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ORGANIZATIONS & PEOPLE

# My Unfashionable Legacy

Participative management has proven its remarkable capabilities again and again. So why is it passing into obscurity?

by Ralph Sink

The last few years have been bittersweet for people like me, pioneers of high-performance systems with decades of experience. The high-performance systems approach — also known as self-organizing teams and participative management — endows people throughout an enterprise with the skills, understanding, processes, and authority they need to make their own decisions on behalf of quality and business success, instead of having all the ideas and commands flow from the top. Experiments in self-managing teams were once controversial, but they created so many solid performance gains at companies such as



Illustration by Lars Leetaru

Procter & Gamble, Crown-Zellerbach, General Foods, and General Motors that they are now mainstream. I have seen firsthand how powerful and profitable it can be to give people the room to design their own workflow and manage their own processes.

Despite the successes of high-performance systems, the concept is less fashionable in management circles than it used to be. Some leaders of the field, including Eric Trist and Fred Emery, pioneers of “sociotechnical systems,” have passed away. Others, like Charles Krone, a key developer of the high-performance technician system that Procter & Gamble has used since the late 1960s, are retired or semiretired. Some companies

that once made major commitments to high-performance systems have slid back to authoritarian management, even if it leads to decreased productivity. save

The next generation of managers, particularly on the operations and shop-floor side, don't always have the skills and training to design, create, and lead high-performance systems, and there's a real danger that this knowledge could be lost entirely. Now is the time for my colleagues and me to cast our minds back and distinguish, once and for all, the factors that made us succeed.

### **Step-Change Improvement**

Here, then, is my story. In 1978, I was a senior engineer at a DuPont plant in Martinsville, Va., that had been founded in 1941 to make nylon; it was still being used to produce a variety of textiles. DuPont hired Charlie Krone to regenerate two plants, of which one, at Martinsville, was a union site. My first thought was that Krone's approach would be just another "flavor of the month." But after two sessions with him, I was a believer. His initial design sessions systematically gave our shop-floor teams more perspective and training than they'd ever had before. He deliberately used a Socratic method of asking questions that helped people see problems and solutions more clearly for themselves, and he established well-defined goals and conducted open conversations about work issues so that teams could work together more coherently. Supervisors, freed from the need for heavy supervision and control, could then focus their attention on collaborating to make operational and product improvements. Such a shift takes attention, a basic respect for employees, and an investment of time.

Yet almost immediately, we saw results at the Martinsville plant. There was a dramatic increase in quality and a decrease in cost; our textile brands became more competitive. In 1983, we negotiated an early retirement opportunity with the union in which we reduced management from eight levels to four, operators picked up many of the routine tasks that supervisors had handled in the past, and we downsized the factory by several hundred employees without rancor. The plant still ran at capacity.

The operators became innovators: One team designed a US\$60,000 spinning unit that solved a technical problem that the engineering department had said would cost \$2

million to fix, and another created a sophisticated and efficient supply chain that delivered the right quantities of fabric at the right times to a large customer.<sup>save</sup> (This was years before the phrase “just-in-time” had caught on.) We also kept our part of the bargain; when the operators saved us millions of dollars a year by managing inventories more precisely, we used that money to seek new business rather than to lay people off. The shift in responsibility served me well personally, because it allowed me to focus on developing products and building customer relationships, which brought me to the attention of other companies in the region.

In 1990, I took a job as director of operations for CPFilms, a manufacturing firm that had been recently acquired by the British chemical company Courtaulds (the “CP” stands for Courtaulds Performance). Based, like the DuPont plant, in Martinsville, this division made electromagnetic spectrum polyester film used in automobile and architectural windows. I left my secure, comfortable job at DuPont, where I’d been for 21 years, with the understanding that I would have a free hand to implement high-performance systems.

Indeed, that was the only way I could imagine achieving the financial results that Courtaulds wanted. The market share of the whole business unit was falling; quality was poor; we had massive inventory costs; production was rife with infighting; there were regular bomb threats at the factory and lost-time injuries at least once every three weeks; on Monday mornings, some operators were too hung over to work; and customers were looking for alternatives. The CPFilms executives, all located two hours away, had grown up in the “old school” of empty presentations and high levels of control. They were all ready to sell the place off, and would have done so if not for the effect that selling at a loss would have on the stock price. Instead, out of desperation, they gave me a relatively free hand.

### **“The Floor Did It”**

I took on the task of simultaneously improving results, managing day-to-day activities, and transforming the company. This transformation began with three basic objectives: to maximize our competitive position, to improve the quality of our thinking, and to create a culture of continuous improvement. I laid out a basic principle: Before making

any decisions, the division's managers would seek the maximum intelligence of all relevant and affected people. Decisions would be openly communicated before being implemented, and challenges to them would be welcomed, provided the challenges were based on logic and sound business.

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Everyone was skeptical — operators, maintenance personnel, and upper management. I knew that the first people to see the value of high-performance systems would be those most immediately connected to production, innovation, and quality: the operators. Then interest might spread to frontline supervisors, to the maintenance group, to the middle managers, and, finally, to the marketing and sales managers. All these groups had to be knit together, so we started by creating task forces to solve problems that were frustrating the operators and hurting the business.

The first group called themselves the “dust busters.” The dyehouse where CP Films added color to polyester was hot, dirty, and overwhelmed by problems with quality and production. Morale was so bad in that shop that, when an operator with 30 years of service fell from a faulty ladder and broke his collarbone, he was too afraid of losing his job to list the real reason on the paperwork. Blaming the ladder would mean blaming the manager who hadn't repaired it, so he wrote down that “the floor did it.”

With me cheerleading and protecting them, the dust busters started to clean up the plant. Our safety program explicitly stated that the company had to provide a safe environment and reliable tools and that everyone would be responsible for their own safety and that of their fellow employees. This was a sign that management was paying attention. “Maybe they really care about us,” people said.

Then we went further. “Everyone will be a businessperson,” we declared. “And layoffs will not result from our improvement efforts.” This meant that we would give up the long-standing (and much-disliked) practice of hiring people during good times and letting them go during our seasonal downturns. Talk about culture shock! It also meant giving blue-collar workers tasks and responsibilities that had once been reserved for managers. For instance, when we bought new equipment, the operators

visited other sites that used that machine, and then budgeted and installed the machine themselves.

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We also elevated everyone's thinking about quality. "If the work coming to your station is not of sufficient quality," we told assembly line workers, "you can either refuse to accept it (and let us know) or even stop the production machine, and you will not get fired."

Eventually, someone tried it, and we kept our word. After that, other changes followed more quickly, including pay reforms that rewarded employees for learning new skills. The improvements added to the company's profitability, and that in turn meant added job opportunities. In time, the operators were not only willing but eager to try experiments that might help the plant beat the competition. They would bring competitors' products on the floor and help us reverse engineer them.

As the CPFilms managers and employees grew more comfortable talking together freely, I knew it was time for us to come up with principles as a group. A principle is just a commonly held guide for thinking, behaving, and making decisions. You can manage a process or machine with regulations, rules, and procedures, but if you want the best chance to capture people's latent potential, then you start with principles that people "own" and help create. One of ours read: "We will enable each other to be the best at what we do and we will integrate the excellence of individuals, teams, and functions in a way that satisfies our customers and stakeholders." No boss could impose that from the top; when we crafted it together, however, we could live by it.

### **Being a People Person**

We then created three informal business units within manufacturing, each with its own P&L accountability. This was important because employees want to be a vital part of a self-contained team to which they can have allegiance. We moved the quality control lab equipment onto the shop floor, and provided training so the operators could conduct their own tests. This did not make us popular with the corporate staff, of course, but it dramatically improved our results. In another bold move, we stopped the traditional practice of selling substandard products to our second-class customers; this

had made us some quick money, but had gradually eroded our image in the market.

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The hardest part was avoiding the implication that the previous approach <sup>save</sup> had been wrong, in a company where everyone had colluded with those outmoded methods by simply following procedure.

We then brought together quality, manufacturing, and research managers, deliberately picking the people who argued with one another most vehemently, and sent them out in groups to visit our customers' factories — something some of them had never done before. The sales departments protested that this would interfere with their relationships, and the manufacturing managers protested that they didn't have time. But we sent them anyway, and what they encountered was unhappy customers. Our managers returned from these trips to customer sites with a great deal more respect for one another, and resolved to fix our company's quality problems. The shift in attitude was both immediate and lasting.

Within the first year, we made a 35 percent performance improvement. It worked so well that our division head promoted me to global vice president of human resources for CPFilms. "You seem to like people," he said. "You spend so much time with them." In other words, he didn't get the point that people were the key to performance. I resolved to redefine HR, taking it from an administrative function to a driver of business results by helping people reach their potential. I placed a world map on my office wall, and marked all our plants and distribution sites with flags. Every spot with a flag was a location ripe for changing our thinking.

We suffered a major setback when a new division CEO arrived at CPFilms who did not seem to believe in human development and who saw manufacturing as a liability. He pulled back the training that was a critical part of the team system, and he used our gains in productivity to mandate new head-count cuts nearly every Monday. One night, we both attended a dinner meeting with his boss, a Courtaulds vice president. The VP asked me how the people were doing. "We're still making improvements," I said, "but it's despite ourselves. We're going to get a union if we keep this up." This breach of hierarchical decorum infuriated the division CEO; he later chewed me out, and, for the next three months, he barely said good morning to me. We continued the layoffs.

Then, one rainy February morning, I arrived at the plant to confront picket signs.

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Labor union organizers had gathered signatures from more than 65 percent<sup>save</sup> of the employees. The CEO charged into my office, demanding to know how, as head of HR, I had let this happen. When I pulled together the frontline supervisors, they said that although they supported the organizing effort — “You management are getting what you deserve” — they didn’t actually want to be unionized. They wanted to go back to our team system. So did the other employees, they said. That turn of events helped me negotiate an agreement: There would be no union, we’d reinstate the high-performance approach, and we would guarantee that no layoffs would result from any improvements we made in productivity in the future.

### **No Such Thing as Commodities**

That was 1993. For the next 12 years, there were no layoffs. Our housekeeping, maintenance, environmental, and safety records were as good as any company’s in the world; you could eat off the floors in the plant. With our quality intact, our business grew. Revenue increased more than 100 percent; margins improved by 55 percent or more. Production doubled, profits were three times the industry average (an improvement of 650 percent), and on-time delivery rose 30 percent, to almost 98 percent. Safety, the first problem we’d addressed, was now world class; we went two years without a lost-work accident at any plant anywhere in the world. Waste decreased dramatically; one product line reduced its waste level from 13 percent to 2 percent. When I expressed satisfaction, the technicians responded, “Actually, we know we can get it to zero.”

One critical factor was our workers’ ability to gain individually from these results. We had said that pay would increase after business successes, and we lived up to that promise. We made it easy for people to take on new tasks and build new skills, working closely with business and technical colleges in the area. We set a corporate goal: becoming the employer of choice in our area. We gave people pay increases when they learned and used new capabilities, and we promoted them for merit and promise, not seniority, through an open process involving written or oral tests (their choice) and a peer review.

At one point, the Courtaulds vice president of finance tried to block our pay-for-skills approach. “You’re just giving away money to be popular,” he told me. “For <sup>save</sup>every \$80,000 in pay increases, I will cut four people.” But he dropped that threat after the next quarterly cycle, when we made far more in income than we were spending on pay increases.

Visitors to CPFilms plants often said, “If we had your people, we could do this too.” And I would just smile. After all, a dozen years before, management had wanted to displace these very same employees.

And a high-performance approach is not limited to production. I have seen it applied to marketing in the chemical industry, for example, although many people believe that chemicals are necessarily commodities. I believe that there is no such thing as a commodity business. You can always create distinctiveness that leads to higher value, new markets, and higher margins, if you are willing to apply thinking, creativity, energy, and care.

Now that I have retired from CPFilms and am operating as an independent consultant, I think I understand better why it is sometimes hard to keep systems like this going in today’s corporations. Many new managers, trained as engineers, expect to run operations according to step-by-step recipes. But just as thinking isn’t brainstorming and learning isn’t rote memorization, managing a high-performance system isn’t a matter of following rules and procedures. You have to observe the systemic whole of an operation — not just what people are doing and saying, but their latent potential for contributing to the business, which is often nearly invisible because it has been repressed for so long by management. And then you have to translate that integrative, almost poetic understanding into everyday nuts-and-bolts decisions about scheduling, maintenance, incentives, workflow, and technological design.

You then have to build the authority to insist on accountability and performance — including insisting on getting it from your superiors — but you also have to give up authority to anyone who is capable of wielding it effectively. You have to trust that, given the same information you have, other people will come to logical decisions and

actions that are as good as, or even better than, your own. And you have to accomplish all this in corporations that set up incentives (such as stock options) that <sup>save</sup> punish long-term investment and favor short-term measures: cutting head counts, selling off underperforming businesses, and cashing in on quick gains.

No wonder the self-managing teams approach is endangered. And yet, I cannot help but believe that it will prevail in the end. Ultimately, the most critical factor is managers' view of human nature. Managers who believe in the value of people's diverse skills, desires, aspirations, ambitions, and enthusiasm and who are prepared to recognize and reward the quality of thinking that people bring to their work — no matter what the organizational impediments seem to be — are capable of running a high-performance organization. The concept may not always be in fashion, but there are many of us out there, ready to put it into practice, if only we get the knowledge and the courage to follow through.

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