite the clear necessity of working together to solve the problems at hand. In one instance, a production manager complained in a staff meeting about the failure of the quality assurance department to complete "essential tests" that the production manager had personally cancelled because "his people were too busy." At a staff meeting in a different company, production managers refused to allow their people to cooperate with income improvement efforts by the Industrial Engineering organization. "Sure we can probably save money by altering that technique, but we can't afford to let our supervisors and production workers be distracted from their main business, producing product." There then began vigorous behind-the-scenes lobbying for reducing the size of the Industrial Engineering department. At yet another company, a department head refused to share his excess secretarial help with the newly established Employee Involvement Coordinator on the grounds that it was unfair to have this burden charged to his department and used elsewhere.

Other forms of inter-group conflict also are accentuated by the decline. Intershift differences become highlighted. In order to make

increased production figures, supervisors often work their crew until the last minute, leaving the clean-up for the next shift. To entice greater effort, supervisors devise unique informal rewards, which become known to and wanted by workers on other shifts. Workers involved in a participative process are quick to point out these inconsistencies. The need for coordination among shifts became especially apparent in one of the transportation/warehousing organizations; however, the staff had great difficulty overcoming their fear of sharing good ideas, and of opening the operations of their own shift to scrutiny. Every time they started to discuss the performance ramifications of lack of inter-shift coordination, the entire group would buy into a side-tracking of the discussion: they insisted that differences between tasks on shifts required different practices, that the unique characteristics of the workforce on each shift demanded different reward systems, and that individual stylistic differences were legitimate and necessary. The shift managers were unwilling to risk a problem-solving process which might result in new approaches, despite agreement that performance on all shifts was sub-standard, and that lack of inter-shift coordination was contributing to fundamental performance problems.

Summary

Overall, the crisis of decline brings out the survival instincts of the participants. The survival behaviors of all are based on past, proven approaches, despite the likelihood that these approaches may have contributed to the decline. In general, the processes brought to bear to identify problems will be faulty in that they will reflect the very reality that is under pressure of decline. Organizations find it

difficult to break out of the old models and frames of reference even in the diagnoses of the decline situation. Decline magnifies the very aspects of an organization which the employee involvement process is designed to alter. Employee involvement change efforts encounter similar resistance in both healthy and declining settings, and are generally difficult to implement in both. The forces for change in healthy situations are often insufficient to stimulate true interest among organizational members. The forces for change in declining organizations can be expected to be much higher, as are the resistant forces which arise. Unfortunately, the intervention techniques (e.g., goal-setting, training, team development, value clarification, etc.) are often not sufficiently powerful to reduce these resistant forces.

Figure II utilizes Lewin's force field conceptualization (Lewin, 1947) to illustrate this dynamic. The employee involvement process introduces forces pushing for organizational change. The dynamics of decline reinforce the resisting forces. The net impact is a tremendous increase in the amount of stress in the organization: much frustration, cover-up, and going through the motions, yet little real change.

Although employee involvement efforts are frequently unable to overcome these responses, we did see some successful examples in almost all of the organizations we dealt with. Several examples suggest that employee involvement may be an approach that can allow the organization and its employees to break out of their old frameworks. The next section presents and draws some conclusions from those experiences.

SUCCESSFUL CHANGE EFFORTS IN DECLINING ORGANIZATIONS

The best example of success is an electronics plant that was able to turn production around within a year so that it became one of the

most productive plants in the division. The corporation had recently acquired the plant, and was changing the technology within it. Top management became impatient with the considerable start-up problems and failure to produce product in an acceptable time period. The division was losing money and undergoing a retrenchment in the electronics field. Several characteristics of this situation contributed to a successful implementation of employee involvement and a successful turn-around of the business:

1. A clear crisis was acknowledged by all. The corporation had threatened to close down the plant and sell it if production did not reach acceptable levels. The management in the plant realized that traditional approaches were not effective. There was immediate goal consensus among all employees: their goal was to raise productivity and retain their jobs.

2. Plant personnel developed a high level of personal comfort with the change agent, and were willing to try out the processes and structures which he recommended. He asked them to give up many of their preconceptions of management and try out a new approach. He also obtained sufficient training and development resources to implement the change.

3. Division management granted substantial autonomy to the plant in adopting practices that deviated from general policy. This gave the plant management a sense of control.

4. The technological changes that were introduced provided a set of challenges that were responsive to interdepartmental and multi-level participation. Moreover, productivity results were clearly visible to

all. Individuals had a chance to see the process work successfully, and to develop some confidence in the new approach.

5. A measurement system was devised that gave the participative work teams a way to gauge success, and contributed to understanding of the organization.

6. New Priorities were officially established: human concerns come first; there is no such thing as a bad idea; people do not cancel or miss group meetings. This contributed to a common understanding of the new management philosophy. Behavioral norms gradually shifted in this direction.

7. Individuals who did not go along with this approach were given support and counsel, but it was made clear that they must either alter their style or leave. In short, the formal personnel systems began to be tailored to fit the new philosophy.

Patterns of Success

Pockets of successful change occurred in the other organizations also. A strong leader was sometimes able to change his own behavior to start modelling a new management style and to provide support and guidance to subordinates in doing the same. One manager recognized the need to increase employee involvement in the department in order to offset anxiety, uncertainty and alienation toward corporate management. Several young managers felt that increased employee involvement was the wave of the future. They were motivated primarily by the desire to hone their own management skills. Several managers who were nearing retirement saw this as a challenge--an opportunity to try to reverse some of the dysfunctional behaviors that they had put up with for many years.

In no case did we see successful implementation of change if the formal leader did not quickly become its active and enthusiastic proponent. Leaders of successful change exerted a great deal of energy offsetting the decline forces. They created an environment rich in information, spoke freely and openly of the uncertainty in the organization, and provided leadership in addressing and working through conflict situations. Although they were in organizations with uncertain futures, they began building for the future. Despite the cautious, self-protective responses of other managers, they took initiative, exercised discretion and buffered their workgroup from the forces of decline. They generally secured needed resources because they had a plan for dealing with the ailments of their work setting. They focused on what could be done differently rather than on more of the same.

These successes occurred because individuals began to act consistently with employee involvement principles and contrary to the usual response tendencies in declining organizations. Several of the normal conditions of decline were reversed. The negative effects of uncertainty were reduced by admitting to a clear-cut crisis, and by promoting a free and open interchange which helped people to better understand the certain and uncertain aspects of the situation. The unit exerted internal control and requested resources needed to reverse the decline.

In successful change, the organization or the unit is able to get the momentum necessary to break out of the decline tendencies that had imprisoned the organization in its old way of doing things. Leadership plays a key role in establishing and maintaining this momentum. The leader provides a plan of action around which the group can rally, and a

clear set of expectations for behavioral change. In a sense, the organization manages its way out of decline by defining decline out of existence in two ways: 1) by acting as though there is no decline--by not adopting the usual response tendencies; and 2) by managing in a way completely different from the practices that invited decline. The same employee involvement framework accomplishes both of these simultaneously.

We are reminded again of Lewin's force field model (Figure II). When describing the introduction of employee involvement principles in declining organizations, the gap between the status quo and the goal is not traversed by continuous progress or small increments. The trigger for shifting from one state to the other occurs when the tension level reaches a threshold in which, simultaneously, a new management approach becomes a viable option and decline becomes a palpable threat to existence. This shift cannot be understood as a rational process. A strong leader becomes aware of and decides to try out a high involvement approach. Managing decline through employee involvement really amounts to supplying a response alternative to normal response tendencies. Not until that alternative becomes a serious contender to the status quo will decline be "managed" by employee involvement.

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FIGURE I

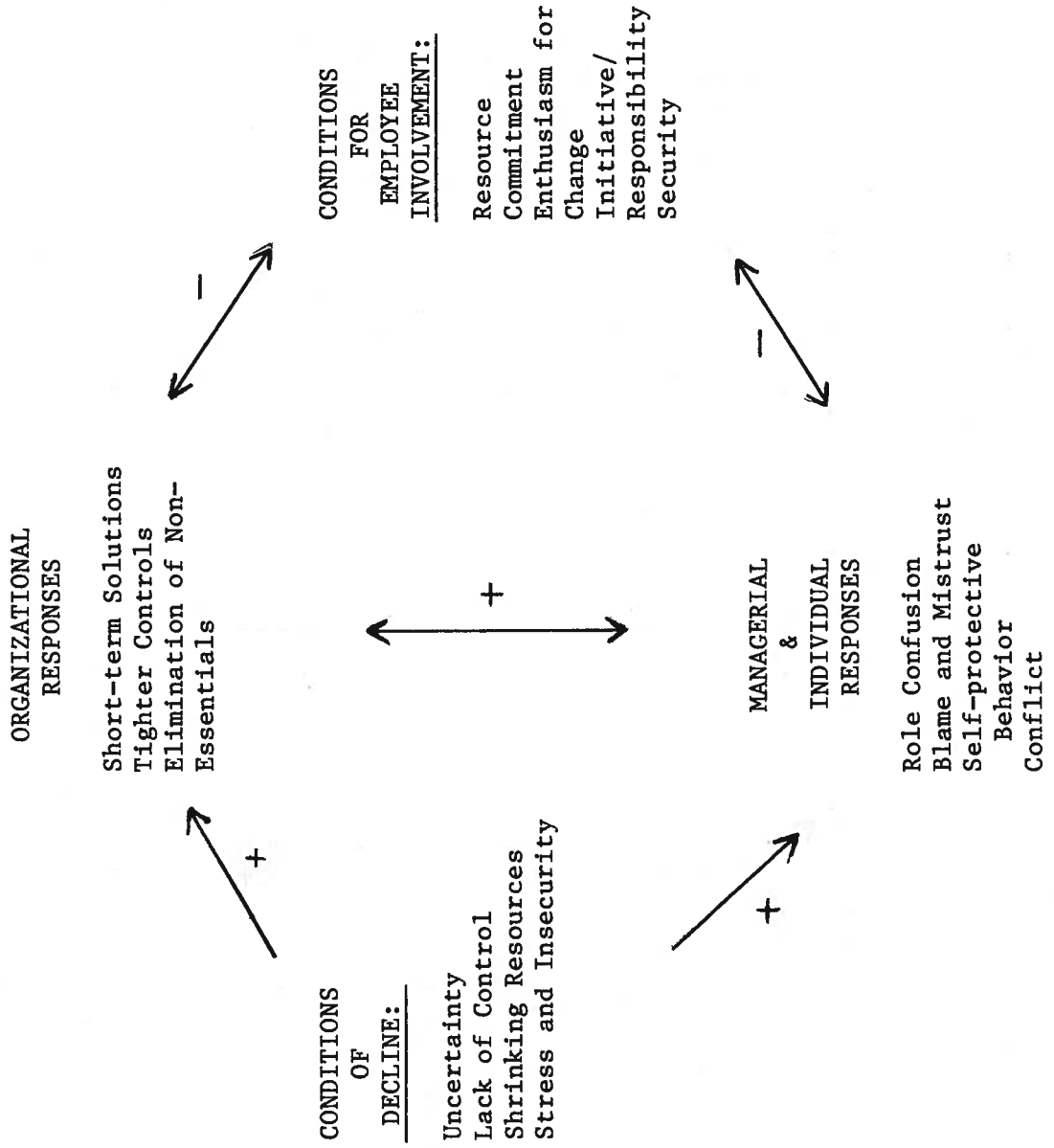


FIGURE II

"Force Field"

