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**CREATING AMERICAN BUSINESSES  
THAT CAN COMPETE GLOBALLY**

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Based on what they say in their annual reports and speeches, corporate executives believe the success of their businesses rests heavily on the efforts, initiative, commitment, and motivation of “our people, our most important asset” (Lawler 2008). And it is likely that most major employers want to treat “their people” right. Nonetheless, American companies increasingly outsource and offshore jobs, cut employee benefits, substitute contingent or contract workers for regular or permanent employees, eliminate traditional career paths, and reduce expenditures on training (O’Toole and Lawler, 2006). Corporate executives are behaving like they think the way to boost productivity is to reduce wages and to operate a command and control organization.

Why the apparent contradiction between word and deed? The executives’ stock answer: “We have no choice.”

In a 2005 interview on MSNBC, the CEO of Wal-Mart argued that his company has no choice in terms of the working conditions it offers its hourly employees: To serve the desires of customers for the lowest-priced goods, Wal-Mart’s business model precludes offering higher wages, greater health-insurance coverage, or more training to frontline workers. In 2003, when IBM announced plans to offshore the jobs of thousands of its American

white-collar employees, the company's director for global employee relations explained, "Our competitors are doing it, and we have to do it."

In 2006, when Boeing announced it would offshore 60 to 70 percent of the components of its new 787 commercial jet, a leading aviation consultant explained, "I think the companies don't have a choice. If a company can go to China and get a widget for 10 cents and it costs \$1 in the U.S., what's the company to do?" And when the Delphi Corp. called on the UAW to renegotiate the contract with its thirty thousand hourly workers—requesting wage and benefit give-backs on the order of 50 to 60 percent—the company's CEO said that it had no choice but to do so: The alternative was bankruptcy, the loss of U.S. jobs, and the forfeiture of pension commitments. (Indeed, when the concessions weren't forthcoming, Delphi's CEO followed through and declared bankruptcy.)

In sum, many executives believe they are prisoners of iron economic laws which dictate that they have no choice but to match the pay and working conditions offered by their lowest-cost competitors. Unfortunately, an increasing number of American organizations in fact face just this reality because they have strategically painted themselves into a corner. When an organization's labor costs significantly exceed those of its competitors, there is little choice but to downsize, outsource, or offshore. At companies such as

Delphi, decades of poor strategic choices and flawed labor relations have made it “too late” for managers to pursue other options.

But are all companies predetermined to suffer Delphi’s fate? Do most top managers have no viable option but to lower their working conditions to the level offered by their lowest-cost competitors, or to offshore jobs? After a two yearlong review of hundreds of academic studies and company case studies, we are convinced that, in fact, managers of most U.S. companies can choose workplace practices that don’t require low wages in order to make their companies effective competitors (O’Toole and Lawler, 2006; Lawler and O’Toole, 2006).

We found numerous examples of businesses that have created a competitive advantage by adopting productive alternatives to the standard workplace practices in their industries. Harley-Davidson, Alcoa, Trek, and SRC Holdings in manufacturing, Nucor in steel, Xilinx and SAS in software, Whole Foods and Best Buy in retailing, UPS in shipping, and Southwest in the airline industry have done it. Each of these companies has significant labor productivity advantages over their competitors who, typically, pay their employees less and offer fewer benefits. As a result of this finding we believe that managers not only have more alternatives than they commonly assume but, they are shortchanging their shareholders by not capturing the

opportunity to differentiate themselves from their competitors by turning employees into strategic assets. In order to understand why we have reached this conclusion we need to briefly examine three approaches to management that can be taken by U.S. firms.

### **Low-Cost Operator**

The most popular approach to managing large labor intensive organizations is to be a low cost operator--large grocery, discount, fast-food, and mall-store chains like Wal-Mart, where price is king use it as do many service and high volume manufacturing businesses. In order to keep prices low, employees in these companies are paid at, or close to, the minimum wage, receive few if any benefits, have no job security, and are given only the amount of training needed to do jobs that have been designed to be simple and easy to learn. Because there is little opportunity for workers at the bottom of these companies to make a good living or to do interesting work--much less to make a career in them--these jobs mainly attract employees who cannot find other employment: retirees, students, and less-educated workers with few other options.

### **Global Competitors**

Many of the best-paid jobs in America are found at Global-Competitor companies. Characterized by their enormous size and geographic reach, these corporations compete in terms of the financial capital, skills, knowledge, and technology they are able to command. They are the glamour companies of the age--industry leaders in information and telecommunications technology, consumer products, pharmaceuticals and bio-medicine, financial and professional services, media and entertainment. Agile globe-striding Global-Competitor companies move products, services, financial capital, jobs, operations, and people quickly and frequently across borders and continents.

Although workers are well-paid by Global-Competitors, they enjoy little job security. Increasingly, they hire people on a contractual basis and, where possible, outsource and off-shore work (Rousseau, 2005). Global Competitor companies offer their “contingent” workers no security beyond the time limits of their contracts, and no promise of a continuing employment relationship. Decisions regarding whether to “buy or build” talent are based on an economic analysis designed to identify the quickest payback (Cappelli, 2008). Consequently, they often look outside to hire even key technology experts and top-level employees, carefully limiting how

much they spend on developing managers and professionals, and of course workers (Barley and Kunda, 2006).

Global Competitors offer “the new employment contract”. They commit to telling employees what their strategy is and where they think future jobs in the organization will be, and workers then are told that their continued employment depends on their performance and the fit between their skills and the needs of the business (Lawler 2008). They are constantly searching for workers with the skills needed for today’s challenges. They pay top dollar for that talent and expect employees to work long hours and, especially, to be productive. The relationship between these companies and their employees is thus transactional, and not one based on loyalty. The rewards are interesting work and high pay, but not being part of a community or a long-term employment relationship. Because they are global enterprises, these companies are adept at off-shoring work; hence, are a limited source of domestic job creation.

### **High-Involvement**

While the Low-Cost and Global-Competitor approaches are well known, many Americans are less aware of those businesses whose labor practices are predicated on the reality that comparative advantage in a global economy can be realized through effective workplace management. High-

Involvement Companies offer workers challenging and enriched jobs, a say in the management of their work and the profits it produces, make commitments to low turnover, employee development, and few layoffs (Lawler 1986). Found in service businesses and manufacturing industries, these companies are relatively egalitarian with few class distinctions between managers and workers and relatively small ratios between the salaries of the CEO and the average worker. Typically, workers are organized into self-managing teams, there is a strong sense that every employee is a member of a supportive community, and all receive extensive, on-going training and education. Employees in these companies tend to be paid based on their skills and knowledge, and participate in company stock ownership and share in company profits.

Research shows that managers at successful High-Involvement companies organize work processes and systems in ways that allow employees to contribute significant amounts of “added value” to the products and services they make and provide (Lawler, Mohrman, and Benson, 2001). When managers create the right organizational structures and give American workers resources, authority and the opportunity to contribute their ideas and efforts, they almost always are able to compete effectively against their overseas counterparts. Workers in less-developed

countries routinely are out-produced by the ingenuity, initiative, and efforts of their American counterparts making steel at Nucor, motorcycles at Harley-Davidson, consumer goods at Proctor& Gamble, and high-tech products at W.L. Gore and Associates.

The Wisconsin-based Trek company is able to export bicycles to the world because its American workers are empowered, and rewarded, to make continual improvements to their products and work processes. Trek's workplace system creates a constant stream of new products that forces the poorly paid, under-educated, and micro-managed workers making copy-cat bikes in South Asian factories continually to play catch up. The evidence shows that the comparative advantage of having educated, motivated, and committed workers enjoyed by Trek can be realized by a wide variety of businesses.

### **Economic Impact**

The growth of the Low-cost Operator model has not been good for most American workers: since 2000 labor's share of the gross domestic product has declined as a result of little or no growth in wages despite rising productivity (Levenson, 2006; O'Toole and Lawler, 2006). This unfortunate confluence of economic trends hasn't been in evidence in the United States for over five decades, and it stems largely, but not exclusively, from the

mistaken managerial assumption that low wages and benefits are the key to corporate competitiveness.

Although offering minimal wages and benefits is the most common way companies try to lower their costs, our study revealed that such bottom feeding may not be the most effective way to reduce costs (O'Toole and Lawler, 2006). Low-wages paradoxically generate a variety of negative employee behaviors that add to the overall cost of doing business. Although managers rarely calculate these costs, they often turn out to be substantial. For example, employees at low-wage companies have significantly higher turnover rates than those at well-paying companies: Wal-Mart has nearly a 50% turnover rate, and at many fast food, retail, and service companies the rates are even higher. Researchers have computed the total costs of such turnover as the equivalent of one month's salary for unskilled workers, and more than a year's salary for skilled ones (Cascio and Boudreau, 2008).

High rates of absenteeism are common at low-wage companies because employees don't lose much pay when they fail to show up for work and don't "fear" being fired because there are other low paid jobs available. Absenteeism has a negative impact on productivity for many reasons: low-wage employees rarely give notice that they won't be showing up, and companies must over-staff in order not to be caught short handed.

Absenteeism also negatively affects customer care: if enough workers aren't on the job to serve customers, or if customers can't find the same employee who helped them on their last visit, absenteeism drives business away and reduces customer loyalty.

Added to these hidden costs is the readily measurable one of employee pilferage. In retail establishments, shrinkage due to employee theft is higher when wages are lower. While it's not clear how much of this is due to employees justifying their criminal behavior because they are poorly paid, and how much results from the fact that employees willing that take low wages jobs are more prone to theft, what is undeniable is that the cost directly hits the company bottom line.

Low-wage companies also spend considerable amounts to keep unions at bay. Realizing that union organization means higher wages and more expensive benefits, low-cost employers hire consultants to develop anti-union tactics, conduct "educational" sessions for their employees, incur legal and court costs associated with fighting unions and, in the case of Wal-Mart, even shut down operations in order to avoid a fate they see as worse than lost business.

The most significant negative consequence of a low-wage strategy may well be the nature of the workers who apply for such jobs. Talented,

hard-working, and motivated individuals simply do not interview for jobs at low-wage companies. Such companies thus end up with a cadre of employees who are below average in their ability to perform on the job, with resulting low productivity and poor customer service. When all the costs associated with low wages are added up, paying low wages is a classic example of being penny-wise and pound foolish.

When we studied the performance of High-Involvement companies, the results were consistent: The productivity of their workers justified the high pay and good benefits they received. In fact, *when managed correctly*, highly paid American workers typically prove to be more-productive than the low-waged overseas workers they compete against (O'Toole and Lawler, 2006).

The most profitable companies are those with the lowest overall operating costs, and *not* those that pay the least. Put another way, the issue is not how much a company pays each worker; instead, it is how much its total labor related costs are. The distinction is subtle but important. For example, the salaries at such High-Involvement Companies as Costco, Starbucks, and Whole Foods tend to be considerably higher than at their low wage competitors but, paradoxically, their total labor costs and controllable expenses are considerably lower because their higher-paid employees are

more productive than the competition's workers who are paid less (Cascio, 2007).

Pilots at “low-cost” Southwest Airlines actually are paid more on average than their counterparts at “high-cost” United Airlines. The difference between these two unionized airlines--the first highly profitable, the second not—is found in the way they pay and manage their people. Southwest managers do a better job recruiting the right employees and deploying them in ways that lead to lean staffing, high motivation, and excellent customer service. Southwest employees at all levels are able to make managerial decisions and to work with a minimal amount of supervision. In short, they have the opportunity to *add value*.

A low wage strategy can be taken only so far: at a certain point in a developed society, salaries and benefits can't be slashed any further. In the long term, comparative economic advantage must be realized through the effective mobilization of an educated, engaged, and productive workforce that can add more value than its competitors. Indeed, if America is to maintain its precarious position atop the world economy, its business executives must recognize that providing “good jobs” is not just a “nice thing to do”, it is a necessity for both their companies and their nation.

## **Adding Value**

We can clearly see what it means to add value by comparing data from “big box” retailer Costco and its competitor, Sam’s Club (Wal-Mart’s upscale brand). Cascio examined 2004 data showing that Costco employees on average were paid \$33,218 per year and received an additional \$7,065 in benefits, whereas the average Sam’s Club employee earned only \$23,962 with \$4,247 in benefits—yet total labor costs were actually lower at the former, largely because Costco’s 68,000 employees produced roughly the same amount in sales as did Sam’s Club’s 102,000. When the lower costs of turnover, pilfering, and absenteeism were reckoned, setting aside the thousands of innovative ideas generated by its employees, it was “cheaper” in the long run for Costco to pay its people more.

It simply is not always correct to assume that labor rates equal labor costs. Costco’s hourly labor rates in 2004 were almost 40 % higher than those at Sam’s Club (\$15.97 versus \$11.52), but when employee productivity is considered (sales per employee), Costco’s total labor costs were significantly lower (9.8 % versus 17 %). Costco’s CEO James Sinegal concludes that “Paying your employees well is not only the right thing to do, but it makes for good business.”

To make its high-wage strategy work, Costco constantly must look for ways to increase its efficiency, by repackaging goods into bulk items to reduce labor costs, speeding up just-in-time inventory and distribution systems, and boosting sales per square foot by being the industry leader in innovative packaging and merchandising. Costco employees have an incentive to come up with ideas (even labor-saving ones), and to cooperate with management when they are introduced. In the final analysis, Costco's business model works because, unlike Wal-Mart, their workplaces are organized in ways that allow employees to add value. At Costco there is a deep managerial understanding that the correct metric to be used with regard to labor productivity is "total overall labor costs," and not "unit labor costs."

### **Social Utility**

A full cost accounting of the human resources strategy of companies raises a variety of questions that are not addressed in annual reports. Minimum-wage employment in certain geographical areas (for example, where the cost of living is high), and among certain demographic groups (for example, those attempting to support a family), may lead to the phenomenon known as working poverty. The working poor and their children are particularly vulnerable to a variety of social problems the costs of which are

borne by local communities, as when the benefits policy of Low Cost operators transfers health-care costs to local taxpayers.

High-Involvement companies are economically efficient and socially efficient. Drawing on the economic concept of externalities (which recognizes that a good or service produced by a firm may generate costs and benefits not accounted for in its price), we can see that the cost of pollution at a coal-burning power plant may be born unwillingly by those who live nearby the facility, and *not* by those who buy the electricity it produces. That situation is both economically inefficient *and* unfair, and thus warrants actions/incentives to force the utility to internalize the costs of pollution control in the price of the electricity it sells. Similarly, some workplace practices pass on costs that are socially inefficient: if a company does not offer health insurance to its employees when they become sick or injured the cost of their medical care has to be borne by local communities and taxpayers, much as the medical costs generated by stressful jobs are often born by workers themselves who have stress-induced ailments (Price, 2006).

On the positive side, analysis reveals that creating a sense of community in the workplace has identifiable, and important, social *benefits*, some of which are quite unexpected. The cultures of High-Involvement companies are, in fact, socially efficient because they internalize or reduce

negative effects on the health and family lives of employees; moreover, they often produce positive externalities that benefit the greater society.

For example, in Southern California a crazed motorist recently attempted to commit suicide by driving his car onto railroad tracks. At the last moment, he thought the better of it, abandoned the car, and ran home. Unfortunately, seconds later a full commuter train crashed into the car, leading to terrible loss of life and severe injuries to hundreds of passengers. The accident occurred directly in the back of a Costco store. Almost immediately, blue-collar Costco employees organized themselves into an emergency brigade and, armed with forklift trucks and fire extinguishers, set out to rescue trapped passengers and deliver first-aid to the wounded.

It is not coincidental that Costco's High-Involvement culture stresses the importance of each worker, rewards all for taking initiative, and trusts them to solve problems in the absence of close supervision and detailed rules. Costco is among the leaders in the retail industry in terms of making heavy investments in the training and development of its workforce. In general, Costco seeks to create a mutually supportive community among its employees. Hence, if the train accident had to occur, the passengers were at least fortunate they were near a group of people whose skills and instincts were primed to spring to their aid.

Of course, we cannot know what might have happened had the accident occurred outside a Wal-Mart store where employees are viewed as a cost that needs to be minimized. But there is reason to speculate that employees who are told simply to obey their supervisors, and whose development is not seen as a corporate responsibility, would be less-prepared to respond to an emergency as quickly, effectively, and appropriately as did the Costco people.

One of the seldom-measured costs and benefits of work is its impact on the formation of character, yet employment conditions in all workplaces influence the course of human development. In particular, the culture of an organization is a determinant of the extent to which its employees will behave ethically. And one of the clearest research findings about High-Involvement Companies is that their cultures cause employees to become self-policing, mutually-supportive, concerned with the good of other members of the workforce, and with the overall well-being of the organization. These traits have positive spillover to activities outside the workplace, as exemplified by the behavior of the Costco employees.

Evidence of the positive potential of employee participation doesn't rest on a few company examples. Analysis of the 2002 U.S. Census Bureau's General Social Survey shows that the greater the extent to which

employees participate in profit sharing, stock ownership, and other forms of financial gains that derive from their efforts, and the greater the extent to which they also participate in organizational decision making, the more they are committed to, engaged in, and satisfied with, their jobs (Blasi, Kruse, and Freeman, 2006). Significantly, workers in High-Involvement settings also were shown to behave more ethically than those in conventionally managed organizations.

### **Barriers to Adoption of High-Involvement Practices**

Given the benefits to shareholders, employees and society, why aren't there more High-Involvement Companies? One reason may be lack of knowledge and understanding. As one CEO recently stated, "I would treat my employees as well as Starbucks treats theirs, *if* I could charge the equivalent for my product of three dollars for a cup of *latte*!" But managers who assume that higher profits drive better working conditions have their logic backwards. Contrary to conventional wisdom, there are companies in virtually every industry that are profitable *because* they provide good jobs.

As Starbucks' CEO Howard Shultz explains, the high-quality customer service that makes it possible for his company to charge a premium for its coffee *results from* the investments it makes in employees. He says Starbucks is able to offer its employees—even part-timers—"health

coverage, stock options and discounted stock purchase plans, retirement savings plan, extensive training, a fun, team-oriented work environment . . . and tuition reimbursement for eligible employees with one or more years of service” not because the company charges a lot for a cup of coffee but, rather, because its highly productive, customer-sensitive employees allow Starbucks to do so.

Ditto the productive contributions of employees at such diverse companies as UPS, Whole Foods, DaVita, and Goldman Sachs. By designing work tasks that are challenging, using management systems to share business information with employees at all levels, rewarding individual, team, and organization performance, and investing heavily in the development of their human capital, executives at these companies create the conditions in which workers can add large amounts of value.

It is often assumed that a company’s ability to offer good working conditions is a function of its economic performance—that is, the greater a company’s profitability, the greater the benefits it can provide. In fact, the opposite is—or can be—true. It often is *because* companies involve their workers in decision-making, reward them fairly for their efforts, and provide them with good training and career opportunities that their employees have higher productivity than workers in comparable, but low-wage, companies.

High-Involvement bicycle manufacturer Trek and clothing supplier Patagonia are able to reap high returns on the products they manufacture and sell because of the high value-added by their employees. There is a virtuous spiral at software producer SAS where the company offers better careers and lifestyle-friendly benefits than its competitors and, in turn, its employees seek to build long-term relationships with customers instead of going for one-off transactional sales. Obviously, it is not the case that in all instances treating employees well results in better business results, but there are numerous instances in which the two factors are mutually reinforcing so that a kind of virtuous spiral is created (Lawler, 2003). Until more executives understand that companies need to offer good jobs in order for them to be able to succeed, the nation will be under-employing its most important resource, the American worker.

### **A Matter of Choice**

Such companies as Nucor, W.L. Gore, SRC Holdings, Alcoa, Costco, Whole Foods, SAS, Southwest Airlines, Harley Davidson, and UPS illustrate the benefits that can arise when companies create workplace practices that meet the legitimate needs of workers as well as those of managers and owners. These companies are at least as profitable as their competitors, typically more so, and that profitability in great part results

from their leaders addressing the three most important needs of workers: for financial resources and security, for meaningful work that offers the opportunity for human development, and for supportive social relationships.

In most cases, bad jobs can be turned into good ones *if there is the executive will to do so*. Whereas Delphi downsized and off-shored thousands of jobs, and reduced the pay and benefits of its surviving American workforce, Harley-Davidson increased its U.S. manufacturing business, added jobs, and operated profitably *because* it turned Rust Belt manufacturing jobs into “good work” for its nearly ten thousand production employees. The company now competes successfully in the global export market against companies from low-wage countries. It is able to do so, in large part, because its leaders were willing to create a viable business model based on High-Involvement practices.

Whereas Wal-Mart replaced bad jobs in Main Street variety stores with bad jobs in suburban malls, Starbucks replaced bad jobs behind the counter in urban greasy spoons with good jobs in espresso parlors. It took strategic acumen and management expertise for Starbucks’ executives to create an imaginative business model in which even part-timers benefit. The top managers at Harley-Davidson and Starbucks should be regarded not as

exceptions but as role models for other leaders who choose to change their employment models.

The statement “I have no alternative” is one of the surest indicators of leadership failure. Great leaders use their strategic and moral imaginations to create viable options where others see none. When there appears to be no choice but to take an action that is negative for a key stakeholder, imaginative leaders look for alternatives that haven’t been tried, or for ones that others assume “won’t work.” In business, such leaders take the extra step and search for actions that serve all their stakeholders.

Wal-Mart’s business model did not arrive at its headquarters in Bentonville, Arkansas, etched on stone tablets. Instead, it resulted from the gradual accretion of numerous choices made by Wal-Mart executives over many years. When the company’s founder, Sam Walton, was alive he chose to involve his employees in a generous stock ownership program, to encourage their engagement in making the enterprise successful, to continue to live frugally in the same middle-class neighborhood where he had begun his career, and to take a relatively small salary in comparison to other CEOs at the time. Subsequent executives at Wal-Mart have made different choices in those regards.

To be fair, Wal-Mart's executives are under constant pressure from Wall Street to make exactly the kinds of pro-shareholder choices they have made in recent years. But Costco executives face the same pressure. In a 2005 *New York Times* article, a financial analyst publicly faulted Costco's CEO, James Sinegal, for being too generous to his employees: "He has been too benevolent." The analyst argued that Costco should stop mollycoddling its workforce by paying such a large percentage of their health care premiums. He argued for reducing the company's contribution, and then paying the savings out to its investors. Much as Wal-Mart executives have chosen to accede to such pressures from the investment community, Costco's leaders have chosen to reject them. In turn, investors are free to choose which of those, or other, companies to invest in. And, finally, workers also have a choice among employers... and Costco's High-Involvement working conditions give it an edge in competition with its rivals for the most-productive employees.

The clearest demonstration that managers are free to choose occurred in 2007 when Wal-Mart's CEO suddenly--and surprisingly--announced that the company would be offering health insurance coverage to more of its workers, that it would support legislation to raise the minimum wage, and that it would henceforth be a global leader in terms of its environmental

practices. What had changed? The primary reason for the CEO's *volte-face*, was the negative publicity the company had been receiving. But apparently the company did learn that, in fact, their hands are not tied when it comes to how they manage. For example, by changing a few of their key assumptions about environmental costs, they were able to see that they had many more alternatives than they had previously considered with regard to their sustainability practices. The next step is for them similarly to reassess their assumptions about labor costs.

Experience shows that it is the options *not* considered that come back to haunt managers. When companies get into serious trouble it is seldom because they have mistakenly chosen course A over course B but, rather, because they failed to consider option C. It is almost always the factor left out of the decision-making process—the stakeholder or long-term consequence not considered, the program not on the table, the non-quantifiable ethical or human factor not deemed important enough to weigh—that leads to strategic errors with severe financial repercussions. Executives who fail to consider creating High-Involvement workplaces are simply limiting their own range of options.

## **Public Policy**

The actions of private corporations and their executives are the most powerful determinants of how companies are managed, but they are not the sole determinants. Government action makes a difference. The following are actions the U.S. government can take to increase the advantages of companies adopting the High-Involvement approach:

- Thoroughly reform K-12 public education, with the goal of greatly improving performance in basic skills.
- Increase the number of American college graduates and university postgraduates, especially in mathematics, science, and other technical disciplines.
- Use community colleges more effectively as the prime providers of skills training and retraining.
- Increase national support for research and development to public and private universities and through incentives to private industry.
- Increase number of visa's for highly skilled workers in science, technology, engineering and math. Workers that will keep work in the United States and lead to the employment of Americans in good jobs.

- Reform the health care system so that medical insurance costs are controlled and all workers are covered. This is particularly important for small to medium sized US companies that are at a comparative competitive disadvantage because workers in all other developed countries are covered by government programs.

### **Making the Choice**

Clearly, not every company can benefit from adopting High-Involvement practices: There is simply no way in which the mass manufacturing of clothing can be done profitably in a post-industrial, high-wage economy such as America's. Nor can the manufacturing of many toys. In the service sector high involvement practices are a poor fit for many jobs in agriculture. The reason is simple: well paid workers cannot add enough value in these jobs to justify good pay levels. Yet there is a great deal of evidence that such practices as employee participation in decision making, profit-sharing, stock ownership, and continuous skill development can benefit many more companies than those that currently employ them.

It once was widely assumed that no airline could trust its employees to decide how best to serve customers . . . until Southwest did. It once was assumed that no company in the discount retail industry could succeed while paying its employees decent salaries and offering them full benefits . . . until

Costco did. It was assumed that poorly educated blue-collar workers in old-line manufacturing firms could not be taught managerial accounting and then left to be self-managing . . . until SRC Holdings did. Once the conventional wisdom was that employees must be closely supervised and governed by rules . . . until W.L. Gore proved otherwise. And until recently, it commonly was assumed that the first thing a company must do in a financial crisis is to lay off workers . . . until Xilinx discovered alternatives.

Today, there are those, on the one side, who say that America has no choice but to export a large number of jobs to the developing world in order to remain competitive in world markets and, on the other side, there are those who say that America has no choice but to build protective barriers around the U.S. economy in order to prevent the export of jobs. In fact, we have a third, and better, alternative: by choosing to adopt High Involvement practices, America can compete through the efforts and ingenuity of its workers and managers.

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