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**Participative Management in the United
States: Three Classics Revisited**

**CEO Publication
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Abstract

Three classic books by Argyris, Likert and McGregor are reviewed. Their contribution to introducing participative management to the United States is assessed. Although their ideas are seen as seminal a number of reasons are given to explain why adoption of participation did not quickly follow their writings.

PARTICIPATIVE MANAGEMENT IN THE UNITED STATES:

THREE CLASSICS REVISITED

Today there is an unmistakable and important change in the way many major U.S. corporations are being managed. For the first time in their histories, they are adopting more participative management styles. They are changing a number of their management practices and systems to encourage employees to become more involved in the management of the organization. A list of companies moving toward participative management includes such major U.S. corporations as Motorola, TRW, Ford, Honeywell, Digital Equipment Corporation, and Xerox.

Employee involvement has gone from being seen as an academic research and theory area to a potential competitive advantage in the world marketplace. Organization after organization in the United States is concluding that unless they utilize their people more fully, they cannot compete in world markets. Participative management is being recognized as a way to do this and to offset the higher labor cost which exists in the United States (Lawler, 1986). It offsets them because it more fully utilizes people in non-management positions by asking them to think, problem solve, and control their own work. This has the cost effective impact of reducing the amount of management overhead needed to run an organization and tends to motivate individuals to do higher quality work.

Adoption of participative management by American companies has a long and interesting history. One critical event in the history of participative management in the United States was the publication of three books: The Human Side of Enterprise by Douglas McGregor (1960), Personality and Organization by Chris Argyris (1957) and New Patterns of Management by Rensis Likert (1961). These three books established the

philosophical basis for the current practice of participative management. They were the first to define a participative management paradigm for managing U.S. organizations. Almost thirty years have passed since they were first published, and thus, it is appropriate to ask two questions about them. What did they contribute to current practice, and secondly, why did it take so long for them to impact practice?

The change from a top down traditional management style to an involvement oriented one can best be viewed as a paradigm shift (Mohrman and Lawler, 1985). In paradigm shifts one fundamental approach to organizing and thinking about an issue is replaced by another. Paradigm shifts are not easy to accomplish because they require the abandonment of an old well understood and often effective approach to thinking and the adoption of a new often underdeveloped approach.

Basic to a paradigm shift is the outlining of a new attractive paradigm. Without a clear vision of the new model or paradigm and the ability to articulate it in a way that makes it attractive, there can never be a paradigm shift. The clear contribution of the work of Argyris, McGregor and Likert was the outlining of a new attractive paradigm. Particularly McGregor's statement of Theory Y caught the imagination of a number of academics and managers. It reflected a value system that was more attractive than the value system underlying traditional management or as McGregor called it, Theory X. In a paradigm shift, an appeal to values is often a powerful way to mobilize energy for change. As we will discuss in more detail later, it is rarely enough by itself to produce a paradigm shift but it is a necessary condition for a paradigm shift.

A second feature that is needed for a paradigm shift to occur is supporting evidence of the superiority of the new paradigm. Likert's book provided some supporting evidence. It discussed some classic research done by the Institute for Social Research at the University of Michigan. More than McGregor's book, it gave the idea of participative management a research base. Argyris also reviewed a considerable amount of research and helped provide a research base for the switch from traditional to participative management. Argyris and Likert also appealed to values issues, and clearly stated a much more positive view of human nature than the one underlying the traditional approach to management. Argyris was particularly effective in pointing out that the way organizations are traditionally designed, assumes a kind of work force that certainly did not exist at the time of his writing. His reference to work being designed for employees with low levels of intelligence and a little self control help highlight the differences between the participative management paradigm and the more traditional control paradigm.

Finally, all three books hint at the kind of technology that is needed for a participative management approach to work effectively. A big emphasis is placed on leadership and the kinds of skills that managers need in order to elicit participation in decision making. Indeed, more than any other feature of the participative organization these books stress the advantages of participative decision making led by the supervisor. Discussions are not limited to just consideration of leadership skills. Argyris talks about work redesign as does Likert. McGregor suggests that new pay systems can be very useful in supporting participative management. Finally Likert gives considerable attention to the information system and how information is handled in an

organization. Overall, the three books taken together go a long way toward defining the participative management paradigm. They touch upon a number of the changes that need to occur in organizations and they provide some beginning evidence about the effectiveness of the new paradigm. In the case of Argyris' book they go one step further and talk about the dysfunctions and problems with the existing paradigm. More than any of the other three he talks about the kind of counterproductive behavior that occurs when people are treated as if they are not capable of exercising self-control and are given meaningless repetitive tasks to perform.

Impact on Organizational Practice

The initial impact of the Argyris, McGregor and Likert books was limited. They immediately became required reading for Ph.D. students like myself and were used in some business school courses. The concepts of Theory X and Theory Y management became a short hand way of referring to different management styles. Their immediate impact on practice, however, was minimal. They did contribute to the development of a number of management training programs that emphasized participative leadership skills. The T-group movement of the 1960s seemed to gain some of its energy from these books and the concepts in them. A number of managers in corporations like TRW and Exxon did go through one or two interpersonal training sessions that were intended to help them become more effective participative managers and relate better to individuals. The evidence on the effects of this training is mixed, most researchers have concluded that it did little to fundamentally change the management styles of organizations.

In retrospect, T-Groups and leadership training may, if anything, have slowed the adoption of participative management more than it helped

it. It slowed it because it created the perception that all participative management really involved was being "nice to people," having leaders who ask subordinates' opinions, and having group meetings. It also contributed to the view that participative management is a nice thing to do and a good thing to do but not necessarily the most effective way to manage. Indeed, much of the debate during the '60s and early '70s on the application of participative management revolved around the issue of doing good versus doing what is effective. All too often, critics of participative management won the day by arguing that although it was a good thing to do, it wasn't necessarily an affordable thing to do. As a result of this, and the other forces that worked against the adoption participative management, adoption did not take place in most organizations until the late 1970s and 1980s.

Forces Against Adoption

In many respects, it is understandable that the writing of three seminal books on participative management did not produce a rapid adoption of the participative management paradigm. The adoption of a new paradigm takes much more than simply the statement of it, evidence that it can be effective and criticisms of the old paradigm are also needed (Mohrman and Lawler, 1985). Most important is widespread acceptance that the old paradigm is a failure. In absence of widespread dissatisfaction with the existing paradigm, few organizations are willing to adopt a new one no matter how attractive it is because it means abandoning something which has been proven successful. In the case of a management paradigm, adoption is ended when the technology to complement it is available. There is somewhat of a chicken and egg problem because without people being willing to try the new paradigm, it is hard to develop the supportive technology just as it is hard to

develop evidence to support it. It is hard to test and develop participative management in the laboratory. Indeed, even the adoption of it in a limited area of an organization may not be enough because it is both qualitatively and quantitatively different from practicing it on an organization wide basis (Lawler, 1984).

One other major obstacle to the adoption of participative management practices needs to be mentioned. When old paradigms are abandoned, and new ones adopted, there is often a tendency for one group to feel like they are losers and another group to feel that they are the winners. Adoption of a new paradigm is particularly difficult when the people who must adopt it see themselves as potential losers as a result of its adoption. To a substantial degree, participative management creates a situation where many of the people that need to champion the adoption of it fear that they will lose as a result of its adoption.

In most cases upper level managers have gotten to the top of organizations because they are good at traditional top down management and they are very handsomely rewarded for their success in obtaining the top positions in their organizations. Movement to a more participative style can threaten them in two ways. First, in spite of the arguments of Likert and others, that they will not lose power, they inevitably feel that they will. In addition, there is the question of whether they can successfully practice the new management style. Obtaining a senior management position in a traditionally managed organization is based on a particular set of skills. Different management skills are appropriate in participatively managed organizations as is emphasized in the Argyris, Likert and McGregor books.

Adoption of a new paradigm of management does not require a fully developed technology to support it nor conclusive evidence that it is superior paradigm. If this were true there would never be a change in management style since these can only be developed after adoption. Adoption is helped, however, by at least some significant supporting evidence and the existence of appropriate technologies. The Argyris, Likert and McGregor books perhaps are most lacking in the area of evidence and specification of technology. Just a few experiments in participative leadership are cited as evidence that it is time for a major change in the way organizations are managed (e.g., Coch and French, 1945). None of these experiments involve changes in major corporations. Instead, they talk about either small organizations, changes in particular work groups, or the effectiveness of particular participative supervisors or managers. Obviously the individual who is not inclined toward employee involvement can easily dismiss these as poor evidence that participation is a superior management style.

In the area of technology, although there is some discussion of the use of attitude surveys, changes in performance appraisal method, Scanlon plans and job enlargement, the fact of the matter is little technology existed in the 1960s to support the implementation of participative management. Indeed, even though a great deal of attention was paid to leadership, there were few good leadership training programs available at the time and little evidence that any program would change leadership behavior. In the area of compensation practices, little was known about how to structure gain sharing plans and such ideas as skill based pay, flexible benefit programs, and all salary work forces were not even discussed in any detail and in some cases were not even invented.

Finally, it was not at all clear what kind of change strategies could be used to change a major corporation from a traditional to a participative management approach. All too often the only answer to questions about how to change an organization was training. The problem with training of course is that by itself it has little ability to change the multiple systems which need to be changed if an organization is to be managed in a participative manner (Lawler, 1986). Indeed, the very point that organizations need to be restructured in almost every feature in order to effectively adopt a new paradigm is largely missing in the early writings on participative management. This is hardly surprising because the early writers had little chance to see little participative organization in operation and, therefore, little chance to develop their ideas about what is involved in operating an organization in a participative manner. The lack of a complete participative model probably did not hinder adoption in some respects. If managers were fully aware what the change process involved it is quite possible that more rather than less resistance would have occurred, because they would have become even more overwhelmed by the enormity of the change process that was required.

In retrospect, it is painfully obvious why there wasn't immediate adoption of the participative paradigm. Once again, the luxury of hindsight makes things clear! Although attractive, participation was not a well developed technology, the evidence favoring it was sparse and it threatened the very individuals who needed to adopt it. Finally, the dissatisfaction with the existing paradigm was relatively low. Most U.S. organizations were quite successful and the individuals who were running them were being handsomely rewarded for managing them in a

traditional way. This points once again to the most important missing element for the adoption of the new paradigm, proposed by Argyis, Likert, and McGregor, dissatisfaction with the existing paradigm. Because American businesses were admired for their managerial effectiveness and the country was dominating the world in the area of manufacturing, it was hard to argue that the traditional paradigm was causing major problems. Thus, adoption of any new paradigm was virtually impossible.

The Current Situation

The environment for many U.S. businesses changed significantly in the 1970s. Foreign competition became a major factor and many U.S. corporations found themselves at a competitive disadvantage. Suddenly many U.S. products became high cost, low quality and began to lose market share both in the United States and on a worldwide basis. This fundamental change in the U.S. business equation provided the dissatisfaction with the existing paradigm which had been largely absent. Initially, this dissatisfaction was concentrated in such traditional manufacturing industries as steel, autos, glass, and rubber. More recently it has spread to a wider range of industries including paper, electronics and even financial services. This change more than any other seems to have produced the increased adoption of participative management that is now apparent in the United States.

A number of other changes have also taken place since the early 1960s. There clearly is more evidence on the impact of participative management practices and the technology of participative management is much better developed. The advent of computers has helped tremendously

with the kind of information movement that is required to manage in a participative way. A great deal more is known about work restructuring and the relative effectiveness of teams, individual job enrichment strategies and how to develop them. Pay systems have been developed to encourage employee ownership, give employees a share of operating improvements and pay them according to their skills rather than traditional job structures.

In short, technology has advanced but this probably is not the key reason why adoption has increased dramatically. The reason, to repeat, is the increased dissatisfaction with the traditional style of management because of the loss of worldwide competitiveness by many U.S. businesses. Among other things, this has changed the situation of senior management dramatically. Instead of being successful, highly paid leaders of growing businesses, they have come under attack as overpaid poor managers of stagnant, overpriced inefficient businesses. As a result they have a reason to change, something was historically lacking. The result in some cases has been to try to improve their use of traditional management practices. Salaries have been cut, controls tightened, budgets reduced, and in some cases, this has helped improve the profitability of corporations. However, a significant number of corporations have decided that changes of this type are not enough to produce the dramatic performance improvements that are needed to compete internationally. As a result many organizations have adopted the employee involvement style as a way of staying competitive in a worldwide market. Those that have in many respects are implementing the basic ideas and philosophies that were stated by Argyris, Likert and McGregor almost three decades ago.

In some respects, it has taken a surprisingly short time period for the idea of participative management to go from paradigm definition to implementation, particularly when the ideas call for the kind of basic change that is represented in participative management. It is a tribute to the writings of Argyris, Likert and McGregor that so much of what they wrote about has in fact proven to be correct and useful. Had the world economic scene changed earlier, it is quite possible that their ideas would have been implemented earlier. In any case, their time appears to have come, and the future will undoubtedly involve a period of further development of the paradigm which they initially proposed.

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