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**Center for
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Organizations**

**Employee Involvement:
Lessons and Predictions**

**CEO Publication
G 91-1 (186)**

Gerald E. Ledford, Jr.

University of Southern California

Revised November, 1991

Prepared for J.R. Galbraith and E.E. Lawler (Eds.),
Organizing for the Future: New Approaches to
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EMPLOYEE INVOLVEMENT: LESSONS AND PREDICTIONS

This chapter has two purposes. First, it attempts to summarize the key lessons of a decade of research on employee involvement at the Center for Effective Organizations. Second, it will look to the future and offer a set of predictions about where U.S. employee involvement practices are headed in the future.

Employee involvement has been a central theme in work at the Center for Effective Organizations since the Center's inception. We have conducted research on participation groups, quality circles, and self-managed work teams; union-management EI processes; reward systems that support employee involvement, such as skill based pay and gainsharing; and human resource systems, such as selection and training systems, that are needed to reinforce employee involvement activities. We have studied the high involvement organization as an organizational form. We have examined the installation of EI practices in retrofits of traditional organizations and in startup or "greenfield" organizations. We have studied the processes used to implement and maintain EI at the group level, the plant level, the division level, and the corporate level.

Thus, although chapter has one author, it summarizes the work of a group of researchers that includes Ed Lawler, Sue Mohrman, Monty Mohrman, and Susan Cohen from the Center and Tom Cummings, Dave Bowen, Barry Nathan, and others from the USC faculty. The author is responsible for the specific statements of this chapter, but the general perspective here represents that of the larger group of researchers to which the author belongs.

WHAT IS EMPLOYEE INVOLVEMENT?

We define employee involvement as the *extension of power to make decisions, business information, rewards for performance, and technical and social skills to the lowest levels of the organization* (Lawler, 1986). Employee involvement is a complex concept, according to this definition. In our view, each of the four elements of the definition is integral to the concept of employee involvement. Without the power to make decisions, employee participation is superficial or even trivial. Without adequate information about the business and other relevant matters, involvement is naive and potentially harmful. Without rewards for performance, employee

motivation will not be aligned with organizational objectives in the long run. Without skills, employees will not have the technical and social knowledge they need to participate effectively.

This concept of employee involvement obviously is deeper than the dollop of influence or participation that constitutes EI in many laboratory experiments and field studies. For this reason, much of the past writing and research about employee involvement is not relevant to the concept as we define it. Much of the existing work on employee involvement is limited because it is concerned only with changes in the amount of influence employees feel rather than with real changes in decision making authority. In other cases, the changes in involvement studied are so inconsiderable that they should not be expected to have strong effects on employees and organizations.

Our definition indicates that EI is a property of organizational systems, not individuals. EI is reflected in the way organizations are structured and managed, not simply in the beliefs and attitudes of individual employees. We argue that it is important to ask what structural mechanisms channel participation and what organizational systems support or limit involvement.

Our definition of employee involvement also implies that a variety of basic organizational practices need to be congruent with high levels of involvement. These practices include organizational structures and job designs, which move decision making power down into the organization; pay systems, which link rewards with business performance; management information systems, which deliver information; and training, to build skills. These management practices also include human resource practices that symbolize the common fate of different employee subgroups (such as the all-salaried workforce) and that facilitate the realization of employee involvement (such as the selection system). EI practices also may extend to the elimination or reduction of special management perquisites and status symbols.

In defining what employee involvement is, it is important to identify what employee involvement is not. Among other things, employee involvement is not simply quality improvement, union avoidance, or "Japanese-style management."

EI and Total Quality Programs. Quality improvement may be and indeed often is a result of employee involvement practices (Ledford, 1988). Employee involvement groups, usually of the

quality circle or task force variety, often are created as part of quality improvement efforts. The quality movement has led to increased emphasis on providing employees with good feedback from customers (one type of business information) and with group problem solving skills (one important type of skill). These developments certainly are consistent with our definition of employee involvement. However, the gurus of the quality movement are engineers, statisticians, and consultants who, in our view, often are naive about human behavior. The writings of Philip Crosby, for example, make the innocent assumption that workers will be motivated to improve quality if only they are told more clearly what to do and how to do it (Cole, 1989). In general, contemporary quality approaches do not make EI as we have defined it a central feature of the strategy for quality improvement. The typical quality program is top-down in all important respects, and usually does not involve deeper forms of employee involvement such as changing job designs to permit greater worker discretion over quality. Indeed, some quality improvement tactics, such as some forms of just-in-time inventory management, may reduce employee involvement by leaving little room for worker autonomy or discretion about the work. In sum, while it is possible to emphasize both quality improvement and employee involvement in the same organization, some common practices recommended by quality experts either represent limited forms of EI or represent barriers to EI.

EI and Union Avoidance. Organizations with very high levels of employee involvement tend to be very difficult for unions to organize. Thus, companies sometimes view EI as a strategy for union avoidance. This rationale for employee involvement is the basis for the skeptical attitude of some union leaders toward EI.

However, EI is not necessarily a "union free" approach. Indeed, even the most intensive current forms of EI are found in both union and nonunion settings. For example, General Motors' new Saturn operation uses a high involvement design that includes work teams, skill-based pay and gainsharing, intensive training each year, and extensive sharing of business information. This organization design was created by a joint union-management design group. More generally, virtually every major union in the U.S. has been involved in joint union-management EI efforts in at least some locations.

Focusing on EI as a means of union avoidance not only is misguided, it also sets management's sights too low. There are easier and less expensive ways for anti-union management to avoid unions in today's environment than through an intensive employee involvement process. Employee involvement can and should be pursued on its own merits as a means of increasing organizational effectiveness. If the focus is on avoiding unions rather than on organizational effectiveness, management may well stop short of creating an EI effort that can significantly improve organizational performance, and instead may be satisfied with piecemeal efforts that it credits with helping avoid union organizers.

EI and "Japanese management style." The phrase "Japanese management style" is deceptive. Management practices such as consensus decision making and lifetime employment are often assumed to be almost universal in Japan and in Japanese-owned organizations in the U.S. In fact, there appears to be considerable variation in the use of particular human resource practices in Japan, and many practices that are relatively common in the Japan appear to be rare in Japanese-owned operations in the U.S. In this vein, it is easy to overstate the degree to which employee involvement practices are used in Japanese organizations.

Some observers argue that there is a fair degree of employee involvement in one form of Japanese management, specifically the the Toyota production system (also termed the "lean production" model; Adler, 1991; Womack, Jones, & Roos, 1990). Indeed, this approach does provide workers with much more job skills training than is typical in conventional U.S. manufacturing operations, provides them with information about organizational performance, and sometimes provides organization-level rewards for business performance (such as profit sharing and greater job security). Employee do not have much autonomy in making decisions. However, their suggestions for improvement in the production system are actively encouraged through quality circles and other means.

Overall, there is no evidence that Japanese managers are more committed than U.S. managers to providing lower-level employees with real decision-making authority. Indeed, job involvement and high involvement (defined below) are rare to nonexistent in Japanese-managed

organizations. In our view, Japanese management is essentially a more rational version of the traditional, control-oriented management model that dominates U.S. management thinking.

TYPES AND PREVALENCE OF EMPLOYEE INVOLVEMENT

Three different types of employee involvement can be distinguished. These are suggestion involvement, job involvement, and high involvement (Lawler, 1988a).

Suggestion involvement entails the power to make suggestions for change but not the power to make decisions. Suggestion involvement usually is provided by means of special structures, such as quality circles, that are parallel to the formal organization and are dependent on it for the implementation of changes. It is the most limited of the three forms of employee involvement; it can be installed without making major changes to the key design elements of the normal organization.

Job involvement comprises changes in the design of work, so that employees have more control over day-to-day decisions relevant to their jobs. These changes are accomplished through job enrichment for individuals or through the creation of work teams (which also may be called self-regulating teams, autonomous work teams, self-managing teams, etc.). One of the key design elements of the organization, namely work design, is automatically changed in this approach. Other elements may or may not be changed.

High involvement encompasses job involvement and suggestion involvement, but goes further to stress the involvement of employees in managing the business. High involvement organizations use a wide variety of congruent organizational design elements to reinforce and facilitate EI, including a whole range of innovative power-sharing, information-sharing, skill-building, rewards, and related human resource practices. The best-known examples are new, showcase manufacturing plants built by such companies as Procter & Gamble, General Foods, Anheuser-Busch, Digital Equipment Corporation, Mead, and many others.

None of these three types of employee involvement is easy to implement effectively. However, the job involvement approach is more complex and difficult to implement than the suggestion involvement approach, and in turn the high involvement approach is the most complex and difficult of the three.

Employee involvement practices tend to be broad rather than deep in U.S. corporations. The more limited suggestion involvement approach is the most common form of EI, and even this form of employee involvement typically is not extended to the majority of the corporate workforce. Our studies of employee involvement practices of Fortune 1000 corporations (Lawler, Ledford, & Mohrman, 1989; Lawler, Mohrman, & Ledford, 1992) found that over 80 percent of these corporations used some form of employee involvement. However, relatively few companies make extensive use of power sharing practices. The most popular power sharing practices were parallel organization forms such as quality circles and employee participation groups. These do not fundamentally change the level of decision making authority extended to the lowest levels of the organization. In both the 1987 and the 1990 studies, only one percent of companies claimed to include half of their workforce in a typical job involvement practice, namely self-managing work teams.

The high involvement organizational form has been restricted mostly to a few innovative manufacturing plants. Estimates on the number of such organizations vary from a few hundred to perhaps a thousand. In percentage terms, this represents a tremendous increase during the past 20 years. However, measured in terms of the percentage of U.S. organizations or even U.S. plants, the numbers that are organized as high involvement organizations are relatively small.

EXPLANATIONS OF THE PREVALENCE OF ADVANCED FORMS OF EI

An overwhelming percentage of major companies report that they have tried at least some form of employee involvement and that their EI efforts are successful in enhancing organizational performance. Yet the use of EI practices remains relatively limited, even in most companies that have experienced directly the effectiveness of high involvement designs. Why? Even more important, why have the most advanced forms of EI not been tried more extensively despite evidence that even the more limited forms are successful to some degree?

This pattern would be understandable if the job involvement and high involvement approaches were relatively rarely because these approaches have limited payoffs compared with more limited forms of EI. However, these forms of EI do not appear to be rare because of poorer

cost-benefit ratios. The research evidence suggests that the suggestion involvement approach is a limited intervention with limited effects (Ledford & Mohrman, 1988; Ledford, Lawler, & Mohrman, 1988; Mohrman & Novelli, 1985). The evidence also suggests that the job involvement approach often has strong effects on performance and employee attitudes (Guzzo, Jette, & Katzell, 1985). For example, our study of self-managing teams in a telephone company (Cohen & Ledford, 1990) found that they outperformed a matched set of control groups on most performance and quality of work life indicators.

Furthermore, the available data strongly suggest that high involvement organizations are highly effective in general, even though the evidence is more limited than we would like (Lawler, 1986). Internal studies by Procter & Gamble, General Foods, and General Mills have found that their high involvement plants are 20 to 40 percent more productive than comparable plants. A study of 96 high involvement organizations (Ledford, Cummings, & Wright, 1991) found that about three-fourths outperformed their industries on a variety of measures. Hard performance data from a large subset of the sample found that the high involvement organizations outperformed their industry on return on sales by an average of 532 percent and return on investment by an average of 388 percent. There certainly are examples of high involvement organizations that have failed. For example, Perkins, Nieva, and Lawler (1983) studied a less than successful implementation of a high involvement design. The overall success rate, however, appears to be quite high for high involvement organizations.

EI and Managerial Ideology. If advanced forms of EI are not rare because they are ineffective, then why are they rare? Perhaps the reason is that the EI movement is relatively recent, and deeper forms of EI will spread in the long run. We are not convinced that this is the case, however. We believe that advanced forms of employee involvement are rare because they are inconsistent with the dominant management ideology and fundamental design principles of most contemporary organizations.

Modern organizations are designed to insure hierarchical control and internal stability--two basic virtues of the bureaucratic form of organization. Intensive employee involvement efforts are

often resisted by managers because of threats to control and stability, even if they seem to produce improvements in performance.

Intensive forms of employee involvement imply a new world view, or paradigm, about the management of human resources in organizations. This paradigm is based on the assumption that maximizing employee ability to respond to business challenges and changing technical conditions is the key to maximizing organizational effectiveness. Widespread adoption of this paradigm will depend on the extent to which managers adopt new ways of looking at the world and become familiar and comfortable with new practices and behaviors. There is some evidence that an employee involvement paradigm may be emerging in U.S. corporations (Mohrman and Lawler, 1985).

There are indications that managers increasingly accept the rhetoric of employee involvement. Rare is the manager today who cannot recite the popular wisdom about why employee involvement is desirable. No consultant or author needs to tell managers about the changing workforce, increasing foreign and domestic competition, "Japanese management style," changing technology, and the many other forces that usually are claimed to create the need for employee involvement. Consultants often seem to be preaching to the converted when they tell managers that more employee involvement is needed. In every company we have surveyed on employee involvement recent years, most managers at all levels express verbal support for whatever employee involvement efforts are being tried within their companies.

The acceptance of the desirability of employee involvement represents a change in espoused managerial philosophy, but cannot always be accepted at face value. Managers who openly oppose employee involvement these days are considered "Neanderthals" or "dinosaurs" -- an acceptable characterization to very few managers in this era of corporate delayering and downsizing.

Rhetoric versus Behavior. This does not mean, however, managers who espouse EI are truly comfortable with it. In the first place, senior managers in favor of EI often see few implications for their own behavior; they see EI as "something the top tells the middle to do to the bottom" of the organization (Nadler and Lawler, 1983). Second, and more important, managers repeatedly show the ability to redefine EI in ways that correspond to whatever style of management they already practice.

Several studies of communication styles in employee involvement groups of various kinds have found that managers often practice pseudo-participation by the use such techniques as loaded questions and mixed messages (for example, Fairhurst and Chandler, 1989). Employees have little trouble discerning the real messages about employee involvement in such situations.

We saw this very clearly in a Fortune 500 company that was attempting to adopt employee involvement as a day-to-day mode of doing business. We interviewed 25 managers in a part of the company where EI efforts were then concentrated. We asked them to define EI and whether they practiced that style of management. All 25 claimed to practice EI, most said that they were relieved that the company finally endorsed the style of management that they had privately accepted all along. However, the managers also provided 25 different, inconsistent definitions of EI, ranging from sharing decision-making power to smiling a lot and otherwise being friendly to employees.

Changing Managerial Behavior. The previous discussion indicates that managers' response to employee involvement initiatives may be to redefine employee involvement into something requiring no change. However, it misses the point to say that managers are insincere, or that nothing can be done other than to replace veteran managers. We suspect that, regardless of whether they claim to practice employee involvement, most managers do not know how to manage in a manner that fosters and is consistent with employee involvement. Like other human beings, they have difficulty breaking out of old frames of reference. The perspectives and behaviors that are required to support high levels of employee involvement simply go beyond the experience of most managers.

Ways must be found to define employee involvement as something requiring real change, yet this must be done without hopelessly alienating the managers who ultimately must make it work. Managers cannot be trusted to define employee involvement completely on their own; it must be defined for them. Yet the concept must also inspire their interest and commitment. This suggests the importance of "vision" and "leadership"--two elusive concepts that are difficult to realize in practice.

Organizations adopting employee involvement efforts need good methods for the selection, training, and coaching of managers. Selection, training, and on-line coaching are the ways in which

an abstract vision is translated into day-to-day behaviors. However, this is not to say that enough is known about how to do these things well. Much remains to be learned about how to foster effective management behavior in employee involvement-oriented organizations.

IMPLEMENTATION STRATEGY

Goals. Some proponents of EI argue that it should be used because it is the moral way to manage, not necessarily because it affects organizational performance (e.g. Sashkin, 1984). Our research suggests, however, that EI efforts which are not focused on organizational performance are less effective--either for employees or for the organization. We have found this both among EI groups (Mohrman and Ledford, 1985) and among companies that are implementing EI efforts (Lawler et al., 1989).

Organizational performance goals legitimize the EI effort and help provide it with guideposts by which success can be assessed. Indeed, there is evidence that companies that adopt EI primarily in order to improve performance are more effective both at improving performance *and* at improving employee quality of work life than companies that adopt EI efforts primarily for value reasons or to improve quality of work life (Lawler et al., 1989).

Rate of Implementation Success. The number of organizations that are attempting to gain a competitive advantage through employee involvement dwarfs the number that are successfully implementing major employee involvement initiatives. This is disappointing in some respects. Companies are implementing employee involvement practices for hard-nosed business reasons, and senior managers see EI as fitting well with other changes they are implementing which are intended to lead to performance improvement, greater flexibility, new technologies, and new business strategies (Lawler et al., 1989). However, the thin veneer of employee involvement that exists in most companies is rarely enough to alter the level of overall corporate performance, even when there are local successes.

This argument suggests that most organizations do not yet know how to increase employee involvement effectively. This conclusion is suggested by the small number of companies that have adopted EI practices throughout the firm and by the scarcity of high involvement organizations. In

addition, few companies have experimented with new forms of employee involvement which go beyond replication of their own initial successes and imitation of other companies' efforts. This is another sign of a movement in its early stages.

However, we also note that many organizations do seem to learn how to implement EI more effectively over time. Many companies seem to learn what types of EI work in their situation; they often progress from simpler to more complex and effective forms of EI; and they learn better how to implement EI practices. Often companies that are able to learn in this way devote special effort to learning from experience and to the diffusion of knowledge about EI from one part of the company to another. (See Ledford, Mohrman, and Mohrman, 1989, for an example of such a learning process within a large division of General Mills.) Thus, although we have been critical about the level and types of employee involvement practiced in contemporary organizations, our experience suggests that many companies do seem to learn about EI over time.

We worry, however, that contemporary pressures for fast improvements in performance will lead the current surge of employee involvement activity to crest before it has been given a fair test. In general, employee involvement efforts must be regarded as a long-term investment for which the return is realized over a period of years. Even when EI efforts are perceived to be successful in the short term, a long-term focus is necessary. This is especially true at the corporate level, where EI efforts must be diffused enough to create a critical mass within the firm in which behaviors and performance are different. There is a learning curve for implementing complex social system interventions such as employee involvement which can be shortened only so far. The pressures in the current economic environment for short-term performance improvements are worrisome in this regard. Some companies do make the long-term investment needed to realize a corporate advantage from EI, just as some companies make long-term investments in research and development on new products. The pressures to trim such expenditures, however, are never far from the surface. By a wide margin, short-term performance pressures were the number one barrier to EI cited by companies who had implemented EI programs in both studies of Fortune 1000 companies (Lawler et al., 1989, 1992).

EI Goals versus EI Methods. Proponents of EI have long argued, partly based on their own values, that EI should be implemented using methods that are compatible with EI. Paradoxically, however, this is not always necessary. The strategy used to implement employee involvement need not necessarily employ the methods of EI (Lawler, 1989b). Changing a traditional organization may be possible by traditional management methods, at least initially. Many companies have successfully used such methods as coercion or firings of managers who will not or cannot practice new management methods. Executives at Ford, for example, often have said that "EI is voluntary unless you are a manager." Many companies use imposed activity goals, such as requirements that pilot EI efforts be underway within a specified period of time, and specify the objectives of the EI effort.

These methods for creating EI have their limitations, however. Unless managers at some point embrace employee involvement goals that have been set for them and unless they experience employee involvement for themselves, the EI effort will lack the capacity to evolve and develop effectively.

Thus we are arguing that management need not have a high degree of ownership in order for the EI process to begin. However, management will need to have a high degree of ownership for the process to succeed and diffuse.

WHICH FORM OF EI SHOULD BE ADOPTED, UNDER WHAT CONDITIONS?

Despite its popularity, we believe that the parallel organization model is distinctly limited as an EI strategy. The parallel organization is too fragile to constitute an effective long-term strategy for EI in other than exceptional cases, and in any case the parallel form does not go very far along the spectrum of employee involvement possibilities (Lawler and Mohrman, 1985; Ledford, Lawler, and Mohrman, 1988). It usually involves a small percentage of the workforce. The topics around which involvement is possible are too limited. The parallel model lacks the supportive organizational design features (pay systems, job designs, training, information systems, etc.) that are needed to sustain it and make it maximally effective. It creates self-destructive dynamics that lead most parallel organizations to die out within a few years.

Nevertheless, there are some situations in which restricting employee involvement to a small parallel organization can be advantageous. The parallel model may be all that top management is willing to accept, and it may allow managers to "get their feet wet" with the concept of employee involvement. Although parallel organization forms of EI often die out, it is possible for the parallel organization form to evolve into deeper forms of involvement (see Lawler & Mohrman, 1987).

The high involvement model is more difficult to implement and therefore has a lower adoption rate than the parallel model. On the other hand, it probably has a higher success rate and certainly has higher potential payoffs for employees and the organization (Lawler, 1986, 1992).

What is not always appreciated is that the lower adoption rate, the higher success rate, and the greater payoffs of the high involvement model are all related. High involvement organizations are a collection of mutually reinforcing design elements, each of which is nontraditional and each of which encourages EI. High involvement organizations obviously look different than traditional organizations; they cannot be confused with minor incremental changes. Because the change is more radical, the adoption rate is lower. However, the network of complementary design elements also makes these models more powerful, and in the right conditions makes them more successful at achieving high performance through high involvement.

Although we believe that the high involvement form has great potential for success, it is important to recognize that high involvement designs probably are unsuitable for many organizations (for example, see Cummings and Blumberg, 1987). Unsuitable conditions include a technology that is extremely routine, a technology in which employee attitudes are not directly related to business performance, an external environment that moves at a glacial pace, and management that is unwilling or unable to move relentlessly in the direction of greater EI over time. Such conditions are particularly lethal to enriched job designs, many pay innovations, and a number of other key elements of EI design. In these conditions, the parallel organization model may be the only appropriate form of employee involvement. Since the conditions that are inhospitable to a high involvement design are fairly widespread, it is clear that the parallel model is potentially superior to the high involvement model in many organizations.

HIGH INVOLVEMENT MANAGEMENT AND "LEAN PRODUCTION"

So far, we have suggested that under favorable conditions, the high involvement model is a superior form of employee involvement. Here we will explore a relatively new perspective that challenges this conclusion. This perspective arises from studies of the "lean production" model, also called the Toyota production system.

In their massive study of the auto industry worldwide, Womack, Jones, and Roos (1990) of the International Motor Vehicle Program at MIT make a strong case that the "lean production" system of producing automobiles results in significantly higher quality and productivity rates than conventional management approaches. The lean production model, which was pioneered by Toyota starting about 1950, is used primarily but not exclusively by Japanese firms. As we indicated previously, the lean production model incorporates some aspects of employee involvement, but remains a bureaucratic system at its core.

Womack et al. make a direct attack on the high involvement model in their discussion of Volvo's famous plants that permit small teams of workers to build entire cars at their own pace in small work cells. They argue that these plants are a "step backward," aimed at restoring the craftsmanship of the last century rather than taking the advantage of the benefits of mass production technology. They further argue that productivity rates in these plants are hopelessly low compared to plants using lean production methods.

In evaluating these arguments, several points should be kept in mind. First, the Volvo production system was not designed first and foremost to maximize productivity. It was motivated by the need to attract more Swedish workers to Volvo factories. The combination of high taxes and welfare state benefits greatly reduced the incentive value of high wages as an inducement for Swedes to take factory jobs. The work itself had to be made appealing, and on this score the Volvo system seems to have worked.

Second, it is inappropriate to conclude that productivity differences between Volvo plants and lean production plants are the result of the obvious differences in production methods. The basic lesson of the MIT studies is that the entire system of auto production, not just any one part,

determines productivity and quality performance. Just-in-time inventory management, engineering and the product development process, relationships with supplier firms, relationships with customers, and other aspects of company management have critical effects on plant performance. This overall system insures, for example, that the product is relatively easy to manufacture, that component parts are of high quality and appear when needed, that consumer demand is stabilized. The appropriate test, which is not yet possible, would compare plants using Volvo production methods versus those using "lean production" methods within a firm that used all the other advantageous management innovations that comprise the lean production system. It is quite conceivable that Volvo production methods would prove superior in that condition.

The debate about the merits of the "lean production" system raises again the issue of the contingencies under which different types of employee involvement may be more or less effective. It may be that the form of employee involvement that is embodied in the Toyota production system is superior to the high involvement model in mass production assembly technologies, where the technology is very routine and relatively little ongoing worker decision making is needed. On the other hand, most well-known high involvement organizations are in plants using continuous process technologies, such as food, chemical, paint, and paper manufacturing. It may be that the high involvement model is especially suited to such technologies, where a high level of worker skill and decision making authority is needed to understand the overall production process and to make rapid adjustments that keep the process under control. Future research will be needed to demonstrate which model of employee involvement is most effective for different technologies.

Studies of lean production methods perform a useful function in helping reframe the nature of employee involvement in advanced manufacturing technologies. Adler (1991) points out that employee involvement in the Toyota production system is not aimed at increasing worker autonomy. That is, employees are not encouraged to do the job in any manner that suits them. In fact, they are expected to do things in exactly the way that has been found to be most efficient through a highly formalized system of work methods specification. However, even though employees may not have much direct control over their behavior on the job, they are encouraged to influence improvements

in the system that governs their behavior. The important point, which is relevant regardless of the level of employee autonomy encouraged by the organization, is that the focus of employee involvement shifts from the level of the individual to the level of the production system. We believe that this is a useful reorientation for employee involvement in a wide variety of technologies.

Overall, we believe that studies of the lean production model have shown a clear advantage of the model over traditional production methods in the auto industry. Indeed, part of its superiority comes from providing greater employee influence, knowledge, information, and rewards than is provided in conventional management systems. However, Womack et al. (1990) have tended to make overblown claims about the degree to which the lean production system is universally applicable. We do not think that the high involvement model has yet received a fair test in comparison to the relevant parts of the lean production approach, and we suspect that the type of employee involvement associated with lean production may be most useful in highly routine assembly line technologies.

INSTALLING HIGH INVOLVEMENT IN NEW ORGANIZATIONS VERSUS CONVERSIONS

It is commonly assumed that high involvement needs a "green field" to succeed. That is, it is argued that HIOs should be established in new plants or even new companies because conversions from traditional designs to HIO designs are unlikely to succeed. Newer evidence suggests that this is not necessarily true, however.

New organizations do have one key advantage over conversions in the creation of high levels of employee involvement practices. That is, there are fewer old truths and old habits to unlearn in order to implement the new organization design. Thus, the transition step of moving from the old to the new is shorter when new organizations are being created. Resistance to pushing EI as far as possible is much less in new organizations because there is much less vested interest in traditional patterns of behavior. Partly for this reason, high involvement organizations that are newly created (greenfield plants, etc.) tend to look different than conversions. Their designs tend to push further in the direction of the classic HIO model (Ledford, Cummings, & Wright, 1991).

However, new organizations usually have disadvantages compared to conversions that often are overlooked. The Center has worked with a number of new high involvement plants during its ten years of existence. Almost without exception, the first year or two can be characterized as chaotic (see, for example, Ledford, Tyler, & Dixey, 1991). The technology never seems to work well at first, everything needs to be done at once, there is constant performance pressure, and the working hours seem endless. Early in the history of the organization, employees may not have developed the skills needed to participate fully in the organization. These conditions are the obverse side of the coin to the advantages of newness. By contrast, conversions usually are at least somewhat more stable, the technology tends to be better understood or at least under better control, organizational members know each other better, and employees may have developed considerable participative skills. These factors work in favor of conversions.

To managers who are frustrated by the slow pace of change in traditional organizations, the advantages of conversions may not be obvious--except to those who have worked in new high involvement organizations. These conditions make well-planned incremental changes much less problematic in conversions, if momentum for change can be sustained.

So far, we have considered the nature of employee involvement and have reviewed a number of issues related to the design and implementation of EI efforts. Next, we will be more speculative, and will consider a set of predictions about the employee involvement movement during the next ten years.

PREDICTIONS FOR THE FUTURE OF EI

1. EI will be a growth industry in the 1990s. Virtually all the specific employee involvement practices that we have considered in this chapter were invented decades ago. No major new EI practices were invented during the last decade. Nevertheless, there was a dramatic change in EI adoption patterns. Specifically, there was a tremendous surge in the adoption of employee involvement practices by U.S. corporations during the 1980s.

Data from the Fortune 1000 studies (Lawler et al., 1989, 1992) bear out our contention that employee involvement was a management phenomenon of the 1980s. We asked about the period of

time that the companies had used each of seven power-sharing practices. In the 1987 study, the median number of years of use was five or less for all seven practices, and a majority of users had employed each practice for five years or less. Between 65 and 85 percent of companies using job enrichment, quality circles, union-management QWL committees, mini-enterprise units, and self-managing teams had adopted these practices within the previous five years. Only survey feedback had been used by as many as 15 percent of users for more than 10 years. Data from the 1990 study are consistent with this pattern.

None of the forces that led so many companies to adopt EI practices during the 1980s are likely to abate in the 1990s. Firms will find continued incentives to adopt employee involvement practices in the need for better competitive performance in a changing economy, the need for increased organizational adaptability to change, the need for better responses to the demands of the workforce in an era of greater labor scarcity, and the need for more effective functioning with fewer managers and staff will continue to encourage corporations to adopt employee involvement practices.

Our research suggests (Lawler et al., 1989, 1992) that the overwhelming majority of U.S. corporations have some experience with employee involvement and similar percentages believe that their EI efforts have improved organizational performance, but so far the level of adoption has been broad but not deep in terms of numbers of employees affected. In an era of relentless pressure for better corporate performance, this is a recipe for increased use of EI practices. In 1990, for example, 68 percent of the Fortune 1000 reported that their spending on employee involvement efforts would increase in the next fiscal year, 30 percent reported that spending would remain about the same, and only 2 percent reported that spending would decrease.

Our conclusion is that EI practices will continue to be adopted at an accelerating rate by U.S. companies. A major question remains, however: which practices will be adopted? We turn next to this issue.

2. *The most popular forms of EI will continue to be the safest and least impactful.* Although corporate management will turn increasingly to employee involvement as a means of improving

organizational performance, the ambivalence about EI in contemporary management ideology will not disappear. Managers will continue to worry about how far they can go in turning control over decisions to lower-level employees. We predict that managers will be most likely to favor the adoption of those practices that least threaten managerial beliefs, prerogatives, and powers, but that they believe offer some promise for impacting organizational performance. Thus, we expect that the parallel organization model will continue to find the most favor with organizations seeking to increase employee involvement during the 1990s. This is consistent with the trends shown in the 1987 and 1990 Fortune 1000 studies.

Comparisons between the 1987 and 1990 Fortune 1000 data suggest some change in which practices are the most rapidly growing (Lawler et al., 1987, 1992). Respondents to both surveys were asked to predict future implementation of various power-sharing practices during the next two years. In the 1987 study, four of the five highest rated practices were examples of the parallel organization model. Over six out of ten firms predicted that they would implement more employee participation groups and survey feedback, and four in ten predicted greater use of quality circles. Only the least drastic power-sharing practice, job enrichment, was predicted to be used to the same degree as the parallel organization practices (48 percent predicted increased use). Less than one-fourth of the firms predicted increased use of self-managed work teams and mini-enterprise units. By 1990, the situation had changed so that six out of ten firms predicted increased future adoption not only of employee participation groups but also job enrichment and self-managed teams.

Nevertheless, the more radical power-sharing practices are being adopted from such a low base that it will be many years, at current adoption rates, before job enrichment, self-managed teams, and mini-enterprise units are as common as parallel-organization practices. This pattern, together with our prior discussion of the parallel organization model, suggests that there is an inverse relationship between the depth of EI practices and their likely rate of use in the future.

3. The quality movement will repeat many of the mistakes of the quality circles movement. In general, when the leaders of the quality movement have anything to say about employee involvement, it is embrace the parallel organization model. This has permitted the quality circle

movement, which once appeared to be in jeopardy, to merge into the quality movement. "Quality circles" thus have been resurrected as "quality action teams" or something similar, even though the basic group design has remained the same. Once again, managers see a need for some form of employee involvement as a response to organizational performance problems, and turn to the easiest and most conservative form of employee involvement to provide the answer. A legion of consultants and trainers are ready to help them with well packaged programs for establishing employee quality teams.

We expect that, in the long run, managers will rediscover that employees cannot and will not provide the help that is needed to solve quality problems unless the organization itself is changed. Employees will need the power to make decisions about quality; they will need information in order to make good decisions; they will need rewards that matter more than trinkets and their pictures on the wall; and they will need enough training to truly understand quality issues. As management responds to these issues, it will be faced with the need to rebuild the organization in a way that builds a focus on quality improvement deeply into the fabric of the organization. This will bring them back to the choice between the more limited parallel model and the deeper high involvement model.

4. The high involvement organization will become a much more common organizational form.

Although we do not expect the number of corporate locations using the high involvement organization form to rival the number using the parallel organization form at any point in the near future, we do expect the high involvement organization to become far more common than it is today. We predict that the number of sites organized as HIOs will at least triple during the 1990s, to perhaps several thousand.

For many organizations, compelling performance advantages will provide the rationale for the creation of new high involvement organizations. For example, the track record of high involvement organizations in new manufacturing plants using continuous process technologies (such as food processing, chemicals, glass, and paper) will be strong enough so that companies that do not use a high involvement organization design for new plants should be considered unwise.

Normal patterns in the diffusion of innovations will account for some of the increase. Companies with some successful HIOs will develop others. Companies without HIOs will imitate successful competitors, suppliers, customers, and others that do. HIOs eventually will become much more common in new industries and new technologies as relevant exemplars appear. For example, if the new General Motors Saturn operation meets the aspirations of its creators, it may serve as a model for the auto industry and, more generally, firms with assembly technologies.

Management innovations can take decades to diffuse widely, and often the most drastic changes are the slowest to diffuse. That is one reason why we do not expect to see the HIO as the typical model of American management in the foreseeable future. However, it is useful to remember that Proctor & Gamble became the first major U.S. company to create a HIO only about 25 years ago. If the adoption of the HIO form continues to increase at only its current rate, the total number of HIOs will be much more impressive a decade hence.

One development that could lead to a rapid increase in the number of HIOs is a wider managerial conviction that traditional organizations can be converted successfully to a HIO design. As long as HIO designs are restricted primarily to new plants and other new organizations, the number of HIOs will be limited. Interestingly, there is some evidence that more conversions now are appearing. In our study of 96 high involvement organizations (Ledford, Cummings, & Wright, 1991), approximately half of the sites in the sample were conversions rather than organizations that had used the HIO model since startup. The percentage of conversions was far greater than we would have expected just ten or fifteen years ago.

5. Advanced forms of EI will spread beyond the manufacturing sector in the 1990s. More advanced forms of employee involvement, including work redesign and high involvement organization design, have been limited most to the manufacturing sector of the economy so far (Lawler et al., 1992). If advanced forms of employee involvement are to become truly widespread in the economy, they must penetrate service organizations, which currently represent almost three-fourths of the private sector.

We see no barrier to the extension of high involvement practices to the service sector. The manufacturing sector has lead the way in adopting such practices, which is the usual pattern with management innovations. However, many of the same factors that make high involvement applicable in manufacturing also make it increasingly relevant in the service sector. Indeed, there are very few differences between manufacturing and service firms in the factors that represent facilitators or barriers to employee involvement (Lawler et al., 1992).

Our own experience as consumers continually reminds us that many service organizations are managed in a way that makes outstanding customer service impossible -- because employees do not know enough or care enough to solve customer problems. Service organizations are managed based on an outdated factory model, with excessive division of labor, top-heavy management, and so on. Employee involvement appears to us to be one logical strategy for many service organizations to use in order to improve customer service.

We see three reasons to believe that the number of service sector adoptions will increase greatly in the next ten years. First, service sector industries are facing unprecedented domestic and foreign competition. Decreased regulation of such industries as banking and financial services, transportation, and telecommunications has changed the competitive landscape in the service sector. Perhaps even more important is the relatively new threat of foreign competition. Some services, by their nature, are likely to remain immune to foreign competition; restaurant meals, haircuts, and gardening probably cannot be delivered successfully from abroad. However, in the age of electronic information processing, a surprising range of services can be imported successfully, including engineering, advertising, finance, and accounting services. Often, it is the highest value-added services that are most threatened. Just as manufacturing firms turned to high involvement as one means of meeting ever-intensifying domestic and foreign competition during the last decade, increasing competition in the service sector may give management in service industries a powerful impetus to adopt broader and deeper forms of employee involvement.

Second, as advanced forms of employee involvement are accepted increasingly as good management practice in the manufacturing sector, these forms are likely to spread in the service

sector as well. That is because service organizations tend to imitate the management practices of leading manufacturers. This pattern of imitation is rooted in the intangible nature of service outputs. Service organizations such as hospitals, universities, and public utilities often do not have clear measures of critical outputs. Good health care, quality education, and first class customer service cannot be measured strictly by objective indicators; these outcomes reside partly in the subjective experience of consumers. This makes it difficult for service organizations to know whether changes in management practice lead to greater organizational effectiveness. As a result, service organizations tend to rely on external definitions of what constitutes good management practice. To the extent that advanced forms of employee involvement increasingly are synonymous with good management in society at large, service organizations can be expected to adopt more employee involvement.

The final factor that should result in more adoption of advanced forms of EI is the increasing prominence of successful service organizations that have adopted high involvement practices. Financial service organizations such as AT&T Credit Corporation, insurance firms such as Aid Association for Lutherans and Shenandoah Life, retail outlets such as Home Depot, and airlines such as SAS are examples of service organizations that have made effective use of high involvement practices quite analogous to those found in the manufacturing sector. As such exemplars become better known, they can be expected to help convince other service organizations that high involvement practices are relevant to them as well.

6. We will see high involvement companies by the end of the decade. High involvement organizations have existed in some major corporations for about 25 years. In some cases, these have spread so that there is more than one or two oases of high involvement in the entire firm. Proctor and Gamble is converting essentially all of its manufacturing operations to the high involvement model, and now has several dozen high involvement organizations, both startups and conversions. Herman Miller, Motorola, and General Mills are examples of other companies that have implemented high involvement practices in many parts of the firm.

Still, no large company has yet been designed so that the logic of high involvement is applied successfully throughout the entire company, not just on the shop floor. As far as we know, no company has successfully pushed high involvement throughout its professional workforce, corporate headquarters, clerical staff, manufacturing, and service delivery workforce simultaneously.

We expect to see one or more organizations try to do just that during the next decade. We do not yet see any particular company that is ready for such a move. Indeed, it is likely that any such radical move would come from a new corporation that may not yet exist. Such a company probably will face an extremely challenging environment, and it will have determined that it is going to seek a major competitive advantage over its more traditional competitors through its innovative management of human resources.

There are a great many unanswered questions about how to manage high involvement on such a scale. What forms will high involvement take once it moves outside the factory? Will it create problems in the coordination of effort across different parts of the firm? How will commitment to the high involvement model be sustained in the face of the business problems that every organization must face? How will corporate growth affect the organization's ability to manage using a high involvement model? Such questions move the organization into uncharted waters. We hope to be lucky enough to observe the first hardy pioneers.

Our predictions, in summary, suggest that we will see more of the same from the employee involvement movement during the next ten years -- much more. We expect some form of EI to penetrate the quality movement, the service sector, and new parts of old organizations. We also expect to see to see many more high involvement organizations, including the first large companies that are built around high involvement principles. If these predictions are borne out, the 1990s will be the most important decade so far in the history of U.S. employee involvement activity.

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