

Working with the Union as a Key Manufacturing Stakeholder

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Designing and implementing major change – whether a process reengineering effort, a reorganization, or a fundamental transformation of the entire process – is particularly challenging in a unionized manufacturing environment, where multiple stakeholder groups have different and often conflicting needs. Fortunately, there are ways to ensure that the effort succeeds. Arthur D. Little has devised a series of guidelines based on our extensive experience in conducting change management programs in such environments.

Guidelines for Change in a Union Environment

Identify all stakeholder groups. Every company has three major stakeholder groups: its customers, employees, and owners. In a unionized manufacturing environment, the segmentation is more complex. Traditionally, the manufacturing organization is seen as two groups: management and the union.

Management. Management is actually composed of several stakeholder groups, notably:

- Company or division management (outside the plant)
- Plant management and functional department heads
- Supervisors

Although these three groups are all „management,“ they are subject to different driving forces and sometimes respond differently to change programs. Company or division management frequently initiates change processes, often involving external consultants. *Company or division management* can come into conflict with plant management over the need for a change process or the best approach to take. Meanwhile, the plant manager and functional department heads are responsible for meeting the performance goals set by the company or division management. In order to meet these performance goals, the plant management should own any requisite change process.

Supervisors have particularly difficult jobs in unionized manufacturing environments involved in change processes. The supervisor is expected to possess a combination of social and technical skills in order to motivate and coach the hourly work group and also to meet production targets and quality levels. If the hourly work group has been empowered to accept responsibility for quality, productivity, and business management, then the supervisor’s job becomes more challenging. He or she must ensure that targets are met, yet not usurp the empowered authority of the work group in the process.

Unions. The union segment, like management, is actually composed of several stakeholder groups, notably:

- Union-elected leaders – shop committee members and stewards
- Skilled-trade hourly workers
- Production (nonskilled) hourly workers
- Technical/office salaried workers

These groups sometimes behave as a homogeneous group, but frequently their needs differ, and then they behave as different stakeholder groups. Occasionally there are even factions within a group with different views on a specific issue.

Union leaders, being elected, are subject to unique forces during a change process, as they can be „unelected“ if the process is unpopular or if something goes wrong. To succeed, a change process must involve both the shop committee and stewards. Skilled tradesmen are often the group most concerned about change programs because they are sensitive to their job classifications and lines of demarcation. If the skilled tradesmen view the change program as a way for management to push a modern operating agreement (MOA) onto the workforce, the program is likely to fail.

Production workers are often very supportive of change programs. Many employee surveys that Arthur D. Little has done in manufacturing plants show that most hourly production workers want to accept more accountability for quality and productivity and want to play a larger role in managing their production areas. This larger role is sometimes viewed as a threat by the supervisors, because it challenges their traditional position as leaders.

Technical and office salaried workers are usually the smallest stakeholder group among the skilled trades and production hourly groups, and are sometimes overlooked during a change process. In some plants, the salaried group is represented by a different union leadership than the skilled and production hourly groups. This adds even more complexity to the change process, because of the additional dynamics between the two union leadership groups.

Bring the union in before the consultant. As early as possible, management should approach the union to discuss the proposed joint change process, emphasizing that the union's buy-in is essential from the beginning. The two groups should agree first on the need for change and then on some objectives and ground rules for dealing with the contractual issues that will inevitably arise during the change process. For example, in some situations, management and union agree up front not to suggest changes that conflict with the current labor contract. Or, they may agree to form a joint steering committee to review and resolve any contractual issues that arise. This latter approach requires an environment of mutual trust.

Involve the union in selecting the consultancy.

Once management and the union agree on the need for change and the ground rules, the next step is often the selection of an external consultant to facilitate the change process. The union should have a role in the selection process. A common role is that of veto-holder: management selects the firm on the basis of experience and other qualifications, then the union approves or vetoes the selection. Another common approach is actual joint screening and selection by management and union representatives. Either approach secures buy-in, which greatly aids the change process.

Work in parallel with existing employee involvement programs. Most unionized manufacturing plants have an existing employee involvement program. Some are effective, with broad participation; others are not. The objectives of the change process may sound like the objectives of the employee involvement program – improve quality, reduce cost, satisfy customers, etc. – but the ground rules, approach, and pace of change are usually not the same. If the change process is placed under the umbrella of an existing program, it may fail.

Interview all key players early. The first step of a change process is usually a diagnostic activity that involves interviews with key stakeholders to identify their unique needs and establish mutual trust. The person leading the change process – whether an internal champion or a consultant – must segment the various stakeholder groups within management and the union and understand each group's needs. Interviews with both management and union leaders early in the change process are necessary to uncover all potential barriers to change and to establish communication.

Use benchmarking. Benchmarking of other union environments can be a very useful way to prove that improvements are possible and to demonstrate how they are being achieved.

Review reports with union leaders before communicating them. Once management and union jointly agree on a change process, it is essential that all communication with hourly employees be jointly reviewed to ensure that both groups agree on the content and delivery of the message. It is possible for management to offer „outs“ to union leaders to not approve – but also not block – unpopular results or recommendations. If a specific recommendation is very controversial, it can be useful to conduct a direct survey of rank-and-file union membership to test acceptance of the proposed recommendation prior to adoption and implementation. This also offers an „out“ to the union leadership, because they do not have to become linked to the proposed change if it is rejected by the workforce.

In carrying out the change program, it is important to anticipate and avoid several common stumbling blocks, any of which can undermine the change process.

Common Stumbling Blocks

Mistrust. In some plants, management and union leaders actively mistrust each other. The union leadership may suspect that the change process is actually a trick to accomplish something they perceive as detrimental to the interests of union members, such as downsizing, contract violations, or reductions in benefits. This mistrust must be dealt with head-on early in the change process if the effort is to succeed.

Conflicting Objectives. Conflicting objectives between management and union leaders can hold up the change process or even kill it altogether. The union may want to increase membership, while management may hope to reduce headcount. The change process must establish a charter with clear objectives and guidelines before proposing changes to the system.

Lack of Urgency. In order for all the stakeholders in a unionized environment to agree on the need for change, there must be a catalyst – often in the form of a threat – such as an impending plant closing or possible loss of a major piece of business. Such a threat forces management and union to work together or jointly suffer the consequences. Without such a threat, the change process must be „sold“ to all parties on the basis of the likely benefits of becoming more competitive. This is a very difficult sale to make, as one or both sides may prefer the status quo to the risk entailed in a change process.

Voluntary Involvement. Many union environments have established negotiated employee involvement programs that are voluntary. The change process should not be placed under the umbrella of such a program, because if the actions that arise from the change process are voluntary, they will almost certainly never be

implemented. The change process must stand on its own, with a joint commitment from both management and the union to designing and implementing the changes.

Legal and Contractual Hurdles. Legally, the reengineering of shop-floor processes (production, maintenance, setup, material handling) can be viewed as a form of contract negotiation, since it involves discussion of possible changes to work rules and operating practices. But contract negotiation is permissible only if formal bargaining is agreed to by the management and the union, and then it must be conducted by the bargaining committees. Shop-floor workers are prohibited by contract from engaging in bargaining, and therefore could be prevented from participating in process reengineering teams if the union leadership mistrusts or opposes the reengineering.

The „Team“ Approach. Many white-collar reengineering efforts move toward team-based organizations based on multi-skilling, with multiple process steps consolidated into a single job description. In many of the current writings on this topic, team-based organizations are viewed as the most effective work structures possible. But this structure is in direct conflict with traditional unionized environments, which have multiple job classifications with clear lines of demarcation and specific work rules. The engineering effort should propose a team-based organization structure only if management and union both agree to explore nontraditional organization structures under a MOA. Most unionized workforces do not want to move toward an MOA, which is characterized by a greatly reduced and combined set of job classifications. If either management or the union rejects the notion of an MOA, then the reengineering effort should not attempt to rethink the processes, but rather settle for incremental improvements that synchronize the handoffs among multiple job descriptions in the execution of specific processes.

The Purse Strings. Strangely enough, another stumbling block has to do with who is paying for the external consultant conducting the change process. Usually, the consultant is hired and paid directly by management. This can cause conflict, because unions sometimes assume that the consultant will unfairly represent management's views, since management is paying the bill.

Conclusion

While a unionized manufacturing environment presents unique challenges to management interested in achieving significant change, these challenges can be surmounted if all the stakeholders are identified and their needs respected. Observing certain practical guidelines and understanding the common stumbling blocks can help to ensure the success of the program.

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