

A MODEL FOR

Union- Management Partnerships

JOHN R. STEPP
AND THOMAS J. SCHNEIDER

In a 1994 report, entitled "The New American Workplace: A Labor Perspective," the AFL-CIO placed the American labor movement on record as favoring labor-management partnerships.

Partnering" has achieved buzzword status in union-management circles. The label is increasingly used to describe dubious efforts, good intentions, fledging initiatives, and more comprehensive cooperative endeavors.

On October 1, 1993, President Clinton issued Executive Order 12871 establishing a National Partnership Council. The order, entitled "Labor-Management Partnerships," required federal agencies to set up labor-management councils to "involve employees and their union representatives as *full partners* with management representatives to identify problems and craft solutions." "Partnerships" immediately blossomed throughout the federal sector.¹

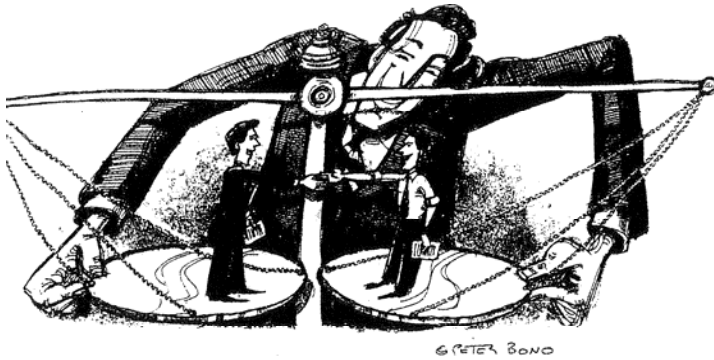
In a 1994 report, entitled *The New American Workplace: A Labor Perspective*, the AFL-CIO placed the American labor movement on record as favoring labor-management partnerships. The document's concluding sentence captures this supportive viewpoint: "And the time has come for labor and management to

surmount past enmities and to forge the kind of partnership which can generate more productive, humane and democratic systems of work organization."²

Collaborative alliances between organizations and their unions make increasingly good sense in today's world. Partnerships are needed and should be encouraged. Global competition, deregulation, privatization, new technology, demographic changes, and marked shifts in public policy have yielded a fast-paced environment. Success is difficult to achieve in an arms-length, adversarial relationship. Positive results, however, will require more than good intentions and nice sounding words. For partnerships to succeed, the parties must spell out their intentions and define the terms of the partnership. Sadly, this is usually not the case.

Defining The Partnership

Partnership is a seductive word, for it resonates well in most ears and rolls with great ease off most tongues. Like goodness and virtue, it is both emotion-



© PETER BOND / SPEARS ON THE SPOT

ally and intellectually attractive, yet sometimes difficult to practice. Its varied interpretations further complicate matters.

Webster's II New Riverside University Dictionary defines partnership as "a contract entered into by two or more persons in which each agrees to furnish a part of the capital and labor for a business enterprise and by which each shares in some fixed portion in profits and losses."³

Black's Law Dictionary lists some eighteen different kinds of partnerships with varying degrees of scope, decision-making rights, benefit sharing, liability, and duration. Black's definition of a general partnership warrants special attention:

A partnership in which the parties carry on all their trade and business, whatever it may be, for the joint benefit and profit of all the parties concerned, whether the capital stock be limited or not, or the contributions thereto be equal or unequal. One in which all the part-

ners share the profits and losses as well as the management equally, [emphasis added] though their capital contributions may vary.'

Partners are categorized in *The Dictionary of Finance* as either general, limited, active, or dormant. It further adds that limited partners are generally "not involved in the management of the business."⁴

Researchers in many disciplines, including psychology, sociology, and management have addressed the subject of relationships. *The Encyclopedic Dictionary of Psychology*, cites the work of Hinde (1981) who proposed eight categories by means of which relationships could be investigated and differentiated:

- (a) the content of interactions;
- (b) the diversity of interactions;
- (c) the qualities of interactions;
- (d) the relative frequency and patterning of interactions;
- (e) the extent to which the relationship is based on reciprocity;

(f) the degree of intimacy;

(g) the interpersonal perceptions held by the partners about each other and their relationship;

(h) the degree of commitment of the partners to the relationship.⁵

Each category raises pertinent issues that should be discussed and resolved before embarking on a labor-management partnership.

Although a wide range of possible relationships can be called partnerships, some minimal criteria should be met before either party employs the term. The scope should embrace more than one issue jointly selected and deemed worthy by both labor and management. The nature of the interaction should be other than traditional, adversarial contract negotiations or rights-based contract administration. The interaction should be of an on-going nature, and the relationship should be based on the principle of reciprocity, with both sides benefiting. This entails parties sharing relevant information and utilizing problem-solving methods. The arrangement must be freely/voluntarily entered into with good faith and honorable intentions.

Provided these minimum conditions are met or exceeded, the term partnership might describe a multitude of undertakings. Precisely because this is so, it is imperative that union and management leadership be exceedingly clear as to the meaning they are attaching to this word.

In our experience, this is usually not the case. Each party has its own imagery for what partnership entails. Invariably, the focus is on the perceived gains one hopes to get from the partnership. Unfortunately, a party will often ignore what must be exchanged in return. On occasion, this fuzziness appears to be deliberate, masking or papering-over perceived differences that might scuttle or delay the launch of the joint initiative. One example of this

occurred between General Mills and the American Federation of Grain Millers. Despite developing a joint vision of the future, and jointly working together to design new systems of work in several plants, the company continually avoided the union's need for a neutrality agreement covering the company's two nonunion sites. This resistance eventually dampened the union's enthusiasm for the "partnership" and led to questions about other management practices.

Defining the partnership or getting clarity and agreement on several critical elements of a partnership before embarking is critically important. These elements are purpose, scope, structure, governance, decision making, security, and rewards. Failing to achieve a shared understanding of these essential ingredients almost assures future confrontation, costly set-backs, and the sense of being deliberately deceived or betrayed.

A Partnership Model

All parties must begin with a shared view on why they are entering into a partnership arrangement. We believe that the most mutually sustainable answer is to improve performance.

Success in the market place is the start-point and necessary condition for meeting both owner/manager and employee/union goals. The basic interests of the parties are joined at the point of sale or the customer.

But success in the marketplace is not sufficient. Success must benefit owners, managers, employees, and unions. Failure to do so will almost assuredly result in the non-advantaged stakeholder's withdrawal, to the considerable peril of the partnership. This was recently demonstrated in the breakdown in the

relationship between LTV Steel and the United Steelworkers of America over the union's right to recognition in the company's new joint venture plant with British Steel and Sumitomo.

The question becomes how to enter a partnership and to guarantee success. The principle means of enhancing organizational performance, which lie clearly within the ambit of union and management, are to better utilize the workforce, to better manage the processes, and to optimize the use of equipment and technology. These changes require changes throughout the organization; a new system of work needs to be created. This new work system removes any encumbrance, rigidity, work rule, or arrangement that prevents getting the right people with the right skills at the right place at the right time to most efficiently and effectively address business and customer concerns. It also includes empowering people throughout the organization to make decisions and take actions relating to their work and meeting customer needs. New work systems further require that employees have the skills, knowledge, and information to make sound decisions and perform effectively. All of these changes, moreover, serve

to get employees engaged and involved in their work, thereby gaining their commitment and, consequently, their full contribution. Thus a successful and durable partnership hinges upon the parties' ability to successfully address core issues that affect the flexible utilization of employees and transform the work systems.

Removing workplace rigidities and introducing new systems of work is no

small order. Structural reform of this sort requires a strong and stable foundation. Over twenty years of experimentation in restructuring work (most clearly demonstrated at Saturn, Northwest Natural Gas, Corning, Levi-Strauss, and Lever Brothers) reveals that a strong foundation is required to support a substantive partnership and comprehensive organizational change. That foundation must include:

- (1) a jointly developed strategic vision for organization,
- (2) a jointly administered business understanding process,
- (3) an effective system for resolving day-to-day issues, and
- (4) a problem-solving method of negotiating collective agreements.

Proceeding without having this foundation in place is tantamount to building on a bed of sand.

Our partnership model rests upon this strong foundation that has been fully described elsewhere.⁷ The purpose of the partnership is to improve performance. It does so by explicitly addressing the needs, concerns, and benefits accruing to the partners. This can be depicted as an equation, represented in the diagram below (see Figure 1). The remainder of this essay will explore the different variables in the equation.

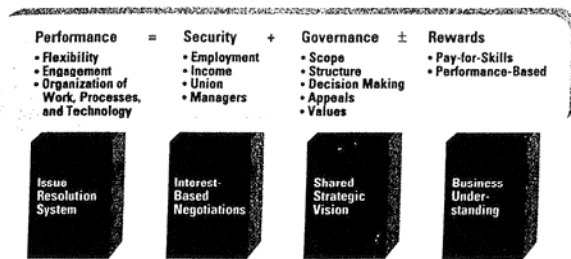
Quid Pro Quos

Security

To the hunter, the thicket or briarpatch is an unpleasant obstacle that hampers his or her effectiveness. To the rabbit, it is a comforting source of protection or security. Such is also the case in the workplace. Seniority systems, narrow and numerous job classifications, work rules, side agreements, grievance settlements, etc., have provided unionized employees some measure of control over the workplace and some modicum of protection from otherwise unbridled management authority.

Rare are the individuals or organiza-

Figure 1: The Partnership Model



Restructuring Associates Inc. © 1996

tions that willingly participate in their own demise. Thus the degree to which employees and unions will be willing to participate in dismantling traditional protections will be directly related to the employment, income, and union security arrangements that are available as a replacement.

Modest assurances virtually guarantee modest improvements. Major changes in flexibility and work systems require major commitments to maintaining employment and income. This principle applies to managers and bargaining unit personnel alike. First line and mid-level managers who perceive their future as jeopardized by what is being proposed are more likely to be guerrilla resisters than agents of change. For example, in a General Mills plant in South Chicago, first-line managers told hourly employees to vote against converting to new work systems because overtime pay had been eliminated for supervisors and several supervisors had been terminated following a new work system-based assessment of all of the managers. The first-line managers told the bargaining unit employees that the same things would happen to them if new work systems were implemented.

The union, as an institution, also has security needs. Will the changes result in fewer dues-paying members? Will the unions be a junior partner in success and a senior partner in failure? What will be the political consequences of

assuming co-responsibility and accountability for change?

Union security needs require management constantly to seek opportunities to involve the union, to share credit with it, to promote a stronger union, and avoid actively constraining the union's efforts to grow its membership. This last point is an exceedingly important one if the partnership is to realize its full potential. If the union is fully committed to growing the employer's business, it will likely expect no less than a commitment by the employer not to impede the growth of the union's business.

Governance

Security assurances are extremely important but are not enough to warrant the complete removal of traditional protections for bargaining unit employees. Job control unionism, with its work rules, progression system, and so on, has provided employees with protections from favoritism and arbitrary, capricious, or discriminatory actions. In moving toward more flexible arrangements, these traditional safeguards tend to be diminished. The resulting vulnerability is eased by actively involving employees in the decision-making process; "things" are no longer done to people — employees decide for themselves what to do to achieve the best results. Thus a partnership requires that the union and its members have a greater voice in how

and by whom decisions are made, actions coordinated, and the business managed. We call this joint governance. Governance has several critical dimensions.

Scope

One such dimension is scope. Scope establishes the boundaries for the partnership — what is in play, what is not. Everything is within the playing field in the partnership at the Saturn Corp. with the United Auto Workers, ranging from strategy formulation, company policies, advertising and marketing strategies, dealerships, pricing, capital expenditures, and supplier selection, to matters more directly related to the work processes.⁴

The scope of a partnership can be as broad as Saturn or far more limited. The parties should decide the appropriate scope before embarking on a partnership journey. Ambiguity around scope almost always results in the union and its members believing the partnership entitles them to participate in a broader array of issues than management intends. When the partnership has limits, these limits need to be clearly defined at the outset. In setting limits the parties should be cognizant of an implicit trade-off: the broader the scope, the greater the potential and willingness on the union's part to make major changes on flexibility issues and work systems. Setting a narrow scope typically produces modest changes. For example, at Florida Power & Light, where the partnership was limited to TQM and conflict and grievances resolution, the joint effort effectively died after a few years and limited changes.

Structure

A second critical dimension of governance is structure. Structure provides the means to legislate, execute, and adjudicate. Similar to federal, state, and local levels of government, multi-level organizations have a corresponding corporate hierarchy, with joint union-

management committees governing each entity.

At the highest level the joint committees set boundaries (scope), determine goals and objectives, provide resources, and monitor progress. As one moves down the structure, less legislating and more executing of policy occurs. Unresolved differences at lower levels are appealed to higher levels for adjudication.

Decision-making Process

An important subset of governance is how decisions are made. Will the union be informed, consulted, or will consensus be used in making decisions? Being informed is the minimum involvement. A partner has the obligation to inform the other before making a public announcement or taking action. In contrast, consultation is a much higher level of involvement. Before decisions are formulated the problem is thoroughly discussed with the partner. The partner's views and concerns are given substantial weight and seriously considered. In the end, the moving partner makes the decision but gives deference to the other party's views. Consensus is the most complete form of joint decision making. Consensus requires both parties to agree that the decision is an acceptable one and that both will be fully committed to its implementation; it may not be one party's most preferred outcome, but it is an outcome all involved believe to be workable and will support.

There is no uniform answer on the most appropriate decision-making modality. As the partnership matures, more and more decisions are likely to fall into the consensus category. The evolution was clearly seen at Wisconsin Energy Corporation. It began with a re-engineering process in which only one of six unions was actively engaged. However, implementation required the support of the non-participating unions. A joint process was begun that examined the business case for change, provided ample opportunity for union input into the new process designs, and utilized interest-

based problemsolving to resolve potential conflicts. A "partnership agreement" emerged with a joint committee decision-making structure involving all the unions and business units throughout the organization. A similar expansion of scope has occurred at a number of Nabisco facilities and at Quaker Oats in Danville, Illinois.

Even after full maturation has occurred, the decision-making process may vary from issue to issue. Nonetheless, it is vitally important to determine the decision-making method with consistently applied criteria. In our experience two useful criteria are as follows:

- (1) *The degree to which the parties' constituents or institutional interests are likely to be affected by the decision, and*
- (2) *The level of expertise or added value the parties can bring to bear on the decision to be made.*

If either party's vital interests are likely to be affected by the decision, consensus should be used. If constituent or institutional interests are even marginally affected, consultation should precede a final decision.

If one party has little if any interest in the outcome and no particular expertise on an issue to be decided, informing is adequate. Obviously, choosing the appropriate process is somewhat subjective. Erring in favor of more participation by partners in decision making rather than less displays commitment and respect for the partnership. Most union-management partnerships are not robust enough to withstand many mistakes in the direction of unilateralism, as we saw in the case of LTV Steel.

Appeals

Multi-layered organizations require an appeals mechanism to adjudicate unresolvable disputes at lower levels and assure compliance with partnership goals

and objectives. The governance system should permit review of workplace differences at the next higher level (department or, perhaps, plant) and similarly the highest level joint group should function as a "Supreme Court," overseeing and resolving any remaining differences.

Values

In the end, partnerships must rest upon some shared values. These shared values become the "Constitution or Bill of Rights" for the partnership; they are the "truths" the parties hold as self-evident and the measure by which all actions shall be judged. They typically include such values as openness and information sharing, mutual concern, efficiency, involvement, respect, quality, and a belief that all employees can and want to be contributing members of the organization.

Adherence to the shared values sustains the partnership. Any perceived deviation requires immediate attention and appropriate corrective actions.

In successful partnerships both parties firmly believe that their long-term goals are most likely to be met or exceeded by partnering. A corollary belief is that no one decisional outcome warrants jeopardizing the partnership. The partnership, above all else, is their *modus operandi*.

Rewards

Shared financial rewards are a feature of a partnership not found in all union-management partnerships. Nevertheless, sharing financial rewards can greatly strengthen such initiatives by aligning interests and, in so doing, minimizing the occurrence of otherwise potentially contentious governance issues. Arguments between the parties shift from whether something is needed, appropriate or desirable, to how can we best proceed. For this reason we believe that over the

If one party has little if any interest in the outcome and no particular expertise on an issue to be decided, informing is adequate.

long term shared rewards are essential to the survival of a partnership.

Frequently, with changes in the work organization innovative pay systems are introduced. The most common new system is pay-for-skills. Pay-for-skills provides incentives for continuous employee growth and development. Additional skill acquisition is often a prerequisite for more flexible workplaces and new work systems.

In the more fully developed partnerships, goals and objectives, performance measures, and the concomitant financial payouts are jointly determined. Some performance-based pay systems provide for only up-side opportunities while others have both potential gain and pay-at-risk features. In general, aligning financial rewards with partnership goals which minimizes differences and strengthens commitment is important to building and sustaining a partnership.

Conclusion

Implicit in the equation is the notion of reciprocity: expecting a great deal while offering little is to deceive both yourself and your would-be partner. It is quite legitimate to have partnerships that are modest in nature or ones which are quite expansive. The partners must weigh the risks and returns and act accordingly. A candid assessment and an honest disclosure of each party's goals and commitments are required. Modest beginnings can and often do mature into more comprehensive arrangements.

To capture major returns requires both labor and management to forego traditional forms of control. The union must give up its traditional protections and management must involve the union in the decision-making process.

As the next century approaches, organizations burdened with inflexible work practices, rules, and labor agreements will have difficulty surviving as the pace of change overwhelms them.

Traditional adversarial labor-management relations and Tayloristic work systems will continue to give way to union-management partnerships.

1. President William J. Clinton, Executive Order 12871 of October 1, 1993, Labor-Management Partnership (The White House), 58 Federal Register 52, 201 (1993) (Executive Order).
2. *The New American Workplace: A Labor Perspective. A Report by the AFL-CIO Committee on the Evolution of Work* (Washington, DC: AFL-CIO, February 1994).
3. "Partnership," *Webster's II Riverside University Dictionary*, 1988 ed.
4. Henry Campbell Black, *Black's Law Dictionary*, 6th ed. (St. Paul, MN: West Publishing Co., 1990).
5. Eitan A. Avneyon, *The Dictionary of Finance* (Jerusalem, Israel: the Jerusalem Publishing House Ltd., 1988).
6. *The Encyclopedic Dictionary of Psychology*, ed. Rom Harre and Roger Lamb (Cambridge, MA: The MIT Press, 1983).
7. For a more comprehensive description of the issues above, see the following: Thomas J. Schneider and John R. Stepp, "The Evolution of U.S. Labor-Management Relations," in *Looking Ahead: Building the New Workplace for the 21st Century*, Vol. XVIII, no. 1, ed. James A. Auerbach (Washington, DC: National Planning Association, 1996), pp. 5-11; John R. Stepp and Thomas J. Schneider, "Fostering Change in a Unionized Environment," *Canadian Business Review*, Summer 1995.
8. Saul Rubenstein, Michael Bennett, and Thomas Kochan, "The Saturn Partnership: Co-Management and the Reinvention of the Local Union." Paper presented at the Conference on Innovation and Grievance Handling in the New Industrial Relations Order (Cambridge, MA: Sloan School, MIT, May 1993)



John R. Stepp

John Stepp has been involved in labor-management relations for over twenty years as a mediator, administrator and consultant. As Deputy Under Secretary of Labor, he created the Bureau of Labor-Management Relations and Cooperative Programs. Before joining the Department of Labor, Mr. Stepp directed the Federal Mediation and Conciliation Service's preventive mediation program and served as federal mediator. He is currently an associate with Restructuring Associates Inc.



Thomas J. Schneider

Thomas J. Schneider is the president, CEO and founder of Restructuring Associates Inc., a consulting firm based in Washington, D.C. and is the chairman of Corrs Schneider, a consulting firm based in Melbourne and Sydney, Australia. He is also counsel to the law firm of O'Connor & Hannan in Washington, D.C.