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TRW, Inc.

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*Hot Topic
"Future Worker-
Management"*



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STATEMENT OF
HOWARD V. KNICELY
EXECUTIVE VICE PRESIDENT
TRW, INC.
BEFORE THE
COMMISSION FOR THE FUTURE OF WORKER-MANAGEMENT RELATIONS

January 19, 1994

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION: My name is Howard V. Knicely. I am the Executive Vice President — Human Resources, Communications and Information Resources for TRW, Inc. TRW has 62,000 employees worldwide. In the U.S., TRW has 35,000 employees—9% of whom are represented by various unions. While TRW is primarily known for its automotive manufacturing operations, about 27% of our employees work in our Space & Defense segment and are considered “knowledge workers” with scientific and engineering backgrounds, while another segment of our population, about 8%, are in service related businesses. The employee involvement principles that I will be discussing here today apply to all three segments of our business.

On a personal note, for members of this very distinguished Commission, my 33 years of business sector experience has all been in human resource management including both domestic and international assignments in union and non-union facilities with FMC Corporation, Mobil Oil, Rockwell International, Hartmarx, and the

last 14 years with TRW. I suppose if I were on the opposite end of a job interview, one might characterize me as a job hopper.

I am also a member and past Chairman of several industry associations including the Labor Policy Association of which I am the Vice Chairman, the Employee Relations Committee of The Business Roundtable, and the Personnel Roundtable. In view of this, the Commission should find my comments reflective of the thinking of a number of my peers throughout American industry.

I am pleased to appear before you today to discuss the importance of employee involvement to companies such as TRW and the questions raised by recent National Labor Relations Board decisions. I will leave it to the lawyers to discuss the precise nature of those questions. My purpose is to describe pragmatically the importance of employee involvement to the future competitiveness of not only TRW, but American industry as a whole.

In the late 1960s and early 1970s, TRW, along with corporations like General Foods, Procter & Gamble, and Cummins Engine, realized that increased global competition was forcing us to consider dramatic changes in the management of our organizations. We recognized early that these changes were necessary to remain successful and, in some cases, to survive.

We were at the threshold of a "revolution" in human resource philosophy wherein we realized that the previous way of managing work and managing people had underutilized a tremendously valuable asset — the intellectual resources of our workforce. Through an early experiment by TRW in a pilot plant in Lawrence, Kansas, in 1976, we discovered that getting people more involved in corporate decision-making often resulted in decisions that were more responsive to the needs of both the people working on the shop floor and our customers. Our pilot plant became a showcase for the industry. Dr. Ed Lawler, currently one of the foremost authorities on Employee Involvement and head of the Center for Organization Effectiveness at USC, wrote about this plant in his book High Involvement Management, and it was cited in

articles in Harvard Business Review, Organizational Dynamics, and other professional journals.

The 1970s were a revolutionary time for TRW as we experimented in such locations as a bearings plant in Gainesville, Georgia, an automotive steering plant in Lebanon, Tennessee, and a valve plant in Danville, Pennsylvania, with a wide variety of practices, some of which worked and others which didn't. One of the critically important lessons we learned was that a program that was highly successful in one facility might not work at all in another. The nature of the work, the local culture, the personalities of the local players, the history of relations between employees and management, and myriad other factors determined both how and whether employee involvement could be implemented. In some cases, employee involvement didn't work at all. In others it was a smashing success. But, even among those approaches that worked, we learned very quickly that no two were alike.

It is disappointing to hear references to "employee involvement" in a "one size fits all" manner. Employee involvement is all about how employees relate to one another, working with each other individually and in teams. A prescriptive "one size" approach assumes that among worksites, there are no variables in human personalities, in corporate cultures, in union and non-union settings, in the demographics of the workforce, in the age of the worksite, and in the history of employee, management, and union relations. The fact of the matter is there are significant differences, and for that reason employee involvement can only be encouraged, supported, and nurtured. It cannot be mandated.

In addition, we have learned that employee involvement is not a new policy like a suggestion box program. Rather, it is a product of a major restructuring going on in American industry that is flattening organizations, eliminating redundant layers of management, and driving decision-making down to the lowest levels possible in a company. As that happens, employee involvement emerges, manifesting itself in a variety of forms:

- broader and more flexible job designs making work more meaningful;
- innovative reward systems that recognize the employees' contribution to the success of the enterprise and make them feel they have a stake in that success (for example, gainsharing plans);
- a renewed emphasis on training & development that helps employees become multi-skilled and therefore more valuable; and,
- more effective, open, honest, two-way communications between managers and employees.

Where employee involvement has been successful, it must be wholeheartedly embraced by both the management of the business and the employees. For companies like TRW, it means increased productivity, higher levels of employee and customer satisfaction, improved quality, and a continuous improvement environment that leads to a more competitive position in the marketplace. For employees it means more meaningful work, greater opportunities to learn, the ability to influence the way work is performed, and being part of a work environment where mutual trust and open communications are an accepted part of everyday work life. We have only to look at the results of our own TRW employee opinion surveys to measure how employees feel about employee involvement. The most recent surveys in TRW indicate that employees:

- decide for themselves how to accomplish their jobs (88% positive response);
- are responsible for planning the work they are expected to accomplish (84% positive response);
- feel free to talk to their supervisors about ideas and problems (81% positive response); and,
- feel free to give suggestions to their supervisors about improvements in their departments (80% positive response).

I would be pleased to have any or all members of this Commission visit one of our facilities where employee involvement has been successful and talk directly to the employees themselves. I think you will find that, if anything, the survey results understate the degree of employee satisfaction.

Establishing a culture that embodies the principles of employee involvement has not been an easy task. Indeed, it is a continuing one where we are constantly seeking to improve its effectiveness. Yet, we continue to pursue it because the benefits of employee involvement are impressive:

- a more highly-trained workforce;
- increased employee satisfaction with work;
- greater efficiency through faster cycle times and reduced waste;
- greater customer satisfaction;
- more competitive enterprises, thus increasing overall job security; and
- a more enviable position in the global marketplace.

A few specific examples of results from our manufacturing facilities are:

- In Mesa, Arizona, at a non-union, automotive airbag plant, employees are organized in manufacturing cells that provide input on product design, manufacturing process, the management process, and the reduction of waste. During the last two years, this approach has resulted in a 16% decrease in man-hours per part. Our improved competitive position has led to a 40% increase in employment on this product line.
- The Lafayette, Indiana, Automotive Steering Plant, represented by the UAW, utilizes self-directed work teams on the Pitman Arm Product Line. The team establishes manufacturing schedules, resolves quality issues, and makes routine decisions related to the business. The result of this team effort has been 20% increased productivity.
- At the Rack & Pinion Staton Plant, a non-union facility in North Carolina, self-managed teams were established in 1987 and have achieved an

85% increase in quality levels by eliminating defects and meeting customer delivery needs through material flow improvements, manpower adjustments, and better overtime planning.

- The TRW Lebanon Plant, represented by UAW, received the State of Tennessee, Department of Labor, Commissioner's Award for Labor Management Excellence in 1992. They were the only manufacturing facility in the state to be so recognized. Much of that recognition is based on the employee involvement efforts at the plant.

We firmly believe that results such as these and many others I could cite offer ample evidence that employee involvement is an essential ingredient for workforce competitiveness. Thus—when I first heard that the application of employee involvement was being questioned under the National Labor Relations Act, I was astonished. Here we are moving aggressively to give employees in our factories, labs, and offices significant power over their own work lives, while Federal Government policy seems to be saying that is no longer permissible unless it is done where collective bargaining is present. Yet, at present, only 12% of the private sector workforce is covered by collective bargaining agreements. For that reason, it is very important that this Commission take a close look at employee involvement in non-union, as well as a union, settings. In looking at the list of witnesses that have testified before the Commission thus far, however, it seems that 27 union officers have testified, but only 3 non-union work teams. I certainly appreciate the opportunity to give you my views on the subject, but the Commission may find it more valuable if you were to hear from employees who are actually working in self-directed work teams for their views about this culture change that American business has embraced. Otherwise, the Commission may be overlooking the most important human resource development in the past several decades.

I find that those who tend to support maintaining the current antiquated law tend to operate from one of two contradictory impressions: 1) employee involvement is a

substitute for collective bargaining; and 2) employee involvement is inseparable from collective bargaining and can only be successful when the two are combined.

In fact, both of these impressions are inaccurate. Collective bargaining and employee involvement are separate and distinct. If equating the two is not quite like "apples and oranges," it is, at a minimum, like "apples and pears."

Our company's experience certainly supports this notion. We have facilities where there is successful employee involvement with a collective bargaining agreement in place, and we have others where there is successful employee involvement without collective bargaining. The fact is—employees view the two processes as separate and distinct. Under employee involvement, they view themselves as offering their own individual views for improvements, which may or may not include working conditions. Under collective bargaining, they view themselves as speaking with a single "collective" voice on issues that only involve working conditions.

The bottom line is businesses of the 90s are operating with an entirely new set of principles than the ones that gave rise to our current labor laws. I urge this Commission to recognize this trend and register strong support for employee involvement. In doing so, I would suggest that you not try to mandate employee involvement nor try to attach conditions to it. Neither will work. Instead, our labor laws should be deregulated to allow American companies and their employees to continue down a path they started upon 20 years ago when it became clear that old ways of doing business had to change. It's time for government policy to change as well.

In my company, as in most others, technology is being acquired in numerous ways—capital can be raised wherever the financial market is most attractive. However, the single-most competitive advantage we have that cannot be acquired or cannot be copied is a well trained, highly motivated, and involved workforce. This is our hope for the 90s. Employee Involvement is and must be a win-win strategy in all segments of our industrial policy.