

# **The Challenge of Management- Employee**

## **Cooperation in the U.S.**

Stewart W. Herman

Department of Religion, Concordia College

The strategies and tactics of U.S. management towards labor during the past three decades have exhibited two tendencies, broadly speaking. On the one hand, the managements of U.S. corporations have done what they could to discourage employees from creating or joining unions. On the other, managements have initiated a bold strategy of eliciting cooperation from employees, even to the point of building whole new plants from the ground up, as in the case of the enormous Saturn automobile plant in Spring Hill, Tennessee. The subject of this paper, which is abstracted from my forthcoming book (Durable Goods: A Covenantal Ethic for Management and Employees, Notre Dame, 1997) is the latter strategy.

Achieving cooperation appears to be the powerful wave of the future in American management, and Roman Catholic social thought is well positioned to ride this wave. Of all Western religious traditions, none has paid more sustained and detailed attention to the relations between managements and employees than the one-hundred year old Roman Catholic tradition of addressing of papal encyclicals to the world of work. One of the most noteworthy developments in this rich vein of thought has been the steadily ripening conviction that managements and employees ought to enlarge their capacities to cooperate actively with each other. In 1891, Leo XIII asked only that owners and workers give each other what natural justice required: honest labor for fair wages. Forty years later, Pius XI retained Leo's interest in wage justice, but moved away from the static social analysis which undergirded it by emphasizing the functional rather than class distinctions between managements and employees. He qualified what here has been termed the principle of managerial prerogative This was an essential step towards an endorsement of cooperation. Thirty years later, in 1961, John XXIII explicitly called both sides to a partnership, where workers might "have a say in , and may make a contribution toward, the efficient running and development of the enterprise." After another twenty years, John Paul II in 1981 developed the winsome and evocative metaphor of a shared "workbench", depicting the work process as an arena of fulfillment in which employees have a legitimate claim to meaningful participation and joint ownership. Most recently, on the one hundredth anniversary of "Rerum Novarum", John Paul II confirmed this direction: "This teaching also recognizes the legitimacy of workers' efforts to obtain full respect for their dignity and to gain broader areas of participation in the life of industrial

enterprises so that, while cooperating with others and under the direction of others, they can in a certain sense 'work for themselves' through the exercise of their intelligence and freedom."

So developed, Catholic social teaching provides a rich image of human fulfillment as an answer to the question of why cooperation is good: through partnerships with managements, by achieving some meaningful control over their work, employees ideally can elevate the quality of their labor and reinforce their dignity. This answer has the ring of moral truth, for experience has demonstrated that programs of cooperation can be a means for employees to achieve inestimably greater dignity in work than, say, through mindless repetitive labor on the manufacturing or informational assembly line. Yet this ideal vision needs to be fleshed out with some understanding of the dynamics of cooperation. So far, it leaves the impression that cooperation happens naturally if managements relax their demand for control and share power with workers. John Paul II, for example, devotes a whole section of Laborem Exercens to a prophetic attack on the "priority" of capital over labor, the "economist" fallacy, and the pretensions of managements to absolute control. Cooperation itself then is mentioned as the obvious alternative to the conflict of labor and capital. According to papal teaching, it seems to be a state of harmony towards which managements and employees spontaneously will gravitate, in the absence of distorting counter-pressures.

No doubt I oversimplify recent papal teaching, but it does seem that cooperation, in concept and practice, deserves the same kind of sustained analysis that other values and practices characteristic of market institution receive. Here I will make a first stab at such an analysis. I will first sketch the obvious problem that cooperation presents for justice. Then I will consider another set of problems having to do with finite cognition and motivational entropy. My conviction here is that cooperation is a complex phenomenon which needs more serious inquiry from Catholic social teaching.

### The nature of cooperation

By this point, a definition is appropriate. What I mean by cooperation is the active coordination of self-guided efforts, as sustained by the mutual entrustment of contingent wills. It is the synergy which results when the delegation of meaningful managerial power is answered by the meaningful self-management of employees, and has been a goal of managements at least since Peter Drucker's 1954 classic, The Practice of Management. From the side of managements, cooperation occurs when employees are entrusted with significant power in the direction of their own work; this is the ideal expressed in the principle of self-management now so widely espoused in the United States. From the side of employees, cooperation occurs when they choose to exercise initiative and responsibility, rather than to offer nothing more than simple compliance with directions given. Cooperation has a distinctive ring in the U.S.; it refers to an unorchestrated parade of individual initiatives, as one management after another awakens to the possibilities of converting workplace hostility or indifference into positive energy, rather than the more institutionalized, deeply embedded practices of consultation, as in Germany.

If pressed, I believe that Catholic social teaching would endorse cooperation in this active sense; such is the tenor of recent encyclicals. But consider what is involved. In choosing to cooperate, both sides deliberately become more vulnerable to each other. I have found it helpful to adopt the language of organization theory in explaining what cooperation involves. On the one side, when delegating significant autonomy to employees, managements expose themselves to contingencies: the potential for inattention, incompetence, laziness, or even sabotage on the part of employees. Managements give up some portion of their traditional resource of hierarchical power control. They then must appeal to the sense and good will of employees, or resort to covert and manipulative tactics which risk eroding the cooperative spirit they are trying to instill. On the other side, employees give up some significant portion of their power to resist. The most potent sources of coercive leverage they have while on the job derive from rigid workrules, job definitions and schedules. A union which cooperates in setting up workteams effectively abandons these important forms of insurance against managerial pressure. Moreover, employees cooperating in teams may attenuate the solidarity bred by the collective resistance of earlier decades. This becomes a particular danger if a cooperative management is succeeded by a hard-nosed regime which chooses to renege on the earlier promises.

#### The issue of justice

Consider, for example, a tragic failure in cooperation. (My examples all will be drawn from the U.S., limiting perhaps the reach of this analysis.) The Caterpillar plants in Illinois, which manufacture heavy earth-moving equipment, suffered decades of destructive conflict until management and employees resolved in 1986 to try and cooperate with each other. The program became increasingly successful over five years, to the point that labor and management began to attend each other's picnics. Then a new management team decided to trim the powers of the local United Autoworkers union. Antagonistic gestures on both sides, but principally from management, resulted in two hard-fought strikes. The strikes failed, and by 1994, both sides had returned to a bitterness even deeper than before 1986.

This case invites a clear indictment from the prophetic side of Catholic social teaching. At Caterpillar, justice was violated in both its commutative and distributive dimensions; the dignity of employees was crushed; and the union itself became a target of unfair, destructive tactics. Many trade-unionists have absorbed the lesson from this and other experiments in cooperation: don't cooperate. If they entrust themselves to even the best of intentions by management, they still can wake up to find the terms of the game dramatically changed, in one fell and unfair stroke. Otherwise put, the risk of extending and responding to cooperative gestures and tactics is that employees will deprive themselves of the power they need to safeguard themselves against betrayal by management. Of course, an equal risk is faced by management.

Cooperation, at least on the U.S. scene, is not a phenomenon which can be generated and perpetuated by the ordinary practices of institutional control. Both management and employees present contingencies to each other, and so are vulnerable to each other in a

way that cannot be channeled by executive authority or contained by rules without killing the spirit of cooperation. Some game theorists have argued that two hostile partners can build cooperation by acting strictly according to the simple decision rules of tit-for-tat, but I suspect much more is involved. Cooperation requires bold gestures of commitment; it is generated and sustained at risk. It requires a particular quality of will on both sides—a willingness to take risks, to be resilient in the face of disappointments, and above all, to be actively and constructively responsive to the gestures made by the other party. It involves both management and employees giving up some significant measure of coercive power over each other, and relying upon each other instead to exercise initiative in the "right" direction. Character, responsibility, promise-keeping, betrayal—all the elements of classic human drama—therefore take stage when management and employees attempt to turn from conflict to cooperation.

This indeterminacy is good news for theologians, for it brings the drama of building cooperation into the domain of Bible, echoing as it does the ever-renewed struggle by God to elicit the faithful cooperation of the people. There is much room for moral theologians to generate Biblical insights about the challenges of generating and sustaining cooperation in the workplace, and justice will remain a central rubric as long as risk is a central issue.

#### The issues of finite cognition and entropy

Cooperation raises first the issue of justice, yet that is only the beginning of the kind of analysis moral theologians need to engage in. There is another kind of problem which requires a different analytical frame. Even where managements and employees are most sincerely interested in collaborating, they face problems which might be most usefully understood under the rubrics of cognitive finitude and motivational entropy.

Even where managements and employees are ready to concede the power needed by each other, *their cooperation requires enormous and sustained effort*. A commitment to active cooperation requires both parties to resist entropy, and this, rather than greed or outright betrayal, may be the chief reason why experiments in cooperation fail. Many experiments in cooperation simply erode and wither away. One seasoned facilitator of labor-management cooperation, for example, told me of a recurrent pattern he witnessed during a decade of well-intentioned experiments in Kansas City, Missouri. Some economic crisis—stiffening competition or evaporating markets—convinced managements and employees that they had a common interest in abandoning conflict and indifference for a more active partnership. Both sides would make constructive initiatives, but soon would hit a plateau, where repeated efforts by management to secure even more cooperation elicited no responses from employees or unions. Management then would become frustrated that its efforts were not paying off, and the partnership would wither into a hollow, formal shell of cooperation.

Given the enormous demands made by cooperation, it is not surprising that *managements and employees are sorely tempted to retrench in hierarchical relations*, whether adversarial or not. Consider the famous Saturn plant in Spring Hill, Tennessee, which has

been the largest and most ambitious experiment in cooperation in U.S. history. The \$1 billion plant was designed in the late 1980s by a joint committee of General Motors management and the United Autoworkers, and since its opening in 1990, has been operated by 150 largely autonomous teams picked from the cream of the United Autoworkers. Yet despite this enormous investment in training, this remarkable experiment became severely strained when the factory started up, not for reasons of bad faith, but because of the burdens of self-management which devolved upon employees. In dry terms more familiar to behavioral sciences than to moral theology, a partnership in cooperation imposes upon all sides heavy "informational" and "transactional" costs. Managements and employees have to invest more energy and thought into coordinating their efforts, anticipating problems, and consulting with each other to resolve them. Employees have to take more responsibility not only for their work, but for the overall viability of the organizational context in which they work.

Both sides at Saturn were sorely tempted to fall back into the traditional arrangement where management makes decisions and gives orders, while employees simply comply. Such "compliance" is the dominant method of organizing and coordinating work because it is so simple. To put the matter perhaps too pockishly, hierarchy is a counsel of efficiency, not merely domination. As explained by classic organization theorists like Chester Barnard and Herbert Simon, managements offer wages to employees in order to buy their acceptance of managerial authority. According to traditional pyramids of authority, executives outline goals and strategies, managers develop plans, and supervisors transmit orders and exercise discipline—all without any need for active engagement by employees. This exchange of wages for compliance has proven an enduring way to stitch together whole corporations. It appeals to employees, despite a widespread distaste for hierarchical authority, for it relieves them of the labor of arranging their work, coordinating it with that of others, and being responsible for its success—tasks that are reserved for managers and supervisors. The whole structure of collective bargaining erected in the United States from the 1930s on formalized this division of labor between managerial decisionmaking and employee obedience.

As a result, the advent of cooperation *does not bring—nor should it bring—a simple harmony*. It is tempting to couch the idea of cooperation in terms of warm personal feeling. Yet it is not sufficient for managements and employees simply to care for each other as individuals. If it were, the long story of management-labor relations, at least in the U.S., could have been shortened into a single recipe for generating and reciprocating good intentions. Feelings and intentions, attitudes and motivations are not the most primordial stuff which binds networks of organized action together; management and employees encounter each other as factors of production rather than simply as individuals and collectivities. The fundamental requirement, imposed by the constructed nature of a business enterprise is for a coordinated effort oriented to some identifiable productive aim or aims. And the cooperative coordination of effort all but necessarily generates diverging solutions to the practical problems fostered by such close interdependence. Cooperation does not relieve management and employees of the need for conflict; it simply relocates their struggle of wills from the terrain of war to the terrain of politics, where the work of influencing each other becomes all the more demanding and difficult

as both sides renounce the use of coercion. In tightly interlinked systems of action, neither managements nor employees can afford to walk away from the often complicated and onerous work of influencing the perceptions and behavior of each other. They carry out different functions, and each side has knowledge and skill which the other needs. To initiate and sustain cooperation, both sides must make gestures and tactics which communicate their trustworthiness to each other, all while not simply abdicating their wills to the control of each other. A difficult balance must be struck between affirmations of trustworthiness and bids for change.

### Conclusion

If this two kind of problems indeed are characteristic of cooperation, they present Catholic social teaching with some challenging questions. First, to pick up on the issue of risk, should employees even cooperate? And should managements seek a greater investment of active engagement than they can protect? Regarding the second kind of problem, what moral value should be invested in active cooperation, when compliance has such allure as a competing means of coordinating human labor in business enterprises? Does active cooperation express an good superior to that of simple compliance? I suspect Catholic social teaching would answer affirmatively, given its emphasis upon human co-creation with God and a "social" justice defined by the equitable contributions of all persons to the common good. Of course, its endorsement would not be naïve or blind. Natural law mandates distributive justice, or fairness in the allocation of benefits and burdens. For example, active cooperation involves the transfer of some managerial functions to employees, for which compensation ought to be denominated in terms of increasing control and financial rewards, not only in the expressive satisfactions experienced by those empowered employees. Yet the question remains, under what circumstances might mere compliance be preferable, and by what criteria would the judgment be made? The answers may seem obvious to a perspective anchored in justice, but would bring Catholic social teaching into direct conflict with much managerial practice. It might finally be asked: is distributive justice the overriding consideration, or do the other considerations above provide adequate excusing conditions for giving up active cooperation in favor of traditional compliance? Clearly both the informational and the motivational sides of cooperation need attention, even if they are inseparable.

The aim of this paper is to suggest that cooperation, a management strategy which has suddenly become quite significant in U.S. labor relations, merits more attention from moral theologians. Catholic social thought has manifested an admirable even-handedness in its approach to management-labor issues. This structured fairness, as one might call it, provides an excellent platform for interdisciplinary investigations. You may have noticed some whiffs of organization theory in this presentation. It is my hope that proponents of Catholic social thought will engage potent symbols and concepts from their tradition with the academic disciplines which have modern enterprise and management-employee relations as their object, the disciplines which are taught in business schools. Only such interdisciplinary investigations have a hope of connecting viscerally with the pedagogy that future managers receive. If such schools are going to ride the wave of cooperation

which has been growing in the U.S., they will benefit from the enlightened, reasoned, interpretations offered by moral theologians keenly interested in such interdisciplinary conversation.