

Stifling Innovation and Change

Vast resources, good planning, skilled management and human resource architects, and an ideal location are not enough to turn a company around. Enhancing competitive posture through transforming organization culture requires something more: Commitment.

By ROBERT R. REHDER

Many large traditional corporations are realizing that they need to become more innovative and flexible to compete successfully in the global marketplace. A new facility often serves as a learning laboratory. When successful, an experimental plant can stimulate new technological and management know-how that rejuvenates the entire corporation, as was the case with Volvo Corporation and its Kalmar plant in Sweden.

The idea is good, but the experiment doesn't always work. Despite unparalleled motivation to change, American managers' stepped-up efforts often run up against formidable roadblocks.

Gardner Corporation's new model plant in Santa Fe (names and places are changed) was supposed to establish a creative, new organization designed to increase employee productivity, satisfaction and self-respect. In time, hoped some Gardner executives, these changes might provide a solution to union and production problems throughout the entire corporation. The team that set out to build Gardner's innovative plant encountered serious obstacles which, in the end, were insurmountable. The experiment failed.

A vision

A Chicago-based Fortune 500 company, Gardner Corporation began building its new plant in the 1970s in Santa Fe, where labor, land, taxes and climate were favorable. The company was beset with labor and financial problems, and the corporate management style was referred to publicly by its own managers as traditional, autocratic and average in performance.

Robert R. Rehder is professor of management at the University of New Mexico, Albuquerque, N.M.

Beneath the CEO were the presidents of Gardner's two major systems, each of which had several divisions with manufacturing and branch offices around the world. The Chicago System was organized around the corporation's original low-tech, cash-cow products. The Advanced Technology System, headquartered in San Jose, held more recently acquired high-technology corporations with less traditional organization and management systems. To encourage technology (hard and soft) transfer from Advanced Technology Systems to his Chicago System, the president of the Chicago System selected Domestic Division, from which the entire corporation grew, as a target for change.

Located in Chicago, Domestic was considered the most traditional and labor-intensive division in the corporation. Domestic's union was aggressive in wage negotiations. By the late 1970s, management considered labor costs to be excessive, and Domestic Division did not have a single alternative nonunion manufacturing facility. Chicago System's president believed that a new plant producing new products in an attractive Southwestern city was an ideal low-wage alternative for developing an innovative, nonunion work organization. He instructed Domestic Division's vice president to build such a plant. The plant manager was to be from outside the Domestic Division, preferably someone from Advanced Technology Systems, someone with a nontraditional management style. Less than enthusiastic about the plans, Domestic's vice president was removed. The new vice president and his associate division manager did support the idea of an innovative new plant and selected the location.

The new plant's 1980 start-up team consisted of approximately 35 managers

and engineers who were transferred from several other locations, some from Chicago's Domestic Division and a few with experience in high-tech corporate divisions with less traditional organization cultures. The new plant manager, Mark Richards, was selected in part because of his interest in and experience with participatory work organizations in several of Gardner's new high-tech plants. Hired several months into the planning of the project, Richards selected only a portion of his new management team, including a talented human resource manager who shared his participatory management philosophy and experience. While the plant site and general layout were determined before Richards' appointment, some significant design changes were made before the physical facility was completed, including a single parking lot for all employees without reserved management spaces, one entrance for all employees and a common lunch facility. Instead of individual management offices by the windows, central office clusters defined by moveable partitions were used. The single-story facility further enhanced the open environment.

While Mark Richards believed he was selected in large part because of his experience with participatory work organizations, little doubt existed in anyone's mind that his first goal was to develop a highly productive nonunionized work organization. In fact, during the same month the new Santa Fe facility was to open, the Gardner Corporation released a major Human Resources Development Task Force Report chartered by Advanced Technology System's president and chaired by the corporate human resource development manager. The task force, a *tour de force* of academics, consultants and managers, described their experience and opinions concerning effective new ways to

manage in the 1980s. In addition, the task force spent a considerable amount of time learning how the Gardner managers currently managed. The essence of the task force's conclusions are captured in a paraphrased introduction: "Our managers have frequently relied on reward and punishment control of employees rather than on more participatory management styles. . . . Indications that the carrot-and-stick approach has lost its effectiveness are found in the potential unionization of salaried professionals, slowed increases in our rate of productivity and attitude surveys indicating that our employees seek meaningful work and self-respect in their jobs." Two of Gardner's new corporate goals and action plans are based on the report's conclusions: Organization development—to create a climate and systems that will increase both employee participation and employee self-esteem; and human resource management—to identify successful "people managers" and determine what types of change strategies will assist the corporation toward effective working relationships.

This study, subsequent new operating and human resource principles, and organization development plans suggested that the Gardner Corporation was attempting a major transformation of its organization culture. However, the CEO's support of this major change in the very way Gardner does business was not evident. Pleased with their new goals to transform the traditional Gardner corporate culture, the human resource managers wanted to build a showcase facility modeled after the new, participatory work organizations. In early 1980, the Chicago System's president indicated that Santa Fe management would have a great deal of autonomy. He promised that the Santa Fe plant would become a profit center with its own development engineering capability and that Santa Fe management would receive the full cooperation and support of the corporate human resource development department.

The Santa Fe Way

The plant, which would design, assemble, test and distribute a series of new micro-electronic products to be marketed worldwide, officially opened in the third quarter of 1980. A major stated goal of plant manager Mark Richards and his human resource manager was to develop a participative organization culture, although they chose not to label it as such.

They eliminated unnecessary hierarchical barriers and differences between people based on types of work performed. By building high levels of job security and an atmosphere of trust, they could foster a positive quality of work life and encourage employee involvement. The new managers and engineers, hired out of Domestic Division before Richards was appointed, did not fully understand or agree with these goals, but they agreed to

go along and see how things worked out. As one engineer recognized, "Participative management takes time. It's no quick fix, but good communication and the acceptance of ideas from people will pay off."

During the first year, Richards and the human resource manager and his staff initiated regular meetings with employees at all levels to discuss organization goals and encourage active involvement. Corporate organization development staff

MASTER OF SCIENCE DEGREE

M S O D

IN ORGANIZATION DEVELOPMENT

FACULTY:

Internationally recognized faculty include Billie Alban, Richard Beckhard, Peter Block, O.J. Krasner, Newt Margulies, Kurt Motamedi, Duke Page, Walter Ross, Robert Tannenbaum, Edgar Schein, Patrick Williams.

EXPERIENCE:

Innovative design provides a unique professional development experience. Accredited master's degree program focuses on the latest concepts in organization development.

FORMAT:

Eight one-week sessions conducted over a twenty-month period provide a convenient format for working professionals. Applications now being accepted for the September, 1985 class.

Pepperdine University
School of Business and Management
3415 Sepulveda Blvd., L.A. CA 90034
(213) 306-5598

Circle No. 125 on Reader Service Card

participated in several of these meetings. They made a conscious effort to help employees develop informal guidelines for coordinating work behavior rather than proliferate formal written policies to be imposed on employees from above. The human resource director stated, "We are looking for nontraditional people who are interested in creating an innovative work atmosphere and not being plopped into one." The following organizational innovations became known informally in the Gardner Corporation as The Santa Fe Way. In the area of staffing and orientation:

- Selection criteria were developed to identify applicants who demonstrated a need to be involved and preferred working in high-commitment work systems. The emphasis was on hiring less expensive, inexperienced employees. As is often the case in electronics manufacturing, 75 to 80 percent of the final work force were minority women. The vast ma-

quality circle and quality improvement teams.

- Employees were involved through meetings, interviews and surveys and actively helped develop a flextime system, preferred holiday schedule, two-way performance appraisal, merit pay system, plant newspaper, safety program and various social activities.

- In training programs and meetings, managers and supervisors emphasized team concepts, the importance of trust and the treatment of all employees as responsible adults by encouraging self-management, employee participation and involvement in their work activities.

- Managers and supervisors received encouragement and training to function as a coach or resource person in order to foster independence and self-management.

Production pressures were relatively light during the first year; new personnel were added slowly, allowing ample time

tions and prints. Poor new product development, planning and testing in Chicago often left Santa Fe with back orders for new products that didn't work.

Not all of the problems originated in Chicago. Santa Fe's lack of experienced people and technical expertise, particularly in production and quality assurance, was apparent. Santa Fe was promised high levels of autonomy. However, Domestic Division's financial and quality controls, new product introductions and a steady stream of specification changes allowed little or no input from Santa Fe. By the fourth quarter of 1982, operating the highly participatory Santa Fe plant within a traditional "top down" organization became a losing battle.

One day in late 1982 known as "Black Thursday," plant management circulated a directive informing employees that they would be working a heavy overtime schedule, including Saturdays, because of new product schedules received without warning or consultation from Division. This was a turning point. Until this day, supervisors and their teams established work schedules jointly. Santa Fe management scrambled to inform its employees and justify the swift change. "We were forced suddenly to reexamine how far you carry this idea of employee involvement, particularly when *our* management is highly directive," explained one key Santa Fe manager. Management led employees to believe they would always be consulted. This event dashed their expectations and trust. To avoid disappointing the Chicago System's president, the word in Santa Fe continued to be, "Negative comments concerning these problems are not in good judgment."

Once a bureaucracy always a bureaucracy?

Late 1982 brought a major reorganization of Gardner's top management. The Chicago System president became president of Advanced Technology Systems, Domestic Division's vice president was promoted and his associate division manager retired. Traditional "Gardnerian" managers replaced these executives, who had supported Santa Fe's innovative managers. Market pressure for new products then manufactured in Santa Fe was great. Production problems and defects continued.

The new Division vice president believed the problem lay with inexperienced management, engineers and workers in Santa Fe; Santa Fe management believed the new products were not

We were forced suddenly to reevaluate how far you carry this idea of employee involvement. . .

majority of managers were males from the dominant culture.

- Managers used peer interviews to determine qualifications and compatibility with fellow employees.

- Employee orientation began with the plant manager and human resource manager welcoming each new employee and personally explaining the key goals of their consensus-seeking organization. Follow-up orientation meetings with their immediate boss, other managers and supervisors further explained employees' high levels of participation and self-management organization goals.

With regard to the work organization:

- A cornerstone management commitment was "never lay off a permanent employee."

- Plant managers encouraged a participative work culture for the Santa Fe facility, rejecting the hierarchical Gardner corporate system.

- All workers were salaried, and no time clocks were in the plant.

- No fixed number of permissible absences was established or loss of compensation charged for reasonably excused absences for any employee.

- Work group and team membership was enhanced through regular departmental and problem-solving meetings, and later (in the third year), through several

for their orientation, training and socialization into the nontraditional organization; and the budgets and schedules set by Division accounted for losses in the early years. Semi-structured interviews with random samples of employees at all levels indicated favorable attitudes about the developing participative management climate. Some employees expressed concern that the democratic philosophy, while desirable, could slow the decision-making process and that employees potentially could take advantage of the nontraditional system if the company grew larger. A questionnaire measuring employee attitudes about goal setting, communication, decision making, motivation and leadership was used several times during the first year with consistently positive results. So far, the Santa Fe experiment was proving successful.

During the first two years of start-up and operation, Santa Fe management and employees rarely heard anything except positive feedback from Chicago, despite growing engineering and manufacturing problems. While Santa Fe continued to meet its production and budget goals, quality assurance problems were compounded by new product designs originating from, and sometimes being sold out of, Chicago before Santa Fe would even receive the product specifica-

production ready and contained innumerable engineering problems. The new Division manager was quoted as saying, "Because of Santa Fe's participatory management, no one there is able to make critical decisions. They are too busy holding meetings. . . It was a mistake to bring in managers for Santa Fe from outside of our Domestic Division." Later, in his first business meeting in Santa Fe, the new Division vice president told Mark Richards, "Everything you have done in the past, are doing now and are planning to do in the future, is wrong!" Mr. Richards noted, "He then paid an outside consulting company half a million dollars to prove he was right."

Division instructed representatives of a well-known consulting company to report directly and exclusively to Chicago. Rumors ran rampant among Santa Fe employees as to whose heads would roll. One manager stated, "The headhunters (consultants) sanctify management's previously identified scapegoats, as this is unpopular business. Bodies will be quickly buried, and autopsies are seldom requested." The Gardner Corporation's middle management viewed the frequent use of outside consultants as undermining their talents and problem-solving abilities while giving top management the appearance of decisiveness in quickly solving problems seldom fully diagnosed or understood.

Interviews conducted in spring 1983 revealed that Santa Fe employees felt uncertain, confused and disillusioned with their participatory organization and its leadership. "This is not participative management, but permissive management," complained a production engineer. An electronics engineer stated, "No firing policy, not enough discipline. . . no one knows the boundaries. . . we need clearly defined objectives." In an interview with an engineering clerk: "Middle management is indecisive—no direction."

Employees lost confidence in management at all levels.

A new corporate Company-Wide Quality Improvement Program set, according to Santa Fe employees, unrealistic, short-term, quality cost savings goals. Gardner schizophrenia worsened. While Division demanded output at the cost of quality and worker involvement, corporate continued sending a steady flock of staff and management "seagulls" to spread the word that workers employing their newest total quality control program would produce zero defects. Gardner employees used the term "seagulls" to describe the corporate

management and staff who visited their plant, ate their food and dropped another canned cure-all on them before flying home. Traditional, autocratic managers were sharks, while nontraditional, consensus-seeking managers were sometimes called jellyfish. There was little question concerning who remained on top of the food chain in the Gardner Corporation.

Soon after the consulting company

completed its confidential study of Santa Fe for top management, Mark Richards and most of his key Santa Fe Way architects were summarily removed. Nearly four months later, their traditional, nonsense replacements laid off almost half of the plant's total work force. A knowledgeable survivor in a key position described the Santa Fe climate in the first quarter of 1984: "We now have a factory

McGraw-Hill's authoring systems give you the power and the ease. Power to create computer-based training courses with interactive video and



mainframe simulations. ▶All in a matter of hours on your IBM-PC, PC Portable, or PC/XT. ▶And the ease of having done it yourself. No programming experience is

necessary. No commands to remember: it's all menu-driven. ▶It's the inexpensive way to create and deliver customized training. And, your people will learn and retain more because you've made training fit their needs. ▶We also have an authoring system for Apple® computers. ▶And, both are available now for a 30-day trial. Or, order a demo disk (\$15 for IBM; \$10 for Apple) or free brochure today by calling **(800) 421-0833**, extension 296. In California, **(800) 662-6222**, extension 296.

P.O. Box 641, Del Mar, CA 92014

McGraw-Hill
Training Systems

IBM® is a registered trademark of IBM Corporation. Apple® is a registered trademark of Apple Computer, Inc.

Circle No. 121 on Reader Service Card



1927 BRISTOL PIKE
BENSALEM, PA 19020

HUMAN RESOURCES DEVELOPMENT INSTRUMENT

- ★ Totally Computerized
- ★ Totally Objective
- ★ Totally Confidential
- ★ Useable Feedback

Call 215-639-4660
for complete information

Available Now in Four Unique Packages:

1. Individual Growth and Development Planning Instrument
2. In-House Management Development Instrument and One Day Workshop
3. HRD and Personnel Specialists In-House Certification and Two Day Workshop
4. Executive/Management Development One Week Experiential Workshop

**IMPROVEMENT IMMEDIATELY
RECOGNIZED AND REINFORCED**

Circle No. 114 on Reader Service Card

PUBLICATIONS ON MANAGEMENT



is not just workers
but also **MANAGERS**

To obtain a free brochure on
ILO MANAGEMENT PUBLICATIONS in:

- ... management development
- ... management consulting
- ... construction management
- ... road transport management
- ... small enterprise development
- ... managing productivity improvement
- ... supervisory development
- ... management of distribution
- ... management of public enterprise
- ... entrepreneurship

Please call: **202-376-2315**
or write: **International Labor Office**

Sales Office; Suite 330TD
1750 New York Ave., N.W.
Washington, D.C. 20006

an organization of
workers, employers and governments



Circle No. 115 on Reader Service Card

in the black but still no support from corporate. Everyone here is looking for new jobs . . . too much jerking around of expectations and emotions."

Post-mortem

"The Santa Fe Way was doomed from the very beginning," one of its key advocates declared with considerable hindsight. Gardner's CEO evidenced little involvement in or commitment to the new corporate vision set forth in the human resource development plan or in Santa Fe as a model for new management practices. During his one trip to Santa Fe, the CEO appeared to lack awareness of or interest in the new consensus-seeking organization. "He wasn't concerned about us; the corporate jet he used to fly here cost more than our entire plant," observed the plant manager. The CEO gave little thought to the effect the 1982 reorganization would have on the fledgling, innovative plant. When traditional Gardner managers replaced several levels of supportive Santa Fe managers, the fate of the Santa Fe Way and its innovative managers was unintentionally sealed. The corporate reshuffling of its top management, designed to decentralize the corporation and create independent profit units, had wide repercussions throughout the organization. The Santa Fe plant was merely caught in one of its many waves.

Positioning old-timers in top management at Domestic Division reconfirmed the traditional organization and way of managing. They wasted little time in expelling the outsider managers and saw the Santa Fe Way as a challenge to their competency and traditional corporate culture. Corporate received reports of a "successful rescue and turnaround with everything now under control and in the black" soon after the traditional managers took charge.

Corporate human resource managers described the Santa Fe Way's demise with statements such as, "In Santa Fe, participative management was seen as the entire solution but their people did not have adequate technical experience or participative management skills to meet traditional goals."

Perhaps the single most insightful statement concerning the Santa Fe Way experience came from one of its original managers. "We needed to learn from both our favorable developing work climate and our management and technical shortcomings, and build on them. What was actually real progress was seen by Divi-

sion as failure. Expedient scapegoating destroyed our ability to work together, learn and jointly solve our problems."

Fear of change, uncertainty and redistribution of power constrained the corporation's efforts to change. Gardner's management accounting and control systems did not provide essential non-financial data for top management concerning quality, inventory, productivity and quality of work life at the operational level. Decentralized divisions that separated corporate from operational management encouraged top corporate management to rely on the traditional ROI formula and control systems further restricting cultural change.

Gardner's corporate human resource management espoused the need for revolutionary new ways to manage, but traditional operational managers continued to be promoted on their short-term, bottom-line performance. Line managers who took risks to develop long-term, innovative work organizations in Santa Fe and other locations often lost their jobs. Corporate's perceived lack of commitment and ability to follow through with plans for organizational innovation contributed greatly to apathy, cynicism and maintenance of the status quo.

This study of Gardner Corporation's failed efforts explains cultural, psychological and organizational barriers to organizational change. Many within the corporation, and this author, however, perceive top management itself to be the major constraint to innovation and transformation in the Gardner Corporation. The CEO and top management team are responsible for identifying and championing their corporation's new vision. They are responsible for actively planning how the leadership role will function in building an environment which empowers people to innovate, and stimulates and rewards their highest performances.

Revitalizing the American corporation no longer is a matter of identifying models of excellence and the tools for developing them. Today, the challenge is on the shoulders of top management—their vision, courage and commitment to use the resources that build excellence.

