BEST PRACTICE NUMBER 4

DEVOLVE DECISION MAKING TO THE FRONT LINES OF THE ORGANIZATION[65]

Labor-management cooperation works because, at its ideal stage, it instills an "owner's mentality" in workers at all levels of an organization. A worker with an owner's mentality, like the actual owner of the enterprise, has an economic and indeed a personal stake in the success of the enterprise. She wants the business to succeed because its success is tied to her personal success. She has an economic incentive to make the organization run as efficiently as possible and to create innovations that will help it grow in the face of competition.[66]

Separate and apart from the question of financial incentives, in order for a worker to have such an owner's mentality she must have a voice in the operation of the enterprise. Why bother to make a suggestion to improve quality or efficiency when management does not even listen? Even if management would be receptive to workers' input in a general sense, many workers will make the extra effort to innovate only if there is a sufficient incentive and there are mechanisms in place to actively encourage and consider their suggestions.

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As we have seen in places throughout the previous three chapters, while labor-management cooperation has the potential to create substantial

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65 By David Thaler, with the assistance of Jennifer Oritz.

66 See , e.g., Slater Robert, Get Better or Get Beaten; 29 Leadership Secrets from GE's Jack Welch (2d ed.), McGraw Hill 2001, at pp. 111-114; Frieberg, Kevin & Jackie, Nuts!: Southwest Airlines' Crazy Recipe for Business and Personal Success, Bard Press 1996, *passim*.

economic benefits, many organizations have a very difficult time navigating the cultural change that is required to make it work. Many managers instinctively fear the consequences of "letting go" without considering the consequences of *not* letting go. An organization that does not provide a voice for its workers – indeed devolving many decisions to them – is doing itself a disservice in several ways:

(1) by having managers make all decisions, it is denying itself the invaluable input of those who do the front-line work on a daily basis and are consequently most familiar with its challenges and pitfalls and ways to overcome them;

(2) even if management somehow "gets it right" through top down decision-making, circumstances and conditions change, and front-line workers are in a unique position to both detect and react to change; managers ignore front-line workers' input at their own peril;

(3) denying workers a voice and a measure of control over their own work processes is so disempowering and non-self-actualizing[67] that many workers are bound to become alienated from their work and revert to a minimalist work ethic: putting in the minimal time, effort and thought into a job and, in effect, doing just what is expected by the boss and no more. Such behavior, if widely engaged in, places the enterprise at an extreme disadvantage relative to companies whose workers provide greater input.

It is ironic that phases of production that have traditionally been considered to be "lower level," are actually much *closer* to the heart of the work product -- whether it is a production part at the end of an assembly line or customer service at a retail location.

In the APEC region, several bold companies have greatly benefited from making the leap to devolution of decision-making to lower organizational

[67] See the Introduction at pp. Section III.

levels. For example, Mexico's **Grupo Resistol** has developed an extensive program to both motivate and give decision-making power to work groups at the production level. Their compensation is tied to their results as well as the competencies that they develop.[68] The **Atlantic Baking Group** in the United States was designed from its inception to have a shallow management hierarchy with extensive responsibility entrusted to its hourly workforce.[69] In **Chile**, the government has encouraged the formation of *Bipartite Committees* that are explicitly empowered to make decisions concerning training within firms.[70]

To see the functioning of devolved decision-making in practice, it is useful to look at the **Harley-Davidson** motorcycle company in the United States. Harley-Davidson's labor-management partnership was featured at the first APEC LMG event, the APEC Colloquium on "Successful HRD Practices in the Workplace: Contributions from Labor-Management-Government" (Victoria, Canada, June 1999).[71] The following excerpt from that case study, describing various layers of workers that have been given formal decision-making authority, conveys a flavor of devolved decision-making in action:

> The first layer of decision-making falls within the four Process Work Groups (PWGs) [which are organized according to skill and function: Fabrication; Paint; Assembly; and Future]. Groups of workers, called Natural Work Groups (NWGs), are responsible for decisions at the "floor level" and are essentially self-directed. Within the NWGs the work of building motorcycles gets done. Specific tasks are planned and organized, the parts and supplies provided, and the shared decision-making on quality, output, safety checks, and communication is done. A collection of NWGs and

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68 Grupo Resistol, at p. 3; See also, Grupo Resistol PowerPoint Slides

69 Atlantic Baking Group, at p. 3.

70 Chile Case Study, at p.5-6.

71 The Summary Report, including all of the case studies, from the Victoria Colloquium is available on the World Wide Web at http://www.capi.uvic.ca/publications.html.

> support employees (roughly 15 in each NWG) make up the PWG.
>
> The second level of decision-making is the Process Operating Group (POG), which is a smaller leadership group among the PWG made up of the Process Leader, steward, and a member of each NWG along with a support employee. The POG accepts the decision-making role in the PWG. It is responsible for assuring delivery of the parts/products and services for that particular manufacturing process, on schedule and within budget. In the POG, the work of the NWGs is coordinated with other NWGs within that particular Process Operation. POG representatives share production information with the NWGs, other POGs, PWGs, and NWGs throughout the factory. POG stewards, with a working knowledge of the Agreement, shepherd the partnership and resolve issues with their Process Leaders.[72]

Consistent with the lingo that has developed with the advent of *High Powered Work Organizations*, the Harley-Davidson Labor-Management partners assigned a "level" that they hoped to attain with each element of shared decision-making. In the Harley-Davidson program, there were three levels:

(1) D1: Unilateral – Management or Labor retain sole discretion to make decisions;
(2) D2: Unilateral, but with prior input from the other party(ies)
(3) D3: Joint Consensus – Each side has veto power over the decision.[73]

At the formation of the Harley-Davidson partnership, the partners developed a table that assessed where they were with respect to each type of decision, as well as their eventual goal. In all cases the desire was to

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[72] Harley Davidson Case Study, http://www.capi.uvic.ca/publications.html, at p. 6
[73] Id., at p. 4.

go from more unilateral to more consensus-based decision-making. The following is an excerpt from their table: [74]

TYPE OF DECISION-MAKING	NOW	GOAL
Education/Training – Focus: Education and training will be primarily work-related. • Joint needs assessment • Targeting audience • Curriculum design • Priorities/sequencing • Instructors/materials/methods • Implementation plans • Train the Trainer • Use ALL resources	Some 1s and 3s; mostly 2s	3s
Production Scheduling – Focus: Scheduling of new model introductions, motorcycles and power train production, and current and noncurrent parts production impacts our daily work lives and decisions regarding these effects will be shared. As an example: • Annual build schedule [move towards type 2 decision] • Sub-annual period schedules [move towards type 2 decision] • Effects of the above [3] o Hours of work o Overtime o Crew size o Shifts o Support staff by shifts	Mostly 1s	2s and 3s
Subcontracting – Focus: partners will jointly determine all subcontracting decisions that involve in or our sourcing of work directly related to hourly employees	1s and 2s	3s/2s
Technology Integration – Focus: Continuously improve the company's competitive capability through the	Some 1s; mostly 2s	3s

[74] Excerpt provided courtesy of the International Association of Machinists and Aerospace Worker's Office of High Performance Work Organizations, in conjunction with the Harley Davidson Case Study.

application of appropriate technology, such as:
• Systems
• Processes
• Process of Technology Selection
• Implementation, which . . .
  ○ Enhances people, processes, and organizational effectiveness
  ○ While addressing the possibility of worker displacement		

As we can see, the devolution of decision-making does not occur for its own sake. Rather it is part and parcel of a comprehensive program to draw upon the knowledge and talent of all workers and managers to reach clearly defined objectives.

Not all organizations are ready for this type of change, and in all cases the decision of what goals to seek, and how to use devolution of decision-making to reach them, is one that must be made with great planning and care. To this end, enterprises often find it valuable to undertake a formal organizational assessment prior to developing modified decision-making processes that devolve some decision-making authority to front-line workers.[75]

The case study from **Chile** provides an example of a large scale "assessment" in the form of a multi-stakeholder dialogue. In that case study, the stakeholders undertook a formal review of the various organizations' social dialogue structures before they created the program to build firms' capacity for devolved decision-making. Once the small firms and their workers began to engage in the new dialogue, a consensus developed that, if greater reliance was going to be placed on workers closer to the front lines of production, they would have to be equipped with

[75] See, e.g., Atlantic Baking Group, at pp. 4-5.

greater job skills for this increase in authority. As a result, the need for job skills training programs was recognized and a methodology was developed on that basis.[76]

A similar multi-stakeholder approach was adopted in Quebec, Canada, one that also reflects the trepidation with which some of the parties entered into the process of consensus building toward devolved decision-making:

> . . . (T)rade union groups were in favor of new organizational forms if these were accompanied by a consensus-building approach. They saw in it a path that led to an increased autonomy for employees in the performance of their duties, thus promoting versatility and occupational training and improving the union's participation in the life of the institution. Furthermore, in the companies themselves the local unions were often divided between caution and the wish to be involved in the organizational changes proposed by management. However, this shift towards work relations adapted to more efficient organizations required to call into question the traditional model of work relations existing between labour unions and employers. Consensus building was increasingly seen as an "economical alternative" that could benefit both parties.[77]

In sum, the various initiatives to promote devolved decision-making that we have seen in this chapter were motivated by the belief that empowering people to take initiative at all levels of the organization was good for the bottom line: the more that workers had an "owner's mentality," the harder and smarter they would work for the good of the business. Along with this realization, however, was the recognition that "imposing" devolved decision-making on an organization is an oxymoron. A program for devolved decision-making must be agreed to and jointly developed by workers and managers so it can take into account both

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[76] Chile Case Study, at pp. 6-8.
[77] Quebec Labor Relations, at p. 8.

parties' interests as well as maximize the amount of information and creative power that will go into the new program.

To maximize the chances of success, there should be training for both workers and managers prior to the devolution of decision-making. Even though workers likely have a good intuitive knowledge of how to modify work processes to make them more efficient and productive, they often do not have experience in operationalizing that intuition into decisions that feed back into work processes. Managers, for their part, often need training to help them with the managing the process of "letting go," to develop their own intuition regarding which decisions they should keep for themselves, which they should devolve, and the various degrees of devolution that are appropriate.

In addition, both managers and workers often need additional training in communication as well as conflict management and conflict resolution that are the inevitable growing pains of a program to devolve decision making to front-line workers. Many organizations, pleased with the benefits of input, creativity and enthusiasm from all workers that results from a program to devolve decision making, feel that the growing pains are well worth it. As they say in the world of physical fitness, "no pain, no gain."