Implementing a Team-Based Organization in a Unionized Manufacturing Company
to Improve Operating Efficiency

by

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ABSTRACT

The focus of this study was to research techniques which can be utilized by manufacturing companies to improve operating efficiency through the implementation of a team-based organization. Special attention was given to implementing this organization type in a unionized workplace. Input from management, union leadership and hourly employees was obtained from two manufacturing companies, one Aerospace and one a producer of large consumer durable goods, through site visits, review of company provided material and follow-up telephone contact. A comprehensive review of current literature dealing with team-based organization was also conducted. The writer also attempted to relate insights and experience gained in a number of areas impacting the implementation of a team-based organization based on working for over twenty-four years (24) as a Human Resources professional in a Fortune 50 corporation.

Utilizing this research, a comprehensive approach was developed for implementing team-based organization into unionized manufacturing companies. This approach deals with a wide range of issues which are critical to the success of such an implementation.

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>2</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>3</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>4</td>
</tr>
<tr>
<td><strong>CHAPTER 1</strong> INTRODUCTION</td>
<td>6</td>
</tr>
<tr>
<td><strong>CHAPTER 2</strong> TEAM DEFINITION</td>
<td>17</td>
</tr>
<tr>
<td><strong>CHAPTER 3</strong> OPERATING EFFICIENCY IMPROVEMENT: Is It Measurable?</td>
<td>19</td>
</tr>
<tr>
<td><strong>CHAPTER 4</strong> IMPORTANCE OF SENIOR MANAGEMENT SUPPORT</td>
<td>27</td>
</tr>
<tr>
<td><strong>CHAPTER 5</strong> IMPORTANCE OF UNION INVOLVEMENT</td>
<td>30</td>
</tr>
<tr>
<td><strong>CHAPTER 6</strong> ORGANIZATIONAL CHANGE ISSUES</td>
<td>42</td>
</tr>
<tr>
<td><strong>CHAPTER 7</strong> TEAM FUNCTIONS: What Can Teams Actually Do?</td>
<td>58</td>
</tr>
<tr>
<td><strong>CHAPTER 8</strong> TRAINING: Providing The Required Skills</td>
<td>68</td>
</tr>
<tr>
<td><strong>CHAPTER 9</strong> COMPENSATION: Sharing In The Success</td>
<td>79</td>
</tr>
<tr>
<td><strong>CHAPTER 10</strong> SUMMARY OF OTHER ISSUES</td>
<td>101</td>
</tr>
<tr>
<td><strong>CHAPTER 11</strong> CONCLUSIONS AND RECOMMENDATIONS</td>
<td>109</td>
</tr>
<tr>
<td>Bibliography</td>
<td>116</td>
</tr>
</tbody>
</table>
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To my wife, Karen, your ongoing support, patience and tolerance during this year of significant separation were crucial to my successful completion of the Sloan Fellows Program. You maintained your own demanding professional career and still found time to travel to visit me on weekends fully knowing that studies would require the majority of my time. I will never forget the critical role you played during my year at MIT. You mean so very much to me.
In the traditional organizational structure found in most U.S. manufacturing companies, the hourly workforce is directed by “first-line” supervisors. These supervisors, commonly referred to as “foremen” although both males and females hold these positions, are responsible, according to a typical position description, for planning work, making assignments, instructing employees, maintaining discipline, evaluating performance, and recommending disciplinary actions, promotions, demotions and “other changes in status”. In addition to carrying out these responsibilities for groups of employees ranging from ten (10) to thirty (30) or more in number, the foreman is also responsible for a myriad of other tasks including, but by no means limited to, recommending changes or improvement in methods or equipment “…to eliminate difficulties, accelerate flow of work, or improve quality standards…”; applying Equal Employment Opportunity policy; acting, and assuring others act, in an ethical manner and in full compliance with company policies and applicable regulations and laws; and assuring that appropriate safeguards are in place to protect the health and safety of employees and the environment.
Anyone who has been exposed to a typical U.S. factory over the last fifteen (15) to twenty (20) years has observed the role of the foreman on the factory floor change during this period. Clearly, the job of foreman, as currently structured in most large manufacturing companies, is broad in scope and requires the incumbent’s involvement with an ongoing flow of activities not directly related to the supervision of employees.

Schlesinger and Klein, referring to early factories, note that, “As jobs were divided into separate tasks, a need arose to coordinate the work. Initially, that role was performed by the owner of a factory. But as factories grew, one person could no longer possibly perform all required activities. Thus, the direction and coordination of the craftsmen was turned over to a leader or foreman.” (Schlesinger and Klein, 1987, p.381) In today’s environment of product and process complexity, government regulation and oversight and an hourly workforce which is highly protected by legislation and, where present, represented by a labor union, the foreman’s role has moved from directing and coordinating the work of employees to handling anything and everything having to do with the work area to which he or she is assigned. Today’s foreman acts at times in the capacity of a manufacturing engineer, an industrial engineer, an environmental and safety engineer, a quality engineer, a parts expediter, a record keeper, a company representative in labor relations disputes, a customer relations representative, a tour guide and many other things in order to fulfill the full duties of his or her job.
As a result of the job requirements assigned to today’s foreman and the time constraints he or she faces, an obvious question is, “Who is actually directing and coordinating the work of the employees?” The most logical answer is either, “The foreman is; as time permits.” or, “They (the employees) are, for the most part, acting independently and coordinating their own activities.” Just as the growing scope of activities forced the early factory owners to relinquish their direct supervision of employees on the shop floor to foremen, so too has the expansion of the foreman’s duties resulted in a de facto delegation of the supervisory and coordination function to the hourly workforce. Perhaps, as in the transition from factory owners to foremen, a transition is required today in U.S. industry to officially move the traditional supervisory function from foremen to the hourly employees themselves.

While the concept of employee self-direction is one which has gained some degree of popularity in recent years, such an organizational approach should not be implemented simply by default. Self-direction by default will constitute, in all likelihood, an ineffective management style. In cases where employees are directing and coordinating their own work efforts for a significant part of the work day without proper organizational skill training, with limited or no access to critical schedule, quality and cost information on which to make informed decisions and without the ability to effectively coordinate their individual work with that of others in or outside their immediate work areas, a breeding ground for inefficiency, poor quality and/or low employee moral exists.
One approach to remedy this situation would be to rethink and restructure the job responsibilities assigned to the position of foreman. By reassigning all functions and responsibilities not directly related to planning and assigning work and instructing employees in the performance of that work, it would be possible to restore the position of foreman to the role for which it was originally created. In addition, by assuring each foreman’s span of control is kept to a manageable number, the foreman could better interact with all of the employees in his or her area. The foreman could then effectively assure that all assigned employees are performing their specific job duties in a safe and efficient manner and could more easily monitor the quantity and quality of work performed. The foreman could be supported by technical experts from Manufacturing and Industrial Engineering, Quality Assurance, Employee Health and Safety, Industrial Relations and from any other technical support group whose expertise is needed to assure that the foreman would not be distracted from his or her core function of directing and coordinating the work of employees.

While some, especially many current incumbents of the foreman’s position, might applaud this initiative, it would in a very real sense be a movement back in time. By re-establishing and/or reinforcing the traditional role of the foreman to direct and coordinate work, companies would be further institutionalizing the concept of narrow job duties and job segmentation on the factory floor. While this narrowness and segmentation exists in many large manufacturing concerns today, “fixing” the problem outlined above by revamping the foreman’s job in the manner described would
represent an affirmation that the hourly workforce in major U.S. manufacturing companies should continue to occupy jobs which are limited in scope and which, if rigidly adhered to as is the case in some unionized operations, can result in ongoing inefficiencies due to under-utilization of skills, ineffective use of available work-time and limited developmental opportunity.

It should be emphasized that this thesis is not an attack on the current incumbents of the foreman’s position. On the contrary, many of these incumbents can and should play a critical role in the organizational transition process and in the ongoing functioning of the organizational design which will be explored. The current incumbents of the position of foreman in most companies possess a wealth of detailed operational knowledge. In addition, these individuals are management’s most direct link with the current hourly workforce. Nevertheless, like the owners of the past who delegated supervisory responsibility to foremen in order to improve the overall operation of their companies, delegating responsibility for self-direction to the hourly workforce may also be required to gain improvements in operating efficiency. While it would be disingenuous to imply that all incumbents of the foreman’s position will maintain and/or improve their personal career situations, this thesis will detail what roles these individuals can play and how many of them will be critical to the success of the organizational transition and to ongoing effectiveness of the new organization following implementation.
It is a basic proposition of this thesis that in order to increase productivity by any accepted measure, hourly employees must possess the technical skills to perform the work required, they must have the social skills needed to effectively interact and work with others, they must have access to information which allows them to determine how they and those they work with are performing against pre-established goals and objectives, they must see a direct link between attainment of these goals and objectives and their own job security and financial well-being and they must understand the nature of their company’s business and how their actions and those of their fellow employees impact that business. Lastly, but perhaps most importantly, they must be self-motivated to actively apply both their physical and mental capabilities to their job responsibilities and exercise what will be described later as their “discretionary effort”.

Examples exist within some U.S. manufacturing companies of efforts and/or successes in implementing pilot programs or organizational structures which incorporate many or all of the aforementioned elements. Hourly employees in these companies are to a greater or lesser degree self-directed in that they may receive very little direct supervision from a traditional foreman. In the extreme case, the traditional position of foreman does not even exist. Nevertheless, in these cases self-direction does not constitute managerial abdication. The employees in these companies, whether participating in a pilot program or a formalized organizational structure, are self-directed within the framework of a team or a team-based organization.
RESEARCH AND METHODOLOGY

This thesis will analyze what exactly a team and a team-based organization in a manufacturing setting are; what is needed in order to move from a traditional organization to a team-based organization in such a setting where the employees are represented by a union; how such an organization actually works; and why such an organizational structure may improve the operating efficiency of U.S. manufacturing firms which adopt this organizational form on the shop floor.

In doing my research for this thesis, I found numerous books and articles written on the subject of teams and team-based organization. In addition, I talked with individuals involved with team-based organizations and reflected on my own experience in this area. Although many of the books and articles were scholarly works providing much valuable background information and the individuals talked to were thoroughly familiar with, and enthusiastic proponents of, the concept of teams and team-based organizations, none provided the critical insight gained from actually seeing a true team-based organization in operation. The interested reader is advised to view this thesis, and other written material, as a means of obtaining background information and insight into the concepts of teams and team-based organizations but should not rely on it to gain an in-depth understanding of the subject. In the case of teams and team-based organization, personal observation is absolutely critical to gaining a true understanding of what a team-based organization actually involves and how employees in that organization act and interact on a daily basis.
Two U.S. companies will be referred to throughout this thesis with observations and insights gained through field study visits which took place in January of 1997, company document research and telephone follow-up. One company is a producer of large consumer durable goods (LCDG) and will be referred to as the LCDG Company to maintain its anonymity. The LCDG Company employs approximately 6,700 bargaining unit, i.e. union represented, employees in its factory and assembly operations. The other company is in the aerospace industry and, again for the purpose of anonymity, it will be referred to as the Aerospace Company. The Aerospace Company has a bargaining unit workforce of approximately 4,800 engaged in the manufacture, assembly and testing of aircraft. The bargaining unit workforces at both companies are represented by large international unions.

The LCDG Company is currently selling its products almost exclusively to the U.S. consumer market but export sales of its popular product line are increasing. The Aerospace Company is primarily a U.S. Department of Defense contractor but also sells its products to foreign governments. In addition, it produces a commercial aviation product which is sold worldwide. It has two major new aircraft programs in process and work on the aircraft prototypes has reached the factory operation. Both companies face intense foreign competition in their markets and both are committed to growing their business in the face of this competition with innovative, high quality and competitively priced product offerings.
The LCDG Company can be best described as being in the forefront of team-based organization in the U.S. The Aerospace Company has experienced a series of successes with team-based activity and is, at the time of this writing, in the process of evaluating the benefits of expanding the implementation of teams on the shop floor and moving more closely to a team-based organization in some segments of its factory operation.

It should be emphasized that this thesis is narrowly focused on the implementation of teams in a unionized factory setting in order to provide an in-depth analysis of this specific type of team-based organization. No reference is made to the implementation of teams or a team-based organization in traditional salaried areas such as Engineering, Finance or even Manufacturing Operations. This omission is not meant to imply that a team-based organization can not be effective in these or other departments. On the contrary, product development teams, process improvement teams and project teams are becoming more common place in many organizations today due to the innovation and successes demonstrated by many team-based efforts in U.S. industry.

While focused on implementation in a factory setting, many of the concepts, lessons and approaches discussed in this thesis are applicable to the implementation of a team-based organization throughout a company. As an example, the chapters which deal with training and compensation issues include useful considerations and approaches applicable in any team-based organization. Again, the reader should
consider this thesis as an effort to isolate and study one area and group of employees in a company while keeping in mind all areas and groups within a company are interrelated. A change in one area may significantly impact and/or necessitate a change in other areas. In reading this thesis, it is hoped that the reader will gain insight into many aspects of moving to a team-based organization and apply this insight, coupled with that gained from actually seeing team-based organizations in action, to organizational transition efforts involving teams across his or her organization.

STRUCTURE

This thesis is organized as follows:

Chapter Two provides three (3) contemporary definitions of the term “team” as it applies to U.S. industry and presents a composite definition which will be used in the context of this analysis.

Chapter Three explores the issue of whether or not it is possible to establish a direct correlation between the implementation of a team-based organization and efficiency improvements which may occur following such an implementation.

Chapter Four details the critical importance of senior management involvement in, and ongoing support of, the concept, implementation and ongoing operation of a team-based organization.
Chapter Five discusses the significant importance of involving union leadership in the detailed design, implementation and ongoing operation of a team-based organization. In addition, this chapter highlights a number of legal and political issues which must be addressed in order to gain and retain the union’s support.

Chapter Six analyzes a number of organizational changes which may be required in a company in order to assure that the organizational structure in place fully supports, rather than presenting impediments to, the effective operation of a team-based organization.

Chapter Seven looks at what activities teams can engage in on the shop floor and to what extent such teams can operate autonomously.

Chapter Eight discusses the critical importance of training to the effective transition from a traditional to a team-based organization and presents the types of training required in order to assure individual employees have the skills necessary to function effectively as team members. The training requirements for senior management and for those who support, interface with and/or impact the teams are also presented. In addition, this chapter explores the four (4) stages that teams may progress through as they move from initial formation to fully functioning operation.

Chapter Nine deals with the issue of compensation and its impact on team-based organizations. This chapter presents various compensation approaches which can be used independently or in tandem to reward team rather than individual performance and thereby reinforce concepts such as “common purpose” and “joint accountability” which must be present in a team-based organization.
**Chapter 10** summarizes other issues which should be considered when making the transition from a traditional to a team-based organization.

**Chapter 11** presents the conclusions and recommendations developed from the research conducted for the thesis.

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**CHAPTER TWO**

**TEAM DEFINITION**

Before proceeding with a comprehensive analysis of a team-based organization, it is important to clearly define what a “team” is in the context of this analysis. Many terms are used to refer to employees working together with some degree of autonomy and cohesion. Self-directed teams, self-contained teams, high involvement work teams, empowered teams and work units are just a few of the terms in use today in U.S. industry. All of these terms are intended to relay some, most or all of the team activities and responsibilities cited in the following three (3) definitions of teams.
In *THE WISDOM OF TEAMS, Creating the High-Performance Organization*, the authors provide this definition: “A team is a small group of people (typically fewer than twenty) with complementary skills committed to a common purpose and a set of specific performance goals. Its members are committed to working with each other to achieve the team’s purpose and hold each other fully and jointly accountable for the team’s results.” (Katzenbach and Smith, 1993, p.21) A somewhat broader definition, presented in *CREATING HIGH PERFORMANCE ORGANIZATIONS*, states, ”The work group (in some cases, acting without a supervisor) is responsible for a whole product or service and makes decisions about task assignments and work methods. The team may be responsible for its own support services (such as maintenance, purchasing, and quality control) and may perform certain personnel functions (such as hiring and firing team members and determining pay increases).” (Lawler, Mohrman, Ledford, 1995, p. 173) A final definition, from *DESIGNING TEAM-BASED ORGANIZATIONS*, further expands the concept of a team: “They are established to fully manage and execute a portion of the workflow. Through technical analysis, the organization delineates portions of the work that can be carried out by a team of people to foster effective technical performance and employee outcomes of satisfaction and motivation. Technical outcomes are fostered when the team is able to handle all aspects of the work, including any variances and exceptions that arise. Tasks that used to be performed by specialized work groups, such as maintenance and quality control, frequently become team responsibilities. Social outcomes are optimized when the team has responsibility for the “whole” task and enjoys autonomy, variety, and meaningful work.” (Mohrman, Cohen, Mohrman, 1995, p.20)
These three(3) definitions, when combined, provide a comprehensive view of what a team is in the context of this thesis:  

*A team is a small group of people which is committed to a common purpose and a specific set of performance goals.*  
*Team members are committed to working with each other and hold each other fully and jointly accountable.*  
*The team makes decisions about task assignments and provides input into work methods utilized.*  
*It is sometimes responsible for its own support services and certain personnel functions.*  

This definition of a team, which may admittedly be viewed as a too theoretical based on the actual utilization of teams in U.S. industry today, will be explored, as previously noted, in the context of a unionized, manufacturing environment. The focus will be on creating teams of hourly employees to perform work typically found in a factory environment.

CHAPTER THREE

OPERATING EFFICIENCY IMPROVEMENT: Is It Measurable?

A premise of this thesis is that manufacturing companies should implement a team-based organization on the factory floor as a means of improving efficiency. This premise is based on the writer’s assumption that technically competent and highly motivated teams of employees, when given the opportunity to be actively involved in decisions regarding task assignments and work methods, will develop ways to decrease cost, improve quality and increase overall productivity. The motivation of
these teams to reach this performance level is significantly enhanced if clearly defined goals are established and the attainment of these goals are rewarded through gainsharing, profit sharing and/or other forms of compensation which reward individuals uniformly based on the composite performance of teams across the organization.

In the course of doing field work for this thesis, it was not possible to obtain conclusive data from the two (2) firms studied to substantiate this premise. In the case of LCDG, the company has been operated as a team-based organization since its founding and, therefore, before and after comparisons cannot be made. In addition, the financial results of LCDG are reported on a consolidated basis with those of the parent corporation’s overall results. Even if data regarding overall operating efficiencies could be obtained from other parts of the corporation, or from other competitors within the industry, and compared to the overall operating efficiency of LCDG, it could be argued that the company is a “green field” site producing a newly designed product with the latest technology and the newest equipment. As such, skeptics could opine that the facility was designed in such a way that the existing performance reflects plant layout, equipment selection and the engineering design of the products produced as much as it does the organizational structure. It could also be argued that the state of labor relations at LCDG, specially the uniquely cooperative environment in which the company and the union work, also adds to the general operating efficiency of the company.
While there is obviously some positive impact on operating efficiency from the aforementioned elements, after visiting LCDG and meeting with individuals from both management and labor, a distinction that is very difficult to clearly discern, this writer concluded that the LCDG Company’s uniqueness is based more on the team-based structure of its organization than on any of the other elements, taken individually or in combination. The teams at LCDG, fully dedicated to accomplishing the goals put forth in the company’s Mission Statement, i.e. world leadership in “…quality, cost and customer enthusiasm through the integration of people, technology and business systems…” and committed to doing so consistent with five (5) values included in LCDG Vision Statement, i.e. a commitment to customer enthusiasm and to excelling, teamwork, trust and respect for the individual and continuous improvement, effectively run the day to day operations of the company. The focus within the organization appears to be on providing the teams with the support they need to operate at maximum efficiency. A vast majority of this support appears to be provided based on requests from the teams, as specified in the 28th Team Function, explained in Chapter 7, rather than being imposed from some outside source. This latter point is made to emphasize that teams at LCDG operate with a great deal of autonomy not only in the performance of day to day activities but in organizing themselves to operate effectively both in the short and long-term. The teams request new tooling, layout changes, training and development programs, operating information, etc., and the organization does what is necessary to provide the requested support.
In walking through the LCDG Company’s assembly operation, one observes individuals working in a highly coordinated and productive manner. Although the assembly line moves continuously, those working on the line did not appear driven by it but instead seemed very much in control of the work they were performing. The entire operation, from the overall cleanliness and organization of work areas, to the constant work pace of the employees, to the highly positive attitude which can be observed in the workforce, reflects a sense of ownership which can arguably be attributed to the organizational structure in place.

In the LCDG Company’s Value Statement, jointly committed to by the company and the union, two (2) excerpts are important to emphasize. First, from the Value Statement section on TEAMWORK: “A fundamental tenet of our philosophy is the belief that effective teams engage the talents of individual members while encouraging team growth.” Second, from the section on TRUST AND RESPECT FOR THE INDIVIDUAL: “We have nothing of greater value than our people! We believe that demonstrating respect for the uniqueness of every individual builds a team of confident, creative members possessing a high degree of initiative, self-respect, and self-discipline.” While similarly worded beliefs can be found in the Vision Statements of many U.S. companies and corporations, based on background readings, onsite discussions and personal observation, it is clear that the LCDG Company’s management, the union local at LCDG and the overall workforce are true believers and consistent practitioners of these values.
How has LCDG Company’s team-based organizational approach translated into operating results? Has the company’s product made a significant impression in the marketplace? As previously noted, due to the consolidation of LCDG’s business results with those of the parent corporation, it is not possible to breakout and analyze those results. Nevertheless, by extrapolation one can postulate that the increasing pay-outs on the annual bonuses, which will be discussed in Chapter 9, over the last four years and the increase in the bonus target for 1997 reflects performance of a profitable company which has been improving and which is expected to improve even more. This achievement is even more impressive if one considers that LCDG did not begin full scale operations until the latter part of the 1980’s and entered an extremely competitive market segment saturated with strong international competition.

Regarding the impact of LCDG in the marketplace, a San Francisco-based marketing firm that evaluates products in LCDG’s industry based on their list price, depreciation, insurance, financing, state fees, operating costs and maintenance, named the LCDG’s product as the 1996 Best Overall Value of the Year (BOVY) for the fourth consecutive year. In addition, the LCDG Company was the only manufacturer to have every one of the offerings in its product line win a BOVY within its respective class.

Clearly, the LCDG Company is both profitable and providing a product which is setting the standard in the product line in which it competes. Although some might argue that it is simply a leap of faith to assume that the team-based organization at LCDG has had a substantial impact on the company’s success, conversations with
management and employees leave one with the very strong impression that their commitment to the organization begins first with their commitment to the concept of teams. As a result, the individual teams become the foundation on which the entire organization is built and the source of performance on which the organization is dependent for its success.

In the case of the Aerospace Company, the examples of productivity and efficiency improvements occur on a more isolated basis as the organization has not yet implemented a team-based organization like that of the LCDG Company. Nevertheless, achievements of significant note do exist. In the Transmission Housing Cell teams of hourly employees, after working with Industrial Engineering and Production Control to gain a better understanding of business measurements and schedule issues, were able to improve the flow time on the main gear box housing by 50% and reduced the backlog on this critical part to virtually zero. The team also took responsibility for scheduling work, establishing overtime schedules and implementing quality initiatives. (It is important to note that when the team process began in this area, the employees voluntarily organized and held an all-shifts meeting off-site on their own time to discuss how they would proceed.) In another case, a team producing overhead relay panels established a strong communications link with Final Assembly and achieved a zero line return rate for seven months thereby eliminating costly delays in the assembly flow process. In yet another case, teams in the Hub Cell worked on combining and redesigning operations and reduced parts damage by 95% and other quality related issues by 50%. Teams also took control of
serializing and logging all circuit breaker work orders and assemblies, developed a status board to track all work orders and balanced the workload to prevent bottlenecks.

While these are but a few examples of how teams in the Aerospace Company have succeeded in improving operational effectiveness, such examples are not unusual. The value that teams can contribute to the company’s future success in an increasing competitive environment is recognized by the Aerospace Company. An excerpt from a company document written by an internal group chartered to examine the team process at the Aerospace Company states, “Management at the top truly believes that teams are key to future success. People on the floor are extremely skilled and have many hidden talents that are just waiting to be tapped.”

In researching this element of the thesis, it was difficult to find empirical evidence supporting the concept that teams and team-based organizations, independent of other organizational factors, lead to improvements in operating efficiency and overall operating performance. Even Levine and Tyson, who in my research came closest to tackling this issue, write, “Quantitative evaluations are extremely difficult to make because teams are usually associated with several other important changes in the workplace, including new technology, more training, new team or group reward structures, and greater representative participation. Most of the available empirical studies do not distinguish the effects of the teams from the effects of these other workplace innovations.” (Blinder, 1990, p.191-196) In fact, the work performed by
Katz, Kochan and Keefe indicates, “The results suggested that team production techniques, by themselves, lower productivity and quality, while substantive participation in work groups when coupled with technology related decisions increases labor productivity and product quality.” (Levine, 1995, p.45)

The reader should note that this thesis will not address the issue of work teams as an isolated organizational action on the part a company’s management. On the contrary, organizational support for teams and the team-based process, extensive union involvement in the development, implementation and ongoing operation of teams, comprehensive and ongoing training in technical and team-specific subjects and team-based compensation systems will be cited in this thesis as critical to the success of a team-based organization.

Levine and Tyson do present studies of “substantive participation”, which includes work teams, which support the proposition that, “…substantive participation in shop floor decisions usually has a positive effect on productivity…” and “…an increase in worker participation tends to be associated with an improvement in productivity.” (Blinder, 1990, p.197). The following chart is adapted from a chart presented in their work and lists some studies dealing with this issue.

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Lastly, Levine cites the studies of Denison, Hansen and Wenerfelt, which have “…found that companies whose workers reported more participative cultures had a higher return on investment and sales and a higher return on assets than the industries as a whole.” (Levine, 1995, p.45)
Consistent with the aforementioned definition, in order move a group of employees from being individual contributors to being a team, they require a common purpose and a set of specific performance goals. Where does this common purpose come from? Who establishes the set of specific performance goals? In order to truly be a self-directed work team, team members must be responsible and make decisions. Who initiates this transfer of power and approves the delegation of authority? Where does the support come from to give this organizational change the impetus required to actually move from a traditional to a team-based organization?

Before any organizational change of this magnitude can occur, it must have the complete and total backing of the company’s senior management. Ray and Bronstein point out, in referring to “negative indicators”, i.e. situations which exist that may inhibit the implementation of a team-based organization, “A history of top-management inability to stay focused on a change process long enough to see results (that “flavor of the month” approach). The best indicator of future behavior is past behavior. If management has been unfocused and flighty in the past, it is likely to be the same with self-directed teams, jumping ship as soon as problems are encountered.” (Ray and Bronstein, 1995, p.27)

The manner in which the senior management group leads this change effort is critically important. Senior management’s words and, more importantly, its initial and ongoing actions will be closely monitored. The actual involvement and commitment
of senior management; the perceived recognition by senior management of the time and effort involved and the financial resources required; and its tolerance of possible, and perhaps highly probable, short-term productivity set-backs during the transition; will be critical in determining the ultimate success or failure of the organizational change. Each of these indicators of senior management’s real commitment to change will observed, assessed and talked about, positively or negatively, by hourly employees, middle management and various other factions and special interests in the organization. Whether the movement to a team-based organization is viewed as just “the flavor of the month program” or as a serious restructuring of organization design and work processes will depend on the demonstrated support and commitment of the entire senior management group.

While support and commitment are essential, misconceptions exist in the management ranks of many organizations that movement to a team-based organization requires abdication by management of much of their oversight responsibility and authority. Hirschhorn and Gilmore write that, “Senior executives know that in the new business environment the old authoritarian style-management by control-no longer works. Eager to encourage participation, teamwork, and employee empowerment, managers assume they must give up their own authority. But this decision has a paradoxical result. When managers abdicate authority, they cannot structure participation, teamwork, or empowerment effectively, which makes it impossible for their subordinates to be productive.” (Hirschhorn and Gilmore, 1992, p.110)
Senior management must recognize and constantly retain and exercise its responsibility to effectively lead and operate the business. Without reasonable guidelines, business related constraints and management attention, teams cannot function effectively. Until an organization reaches a stage where team-based activity is the norm rather than a high profile organizational experiment, senior management must work with middle management and teams to assure the full potential of an effective team-based environment is attained. In THE MUTUAL GAINS ENTERPRISE, Kochan and Osterman note, “...the importance of top management commitment to organizational change is so well accepted that it is almost cliché to repeat the fact. We would therefore expect managerial values to be just as important in this area as in others that require strategic direction and leadership.” (Kochan and Osterman, 1994, p.97) Even after a team-based organization is firmly implanted in the company, senior management must continue its diligent oversight of, and active involvement with, the teams and the structure supporting the teams to assure the organization’s effectiveness continues to move in a positive direction.

The critical importance of senior management’s support and its ongoing involvement in areas related to the team-based organization will be referred to throughout this thesis.

CHAPTER FIVE

30
In *TEAMWORK Joint Labor-Management Programs in America*, Jerome M. Rosow writes, "There are barriers which apply to both management and the union side of the partnership. Both parties suffer from lack of experience in the concept of shop-floor participation in decision making: workers and union leaders lack prior experience and training; managers and supervisors lack confidence and trust in sharing responsibility for decisions; the organizational style and the structure of jobs and work itself are at odds with a participative model. Joint efforts demand a great investment of time, energy and confidence to accept and sustain changes of this magnitude." (Rosow, 1986, p.6)

It is important to note that joint efforts between management and the union to implement a team-based organization and change significantly the work environment and method of operation on the shop floor require a high degree of trust and some recent history of successful joint initiatives. Ray and Bronstein identify a “negative indicator” to the ultimate success of teams as, “A continuing history of management-labor strife.” The authors go on to maintain that, “Mutual trust and goodwill are essential in making the team transition as smooth as possible. Management cannot get employee involvement, trust, and “buy-in” by rule, edict, or coercion. If there is labor strife, work on fixing it now, before moving on to teams.” (Ray and Bronstein,
Companies with unions in which the labor relations environment reflects limited cooperation, confrontation and a clear lack of mutual trust should not attempt to make radical organization changes involving the unionized workforce since the union's support is critical to these changes. In such cases, significant work has to be done to improve the overall relationship with the union. Less aggressive initiatives should to be jointly undertaken and successfully accomplished to establish “success stories” before any significant undertaking can be initiated. Jointly developed pilot programs regarding greater flexibility in job assignments or focused joint initiatives to improve employee health and safety and drive down the rate of work-related accidents and injuries are examples of the types of activities which can be used to establish improved understanding and enhanced mutual respect between company management and union leadership. By taking the more conservative approach of improving the management/labor relationship first, a company will more likely avoid the potential trauma of attempting a major organizational change which fails when a poor relationship manifests itself in union resistance and hostility to that change.

Assuming a positive labor relations environment does exist, organizations must include union leadership in developing and implementing a team-based organizational structure for a variety of reasons. First, a team-based approach to performing work is directly counter to the traditional union preferred approach of having each individual employee perform only those tasks which are clearly defined in his or her job description. The specific titles of these jobs, coupled with classification procedures, are normally part of the union contract and impact such negotiated areas
as wage levels and adjustments, promotional procedures and the layoff and recall processes. A company cannot arbitrarily disregard these union contract provisions. To do so would subject the company to legal challenges under the National Labor Relations Act in which the union’s charges of contractual violations would undoubtedly be sustained.

Nevertheless, in situations where such contractual inflexibility exists, especially in provisions which restrict an employee to doing only that work which is specifically included in his or her job description, companies will likely require more employees for an equivalent volume of work than is the case in companies where individual employees or teams do whatever work needs to be done at the time. As an example, if machine operators are precluded by contract from performing routine maintenance on the machines they operate, other employees may have to be hired to perform this function. In addition, while this maintenance is being performed, the machine operator may not have any other productive activity which he or she is allowed by contract to engage in thereby resulting in non-productive downtime. If competition is minimal, companies may be able to accommodate the inefficiency inherent in highly structured organizations with narrowly defined jobs. The cost of these inefficiencies are often reflected in the price of the product or service or the profit margins of the company are narrowed. The union benefits as the excess number of employees provides the union with a larger membership base. However, once viable competition appears, especially international competition from countries where wage rates may be well below those paid to workers in the same industry in the United States, the
situation can change dramatically. Tolerance of inefficiencies and excess manpower becomes difficult as profit margins narrow further or disappear and, worse yet for all concerned, work backlogs shrink as new contracts are lost to lower bidders. Inevitably, the company will see its revenues and profit shrink, jobs will be lost and a resultant decline in union membership will occur.

In order to gain the critical support needed from a union for a change as significant as that required to implement a team-based organization, the union leadership must be convinced that the long-term survival of the union as an institution and its ability protect the jobs of its members is tied directly to the viability and business success of the company which employs those members. With competition increasing exponentially, union leadership must be convinced to embrace changes which allow the company to be competitive against both domestic and foreign business rivals. In addition, unions must be persuaded, with hard and irrefutable facts, that it is better to lose some percentage of membership as efficiencies improve rather than experience a business decline or closure with far greater impact on their organization and on those they represent. It is also important to educate union leadership that true efficiency gains through team-based organization or other efficiency improvements may ultimately result in either employment level stabilization or increased employment levels due to the winning of new contracts.

Second, many unions perceive team-based organizations as a threat to the relationship between unions and their members and/or prospective members. This
perception is based on the correct assumption that communication between employees and management significantly increases in a team-based organization. With communication comes the potential for both increased understanding and greater mutual respect. The traditional role of the union, i.e., as a representative of the employee, is altered as individual employees have ample opportunity to represent themselves on work related issues directly or through their teams. In addition, many of the issues which result in management/employee conflict, and lead to union intervention, virtually disappear in a team-based organization as employees better understand, and in many cases are responsible for establishing schedules, daily job assignments, overtime requirements, work norms, etc. Disciplinary issues such as misuse of working time and tardiness/absenteeism are often resolved through peer group pressure rather than management action. Therefore, conflict is reduced and the need for traditional union intervention on behalf of employees is also reduced.

Management must recognize that this is a reasonable issue and concern for union leadership, especially in companies where union membership and/or financial support for union activities by employees are voluntary. This concern is especially threatening to unions in “Right to Work” states where union organizing activities are legally constrained. While this concern may manifest itself in other objections to a team-based organization, failure to address this specific issue may result in an inability to gain union support.
Third, joint management/labor initiatives provide the company with a strong, well-organized partner in the very difficult process of moving from a traditional to a team-based organization. Many unions have established an effective bond with their membership and can facilitate acceptance of team-based initiatives through their open support and involvement. In addition, based on a union’s understanding of issues important to their membership, union involvement can provide invaluable input regarding approaches which are likely to succeed, or fail, in moving from a traditional to team-based organization.

In a paper presented by Harvard University Professor D. Quinn Mills to the Joint Economic Committee on January 16, 1986, Dr. Mills made the following observation, “Traditionally in the United States management views productivity as its responsibility, and unions view job security as theirs. But neither is able to accomplish very much with this division of effort. The major contribution which American labor relations could make to improved productivity would be for management and unions to reverse their traditional roles. Unions can today do more for productivity than companies can. And management can do more than labor for job security. If each will assume a new responsibility, American productivity, employment security and competitiveness can all be enhanced.” (Mills, 1986, p.23)

Clearly, the union’s active involvement in, and support of, a team-based organization initiative and its restraint in advancing traditional arguments for restrictive work rules and narrow definitions of jobs is critical to the successful implementation of such an
organization. In their research, Lawler, Mohrman and Ledford found that a significant correlation exists between the degree of union involvement and improved Performance Results and Changes in Internal Business Conditions. These finding are presented in the following table:

<table>
<thead>
<tr>
<th>Degree of union involvement in EI initiatives is significantly correlated (p ≤ .05) with the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance Results</strong></td>
</tr>
<tr>
<td>Direct Performance Outcomes Overall</td>
</tr>
<tr>
<td>Quality</td>
</tr>
<tr>
<td>Speed of Response</td>
</tr>
<tr>
<td>Customer Service</td>
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<tr>
<td>Profitability and Competitiveness Overall</td>
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<tr>
<td>Competitiveness</td>
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<tr>
<td>Quality of Work Life</td>
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<tr>
<td><strong>Changes in Internal Business Conditions</strong></td>
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<tr>
<td>Improved Implementation of Technology</td>
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<tr>
<td>Changed Management Style</td>
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<tr>
<td>Improved Union-Management Relations</td>
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<tr>
<td>Moved Decision Making to Lower Organizational Levels</td>
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<tr>
<td>Broadened Skill Development at Lower Organizational Levels</td>
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<tr>
<td>Increased Information Flow Throughout Corporation</td>
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<tr>
<td>Increased Employee Trust in Management</td>
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<tr>
<td>Improved Management Decision Making</td>
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<tr>
<td>Improved Employee Safety/Health</td>
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<tr>
<td>Improved Organizational Processes/Procedures</td>
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<tr>
<td>Increased Speed of Decision Making</td>
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<td>Improved Implementation of Decisions</td>
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(Lawler, Mohrman and Ledford, 1995, p.128)
For companies with a unionized workforce seeking performance improvement and increased competitiveness, the above findings support the positive role which unions can play in the successful development and implementation of employee involvement initiatives like team-based organization. In referring to the movement of union leadership in some companies in North America toward a true partnership with management, Ray and Bronstein write, “This new role has been developed through farsighted and committed leaders who recognize that the fate of the worker and the union lies in the health of the company. To be an effective partner in the self-directed team process, union leadership must learn as much as possible about the business in which the workers live. Union leaders must learn to work with management to make strategic decisions and educate their membership.” (Ray and Bronstein, 1995, p.184)

A final consideration is perhaps the most important in understanding unions and how organizational change impacting their membership is considered by union leadership. Senior management of a company in which the hourly workforce is unionized and in which the union leadership is willing to take a progressive approach and, in a very real legal sense, allow the company to implement, as a pilot or on a permanent basis, a team-based organization, must recognize the fact that union leaders are elected officials. As such, any significant departure from past practice places them at political risk. Likewise, Kochan and Osterman note, “Democratically elected worker representatives cannot get away with symbolic or partially diffused innovations; they will be thrown out of office. They will demand that the program be
either abandoned or institutionalized and spread to cover more of their constituents.”
(Kochan and Osterman, 1994, p.218)

Union officials who are willing to work with a company to improve efficiency and enhance competitiveness, for the ultimate benefit of their union’s membership, are often the targets of political attacks by factions within the union. Individuals within these factions may have strong philosophical objections to these changes or may simply be seeking an issue to attack in order to ultimately assume power. If such a political attack is successful, the resulting change in union leadership will in all likelihood derail not only the team-based organization initiative but possibly many other agreements a progressive union leadership may have previously entered into with the company.

It is therefore important that union leadership be an active participant in this change process. The union should participate as a full partner in the development, implementation and on-going practice and refinement of a team-based organization to assure union leadership fully understands, and is not threatened by, the transition from a traditional to team-based organization. Failure to include unions in this process may, as earlier noted, constitute a violation of the National Labor Relations Act if the teams created inadvertently or by intent engage in activities which differ from and/or violate existing contract provisions. The absence of union involvement will so narrowly restrict what teams can do that it is likely that the entire process will be undermined. In addition, if a union mounts an aggressive attack against a transition
to a team-based organization by maintaining that the company’s true motive for moving in this direction is simply to take away jobs and/or require employees to do more for the same pay, or with a portion of their pay at jeopardy, many employees may be understandably reluctant to participate and/or be actively hostile toward the initiative. A company cannot implement a team-based organization if a significant percentage of its employees simply decide not to effectively participate.

The process of involving a union can take many forms. In the case of the LCDG Company, senior union leadership at the international level reached an agreement with the vice president of industrial relations at the corporate level that the union would work with the company to explore new ways of producing products in the U.S. This agreement occurred in a business climate in which the U.S. industry in which LCDG operates was facing intense competition in the U.S. market from international competitors. As a result of this agreement, a group of approximately one hundred (100) individuals was formed with representation fairly balanced between the company and the union. Representatives included plant and division managers from across the organization and union representatives from a majority of the union regions. This group activity, which occurred in the mid-1980’s, included the study of best practices both within the company and at over 50 other manufacturing companies by small teams formed from the larger group. Following a year of study, review and intense discussion and debate, the group recommended a new subsidiary be formed. A critical element to this new venture would be a true partnership between the company and the union in all elements of normal business
operations as well as tactical and strategic planning. This recommendation was subsequently adopted by the corporate level and led to the establishment of the LCDG Company.

The relationship established through the management/labor group process also led to the signing of a new labor agreement. This agreement provided general guidelines and was devoid of much of the normal detail typically included in such agreements including those of other organizations represented by this union. The initial labor agreement, as does the current labor agreement, included provisions for the full participation of the union.

This thesis will examine various provisions of the Memorandum of Agreement in effect at the LCDG Company and will relate these provisions to the implementation of a team-based environment.

In the case of Aerospace Company, the establishment of a highly productive and cooperative relationship between the company and the union has been more evolutionary in nature and has been created within the confines of a less dramatic departure from a more traditional Labor Agreement. Nevertheless, consensus between the company and the union has been reached that it is “...in the mutual interest of the parties to continually improve work processes, practices, and methods and means of manufacturing and production, in an effort to improve global competitiveness, productivity and quality of the product, and employee's job security..."
and work life.” The vehicles to accomplish these goals “…include, but are not limited to, Process Action Teams (PATs), Kaizen events, High Involvement Work Teams (HIWTs), Total Productive Maintenance (TPM), and other Agile Manufacturing initiatives. While this Labor Agreement does not include provisions which even approach the degree of union involvement in the decision making processes of the company that can be found in the LCDG agreement, union involvement in the area of innovative work practices, which includes the utilization of teams, is included in the Labor Agreement.

Whether using the LCDG Company approach, which clearly represents the extreme in management/labor relations within the U.S., or even a significantly less comprehensive variation such as the Aerospace Company’s Labor Agreement, a company can involve the union in meaningful dialog and participation in the developmental of a team-based approach and can and should continue to work with the union on an ongoing basis following the implementation. By doing so, the union becomes an key participant and active partner in the process and the union leadership can display to the membership its real involvement and input into formulating a major change in the company’s strategic operating method and culture.
In making the transition from a traditional to a team-based organization, a major potential impediment to such a transition is the existing organizational structure. While the focus of moving to a team-based organization in a manufacturing company is frequently on the shop floor employees who will be formed into teams, the success of the transition will depend greatly on whether the organizational structure in place is supportive of a team-based approach. Since the structure in a traditional organization was designed to support that organization type, some degree of modification will be required to effectively make the transition.

The scope of the responsibilities assigned to a team will determine the degree to which a team is self-directed and autonomous. In addition, the procedures, processes and informal working practices of the company will impact team function and effectiveness. In moving from a traditional to a team-based organization, a
careful analysis must take place to determine where authority actually lies, how decisions are made and what needs to be changed with respect to formal procedures and processes and informal practices.

As an example, many of the areas which may require careful analysis and revision appear on the surface to be detached from team-based activity on the factory floor. Nevertheless, if the capital budgeting approach of the company is overly rigid, a team making a recommendation to improve productivity in its work area in February might be informed that all proposals must be submitted no later than November of the year prior to the approved expenditure. If the Engineering Department fails to prioritize the review of recommendations coming out of teams which are being challenged to improve productivity and/or product quality, such recommendations will over time decrease in number and team morale and motivation will decline. Many companies have been frustrated by the lack of interest in Employee Suggestion Programs even when those programs provided monetary rewards to employees for suggestions implemented. This lack of interest can be traced in many cases to the slowness of processing and the failure to implement many good suggestions.

In the case of teams, where both an individual and a group mentality exists, the inability to implement changes required to meet assigned challenges can cause considerable conflict. This conflict can lead to the eventual breakdown of team function and effectiveness due to frustration and a sense of abandonment and lack of support by senior management. Clearly, as part of the implementation of a team-
based organization, planning should include how to expedite requests, suggestions and/or team driven initiatives to encourage teams and to foster a sense of accomplishment early in the transitional process. The establishment of a separate budget, procedures to move team requests to the top of the priority list and follow-up by senior management to assure sufficient attention is being paid to the needs and requests of teams will facilitate this process. As teams become more experienced and as recommended changes become more incremental and less related to the pent-up frustration of not being asked historically how work can be best performed, the requirements for such special action and emergency funding should diminish over time.

As previously noted, in a traditional organization the foreman has the responsibility for overseeing the work of a group of employees. Based on the definition of a team presented earlier, the role of the traditional position of foreman is significantly impacted in a team-based organization. If teams are to make decisions about task assignments and work methods, if they are to be held responsible for a specific set of performance goals and if they are to be committed to each other and hold each other fully and jointly accountable, they must have a sufficient degree of autonomy and significantly less direct supervision. Nevertheless, such autonomy, especially in the early stages of the transition process, requires considerable guidance and support.

This guidance and support can come from individuals who are given the responsibility for providing consulting services to team members and teams related
strictly to team process and team dynamics; it can involve receiving the support needed to effectively interface with various functional areas and senior management; and it can be support provided in the form of useful operating information.

In Chapter 8, the training needed by individuals to become fully functioning team members will be covered in detail. While this training is essential and will greatly facilitate moving groups of employees from the status of multiple individual contributors to fully functioning, highly integrated teams, some level of ongoing support from individuals trained in group behavior and group dynamics will be critical to the ultimate success of the transition. These support individuals are needed to work with team members and teams to facilitate development through clarification and reinforcement of team concepts learned during training, by serving in a venting role to allow team members to express concerns and dissatisfaction to a neutral party early in the transition process, by offering specific advice and guidance regarding how team interaction and function can be enhanced and, in extreme cases, by intervening if a total team breakdown appears to be imminent.

At the LCDG Company, the teams have access to a counselor who is also a working member of the team. In addition, two (2) module advisors, one from management and one from the union, work with four (4) to six (6) teams which form a team module. This counseling support, coupled with extensive and ongoing training of team members in behavioral science topics of the type which will be highlighted in Chapter
8, contributes significantly to the effectiveness of team interaction and process at LCDG Company based on input received from personnel during the site visit.

Individuals who serve in a consulting and support role, as Team Counselors, especially those from outside the team, must use great care not to interfere with team development by providing too much support or attempting to intervene in all conflict situations. These individuals must establish a close linkage with the teams and be perceived as individuals who can add value and support the teams in their daily activities and in their overall pursuit of objectives. In a company making a transition from a traditional to a team-based organization, individuals may be recruited from a number of areas within the company. Some may be former foremen who possess the required interpersonal skills and who are given the training necessary to effectively function in this new capacity.

Due to the critical nature of the Team Counselor role, care must be taken to assure ex-foremen and others selected for this position do possess the necessary skills and are able to establish sufficient credibility and a positive working relationship with the teams. This function should not be considered simply a potential placement opportunity for individuals displaced by the transition to a team-based organization or who may be in a surplus status based on other organizational changes.

Individuals who normally function as trainers in team concepts and process may be able divide their time between training and providing consulting support to teams.
This dual role may allow the trainers an opportunity to assess the content and effectiveness of the training program based on the direct feedback they receive and modify the training program accordingly. It also provides the teams with support individuals who are thoroughly versed in team concepts and who are, based on experience and/or training, typically competent in working with groups. Despite the talents brought to this function by qualified trainers, additional training will likely be required to assure these individuals can make the transition from concept to practice, especially in the area of group dynamics.

Other potential staffing sources to fill the Team Counselor positions are Human Resources personnel, certain hourly shop floor employees and others from throughout the organization who have the requisite skills and a true calling to this type of work. Again, the placement of individuals in these positions is crucial, especially during the early stages of the transition when the concepts of teamwork have not yet been applied in practice.

Due to the importance of this consulting role and the ongoing interaction with hourly employees which the role entails, it is important to involve the union in defining the duties and responsibilities of this position. In addition, it is advisable to review the potential candidates with the union in order to consider any input which might affect the final selection. Many of the issues these individuals will deal with, both early in the transition and on an ongoing basis, may involve work practices and procedures which are covered by the existing labor agreement. In addition, lack of sensitivity to the overall role and involvement of the union in the implementation and ongoing operation
of the team-based organization on the part of individuals occupying these positions can result in misunderstandings and labor disputes and negatively impact both the relationship with the union and the union’s support of the team-based organization.

In situations where the work performed is more complex and/or where the tasks and goals assigned to the team are more far-reaching, teams may need differing degrees of external support. This support might come in the form of technical assistance from certain functional areas or it may involve working with other teams which in some way affect the work performed by that team or are affected by the work of that team. As an example, a team which is challenged to improve the output of a process occurring in their work area, may look at the capital equipment provided and determine that modifications and/or equipment replacement will gain much of the desired improvement. In order to finalize their recommendation, the team may require input and verification from Manufacturing Engineering that the proposed approach will actually work from a technical standpoint. In all likelihood, assistance will be required from Plant Engineering to make the equipment modification or from Operations, Finance and Purchasing to expedite the acquisition of new equipment. If the team determines that a redesign of the layout in their work area is also necessary, then Plant Engineering may be called in to provide design assistance to assure the changes meet all applicable codes and that the health and safety of individuals working in the area as well as those outside of that area are not negatively impacted by the change. In addition, Planting Engineering will work with the team to
accomplish the actual layout change which may involve team members, assistance from outside the team and/or the use of outside contractors.

The approach used by LCDG Company to facilitate such support is to form separate business units within the organization which are comprised of team modules (as previously noted, 4 to 6 teams). These business units are assigned functional specialists from the various functional areas who are responsible for obtaining the required resources and support for the Business Units.

The support needed by teams to effectively interface with various functional areas can be accomplished within a more traditional framework. One approach would be to change the role of the first-line supervisor, currently a foreman, from one of assigning and directing work to one of supplying functional expertise and facilitating contact with, and support from, functional areas. Again, many of the current incumbents of the foreman’s position may be able to make the transition to this new role, which is referred to here as Team Facilitator, if they possess two critical characteristics. First, they must possess a high level of expertise and experience in a skill area important to the effective functioning of the teams and the team-based organization. Clearly, there will be a need for operations expertise and many foremen are highly skilled in this area. Second, and very importantly, they must be committed to the concept of teams and a team-based organization. Failure to possess this second characteristic should be an automatic disqualification as individuals who are not fully committed and/or
those who harbor animosities due to their own change in status can undermine the effectiveness of a team-based organization.

In addition, individuals from areas such as Design Engineering, Manufacturing Engineering, Industrial Engineering, Purchasing, Finance and Human Resources can effectively fill these interface functions in two ways. First, by working directly with the teams to provide support in their particular areas of expertise, these individuals can assist the teams in reaching a preliminary determination regarding the feasibility of various layout and equipment changes, work process and product design modifications, material and parts sourcing proposals and personnel matters. These individuals can provide general facilitation support to an assigned group of teams and use their unique expertise to work directly with teams within their assigned group. They can also provide their expertise to other teams to support a Team Facilitator with a different unique skill set.

Second, those individuals who have come from functional areas can be utilized by the teams to marshal the support required from their former functional areas based on their knowledge of the policies, practices and decision making processes in those areas. By supporting and working with the teams during the initial development of proposals, submissions for consideration are potentially more refined and more highly developed than those typically submitted through a normal suggestion program. Further, by calling in any additional functional expertise required and by following suggestions and recommendations from teams through the system, Team
Facilitators can increase the likelihood that suggestions and recommendations will be adopted. Such adoption is important in establishing the credibility of the team-based organization by proving that teams can have an impact on all aspects of work performed in their assigned areas. Over time, teams may require less assistance in dealing with functional problems and in interfacing with functional areas, but significant support is needed in the beginning stages of team and organizational development.

Individuals filling the Team Facilitator positions should strongly support the team-based concept. Like the Team Counselors who are needed to consult with the teams on matters concerning team process and dynamics, individuals in a facilitation role will have a significant impact on the effectiveness of the transition and the viability of teams and the team-based organization over both the short and long-term. The Team Facilitators and the Team Counselors should work together closely as their roles and the impact they have on the teams are strongly related.

In addition, Functional Support Coordinators from each of the primary functional areas should be designated to work with the Team Facilitators to assure the teams are provided with the support required as expeditiously as possible. The Functional Support Coordinators and Team Facilitators provide the critical links between the teams and those areas responsible for supporting the teams.

An organization chart depicting the aforementioned structure is presented below:
At this point, it is important to again make special mention of the very difficult organizational issue related to foremen. There is no doubt that some percentage of the existing foremen will be able to make the transition. Many possess a wealth of operation’s knowledge and experience and are supportive of the concept of teams. In addition, existing foremen can be the critical management bridge between the traditional organization and a team-based organization. These individuals possess the necessary knowledge to assure that in the process of transition, important functions are not overlooked. In addition, in reviewing the procedures, policies and practices of the company, the foremen can provide valuable input into why things are done in certain ways and how they might be changed without adversely impacting the product being produced. Further, foremen who posses critical operational skills and a positive attitude toward the concept of teams can be effective and valuable
participants in the team-based organization design and implementation process. Clearly, the company should conscientiously and aggressively attempt to identify all those foremen who are likely to be successful in the new organization structure. Investments in training, rotational assignments and organized mentoring approaches can all be used to assist foremen and to assure that the maximum number are successful in making the transition.

Such efforts to fairly treat existing foremen are important for a number of reasons. First, those that have made ongoing contributions to the company’s success should receive an opportunity to fill positions in the new organizational structure. Second, in making the transition in a large manufacturing operation, the implementation of teams will likely require a phased implementation approach, possibly covering a number of years. Therefore, foremen working in areas which are scheduled to transition to a team-based structure later in the implementation process will be carefully watching how their counterparts are being treated by the company. The perception and resulting actions of these foremen can have an impact on the entire transition process. As an example, if foremen feel that they are being unfairly treated as a group, the foremen may consciously or unconsciously act in ways that generate labor unrest in their areas. As a result, relations with the union can become strained at exactly the time when this relationship must be its strongest. Lastly, the creation of any “loser” groups in the transition process may dampen the overall enthusiasm for the move to a team-based organization and impact the reception to such a change in other sections of the organization.
Despite the best efforts and intentions of the company, some foremen will not be able to retain their positions in the new organization. The total number of individuals needed to act in a support and/or liaison capacity with the teams will be reduced as the teams engage in increasing levels of self-direction and broaden the scope of activities that they engage in directly. In addition, based on the changing role, some individuals from other parts of the organization will be required to fill the new roles. Further, some foremen will simply not be able to make the transition to the new roles in a team-based organization. Clearly, those that harbor strongly negatively positions regarding teams, and whose attitudes toward the concept of teams will not change, must be reassigned. In cases where these individuals have some unique technical knowledge and/or operations experience, assignment to another salaried position may be appropriate. If these individuals have no such unique skills and/or experience and came to their positions from hourly jobs, then a transfer back to their former hourly area may be a viable alternative. Other approaches which can be explored include formalized out placement support and/or targeted retirement incentive plans.

Significant caution should be exercised in moving displaced foremen back to hourly positions. Management must assure that the foremen being reassigned back to these positions do not carry with them negative feelings regarding the team concept and/or animosity related to their change in status caused by the transition to a team-based organization. Failure to monitor this situation carefully can result in assigning
individuals to teams who consciously or unconsciously will undermine the effectiveness of the team to which they are assigned.

The treatment of foremen, as well middle managers and/or support personnel, is a very difficult Human Resources issue to deal with in making the transition to a team-based organization. While companies must strive to treat these individuals fairly and equitably, management must also focus attention on assuring the transition is successfully completed and that the team-based organization is fully functioning as quickly as possible. To accomplish this, some difficult decisions regarding individuals and groups will have be made. The failure to recognize and remove obvious obstacles to the success of the team-based organization will send conflicting and disruptive signals the workforce and to union leadership and may ultimately reduce the operational improvement opportunities and/or seriously harm the possibility of success and the very viability of the new organization.

A final organizational change required to support teams is the dissemination of, and access to, information. In traditional organizations, shop floor employees often have limited access to important operating and financial information. The “need to know” rule, which basically means that unless an individual needs certain information to do his or her job there is no reason to provide that information, is typically in effect. Since employees in a traditional organization are assigned work and given directions regarding how to perform that work, they are assumed to have little need for operating and financial data. In a team-based organization, where teams are expected to make
decisions about assignments and work methods and commit to specific performance goals, information regarding cost, schedule and quality are of critical importance to teams.

In a Harvard Business Review article titled, Opening the Books, John Case writes that “If employees are to act with the organization's business objectives in mind, senior managers must see that three conditions are met.” Case’s three conditions are presented below:

1. “…information previously shared only among those in charge must be seen-and understood-by everyone in the organization.”

2. “…managers must hold employees responsible and accountable not just for scheduling their work or hitting quality targets but for making their unit's budget or profit goals.”

3. “…in addition to paying employees for their time, the compensation system must reward them for the success of the business. That usually involves creating a sizable bonus plan, often supplemented by stock ownership. Unlike many variable-compensation systems, open book bonuses are always tied to some easily understood measure (or measures) of business unit performance, and progress toward the goal is publicly tracked. The system is thus wholly transparent: people see and understand the numbers that determine success, learn the part they play in making those numbers, and know in advance how they will be rewarded if the unit achieves its goals.”
While Case was not writing specially about implementing open-book management in a team-based organization, such an approach lends itself well to such an organization type. David I. Levine writes, “High-involvement companies tend to provide their employees with more information on the progress of the company, new technology, and the big picture of the enterprise.” Levine continues, “Employees who understand management priorities and budgetary constraints can make better decisions concerning training issues, customer service problems, quality, product design, and work process improvements.” (Levine, 1995, p.61)

The open dissemination of business related information provides teams with factual data allowing them to better understand the overall business. This understanding can guide teams in reaching decisions and developing recommendations related to the work performed in their respective areas. In addition, distribution of data, when directly linked with the payout targets established in a supplemental compensation program, like those discussed in this thesis, can serve as both a running scorecard of performance and as a guide for employees to follow in modifying their performance to achieve the desired targets.

Although this chapter focuses on organizational changes directly impacting hourly employees operating in teams on the factory floor, other organizational changes may be necessary. As an example, if a particular functional area is not organized to
effectively accommodate the needs and requirements generated by teams on the factory floor, organizational change may be required. Such a change may involve streamlining the organization by removing layers or consolidating certain functions to broaden responsibility and improve the decision making process. While such change requirements may surface or become more apparent during the implementation of a team-based organization, the need for such changes may have existed for some time. Senior management should use this window for organizational change to identify areas or departments in which inefficiencies in structure and/or processes exist and implement any changes required. This will not only support the functioning of teams but will benefit the entire organization as the organizational streamlining and process improvement initiatives spread.

CHAPTER SEVEN

TEAM FUNCTIONS: What Can Teams Actually Do?

How self-directed and autonomous can a team of hourly employees in a manufacturing environment be? What specific functions can such a team be expected to manage on its own? What assistance and/or support should be given to a team in handling a discreet set of functions?

The degree of self-direction or autonomy which can be given to teams is limited primarily by the ability of the team to manage and accomplish the tasks and goals
assigned to it. As earlier noted, limitations may also derive from the existing labor agreement, although such limitations can be mitigated through active union involvement, and/or certain provisions of the National Labor Relations Act.

In situations where the assigned tasks and goals are relatively simple, a team of individuals trained and proficient in the group dynamics of working within a team can become reasonably self-sufficient within a short period of time. As an example, if a team of ten (10) employees is responsible for performing two (2) distinct machining operations on parts flowing into a machining area and then sending these parts on to the next area, the organization and accomplishment of this function can be turned over to a technically competent team trained in group dynamics and team related skills in a relatively short period of time. In this case, the team is only responsible for processing those parts which it receives. Once these parts enter the area, the allocation of responsibilities related to parts handling, tooling availability, machining, quality assurance, basic machine and work area maintenance and other miscellaneous duties can be assigned and monitored within the team. Due to the limited scope of the work assigned, little or no external intervention may be necessary as long as the team is receiving an adequate supply of semi-finished incoming parts and processing enough of those parts, which fully meet specifications, to feed subsequent operations. The independent functioning of the team may be impacted by other initiatives occurring on a broader scale such as Just In Time (JIT) and Total Productive Maintenance (TPM) and the potential impact of such programs on individual teams must be recognized and addressed. As importantly, the
implementation of any new initiatives once the team-based organization is in place must be assessed carefully to determine if any impact on the teams will result.

By looking at the LCDG Company, we can analyze the types of activities teams can engage in on a daily basis assuming that the organization in which the teams operate is designed to facilitate and support team-based activity. In doing the research and field study for this thesis, it became clear that the LCDG Company’s use of teams arguably represents one of the most comprehensive examples of delegation of responsibility to teams in U.S. industry today. The reader must recognize that the teams operating within the LCDG Company do so within an overall system which is unique within U.S. industry for many of the reasons highlighted in this thesis. Any attempt to “cherry pick” individual components of the team process at this company or to overlay the LCDG model on the shop floor operations of an established organization without thoroughly analyzing the overall system is highly inadvisable.

With the aforementioned caution, we find at the LCDG Company a highly autonomous team structure based on individual teams. Each team is responsible for performing what are referred to as the “30 [Team] Functions”. These functions include thirty (30) separate sets of activities which are the responsibility of all members of each team.
For many functions, a leader is assigned to facilitate that function. Leadership roles are distributed among team members and are rotated over time based on the abilities of the individuals on the team. This rotating exposure to leadership roles appears to serve three (3) important functions. First, multiple members gain an in-depth understanding of the various critical responsibilities of the team. Second, rotation brings a different perspective to these functions and facilitates continuous improvement efforts. Third, the interdependence of all of the functions become apparent as members are exposed on an in-depth basis to different functions over time and are required to interact with those taking the lead on other functions to accomplish their own particular objectives.

The LCDG Company’s “30 [Team] Functions are summarized below:

(1) CONSENSUS DECISION MAKING: Decisions are reached within the team through open discussion where all members have the opportunity and are encouraged to participate. Any member(s) who do not agree with the direction the team is taking on a particular issue is (are) required to propose a “reasonable and timely alternative solution”. Consensus is reached by assuring that all members of the team are ultimately “seventy percent (70%) comfortable with the decision and one hundred percent (100%) committed to its implementation.”
(2) SELF-MANAGED WORK TEAMS: Operational and planning decisions are made within the team. Tasks are accomplished without direction from outside the team and individual members are accountable for their own behavior.

(3) MAKE OWN JOB ASSIGNMENTS: The team will determine the job assignments of its members and will assure the “safe, effective, efficient, and equal disbursement of work…”.

(4) RESOLVE OWN CONFLICT: A team will strive to resolve conflicts within the unit with a “win-win” resolution as the objective. When conflict cannot be resolved the team will seek outside intervention.

(5) PLAN OWN WORK: A team plans its own work through analysis of the tasks and responsibilities required and the resources needed to accomplish the mission and purpose of this activity to the customer.

(6) DESIGN OWN JOBS: A team will design the jobs of its members in order to establish the “optimum balance between people and technology and will include the effective use of manpower, ergonomics, machine utilization, quality, cost, job task analysis and continuous improvement.”
(7) CONTROL OWN SCRAP: After being provided with the necessary training and resources, a team will control its own scrap, minimize waste and monitor material cost and overall product quality.

(8) CONTROL OWN MATERIAL AND INVENTORY: The team controls its own material and parts inventory by working directly with “suppliers, customers, and general stores to develop and maintain its own necessary Inventory Plan.”

(9) PERFORM ITS OWN INCIDENTAL EQUIPMENT MAINTENANCE: The team performs routine equipment maintenance which its members have the expertise to perform and which can be performed safely by the team’s members.

(10) SCHEDULE OWN DIRECT/INDIRECT WORK: The team schedules the direct/indirect work which the team needs giving full consideration to the effective utilization of people and the timely completion of tasks required.

(11) SCHEDULE OWN COMMUNICATIONS WITHIN AND OUTSIDE THE GROUP: Using the company’s communications resources, the team will be “responsible and accountable for establishment and maintenance of their own effective, timely, internal communications system.” The team will establish their own external communication network.
(12) TEAMS WILL KEEP THEIR OWN RECORDS: The teams will be responsible for developing and maintaining records required to efficiently and effectively perform their tasks and responsibilities. Assistance will be provided in determining which records should be maintained and resources will be made available to produce and efficiently store these records.

(13) MAKE SELECTION DECISIONS OF NEW MEMBERS INTO THE WORK UNIT: Although initially all new member selection was handled at the team level, teams are currently responsible only for selecting new members when they are hired from other divisions of the corporation or from the outside. Teams have input into the selection process of new members transferring from other teams throughout the LCDG Company but final approval occurs outside the team.

(14) CONSTANTLY SEeks IMPROVEMENT IN QUALITY, COST AND THE WORK ENVIRONMENT: All members of the team participate in designing a plan to improve productivity. Any productivity gains and/or improvements in profitability that result from these efforts will be shared based on a predetermined formula.

(15) PERFORM TO BUDGET: The team will establish a budget consistent with budgetary procedures and track performance against that budget. The team may use their budget performance as a measure for continuous improvement.
(16) INTEGRATED HORIZONTALLY WITH BUSINESS TEAM RESOURCES: The team is horizontally integrated with the support resources available from throughout the organization. Nevertheless, the team retains its own interdependent role and responsibilities and is supported by, not directed by, those external resources available to the team.

(17) REFLECT SYNERGISTIC GROUP GROWTH: The team clearly understands its goals and works to enhance group knowledge and effectiveness.

(18) DETERMINE OWN WORK METHODS: The team is responsible for designing its own jobs, determining the resources required to perform the work, i.e. tools, equipment, layout, etc., assuring a balanced breakdown of work, and maintaining flexibility for continuous improvement.

(19) SCHEDULE OWN RELIEF: The team is responsible for establishing the scheduled and unscheduled relief breaks of its members, giving consideration to the individuals, technology and the production system.

(20) SCHEDULE THEIR VACATION: The team will plan and schedule the vacation dates of its members and assure the needs of the individuals, the production schedule and the company’s overall operating efficiency are considered.
(21) PROVIDE OWN ABSENTEE REPLACEMENTS: The team is responsible for the attendance of its members and will plan and provide its own absentee coverage without compromising quality and schedule.

(22) PERFORM OWN REPAIRS: The team has the ultimate responsibility for building a world class product which meets customer requirements and for repairing any non-conformance on work performed by the team. For any problem found which originated in another team, the originating team is accountable.

(23) PERFORM OWN HOUSEKEEPING: The team will be responsible for and will perform most of the housekeeping in their work area to assure both quality performance and workplace safety.

(24) MAINTAIN AND PERFORM THEIR OWN HEALTH AND SAFETY PROGRAM: The team will be responsible for training, group awareness, maintaining safety as a priority and record keeping. The team will be provided with the necessary resources to assure that the company is in full compliance with all Local, State and Federal laws and regulations.

(25) RESPONSIBLE FOR PRODUCING QUALITY PRODUCTS TO SCHEDULE AT COMPETITIVE COSTS: The team is “responsible for producing world class quality products to schedule at competitive costs...”. Customer satisfaction, meeting
customer requirements and continuous improvement are responsibilities of the team.

(26) ASSIST IN DEVELOPING AND DELIVERING OWN TRAINING: The team will assess the training needs of its member and participate in the development and delivery of this training in order to assure the members have the information and skills necessary to be world class craftsmen.

(27) OBTAIN OWN SUPPLIES: The team is responsible for obtaining and storing its own supplies.

(28) SEEK RESOURCES AS NEEDED: The team is responsible for identifying and obtaining the resources needed to function effectively.

(29) SCHEDULE AND HOLD THEIR OWN MEETINGS: The team is responsible for scheduling and holding meetings as required to effectively meet their roles and responsibilities and to facilitate continuous improvement.

(30) INITIATE THE INITIAL CONSULTATIVE PROCEDURE FOR SELF CORRECTIVE ACTION, WITH RESPONSIBILITY ON THE INDIVIDUAL MEMBER: The team will be responsible for establishing its own behavioral norms consistent with the company’s “mission, philosophy, and shared value system” and with emphasizing the need for individual member adherence to those norms.
A careful review of the above “30 [Team] Functions” indicates that the teams at the LCDG Company are “small business teams” as defined by Klein. In adding further definition to the term “self-managing work teams”, Klein uses the term “small business team” to more accurately reflect the objective of team self-management; “i.e., organize the work to encourage and enable workers to use their knowledge/skills to manage their daily activities as if they were owners of their own business.” (Klein, 1994, p.146)

In the case of the shop floor employees at the LCDG Company, the individual teams clearly function as small businesses based on their responsibility for planning work, establishing and adhering to budgets and cost objectives, obtaining and allocating resources, monitoring the quantity and quality of work performed, interacting with suppliers and customers, maintaining their own work environment, establishing their own schedules and assuring adherence to established group norms. The LCDG Company’s teams also exhibit a characteristic which is critical to defining a true small business mentality; the members of the teams take responsibility for their own actions and accept accountability for those actions. Like a small business, the teams also share in the gains generated through their efforts and those of the other teams throughout the organization. The compensation program approach used by the LCDG Company will be reviewed in the Chapter 9.

CHAPTER EIGHT

TRAINING: Providing The Required Skills
The training requirements associated with moving from a traditional organizational structure to a team-based organization are significant. Unlike the traditional training initiatives in an industrial environment which have focused on job related, technical skill development for hourly employees, training required in a team-based organization includes a much wider range of topics. Traditional training requirements will continue, and will be critical in bringing new hires up to the required technical competency level and in the cross-training process to assure current team members are qualified to perform a number of jobs. According to Klein, “What is needed…is to have “jacks of all trades” with sufficient knowledge and skills to proficiently perform the work of the team and continuously improve the overall operation.” (Klein, 1994, p.146) While the writer totally supports the critical importance to a team-based organization of training employees to be “jacks of all trades” in all of the technical skills required and, as will be outlined, advocates supporting the utilization of these expanded skills with knowledge/skill-based pay, this thesis will focus only on the new set of skills which team members must possess to function effectively as a team.

In KEEPING TEAMS ON TRACK, the authors present a set of “primary training skills” and “secondary training skills” related specifically to working in a team-based environment. These skills are listed as follows:

**Primary Training Skills**
• Listening.
• Giving feedback.
• Presenting ideas to teams.
• Building a foundation of trust.
• Clarifying customer expectations.
• Participating in effective meetings.
• Making various types of decisions.
• Solving problems effectively.
• Resolving issues with team members.

**Secondary Training Skills**

• Developing effective presentation skills.
• Giving and receiving constructive feedback.
• Interviewing a team member or manager.
• Conducting peer performance reviews.
• Disciplining a team member.
• Handling a dissatisfied customer.
• Negotiating for resources.
• Challenging team boundaries.
• Sponsoring team ideas.
• Resolving issues with other teams.

(Moran, Musselwhite and Zenger, 1996, p.31)

While some of above referenced skills may not be required by a team composed of hourly employees working in a factory environment, those which are primary candidates for exclusion relate to more to management/labor issues, i.e. union concerns regarding peer reviews and hourly team members disciplining other members, than to employees being trained in skills they will not use. Clearly, all of the “primary skills”, with the possible exception of the skill related to customer expectations, are required by team members in order to work effectively in a group setting. If members do not listen to the views and inputs of other team members or fail to give appropriate and constructive feedback, group interaction will be negatively impacted. If ideas are not clearly articulated or members do not have the ability to react to ideas and make necessary decisions, teams will not make significant progress. If the issues and problems that teams inevitably encounter cannot be solved within the team framework, members will become frustrated and feel ineffectual. Any training plan designed to support a transition to a team-based organization must include training in group interaction, team process and problem solving.

The “secondary skills” presented include skills needed by team members to deal effectively with individuals outside the team as well as with other teams. Making presentations, interviewing managers, dealing with customers, negotiating for
resources, challenging limitations on the scope of team responsibilities and sponsoring team ideas are all activities which fully functioning and highly cohesive teams will engage in as the teams and the entire organization evolve. As a result, the authors who developed the primary and secondary skill lists appropriately designated these latter functions as “secondary”. While they are extremely important, and over the long-term will be required if teams are to reach their full potential, attempts to train individuals in these “secondary skills” before they have gained reasonable mastery of the “primary skills” will complicate the transition process and potentially overwhelm team members. Instead, training should be sequenced to assure that team members are provided with training in the basic skills first and allowed to practice these skills within their team.

As noted in Chapter 6, dissemination of comprehensive business and operating information to the teams is critical to the success of a team-based organization. Providing such information without training the recipients in how to interpret and use such information greatly reduces the functionality of this action by the company. As Levine writes, “For this strategy to be effective, workers should receive training in how to interpret and apply the information they receive.” (Levine, 1995, p.61)

In both LIGHT BULBS FOR LEADERS and Teaming Up, the authors refer to the stages that teams progress through as they evolve and use the Tuckerman Model, or a variation of it, to explain these stages. A brief summary of four stages of the Tuckerman Model is presented below. The fifth stage, which deals with the breaking
up of teams following completion of a project or major task, is not considered in this thesis as the focus is on teams which will continue indefinitely although team membership may change over time due to normal attrition. The four (4) stages considered are:

- **Forming**: During this stage employees are making the transition from individual contributors to members of a team. Participants are cautious and sometimes skeptical of management’s intentions during this stage and are uneasy and lack confidence in their interactions with others. Team members often lack the “primary skills” referenced earlier to effectively function as members of a team. Individuals at this stage often feel threatened by the changes taking place and may be highly critical of the process and question its applicability to them and the organization.

- **Storming**: Ray and Bronstein, in describing this phase, note that, “Much of the chaos and conflict of the storming stage stem from the lack of effective processes and procedures, and lack of experience in working together.” (Ray and Bronstein, 1995, p.169) In a sense, team members have accepted that the team process will go forward by this stage but are “jockeying for position” and seeking alliances with subsets of members within the team. Team members do not fully comprehend the changes taking place and argue to support personal views and positions. Conflict, dissension and task avoidance are common during the storming stage.
According to Ray and Bronstein, it is important to focus the team on the established goals to mitigate the negative behaviors during this stage. They recommend, “A refocus on these [the goals] will help to counter the blaming and fighting occurring between team members. Problem-solving games which reinforce the power of group solutions over individual ones can serve as valuable training experiences. Reviewing the concept of consensus, and the process of getting to consensus, can be a valuable activity as well.” (Ray and Bronstein, 1995, p.170)

- **Norming:** According to Glacel and Robert, in the norming stage, “Members accept the team, the team norms, their own roles, and the idiosyncrasies of the other members.” (Glacel and Robert, 1996, p.85) In other words, individuals truly become members of the team during this stage and interact and function in a cohesive manner. Members communicate clearly and effectively and a bond is formed between the members. Ray and Bronstein note, “This is the stage at which teams become very productive and effective. Members now have the process skills, and the experience in working together. Member see their own roles, and the roles of others, more clearly. The energy of the group gets directed toward the team’s tasks as it begins to make significant progress toward its goals.” (Ray and Bronstein, 1995, p.171)
• **Performing**: This is the “1+1=3” stage of the teaming process in which the team is functioning above the capabilities of the individual team members. Problems are identified, analyzed and solved by the team and efforts to improve overall team effectiveness are ongoing. In this stage team confidence is high and challenging goals and objectives are readily accepted. Teams are highly focused on goal achievement and motivation and morale within the team are at a peak.

  (Glacel and Robert, 1996, p.81-86; Ray and Bronstein, 1995, p.165-172)

Teams do not pass naturally through the four stages of the Tuckerman Model summarized above. In fact, the movement through these stages is far from guaranteed regardless of how long teams are given to organize. Training, first in the “primary skills” and then in the “secondary skills”, is essential in assuring teams to do not become mired in the forming or storming stages. Further, to assure advancement through the norming stage and, most importantly, to bring teams into the performing stage, an ongoing training process must be in place.

In an article citing the LCDG Company and four other companies for excellence in training, Robert Carey writes that, “At first, [LCDG] teams required extensive skills retraining in quality, finance, and other areas, which was delivered in traditional classroom formats. Also, “teams learned from day one where they fit in the overall process,” says Gary High, manager of human resources development. “They know who are their upstream suppliers in production, and who are the customers of their
production. They also learn what the ramifications are if their customer expects one hundred parts, but receives only ninety-five. It’s more than just that they’re five short. They must understand the complete ramifications of that.” (Carey, 1995)

At the LCDG Company, training is given a high priority status in the organization. Each employee receives a minimum of ninety-two (92) hours of training per year, which equates to five percent (5%) of normal working hours and quarterly pay-outs, as previously noted, are paid in part based on the attainment of this target. In reality, the actual level of training exceeds the minimum by a substantial margin. In 1994, the average number of training hours per team member was one hundred and forty-seven (147) hours and the company has sustained this high level of training commitment. Each team member has an Individual Training Plan, or ITP, which is developed within the team and is designed both to develop the individual and to assure that team members have the necessary skills to support the team. The two broad categories of training are people skills and technical skills. This training is delivered in either a formal classroom setting or as structured on-the-job training. Training programs are developed using subject matter experts working with writers and graphic artists to develop highly focused and professional training materials. The instructional design of the courses is developed internally and individuals who are instructors in these courses are drawn from throughout the organization and trained to be effective trainers. These trainers are certified only after an extensive evaluation process. Seventy-four percent (74%) of the instructors are permanent team members. The courses given are also evaluated based on: Learner reaction, pre/post written inventories, and performance checklists.
Clearly, the LCDG Company’s emphasis on, and full support of, a comprehensive training program is considered an integral part of the organization’s overall strategy. In explaining in company literature why training is necessary at LCDG Company, the quality of the company’s products is directly linked with the quality of its people. In discussions with LCDG personnel, the commitment to, and enthusiasm for, training is obvious. From new employee orientation through people and technical skill development and maintenance, training at LCDG is treated as a means of gaining competitive advantage and as a critical tool in achieving the stated mission of the company and maintaining the stated values of the organization.

The focus of this thesis is on the teams in a team-based organization but it would be highly inappropriate to overlook the critical need for training of others in the organization who interact with teams in a support or facilitation capacity on an ongoing basis, those who develop policies and procedures which directly affect the way the teams operate within the organization and those that must strongly support the concept of a team-based organization at the senior management level.

For those individuals in the organization who work closely with the teams, exposure to all of the group dynamics and interpersonal skill training given to the teams is important. This exposure will both develop their own teaming skills and assure that they better understand the basis for individual member and/or team actions in their interactions with team members and teams. In addition, this group should also be
exposed to broader and more advanced group dynamics training to assure they have the skills to recognize team malfunction and pending breakdown. By understanding how to identify the danger signs these individuals can assist or seek outside assistance to help a team return to productive operation. Failure to invest in training those individuals in the organization who will have ongoing and direct contact with the teams carries with it the risk of creating operational disconnects between the teams and those whose work requires them to interact with the teams.

A modified training exposure program should be provided to others in the organization who have lesser degrees of daily contact with the teams but who are responsible for factory operating results and/or overall operating performance. Individuals from throughout the organization who develop policies and procedures which can impact the efficient operations of the teams or impede or interfere with the integration of team-based organization on the factory floor with other areas of the company should be formally exposed to the general concepts of team-based organization and to the specifics of how this organizational approach will work within the company. This exposure will avoid some, although not all, of the problems associated with policies and procedures being developed and applied by individuals who are totally unfamiliar with how a team-based organization is structured and how it works. In addition, when problems do arise, resolution of these problems is facilitated due on the basic understanding of team-based organization gained by these individual.
As earlier noted, the shift from a traditional to team-based organization, even if it occurs in only one major section of the company, requires the full understanding and the complete backing and support of the senior management team. This backing and support must be based on a strong understanding of the team process and should manifest itself in periodic exposure to team members and teams. The motivational effectiveness of these contacts will be significantly enhanced if members of senior management display an understanding and appreciation of the team-based process through formal meetings with the teams and, perhaps more importantly, during informal and impromptu discussions with teams on the factory floor. This understanding can be enhanced by exposure to abbreviated training programs designed specifically for senior management coupled with periodic briefings on the status of the transition and the successes and failures which have occurred. These briefings should also include a review of action plans to address any significant problems encountered and should highlight as early as possible any additional resources over and above those planned which may be needed to facilitate implementation of a team-based organization and/or to support the effectiveness of the organization once it is in place.

At the LCDG Company, the senior executives, including the CEO, serve as trainers for some courses given to teams. The involvement and active participation by senior management in the training process reinforces the importance of training and provides employees with direct contact and opportunities for open dialog with these managers. In turn, the senior management team at LCDG receives direct and
ongoing feedback from employees which can be used to improve the overall management of the business.

CHAPTER NINE

COMPENSATION: Sharing In The Success

In making the transition to a team-based organization, careful consideration must be given to the structure of the existing compensation plan. Typically in unionized settings, the hourly workforce receives a base hourly rate with periodic general increases, merit reviews semi-annually or annually, possibly leading to a wage adjustment, automatic progression, i.e. predetermined wage adjustments implemented on a schedule/time-in-grade basis, and/or cost of living adjustments (COLA) calculated on the basis of a formula applied to a price index. These forms of compensation are either related to individual performance based on a supervisory assessment as is the case with the merit review process or are generated due simply to time in a particular job and/or the state of the general economy. None of these traditional compensation forms are reinforcing to the concept of teams or to the team process. Rewarding individual performance or simply increasing the earnings
of an individual regardless of his or her performance provides little or no incentive for that individual to operate effectively in a team-based environment.

In the definitions used earlier in this thesis to describe the term “team”, the authors include such descriptive phrases as, “…a small group of people…committed to a common purpose and a set of specific performance goals.”, “…committed to working with each other…”, “…jointly accountable for the team’s result’s.”, “…carried out by a team of people…”, and “…the team has the responsibility for the “whole” task…”. How can compensation plans designed to reward and encourage individual performance, or negotiated plans which deliver increases to an individual as long as his or her performance is sufficient to remain on the job, motivate an employee to perform as a member of a team? How can team performance be optimized when the compensation plan fails to specifically reward such performance?

In a team-based organization, compensation for individual rather the team or group performance can clearly create an unwanted and potentially damaging dichotomy between what employees are asked to do and how they are asked to do it versus the way they are compensated. An individual who is told that the company is moving from a traditional to a team-based organization and who is also told that he or she will be working with a group of fellow employees and that the group members will be jointly accountable for the results of the group’s work, may question both the logic and the sincerity of the initiative if, regardless of actual group performance, the compensation plan remains unchanged.
It is a proposition of this thesis that companies must address the issue of compensation as a critical part of the process of moving from a traditional organization to a team-based organization. Due to existing labor agreement constraints and contractual duration issues, changing the compensation plan may be one of the most difficult elements of the transition in a unionized environment. Nevertheless, if compensation change planning is ignored, efforts to effectively implement a team-based organization will be at the very least negatively impacted. In *KEEPING TEAMS ON TRACK* What To Do When The Going Gets Rough, the authors write, “In a team environment…it is not unreasonable for the team to expect financial incentives as it takes on added responsibilities. If members do not believe that they are receiving a wage that is at parity with their efforts, they may end up subtly adjusting their efforts so that their compensation and performance on the job fall more into balance.” (Moran, Musselwhite and Zenger, 1996, p.149) Therefore, even if it is decided that the changes in the compensation plans will be phased in over time and/or concurrent with the next scheduled contract negotiations with the union, management must engage in meaningful and detailed discussions with the union on this very critical issue in order to determine if some common ground can be established. Obviously, if the approaches being considered involve increasing wages through job consolidation and/or upgrading jobs on an established wage scale, resistance may be minimal. If the company proposes to provide employees with an opportunity to earn more through team or overall operating performance improvements but also attempts to include an “at risk” element of pay which replaces
some portion of general increases, automatic progression and/or existing COLA formulas in the union contract, difficulties in gaining union support and commitment must obviously be anticipated.

Despite the critical need to meaningfully address the issue of compensation and reach solid agreements in principle with the union, changes in compensation plans and structures do not have to occur at the same time as the implementation of a team-based organization and, as noted above, can be phased in over time. According to Dr. Michael Schuster of Competitive Human Resource Strategies, “To consider rewards, you want to be far enough along in the team rollout so that teams have the capability of actually making improvements.” (Moran, Musselwhite and Zenger, 1996, p.147) Dr. Schuster also maintains, “Our preference is to stage rewards subsequent to the setting up of teams. First we get the team processes in, get the teams up and running, and get the process down so it’s working without too many bugs. Then sometime between 6 to 24 months into the process we begin to look at the rewards.” (Moran, Musselwhite and Zenger, 1996, p.150)

As was referenced earlier in this thesis, the experiences at the Aerospace Company demonstrate that employees can commit to team-based initiatives and produce truly significant results. Other than providing non-monetary compensation, which will be described in detail later in this chapter, no changes in the compensation system have been implemented for employees engaged in team-based activities at the Aerospace Company.
In some sense, a Hawthorne Effect appears to occur in which the “change in lighting” results from the new ways in which these teams and their members interact with various levels of management, the attention that is paid to their suggestions and recommendations for work area redesign, capital equipment investments and work process changes and to the increased degree of control and heightened sense of ownership the team members have over how they actually perform their work. Nonetheless, as Levine and Tyson note, “… it should not be surprising to find that participatory arrangements, such as quality circles, that are designed to elicit better information from workers without offering any stake in the returns to such information are usually short-lived.” (Blinder, 1990, p.186) In a team-based organization, the involvement and contribution expected from employees, as outlined in the definitions of teams provided, goes far beyond simply the provision of information or ideas. As a result, in order to establish long-term sustainability of the operational benefits which can be gained from this organizational type, a comprehensive and targeted compensation approach to reward measurable achievements must be established.

Assuming that a company is in the compensation planning stage, what types of compensation approaches might it consider to reinforce and provide incentives for effective team-based performance? What compensation program objectives should be established? The following four (4) objectives are offered for consideration in developing a compensation program for teams:
• The compensation program should create a “small business mentality” within the team and be shared by each of its members. Productivity, cost control, product/service quality, adherence to schedule and responsiveness to customer demands should be of paramount importance to the team members and the team’s performance in these areas should be reflected in the compensation plan.

• The “discretionary effort” of the workforce, i.e. that performance which is over and above what is normally realized and comes from commitment to a cause, an individual, a group or an organization, should be effectively tapped in part through the compensation structure.

In a working paper currently titled, Toward a Shareholder Theory of the Firm: The Case of the Saturn Partnership, the authors maintain, “For employees to be stakeholders they must contribute to the success of the firm by using their discretionary effort (i.e., their knowledge or other sources of human capital) to enhance firm performance. This can take the form of improving productivity through continuous improvement efforts, improving quality, contributing to the innovation process by creating new products or by reducing the time required to bring new products to market, etc. The key feature, however, is that employees remain motivated and do not fall into behavior patterns described in the classic studies of group norms (Chinoy, 1955; Roy, 1953) which produce standard or accepted production rates that
are enforced by group norms and in which “rate busters” are penalized.”
(Rubinstein and Kochan, 1997, p.14)

Implementation of a team-based organization is one way to potentially capture this “discretionary effort”. A true team-based organization, consistent with the definitions previously presented, and coupled with a properly developed, fully understandable and fairly administered compensation program will motivate employees and teams to render the “discretionary effort” which may never materialize in a traditional organization structure.

• Constructive peer group pressure, or the team’s willingness to exert it, should be encouraged by the compensation program to the extent that such pressure constructively enhances the commitment of the team’s members to the performance goals and objectives of the team.

• The compensation program should establish a strong linkage between the profitability and overall business results of the company and the compensation of team members as a group.

What types of compensation programs meet any or all of these objectives? The following list includes a number of compensation approaches which, when implemented individually or in tandem with another approach, are consistent with
some or all of the objectives above and can be implemented in a unionized, manufacturing environment albeit with varying degrees of difficulty and potential union and/or workforce resistance. The definitions provided were obtained from the Glossary of Terms in CREATING HIGH PERFORMANCE ORGANIZATIONS.

1. **Non-monetary recognition awards for performance**: any non-monetary reward (including gifts, publicity, dinners, etc.) for individual or group performance.

2. **Work-group or team incentives**: bonuses or other financial compensation tied to short-term or long-term work-group, permanent team, or temporary team performance.

3. **Knowledge/skill-based pay**: an alternative to traditional job-based pay that sets pay levels based on how many skills employees have or how many jobs they potentially can do, not on the job they are currently holding. Also called pay for skills, pay for knowledge, and competency-based pay.

4. **Gainsharing**: plans based on a formula that shares some portion of gains in productivity, quality, cost effectiveness, or other performance indicators. The gains are shared in the form of bonuses with all employees in an organization (such as a plant). It typically includes a system of employee suggestion committees. It differs from profit sharing and an ESOP in that the basis of the formula is some set of local performance measures, not corporation profits.
Examples include the Scanlon Plan, the Improshare Plan, the Rucker Plan, and various custom-designed plans.

5. **Profit sharing**: a bonus plan that shares some portion of corporation profits with employees. It does not include dividend sharing.

6. **All-salaried pay systems**: a system in which all employees are salaried, thus eliminating the distinction between hourly and salaried employees.

7. **Employee stock ownership plan**: a credit mechanism that enables employees to buy their employer’s stock, thus giving them an ownership stake in the corporation. The stock is held in trust until employees quit or retire.

   (Lawler, Mohrman and Ledford, 1995, p.171)

**Non-monetary Awards**

As previously noted, significant achievements can be attained by teams in which the members do not receive any form of team-based monetary award. The motivation derived from being given recognition through publication of a team’s achievement in a company newsletter, dinner tickets for team members and spouses/significant others, opportunities to make presentations to senior management and/or customer groups visiting the facility regarding team achievements or inclusion in promotional films regarding the manufacturing advancements of the company can all serve to motivate and reinforce positive team performance over the short-term.
While effective in the short-term for “pilot programs” or for use prior to the implementation of a full scale team-based organization compensation system, such non-monetary awards cannot be used indefinitely in place of a more permanent and predictable compensation approach. Since non-monetary awards are typically given on an intermittent and somewhat random basis, and at the discretion of management, such awards provide limited motivational impact. These awards provide no real or predictable target at which the team and its members can aim and, therefore, utilized independently, such awards have a limited impact on long-term team performance and results. Non-monetary awards can be used in conjunction with some of the other reward systems described in more detail below to supplement and/or add a degree of spontaneity to the compensation program. Typically, the payment of non-monetary awards should be agreed to with the union in advance of any such awards to assure the company is not arbitrarily impacting the “wages” of employees and, in so doing, violating the National Labor Relations Act and, as importantly, to maintain credibility with the union that the company is being open and working to find mutually acceptable ways to motivate employees.

**Work-Group/Team Incentives**

Work-group or team incentives have the potential of motivating individual teams to achieve both short and long-term objectives. Team members are told in advance that if certain performance goals or financial objectives are attained based on work
performed by that team, all team members will receive bonuses or some other form of financial remuneration. Such awards can clearly motivate an individual team to perform but tend to be isolated actions rather than an ongoing and comprehensive compensation approach designed to motivate teams and their members over the long-term. Like non-monetary awards, team incentives can be used in conjunction with other reward systems. Also like non-monetary awards, discussion with the union should take place prior to offering such incentives to individual teams.

**Knowledge/Skill-Based Pay**

Knowledge or skill-based pay can be a powerful compensation approach in a team-based organization. According to David I. Levine, “Companies in the Fortune 1000 that reported above-average success on employee involvement also have higher pay for knowledge.” (Levine, 1995, p.53) In order to break away from the practice of assigning work to employees based on narrow job descriptions and to assure that over time members of individual teams have the training and experience to perform a variety of work, knowledge or skill-based pay provides a targeted compensation tool.

In order to design a knowledge or skill-based pay system in a team-based environment it is necessary to identify all of the critical skills required to perform the work for which the team is responsible. Typically, when making the transition from a traditional organization to one based on teams, individual employees possess a narrow set of skills and are paid to perform just those skills. In a team-based setting
with a knowledge or skill-based pay system, employees are asked to learn new skills through both formalized training and on-the-job training, often from other team members. As these employees progress in learning these new skills and are able to demonstrate proficiency, they are assigned a wider range of jobs within the team and their base hourly wage is increased.

Knowledge or skill-based pay is perhaps the compensation approach most closely aligned with a team-based organization and, from the perspective of mechanical design, possibly the easiest to utilize. Normally, the individual jobs required to do the full range of work on the factory floor or in an assembly area are cataloged in the union contract and the value of those jobs has been determined and assigned a wage grade. In establishing a knowledge or skill-based pay system, the company can work with the union and the teams to reach agreement on the jobs which are required to do an entire range of work within a team and develop a pay system which rewards employees as their individual skill sets expand. In a team-based setting, the individual teams may develop a plan to assure members have complementary skills as quickly as possible and then begin the process of developing overlapping skill sets to assure efficiency is not impacted due to the absence or departure of a team member. In more advanced systems, team members may be trained and become proficient in performing work which is normally performed in other teams or even in other areas of the operation. This allows periodic migration of employees between teams and further enhances the overall flexibility of the operation.
A knowledge or skill-based pay system, whether used within a team-based setting or in a traditional organization, requires conscientious development and ongoing utilization of each employee’s entire set of skills. Employees must be properly trained and exposed to work which requires utilization of their new skills and must truly demonstrate full proficiency before receiving a wage adjustment. Further, failure to use the entire range of skills on an ongoing basis results in a diminishing proficiency over time and increased costs as employees are being paid for skills they are not utilizing. Clearly, in a team-based organization, the team has a vested interest, especially if overall team and/or company performance can generate additional compensation, to assure the skill set of individual team members contributes true value to the team through ongoing and effective utilization.

In negotiating a knowledge or skill-based pay system into a union contract, the union will typically seek an upward wage adjustment for each individual skill an employee acquires. It is important for companies to carefully calculate the potential economic impact of having a multi-skilled workforce and to be prepared to share some reasonable portion of this improvement with the workforce. An equitable distribution of the potential financial gain will be better perceived in the negotiations process and will allow the company to gain agreement that it can tightly control the conditions, i.e. demonstrated proficiency, not just exposure to training, for wage advancement. Again, once the potential financial gain is distributed, failure to utilize these expanded skills results in a cost with no commensurate return. In addition, in the event of a voluntary termination, a dismissal or a reduction in force, significant problems can arise in the
areas of productivity and quality if individuals who were assumed to be multi-skilled are found to be limited in the jobs they can perform.

In many respects, the “policing” of a knowledge or skill-based pay system can be more effectively handled in a team-based organization than in a traditional organization. Unlike a foreman who may have as many as thirty (30) employees reporting to him or her, the individual team members are in continuous contact with one another and can assess the skills and utilization of those skills by fellow team members. In addition, the multi-skill proficiency of team members also benefits the entire team based on greater flexibility in cross-coverage, vacation scheduling and overall job satisfaction. Clearly, teams must be trained to assure that the assessment process is objective and relates to the individual’s ongoing contribution to the team’s overall efforts and efficiency.

**Gainsharing**

Gainsharing, as the term implies, involves sharing the value of some percentage of gain in performance experienced by a company with its employees. In a team-based organization, a gainsharing program can be implemented to target gains in the areas of product quality, reduced cycle time, decreased scrap rates and any of a number of other measures where the performance of an individual team or teams across the plant can, through the efforts of team members, impact the attainment of the desired gain. Although attainment of such gains may positively impact the
profitability of the company, in gainsharing it is the gain or performance improvement in a targeted area that is rewarded, not profit per se.

In establishing gainsharing plans, or any other compensation system, the old adage, “Keep it simple,” should be closely followed. The plan should be easily understood by those covered and should include only those areas of performance which can be impacted by the efforts of teams and their members. The ongoing results against gainsharing targets should be easily tracked and continuously communicated to those covered by the plan. Those performance areas included in the plan should be meaningful to the company’s overall performance and, while not rewarding specific final outcomes, should contribute to improving customer satisfaction, increasing market share, improving cost competitiveness, increasing profitability, etc..

Gainsharing, used in conjunction with knowledge or skill-based pay, can provide an effective compensation “package” which focuses the attention of the team on both effective team function and on plant-wide performance improvement. This compensation approach can be structured to provide incremental pay-outs against quarterly targets to assure that its motivational impact is kept high and that teams and their members have a clear sight of both targets and the potential financial rewards for reaching those targets. In addition, as noted by Levine, “…bonuses based on group output give workers incentives to work for group goals and provide incentives for workers to monitor and discipline free riders.” (Levine, 1995, p.53) Lastly, gainsharing can link the performance of individual teams to the performance of teams
across the company and provides an important motivation for team interdependence and cross-team assistance.

As is the case with other compensation approaches, gainsharing must be negotiated with the union. In addition to reaching agreement on a plan which is simple in design and easily communicated and tracked, the company should assure that the agreement reached provides some reasonable future flexibility to allow for changing the gainsharing targets, both in terms of performance measures and performance targets within those measures. Rigid performance measures run the risk of becoming less relevant over time based on changing competitive conditions. As an example, international competition in a given product area may move customer focus from cost to quality and/or product sophistication. A plan designed to drive efforts to further reduce cost might become counter-productive in such a competitive environment. As another example, significant capital investment may by itself increase productivity. Unless gainsharing productivity targets are adjusted accordingly, the compensation plan will generate pay-outs which are not attributable to team performance.

**Profit Sharing**

Profit sharing provides a unique opportunity to directly link the performance efforts of teams and their members to the financial well-being of the overall company. Unlike gainsharing which generates financial rewards based on performance against predetermined operating improvement targets, profit sharing pays-out only when the
company actually makes a profit. Although quality may be improving and the scrap rate may be coming down, under profit sharing unless those achievements result in a positive impact to the company’s bottom line, no reward is paid to the eligible participants.

Profit sharing is another compensation approach which can be effectively used in tandem with other plans to provide a comprehensive monetary incentive to teams and team members to improve overall performance. Profit sharing can be coupled with gainsharing to effectively focus efforts on both operating improvements and company profitability simultaneously. Although in reality difficult to accurately calculate, profit sharing plans should be designed to motivate participants to perform in ways which will increase company profitability above what would have been achieved without such a plan. In addition, it is important to assure, especially when multiple plans are simultaneously in place, that pay-outs from these various plans are not being made for the same performance. Lastly, as with any plan which provides a financial reward for profitability, it is important that the plan not encourage short-term actions which may result in higher profitability in a given year but damage the company in some significant and lasting manner over the long-term. As an example, if quality is allowed to slip in order to increase output and, in turn, short-term profitability, the impact on customer satisfaction and product reputation may eventually lead to a loss of business and a long-term downturn in profitability. By balancing the behavioral impact of profit sharing against the motivational effects of gainsharing in the areas of
product quality, customer satisfaction, etc., a desired overall performance achievement can be obtained.

**All-Salaried Pay Systems**

All-salaried pay systems, while an approach which establishes a certain sense of equality between a company’s salaried and formerly hourly paid workforce, is perhaps the most dramatic compensation plan change yet presented. While simple in concept, it totally changes the base compensation approach which unions in the U.S. are familiar with and effectively blurs the line between those covered by the union contract and the rest of the organization.

The bargaining unit, i.e. those covered by the union contract, at the LCDG Company participate in an all-salaried pay system in combination with forms of gainsharing and profit sharing. Implementation of such a system was facilitated by the green-field nature of the operation and the establishment of a minimum number of job classifications. In an established facility with numerous job classifications and a long history of paying bargaining unit employees on an hourly basis, attempting to move to an all-salaried workforce may be overly aggressive. Such a move could add enough unnecessary complexity to the organizational change and generate sufficient union resistance and political turmoil to significantly impede or stop progress toward implementation. This would be especially true when the transition to a team-based organization is planned to occur over an extended period or where it may not be intended to include the entire bargaining unit in the transition to a team-based
organization. While such an approach might be considered after a company has fully implemented a team-based organization across the bargaining unit and has multiple years of successful experience, this compensation approach does not appear suitable for implementation during the initial or early stages of moving from a traditional to a team-based organization.

**Employee Stock Ownership**

Employee stock ownership plans, which facilitate the purchase of company stock by employees, can enhance the ownership or small business mentality of the workforce and can be implemented with only minimal administrative costs being borne by the company. While positive in a general way, such plans are less directly linked to the performance of teams than are gainsharing and profit sharing plans, since the value to the employee may come in large measure from the market price gains or losses on the stock rather than on the actual performance of the company. In a situation where the market goes through a long-term downturn, employees may see the value of their company shares drop dramatically. This may lead to disenchantment and low morale and negatively offset the motivational improvements gained from other compensation plans in place.

The compensation system at the LCDG Company is designed to support the concept of a team-based organization and to pay for the actual accomplishments of the organization as a whole. At the LCDG Company, employees covered by the Memorandum of Agreement receive a base compensation or salary which is
approximately ninety percent (90%) of straight time wages of other bargaining units represented by the same union in other parts of the parent corporation. In addition, employees are eligible to receive quarterly lump sum bonuses equal to the remaining ten percent (10%) based on attainment of training goals and quality targets. (It is intended, and included in the Memorandum of Agreement, that this at-risk component of compensation will rise to 20% over time.) At the time of the field visit, the LCDG Company was moving to an 88/12% split and had assigned the additional 2% at-risk to the involvement of the teams in specific team building activities.

The LCDG Company’s employees are also eligible to receive an annual bonus based on quality, schedule and profit targets. In January of 1997, just prior to the field visit, the employees had been notified they would each receive a $10,000 cash bonus based 1996 performance. Cash bonuses of approximately $3,000, $5000 and $10,000 were paid-out in 1993, 1994 and 1995, respectively. The announced target from 1997 is $12,500. Employees are advised on a quarterly basis how they are performing in relation to the targets established and are informed regarding the amount of the cash bonus which has been “tentatively earned” to date.

The LCDG Company’s objective in developing this compensation program, in conjunction with the union, was to motivate and reward employees based on team and overall organization accomplishments. While variations exist in base salary compensation related to time with the company, the majority of employees covered by the Memorandum of Agreement are assigned to one job classification, i.e. Operating
Technician. (Six additional skilled trade classifications exist.) As a result, after thirty-six (36) months all new employees are paid the highest salary level in the classification. Employees transferring in from other operations within the corporation are immediately paid the highest salary level. Additions to compensation are not granted to individuals but to all members of the team in equal percentage or absolute amounts based on the performance of the teams and the overall success of the company.

Performance deficiencies by an individual or individuals can impact the results of a team which, along with the performance of other teams, can impact the overall organization. As a result, performance is closely monitored by the individuals within a team and deficiencies based on lack of training, sub-standard skills and/or attitudinal problems are a major concern to the team. Team members are fully aware that unless such deficiencies are corrected a decrease in overall compensation which may result. The 30th [Team] Function, previously presented, addresses the responsibility of the team to deal constructively with members who are negatively impacting their team’s ability to function effectively.

In closing this chapter, it is important to emphasize that individuals involved with designing a compensation program for application in a team-based organization should be vigilant in assuring that the program developed is truly motivating and directs the attention and performance of the teams and their members toward the attainment of goals and objectives which positively impact the overall operating
performance of the company. Continuous monitoring of operating results and analysis of the linkages, or absence of linkages, between those results and the compensation program in place must occur. Even a carefully designed program can cause and/or motivate dysfunctional behaviors over time due to changes in internal operating conditions and/or the external business environment. Failure to actively analyze compensation programs can result in increased pay-outs, and therefore increased costs, possibly concurrent with diminishing operating performance. This should be of special concern with gainsharing and profit sharing programs.

As with the other important elements of implementing a team-based organization, the union must be an active partner in this process. If compensation program changes are required over time, ongoing communication and review of the effectiveness of the existing programs will preclude an involved union leadership from being surprised by the company’s eventual interest in changing the program and will provide the union with an opportunity to prepare its members for the possibility of a change.
Maintaining Discipline

In a traditional organization, the responsibility for maintaining discipline on the shop floor is typically assigned to the foremen. This responsibility involves monitoring the job performance of employees under their supervision and assuring that these employees strictly adhere to established company rules and policies. In situations where an employee’s performance drops below a minimal acceptable level or when an employee violates a company rule or policy, the responsible foreman will initiate
disciplinary action. This action may be progressive in nature, i.e. verbal warning, first written warning, etc., and is normally administered until the performance problem is corrected or the rule or policy violation ceases to recur or until the employee is dismissed for failing to correct the targeted behavior. In cases involving serious rule violations such as fighting or theft, immediate dismissal may result. When the disciplined or discharged employee is represented by a union, the employee may elect to dispute the propriety and/or fairness of the action taken through the grievance procedure. Typically, the union representative assigned to the grieving employee’s work area will meet with the responsible foreman who will attempt to justify the action taken by presenting the union representative with the facts related to the case. Issues which cannot be resolved between the union representative and the foreman are referred to higher stages in the grievance procedure, in some cases up to and including arbitration, for final resolution.

In a team-based organization, where, as previously noted, the team members are committed as a group to a “common purpose” and a “specific set of performance goals” and where these members “hold each other fully and jointly accountable”, peer group pressure may be an effective, or even a more effective, tool to change negative behaviors as actions taken by foremen in a traditional organization. Issues such as tardiness and absenteeism, misuse of working time, inappropriate behavior toward coworkers, unacceptable work quality and substandard output negatively impact the overall performance of the team. In cases where team-based compensation is at risk, such behavior or performance potentially reduces the earnings of all members of
the team as well as the earnings of other teams. Therefore, teams have a clear vested interest to correct the behavior and performance problems of their members. As a result, such problems may be corrected without intervention from outside the team. When peer group pressure is ineffective, intervention from outside the team may be the only viable alternative.

With the elimination of the traditional foreman’s role, which includes maintaining discipline, companies planning to implement a team-based organization must determine how disciplinary issues will be handled. In the organizational structure presented in Chapter 6, the incumbents of the Team Facilitator position are the most likely candidates to assume the disciplinary function. While their primary responsibility is to provide technical expertise and facilitation support to the teams assigned to them, taking disciplinary action against team members who are not meeting the established behavioral and performance norms of the organization is not inconsistent with their primary responsibility. Nevertheless, as with any carryover from a traditional organization to one based on teams, caution must be taken to assure the disciplinary process matches the organization’s new culture and/or management style.

At the LCDG Company, a “Consultation Process” is utilized in place of the more conventional approaches to discipline. This process, which is included in the Memorandum of Agreement, involves three (3) stages referred to as the “Amber Zone”, the “Red Zone” and “Decision Day”. In the first two (2) stages, an employee
whose conduct and/or attitude is “adversely affecting the [team]” is provided with “consultation” involving representatives of both management and the union. The desired outcome from this “Consultation Process” is to determine the cause of the problem and to assist the employee in finding a way to improve. If the employee’s negative conduct and/or attitude fail(s) to improve following both the “Amber Zone” and the “Red Zone” consultations, the employee reaches “Decision Day”. This stage involves giving the employee three (3) days off with full pay during which he or she is expected to carefully consider whether a career at LCDG Company is important and desirable. If the employee elects to return to work but fails to subsequently improve his or her conduct and/or attitude, the employee is terminated by a management representative. It should be emphasized that even though the union participates in the “Consultation Process”, the union’s traditional and legal duty to fairly represent the employee in contesting the company’s action remains unchanged.

This writer believes the “Consultation Process” used by the LCDG Company is consistent with a team-based organization because it places the responsibility for improvement on the employee by treating that employee as a responsible adult. Unlike the traditional approach of issuing warnings and suspensions followed ultimately by dismissal, employees at LCDG are told what is expected and are offered assistance upon request. If improvement is not demonstrated, the employee is given a paid leave to make an independent decision as to whether a career at LCDG is important enough to warrant a behavior change. Throughout the process, the
employee has an opportunity to make choices which will determine whether he or she remains a LCDG Company employee.

By using an approach to discipline like that used at LCDG, a management representative, such as a Team Facilitator, tasked with administering the disciplinary process is less likely to damage his or her relationship with the teams and, as a result, be able to effectively work with the teams and provide the technical and facilitation support required.

**Employment Security**

In *Team Traps*, Steven R. Rayner writes, “A decision to downsize…can destroy all the loyalty and commitment created by years of team development.” (Rayner, 1996, p. 168) While the logic of this statement is apparent, most companies cannot provide long-term guarantees of employment security to their workforces due to company specific business conditions, the general volatility of the domestic market and/or increasing global competition. In the case of the Aerospace Company, significant reductions in U.S. Department of Defense spending have reduced the volume of aircraft sold and intense competition for sales outside the U.S. have resulted in massive cost reduction efforts. As a result, reductions in force have been ongoing during the last five (5) year period. The LCDG Company has not, to date, experienced a reduction in force but is in an industry where layoffs have frequently occurred due to market downturns and competition from foreign imports.
While workforce reductions cause some organizational trauma in all companies, in a company with a team-based organization these reductions can be especially disruptive. The significant investments made by the company in the training and development of impacted employees are lost. The progress made in moving the teams through the stages of Tuckerman's Model, presented in Chapter 8, can also be lost if teams lose enough members and are required to absorb new members and/or re-form. The skill mix within the newly formed teams may not be fully compatible with the work requirements involved which can result in short-term inefficiencies and the need for additional investments in training. Lastly, the morale and level of commitment to company goals of the remaining employees may be damaged and, as a result, the effectiveness of the post-layoff team-based organization may be negatively impacted for some time.

Due to the potential negative consequences of workforce reductions on team-based organizations, companies that experience a high degree of employment volatility should seriously consider whether such an organizational type is appropriate. In situations where volatility is not consistent across a company, implementation of a team-based organizational structure may be best suited to only those areas where volatility is the lowest. In companies where a high level of outsourcing takes place, opportunities can be explored to bring work in-house as an alternative to reducing the workforce and disrupting the teams.
If a company which has implemented a team-based organization encounters business conditions which make a reduction in force unavoidable, special care should be taken to minimize the impact of such an action. In a paper by Klein and Edid, *Layoffs and Commitment to Continuous Improvement: Can They Co-Exist?*, which concerns the impact of layoffs on continuous improvement initiatives, the authors present three (3) factors found in their research which mitigate the negative impact of a workforce reduction on the willingness of employees to actively participate in these initiatives. These three (3) factors are:

1. Differentiating between layoffs due to productivity improvements versus reduced production base,
2. Assuring that employees perceive that layoffs which occur due to reduced base are justifiable and handled in a fair and equitable manner, and
3. Providing organizational commitment to assist employees in sustaining their livelihood.

(Casner-Lotto and Hickey, 1996)

While not directly reducing the layoff related disruptions noted previously, the actions recommended by Klein and Edid will clearly bolster the morale of the remaining employees based on a perception that the company’s action was unrelated to team-based efficiency improvements, that the layoff was handled in a fair and equitable manner and that the company was proactive in attempting to assist laid-off workers to find other suitable employment opportunities.
Clearly, the issue of employment stability is a vexing problem for companies which are considering moving to a team-based organization and to those which have already made the transition. In asking a senior union official at the LCDG Company about what would happen to the team-based organization if a workforce reduction became necessary, the response received was, “We’ll deal with that if the time ever comes.” The union official, who had provided detailed and carefully thought out responses to all of the other questions posed during the site visit, was clearly uncomfortable addressing the issues related to a layoff.

A company should not arbitrarily abandon the idea of moving to a team-based organization solely due to possible workforce volatility in the future. Instead, management, in consultation with the union, should carefully assess the probability and potential magnitude of such reductions and consider the impact they would have on the team-based organization. Following this review, an analysis of possible measures which could be taken to mitigate the impact of a workforce reduction should be undertaken. Lastly, based on the overall assessment, a decision should be made regarding whether and/or to what extent a team-based organization should be implemented to meet the company’s goal and objectives.
As we have seen, making the transition from a traditional to a team-based organization requires significant commitment on the part of senior management. This commitment entails championing the concept of teams, unflinchingly supporting
the decision to make the transition and assuring financial and staffing requirements necessary to complete the transition are in place. Senior management must also demonstrate through words and action that despite temporary setbacks in productivity and/or other degradation of operating performance, the company is fully committed to moving to a team-based organization. Throughout the organization, individuals will be looking to and at senior managers seeking queues regarding their level of commitment to this significant organizational change. Their tolerance of, and ability to bounce back from, transitional setbacks as well as their willingness to share operational and financial information and delegate increased authority to the teams of employees working on the shop floor will be the gauge of senior management’s true commitment. Any lack of support or the perception of non-support will in the best case hinder progress toward a full transition. In the worst case, the transition can be halted completely.

In dealing with a unionized workforce, union leadership must be brought into the transition process at its very inception and must be an active partner with senior and middle management and any remaining management layers existing between middle management and the teams. In order to assure this partnership remains viable, senior management must also establish and maintain a high degree of trust in its relationship with the union and recognize if this trust is not existent at the time the transition is considered, it is better to delay implementation rather than attempt such a significant organizational change in an atmosphere of conflict, confrontation and/or mistrust. An effective partnership arrangement should include full involvement
of the union in the design of the team-based organization, the development of the training course curriculum, the actual implementation process and the ongoing team support and mentoring programs.

In addition, the union must obviously work with the company to assure that contract language and contract interpretation support the concept and practice of a team-based organization while diligently meeting their legal responsibilities to provide fair representation to members of the bargaining unit. Contractual language regarding job classifications, compensation programs, grievance hearing and resolution procedures, layoff and recall rights and any other language related to the effective functioning of teams must be addressed within the bargaining framework. In addition, depending upon where the transition to a team-based organization falls in the contract coverage period, some interim agreements may be required to allow the transition to go forward. Again, it is essential, and in many cases a legal requirement based on the National Labor Relations Act, that senior management work with union leadership to gain full agreement to implement a team-based organization before the actual transition begins.

The company must also recognize the political risks which a progressive and open-minded union leadership may face for participating in this process. Those seeking to gain political power, or those simply opposed to changing the way work is performed, may attack union leadership. By acknowledging the political courage of union leadership and assuring that this courage is rewarded and supported through true
consultation and involvement, the critically important participation and support of the union can be obtained and sustained. In addition to involving union leadership in the transition to a team-based organization, an overall positive labor relations environment can be established and maintained through open and accurate communication on critical business issues, respect for ideas and concerns presented by the union on general topics and issues affecting the business, daily interaction and cooperation on normal union issues and public recognition for the union leadership’s contribution to the company’s success.

On a more micro basis, work processes and work flows must be analyzed to determine where and to what extent a team-based organization structure can be effectively implemented. Policies, procedures and practices throughout the organization must be carefully scrutinized to determine if they are supportive of, or in any way interfere with, the effective functioning of a team-based organization. If interference is anticipated, policy and procedural changes must be developed and implemented coincidental with the organizational change. As additional experience is gained through the actual operation of teams and an analysis is performed to identify barriers to team effectiveness, additional revisions are likely to be required. This process also provides the company with an excellent window of opportunity to eliminate unnecessary policies, procedures and practices which exist due more to history than operational efficiency and effectiveness. Such revisions at the time of the organizational transition and on an ongoing basis may understandably generate “turf wars”. Again, senior management’s response to these revision requirements in
terms of speed, objectivity, decisiveness and actual change will be a reflection of its commitment to the team-based organization.

The organizational structure of the company itself, particularly the structure in the factory operations area, must be reviewed and modified as required. Special attention should be given to the position and role of the first-line supervisor, referred to in this thesis as a foreman. Based on the design of the team-based organization and the roles and responsibilities reassigned to the teams, the role that the foreman had in the traditional organization will change dramatically. Instead of supervising and overseeing the work performed by individuals, the new role of the foreman, or of a successor position, will be to act as a facilitator for the team and/or as liaison between the team and those functional areas from which the team needs ongoing assistance and support. The new role may also require a much higher level of technical competency than previously possessed by the typical foreman. Technical expertise, developed through formalized education and work experience, may be required in disciplines such as Design Engineering, Manufacturing Engineering, Computer Science, Human Resource Management and Finance. Such diverse expertise may be required in order support the efforts of the teams in areas such as process improvement, quality control, team dynamics and basic financial analysis. In addition, individuals who directly interface with the teams must be strong advocates and supporters of the concept and practice of a team-based organization.
Based on an analysis of process, families of work and workflow, team members should be identified based on their connection to certain processes and families of work, individual skill sets and/or their work location within a certain area of the factory operation. Once these team units have been identified, training in group dynamics with specific focus on the “primary skills” identified in Chapter 8 of this thesis should commence at once with, whenever possible, team members receiving training as a team. This may require pre-shift or post-shift scheduling or may interfere with normal workflow if conducted during the normal work shift, but the advantages of training members as a group should in the long-term outweigh any temporary schedule disruption and/or increase in overtime costs. By training team members as a team, the formation of a team mentality and perspective begins to develop immediately and individual team members gain an understanding of the “primary skills” they will need to function as a team at the same time. Once this training, which can be presented in modules, has been delivered, the teams should then begin to function as teams and focus their efforts on the goals and objectives established for them.

The support and mentoring the teams receive during the start-up phase of a team-based organization are critical both to the success of individual teams and to the overall transition process. Individuals who will interface with and provide support to the teams, must be prepared to do so from the outset. These individuals must receive the skills training necessary to perform this critical role and must be prepared to modify their approach as the teams gain experience and confidence. The entire organization must recognize that the transition to a team-based organization is an
evolution, with individual team members, individual teams, facilitators, mentors and management learning and developing at different rates. Commitment to the process, patience and relentless perseverance will allow the organization to continue to make progress in implementing this significant organizational change.

As previously presented, once teams are in place and are functioning as cohesive units in the accomplishment of goals and objectives, the company must critically review the compensation program. In all likelihood, the program carried over from a traditional organization, and covered by a union contract, will involve an hourly base rate adjusted periodically based on individual performance or simply time on the job, some form of general increase program and possibly a COLA adjustment tied to an economic index. In order to fully implement a team-based organization and culture in a company, a compensation program which contains strong elements which reward team accomplishments and overall company performance should be developed. As explained in Chapter 9, pay programs such as knowledge or skill-based pay, gainsharing and/or some form of profit sharing, can be extremely effective in motivating team behavior and performance. These compensation program approaches should be discussed with the union leadership and reformulated when necessary to assure the final designs reflect their input. When the time to implement these programs arrives, it is likely that employees experienced in the team-based approach will be recognize the need for a change in the compensation system and will have greater confidence in their ability to capitalize on the opportunities provided. This in turn will assist the union in selling such a change to their members.
Clearly, the transition from a traditional to a team-based organization should be viewed as a very significant undertaking. Both company management and union leadership should be fully committed to the objective of implementing a team-based organization and should anticipate some unexpected issues will arise due to the complexities involved in making this transition. Ongoing communication, mutual respect and flexibility will greatly facilitate the transition process and will also serve to establish the type of industrial relations environment conducive to competing effectively in an increasingly competitive domestic and global market.

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