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*Organization Resources Counselors, Inc.*

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### Comments

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HOT TOPIC  
"Future Worker Management"

STATEMENT OF RICHARD A. BEAUMONT

Commission on the Future of Worker-Management Relations  
Washington, D. C.  
January 19, 1994

Good afternoon. My name is Richard A. Beaumont and I am president of Organization Resources Counselors, Inc. (ORC), consultants to management in the areas of organization and human resources. I also happen to be director of research of Industrial Relations Counselors, Inc., a not-for-profit research and educational organization.

I am very honored that you have chosen to hear my views on the subject of the future of worker-management relations. Let me state at the outset that I claim no expertise in labor law. What I can offer you, however, are insights gained from 35-plus years of experience in the fields of human resources and management practices in all parts of the world. That may not be as much experience as one member of the Commission can boast, but it does provide a basis for some observations concerning the profound changes that have taken place in the practice of management -- and specifically human resources management -- over the years.

NEW DIRECTIONS

It's hardly necessary to enumerate for this group the dramatic changes of recent years, notably the breakdown of the old top-heavy command-and-control corporate hierarchies that dominated business management for much of the postwar era. The emergence of new technology that spread information

throughout the organization and the emergence of economic globalization and competitiveness that demanded immediate and flexible responsiveness tolled the death knell of that old order.

In the place of traditional management has come the organization characterized by greater decentralization in operations, coordination by mutual adjustment, knowledge located anywhere regardless of authority, lateral flow of information, communication in the form of information and advice, and centers of excellence. Layers of management have been stripped away and the pyramid is now much flatter, with decision making located further down in the organization.

What I would like to focus on today is the role of employees in this reshaped organization, and, in particular, I would like to consider one of the critical issues the chairman set out at this Commission's initial meeting: the vision of labor-management relations in 2005 and 2020, and where we should be going.

Probably the most significant human resources development in recent years is management acceptance of the notion that an organization is more than a collection of individuals and that, paradoxically, in order to obtain the maximum contribution from the individual members of an organization, it is necessary to focus on their collective dynamic. Increasingly this concept has been manifested in management initiatives with respect to the organization of

work, employee involvement at all levels, quality, diversity, gainsharing, and organizational learning. A statement in the 1991 Allied-Signal annual report suggests the force behind this movement:

The value of teamwork to Allied-Signal success in the 1990s can't be overemphasized. We need people who are willing to share their ideas, who listen to others, who want to participate and be involved in the process. Without question, there will always be a need for leaders who set priorities and make final decisions. But, at every level, they must actively engage each employee in developing the thoughts and ideas that shape those decisions. The Lone Ranger, the autocrat in the corner office, the guy with all the answers need not apply.

Employee participation has taken hold around the world, although the focus of participation has differed from country to country. In Japan emphasis has been on "decentralization of responsibility," a management approach that has not paid a great deal of attention to the impact on the employee. In Europe, the process is largely driven by history after World War II, which has led to various forms of codetermination. Indeed, the European model is a legal-political one whereas the U.S. model stems from the behavioral sciences.

Participation differs from codetermination in both process and results. In participation workers are drawn into the process of helping to reorganize work and set objectives. In the unionized sector of the United States, unlike many Western European countries, unions have an active presence in the workplace, and the focus is on "participation and employee

involvement." Hence, the U.S. view is less ideological and less "one-way street" than either the European or Japanese models. The U.S. experience manifests our positive cultural orientation with respect to harmony of individual and collaborative interests.

Some American observers have seen as models for this country to emulate the institutions of continental Europe, such as Germany's legally mandated works councils, which management must consult on economic and technical matters and which have joint decision-making rights on "social," or work practices, issues. This is a far different phenomenon than that taking place in the United States. These European institutions are grounded in the political experience and the more defined class structure of many European countries. They are unlikely to travel well and are unlikely to fit our more democratic society. Many union leaders who have visited Germany have rejected the works council concept because it is not dominated by the unions. Beyond that, the most recent research concludes that there is no significant evidence that works councils have any positive impact on company performance in Germany; whatever evidence there is indicates a negative impact.<sup>1</sup>

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<sup>1</sup>John T. Addison, Kornelius Kraft, and Joachim Wagner "German Works Councils and Firm Performance," in Bruce E. Kaufman and Morris M. Kleiner, editors, Employee Representation: Alternatives and Future Directions (Madison, Wisconsin: Industrial Relations Research Association, 1983).

Looking to Europe for solutions to our problems seems quite strange to me, since the most dramatic changes at the workplace have been taking place in the United States, and Europeans are busy studying them and attempting to adapt them whenever possible, even if it means moving to the United States. Indeed, my experience is that when European and especially German companies establish facilities in the United States, their first objective is to avoid the rigidities, and therefore the costs, of the systems they have had to live with in their home countries, and this is true of Japanese firms as well.

Jobs are being expanded in scope and workers are being given greater autonomy in performing those jobs. Real employee "empowerment" is taking place on the American shop and office floor and, although the process has been slow and uneven, it is spreading, and at a fairly rapid pace. In July 1993 ORC surveyed 50 companies with two million employees.<sup>2</sup> Of this sample, 25 percent of the workforce, on average, are involved in team initiatives, with involvement ranging up to 70 percent. Participation is averaging 69 percent above that of five years ago, and respondents expected a further 29 percent increase in the next year.

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<sup>2</sup>Results of the ORC Employee Involvement Survey (New York: Organization Resources Counselors, Inc., 1993).

## CHANGES IN THE WORLD OF WORK

Let us dwell a little more, therefore, on the changes taking place in the world of work. The first thing we must be aware of is that there is no secret formula, and thus no single approach. Employee committees, for example, have been formed to address a rather wide variety of subjects. The ORC data identify the most common as safety and health, work improvement/productivity, quality, and customer service. Companies have experimented with all forms of employee empowerment, from quality circles to autonomous work teams, in both unionized and unorganized situations.

The Commission has already heard from a number of organizations that have achieved measured success. They have moved away from the traditional mechanistic form of organization and away from scientific management's precise division of labor with narrow jobs devoid of analytic content to more organic forms, with decentralized authority, less cumbersome and fewer rules and procedures, and much wider spans of control emphasizing "oversight" rather than "control" per se. (Other contrasts between these management and human resources approaches are provided in the appendix.) Companies have adopted new approaches, not because they want to be good guys, but because the new structures and methods of operation give them more flexibility; this in turn allows them to deal more effectively with the uncertainty that characterizes the



business environment today and is likely to do so for the foreseeable future.

There is growing recognition that the human input into the production process is as important as the technology being used. Workers are being trained to be more broadly skilled and to have greater autonomy in performing their jobs. Some organizations have moved directly to the application of sociotechnical systems theory, with its emphasis on worker autonomy in carrying out assignments; flexibility in job assignments, where each worker is capable of and actually performs different tasks, with accompanying pay based on job knowledge; and teamwork, with group interaction and commitment.

Even where change has not gone as far as socio-technical organization, jobs are being redesigned to allow workers greater opportunity to more fully use their abilities. Traditional job classifications are being modified, and in lieu of the old extremely narrow jobs, jobs now are multiskilled. Teamwork is the key to the new work organization. Another innovation is that instead of industrial engineers setting up an area, production employees now do so. Allowing plant-floor people to do their own set-up work carries an extra advantage. Since the workers have set the job up, they get a feeling of ownership and resulting responsibility, as against the former attitude, "I only run the machine."

In many locations a new type of job has emerged - an operator/maintenance category -- as shop-floor workers are also being provided with more understanding of their equipment, allowing them to make adjustments themselves when breakdowns occur. In fact, in many establishments workers now have the authority and responsibility to stop operations if they believe something is wrong.

All this experience indicates that changing the nature of work and the work group are the keys to successful employee involvement. By giving the work group a say in operations, management makes it a functional part of the organization and, in the process, converts the work group's traditional alienation from the organization into identification with it and its goals. Since the basis for involvement is the work group, there is no issue of selection of participants. This is not a representative process; it is an involvement process.

A second important point is that change cannot be accomplished overnight in one fell swoop by executive fiat. The ORC data identify the most common obstacles to participatory efforts as organizational culture, recalcitrant managers, lack of clarity about team roles and objectives and in some cases lack of union cooperation. Merely setting up a structure of "involvement" is a waste of time. Attitudes and modes of behavior of managers and workers have long been ingrained, and some are more resistant to change than others.

This does not mean that change is not possible, only that it requires new attitudes on the part of managers and the creation of a climate more conducive to change in all parts of an organization. Everyone, from the top of the organization to the bottom, must be trained for the new ways of operating.

In particular, the new organization changes the nature and role of many supervisors. Managers must learn to conceptualize an entirely new way of operating and managing a people-process integrated system. As Wickham Skinner has phrased it, instead of acting as watchdogs and disciplinarians, they must become planners, trainers, and communicators -- and, I would add, coaches and cheerleaders. Where autonomous teams exist, foremen disappear and the major function of the few managers left is to facilitate the teams' needs.

#### INCREASING COMPETITIVENESS

The aim of these changes is not simply to make work more interesting but, by doing so, to improve production efficiency and quality. In this way, the organization becomes more competitive in domestic and/or world markets. More competitive firms selling more goods and services translates into better job security for the firms' employees. In many instances, unions representing a company's employees are equally conscious of this, and that is why at Xerox, Ford Motors, Saturn, AT&T, and a host of other companies, unions and management are working together to ensure their

corporations' global competitiveness. In the ORC survey union attitudes toward team initiatives were perceived by managers as

Little or no support	20%
Neutral	26
Supportive	41
Highly supportive	13

Not all companies, divisions, and plants within companies, or even departments within plants, have adopted the new forms of job design and work organization, but they are spreading at a rapid enough rate to constitute a sea change. Companies such as Motorola, AT&T, Federal Express, and Ford Motors are operating plants in which workers have considerable authority, correcting mistakes on their own, ordering parts when necessary, and deciding among themselves when to work overtime.

Management thus has found its way toward making work intrinsically more satisfying and less centrally directed because in this direction lies greater efficiency and product quality. Training employees to handle advanced technology not only upgrades their skills but also motivates them to perform by providing more meaningful jobs, giving them autonomy in carrying out these jobs, and involving them in decision making. All this leads to higher profits, which is what business is all about in a market economy. It also means

better skilled workers who are more marketable in the new industrial world.

Companies that have broadened jobs and tried employee autonomy and involvement have expressed satisfaction with results. They have reported an upsurge in employee ideas for greater efficiency, which suggests a high level of worker enthusiasm for the process. These companies are fully determined to continue down the road of employee empowerment, and it would be a tragedy if they were prevented from doing so by interpretations of existing labor relations law.

American manufacturing has made a dramatic comeback from its situation a decade ago. Manufacturing output per man-hour is up 37 percent since 1982, and for durable goods the increase is 54 percent. As a result, unit labor costs are up only 11.5 percent in total manufacturing, and actually down 2 percent in durable goods. Consequently, the United States has regained competitiveness and exports are growing. With the poor economic performance of Europe retarding exports there, American producers are finding growing markets in Latin America and Asia. Obviously, all these gains cannot be attributed to the new work organization, but that has played an important role in the U.S. comeback.

Business and industry in the United States, however, cannot stop in their efforts of continuous improvement. Other countries will seek to catch up, and they are looking at our record to see what we have done that they should attempt to

copy. Competition is also coming from many more places, including Southeast Asia and Latin America, as all nations seek to expand their industrial bases. Thus, restoring American competitiveness is not a one-shot operation, but a constant process of improving efficiency to keep ahead of all the others who are trying to do the same. Continuous improvement is not only a way of life for a competitive company, it must also be a way of life for a competitive nation.

Given this global economy, what vision of labor-management relations will ensure our economic leadership in the 21st century?

The one thing of which I am totally convinced is that achieving the goal of greater efficiency through employee involvement goes well beyond labor relations and extends to all aspects of the larger issues of human resources utilization. That is why management has learned to recognize employee participation to be of significant value in meeting global competition. And employees are responding favorably. It is my view that nothing will impede the advance of employee participatory processes, for they have become the reality of how work is done, of how management can compete, and of how employees want to work.

Experience also shows that there is no universal formula for successful employee involvement. No company has found the perfect vehicle; they are experimenting with quality

circles, autonomous production teams, and the like. Indeed, companies are little concerned with traditionally formulated techniques of involvement and are engaging in much more experimentation, with variations designed to fit each situation. It is a pluralistic approach, for what works very well in one case may not do so in another. Any attempt, therefore, to dictate a particular form of participation would be counterproductive.

Successful employee involvement is taking place in all types of situations, whether there is a union present or not. Although some unions oppose involvement, a number have responded favorably to the opportunity, and even locals have accepted the concept. Certainly, this has been the case with the Amalgamated Clothing Workers at Xerox. I recently visited the Union Camp paper mill in Savannah, Georgia, at which, at management's invitation, the local union actively participates in running the operation. Worker teams are in charge of production, all traditional types of work rules have been jettisoned, distinctions between production and maintenance have largely evaporated, the management hierarchy has been collapsed, and the local shares in decision making. One manager from another company, after visiting the plant and hearing a presentation by local union members on the new approach, said, "I have seen the future with my own eyes, and now I am a believer."

I am not addressing the subject of union-management relations in detail, not because I think that this is an unimportant subject, but because I think that focusing on union-management relations and the NLRA will result in participation's being lost in legalisms about arcane labor-law issues. A labor-law-reform struggle between union and management will most likely end in political stalemate and total frustration.

Employee participation is functioning effectively in both union and nonunion establishments. It is not a union or nonunion issue. Participation is a necessary ingredient in the current competitive environment. The Commission should propose legislation that would ensure that all employees can continue to participate in management processes. The way to do this is to seek enactment of legislation separate and apart from all existing labor relations and workplace regulatory legislation that would ensure workers' ability to participate in decision making with respect to their work. It should be possible to do this in a manner that would steer clear of the subject matter of collective bargaining.

Such legislation should focus on the rights that individual workers should have, separate and apart from collective representational rights. This could include rights regarding training and retraining, a subject beyond the scope of this testimony, but certainly would cover the right to participate in employee involvement schemes, and would



encourage employers to adopt such programs. Again, no specific involvement formula is envisioned; reality dictates that pluralism must be the key; that is, each organization must be allowed to adopt the best approach for its particular situation. In nonunionized establishments, involvement programs obviously would arise from management action, often in response to employee suggestions; in unionized situations, they would be bilateral or, if the parties desired, even trilateral, including outsiders, as occurred three decades ago at Kaiser Steel and Armour.

The important point is that it is the individual worker who has the right to participate in the decision making with respect to his or her work. Section 8(a)(2) need not be a bar to such a proposal. If changes in the NLRA are to be considered, the issues on labor's or management's agendas that might be subject to horse-trading must be kept separate from the issue of employee rights. Otherwise, any resulting stalemate will operate to the economic detriment of the nation.

At the Commission's first meeting, Secretary Reich pointed out that government today has a pragmatic role to play by encouraging the type of flexible labor-management relations that are necessary in the 1990s and through the millennium. Thus, my answers to the three questions in the Commission's mission statement are:

1. The continuing evolution of employee participation should be encouraged and not overregulated.

2. Rather than attempting to amend the NLRA, which would open the door to a stalemate over labor-law reform, separate legislation to support and encourage employee participation should be enacted.
3. As Commission member Kochan has written, "Workers today have acquired a taste for a cooperative, productive, and informal workplace."<sup>3</sup> Government in the coming era should recognize the legitimacy of employee participation, provide minimal encouragement and support for it, and otherwise leave it alone.

Thank you.

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<sup>3</sup>Anil Verma and Thomas A. Kochan, "The Growth and Nature of the Nonunion Sector Within a Firm," in Challenges and Choices Facing American Labor, Thomas A. Kochan, editor (Cambridge, Massachusetts: The MIT Press, 1985), p. 113.

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## Appendix

### CONTRASTS IN MANAGEMENT AND HUMAN RESOURCES APPROACHES

<u>Element</u>	<u>Traditional</u>	<u>Modern</u>
Role of employee	Follow directions	Participate in decision
Concept of job	Highly defined	More fluid
Performance appraisal	Boss tells subordinate	Team members assess each other
Layers	Many	Few
Spans of control	Narrow	Expanded
Vision of business	Domestic	Global
Salary administration	Rigid grading	Broadbanding
Focal point	Cost	Customer
Vision of employee	Cost/asset	Cost/asset
Locus of decision-making action	Centralized	Decentralized, devolved
Make/buy	Make	Who can do best?
Organization size	Bigger = better	Smaller = better
Use of computer	Hold data for center	Maximize data distribution
Differences	Assimilation	Diversity
Compensation mix	More base; less variable	More variable; less base
Evaluation focus	Job	Skills/knowledge
Emphasis	Programs	Processes
Reference to other organizations	Do what others do	Judicious selection of "best practices"
Key to organizational performance	Sum of individuals' performances	Team performance
Careers	Like marriage	Like dating
Responsibility for HR	HR department	Line, with HR department support
Work-people fit	Employee adapts	Work often adapted to people