Participative Management And Its Impact On American Business

An Honors Thesis (ID 499)

by

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During the past several years, businesses in the United States have been searching for a way in which they can regain their former leadership in industries such as automobile production, shipbuilding, and electronics, to name a few. In an attempt to find answers to their problems of lower productivity, lower employee morale, union discontent, etc..., two 'buzz' words have come into use - Theory Z and Participative Management. However, before one is able to understand fully what these terms involve, it is first necessary to understand why they have been developed, how they are designed and implemented, and the benefits and problems associated with their use. Because Japan has been able to achieve outstanding success with things such as employee turnover, morale, commitment, and productivity, many U.S. businesses have begun to review what it is that the Japanese are doing differently. The following statistics should prove this point:

In 1980, Japan's GNP was third highest in the world, and, if we extrapolate current trends, it would be number one by the year 2000. A country the size of Montana, Japan has virtually no physical resources, yet it supports over 115 million people (half the population of the United States), exports $75 billion worth more goods than it imports, and has an investment rate as well as a GNP growth rate which is twice that of the United States. Japan has come to dominate in one selected industry after another - eclipsing the British in motorcycles, surpassing the Germans and the Americans in automobile production, wrestling leadership from the Germans and the Swiss in watches, cameras, and optical instruments, and overcoming the United States' historical dominance in businesses as diverse as steel, shipbuilding, pianos, zippers, and consumer electronics. Today, Japanese wages are slightly higher than those in the United States, and the cost of doing business in Japan - with imported raw materials, expensive real estate, and crowded highways - is decidedly higher. American executives complain of
extra costs that stem from occupational safety regulations and pollution controls. While initially lagging, Japan's standards in these areas are among the most stringent in the world. Some of us rationalize the disparity by emphasizing the problems stemming from the Arab oil crisis of 1974. While all other industrialized democracies have experienced inflation and a decline in productivity growth as a result of higher petroleum costs, Japan, which imports all of its oil, has maintained a very low rate of inflation, has increased productivity, and has by most accounts proven a more competitive trading partner in the past five years than ever before. 1

Despite the advantages of a homogenous population, and those related to culture to be explored herein, there is no simple way to dismiss Japan's success. If anything, the extent of Japanese superiority over the United States in industrial competitiveness is underestimated. Japan is doing more than a little right. 2 The key issue facing American business over the next decade will not be technology or investment, not regulation or inflation. The key issue will be the way in which we respond to one fact - the Japanese know how to manage better than we do. 3

In Japan, worker participation is less institutionalized and instead is derived from the unique system of industrial relations that characterizes many large Japanese companies. Lifetime employment is reinforced by a seniority-based system that establishes a steady progression for workers in status and pay, a system that is based on the age of the employee rather than on the precise work done. The result is a flexible work force that is willing to perform a variety of tasks and to accept technological change. 4

The organization of unions on a company basis stimulates cooperation between the unions and management. It is in the interest of both labor and management for the company to perform well. This commonality of interests is
underpinned by a bonus system whereby as much as six months of wages are paid to employees on the basis of the company's performance. 5

In many Japanese companies, before any decision is made, consensus is sought at all levels of the company, a procedure known as ringi. Although time consuming, the process stimulates the exchange of information and fosters cohesion, ultimately resulting in decisions being implemented with speed and broad support within the enterprise. This is reinforced in many companies by an extensive labor-management consultation team. Employee representatives have no formal veto power, but many exercise considerable informal influence in company decision making. 6

Shop-floor participation takes a concrete form in Japan. Adapted from the ideas of an American scientist, William Deming, quality control circles have proliferated in Japan, currently involving more than one worker in every eight. Part of the reason they have caught on is that as a concept, quality control corresponds well to the attitudes fostered by the system of industrial relations: cooperation for the common purpose of achieving company goals. 7

The Japanese system of industrial relations has nourished industrial harmony. Damaging strikes are rare. However, the most persuasive evidence of the positive relationship between productivity and employee participation comes from the quality control circles. With the establishment of these circles, responsibility for quality control shifted from engineers with limited shop-floor experience to employees working in teams with engineers. Numerous examples have been cited of employee suggestions that, when implemented, improved productivity. 8

It has also been suggested that because of the quality control circles, Japanese workers accept changes in the production process more willingly than workers in environments where solutions are handed down by management.
This is particularly important in consumer durable industries, where changes in the models require frequent alterations in the production process. Quality control circles also have an impact on the efficiency of production. Because far fewer inspectors are needed, one layer of bureaucracy is substantially reduced. For example, Japanese auto assembly plants have one inspector for every twenty employees; in the United States the ratio is one to seven. Moreover, because there is greater confidence that the components are not defective (suppliers, too, are required to achieve rigorous quality standards), many companies can keep minimal inventories. As a result, the need for stock rooms and warehousing is reduced, production costs are lower, and the efficiency of assembly-line operations is increased. 9

The Japanese system reportedly promotes productivity in other ways. Lifetime employment, although it covers only employees of large firms, or about one-fourth of the work force, has been credited with reducing employee resistance to the introduction of new technology; workers have cooperated with management in seeking ways to increase productivity without fear of being displaced by machines or robots. Lifetime employment has also encouraged employers to invest heavily in the training and retraining of their employees, which has been reported to enhance the overall technical ability of the nation's work force. 10

One of the arguments against this belief that the Japanese have superior management is based on the accusation that the Japanese have an advantage because they took all of the technology that we had to offer, without having to pay the costs for the research and development. The U.S. also argues that because the Japanese became industrialized after the U.S., they have more efficient plants and equipment. However, the old plant and equipment argu-
ment has lost some of its force, since the Japanese capital stock has aged since the rush of post-war reconstruction, while we have continued to replace our oldest factories. The gap in age of plants and equipment between the two countries has narrowed while the gap in productivity continues to increase. We began to hear quite different explanations for the gap. Japan still attracts many workers from the country who bring their rural work ethic to the factories. They will work long hours for low pay. It's easier for the Japanese to make productivity gains because they can borrow technology from us whereas we must invent our own. We may not expect to borrow wholesale and directly from the Japanese. But, by the same token, societies can, and do borrow from one another. The Japanese have been extremely effective in borrowing from us in areas in which we excel. They did not become Americanized in the process any more than we need to be Japanized. They took the best that the United States had to offer which could be transplanted in the East and used it. Our task is the same: to take the best of the Japanese way of managing and translate it so that our managerial traditions are enlarged. We can't ape the Japanese system. But we can incorporate some of their approach, which will strengthen our areas of weakness.

When discussing the Japanese and American methods of management, it is first necessary to understand three things about organizations that were best stated by Richard Pascale and Anthony Athos. First, regardless of society or culture, mankind has discovered only a limited number of tools for making organizations work. Of these, some tend to be overused and others underemployed. Given the magnitude of the task of running large organizations, we need to get all the use we can out of the tools available. Second, managerial reality is not an absolute; rather, it is socially and culturally
determined. Across all cultures and in all societies, human beings coming
together to perform certain collective acts encounter common problems
having to do with establishing direction, coordination, and motivation.
Culture affects how the problems are perceived and how they are resolved.
Societal learning also establishes horizons of perception. Third, firms
which perform well year after year, whether Japanese or American, tend
to have a lot in common. It is easier to grasp what certain American
companies are doing right by first understanding their Japanese counter-
parts. In part, this is because the subtleties are easier to discern when
when thrown into cross-cultural relief. In addition, some of the most
important things that high-performing American companies do differently
from many other U.S. firms are somewhat disguised to conform to conven-
tional expectations. 13

Probably the best known feature of the Japanese organization is
their participative approach to decision making. In the typical American
organization the department head, division manager, and president typically
each feel that 'the buck stops here' - that they alone should take the
responsibility for making decisions. Recently, some organizations have
adopted explicitly participative modes of decision making in which all of
the members of a department reach consensus on what decision to adopt.
Decision making by consensus has been the subject of a great deal of research
in Europe and the United States over the past twenty years, and the evi-
dence suggests that a consensus approach yields more creative decisions
and more effective implementation than does individual decision making. 14

When an important decision needs to be made in a Japanese organization,
everyone who will feel its impact is involved in making it. In case of a
decision where to put a new plant, whether to change a production process,
or some other major event, that will often mean sixty to eighty people
directly involved in making the decision. A team of three will be assigned the duty of talking to all sixty to eighty people and, each time a significant modification arises, contacting all of the people involved again. The team will repeat this process until a true consensus has been achieved. Making a decision this way takes a very long time, but once a decision is reached, everyone affected by it will be likely to support it. Understanding and support may supersede the actual content of the decision, since the five or six competing alternatives may be equally good or bad. What is important is not the decision itself but rather how committed and informed people are. The 'best' decisions can be bungled just as 'worse' decisions can work just fine. 15

Remember that this apparently cumbersome decision process takes place within the framework of an underlying agreement on philosophy, values, and beliefs. These form the basis of common decision premises that make it possible to include a very large number of people in each decision. If, as in some Western organizations, each of the sixty people had a fundamentally different view of goals and procedures, then the participative processes would fail. Because the Japanese only debate the suitability of a particular alternative to reach to agreed-upon values, the process can be broadly participatory yet efficient. In Western-style consensual processes, by comparison, often underlying values and beliefs need to be worked out, and for that reason decision making teams are deliberately kept small. 16

As William Ouchi is quick to point out, there is no change theory to develop a Theory Z organization. No one begins by changing a whole organization at once, especially when, in Theory Z terms, the 'whole organization' consists not only of the corporation, but of its suppliers, customers, and community. Even if the chief executive officer promotes
change, it necessarily begins with only a part of the whole. Ouchi was also able to offer a guideline (not applicable to everyone) in order to aid in an organization's conversion to a Theory Z philosophy. A summary of Ouchi's step-by-step guideline is as follows:

**STEP ONE:** (Understand the Type Z Organization and Your Role.)

To begin ask each of the managers involved to do some reading so that all are familiar with the underlying ideas of Theory Z. It is important at this and at later stages to present the reading and the ideas in a manner that invites the open display of skepticism. Invite discussion of ideas. If you don't, the skeptics will conceal their doubt and thus never go beyond them. A second and more fundamental reason to invite skepticism has to do with the development of trust. Trust consists of the understanding that you and I share fundamentally compatible goals in the long run, and thus we have reason to trust one another. The skeptic who is being asked to abandon his old managerial objectives does not know whether or not, in fact, he does share the goals that are compatible with the new ideas. In such a case, a specific form of trust cannot be achieved, but a more generalized form of trust can. This is the trust that comes from knowing that, fundamentally, you and I desire a more effective working relationship together and that neither desires to harm the other.

**STEP TWO:** (Audit Your Company's Philosophy).

A statement of your company's objectives - its philosophy - gives people a sense of values to work and live by. It suggests ways to behave in the organization and a way for the organization to behave in response to its people, its clients, and the community it serves. A philosophy clearly sets forth the company's motivating spirit for all to understand. Whether directly or indirectly, that philosophy determines how insiders and out-
siders alike appraise, trust, and value the company and its products.

The second reason a philosophy is important is that every organization develops inconsistencies over time between what is officially declared to be desirable by top managers and what those top managers actually do. Those inconsistencies between word and deed will be revealed through an audit, and the very openness and candor with which past inconsistencies are treated will be an important signal of the openness to be generally promoted. Third, the audit will reveal the connections between business strategy and management philosophy.

STEP THREE: (Define the Desired Management Philosophy and Involve the Company Leaders).

Ultimately, a process of organizational change cannot succeed without the direct and personal support of the top person in the hierarchy. That individual cannot be expected to support a statement of managerial philosophy which he or she finds to be wanting.

Of course, the more fully the superior trusts the others to share the point of view, and the more completely it is in the best interests of all, the larger will be the fraction of all decisions that he can share with them. The more decisions that are shared, the greater will be the benefits of cooperation produced in the management team. Thus, the top manager has an incentive to develop, over time, a trusting relationship that permits a sharing of the decision-making authority with subordinates. Early on, however, no one expects that to happen, and an open recognition of that fact will permit the top person to intervene in the process of establishing the desired future statement of philosophy in a manner that is not disruptive.

STEP FOUR: (Implement The Philosophy By Creating Both Structures and Incentives.)

In a sense a company's formal reporting relationships - its system of who reports to whom - are crutches to prop up the occasional lapses in
information and in cooperativeness that befall humans. My (William Ouchi) ideal of a completely efficient and perfectly integrated organization is one that has no organizational chart, no teams, no visible structure at all. An effective team can solve problems with no formal reporting relationships and a minimum of specialization of positions and of tasks. Each person understands his task and its relationship to other tasks so well that the coordination is unspoken.

Many organizations, though, need structure to guide them towards cooperation and subtlety, towards the long view when other conditions dictate the opposite. It is no disgrace for a group of twelve managers, each of whom earns more than $70,000 a year, to admit their frailties and to erect formal committees, reporting relationships and divisions of people and tasks that will support their long-run desire to learn how to work together.

STEP FIVE: (Develop Interpersonal Skills).

Skills that involve dealing with clients, customers, even family, are the kinds of skills that people must learn to adapt to colleagues and co-workers. Interpersonal skills are central to the Z way of doing business, because working cooperatively and considerately is not just a means for soothing egos or getting your way. The stakes are much larger.

In a sense, a Type Z organization succeeds through the flexibility to modify its form as it needs change. Formal reporting relationships are ambiguous in a Type Z, making varied responses possible. A job assignment is often unclear, how much authority over people or things is unclear, and the division between one department and another is also unclear. But because of the easily understood management philosophy, Z organizations have the capacity for the subtle and the complex. When a committee meets Z-style to solve problems, included will be four persons of equal official
rank, three of subordinate rank who know more about the problem, and three of ambiguous rank and authority, who may be superior, equal, or subordinate, but no one knows, exactly.

Often, the skillful leader does more listening than talking. What matters most is the skill of observing the pattern of interaction in the group and knowing when to intervene.

Also, straight probing of co-workers does not suffice as an interpersonal skill. It does no good to ask employees to learn how to reach decisions and how to handle conflict in unstructured, non-hierarchial groups if the problems that matter most are not solvable. Once those primary steps to solving them have been taken, however, then formal training in participative decision making should begin. There exists a large number of competent consultants, professors, and counselors who are experienced at teaching these skills. The skills may be thought of as being of basically two types.

The first skill to be learned is the skill of recognizing patterns of interaction in decision-making and problem-solving groups. Learning when a group moves too quickly to a solution in order to avoid discussing the real problem, learning to observe how some members interfere in subtle ways with an open discussion, learning to note when the group drifts off course - all of these are acquired skills.

After learning to recognize patterns of group interaction, the second skill, of course, is learning to provide leadership in such a group, so that the group can quickly identify the important issues, get to the bottom of conflicts, and arrive at high-quality, creative solutions that have everyone's support. With practice, this skill can also be learned.
If the goal of these structural variations is to produce cooperation, then their form must force individuals to work together to share information, resources, and plans. One such typical structure is the committee composed of seven or eight individuals who represent various departments involved, say, in planning a new product. If each of these individuals is a respected and influential member of his or her own department and can simultaneously continue to work in both the department and on the committee, then the committee will possess the information, the influence, and the energy to support a cooperative venture. Of course, the committee could also degenerate into a bickering focus of conflict. Which results occur depends on the general atmosphere of the firm. If these committees are presented as one part of a more general attempt to create cooperation, if changes in incentives, career paths, and evaluations are simultaneously taking place, then these structural crutches will be helpful. When a committee or a quality control circle is an isolated attempt at cooperation, it may become nothing more than the arena for multiple contests fought to no avail.

A second and newer but increasingly common structural crutch is the matrix form of organization. It is commonly used when two equally important but partially conflicting departments must cooperate on some task. Instead of appointing a committee, the manager in charge of the critical task was asked to report simultaneously to the two department heads who are in conflict.

In addition to the subtle cultural influences, the explicit incentives facing each person must be designed. Incentives are the key for each manager and class of employee in the organization. At each step, the real incentives that currently face employees should be systematically assessed.
However, only the most critical of these faults can be corrected at this early stage. A clear case of inappropriate incentives facing top executives must be resolved before they can cooperate with one another in implementing later stages of this change. At lower levels, however, the changes from short- to long-run incentives and from individual to cooperative incentives cannot occur unless something else has been put in their place. One popular forum is known as the 'Scanlon Plan.' With this plan, the company sets in advance of any change a formula that specifies that if profits rise above a certain, prespecified amount, then a stated fraction of those profits will be paid out to the employees, with the remainder returned to the stockholders. The fraction paid to the employees may be twenty percent, fifty percent, or seventy percent of this additional gain. Of course, the question of what constitutes 'fair' distribution cannot be settled in any objective manner. Ultimately, the question is how much the company must pay in order to hire and retain the kinds of employees who will actively involve themselves in a high level of effort to secure the success of the enterprise.

And not all the incentives need be monetary. The nature of the jobs, assignments, and task groups one is assigned to, and the time that senior managers devote to their staff members, can be more valuable than the raise offered elsewhere (which, if Z salaries are fair, probably isn't much beyond what they are already making). The Z companies are uniquely equipped to offer non-monetary incentives.

**STEP SIX:** (Test Yourself and the system).

When an organizational innovation is implemented, there must be some test to reveal whether it had the expected effect or not. The test need not be elaborate nor terribly expensive but must be capable of helping to convince the skeptic that his or her concerns were unfounded. Before the
top level of managers implement Theory Z management at lower levels, they must first test themselves to determine how much of the philosophy has taken hold.

The only form of testing inappropriate at the immediate outset is self-testing. A manager who has worked hard at being more cooperative and participative, who has intellectually embraces a new approach, is hardly a reliable first judge of personal progress. Instead, the initial process of testing might involve a brief questionnaire sent by each manager to direct subordinates who are asked to evaluate this person for participativeness, egalitarianism, and other changes in policy and structure.

Another form of testing invites someone not involved in the attempted change to visit the operation, interview the managers and their subordinates, and to write down impressions of the organizations. Preferably this 'auditor' should not be informed about the extent or nature of the process until after the report is written. Knowing what has been attempted will necessarily color impressions.

Later, and in addition to these relatively formal tests, each manager can apply a personal test. When the change to Type Z organization takes hold, each manager should begin to feel less harried and less pleased. Less harried because there should be fewer occasions where subordinates need help resolving disputes, fewer new projects that get into trouble through lack of information, fewer demands to create a specific policy or rule to decide an issue. In short, the managers end up by having more time to plan, to wander around, to reflect. Their jobs are not being passed down the line to subordinates who are busier and busier; rather, the time formerly consumed by fixing some lack of coordination and in settling disputes is now only partially filled by committees and meetings. The remainder of the time is available for going beyond remedial management
to the building of a more effective organization.

The job of manager does not become easier. With successful growth toward a Type Z organization, the managers will not only feel less harried but also less pleased. They will doubt their personal skill at management, question the coordinative skill of the subordinates, and feel unsure about being a manager. In a Type Z organization, the subordinates regularly challenge and occasionally even ridicule superiors. However, the Theory Z organization ultimately succeeds to the extent that the production workers listen to feedback from their customers and everyone in the organization truly participates in an egalitarian and integrated setting. This environmental setting demands more of managers, and perhaps that's why Japanese managers do not smile a lot.

**STEP SEVEN: (Involve the Union).**

At some point the new Type Z Company will have to involve the union with great care. Dealing with the union is among the most emotionally charged elements in a process of organizational development. The 'union' has become among managers a code word representing poor quality, low productivity, worker apathy, absenteeism, work stoppages, and even employee theft. Sometimes, it seems as though unions invented these problems, to hear managers talk about them. Often managers have fused into a single complaint their frustrations over inadequate employee relations and the existence of the union. Only if the management arrives at a clear understanding of how to distinguish these two realities and formulate a systematic philosophy of employee relations will it safely navigate the issue of working with a union.

However, unions do not always stand for poor employee relations. Many United States unions grew up protecting the interests of employees who were systematically abused by managements and have thus developed
a contentious relationship with management. But Japanese companies are unionized with no apparent ill effect, although those unions constantly battle against attempted infiltration by the Communist party. Recent research by Professors James Medoff of Harvard and Kathryn Abraham of MIT indicates that, on the whole, unionized companies in the United States have had higher productivity than have non-unionized companies. Everyone is against poor productivity and poor employee relations, but everyone need not be against unions.

Remember that the type Z organization relies to a great extent upon an egalitarian distribution of power for its success. One way to achieve this is through the creation of workers' councils as is done in West Germany, France, and Sweden. A second method provides systems of employee influence through a Type Z organization. A third method creates distributed centers of power through the formation of unions. If the principles of egalitarianism and equity are acceptable, then the principle of unionism must also be acceptable.

In many companies, however, the union has been forced into an adversarial position by an unfair and irresponsible management. Having no trust in the company, the union has resorted to extremes of bureaucracy. The unions insist on detailed work rules to specify which classes of workers operate the machines, which repair the machines, and so on. This extensive rule making protects employees from unfair demands by managers. The unintended consequence of this practice is a loss of flexibility. To counteract this, many Japanese companies opening manufacturing plants in the United States always first secure the best labor law firm available. Japanese companies already located here systematically warn others that the one thing in the United States that can ruin a company's productivity is an inflexible union contract.
A company that changes from an autocratic to democratic style of management will and should win the trust of its employees who will have less need for union protection. Instead of sabotaging the union, a patient management will discover that the union eventually recognizes the need for more flexibility in work rules in order to provide higher productivity and job security. Indeed, in a healthy setting, the union provides the company with a ready-made conduit through which to communicate with employees, to organize them, and explain benefit plans, and to integrate educational, social and recreational activities.

For a workable situation with the union or any industrial relations specialists, both management and employees must be convinced of the value of different incentives broader than just protecting and fighting one another - incentives to sustain a productive working relationship. After all, unions and companies who fail to work for these changes lower productivity and otherwise bring about failure.

One device to open lines of communication is the joint seminar between line managers of the company and top officials of the union. An initial meeting of a half-day might be used to set an agenda for future talks. At a three- or four-day meeting at a neutral site, individuals could meet one another in a more wholistic way, thus beginning to replace stereotypes with more accurate images of people. The discussion process will go on for at least two or three years before the two sides are ready to take the kinds of steps outlined in the final stage. The process must begin as early as possible, therefore, but not before the management has fulfilled their responsibility to define and develop the underlying principles and strategies.
STEP EIGHT: (Stabilize Employment).

Stability of employment comes in part as a direct outcome of policy. A great deal of voluntary termination by employees who have better alternatives can be overcome by providing them with a work environment that offers equity, challenge, and participation in decisions about their work.

Some companies will argue that layoffs are forced on them when the economy weakens and sales decline. To a basically noncompetitive company that is going out of business, layoffs become standard procedure when the economy declines. However, a company or economy suffering from short-run decline can avoid layoffs through a sharing of misfortune. Shareholders can share in the loss by accepting less profits or even moderate losses for one year. In exchange, a highly committed and experienced team of employees will repay them in future years with large profits. Similarly, employees at all levels can share the burden by accepting shortened work weeks and paychecks, foregoing prerequisites and temporarily performing tasks they find distasteful. Twice in recent times, Hewlett-Packard has adapted a nine-day fortnight along with a hiring freeze, a travel freeze, and the elimination of prerequisites. Each time, these steps kept employees on while other companies in the industry had layoffs. The result at Hewlett-Packard has been the lowest voluntary turnover rate, the most experienced workforce in the industry, and one of the highest rates of growth and profitability.

A company that enters frequently into unfamiliar technologies knowingly risks its investment in research, plants, and equipment. However, it also assumes a greater risk of failure almost never recognized. In entering this new business, a company typically moves some old employees into the new effort and hires from the outside as well, in
order to bring expertise to this area. If the effort should fail, then the employees associated with the venture, except for a lucky few, are commonly turned out into the street. The cost of this layoff to the firm shows up in greater difficulty in hiring the most talented employees in the future, in the higher cost of voluntary turnover, and in the lower commitment of the employees who stay.

**STEP NINE:** (Decide On A System For Slow Evaluation and Promotion).

Despite the facts that motion is relative, and young people are impatient, slowing down the process of evaluation and promotion is vital to underscore to employees the importance of long-run performance.

The best people always have the most outside options and impatient, young people may irrationally leave a more promising career with a Type Z company to join a Type A company. The solution is simple: promote them rapidly compared to the competition so that they won't leave, but promote them slowly compared to their peers so that they will develop a long-run view. There is, however, a catch. A whole group of new employees should all be promoted rapidly. The best of them have no incentive to leave, since all are being promoted at the same rate internally. If everyone is going to be promoted, to evaluate any of them is unnecessary. Over the long run, the high performers will emerge and will take over the positions of greater responsibility while developing long-term values and cooperative attitudes.

No doubt someone who performs at a high level without recognition will, justifiably, feel frustrated and leave. But, superior performance need not be acknowledged with higher pay during the early years in a career. What is critical is that this young person realize that his or her superior performance is recognized and will indeed be well compensated for in the long-run. In order to induce young employees to accept
a slower process of formal evaluation and promotion, a system of non-monetary forms of evaluation, such as frequent involvement with superiors on projects, including close instruction and guidance, must be provided. They communicate the expectation of greater income in the future without creating short-run incentives.

The slowing down of promotion will also be aided by some other Type Z innovations that have been put in place. As turnover declines and managers young and old move from assignment to assignment, each young person will develop quickly a wide circle of more experienced acquaintances. Some will naturally develop a mentoring relationship with the young person and will provide the kind of specific and believable feedback needed. Indeed, in a Type Z organization, the employees do not receive less information about performance and prospects; they receive more. At the same time, they know that the fundamental granting of hierarchial position and of future large differences in pay are based upon performance over a long run.

**STEP TEN: (Broaden Career Path Development).**

Recent research suggests that managers who continue to circulate across jobs within a company, but without hierarchial promotion, retain their enthusiasm, their effectiveness, and their satisfaction at a level almost as high as that of the 'stars' who continue to move around and up. By comparison, those who remain in the same position without vertical or horizontal movement quickly lose their interest, their enthusiasm, and their commitment.

The approach to developing non-specialized career paths will vary widely by industry and to some extent by firm. In order to have the process of career circulation succeed, top-level managers need to set an example. If the top managers rotate every three to five years
between jobs, so that the vice-president of personnel takes over international sales, and the vice-president of international sales takes over domestic manufacturing, then each of them will, over time, bring along managers at the next level down whose skills they need, and so on. The most difficult move in this direction is the first one, especially in a company with a firm tradition of specialization throughout a career.

A successful program of career circulation is based on a cadre of managers widely informed about the skills available in departments other than their own. Working together they can make appointments to benefit not only their department but the departments with whom they must coordinate. With the properties of the Type Z organization in place, this information will be widely distributed, and the incentive to cooperate emerges. Each of the elements of the Type Z organization relates to the others. In isolation, none will accomplish much. Together, they constitute a cooperative system.

**STEP ELEVEN: (Preparing For Implementation At The First Level).**

The hourly employee and the first-line supervisor live a world apart from the professional and the manager in most organizations. In most American organizations, those employees who determine the basic productivity and quality of the products and service know little about the future plans or current performance of the company. Rarely are they asked for opinions. They receive different benefit packages, are paid hourly rather than monthly and, not surprisingly, don't stay for very long. As a consequence, these employees have little understanding of the company, little trust in management, and little tolerance for a confused attempt to make a fundamental shift in the management style.
If the employees at the bottom of the corporate pyramid are to be included in a cooperative and trusting relationship that departs sharply from their current state, they will have to overcome the deepest sort of skepticism. The skepticism can be overcome only through great effort and only with the most consistent signals from above. Although a more direct approach to communication with employees will help, there are simply never enough top managers to provide first-hand evidence of commitment to change to all of the workers. Instead, the policies and decisions affecting the hourly employee must consistently express openness, trust, and emphasis on the long-run.

Rather than rushing to right old wrongs by bringing participative management to the plants and warehouses, the successful Z companies have taken the time first to establish understanding and true commitment at higher levels in the organization. In this manner, a lasting program of change can begin in the plants and warehouses where quality and productivity are determined.

**STEP TWELVE: (Seek Out Areas To Implement Participation).**

If equitable reward, job stability, and interdepartmental coordination have been achieved, then the commitment and the productivity of hourly employees will already have begun to rise. Although there is no systematic way to test this proposition, it is possible to say that most of the poor productivity attributed by managers to workers in fact is the result of inputs not received, machinery not repaired, and design poorly coordinated by uncooperative managers who are competing against one another.

The answer to this is to solicit suggestions from workers as a group rather than from a few anonymous suggestion boxes. And don't be fearful of implementing them.
STEP THIRTEEN: (Permit The Development Of Wholistic Relationships).

Wholistic relationships are a consequence rather than a cause of organizational integration. They help to maintain the egalitarian nature of the organization by bringing superiors and subordinates together as temporary equals and thus demonstrate that the distance between them is neither great nor impassable.

A wholistic relationship cannot be developed, but once the Z changes are underway, it has a chance to grow. Regular question and answer sessions among hourly employees will help. Talk to employees about how the company is working against competitors, about its successes and problems. Be prepared to ask as well as answer some tough questions. These work related issues hold the key to wholistic relations and keep them free of any company paternalism. 18

Once the preceeding steps have been implemented, the company will hopefully be successful in obtaining its goal to be a Theory Z organization. Once it has done so it will have all of the characteristics of a Z company. This culture has values that include things such as long-term employment, trust, and close personal relationships. The organizations attempt to humanize working conditions not only to increase productivity and profits, but also the self-esteem of the employees. The Z organization attempts to project itself in a manner such that it is able to offer employees a stable social environment from which they can draw and develop the other parts of their lives.

A Theory Z Organization is also a place for criticism and honesty. This is often done through the use of company skits that revolve around some aspect of the business. In a company Z, the fact that the top management trusts the middle management to take of such tasks proves that they also trust them to make daily decisions without central control.
Theory Z organizations are known to encourage people to develop trust, friendship, and for them to work together. As William Ouchi said, intimacy and trust are the cornerstones of the culture both in and out of the business setting. Trust is a way of working together in a Z culture - a way of communicating to people that they matter as people, not as parts. People work together. The type Z company is characterized by many cohesive and semiautonomous work groups even though a Z company undertakes any explicit attempts at team building. Instead, it first creates a culture to foster interpersonal subtlety and intimacy, and these conditions encourage cohesive work groups. Individuals who are accustomed to depending upon one another, who have a long-term commitment to their working relationships, and who work well together will form cohesive groups and are naturally more adept at tackling problems they all must face. 19

It is this type of participation from all employees that has received the greatest amount of attention in the United States. In fact, the hottest new philosophy of management has been termed as participative management. Although this philosophy has been developed from the Japanese, it is not entirely the same as their management philosophy. There are many different aspects that are important to consider when deciding on whether or not to adopt the participative approach, and, if so, what type of participation to use. The first thing to do is to gain an understanding of the American meaning of participative management. Employee Participation Teams are based on a very simple concept. Nearly all people will take more interest and pride in their work if they are allowed to influence decisions made about it. Increased interest and pride will directly result in improved quality and effectiveness, which makes companies tougher competitors.
Employee Participation Teams is an approach that provides to the industrial scene an attitude many think has long been lost. It creates in the individual a sense of participation and contribution. This approach recognizes the individual worker as a human being with the ability and desire to participate in solving problems. 20

The growth of various levels and forms of worker participation in recent years is evidence enough that there are benefits for both employer and employee in such efforts. In fact, organizations with employee participation groups average a 20% increase in productivity during the first year the programs are installed. This is 10 times the rate of the average firm. Also, high rates of unemployment and underemployment show that we have been mismanaging our human resources. Employee participation not only creates jobs, but helps organizations become more effective. This reduces the waste of our most valuable resource. 21

Much attention is being given to economic recovery through such traditional means as fiscal and monetary policy. Neglected has been the enormous potential that already exists in the offices and on the shop floors of America - the gains in productivity and employment that result from greater employee participation and ownership. 22

Other observations of benefits from employee participation include the following: The result of participative management is a greater sense of commitment; employees demand better utilization of their efforts and get a greater sense of job satisfaction. Also, careful documentation has proven the participative management technique results in improved productivity, improved morale, improved quality of product, lower costs, improved financial results, and safer operations as the result of a safety council. Line, staff, and senior managers all agree on the value
of these participation processes, even beyond the unquestioned facts listed above. 23

In recent years, the Chrysler Corporation has made an outstanding comeback in the automotive industry. Most of the success can be attributed to the outstanding leadership of the Chairman, Lee Iacocca. He has introduced a form of participative management in Chrysler and feels that it has been a large part in Chrysler's recovery. Iacocca lists five positive results of his participative management technique as being: (1) It forces a dialogue between the boss and the managers, improving teamwork even between executives who may not like each other. (2) It raises the superior's awareness of praiseworthy performers who could become lost in a big organization and brings deadwood into the open for accountability. (3) Managers walk away feeling that they are their own boss with individualizes goals - 'in charge' and not a boss's flunky or gofer. (4) Managers become more productive as self-motivation increases. (5) "I've never found a better way to stimulate fresh approaches to problem-solving or to generation of new ideas." 24

Formal participation programs can take many forms. The most popular among them are quality circles, task forces, employee attitude surveys, problem-solving committees, and management-by-objectives (MBO) programs in which employees set goals.

Most organizations use more than one way to get employees on various levels to participate, and they meet with varying degrees of success. One company quoted feels that different locations, work forces, and job tasks indicate the need for a variety of forms.

On the following page is a table found in the May-June 1984 issue of Personnel magazine. In creating this information, Hermine Levine surveyed 38 companies and he found the following:
## TYPES OF FORMAL PARTICIPATION PROGRAMS

*total = 38*

<table>
<thead>
<tr>
<th>Types of Programs</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality circles</td>
<td>26</td>
<td>68%</td>
</tr>
<tr>
<td>Task Forces</td>
<td>22</td>
<td>58%</td>
</tr>
<tr>
<td>Employee attitude surveys</td>
<td>22</td>
<td>58%</td>
</tr>
<tr>
<td>Problem-solving committees</td>
<td>20</td>
<td>53%</td>
</tr>
<tr>
<td>Management-by-objectives programs in which employees set goals</td>
<td>20</td>
<td>53%</td>
</tr>
<tr>
<td>Suggestion systems</td>
<td>19</td>
<td>50%</td>
</tr>
<tr>
<td>Work teams</td>
<td>15</td>
<td>39%</td>
</tr>
<tr>
<td>Quality-of-worklife councils</td>
<td>11</td>
<td>29%</td>
</tr>
<tr>
<td>Planning councils</td>
<td>9</td>
<td>24%</td>
</tr>
<tr>
<td>Joint evaluation teams</td>
<td>5</td>
<td>13%</td>
</tr>
<tr>
<td>Job redesign teams</td>
<td>5</td>
<td>13%</td>
</tr>
<tr>
<td>Team development programs</td>
<td>5</td>
<td>13%</td>
</tr>
<tr>
<td>Semiautonomous groups</td>
<td>4</td>
<td>11%</td>
</tr>
<tr>
<td>Scanlon-type plans</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>Safety councils</td>
<td>1</td>
<td>3%</td>
</tr>
</tbody>
</table>
One Participative Management technique that has become popular in order to implement and use these types of programs is the committee. In a study of the committee approach in the December 1984 issue of *Personnel*, Dennis Franecki, Ralph Catalanello, and Curtiss Behrens found that 73% of all of their respondents use one or more of the five committee forms. A summary of how each committee type was utilized follows:

**Grievance Committees.** Seven employers reported having employee grievance committees functioning before the employees' representation elections. Three others established such committees after elections. In seven of the ten, election by co-worker was either the only source or one of the sources of employee members. Appointment by management was the only source for two others, and one committee was composed of volunteers. Management personnel were a majority in five of the eight responses to this question. Three committees were reported to help employees prepare grievances; one also represented the grievant. Six committees worked on the adjudication process - three on an advisory basis, two rendering the final decision, and one offering both types of opinions. All firms reporting their opinions of the results of these committees said they had a positive effect of their industrial relations.

**Advisory Committees.** Thirteen firms had employee advisory committees. The majority included employee compensation on their agendas, as well as employment policies/work practices. Several firms indicated that half or more of the committee's recommendations were adopted by management, but the majority reported that less than half were adopted. Selection of committee members was fairly evenly divided between elections by co-workers, appointment by managers, and self-election by
volunteering. One committee drew its members by lottery. Management personnel were minority members on these committees, as reported in seven of the ten responses to this question.

Safety Committees. The survey showed that safety committees were the most prevalent. Sixty-eight of the respondents reported using such a committee. Most committee members were appointed by management, or were volunteers for these positions - but in one-fifth of the reports, elections by co-workers was also a source of membership. Management personnel were, generally, minority members on safety committees. Two-thirds responding reported improvements in their safety performance statistics as a result of committee efforts, and nearly 30% reported safety cost savings. No negative effects from safety committees were reported.

Quality Circle Committees. Eight firms reported utilizing quality circles, and two of these considered subjects beyond traditional quality and productivity matters. In all eight quality circle efforts, management personnel were in the minority on the committees.

Other Committees. Twenty-five firms had committees grouped in the 'other' category. Approximately half dealt with morale and welfare types of activities. Thirteen firms used these for more substantial employment matters, such as establishing production standards, performing job evaluations, job training, and the evaluation of products purchased by the firm. 25

In order to answer the questions about the success of these committees, the authors questioned the employees and employers. The respondents to the survey use a variety of employee committees, and they perceive positive effects for their firms; Cost savings, improved operating statistics, and better employee relations were all reported. It also
appears that employees approve of committees. This conclusion is significant because participation has sometimes resulted in overly high expectations by those it serves.

Most of the industries previously mentioned have used the participative approach for the manufacturing processes. However, with the increase in the use of computers for a wide variety of applications, it is also necessary to mention how important this decision-making process is to office and factory automation. The increase in the use of computers has caused a great deal of distress among employees. One of the reasons for this is that they are afraid that they will not be able to understand how the computer works. Because the computer is relatively new, many managers and employees have had little or no training in computers. Another reason for their increased fear about the use of computers is that they fear that their job may be threatened. After all, the newest technological development is known as 'artificial intelligence' and involves computers that are programmed to think and make decisions. However, it has been shown that employee participation can actually ease the transition to office automation.

Incorporation of computer technology in office and plant activities has created what is commonly referred to as the 'automated' or 'electronic' office and plant. Originally introduced for limited data processing functions, computer systems are now integrated with communications technology to provide a broad range of support functions, including electronic word processing, automated records management functions, and telecommunications functions and robotics. Proponents of these innovations typically argue that they not only increase organizational effectiveness and reduce operating costs, they also enrich and upgrade the jobs of the operators by offering greater responsibilities and opportunities to
develop and utilize new skills.

For new technological and conceptual innovations to be employed effectively in the automated plant and office, however, plant and office workers must be able to adapt to the new environment. Management must be equipped to deal with these changes resulting from technological innovation as they arise and assist employees in adapting to the changed work area. 26

It has been found that employee participation in the institution of work changes reduced resistance to change, increased post-change efficiency, and reduced dissatisfaction (grievances, absenteeism, and turnover). Participation in program formulation and in the rewards from new technology appears to lead to group acceptance of the innovation. Management can help employees make a smooth transition to office automation by involving managers, operators, and work-originators in planning the change. The widest possible employee participation will help to assure that employees involved in automating offices will have an understanding of what may be expected when the transition is complete. Workers who are involved in the planning and consulting stages of the change process are more likely to support the change and to display individual support for group decisions. Similarly participation in the planning of new office and plant technology may reduce resistance to change. In addition, active employee participation in the design of office and plant systems may help in the development of more appropriate designs because operators may better understand job requirements. 27

Employees' perceptions of their jobs are of central importance in affecting job attitudes and behaviors. Thus, there may be fewer problems, less conflict, and greater acceptance of an automated office environment if the people who will be affected by the change are also involved in
planning and implementing the change. This involvement may reduce resistance to change both because operant understanding of the reasons for and implications of the change is increased, and because the participative process increases individual commitment to the success of the resultant change. 27

There are six factors that employees listed as being contributing factors to their enjoyment of their jobs. They are as follows: (1) Characteristics associated with the task itself, including whether it is interesting, allows the worker to develop and use his/her abilities, allows the worker to be self-directive and whether the worker can see the results of his/her work. Valuation of this division thus reflects the worker's desires to be stimulated and challenged by the job and to be able to exercise acquired skills at work. (2) Characteristics that provide physical comforts, such as pleasant working conditions, enough time to do the work, and good hours. (3) A financial division including pay, fringe benefits, and job security. (4) Their own career potential, including such items as whether the opportunities for promotion are good, whether promotions are handled fairly and whether the employer is concerned about giving everyone a chance to get ahead. (5) Relationships with co-workers, including such items as whether job permits opportunities to make friends, whether co-workers are friendly and helpful, and whether the co-workers take a personal interest in the worker. (6) Resource adequacy, which represents a worker's wishes for adequate resources with which to do the job well and include such items as whether the help, equipment, authority, and information required to do the job well are adequate. 28
The relationship of the dimensions of satisfaction to participation in the planning and implementation of office automation was examined. It was found that these perceptions can be influenced by the way in which workers are introduced to an automated office environment, the inclusion of operant participation in planning and implementation stages of an office automation transition prove important to the success of the transition. 29

However, although participative management has achieved a number of successes, many companies are coming up against some heavy barriers to its implementation. A summary of some of the main reasons that many people feel that participative management will not work in the U.S. is stated well by Sar A. Levitan, a research professor of economics and director of Center for Social Policy Studies at the George Washington University and by Diane Werneke, an economist on the staff of U.S. Senator Paul Tsongas. As they put it: West German's acceptance of the notion of worker's rights to participate in management decisions has been fostered by the relatively high unionization rates across the economy together with the strong political affiliations of the unions. Collective bargaining in European countries tends to be highly centralized, and it is often carried out on an industry-wide basis. Consequently, until workers' councils were established, there was little scope for worker participation at the company level. In contrast, bargaining at the plant level is characteristic of American industrial relations.

The idea of direct participation by labor representatives in corporate management has not been well received by either American management or labor. It has been rejected by managers concerned with their loss of control and by many union leaders who fear losing bargaining effectiveness through shared responsibility. Glenn E. Watts, president of
the Communication Workers of America, put the union position succinctly; 'I don't want to sit on the board and be responsible for managing the business. I want ot be free as unionist to criticize management.'

Although most of U.S. organized labor also appear to prefer this adversarial relationship, the one prominent example of worker representation on a corporate board of directors in the United States also reflects the trade union dilemma. In response to their dire economic circumstances and the union 'give-backs', the Chrysler Corporation invited the President of the United Auto Workers, Douglas Fraser, to serve on its board of directors so as to improve labor-management relations during a difficult restructuring period. This arrangement came to an end abruptly when Chrysler workers failed to agree on a new contract. Fraser resigned from the Board before renegotiation of the contract began, citing conflict of interest (though he later returned after the contract had been signed). This would not happen in the West German context because bargaining is centralized and labor representatives seated on company boards are proscribed by law from participating in collective bargaining. Apart from these legal and organizational distinctions, it is clear that the leaders of American labor unions are wary of being co-opted by management in matters they perceive to be of doubtful advantage to themselves or to their members.

It is equally unlikely that the Japanese model of worker participation would be readily accepted in the United States, despite the outpouring of articles from business schools and assorted experts praising the advantages of Japanese labor-management relations. Again, management seems to be opposed to diluting its authority. Perceiving the process to be slow and cumbersome, American management tends to regard these practices as inimical to efficiency. More fundamentally, Japanese practices
are foreign to American culture and traditions. Consenses decisionmaking in Japan derives from a system of hierarchial relations governed by a paternalism in which the leader is responsible for all members of the group. Worker participation in Japan is integral to that country's unique system of industrial relations: Lifetime employment, seniority wages, and enterprise unions interact to harmonize individual and company goals, thereby laying the foundation on which meaningful communication and participation can be built. 32

Sar A. Levitan and Diane Werneke also feel that whatever the merits of the much-publicized Japanese system of industrial relations, it applies only to large companies, which employ about one-third of the work force. This leaves a sizeable secondary labor market of women and temporary part-time workers who have little or no say about the terms and conditions of their work or in the management decisions that affect them. 33

They claim that borrowing from other industrial countries might remove some impediments to productivity growth. Adoption of desired reforms must be preceded, however, by a change in attitudes. Large-scale borrowing from successful practices abroad does not seem likely, nor could these practices be easily adopted. Traditions, norms, and legal arrangements differ too much among countries for such practices to be imported, as the limited success of experimental U.S. programs tend to demonstrate.

There have been many other studies that have led to the conclusion that participative management will not be successful in United States' companies. Chris W. Gregg and Toby D. Wall in their artical 'The Lateral Dimension To Employee Participation' state that they feel that the organizational structure and climate has a great deal to do with
the success of participative management. As they put it, organizations operating in a stable market (low external uncertainty) with few internal interdependencies (low internal uncertainty) will experience a light information processing load. They will be able to operate using simple structures and straightforward rules, programmes and procedures. In other words, because they can predict the nature of most of the decisions that must be made along with the majority of problems that will be encountered, they can develop and utilize widely applicable and predetermined ways of handling them. Theirs is most likely to be a mechanistic and relatively simple structure in which problems are handled by a fiat. In contrast, organizations facing high external and internal uncertainties will have a heavy information processing load requiring repeated decision-making activities at both the strategic and operation levels. Change will be the norm, exceptions the rule, and no simple, widely applicable rules or procedures will be sufficient to cover the variabilities encountered. 34

A typical organizational response to high levels of uncertainty and the concomitant heavy information processing load is one of differentiation which can be seen in the emergence of specialist groups. These groups will typically diverge in a number of interrelated ways. Thus they may well be functionally separated with different departments responsible for such activities as sales, design, purchasing and manufacturing. Given the nature of organizational life these functional distinctions will be reflected in political differences as the separate departments adopt both formal and informal objectives which may be unique to their own interests and in conflict with one another. Furthermore, this specialism will attract and recruit experts in their own areas, people with specific professional training and standards who may well
have quite dissimilar perspective as well as a language of their own. The state of differentiation is not simply the result of similar people having conflicting objectives: it has a distinct psychological component reflected in different attitudes, cognitions and behaviors so that people in sales and marketing react and behave quite differently from their colleagues in manufacturing. When differentiation occurs at this level the ability of the organization to achieve adequate coordination of activities to meet overall goals is severely impaired.

The organization in a stable environment, which has adapted to this through the development of clearly defined and widely applicable rules and procedures offers light information processing load and, in the idealized case, the only significant area for influencing decision-making is in devising the rules on which the operation is based. Given the high levels of stability, this is an infrequent occurrence. In effect, discretion and decision-making tend to be removed from people: instead 'choices' are pre-determined and regulated by bureaucratic rules and procedures. 35

In contrast, the organizations experiencing high levels of uncertainty offer much more scope for participation. Here there is heavy information processing load and decisions are taken at all levels in the enterprise. In such cases decision-making is regulated by people acting in particular roles and authority structures rather than by rules and procedures. At the same time, however, such high levels of uncertainty are accompanied by specialization and differentiation which together are manifest in structural, political, psychological, and behavioral barriers between the lateral groups in the enterprise. As was demonstrated in the case studies, such lateral divisions act as
significant constraints to the practice of employee participation in any form other than that limited to a single function. Two other factors that serve to exacerbate these difficulties are the whole issue of employee participation insofar as it raises concerns over managerial prerogatives and the legitimacy of particular interest groups becoming involved in this way. Specialist groups with high levels of professional expertise experience these doubts most keenly. To many such individuals in 'their area' is anathema since they have earned their right to make particular decisions through the long-term acquisition of specific knowledge, attitudes, and skills. 36

Along with organizational structure, another barrier to the successful implementation of participative management has been the resistance of supervisors. As one manager said, "We were so worried that the employees would not accept employee involvement that we spent all our time trying to convince them of the benefits. We assumed that since supervisors are managers, they would just accept the program. We found that it was much easier to sell it to the employees than to the supervisors." 37

The following was taken from an article entitled 'Why Supervisors Resist Employee Involvement' by Janice Klein. The support of first-line supervisors is essential if meaningful changes in the workplace are to take root. But if supervisors view programs that increase employee involvement as detrimental to themselves, they will withhold their support, potentially dooming the initiative. When asked how much say workers should have about things that affect them on the job (safety, wages, or layoff practices), the supervisors who responded in favor of worker's participation are much more confident (75% to 24%) that such involvement would benefit them as supervisors than are those who said
that workers should have little or no say.

Supervisors rarely show open resistance to programs top management initiates. Few have access to formal mechanisms for voicing disenchantment, and most perceive that their job security depends in no small measure on following upper management's instructions. Nonetheless, the negative attitudes are not too far below the surface - negative not only toward proposed changes in management style but also toward the process of change itself.

In one plant non-support hastened the death of quality-of-work (QWL) programs that encouraged but did not require employees to form teams for discussing work-related issues. Because no manager or supervisor was necessary on each team, the foremen felt no need to volunteer for the program and refused to participate. With no knowledge of or influence over what occurred when the teams met, the foremen saw the activity as a threat to their control and authority, which they tried to regain by bad-mouthing the program. This bad-mouthing, in turn, discouraged many of their subordinates from participating. In the end, the whole effort just faded away for lack of interest.

Understandably, the first concern has to do with job security. A question often raised by the popular press - Will supervisors become redundant under a system of participative management? - is on the minds of the supervisors themselves. When one plant began forming semi-autonomous work teams, management guaranteed that the teams would pose no threat to the job security of hourly workers but offered no comparable guarantee to supervisors.

A second area of concern for supervisors is job definition. What are supervisors really expected to do, and how are they to be measured? Lack of a well-defined set of responsibilities also gave special trouble
to supervisors who had to balance the egalitarian position required of them by participation in quality circles one hour per week with the authority they exercised on a daily basis.

A third concern is the additional work generated by implementing these programs, work that ultimately falls on the supervisors either for short periods of time (as with team development and training) or for extended periods (as with quality circles). One group of foremen who were not allowed to pay employees overtime for quality circle activities, found that all coordination and follow-up for the program fell on their own shoulders, especially on their time off and usually without extra pay. 38

Even after managers addressed the issues of job security, job definition, and extra work, some supervisors were still reluctant to accept the participative management concept. There were five categories of people into which these managers typically fit. The first of these was known as a 'Proponent of Theory X'. These people typically believe that workers need to be controlled closely and told exactly what to do. Although some workers were able to modify their behavior to 'play the game', in most cases it was necessary to remove these people from the organization. The second type is a 'status seeker'. These people believe that workers can be self-motivated, but they personally enjoy the prestige of being boss, status seekers regard as belittling the idea of being equal to workers or of acting in a support function. In addition, because most organizations reward outstanding performance by promoting individuals to supervisory positions, status seekers view the sharing of their tasks with workers as a reward that has not been earned - and that diminishes their own standing in the eyes of fellow workers. A third type is known as a 'skeptic'. These people question the
ability and desire of an entire organization to change. At one plant where a training process for employee involvement stretched out over seven years, many supervisors (and their managers) came to believe that the talk of change was just that—all talk and no action. All too often middle managers are every bit as skeptical as supervisors, and their lack of commitment can stop a program in its tracks. A fourth group of resisters are 'equality seekers'. They want more involvement for themselves, because employee-oriented programs should not be merely the top telling the middle what to do for the bottom. They want the middle to have some say both in the decisions made above them and in the process of involving those below. The fifth group are the 'deal makers'. They feel that employee involvement programs are changing and challenging what supervisors can do informally. Instead of being able to deal one-on-one with employees, supervisors must increasingly manage through a team or group. Everyday tasks like job assignments are now often the responsibility of the teams themselves. Further, supervisors, who have long been the prime conduit for the flow of information between their superiors and workers, find that quality circles and QWL programs encourage direct flow of communication from top management to the shop floor. When asked how they preferred to deal with employees, 85% of the supervisors responded that they prefer one-on-one as opposed to group interactions. 39

All of the problems that are causes of superior resistance are not incurable. In fact, there are several things that a company can do to increase the supervisor's acceptance. The first of these is support-based training. Training is an indispensable first step in defining the common language and tactics necessary for change. The best training includes ongoing consultation with official 'change agents' and managers,
both of whom provide continual feedback and coaching. The quickest way to modify supervisor's behavior is for managers to become role models because supervisors need to be shown that their superiors are committed to a participative style of management. Also, managers should explain why employee involvement is different from other programs that may have come and gone.

Another thing that is needed for successful participative management is supervisory involvement. First-line supervisors seek two types of involvement. The first includes them in the design and implementation of employee-oriented programs; the second gives them a say in decisions that affect their own jobs. Executives can help to ease the opposition from supervisors by getting them involved early in the definition of employee programs as well as in the definition of their own role. A third thing that is needed is responsibility with authority. The perceived loss of power is quite real to those supervisors excluded from overall decision-making when employees take over many day-to-day decisions. It is important that managers delegate increased responsibility along with appropriate authority and not merely give supervisors additional administrative tasks. A fourth thing needed to increase the chances of a successful participative management program is supervisory networks. Supervisors must begin to recognize the potential benefits that employee involvement programs hold for them. A useful alternative is to encourage peer networking among supervisors through such support group mechanisms as periodic dinners with no high-level managers present. A fifth thing that is sometimes the only other alternative is replacement. Unfortunately, some supervisors will just not accept the concept of employee involvement. When all else fails, their bosses may have to replace them, but replacement need not
mean demotion or termination if the only problem is resistance to employee involvement. 40

Finally, there is yet another barrier to success of participative management - the unions. It wasn't until 1981 that management and the UAW jointly presented a well-planned program with solid training for workers in how to make employee participation groups, as they are known throughout GM, achieve practical results. The only problem now is that the union is split over whether the circles should continue. Even if the initial implementation is without complications, sustaining employee involvement can be tricky. This is especially true because union officers are very sensitive because they feel that circles will assume some of their role as workers' representatives. In order to ensure that this does not happen, employee participation groups are not able to cross a fine line: the groups are forbidden to discuss contractual matters or productivity (the improvement of which might cut jobs, the rationale goes). How far they go depends a lot on how secure the union leaders feel, which is usually not very. 41

There has, however, been a popular solution to these problems in recent years - employee ownership in the company. The following is a story as told in Management Review by Lawrence Miller: When I visited an assembly plant of the Ford Motor Company, which was considering the initiation of an employee involvement effort, the managers spoke convincingly of their desire to create a greater spirit of cooperation with the union. This plant had had a long history of fierce combat between management and labor as the majority of this country's auto plants have experienced. After speaking with the managers, I spoke with the local United Auto Workers Union president, Billie Joe Harris. I have never forgotten how Billie Joe shocked me. I asked him what he hoped to
see accomplished by any type of a change effort. 'I want my plant to
be known as the plant that produces the highest quality cars and is
most productive! I'm tired of some of the complainers we got 'round
here who don't wanna work. I ain't gonna put up with it no more. Any-
one who doesn't get themself to work regularly ain't going to work
in my plant!' He meant it. The local union president felt ownership
for that plant. It was his. As far as he was concerned, it didn't belong
to the thousands of stockholders of Ford Motor Company, the majority of
whom wouldn't even know of this plant's existence. It belonged to him,
and he took pride in its productivity and quality as his own. His
feeling of ownership and determination would make the plant successful.
And every stockholder of Ford Motor Company should be thankful that
Billie Joe Harris feels the sense of ownership that they lack, for it is
he who will determine its fate.

Mr. Miller feels that the unity of the individual and the organi-
zation can best be understood in terms of ownership. Ownership is a
psychological condition, not merely a legal one. It is the condition in
which the individual feels that his or her own well-being is tied to that
of the organization. It is the condition in which the individual is
willing to sacrifice immediate self-gain for the good of the whole, in
which the employee believes in the interdependency between the self and
the organization. The individual will protect the organization from harm
as he would protect his home, family, or community. When the psychology
of ownership is present, the employee experiences pleasure if the firm
succeeds and suffers pain if it fails. This is the unity we should be
seeking. 42

The following is a list of benefits for the Hay/Huggins Benefits
Comparison that was in the August 1984 issue of Management Review:
Of the 43 percent of the participants that offer thrift/savings plans to their employees, about half have a company stock fund as an employee investment option.

Of these thrift/savings plans where the employer retains some investment responsibility, company stock is the most frequently used investment vehicle.

Of the 20 percent of participants offering qualified profit sharing plans, over one-quarter have a company stock fund as an employee investment option; of those profit sharing plans where the employer retains some investment responsibility, company stock is the second most frequently used investment vehicle.

One-third of the HHBC participating stock companies maintain Employee Stock Ownership Plans (ESOPs) and/or Payroll-Based Stock Ownership Plans (PAYSOPs) being significantly more prevalent.

12 percent of the participating stock companies offer discount stock purchase plans (generally to all employees, with a 15 percent discount as the norm.)

The psychology of ownership will become an increasingly necessary condition for success. It will become necessary because of the changing nature of work, its management, and workforce. It was possible in the days when work was predominantly mindless toil to maintain complete distinctions between those who owned, those who thought and made decisions, and those who carried out the decisions through physical labor. This distinction between owner, manager, and worker was a valid one in the industrial age.

It seems as if the main problems occurring with the introduction of participative management were a result of poorly implemented plans of action. What most organizations need is a plan that will incorporate all of its employees. The following is a suggestion from Marshall Shashkin, author of 'Participative Management Is An Ethical Imperative'. Let us first consider what an individual manager can do, without any special organizational support, to put into practice ethical participative
management. Such a manager might give subordinates more control and responsibility over their work. Note that control goes with responsibility. This is what Scott Myers advocates in his book on redesigning jobs when he says that every employee should be a manager of his or her own job. Even lower-level managers can give subordinates more of a say in how their own work is to be done. Managers can set goals with subordinates, a process that will almost certainly improve performance as well as develop participation. Managers can offer employees decision alternatives on work matters (instead of simply providing solutions), can ask employees how work-related problems might be dealt with (instead of insisting on the status quo). By using the four basic types of participation, managers can provide employees with increased control over their own work behavior, thus satisfying the first basic human work need. Even if no other changes are possible, giving people more autonomy - and the responsibility for controlling their own work - is almost always possible.

To meet the other basic needs, the manager interested in applying participative management might make subordinates' job assignments more complete, more like a 'whole' job, so they can get a sense of completion and achievement from the work and judge how well they are doing. Setting goals is an indirect way to provide feedback on task accomplishment, but it can be a useful approach: Feedback is critical because one can only improve if one knows how well one is doing. Participating in solving job problems or in a formal change project more directly fulfills the need for task completion through participative management. Even if formal programs are not feasible, managers can surely ask subordinates for their ideas on problem solutions or needed changes. This is more likely to have some positive impact if those ideas are used. The most
direct way to provide opportunity for task completion and the resulting sense of accomplishment is to make modifications in the job or job assignments to create more naturally complete tasks. While it may seem unrealistic at first glance, it is surprising how much impact even very small changes in this direction can have. For example, even assembly-line jobs can be changed a little by having workers perform a few more operations so the work is more like a complete task.

Finally, the individual manager can, in many cases, form work groups or teams and apply some or all of the four types of participation in team or group settings. For example, most assembly lines can be changed so that an entire section of the line is the responsibility of a group of workers. Group members are then able to develop new skills, to schedule and control their own work, to see a whole task, and to feel responsible as a team for the effective accomplishment of their task. Groups can be used in many other situations, from professional and office work to production operations. Although it is far better to design the work itself as a group task, when this is impossible, it may still be possible to use groups on an occasional basis, as for example, a task-force team to deal with a specific decision or problem issue.

Another key to creating unity is to design the structure of the organization to reduce the unnecessary layers of management and give the greatest possible responsibility to the lowest possible levels of the organization. This flattening of the pyramid is now in progress in a number of major corporations such as Ford Motor Company. Second, compensation systems must be redesigned to create unity of concern rather than to accentuate the distinction between management and labor. All employees should be salaried with incentive earnings tied to competence and performance. Third, the greatest degree of involvement
should be sought from all levels. And fourth, perhaps most importantly, management must exhibit through their personal style and example the trust and unity that they feel with the employee. 46

As Lawrence Miller in Management Review says, 'We are all workers. We are all managers. It is time to create a oneness within our organizations that are now blocked by our adherence to the traditions of a class society. We cling to the divisions of our history - owner/manager/worker - divisions that once facilitated growth and productive performance and now block the same. It is time to replace this divisive class system with a competency continuum that recognizes the reality that every employee must participate in management and perform productive work, from the factory worker to the chief executive officer." 47

After implementing participative management, it may seem as if the style is not as successful or effective as it should be. However, there are several things that change participative management's apparent effectiveness. Marshall Shashkin, author of "Participative Management is an Ethical Imperative", suggests that three sets of types of contingencies exist: psychological, organizational, and environmental. Psychological contingencies include values, attitudes, and expectations of organization members. For example, in one classic study, Victor Vroom found that some workers do not want to participate. Efforts to generate participative involvement when such workers form a significant proportion of the employee population are almost certain to fail. 48

Organizational contingencies include the degree to which the design or work makes employees depend on one another. For example, an assembly-line worker is very dependent on the work of those at earlier stages of assembly. When individual workers are highly interdependent, as on
an assembly line or in an interacting work team, it would be counter-productive to encourage autonomous individual participation in decision making. On the assembly line, for example, participation must involve someone who has a broader knowledge of ongoing processes, probably a supervisor. In the interacting work team, group participation would be more appropriate. Another organizational contingency is the organization's culture or climate. Rensis Likert's System 4 participative management approach is based on organizational climate as a critical contingency. If the climate is one in which employees have low trust in managers who are seen as autocratic (and behave accordingly), then it is not likely that participative efforts that center on the manager-employee pairing will succeed. Likert has suggested that in such cases any participative efforts must go slowly instead of involving a radical attempt to alter long-established patterns of management overnight. By slowly but meaningfully changing individuals' expectations, the organizational climate will also change and become more suited to the group-participation method advocated by Likert.

The third set of contingencies, environmental ones, include changes in technology, in government regulations, and in competition. Where such changes are rapid (or competition is severe), the group approach may be more appropriate than individual participation or employee-manager team participation. The group method allows for a more rapid, unified response - but only when managers and group members have the skills required to work effectively in this manner.

The variation in the observed effectiveness of participative management springs primarily from differences in how well certain important contingency factors were taken into account and were managed, and how skillfully participative management approaches were
implemented. Ill-designed applications, applications that were attempted by consultants, managers, or employees who lacked the required skills, and applications that were made without attention to the contingency factors defined here will probably have negative results - not because participative management itself is ineffective in improving performance, productivity, and satisfaction, but because of the individual application's fault. 49

It is probably true that the American organizations will never be able to completely copy the Japanese styles of management, nor do they probably desire to. There are too many differences in culture, society, and upbringing between our countries. However, it is very possible to incorporate their styles of management to some degree in our organizations. The most successfully implemented part of Japanese management in American organizations has been participative management. It is obvious to me that if correctly introduced into an organization, participative management can do nothing but benefit the company. It increases employee morale, lowers turnover and absenteeism, and increases productivity. In the cases where this style of management is not successful, there have been obvious explanations for the failures. The most obvious reason is that of the lack of commitment from company executives. This is the most vital aspect to successful introduction of participative management. Without the total commitment and support of top management, any program will fail. This does not only include monetary funds and verbal support, but also calls for managers to serve as role models. Participative management should not be implemented on the front-line only, but should become a total management theory that involves all employees of the organization. This will cut down on a lot of problems that businesses have with supervisors. After all, if
they are able to see the positive effects that the participative management approach has on their personal career, they will be more responsive to the approach. Also, if this total participative management approach is used, unions will be less resistant to the change. Although it may be a bit slow, if unions are included in both the decision to change, and the actual implementation, they will have a better understanding of participative management and will feel less threatened by its introduction. Once the participative management program is introduced, it must be followed through by top management. If they decide to implement participative management, they need to make sure that they are constantly encouraging, reassuring, and helping all of the employees. If others see the top management slack off, they may feel that it was just a concept that looked great on paper - and is going to stay just that way - on paper!

Participative management needs to be fully supported by the top management. With their support, a 'ripple effect' will take place. Their enthusiasm and support for the participative management concept will eventually seep down to the front-line of the business. If the management is committed to effective implementation and use of participative management, they will research and apply the best method of implementation possible. They will follow this up with evaluations and constant support. With this kind of support from top managers, participative management will bring nothing but positive results to an organization.
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FOOTNOTES


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