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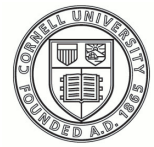

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Xerox Cuts Costs Without Layoffs Through Union-Management Collaboration

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Xerox Cuts Costs Without Layoffs Through Union-Management Collaboration

Abstract

The case study that follows deals with Xerox Corporation, a multinational equipment manufacturing company that decided to work with its union to find ways to use employees' skills and new technologies in addressing economic problems in its manufacturing division. The specific labor-management cooperation project described here began after the Xerox Corporation decided that to produce some of its products competitively, it would need to save over 53 million in production costs. At first, the only solution the company saw was closing down one department, laying off ISO employees, and subcontracting the manufacturing of component parts. But this did not happen. Instead, the company and union agreed to try the unorthodox route of collaboration to solve economic and production problems—without any layoffs. This collaborative effort came despite a companywide downsizing policy that resulted in extensive layoffs throughout Xerox.

Keywords

Xerox, costs, layoffs, labor relations, union-management cooperation

Disciplines

Collective Bargaining | Human Resources Management | Unions

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Xerox Cuts Costs without Layoffs through Union-Management Collaboration

Xerox enhanced its competitiveness without labor cutbacks through an unusual union-management project.

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American companies facing the severe economic problems resulting from sharp international competition are finding it necessary to cut costs and develop strategies that will allow them to remain competitive. The most common responses by companies for reducing costs have been to lay off employees, subcontract work to other companies, and make better use of new technologies. But outdated technology and excessive labor rates are not the only problems. To many observers, another major difficulty is hierarchical organizational structures that do not allow for the delegation of responsibility or the involvement of employees in decision making.[1] Rigid departmental and divisional jurisdictions as well as outdated work practices prevent organizations from responding adequately to changes in production, technology, and delivery of services.

The case study that follows deals with Xerox Corporation, a multinational equipment manufacturing company that decided to work with its union to find ways to use employees' skills and new technologies in addressing economic problems in its manufacturing division. The specific labor-management cooperation project described here began after the Xerox Corporation decided that to produce some of its products competitively, it would need to save over S3 million in production costs. At first, the only solution the company saw was closing down one department, laying off ISO employees, and subcontracting the manufacturing of component parts. But this did not happen. Instead, the company and union agreed to try the unorthodox route of collaboration to solve economic and production problems—without any layoffs. This collaborative effort came despite a companywide downsizing policy that resulted in extensive layoffs throughout Xerox.

Background

A brief history of recent labor-management activities at Xerox will help explain why the company and union were receptive to finding alternatives to layoffs.

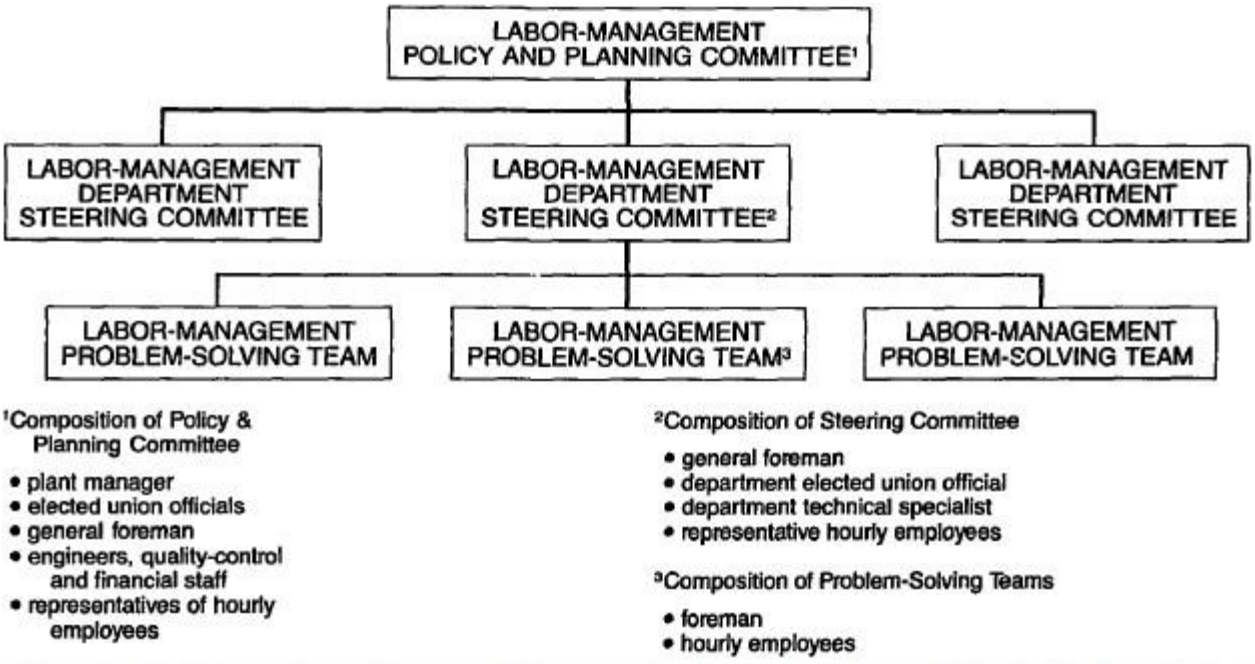
In March 1980, both company management and Local 14A of the Amalgamated Clothing and Textile Workers Union (ACTWU), representing hourly employees at Xerox, agreed to establish problem-solving teams in all four manufacturing plants. The purpose was to increase employee participation in decision making at the shop-floor level so that job satisfaction and production would improve. Peter Lazes, an external consultant hired to help the two parties develop shop-floor problem-solving teams, provided training in problem-solving and group skills and developed with labor

and management the necessary organizational and policy changes needed to support and sustain these activities.

Every problem-solving team consisted of six or seven hourly employees and one manager. The hourly employees on each team worked with their immediate supervisor two hours per week to identify, analyze, and then solve problems in their work area. In each of the four manufacturing plants, a joint Labor-Management Policy and Planning Committee was established to monitor the progress of the problem-solving teams and to assist them in obtaining information and getting solutions implemented. Each plant Policy and Planning Committee established Department Steering Committees to oversee the work of the problem-solving teams. (See Figure 1.)

By September 1981, there were over ninety teams solving significant problems in departments in all four plants. For example, they were able to eliminate toxic fumes, design new tools for improving accuracy in the installation of component parts, reduce maintenance material costs, cut downtime for high-volume production machines, reduce

Figure 1
Initial Labor-Management Monitoring and Support Structure for Problem-Solving Teams



clerical paperwork, and improve ventilation and lighting in several work areas.

In October 1981, however, a yearlong study by a strategic planning team at Xerox Corporation established that several of its products were no longer competitive. It found that by subcontracting some of the component parts manufactured in one plant to other companies, Xerox could save $3.2 million and begin reestablishing its competitiveness in the international market. To do this, however, would mean laying off 180 employees—an entire department.

The initial response of many of the affected employees was, “This can’t happen to us—we've always had a job here.” But then something very interesting happened. Instead of the usual step of threatening a strike, the union decided

to confront this economic problem head-on. Its approach was to request that management develop a joint union-management Study- Action Team whose mission would be to find ways to restructure and improve efficiencies in the department slated for layoffs. At first the company was reluctant, since it was convinced that only a reduction of labor costs could make this department competitive, and it felt the union would have great difficulty accepting the radical changes required to avoid layoffs. However, thanks in part to the previous success of the problem solving teams, the union and consultant Lazes succeeded in getting the company eventually to try this innovative strategy for reducing costs.

The agreement between the union and management called for the establishment of a full-time eight-member Study-Action Team, which would have six months to develop a set of recommendations for producing economically competitive products without layoffs. The problem-solving teams were not permitted to investigate economic and business problems or to tamper with the collective bargaining agreement. (See Table 1.) But the Study-Action Team would have the freedom to investigate any activity whose reform might help reduce the cost of production, even in areas that were traditionally considered the sole prerogative of either management or union.

Table 1
Problem-Solving Team Boundaries

Off-Limits Areas	Permissible Areas
Salaries	Product quality
Union grievances	Work environment safety
Union contract	Savings in material and inventory costs
Benefits	Improvements in process, methods, or systems
Company policy	Improvements in facilities, tools, or equipment
Working hours	Reduction in paperwork
Rates	Elimination of waste of materials and supplies
Breaks	Quality
Classification	Scrap
Overtime	Rework
Personalities	Locations of equipment/ materials
Payroll	
Discipline	
Problems shop chairmen are working on	
Production standards	

Establishing the Study-Action Team

The Study-Action Team was to consist of eight members: six hourly employees, one engineer, and one manager. Unlike the problem-solving teams, members of the Study-Action Team would become full-time team members with no other responsibilities during the six- month project.

Selecting the team

Over 160 hourly employees volunteered for the Study-Action Team. The selection process was handled jointly by union officials and the plant management. The executive union officials at the company along with the department shop chairman selected the hourly employees. The plant manager and his staff selected the engineer and manager. Before the final choices were announced, the union and management groups exchanged their lists of selected employees to avoid

potential personality conflicts on the team.

The final team consisted of employees from each work area of the department (a material handler, three assemblers, two machine operators, an industrial engineer, and an operations manager). A Study-Action Team composed of all segments of the department was important for obtaining insights and expertise from all the department's work areas. There were six white men, one black man, and one white woman on the team.

Training the team

The task of the Study-Action Team—"to find ways to be competitive, improve quality, cost and delivery performance of the business to levels which will assure a positive competitive position and ultimately, to secure jobs"—was complicated. The team needed training and follow-up coaching. Besides learning how to analyze budgets, production costs, and expenses, the team had to learn how to efficiently target potential areas for cost savings, without months of aimless meandering.

Training began in the first week of December 1981. The team members were given instruction in accounting and the basic financial methods used at Xerox, and they were taught problem-solving strategies and skills for analyzing critical cost areas. Augmenting this training were exercises and case studies to help them learn how to work efficiently as a team, make full use of all members' skills, and develop a common set of objectives and work relationships. They also learned how to conduct meetings and make presentations to large groups of employees, union officials, and managers.

A breakdown of the various cost components of the budget for their department, as well as competitive costs, was prepared for the team during training. Briefings provided essential confidential information and served to introduce the team to people in the finance, engineering, and purchasing departments. (These resource people turned out to be invaluable throughout the project period.)

Additional resources

In addition to training and access to information, the team was given office space, telephones, access to a secretarial pool, and a conference room adjacent to its department.

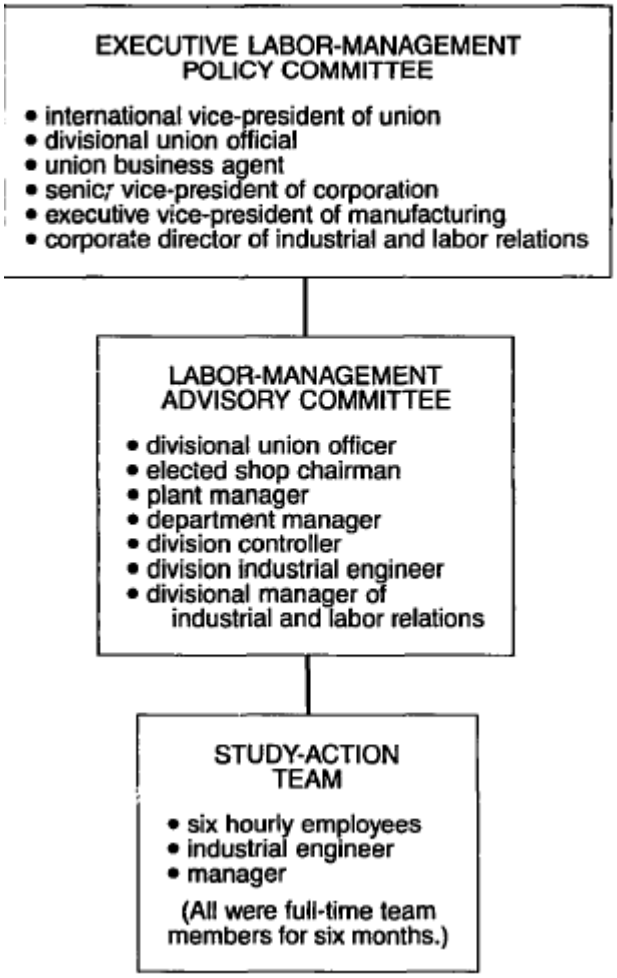
Weekly meetings were held with selected members of the plant Labor-Management Policy and Planning Committee. This Labor-Management Advisory Committee, consisting of a divisional union official, the department's elected shop chairman, the plant and department managers, a division controller, and an industrial engineer, served as a resource group for the team. (See Figure 2.) It provided technical assistance and helped remove roadblocks to people, equipment, and information. An Executive Labor-Management Policy Committee was formed, consisting of top union officials and company executives who between them had ultimate authority for company as well as unionmanagement decisions. The need for this "executive committee" was anticipated from the beginning, since it was likely that the Study-Action Team recommendations would need approval beyond the authority of the plant and divisional union officials. The Policy Committee met periodically with the Study-Action Team and had the ultimate responsibility for approving and ensuring that the team's final recommendations were implemented.

Start-up difficulties

Initially, the Study-Action Team felt overwhelmed, awed, and generally confused about finding ways to reduce costs. After one week, the intensive orientation and training, combined with the initial exhaustion of a “new job,” had created a sense of insecurity and inferiority among team members. This was reflected at many of the team's meetings during its first month. This feeling was not often verbalized, but occasionally a member of the team would say something like, "There is no way we can find a method to reduce costs by S3.2 million ... the engineers and managers couldn't do it—who do we think we are, some "superpeople group?"

Gradually, however, as the Study-Action Team learned to work together and made progress on specific projects, confidence increased. To some extent, this was achieved by developing sub-projects so that the team could accomplish tangible intermediate tasks while dealing with larger problems. This stepwise process continued throughout the six-month project period.

Figure 2
Labor-Management Monitoring and Support Structure for Study-Action Teams



At times, team members became extremely frustrated when needed reports or financial information were not available. At other times, projects in progress were undermined by operations managers or general foremen who took

independent action to implement changes before the team had presented its ideas to appropriate managers and union officials. These incidents had dramatic effects on morale and attitudes during the project's first months, sometimes creating severe friction between hourly and nonhourly team members. Yet over time, the team learned how to work through these conflicts with assistance from one of the union officials and the consultant.

Activities of the Study-Action Team

Although all of the significant activities of the Study-Action Team over the six-month project cannot be presented, the most striking activities will be reviewed.

From the beginning, the Study-Action Team actively solicited ideas from its department, kept the others informed of its progress, and asked appropriate segments of the department to examine specific proposals. This continuous interaction between the team and all members of the department established a high level of trust. It also provided the team with information and feedback essential for each of its projects.

During its second week, the team circulated a flyer to all department employees requesting suggestions for possible cost savings. It received about 200 suggestions, which it used to help determine the most likely areas for cost savings. The team referred back to the suggestions throughout the project period, and many of them became major projects.

The team made weekly “walk-around" visits within the department to discuss informally the current status of projects. In addition, the team held three formal meetings with all department employees.

Trips to competing companies and continuous testing of new equipment on the shop floor by employees provided the Study-Action Team with important information to help assess the appropriateness of specific recommendations. Suggestions for needed changes in work responsibilities and equipment layout were solicited from employees as well.

After becoming familiar with the operational costs of the department and gaining an understanding of the complexities of the overall budget, the team proceeded systematically to:

1. Identify significant problem areas in terms of potential cost savings:
2. Analyze the feasibility of working on these problems, taking into consideration:

   -time needed for analysis, evaluation, and implementation

   -cost factors (in such areas as new equipment and physical layout changes)

   -extent of the department's control over the problem;
3. Assign projects to specific team members and establish methods to coordinate interrelated projects; and
4. Establish a time frame for all project work and for progress reports to the Labor-Management Advisory Committee.

Out of forty possible projects identified, the team selected nine as the key areas tor Study-Action investigation

and analysis:

1. Improved production equipment;
2. Changes in work flow;
3. Changes in work responsibility (consolidation of jobs);
4. Methods to reduce scrap;
5. Better work-order reporting procedures;
6. Improved use of computers;
7. Stabilizing the employee population of the department;
8. Production control and divisional overhead adjustments; and
9. Cutting occupancy costs—floor space, heating, and lighting.

Many of these projects were interconnected. For example, if work responsibilities were to be expanded and coordinated more efficiently, as suggested by the team, then employees would have to be kept in the department. (It was not unusual in Xerox manufacturing division for hourly workers to change jobs three or four times a year.

Outcomes

In June 1982 (at the end of the six-month project period), the Study-Action Team presented its findings to top union officials and corporate managers. Anticipated savings of the individual projects amounted to $3.7 million ($3.2 million was the target). To achieve this, the Study-Action Team recommended significant changes—physically redesigning the department, expanding employee responsibilities, upgrading equipment, and eliminating unneeded overhead expenses.

The final recommendations (Table 2) were a truly integrated set of changes. The skills of employees were closely integrated with new work procedures, production equipment, and computer systems. Because of extensive ongoing communications and their involvement in the project, department employees were willing to accept expanded job responsibilities and accountability for their work.

In addition to the immediate cost-saving recommendations, the Study-Action Team recommended the creation of self-managing work groups that would give employees daily control over job-related decisions. Establishing such groups would significantly reduce the need for supervisors by delegating the scheduling of production, parts and material purchasing, and minor maintenance repair work to work-group members. Supervisors were to be resource people linking work groups with technical services. Plant and divisional technical personnel and financial services not needed in the department were dropped from its operating budget.

Recommendations for developing a more flexible and responsive department organizational structure resulted in 38.7 percent of the total cost savings: 20.4 percent came from enabling employees to remain permanently in the

Table 2
Changes Recommended by Study-Action Team

	Anticipated Cost Savings	Percent of Anticipated Savings
Stabilize manpower	$743,000	20.4%
Redesign work responsibilities and consolidate jobs	$670,000*	18.3%
Reduce production control and divisional overhead	$582,000	16.0%
Tighten standards	$403,000	11.1%
Equipment improvements	$358,000**	9.8%
Reduced scrap	$275,000	7.6%
Reduced occupancy costs (floor space, lighting, heating)	$220,000	6.0%
System upgrade (use of computers, reduced downtime)	$171,000	4.7%
Minor repair work	$155,000	4.3%
Minor projects	$ 65,000	1.8%
	$3,642,000	100%

Total budget for department = $12.6 million
Projected suppliers' cost = $9.45 million

*Includes cost of restructuring department
**Includes depreciation costs of new equipment

department; 18.3 percent stemmed from job redefinition that entailed creating self-managing work groups and part-time jobs for periods of upturn. Reductions in overhead amounted to another 16.0 percent of cost savings. A tightening of work standards accounted for 11.1 percent of cost savings.

What is significant about these top four cost- reduction proposals, amounting to almost $3 million, is that each directly challenged common labor or management prerogatives. But the usual resistance to changing traditional practices gave way, because only by accepting the greater part of the recommendations of the Study-Action Team was it possible to save the needed $3.2 million, and thereby the 180 endangered jobs. It took the Executive Labor-Management Policy Committee eight months to implement all the necessary changes recommended by the Study-Action Team.

Lessons learned

1. *The need for organization change activities to include representatives of labor and management plus technical specialists.*

The success of the Study-Action Team activities stemmed in part from the change process begun in March 1980, when Xerox Corporation and the ACTWU decided to establish problem-solving teams. They provided a psychological and practical foundation that eventually gave the union and management the confidence to risk jointly establishing the Study-Action Team.

Establishing Policy and Planning Committees and Department Steering Committees in each of the four manufacturing plants provided a structure to ensure that all decisions concerning the policies and procedures for problem-solving teams and eventually the Study-Action Team would be determined jointly. This support and monitoring structure helped to keep joint activities collaborative.

In addition, the joint policy and monitoring structure paved the way for Xerox Corporation's acceptance of a fundamental organizational change in the department with which this article is concerned. That change involved the

transformation of a traditional, hierarchical management decision-making structure to jobs were threatened by the work of the Study-Action Team, but because of their involvement this did not happen.

2. *Use of an external consultant.*

External consultant Peter Lazes was retained as a resource person for both the union and management to develop the needed support structures and methods for obtaining information and technical resources. The consultant also provided the Study-Action Team with appropriate skills for solving productivity problems. The external consultant's role was that of a coach, and, as stated in his contract, his involvement diminished as the project developed over the six-month period.

3. *The composition and activities of the Study- Action Team.*

The selection process employed, the cross section of hourly and management employees on the team, the comprehensive training and orientations provided, and the adequate time allotted to study problems and then make needed recommendations, all helped contribute to a successful project. Probably most important of all was the cross section of employees that composed the team. This broad representation gave it input and expertise from all vantage points within the department and eventually contributed to the acceptance of new work rules and job responsibilities. Each employee felt his or her voice was being heard—and that indeed was the case.

In addition, visits to other plants, access to confidential information, the ability to test equipment in the work area, and the hands-off policy of both union officials and upper-level management enabled the Study-Action Team to make the best use of its time and ingenuity. Weekly "walk-around" meetings in the department and periodic department meetings helped to keep employees informed of the team's progress. These activities also built the credibility between the team and the entire department that was essential for success.

4. *Difficulties of the joint labor-management process.*

A thorough joint labor-management process to tackle the organizational and work practice changes needed to remain competitive takes time—time for building confidence and trust in such a joint effort and for developing the process appropriate for a particular work setting.

The changes usually needed are complicated, affecting management and union practices alike. Therefore it is imperative that both the union and management be adequately advised as to possible changes so they can have sufficient time to think through potential solutions.

Unfortunately, such a collaborative process is unpredictable and inherently risky for both labor and management because it challenges long-established traditions on both sides.

Conclusion

As we continue to experience sharp competition from abroad and struggle with the consequences of high technology, new structures of organizations are emerging.[2] Some are well planned; others are developed haphazardly and

often at cross purposes.

The case study presented here provides tangible evidence that both employee needs and business realities can be dealt with simultaneously if we develop effective labor-management teams with sufficient responsibilities and access to critical financial and technical resources.

The potential is endless if we are willing to apply resources to labor-management collaborative activities fostering employment while at the same time making full use of current and future technologies. However, labor and management are often unwilling to abandon familiar practices and structures. In such cases, the potentially enormous achievements of fuller cooperation are not realized.

At Xerox Corporation, however, management and the union have learned the benefits of collaboration. As a result, in April 1983 they signed a new contract that committed both not only to continue joint labormanagement activities but to expand them into other, noncompetitive areas. Study-Action Teams have now been established in three new areas in hopes of reducing production costs and at the same time avoiding the need for layoffs.

Resources

Programs for Employment and Workplace Systems (PEWS) at Cornell University's School of Industrial and Labor Relations, provides companies and unions with technical assistance in devising joint labor-management approaches for redesigning organizational structures. Peter Lazes, co-author of this article, is co-director of PEWS. The address: Programs for Employment and Workplace Systems. Conference Center, School of Industrial and Labor Relations, Cornell University, Garden Avenue, Ithaca. NY 14853. Phone: (607) 256-4462.

For additional reading on the importance of worker-management collaboration and the need for creating more flexible and responsive organizations, see: Russell L. Ackoff. *Creating the Corporate Future.* (New York: John Wiley & Sons, 1981): Robert B. Reich. *The Next American Frontier.* (New York: Times Books. 1983): and Robert Schrank, *Ten Thousand Working Days.* (Cambridge, Mass.: MIT Press. 1979).

Notes

1. Philip G. Herbst. *Alternatives to Hierarchies* (Leiden, The Netherlands: Martinus Nighoff Social Science Division. 1976).
2. Trevor A. Williams, *Learning to Manage our Futures (New* York: John Wiley & Sons, 1982).

Peter Lazes, co-director of Programs for Employment and Workplace Systems at Cornell University, is a labor-management consultant who has helped establish and guide employee participation activities in both the public and private sectors. Recent consulting work has been with Xerox, Beaumont Shipyard-Bethleham Steel Corporation, Bell Laboratories, General Motors, Chrysler, and numerous hospitals and mental health centers.

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