

Driving change by participation

Companies in the 21st century need intelligent, motivated, collaborative, and enterprising people – employees who are perceived as assets, not just cost factors. But the new approach to management involving downsizing, restructuring, re-engineering and massive layoffs means that employees are becoming dispensable. What challenges to human resources management and participatory structures does this present?

After years of restructuring and reorganisation, companies are now leaner, but not necessarily any fitter. An initial evaluation of their situation following the wave of restructuring reveals a wide degree of scepticism and dissatisfaction, even in formerly euphoric management consultancy circles. It is obviously not enough to become smaller, faster and more flexible. The trend is now towards growth strategies. This being the case, company management should, as Hamel and Prahalad state in their best-seller “Competing for the Future”, concentrate their energies more on renewing their competitive strategies. Downsizing and re-engineering have been buzzwords in recent years, but at what point do you

stop cutting away fat and start to damage the muscle?

One of the inevitable results of downsizing is a decline in workforce morale. Our empowered, participative employees are no more motivated than workers who built the pyramids in ancient Egypt and knew that when they finished their work they would be killed. According to Gertz and Baptista in “Grow to be great”, profitable growth offers the best opportunities both for shareholders, as it reaps almost twice the rewards from the markets as improved performance through restructuring, and for the workforce, as morale suffers and productivity declines when fear of job losses is rife and rumours begin to circulate.



Photo: Jürgen Seidel

Managing change for the survivors

Re-engineering gurus like Hammer and Champy see the reason for the failure of many projects in a lack of willingness on the part of business leaders to break the bones of people who resist. But modern management follows a different route. The buzzwords today are “change management”, “learning organisation” and “business transformation”. Management textbooks are being rewritten and psychologists are doing a brisk trade.

A central idea of successful organisational change is that resistance to change can be overcome by those affected becoming involved, the →

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→ theory being that this resistance is derived from prejudice and fear of the unknown. The basic idea goes back to studies on overcoming reluctance to eat certain foods, carried out by Kurt Lewin in the USA at the end of the Second World War. As meat was becoming scarce, the idea was to persuade American housewives to overcome their disgust and eat the innards of animals. The group involved in developing the approach was more successful than the control group, which was merely subjected to a didactic process. A change of attitude can therefore be achieved if those concerned are actually directly involved in a process consisting of a series of stages: unfreezing, moving and refreezing.

According to their own account, companies like petrochemicals company Veba Oil Inc. in Germany have been able to persuade their entire workforce, including the Works Council, to move towards becoming a learning company. Restructuring, revitalising, and renewing – the idea behind these steps towards business transformation is little more than a trendy reformulation of Lewin's idea as described above. The instruments involved include – from the top down – "leadership alignment" and "executive coaching" as well as "bottom-up" meetings and similar forms of communication.

But for change to be successful it is also important to establish whether what is involved is merely a manipulation technique or whether it has some ethical content. A recent publication by the Bertelsmann Foundation and the Hans-Böckler Foundation (1996) shows that both small and large firms like Bertelsmann, Volkswagen, Müller-Weingarten, Henkel, Preussag-Stahl, Warner Music and Wilkhan are based on a practical corporate culture of partnership and responsibility.

More than ever before, innovative management is all about transcending lines of demarcation. "People" are the key-factor in this process, but not in isolation. Traditionally, innovation policies have been based on industrial research and development. Nowadays the approach focuses on the entire process, from the initial idea for a

product right through to its marketing. But lines of demarcation between operations within a company are also being challenged in an even more radical manner. New technical and organisational developments like the Intranet, electronic commerce, data-warehouses, knowledge management, idea workshops, and simultaneous engineering are contributing to the acceleration of a development in which human resources management plays a crucial role. Some examples of these developments are:

– **Innovative personnel management:** This requires a participatory and entrepreneurial approach. Companies like 3M, which claims to introduce a new product on to the market every day, give open-minded, lateral thinkers time and resources to think about innovations. This also includes indirect human resources management. More pressure from the market and less from the hierarchy are achieved when structures are more decentralised or when there is a threat of outsourcing. A well-motivated workforce, reduced absenteeism and other benefits can be gained not only through direct management instruments, such as new forms of pay and management styles, but also by adopting a customer-oriented strategy, assuming a decentralised organisation and fostering a culture of trust. Human resources teaching overcomes traditional specialist boundaries.

– **Internal marketing:** The service element in products is growing in importance. Marketing is now being carried out less and less by the marketing department and more and more by the employees themselves, who have become to some extent part and parcel of the product. It is important to establish a service culture and at the same time develop an appropriate human resources policy. Car manufacturers like BMW have realised that it is not just a question of external marketing of new models. The product development process also has to be internally "sold" to the workforce and management. Quality management not only improves customer satisfaction and loyalty but internal factors such as employee satisfaction and loyalty as well.

– **Reorganisation and an "in-company**

alliance for jobs": The German airline Lufthansa set itself the goal of achieving a radical reorganisation, not by deploying external turnaround specialists, but by working with the workforce and using internal reorganisation teams. One factor which increased trust was the fact that working conditions were guaranteed, even in the case of outsourcing, by agreement with the works council and the union. As we pointed out in our book "Outsourcing-Management" in cases like Siemens, Volkswagen, Digital Equipment and ABB, the necessary flexibility can only be achieved by first ensuring certain employment standards. A further example is railway operator Deutsche Bahn, which is planning to shed 60,000 jobs by the year 2003. In October 1998 it agreed with the trade union to form an "in-company alliance for jobs". This involves the company abstaining from operational redundancies until the year 2002. In return, the workforce has agreed to accept more flexible types of work and working times. Reorganisation, paradoxical though it may sound, was achieved by securing existing resources.

These examples indicate that becoming a learning company is more than just organising a team spirit, becoming more process-oriented and having a participatory approach to removing prejudices and coping with change. It also involves ways of regulating conflict and working conditions when there is a conflict of interest.

Developing participation strategies

Against this practical background it is surprising that indirect or representative forms of participation – works councils, unions, public policy – are often not mentioned in modern management textbooks – even in Germany. Employees are, however, mentioned as stakeholders whose goals and interests should be satisfied. It may be that the arguments have to be kept general and we are seeing a convergence of new management concepts but a divergence of interest representation. However, industrial relations are too important to be left to sociologists or historians.

If lifetime employment cannot be guaranteed, even in Japanese firms, what else can be achieved? What corporations are offering in place of security is 'employability' which allegedly puts each person in charge of his or her own career.

However, this does not address the problems for those who are not necessarily well-trained or self-confident, who do not have the skills or ability to move easily to another job, or who do not know what they want to do but would like to be loyal to an employer and work for them for many years.

The fundamental human need to belong is becoming increasingly difficult to satisfy, in families, communities, churches, schools and now in corporations. The theory of 'employability' does not meet that need and reeks of self-serving hypocrisy, but the terms of the social contract have changed and the issue facing a 21st century corporation and its employees is "how to make the best of it", as Wind and Main of the well-known Wharton Management School put it.

One of the goals when rewriting the social contract could be, as they argue, not to get rid of people, but of work that does not add value. They refer, for example, to Corning Incorporated, which demonstrated its responsibility by taking six steps before laying off employees:

1. Use slack time to train workers
2. Let temporary workers go
3. Move to split shifts
4. Move to job sharing
5. Consider pay cuts
6. Help employees get other jobs

In Germany, by contrast, this corporate responsibility is enforced by a statutory and representative approach to participation. There is a dual system, with collective agreements (negotiated between unions and employers) legally taking precedence over plant-level agreements (negotiated between works councils and management). This system possesses considerable built-in flexibility and is open to new ideas. A committee of employers, trade unionists and scientists, set up by the Bertelsmann Foundation and the Hans-Böckler Foundation (1998), recently came to the conclusion that co-determination, the specific form of individual and collective participation, was no longer the state affair which it used to be; but rather an element of self-organisation within society which required further development. Of course there are controversies, but it is remarkable that union- or company-linked institutions like these foundations are encouraging the debate.

The European Commission's "Proposal for a Council Directive establishing a general framework for informing and consulting employees in the European Community", supported with 5 million Euro in 1999, is a step forward on the stony path to establishing a general and flexible framework for greater participation in the European context, including indirect participation. A European Commission Green Paper also recently focused on a "Partnership for a New Organisation of Work". Direct participation is not always enough, even from the point of view of modern management theory and practice. But it

is also not necessarily driving out works councils and unions. On the contrary, both instruments could well work together to face challenges such as how to reconcile the security workers want with the flexibility companies need.

As Olson argues, the efficiency of companies and industries depends on comprehensive collective action in the relevant institutions – so enterprise or sector unions and employee representatives have some advantages. And it seems to be the case that in countries where greater participation is accepted by management, like Denmark, Germany, Ireland, Netherlands and Belgium, employee representatives also desire it. (European Foundation for the Improvement of Living and Working Conditions 1990, 1991)

At the beginning of the 1990s, Kester and Pinaud argued that we were moving into a new era, which they called Scenario 21. Here, employers' preference for direct forms of workforce participation such as financial participation (ESOP's) and participation at shop floor and company level on the one hand, and the kind of indirect workforce participation favoured by trade unions, such as collective bargaining, joint consultation or co-determination bodies on the other hand, are converging.

Since then we have moved some way in this direction. Managing is no longer a prerogative of shareholders and managers, but also a mission for employees and their representatives. The framework for enabling this should be further developed. ■

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