



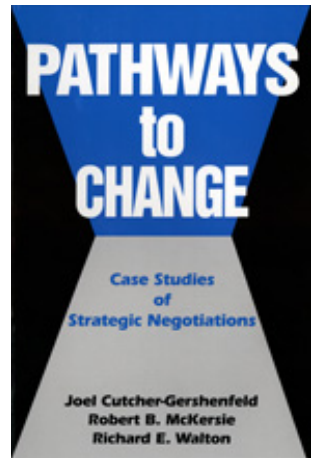
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Why Change?

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Why Change?

Change is on the agenda. At negotiating tables around the world, parties are bargaining over fundamental changes. Sometimes the focus is on substantive changes—revisions in existing contracts, agreements, or understandings. Sometimes the focus is on changes in relationships—ranging from the building of more cooperative relationships to changes that threaten the other party’s legitimacy and even its very existence. In most cases, changes in substantive terms and changes in relationships are concurrently on the agenda.

Why negotiate over change? Why not act unilaterally? Parties often do. Other stakeholders, however, are usually prompted to respond. At that point, negotiations—tacit or explicit—are under way. Viewed through a negotiations lens, unilateral action and reaction represent early moves in an unfolding, back-and-forth process. The process may involve escalation and collapse on the part of one or both parties. The process may involve pressure and capitulation. The process may even involve dialogue and increased understanding—reflected in joint decisions and mutual agreements. Whether or not it intends to negotiate, a party taking unilateral action to drive change that affects others as well will almost inevitably find itself on a path of negotiated change.

Why negotiate over change? Why not act on the basis of consensus? Parties often do. Rarely, however, is the consensus complete. Subtle and even glaring differences usually emerge. At that point, negotiations—tacit or explicit—are under way. Viewed through a negotiations lens, the cooperative overture is an early move in an unfolding, back-and-forth process. The process may be punctuated by the emergence of unexpected, divisive issues between the parties. And the process may surface splits within one or both parties. The process may even involve dialogue and understanding—reflected in joint decisions and mutual agreements. Whether or not the initiating party explicitly planned to negotiate, the party seeking to act on the basis of consensus and teamwork will inevitably find itself on a path of negotiated change.

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Thus, where change is on the agenda, negotiations are certain to follow. This is because change involves both initiating and responding parties. Whether the initiating party is acting unilaterally or inviting cooperation, change seldom looks the same to the initiating party and to the recipient. It is the interaction between their two perspectives that places parties on various pathways of negotiated change.

This book focuses on two contrasting change strategies—forcing change and fostering change. It features a close look at a wide range of highly cooperative and highly contentious change initiatives—both of which are pathways of change that build on the strategies. Studying the back-and-forth dynamics in these cases has revealed useful insights into why change initiatives succeed or fail.

Why Study Labor-Management Negotiations?

Our particular focus is on change initiatives in the workplace. Further, we have only studied unionized workplaces. These collective bargaining relationships are important to study. They account for almost one-sixth of U.S. employment, and their influence on the U.S. and even the world economy is substantial—in both economic and social terms. Also, studying cooperative and contentious initiatives in the context of these formal, bilateral relationships has provided a rich terrain for surfacing new ideas and insights into the fundamental nature of negotiated change.

As background, it is important to understand that negotiations represent important events in labor-management relations. They present defining moments at which parties develop or revise the terms and conditions of employment. Further, it is important to recognize that, even between rounds of formal contract bargaining, negotiations over grievances and other aspects of contract administration also involve critical decisions—made either by the parties or by labor arbitrators.

During certain eras in U.S. history, negotiations occurring within the time frames of contract bargaining and contract administration have assumed great historical significance. Not only were the negotiations important events for the parties during these eras, they were also key indicators and powerful influences on social relations more generally.

For example, during the 1930s, conflicts over the representational claims of industrial unions reflected not just narrow economic struggles, but a broader set of issues involving societal adjustments to the implications of mass production industries. Similarly, negotiations over health care, pension, and other fringe benefits in the 1950s and 1960s reinforced the U.S. public policy emphasis of an employer-centered approach to extending various social benefits (in contrast to many other industrialized nations). The implications of these choices are particularly evident in current debates over health care reform and social security.

A core thesis of this book is that we are once again in an era where labor negotiations have broad social ramifications. The give and take between labor and management in the present era—in collective bargaining, grievance procedures, labor-management committees, and around various forms of worker participation—reflects a broad social process of adjustment to international competition and technological change. In studying the interactions of unions, employers, and employees in this era, we find vivid and instructive illustrations of alternative pathways to change.

Why Focus on Cooperative and Conflictual Extremes?

There are still labor-management relationships where changes take place on an incremental basis through routine, arm's-length negotiations. Recent evidence suggests, however, that these types of negotiations are in the minority. Based on one sample of collective bargaining relationships, for example, they may only account for approximately a third of labor-management negotiations—with fully two-thirds of collective bargaining tending toward the extremes (Walton, Cutcher-Gershenfeld, and McKersie 1994, pp. 31ff). Although comparable data from earlier time periods are not available, there is enough circumstantial evidence to suggest that a pattern of many relationships falling at the extremes is a recent phenomena. To make the point differently, a majority of unions and employers find themselves negotiating on new terrain, where traditional actions can generate unexpected results. This book is targeted for leaders at all levels who find themselves engaged

in these strategic negotiations. We hope to offer useful insights and guidance.

Also, when negotiations tend toward either cooperative or conflictual extremes, key elements of the process are thrown into sharp relief. As such, we are better able to articulate general lessons about the process of negotiated change. Many of these lessons have potential applicability far beyond union-management relationships—with implications for employment relations in nonunion settings and for parties seeking change in the context of joint ventures, strategic partnerships, cross-functional integration, and customer-supplier relations.

Guiding Principles and Frameworks

Three main guiding principles or frameworks will be helpful to readers of this book. First, we make a core assumption about employment relationships—specifically, the mixed-motive nature of employment relations. Second, we utilize a particular framework for classifying change strategies into forcing and fostering, with a third strategy, escape, as a backdrop to the two primary strategies. Third, we make a key distinction around outcomes—focusing both on substantive and relationship dimensions. These guiding ideas all build on the analysis contained in *Strategic Negotiations: A Theory of Change in Labor-Management Relationships*.

A Mixture of Common and Competing Interests

We refer to labor-management relationships as “mixed-motive,” reflecting the mixture of common and competing motives that parties bring to the employment relationship.¹ While the mixture of common and competing interests is most salient between labor and management representatives, there are typically multiple stakeholders with distinct concerns within labor (for example, skilled trades versus production employees) and within management (for example, line versus staff support). As well, other stakeholders (such as external customers and government) bring a mixture of common and competing interests to their interactions with labor and management.

All of our cases involve negotiations over fundamental (or potentially fundamental) changes. The first lesson that emerges from these detailed cases stems from the mixed motive assumption. We find that, for a change process to have any chance of success, negotiations must attend to both the resolution of conflict and the pursuit of common interests. The point may seem obvious, but too many practitioners and theorists downplay or ignore the need for articulation and even synthesis of these distinct elements.

The potential for labor-management relations to involve bitter, intractable conflicts is well established. In the decades of the 1980s and 1990s the experiences at A. E. Staley, Phelps-Dodge, Pittston Mines, Greyhound Bus Lines, Caterpillar, and the New York Daily News—to mention a few examples—provide ample evidence of the conflictual nature of labor-management relations. For this study, we selected several cases that typify pathways involving bitter, seemingly intractable conflicts. For example, the strikes at the International Paper mill in Jay, Maine, and at the AP Parts plant in Toledo, Ohio were both highly contentious and widely perceived as almost unavoidable, given the conflicting interests at play.

A close look at these conflictual cases, however, reveals specific points at which the negotiations changed sharply and where the various tactics employed hampered efforts to repair relations. For example, the hiring of permanent replacement workers in the Jay, Maine case marked a sharp deterioration in relations, complicated relations after the strike, and ultimately set the stage for the decertification of the union.

In contrast, other cases we selected also involved bitter strikes, but the story line evolved along a very different path. Though these cases looked just as contentious at the outset, actions taken (or avoided) during and after the strikes facilitated the restoration of constructive relations. For example, in Boise Cascade's DeRidder, Louisiana paper mill, the company forced deep concessions around work rules but did not press its advantage around wage concessions. This restraint proved instrumental to the subsequent repair of relations after the strike. Similarly, the union at Adrian Fabricators helped temper hard feelings after an acrimonious strike by using its own funds to repair broken factory windows and other physical damage incurred during the strike.

The potential for labor-management relations to be centered on cooperation and partnership is also well established historically. During the 1980s, considerable attention was paid to the key role of labor-management cooperation in the competitive resurgence at Xerox (Cutcher-Gershenfeld 1988). Similarly, the partnership structure at Saturn broke sharply with traditional adversarial and hierarchical structures (Kochan, Rubenstein, and Bennett 1994). The interest in these cases reflects a broader awareness on the parts of labor and management regarding the mutual benefits if ways can be found to increase the size of the proverbial economic pie.

We have selected several cases in this vein because they also feature initiatives designed to encourage joint planning and mutually beneficial implementation of fundamental change. A close look at these pathways reveals a complex portrait of cooperative initiatives. For example, labor and management at Packard Electric worked together to promote flexible job assignments and cost savings in the context of a lifetime job security guarantee, a multitier wage system, and an increased management capacity to utilize temporary workers. In retrospect, the Packard Electric story may seem well planned and rooted in extensive labor-management cooperation. In fact, a closer look at the case reveals several interesting features: a major internal conflict within the union, a hard confrontation by the union with management over job security, and continuing contention over the use of temporary workers. Thus, the path-breaking cooperative achievements rested on a foundation of complex, difficult, and constantly unfolding interactions—many of them conflictual.

At CSX, the parties attempted to develop a collaborative structure to address common concerns. Despite the clear advantages of working together and coordinating efforts, the decision of one key union to withdraw from the joint effort highlighted the many areas of conflict that remained between labor and management in the system.

While each case is unique, the contrasting experiences with various tactics suggest that the individual choices of unions and employers matter a great deal along these various pathways to change. Choices in negotiations sometimes led to the collapse of relations and at other times set the stage for the repair of relations. Similarly, our cases involving joint change initiatives highlight the negotiated nature of cooperation. In some instances hard confrontations were instrumental

in moving in a cooperative direction, while a breakdown in internal negotiations within a party could substantially reduce the scope of a joint, cooperative initiative.

Thus, the cases illustrate: (1) that change processes are characterized by stakeholders with both common and conflicting interests, (2) that pursuit of common interests *and* the resolution of conflicts are negotiated processes, and (3) that choice of strategies and tactics in these negotiations are central to the success of the change process.

The Distinct Strategies of Forcing and Fostering

During periods of stability, bargaining outcomes are primarily shaped by tactical choices and broad external forces such as the cyclical economic swings characteristic of many industries. In the present era, however, we see the emergence of distinct change strategies that become powerful driving forces. These strategies may or may not begin as intentional change efforts, but they are identifiable after a series of patterned interactions.²

We will concentrate our attention on the two primary strategies—forcing and fostering—and then various combinations. Escape, a strategy of a very different sort, will also be analyzed. Before outlining the structure of the book, it is instructive to provide some guidance as to the essence of forcing and fostering.

The inherent calculus to accept change differs between the two strategies. Simply put, stakeholders who are on the receiving end of a forcing strategy agree to changes because one side (usually management in the present era) has the power to compel acceptance of the demands. The workers find themselves in an avoidance-avoidance predicament. On the one hand, they want to avoid changes or concessions, but they find themselves in a situation where the alternatives (e.g. strike or plant shutdown) are even more costly.

By contrast, a fostering process operates on the premise that solutions can be found to common problems that leave all sides better situated. However, the expectation that there will be important gains can create difficulties when it comes to the ratification phase, as will be illustrated in one of our cases where leaders of a key union expected a proportionate share of the joint gains, and when this was not forthcoming they voted against the new package.

How do the parties themselves see the differences in these two change strategies? In answering this question, one executive summarized his viewpoint as follows:

One way to view forcing versus fostering is to distinguish when you want to assume your major risks. Under the forcing approach, your risks are all up-front. Employee attitudes will deteriorate. The politicians will beat up on you. And, if a work stoppage results, you must anticipate suffering and erosion of traffic. However, if meaningful contractual changes are implemented, your cost structure will be lowered and your productivity structure will be improved. A rebuilding process can then begin, and both the company and the employees can begin to reap benefits.

In the fostering approach, your risks will come later. You certainly do not have the type of up-front risks associated with the forcing strategy. However, if the change process does not evolve beyond the talk stage, a few years down the road a company can find itself in a competitively disadvantageous position. This can be especially dangerous if your competitors already have implemented changes.

Clearly, the choice of forcing versus fostering hinges on dramatically different preferences with respect to the desired timetable and the associated risks. Under the forcing approach, management sees some degree of risk, either that the relationship will deteriorate or that the changes may not be forthcoming. On the other hand, the fostering strategy, while it involves less risk, often takes considerably more time and for an extended period may not show any benefits. As we will see in a number of our cases, the parties can improve attitudes but nothing else seems to change.

Thus, the challenge that the parties face when embarking upon the fostering approach is to translate the potential that is present with better attitudes into the realization of real changes in operating practices. Once changes are agreed upon via the fostering approach, then the implementation can be fairly straightforward, since the positive attitudes lead to some measure of joint support for the new arrangements. In fact, in some instances labor and management will establish joint implementation committees to ensure that the spirit and not just the letter of new agreements is observed.

Both the forcing and fostering strategies work with the same two variables of behavior and attitude change, but the emphases are quite different. Simply put, the forcing strategy compels behavioral changes in the short run, hoping that attitudes will not deteriorate too significantly. The presumption is that over the longer run, management will be in a position to attend to these consequences in order to derive the maximum benefit from the behavior changes realized in the short run. By contrast, the fostering approach emphasizes joint processes of problem solving and attitude change that lead to the design of new systems capable of commanding wide acceptance and new behaviors from the various stakeholders.

Organization of the Book

Three cases, which are included in chapter 2, feature strategies that unfold along a path that we have labeled “forcing.” In each case, management was the moving party, and change initiatives went far beyond traditional distributive bargaining tactics. In each of the cases, labor matched management’s tactics and forged its own forcing response. Sometimes the forcing initiative was part of a fully developed plan. For example, in the Guilford case, the changes sought in work rules were linked with a series of railway purchases and a restructuring of ownership, all of which required considerable planning and preparation. In other cases, the actions of the parties took on increasing intensity as the conflict escalated, leading to an emerging strategy of forced change.

In another three of the cases, which are included in chapter 3, the parties were embarked on a path characterized by what we have termed “fostering” strategies. Again, management was the moving party. Many fostering initiatives evident today are part of larger, explicit change strategies aimed at increased flexibility, improved quality, reduced cost, and enhanced organizational effectiveness. In our three fostering cases, however, the strategy was more emergent and less visible at the outset. For example, the efforts at Bidwell began with a relatively narrow focus on employee involvement, while the efforts at CSX began with a similarly specific focus on a multiunion, labor-management committee. In both cases, the initial tactical moves were cooperative in nature and suggested a larger fostering strategy, but the efforts were circumscribed by dynamics within labor and within management.

The third case—Anderson Pattern—is a robust example where the fostering proceeded without being undercut as it was in the other two cases.

In chapter 4, we present three of the cases containing multiple time periods in which the parties' path involved a sequence of distinct strategies—forcing followed by fostering. In two of the cases, Boise Cascade's DeRidder Mill and Adrian Fabricators, the forcing included a bitter strike. In the third case, Conrail, forcing occurred in the context of a governmental restructuring of the railroad. In all three cases, the initial round of forcing had important consequences for subsequent fostering initiatives.

Finally, in chapter 5 we present three cases that feature a combination of concurrent forcing and fostering strategies, the most complex path in our study. All of the cases featuring combinations of forcing and fostering initiatives are at times sequential in character and at other times truly concurrent. For example, at the Budd Company, forcing around wage concessions occurred concurrent with fostering around employee involvement. Ultimately all of these cases matured to stages of predominant fostering, but each continued to include either episodic distributive confrontations or (in one case) a subsequent forcing initiative.

Embedded in many of our cases is another strategy that has important implications for forcing and fostering, as well as mixed strategies, namely, the strategy of escape. In some of our forcing cases, such as AP Parts, Guilford, and Jay, the intensity of the forcing battle was partly fueled by labor's perception that management aimed to go down the path of escaping from the labor-management relationship. In the Anderson Pattern case, which involved extensive fostering, escape issues were part of the larger context in that most of the unionized pattern-making firms in the community had either gone out of business or experienced a decertification election. In some of the mixed cases, such as Budd and Packard Electric, management moved work out of existing unionized facilities to either southern nonunion plants or to locations in Mexico—which was perceived by labor as a strategy of partial escape from the union-management relationship.

In all of these cases, it is clear that change strategies (whether explicit or implicit) adopted by the parties interact and powerfully influence the course of the negotiations. We find clear evidence that

negotiations can be classified distinctly into forcing and fostering strategies, with time periods when there is a mixture of forcing and fostering, as well as a broader context that may include a strategy of escape. The various combinations of these strategies define somewhat (but not completely) predictable paths along which negotiations unfold. We address later the dynamics that can abruptly alter the pathway taken.

Substantive and Relationship Outcomes—Anticipating Unintended Consequences

There are two broad types of outcomes in labor negotiations (and in most other negotiations). First, there are substantive outcomes. These include agreements (or disagreements) on the terms and conditions of employment, as well as agreements about specific work practices. Second, there are relationship outcomes. These include agreements (or disagreements) about the degree of joint activities, the amount of trust among the parties, and the directions desired for labor-management relations. One clear lesson from the cases is that the destination along these pathways to change includes outcomes that contain both substantive and relationship dimensions. In some cases, management was primarily seeking substantive changes and was not prepared for the degree to which relationship issues were also at stake. For example, a concessionary demand may be seen by management as a purely economic matter, while labor may view the demand as part of the larger strategy to undermine the power and legitimacy of the union.

In other cases, management primarily sought improvements in relationships and was equally unprepared for the degree to which these relationship changes necessarily were linked to substantive changes. For example, management may have initiated a joint labor-management participative process around employee involvement only to discover that continued union and worker support for the initiative depended on substantive issues such as gainsharing and job security. In all cases, labor was faced with the complex task of not only ordering its priorities on substantive matters, but also assessing its priorities around choices of whether to pursue labor-management cooperation or to view management's moves as a threat to the institutional stability of the union.

Since in the United States there is no well-established tradition legitimizing social compacts that affirm the status of unions and the legitimacy of broad strategic business decisions, adding these topics to the negotiations agenda introduces a substantial measure of uncertainty and ambiguity. Not only must the parties sort out their views on matters such as seniority, wages, and job classifications, but they must also assess the underlying values and intentions of each other regarding the institutional relationship itself.

As a result of these relationship issues, when unions responded with a forceful rejection of proposals for rollbacks, management in turn exhibited a reaction that was usually stronger than the union anticipated. Management was frustrated that the union would not acknowledge the legitimacy of the competitive pressures facing the company. The result was often an unanticipated escalation into a protracted conflict.

Thus, the outcomes of negotiations can be measured against the objectives of both parties, but the negotiations also produce unintended consequences, and these have the potential to overshadow the desired outcomes. These intended and unintended consequences occur with respect to substantive outcomes, as well as the nature of the relationship.

Conclusion

This chapter is entitled, “Why Change?”—which is often the first response of a party confronted with a change initiative. Sometimes the question is answered by an attempt to demonstrate that change is in everyone’s mutual interest. At other times the question is answered with threats about the consequences of resisting the change. Most complicated of all, there are times when threats and mutual interests become interwoven.

We have seen in this chapter that whatever answer is provided, placing change on the agenda initiates a negotiation process. To help understand this process, a set of guiding principles and frameworks has been highlighted. These ideas set the stage for the presentation and interpretation of the cases featured in this book. The principles and

frameworks should also be helpful for generalizing about the role of negotiations over fundamental change in other settings.

Our main point—that change affecting multiple stakeholders inevitably involves negotiations—is deceptively simple. Change is not always seen as inherently involving negotiations. Occasionally, when one party can fully escape the relationships, prolonged negotiations may be avoided. Most typically, however, some form of negotiations is an inevitable outcome of interactions between a party desiring change and a party affected by the change.

To understand the nature of these negotiations, we make the key assumption that employment relations are inherently mixed-motive in nature. Again, this is a deceptively simple point. It might seem obvious to hold that all relationships involve a mixture of common and competing interests. In fact, however, many parties act as though employment relations are either entirely cooperative or entirely conflictual in nature.

The mixed-motive assumption sets the stage for forcing and fostering strategies. The inevitable conflicts in relations often prompt forcing strategies, while the common concerns typically underlie fostering strategies. A fundamental challenge, as we will see in the later chapters of this book, is for the parties to find means for coordinating the two strategies.

The strategies take on new and deeper meaning when we broaden the focus to include relationships as well as substantive provisions as a critical matter at stake in the negotiations. Treating relationships as a subject of bargaining is not an entirely new concept. It is rarely presented in a systematic fashion, however.

We hope that the principles and frameworks will serve as useful touchstones for understanding the cases in the following chapters. The heart of the book, of course, is the cases themselves. Today, finding detailed case descriptions of change initiatives is all too rare. Yet, it is only by tracing the twists and turns in the change process that we can fully appreciate why the pathways to change are so complex and why unintended consequences are an inevitable part of a successful journey to improved economic performance and robust labor-management relations.

NOTES

1. In contrast to the mixed-motive assumption, some scholars and practitioners operate from assumptions that employment relations are inherently and primarily conflictual in nature (with a primary focus on the economic, social, or legal implications of the conflict). Others operate from assumptions that employment relations are essentially cooperative (with a primary focus on building consensus, shared vision, and the most effective organizational designs). An exclusive focus just on conflict or just on cooperation will bring the risk of discounting the negotiated nature of change.

2. For a more detailed discussion of these strategies, see Walton, Cutcher-Gershenfeld, and McKersie 1994.