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It is Time to Get It Right

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It is Time to Get It Right

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The U.S. auto industry and the UAW union have begun negotiating their new collective bargaining agreements. For decades they have had a dysfunctional and adversarial relationship that nearly led to the demise of the U.S. auto industry. It has driven all U.S. auto companies, except Ford, either out of the business or into bankruptcy.

The adversarial relationship between UAW and the auto makers has existed since the formation of the UAW in the early years of the auto industry. For several decades it resulted in higher wages and continuously improving working conditions for the employees and financial success for the big three automakers.

However, with the entry of foreign competition into the market in the 1950's and 60's, it ceased to be a win/win relationship. The adversarial relationship resulted in low productivity and noncompetitive wages. It weakened the U.S. auto industry to the point where it consistently lost market share to Japanese and German companies.

Attempts to create a more functional cooperative relationship between the UAW and the auto industry started as early as the 1960's. In the 1970's, I had the

sometimes pleasurable job of running a research group at the University of Michigan that sponsored union management cooperation projects across the United States. One of them was with Ford and the UAW. It established a labor management project in a transmission and chassis plant that improved product quality and work life in the plant. It was supported by a progressive and far-sighted UAW official, Irv Bluestone. He saw that cooperation between the UAW and the U.S. auto manufacturers could be a win/win situation. Unfortunately, he was unable to convince the rest of the leaders of the UAW, and as a result, despite the success of our project, no change occurred in the UAW's relationship with the auto industry. It was not alone; many other efforts to change the relationships have failed.

In the last several weeks there have been encouraging signs that a new relationship may be developing between the two surviving U.S. auto manufacturers, Ford and General Motors, and the UAW. The president of General Motors has been on television saying that he favors profit sharing and cooperation and that he hoped to negotiate a new cooperative contract with the UAW. UAW's president, Bob King, has said that he hopes to develop a cooperative relationship with the auto industry and symbolically took a ride in the Ford corporate jet with the CEO of Ford, Alan Mulally. Mulally has said that he looks forward to having a profit sharing cooperative relationship with the UAW.

Is a cooperative relationship between UAW and the final two U.S. manufacturers going to develop? Clearly it is long overdue, and there is every indication that there has been enough environmental change so that it stands a good chance of working. Ford and General Motors for the first time have CEOs that come from outside the industry. They are not wedded to the old ways of doing things in the auto industry. The industry itself has gone through enormous financial difficulties, but it does look like both Ford and General Motors will survive and perhaps can even thrive if they can engage their work force.

The UAW has a number of problems. It has lost many of its members and at this point actually has more retirees than it does active members. It needs a victory - indeed it needs a lot of victories. At this point, it is very unlikely that it can get those victories through an adversarial relationship. What it can do is help unite its members around making the remaining two big U. S. automakers successful.

Modern automobile manufacturing is a very different activity than the auto manufacturing of several decades ago. It is much less labor intense and much more complex. It requires skilled, knowledgeable employees who can add enormous value to the manufacturing process and who can be their organization's most important asset. For this and a host of other reasons it makes sense for the industry to have a much more corporative labor relations culture than it ever has before.

The time clearly is right for a different collective bargaining relationship between the industry and the UAW. Indeed if they do not get it right now, they may never. Ford and GM simply cannot afford to have employees who are union members first and engaged employees second. If they had recognized this decades ago, the U.S. would have a stronger economy today and many more of us would be driving U.S.-made cars. It truly is a national tragedy that the auto industry did not develop a mutually beneficial labor management relationship decades ago. Let's hope they get it right this time.