Labor Research Review

Volume 1 | Number 10
Mismanagement & What Unions Can Do About It

Article 12

1987

Mismanagement: Labor's Rightful Cause

Greg LeRoy

Mismanagement: Labor's Rightful Cause

Abstract

[Excerpt] Mismanagement is so widespread and its effects upon job security, wages and standards are so damaging to labor that unions must expand the traditional boundaries of their authority and begin to experiment with ways to challenge "management prerogatives." While some people may argue that such a direction will lead to "enterprise unionism," those arguments have many of the same weaknesses as those against worker ownership and power-sharing. The alternative in our current situation is to passively allow managers to continue to destroy jobs and communities. Those who hope to rebuild our economy based upon more humane principles will need a constituency which includes union members who have, at the local level, really dug in and challenged mismanagement, posing alternatives to save jobs.

The discussion below covers the most common and damaging forms of mismanagement; the rest of this issue of Labor Research Review shows what unions can and have done to challenge bad management. It does nor cover subjects which many of us consider mismanagement of the overall economy, such as socially destructive deregulation, laissez-faire trade policies, or the massive diversion of precious financial and technical resources to the military. While not ignoring such national economic issues, the training for empowerment for more grass-roots control of the economy has to begin with local campaigns where local unions and their allies have immediate organizing handles.

Keywords

union, labor movement, management, mismanagement, organizing, standards, productivity, enterprise unionism


HOW MISMANAGEMENT WORKS...
GM IN TROUBLE
BLAM! BLAM! BLAM! BLAM! BLAM! BLAM! BLAM! BLAM!
©'86 HUCK UE
HUCK·KONOPACKI
29,000 LAYOFFS

Mismanagement

Labor's Rightful Cause

■ *Greg LeRoy*

It was 1981, and the Pullman-Standard passenger car plant was busy producing its most valuable order in many years: 284 bi-level cars for Amtrak. John Bowman, a welder and president of Steelworkers Local 1834, found himself in a nightmare on the shopfloor. As his team went down the line installing brake boxes on the cars, another team came behind ripping Bowman's work out, followed by a third team which put in different boxes.

This costly arrangement was one of many glaring problems which the union at Pullman repeatedly tried to resolve, but management basically told the union, "We're in charge here. Do what you're told and don't ask questions." There were engineering changes to be made, management said.

Behind such snafus was the fact that Pullman management had been changed in mid-contract. The new president was a former astronaut and many of his key assistants had no experience building railcars. They tried to install an aerospace-style manufacturing process, discontinuing the use of mock-ups, so that one style of car alone required 32,000 engineering changes *during construction.* The result: the Amtrak order lost Pullman so much

---

• *Greg LeRoy is research director of the Midwest Center for Labor Research.*

money the entire multinational rail-petrochemical-construction conglomerate was severely weakened and forced to merge. When the Amtrak order was completed, the plants in Chicago and Hammond, Indiana, were shut down and 2,100 skilled carbuilders, including many second and third-generation craftspeople, lost their jobs. Despite a two-year campaign by USWA 1834, the last American-owned passenger railcar builder was gone.

In the dozens of "autopsies" of plant closings which the Midwest Center for Labor Research (MCLR) and our sister groups have performed in the last several years, mismanagement has been found to be a significant cause of death in more than half. Sometimes, as in the case of Pullman, the mistakes of management become public knowledge. But most plant closings occur quietly, and the role of management is never examined. Within the community of groups fighting deindustrialization, we know that mismanagement is a major public issue which deserves to be called what it is and attacked head-on.

American management loves to talk about how much more competitive the marketplace is today than it was ten years ago, and therefore how unions must agree to concessions. While it is true that many markets have more competition than they used to, what the managers fail to mention is that in many cases mismanagement *allowed* the competition to arise in the first place.

Managers also fail to point out that new competition means any management screw-ups today are much more likely to be magnified into a loss of business and jobs. It is true that we are in a substantially different period than we were 20 years ago; there is much less margin for error by management, much less separating disaster and growth.

The labor movement and its allies have far too much at stake to allow mismanagement to continue unabated. Shutdowns caused by mismanagement are hurting basic industries, severing critical linkages which may never be recovered. The resulting job loss is further undermining the social contract in many labor markets, putting pressure for concessions on neighboring unions, making it easier for union-busters to ply their trade, and costing the labor movement millions of constituents.

Mismanagement is so widespread and its effects upon job security, wages and standards are so damaging to labor that unions must expand the traditional boundaries of their authority and begin to experiment with ways to challenge "management prerogatives." While some people may argue that such a direction will lead to "enterprise unionism," those arguments have many of the same weaknesses as those against worker ownership and power-sharing. The alternative in our current situation is to passively allow managers to continue to destroy jobs and communities. Those who hope to rebuild our economy based upon more humane principles will need a constituency which includes union members who have, at the local level, really dug in and challenged mismanagement, posing alternatives to save jobs.

The discussion below covers the most common and damaging forms of mismanagement; the rest of this issue of *Labor Research Review* shows what unions can and have done to challenge bad management. It does *not* cover subjects which many of us consider mismanagement of the overall economy, such as socially destructive deregulation, laissez-faire trade policies, or the massive diversion of precious financial and technical resources to the military. While not ignoring such national economic issues, the training for empowerment for more grass-roots control of the economy has to begin with local campaigns where local unions and their allies have immediate organizing handles.

It's Everywhere! It's Everywhere! From the Shopfloor to the Boardroom

Workers and their unions know some kinds of mismanagement from everyday experience on the job, and production-level mistakes are often a critical cause of a company's problems. But most workers never learn of the less visible but often more dangerous errors managers make at upper levels in the company, especially in the business plan, where such fundamentals as marketing, finance, reinvestment, and research and development get botched. It is incumbent upon unions to detect both the obvious and the "invisible" brands of mismanagement and to educate members about their damaging effects.

Anything which endangers the long-term viability of a workplace, whether by omission or by commission, is mismanagement.

Shopfloor Mismanagement

When asking for concessions or announcing a shutdown, management often tries to blame labor for problems which are actually the responsibility of the company. Below are listed the most common forms of mismanagement as experienced by workers on the job.

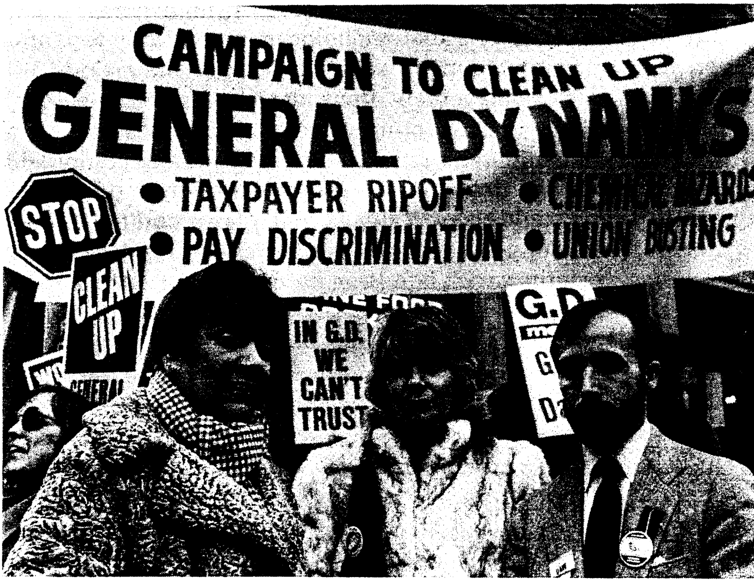
Disinvestment is the most important and frequently-observed problem, and it is especially common within conglomerates. No plant can remain viable if too many of the profits its workers produce are diverted elsewhere. Outdated or poorly-maintained machines increase costly down time, hurt morale and damage quality. The causes of disinvestment are many, but few are the unions who have made it a public issue against a specific company.

Antagonistic management-labor relations are an enormous cause of lower productivity. They take many forms: discouraging workers from speaking up about ideas (which encourages resistance to management ideas); lack of communication between managers and workers (or communication which is intended to intimidate rather than inform); disruption of traditional promotion ladders (so that workers get new bosses who do not know the machinery or procedures); too much turnover in management (which produces paranoia within any bureaucracy and poisons cooperation); double standards when it comes to management bonuses vs. worker concessions (and when it comes to discipline for mistakes or corruption); and plain old anti-unionism (which usually has more to do with management's obsession with control than with the desire to make a profit).

Contracting out has become a rampant trend in some industries, but it has proven in many cases to be a short-sighted "quick fix" which reduces quality, creates production delays, increases warranty costs, and generally allows a company less control over its product. If the costs of these side effects can be computed, contracting out is often found to be not cost-effective, and the long-term effects on a company's ability to compete can be devastating. This seems to be especially true in industries where safety, quality, and/or complex technology are involved.

Failure to use new technology effectively is another common experience. Who hasn't seen a boss spend big on new equipment or a system which is expected to produce magic results, only to see it lay idle or never be fully utilized because it was poorly chosen or because not enough training was included or because a miscalculation was made about the demand for its use?

Irregular attention to quality control and abuses of "quality circles" are also common. Pride in labor and a reliable product is an instinct for most workers, but companies often stifle that urge with speed-ups, outsourcing and other arbitrary measures which go against quality. Spending for quality control is too often treated as a discretionary item which can be changed at any time, rather than as a linchpin for long-term viability. Even where inspection procedures are good, they are often countermanded by management orders to "ship it anyway." And when companies decide to invest in retraining for quality circles, it is too often with a secret agenda of circumventing union procedures or otherwise



Solidarity Magazine

During bargaining in 1984, the Autoworkers effectively used a public campaign to expose a series of wasteful and destructive management policies at General Dynamics.

undermining work standards.

Nepotism and cronyism, especially in closely-held companies, force workers to suffer obviously incompetent management. On the other hand, some competent small business owners fail to groom a viable successor to take over when the "old man" dies or retires, endangering a good business. An MCLR survey of smaller closely-held Chicago manufacturers found that one in six are likely to face a shutdown because of successorship crises.

Boardroom Mismanagement

Behind these commonly experienced forms of shopfloor mismanagement, there are usually causes in higher places. In challenging mismanagement, unions need to carry their efforts beyond the immediately obvious to the less visible but more fundamental executive errors.

The American business press has for several years been rife with stories which detail high-level corporate mismanagement and how it occurs. An article entitled "Managing Our Way to Economic Decline," by Harvard professors Robert Hayes and William Abernathy in the July-August 1980 issue of *The Harvard Business Review,* is often cited as a seminal piece which helped prompt attention to the many shortcomings of U. S. managers.

Hayes' and Abernathy's analysis holds up remarkably well after seven years of continued manufacturing decline. The major shortcomings of U. S. management they identified were: too much emphasis on short-term returns, not enough research and development, too little reinvestment on new plant and equipment, too much analytical detachment from production and markets, too many lawyers and accountants in high places and not enough engineers or marketing experts, too much high-level instability and not enough executives with hands-on industry experience, and too many mergers and too much diversification. All this adds up to a management culture which is not dedicated first to "keeping their companies technologically competitive over the long run."

The model Hayes and Abernathy pose to counter such shortsightedness is especially interesting: Europe, where "the pressures from labor unions and national governments virtually force [companies] to take a consistently long-term view in decision-making."

It is hard to pick up an academic management journal, business magazine or management best-seller today and not find more details on how accounting methods irrationally steer investment away from basic manufacturing; how low and mid-level supervisors intentionally subvert quality circles because they would make the supervisors unnecessary; how managers fail to grasp the potential of computer-aided design or flexible manufacturing systems and aren't applying them to appropriate tasks; how computerization is used to increase management control and produce more work stress rather than to improve flexibility by complementing worker skills; how marketing managers fail to adequately track consumer preferences or shifts in market niches, or how "strategic planning" is failing to produce long-term success.

The last few years of management literature amount to one huge "mea culpa" for the decline of the U. S. economy, a virtual flood of management self-flagellation. But few unions have seized on these confessions to turn them into offensive weapons for labor in specific campaigns.

Perhaps the most ironic example of U. S. management criticizing itself is the case of W. Edwards Deming. An American statistician and quality control guru, Deming is credited with a major role since 1950 in the high-quality Japanese production miracle, but he has been "discovered" by American companies only since 1980. Though no advocate of unions, Deming gets paid $3,000 a day to lecture high-level managers on the same points unions know all too well. Deming denounces short-term thinking ("worship of the quarterly dividend"), management turnover and managers who did not start on the shopfloor, and too much emphasis on visible target figures (vs. the invisible multiplier effect of a happy customer). He argues that American workers are denied their "right to pride of workmanship" by excessive supervision and a lack of proper tools, good working conditions and accurate ways to measure changes in quality. Deming estimates that 94% of U.S. quality failures are caused by bad management.

Investment decision-making criteria which are biased against reinvestment in manufacturing have also been criticized on many counts, especially the "discounted cash flow" system which most companies use to determine whether to make a new investment. By insisting on an arbitrary hurdle rate or too quick a payback, these systems provide management with a "rational" basis for not investing. Though apparently based on cold logic, such calculations are often biased by subjective assumptions about the rates of profit a company *may* be able to make in another investment. They also fail to account for the fact that failing to invest today can mean much greater costs tomorrow if a competitor does invest, reduces costs and gains market share.

Another alarming mismanagement trend is the rise in component outsourcing and/or joint ventures in which foreign companies supply the more complex, higher value-added parts to U.S. companies, who merely assemble and market the final product. Already in automobiles, machine tools and consumer electronics, this is a rampant problem. The long-term danger is that by losing direct participation in the engineering and manufacturing processes, American producers eventually lose the critical mass of technological skills needed to survive when new assembly and marketing competition arises. The "Hollow American Corporation" was the subject of a March 1986 special issue of *Business Week* magazine, which included a remarkably blunt analysis of how serious the problem has become. It also exhibited a growing recognition that people have to have steady incomes to be able to buy new products and drive the economy. "If lowering wages is the only way for the U. S. to regain its edge, then the solution may be worse than the problem," declared America's top-circulation business magazine.

A frequently devastating pattern of error in marketing has been the abandonment of the "low end" or lower-profit segment of the market, which allows competitors to enter, establish customer relationships, and eventually penetrate higher-profit segments. This sickening routine has been played out repeatedly in major industries, including automobiles, machine tools and farm machinery. Many American manufacturers, complacent from many years of low-risk oligopoly markets, have drifted out of touch with consumer preferences or failed to make more than cosmetic improvements, becoming easy marks for competitors with a closer pulse on consumer satisfaction and product design.

Merger mania has caused mismanagement in many basic industries, as conglomerates buy up manufacturing companies, placing new executives in an industry in which they have no prior knowledge or experience. The process breeds instability within management, causing companies to lose their investment in key managers, and alienating workers who lose respect for new management because of its obvious lack of expertise.

Generally poor business planning is the legacy of many U. S. industries which enjoyed monopolies or oligopolistic control of their markets. The resulting arrogance and "herd instinct" stifled innovation and risk-taking. When American steel producers and consumer electronics companies dominated world markets, they thought little of selling technology to Japanese companies, unwittingly seeding their own demise. Now, under desperate pressure to find profitable market niches, the steel companies impulsively herd into such ventures as electro-galvanizing, so that the U. S. now has about twice the ELG capacity it needs. The electronics companies do little more than assemble and market Japanese-built components, leaving them prey to currency fluctuations, which can play havoc with their costs. Detroit automakers failed to heed Walter Reuther's calls in the 1940s and 1950s for more production of smaller cars, and have suffered their biggest loss of market share to better-designed small imports.

Corporate waste and corruption have become endemic problems within some industries, most notably the defense/aerospace sector. The UAW's campaign against General Dynamics made effective use of the company's gold-plated prices for Pentagon supplies, and even the business press played up the lavish lifestyles of Allegheny International executives when that company's problems became public knowledge.

Management's demeaning attitudes towards labor are perhaps most blatantly exposed now by the ways computerized technology is being applied in the workplace. While obviously there is a great deal of variety between situations, the big picture is that too many companies regard computers primarily as a tool for greater control over workers. For workers, this means that the promise of a more stimulating work experience is hollow. Instead, workers are reduced to computer "tenders," locked out from developing applications and demeaned by being coerced to execute poorly-

. . .Autoworkers protest at General Dynamics headquarters.

designed systems handed down by managers who have no hands-on knowledge of the work.

Also, managers often jealously horde the learning of new skills to operate the computers. In *Brave New Workplace,* Robert Howard tells the frightening story of Eastern Airlines machinist Dave Boggs, who took eagerly to a new computer-controlled punch press installed in his shop. Though excluded from official training, Boggs persevered on his own time to learn how to program the machine. Denied access to the device for creating the program tapes, Boggs even learned how to enter programs directly into the machine's memory, and he reduced the turnaround time for a new program from weeks to hours. Instead of rewarding him for his initiative and efficiency, management responded by locking the machine and instructing Boggs to help the programming department learn to correct their mistakes.

The Problem Is: Not Enough Worker Control

Common threads in the self-critical management literature support arguments made by those unions who have challenged mismanagement. The main point is that American workers today have too little control over their everyday work flow and almost no influence at all over the general strategic plans their employers devise. Workers can get such power only by being organized and acting through unions.

The average U. S. worker would never advocate actions or policies which would endanger job security. If labor had more control, many disasters could be averted, and a greater emphasis would always be placed on long-term competitiveness and stability. People want good leadership, and they will do good work if they feel management is competent and fair and is operating on a sound business plan.

Many unionists would be willing to consider mild concessions, but only in return for concrete actions by management to make jobs more secure, such as reinvestment and power-sharing. People may be willing to retrain, to reexamine some work rules or to reorganize workflow, but they are not going to give up something for nothing, especially if it only brings lower pay and meaner, more dangerous working conditions.

American managers insist on much more control than their counterparts in other industrial democracies over such issues as workplace safety, mass layoffs, plant relocations and shutdowns, collective bargaining, and long-term sector planning. Yet many American companies operate profitably in those countries where they must share power and where labor has much greater influence over "management prerogatives."

The American labor movement has been largely inhibited from challenging mismanagement by the prevailing post-war ethic of "management rights," which left management to the bosses and restricted unions to questions of wages, benefits and work rules. That was all well and good when workers could get laid off at one shop and walk across the street and get rehired at another shop at a similar wage. But those days are long gone, and they won't be coming back until workers and their unions thoroughly redefine the rights and prerogatives of management.

At Risk: America's Hearts and Minds

At stake is the ideological war being waged in the public media over who is to blame for America's industrial decline—and implicitly, who therefore deserves to influence future industrial policy. Most Americans today accept the prevailing corporate doctrine that unions have "priced themselves out of the market" or otherwise made it impossible for companies to compete. To be able to counter such rhetoric effectively, labor must begin to articulate and publicize mismanagement and the role it plays in causing layoffs and shutdowns. Unions need to seize the issue of mismanagement and use it offensively to challenge public opinion about who is really responsible for most shutdowns, and about who needs to clean up their act if we are to save America's industrial base.

If the labor movement fails to capitalize on the opportunity for influence which mismanagement presents, the issue will be co-opted by corporatists and used against union interests. A fall 1986 speech, for example, sounded hauntingly familiar: "Steelmakers didn't modernize," declared the speaker, and automotive management "looked to styling instead of quality." ". . .the loss of our color television market is unforgivable." "We were beaten with technology we invented." "Middle management grew too high by 25 to 30 percent. . . they had no operating experience. . ." "We are not putting our best and brightest into manufacturing." ". . .there is no one to blame but American management—not labor, not the government, but management." Was that Jesse Jackson on the stump, or maybe Lane Kirkland? No, it was Ronald Reagan's Secretary of Commerce, Malcolm Baldridge, amid reports that the need for "a more productive America" will be the theme of the final two years of the Reagan administration.

If the labor movement allows business interests to seize and distort the public debate around mismanagement, then "a more productive America" will surely come to mean more of the same: lower wages, speed-ups and attacks on work rules under the guise of "flexibility." But if labor takes its rightful place as the leading voice on this issue, we can exploit a golden opportunity to influence U. S. industrial policy and rewrite a more secure social contract for American jobs. ■