



Title: TQM and Employment Involvement

Course: EMGT 560/660

Term: Winter

Year: 1998

Author(s): Y. Uslu

Report No: P98010

ETM OFFICE USE ONLY

Report No.: See Above

Type: Student Project

Note: This project is in the filing cabinet in the ETM department office.

Abstract: Conducts a literature research on EI, its relation to TQM practices and analyzes different techniques and approaches utilized and their results.

TQM and Employment Involvement

Y Uslu

EMP-P9810

EMGT 560

TOTAL QUALITY MANAGEMENT

Research Paper

"TQM AND EMPLOYEE INVOLVEMENT"

Winter 1998

Submitted to:
Dr. Dragan Milosevic

Submitted by:
Yasemin Uslu

INTRODUCTION	2
TQM AND EMPLOYEE INVOLVEMENT	2
WHY EMPLOYEE INVOLVEMENT?	4
EMPLOYEE INVOLVEMENT	5
Information Sharing	5
Knowledge and Training	6
Rewards and Recognition	6
Power	7
EMPLOYEE INVOLVEMENT PRACTICES	8
Suggestion Systems	8
Teams	9
Work Teams	9
Quality Circles	10
Self-Managed Teams	10
IMPLEMENTATION	11
FACTS ABOUT EMPLOYEE INVOLVEMENT PROGRAMS	11
CONCLUSION	12
REFERENCES	14

INTRODUCTION

In the last decade economic realities and Japanese quality movement have changed the way American companies do business. Quality has been listed as the number one critical factor of success in the organizations in a survey that has been conducted in 1989 by American Society for Quality Control [15]. Furthermore quality has been accepted as the essential ingredient among the U.S. executives for maintaining and improving the competitiveness in global market.

Total Quality Management (TQM) is one of the promising approaches that companies have accepted in order to improve their performance and quality. This total quality movement has fundamentally changed the practice of management in organizations in 1990's. Robert C. Stempel the chairman of General Motors Corporation expresses the change as follows:

"The worldwide quality revolution has permanently changed the way we all do business. Where once quality was limited to technical issues, it is now a dynamic, perpetual improvement process involving people in all aspects of the business."[15]

Among these changes as Lawler, Mohrman and Ledford advocate the most appealing one is the involvement of workforce [6]. In order organizations to improve their performance they need to change their management systems and have their employees involved in decision making, problem solving, quality monitoring and financial issues [6], [15]. Employee involvement or as it is often called empowerment, is a very important part of Total Quality Management and significantly affects the success of TQM implementations[33]. Many organizations today, realizing its importance, are placing emphasis on employee involvement (EI) as a prerequisite in achieving strategic objectives.

The purpose of this paper is to conduct a literature research on EI, its relation to TQM practices and analyze different techniques and approaches utilized and their results.

TQM AND EMPLOYEE INVOLVEMENT

Lawler, Ledford and Mohrman describe TQM as "A set of organizational strategies, practices, and tools for organizational performance improvement. TQM describes a philosophy of organizational improvement and approaches that its advocates argue that it cannot be successful without employee involvement"[6]. TQM might have been just a technical fix and the experts could have taught statistical process control and other techniques only to engineers and managers. Then, these experts could have been relied on engineers and managers to establish and enforce the procedures that are supposed to ensure quality. However, the gurus recognized and pioneered that quality systems don't work unless frontline employees are taught to understand their importance [16].

In the TQM culture, employees, while they are doing their regular work, are expected to address quality problems in order to find solutions to improve the overall process. They are also expected to be the part of the continuous improvement culture that involves finding out how to improve employees' own work as well as the overall organization's performance [5], [12]. This is where EI gets in to the picture. TQM attempts to improve the quality of products and services by increasing employees' understanding of company's business processes and EI as an essential part of TQM gives

lower-lever employees ability to shape the company's plans, and provides the financial information to enable them make sound decisions [6].

Feigenbaum suggests that "*Quality is everybody's job*" [32]. TQM puts great emphasis on involvement of all employees in every practice relevant to their level in the organization. Quality circles, improvement teams or overall team activities, job enrichment programs, information-sharing groups and suggestion systems are some of the involvement tools that are used for improving the process [6], [12], [32], [2], [18]. Among these practices the team approach has been accepted as the most effective one [2]. These tools will be discussed later in the paper.

Deming's, philosophy of quality management combines statistical process control and group problem solving processes in order to achieve a continuous improvement culture. In this continuous improvement culture Deming's approach also requires involvement of all the individuals regardless of their levels in the organization [6], [12].

Lawler, Ledford and Mohrman's study findings suggest that TQM practices, which include the EI programs, have more positive effects on performance outcomes. In addition to this, they suggest that "It may be best to have an organizational improvement effort which combines and integrates EI and TQM which give the organization the type of performance capabilities it needs" [33].

This effective approach relies on employee participation, empowerment and sharing the manager's tasks like decision making, setting goals and problem solving with subordinates [12], [18]. The former chairman of Ford, Donald Peterson describes EI as follows:

"The whole employee involvement process springs from asking all your workers the simple question, 'What do you think?'" [15]. EI approach focuses on moving decision-making process to the lowest levels in the organization. If the employees can make the decision of stopping a production line, or give a discount to a customer without consulting to their managers then empowerment has taken place [6], [13].

TQM brings organizational change with its implementation. This organizational change requires managers to change their behaviors and roles. In order to empower individuals, managers need to understand, enable and encourage employees [9]. It is crucial that management values employee suggestions and manages accordingly. The overall concept of empowerment is based upon the belief that employees need the organization as well as the organization needs employees [30].

The level of EI depends on the environment that values, develops and motivates all employees [30]. EI approach requires organizations to be designed in a bottom-up manner, so that employees are aware of the direction of their carriers and the organization's business [5], [14], [18].

Although involving employees is a must in TQM culture and these two approaches share some common themes and emphasize improvement, Lawler argues that they are different in many ways. According to his research, the two practices are different in the way they approach rewards, leadership, work structure, organization structure and expected outcome [5].

On the other hand the results of the study on 279 Fortune 1000 companies show that "The more organizations use TQM practices, the more positive results they get from their EI efforts". "The more organizations use EI practices, the more likely they are to have successful TQM programs" [6], [33].

WHY EMPLOYEE INVOLVEMENT?

Why should companies involve employees in the decision making process in their operations? Actually the answer to this question is very simple: employees play an important role in organizations' overall success, they are more valuable now for the organizations than ever, their decisions and performance have greater impacts on the bottom line.

Downsizing, layoffs and restructuring in early nineties put a lot of pressure on employees and employers. With the downsizing movement, let's say five employees were asked to do the task formerly done by ten and consequently employees had lot more responsibilities than they ever had. As a result while employees had to be more productive, they became much more valuable for the employers. Data comparing the business results of the Fortune 100 from 1983 to 1993 demonstrates this productivity increase [Exhibit1 and 2]. It is apparent from the data that companies who enable their employees to do their jobs more effectively will have more advantages in today's competitive environment [7]. Case indicates that "Companies do better when employees care not just about quality, efficiency or any other single performance variable but about the same thing that senior managers are supposed to care about: the success of the business" [17].

EI is one of the most effective practices to enable employees to do their jobs more efficiently. Ross defines EI as a process for empowering members of an organization to make decisions and to solve problems appropriate to their levels of organization [15]. Khan describes empowerment as "The internal fuel that helps ensure organizations achieve performance targets rapidly, effectively and predictably"[31]. Logically people who work in the process and closer to the problems are the ones who can suggest better solutions and make appropriate decisions for improvement [4]. Gandz suggests that delegating authority to the people who are closest to problems will empower them. He also advocates that since empowered people respond faster, problem-solving process may achieve its maximum speed with this approach [13].

Another approach-one of Deming's points-is to break down the barriers between departments. EI approach decreases the number of levels in the organization and breaks down the barriers between individuals and departments[5], [12], [15], [31]. When a higher level of involvement is reached, then time for implementation for a suggestion or an idea significantly decreases.

Employees will benefit from this approach by having a greater job security and the sense of satisfaction, which comes with the success. EI practices also provide opportunities for employees to own the improvement process [15], [31]. In an empowered organization, employees feel responsible beyond their job because they are the ones who are responsible to improve the overall organization's performance and they can see the direct impact of their efforts.

Lawler, Mohrman and Ledford's study which took place between 1987-1990 showed that companies perceived EI as a means of increasing productivity, quality and motivation [6]. In addition, it has been shown that this participatory system improves productive efficiency [2]. EI programs also significantly improve managers' productivity. Since they will delegate tasks to empowered employees, managers will have more time for more value added management activities, such as business planning and developing employees [31].

According to Employment Policy Foundation the use of EI programs improve the quality, turnover rate, absenteeism, worker satisfaction and decrease the time to market [3]. In other words, EI practices encourage employees to "work harder" and "work smarter."

EMPLOYEE INVOLVEMENT

Although it might not have been called EI, some kind of participative management practices have been used by the organizations for a long time. Employment Policy Foundation indicates that late 1970's is the time when companies realized the importance of taking advantage of the knowledge, skills and abilities of all their employees. Early 1990's EI systems were broadly in use. According to a study conducted by the foundation, by 1994, 68 percent of the large corporations, and 60 percent of the small corporations had implemented some form of EI program which was a significant change in management practices comparing 1980's [3].

In the literature, it has been indicated that there are four essential features in EI approach: Information sharing, knowledge and training, power and reward [6], [30], [17].

Information Sharing

Information flow in a company occurs in two ways: top down and bottom up. Top-down information sharing is a motivational mechanism that increases employee commitment and reduces alienation and resistance to change. This information flow also encourages better employee-employer relationships. Since bottom-up information flow plays an important role for organization's performance, this relationship is very critical. It has been argued that bottom-up information flow enhances organizational performance because managers gain access to unique information held by employees that is not revealed in more traditional methods [34].

Information sharing is a prerequisite for EI programs. Companies need to share all relevant information about business performance; not just sales and shipments, but overall performance, financial goals, budgets, and forecasts [17]. Without this information, employees can not make their contribution useful to organization's success. When it comes to planning and setting the goals, it is impossible for employees to participate without the necessary information about the business. In an EI culture, since employees have greater control over work and decision making processes they need more information about business strategy, customer requirements, overall process and how their act will affect the organization's performance. In addition to this, if the information about business has not been made available for the employees then they will be only limited to their basic tasks and roles[6], [20].

Lawler, Mohrman and Ledford's study results show type and amount of information shared. In their study, the authors compared the information sharing process in years 1987, 1990 and 1993. In their findings, they determined that the most organizations share information about the company's overall performance with 60 or more percent of their employees. On the contrary, they found out that 17 percent of the companies does not provide financial information to their employees. In large companies the overall performance information may not mean a lot to the employees who work in the low levels, but information about their unit's operating results may be more relevant

for their participation. The study shows that 66 percent of the companies share unit-specific information with more than 60 percent of the employees [6].

Knowledge and Training

Skill development is a very important part of EI practices. Without the necessary and sufficient skills, it is not possible for employees to participate in a business and influence its direction. In an empowered organization, people should not be told what to do, but they should know what they are supposed to do. There is a need for better communication and better understanding of principles, rules and roles which drive the way organizations function, in order EI to be effective.

Austin and Shapiro suggest that employees need knowledge in order to contribute in any improvement practice. They point out that this requires a high commitment to training activities that are consisted of interpersonal skills and group working skills as well as technical skills [30].

In their study Lawler, Mohrman and Medford identified seven areas that employees need to be trained for effective EI and total quality: Group decision-making and problem-solving skills, leadership skills, skills in understanding the business, quality and statistical analysis skills, job-skills training and cross training. The data suggest that the organizations significantly increased their training areas associated with quality improvements and teams. The authors concluded although training efforts are significantly growing, in order to perform EI and total quality management successfully the level of training need to be increased [6].

Austin and Shapiro advocate that the relationships between middle managers and employees play an important role when it comes to encouraging employees to recognize and improve their potential in the improvement process [30]. So, EI approach also concerns training the middle managers, in order to open the doors for employees. Managers need to know how to involve employees in a problem solving process [15], [2].

Rewards and Recognition

After having necessary information, training and knowledge employees need motivation in order to contribute. Companies are using incentive reward systems to motivate employees to increase operational and product efficiency. Rewards can take different forms depending on the organizational performance; they can be financial as well as nonfinancial such as promotion and job security [30]. As Lawler, Mohrman and Ledford suggest that along with the financial reward approaches, nonmonetary recognition programs are also used to support EI programs.

McAdams reports that it is easier for employees to influence operational measures than the financial measures. He also adds that if companies only have financial measures, they should not expect to influence employee performance in any EI practices [14]. Along with these comments, Austin and Shapiro highlight five different areas other than traditional financial measurements: the level of EI, employee satisfaction, culture, equality and individual performance measurement [30]. In order to evaluate individual performance it is better to use nonfinancial indicators like on-time delivery, quantity of output, product quality, material usage, process measures, customer satisfaction, and customer service.

Binding the rewards with the performance can ensure that employees are involved and care about the organization's overall performance [17]. Rewarding also ensures that they share the gains resulting from any performance improvement. Profit sharing, stock ownership, stock options and gainsharing are most used rewarding approaches that are used to encourage EI [35]. These incentive reward systems also encourage employees to work more cooperatively among themselves because their compensation is tied to overall work force effort. Larger gains can be obtained when incentive reward systems are implemented to support and lead the EI culture [14]. Research shows that these EI programs which connect the reward systems with the performance generate 3 to 26 percent more productivity increase than the increase that is generated by EI programs alone [3], [2]. Of these, gainsharing plans, which are found in 19 percent of workplaces, are reported to produce the greatest productivity gains [7], [2].

Mc Adams advocates that companies view reward systems as strategies to improve their business performance. His study shows that combining the financial measure with nonfinancial measures has greater affect than using only one of these alone. He concludes that if organizations recognize their employees as their most important assets, employee involvement programs supported with reward plans can improve the utilization of that asset [14].

Power

Information, training and rewards will not mean anything without the necessary power given to employees to take action [30]. Empowering members of an organization to make decisions and to solve problems is essential to EI's success and involves moving power downward in organization [15].

Dawson describes empowerment as "The effective application of understanding, enabling, and encouraging our people the constant improvement of all processes." He suggests that in order to *understand* employees, managers need to have knowledge on human management and their motivation. *Enabling* people involves creating an environment, which will provide opportunities to individuals in order to improve themselves. *Encouraging* people means providing opportunities so that they can maintain their self-esteem [9].

Understanding, enabling and encouraging involve redistributing the power to the lower levels in the organization, which require significant organizational and mind set changes. The task of management moves from controlling employees to encouraging and supporting them to implement changes effectively for the improvement process [2], [8]. Empowering employees does not only mean to give them formal authority, they need to be motivated by the management for involvement. [30], [2].

As mentioned earlier, EI programs remove barriers in the organization. This is achieved by distributing the power to the lower levels. This will make employee to feel free to pursue goals and objectives without the strong control mechanism [30]. With this approach employee's job specifications will be expanded which will lead them to contribute to the organization's performance [13].

These four features must exist in all of the levels of the organization and need to be integrated. It is also very important to note that a vision which provides a shared set of values play a very crucial role in the integration and success of EI programs [8], [30]. EI

should be designed in a way that individuals can see the results of their participation to the organization's overall performance. In other words, they need to have some tangible outcomes which will demonstrate the effect of their involvement in the business, like in sales, productivity and quality [6], [14].

EMPLOYEE INVOLVEMENT PRACTICES

EI practices range from simply information sharing to self-directed teams. Involving employees into the improvement process can be achieved in many ways [12].

Suggestion Systems

Suggestion programs are based on obtaining individual or team suggestions on improving work or the work environment. This program first requires an evaluation of the idea. After the evaluation, if the idea has found to be useful for the improvement then implementation is considered [12].

There are two approaches that suggestion systems fall in to: centralized and decentralized. Employees write their suggestion in detailed form and then this idea is evaluated by the supervisor or someone assigned. If s/he thinks that the idea would contribute to the improvement then sends it to the higher levels in order to get approval for implementation. In the decentralized programs, there is not much of a structural way of approval process and implementation takes much shorter time comparing the centralized approach [24].

These systems foster the employee contribution coupled with recognition or a reward when the idea is implemented. The reward itself is a motivational tool for employees to submit their ideas and encourages thinking and understanding of the process [12], [24].

Beside its benefits, there are some flaws in this system. The first one is that implementation process takes too long time, which might be discouraging for employees [22], [24], [28]. The director of recognition programs in Westinghouse Electronics Systems David Cecil claims that employees turn off if the implementation takes too long, so they try to limit the time for evaluations to 30 days [24].

Another flaw is the disempowerment of middle management. Managers are the ones who are expected to make decisions or give some suggestions. When ideas come from employees instead of managers they might feel left out of the process. This might cause problems in the relations between employees and managers [22].

Foy claims that suggestion systems generate mistrust in the organization. People might have some concerns when their ideas do not get approval from their managers while someone's ideas are approved. They may think that the approval depends on the relationship between an individual and the manager [28].

Fear and job insecurity is another problem, when it takes too much time and money to investigate the idea. Employees can feel hesitant to submit their ideas when they think that it will take time, and if their ideas don't work they can have some problems [12].

Although there are some contrary arguments about these systems, Savageau advocates that suggestion systems stimulate creativity and innovation on employees and motivate them to submit their suggestions. A world class suggestion system is proposed

in order to avoid some bottlenecks of the traditional system. According to Savageau decentralization is the key for success of suggestion programs [22]. According to Cissy Eversole, manager of the people involvement program in Siemens Industrial Automation Inc., decentralized programs are better than the centralized ones. In this approach employee owns the idea and is in charge of the implementation process [24].

Bearing the flaws and benefits in mind, careful planning and execution of suggestion systems can be profitable for an organization [12]. Exhibit 3 demonstrates the percent participation in suggestion programs and the average savings per suggestion. Apparently there is more participation and more value per suggestion in team-based organizations. Hence, carefully planned and implemented suggestion programs can provide significant amount of savings. For instance, Toyota has reported total savings of \$2.2 billion in 1996 as a result of implementing suggestion systems [22]. Since 1992, Maritz Inc. has saved \$12 million from the ideas that are submitted by employees. Siemens receives 4000 ideas a year that result in \$5 million savings annually [24].

The most important factor for suggestion systems to be successful is the management involvement and its attitude toward employees in order to encourage them to submit their ideas [12], [24]. Management needs to make clear the areas that need to be improved and their expectations from the employees. Otherwise without this clarification it is almost impossible to expect that all ideas focus on the improvement. The second important factor is the response time for the idea. Employees turn off if they don't get a response in a reasonable time, whether it is a positive one or not. For the sake of continuous improvement evaluating the idea and giving information back to the employee in a rather short time should be the focal point in the suggestion programs [22].

Teams

Team is defined as "A small number of people with complimentary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable" [23]. Team approach provides an environment to individuals to solve problems that they may not be able to solve on their own [12]. As a result of their effectiveness, many organizations are modifying and redesigning jobs such that they can be performed by teams [21].

In EI environment work teams, quality circles and the self-managed teams are the most common type of teams that are used in the companies.

Work Teams

The work team describes a special type of organizational work group. Generally teams are self managing and have decision autonomy. This approach allows one employee to compensate with his/her strength for another employee's weakness. Everyone on a team has a chance to contribute ideas, plans, and figures; but anyone may expect to find some of his best ideas submerged by consensus of the team. Over time, contributing members play a major role in improving the process.

Because of its advantages the team approach has become widespread business phenomenon in recent years. A major advantage of the work team concept is quick response time. In addition, teams' self regulating nature is a very good source of quality assurance.

Typically, work-teams deal with problems as they arise on a continual basis. They turn over responsibility to management for implementing solutions to the problems.

When they are given authority to implement the solutions, they become self-managed teams [19].

Quality Circles

Quality circles are based on the belief that the people who work with the process are the best ones to identify, analyze and correct the problems in any given situation. They originated in Japan in 1960's and were expanded into a highly developed system by Japanese firms. A quality circle (QC) is a small group of people doing similar work, meeting regularly to identify, analyze and solve work-related problems and increase quality and productivity [19]. However, management still has the responsibility to accept, modify or reject the QC's proposals or solutions to any given situation. With this approach, employees are able to participate in decisions that affect their work, while management retains authority for decision making. Barrick and Alexander suggest that organizations will benefit directly from QCs by improving quality and productivity and directly through enhanced employee motivation and more favorable attitude [27].

Normally members of a particular QC come from the same workshop who face and share similar problems in their daily work life. The number of members in a QC ranges from 4 to 15. Participation in the circle is voluntary and the workers establish a moderator or team leader to lead discussion.

Quality circles differ from work teams in terms of membership, the type and frequency of problems handled, authority to implement decisions, and the group's relationships to the organization. While work teams are at the core of organizational structure, quality circles are supplemental.

Self-Managed Teams

Self managed team or self-directed work team is one upper level of work team concept. This team approach involves a formal system of EI, direct EI and a higher degree of control. In this approach the teams are highly active and independent in problem solving and decision making process for the performance improvement for an organization. Members of these teams are given authority to make decisions, which typically would be made by a manager or a supervisor in order to improve the areas that they are responsible for [11], [25].

Self managed team is defined as "a highly trained group of employees, from 6 to 18, on average, fully responsible for turning out a well defined segment of finished work. The segment could be a final product or a service"[11]. These highly independent teams set their own goals. As in the work teams, their self-regulation nature is a means of inspection of their work. These teams generally have the authority to set their budget and accommodate resources [10].

According to Evans and Lindsay creating a continuous improvement environment with these teams is easier and they provide flexibility. Since they set their own goals, and schedule implementation of any suggestion or solution becomes quicker comparing to traditional approaches. Finally, this approach provides employees an environment which they can participate and feel the satisfaction [12].

Although all these practices have a considerable number of elements in common, the implementation of any EI program should be implemented systematically. The evolution of employee involvement is shown in Exhibit 4. They all reinforce teamwork and provide a real opportunity to influence an organization's success. In order these

activities to succeed there must be commitment of management and members of teams. These teams' members need to have a very good understanding of situational analysis, problem definition, solution generation and implementation development skills.

IMPLEMENTATION

Cotton made an extensive research on EI programs, and came up with the conclusion of regardless of the form of the program (Self-directed work teams, suggestion systems, or quality circles) the process of implementation is somewhat similar. EI programs must be developed to fit each organization's unique needs [19].

Donovan suggests that "The first step to empowerment is team building: the development of the behaviors, skills, and processes for working together effectively". He advocates that empowerment cannot be established with employees who cannot communicate, resolve conflicts, or solve problems effectively. Once the team building skills are accomplished then empowerment can take place and accountability and management functions can be transferred to employees [26].

Honesty and openness are very important issues in the implementation process of any EI practice. Reciprocal trust between management and employees has been listed as the key factor and it should be established before any attempt to implementation [7], [29]. Because of this reason implementation of EI practices should be done step-by step. A study that has been conducted in ten award winning companies proves that the teams are the building block for empowering employees. These companies first started by establishing (for short-term and addressing a single issue) problem solving teams. After succeeding and building trust between employees and managers some of them increased the level of empowerment by forming work groups and self-managed teams [20]. Khan's empowerment model presents the steps to transform a "workforce" into a "thinkforce" [Exhibit 5].

Since implementing EI is in many ways a cultural change, ongoing management commitment is strongly required. This change brings new ways of thinking and acting in to the organization. Beside its benefits to the organization, it should be kept in mind that EI is not a quick fix, implementation is a long and cumbersome process [17].

FACTS ABOUT EMPLOYEE INVOLVEMENT PROGRAMS

According to a study, economic impacts of EI programs, conducted by Edward E. Potter, president of the Washington, DC based Employment Policy Foundation indicates that organizations which implemented EI programs could earn up to 9 percent in their earnings comparing the others that are traditionally managed. These companies can also improve their productivity level up to 18 to 25 percent [1], [3]. Combining EI programs with incentive reward systems has generated additional 3 to 26 percent productivity increase.

According to a study commissioned by the Association for Quality and Participation and conducted by the University of Southern California School of Business Administration's Center for Effective Organizations, U.S. firms are slow to implement means of participatory management, and this reluctance is hurting firms' bottom lines.

The study's findings are based on the responses of 279 Fortune 1000 firms. Of these:

- 37% said their employees were not involved in EI activities and had no share in managerial power;
- 31% said that their employees are responsible for recommending improvements to management, but had no power and received little information or training to help them make decisions;
- 10% of employees were heavily involved in business management and received extensive training in group dynamics and in getting information on business performance, especially as it related to competitors.

Companies willing to share power, information, and responsibility reported better performance levels than those that were not [Exhibit 6]. Companies with EI programs that involved 40%-60% of employees consistently outperformed companies with low use of these programs [6].

Another study, conducted by CARS (Consortium for Alternative Reward Strategies), examined 663 EI programs in 372 companies. This study looked at all aspects of these programs and found out that the majority of organizations at least one formal EI program. Exhibit [7] shows the percent of companies using various types of EI plans. Typically, 15% to 25% of employees are active in some form of an involvement program, spending an estimated 5 to 50 hours per year in formal activities [14].

CONCLUSION

It is apparent that, the people working for companies who practice EI have more to give to the company than in a company without EI. Thus, these people give to their employers a powerful competitive edge in the market. Companies that have systematically implemented EI programs have experienced tremendous productivity gains. In addition to this, EI programs have produced significant improvements in product and service quality, turnover rate, and absenteeism. These factors are extremely important in contributing to improvements in overall organizational performance.

These EI programs should be carefully planned and implemented. For EI to succeed, it should be a program that focuses on the employee's daily work, that gives employees the power to make changes and keeps those changes ongoing. The program should be implemented with top management support, and it should include education and training for both employees and management.

Research shows that generally EI programs have positive impacts on organizational productivity and employee attitudes. As in all other new management practices like TQM, success is not guaranteed but most papers and books in this area suggest that EI is more likely than not to have a positive effect.

The following quotes are the examples of what executives and researchers think about employee involvement.

"We have learned that, if we push decision-making down in an organization as far as we possibly can, we tend to get better decisions, people tend to grow and to develop more rapidly, and they are motivated more effectively... We recognize that no small group of management or no single manager can have all the answers... I suspect that our

conception of management as a manipulative, directive process is one day going to be supplanted by a very different notion that people are, after all, adults and capable of self-direction."

Douglas McGregor

" When employees understands the economics of business, they feel, think, and act like owners."

-Jim Schreiber, Vice President for Customer Assurance And Corporate Controller,
Herman Miller

" It allowed us to involve all our associates in the (previously) mystical world of financials. Now our people know what's at stake- and how they can make a real impact on the numbers."

-John D. Callahan, President,
Allstate Business Insurance

" If business truly is a game, how can you expect to win only a handful of players know the rules."

-David R. Dwinell
Dwinell's Visual Systems

"We can win the global competition, but it will require a new approach to management, one incorporating employee involvement."

John L. Cotton

REFERENCES

- [1] Anonymous, "Employee involvement programs translate in to higher wages", *HR Magazine*, Vol. 43, Iss. 4, April 1996, p. 4
- [2] Anonymous, "Employee involvement: A strong link to productivity...Uncertain legal status, <http://www.epfnet.org/epf/polei.htm>
- [3] Anonymous. "A workplace economic growth and wage strategy", <http://www.epfnet.org/epf/polgrow.htm>
- [4] Bernard Portis, "Making Canadian employee involvement a quality effort", *Journal for Quality and Participation*, October/November 1994, pp.24-27
- [5] Edward E. Lawler III, "Total quality management and employee involvement: Are they compatible," *Academy of Management Executive*, Vol: 8, No:1, pp: 68-76,1994
- [6] Edward E. Lawler III, Susan Albert Mohrman, Gerald E. Ledford, *Creating High Performance Organizations*, Jossey-Bass Publishers, San Francisco, 1995
- [7] Edward L. Gubman, "People Are More Valuable Than Ever", *Compensation and Benefits Review*, Vol.27, Iss. 1, January-February 1995, pp.7-14
- [8] Edward L. Harrison, "The impact of employee involvement on supervisors", *National Productivity Review*, Vol. 11, Iss.3, Autumn 1992, pp.447-452
- [9] Gradon Dawson, "Is empowerment increasing in your organization?", *Journal for Quality and Participation*, Journal for Quality and Participation, Vol.15, Iss.4, September 1992, pp. 24-28
- [10] Isaac K. Sagoe, "Why Are Self-Managed Teams So Popular", *Journal for Quality and Participation*, Vol. 17, Iss. 5, September 1994, pp.64-67
- [11] Jack D. Orsburn, Linda Moran, Ed Musselwhite and John H. Zenger, "Self-Directed Work Teams", Irwin, 1990, p.8
- [12] James R. Evans, William M. Lindsay, *The Management and Control of Quality*, Third Edition, West Publishing, 1996
- [13] Jeffrey Gandz, "The employee empowerment era", *Business Quarterly*, Vol. 55, Iss. 2, Autumn 1990, pp.74-79
- [14] Jerry L McAdams, CCP, "Design, implementation and results: Employee involvement and performance reward plans," *Compensation & Benefits Review*, Vol.27, iss.2, Mar/Apr 1995, pp.45-55
- [15] Joel E. Ross, *Total Quality Management*, St. Lucie Press, Florida, 1993
- [16] John Case, "Open-Book Management: The coming Business Revolution", Harper Business, 1995
- [17] John Case, "Opening the Book", *Harvard Business Review*, Vol.75, Iss.2, March/April 1997, pp. 118-127
- [18] John J. Sherwood, Florence M. Hoylman, "How to make total quality work", *Journal for Quality and Participation*, Vol. 16, Iss.5, June 1993, pp.82-91
- [19] John L. Cotton, "Employee Involvement: Methods for improving performance and work attitudes.", Sage, 1993
- [20] John Leitch, Dom Nieves, Gerard Burke, Micheal Little, Micheal Gorin, "Strategies For Involving Employees", *Journal for Quality and Participation*, Vol. 18, Iss. 5, September 1995, pp.68-74.
- [21] John M. Ivancevich, Peter Lorenzi, Steven Skinner, "Management: Quality and Competitiveness", Richard D. Irwin, Inc., 1994

- [22]John Savageu, "World class suggestion systems still work well", *Journal for Quality and Participation*, Vol.18, Iss.3 , March 1996, pp.86-90
- [23]Jon R. Katzenbach, Douglas K. Smith, "*The Wisdom of Teams*". Harper Business, 1994
- [24]Kate Walter, "Employee ideas make money", *HR Magazine*, Vol.74, Iss.2 April 1996, pp. 36-39
- [25]Larry Lacy, "Self-managed Work Groups Step-By-Step", *Journal for Quality and Participation*, Vol.15, Iss.3, June 1992, pp:68-73,
- [26]Micheal Donovan, *Journal for Quality and Participation*, Vol. 18, Iss. 6, June1996, pp.64-66
- [27]Murray R. Barrick, Ralph A. Alexander, "Estimating The Benefits of a Quality Circle Intervention", *Journal of Organizational Behavior*, Vol. 13, Iss.1, January 1992, pp. 73-80
- [28]Nancy Foy, *Empowering People at Work*", Gower Publishing Limited, 1994
- [29]Richard H. Axelrod, "Making employee participation programs work", *Quality Progress*, Vol. 27, Iss. 4, April 1994, pp.39-41
- [30]Sarah Austin, Gillian Shapiro, "Equality-driven employee involvement", *Journal of General Management*, Vol.21, No.4, Summer 1996, pp. 62-77
- [31]Sharafat Khan, "The Key To Being A Leader Company: Empowerment", *Journal for Quality and Participation*, Vol. 19, Iss. 5, January/February 1997, pp.44-50
- [32]Soin,Saru Singh, *Total Quality Control Essentials: Key Elements, Methodologies, And Managing For Success*, New York: McGraw, 1992
- [33]Susan A. Mohrman, Edward E. Lawler III, Gerald E. Ledford, "Do employee involvement and TQM programs work?" *Journal for Quality and Participation*, Vol.19, Iss. 1, Jan/Feb 1996, pp:6-11
- [34]Susan Schwochau, John Delaney, Paul Jarley, Jack Fiorito, "Employee Participation And Assessments of Support For Organizational Policy Changes", *Journal Of Labor Research*, Vol.18, Iss.2, Summer 1997, pp.379-401
- [35]Tim R.V. Davis, "Open-Book Management: Its Promise And Pitfalss", *Organizational Dynamics*, Vol.25, Iss.3, Winter 1997, pp.6-20
- [36]Timothy L. Ross, "Self-management and gainsharing: a winning duo," *Journal for Quality and Participation*, Vol.17, Iss.3, June 1994, pp: 10-15,

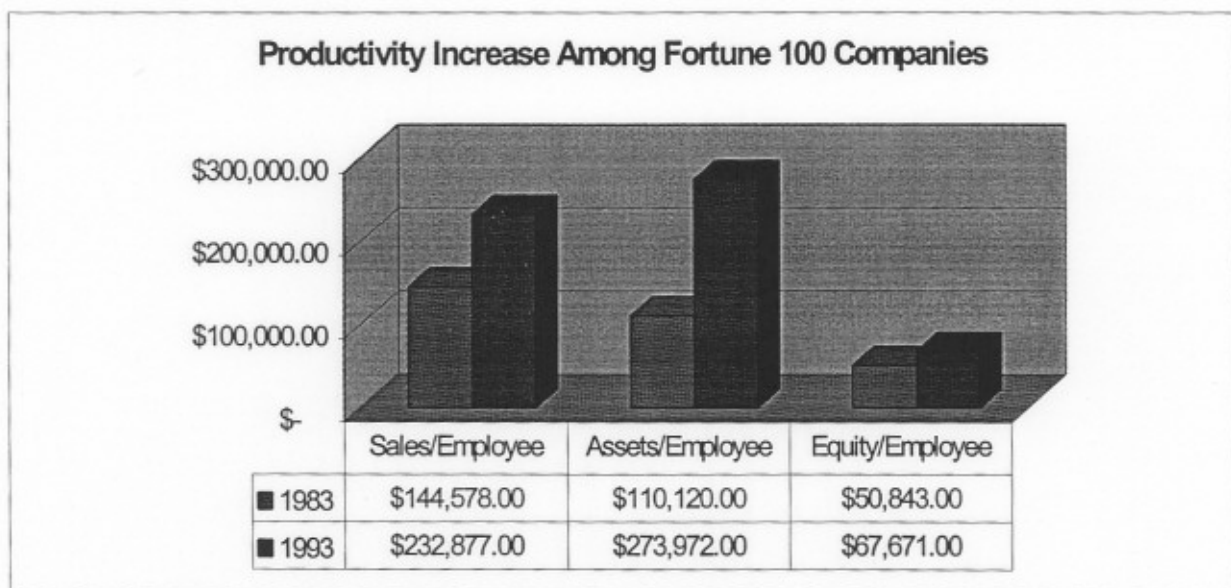
EXHIBITS

Exhibit 1: Change in Business Results of Fortune 100 Companies

Change in Business Results of Fortune 100 Companies

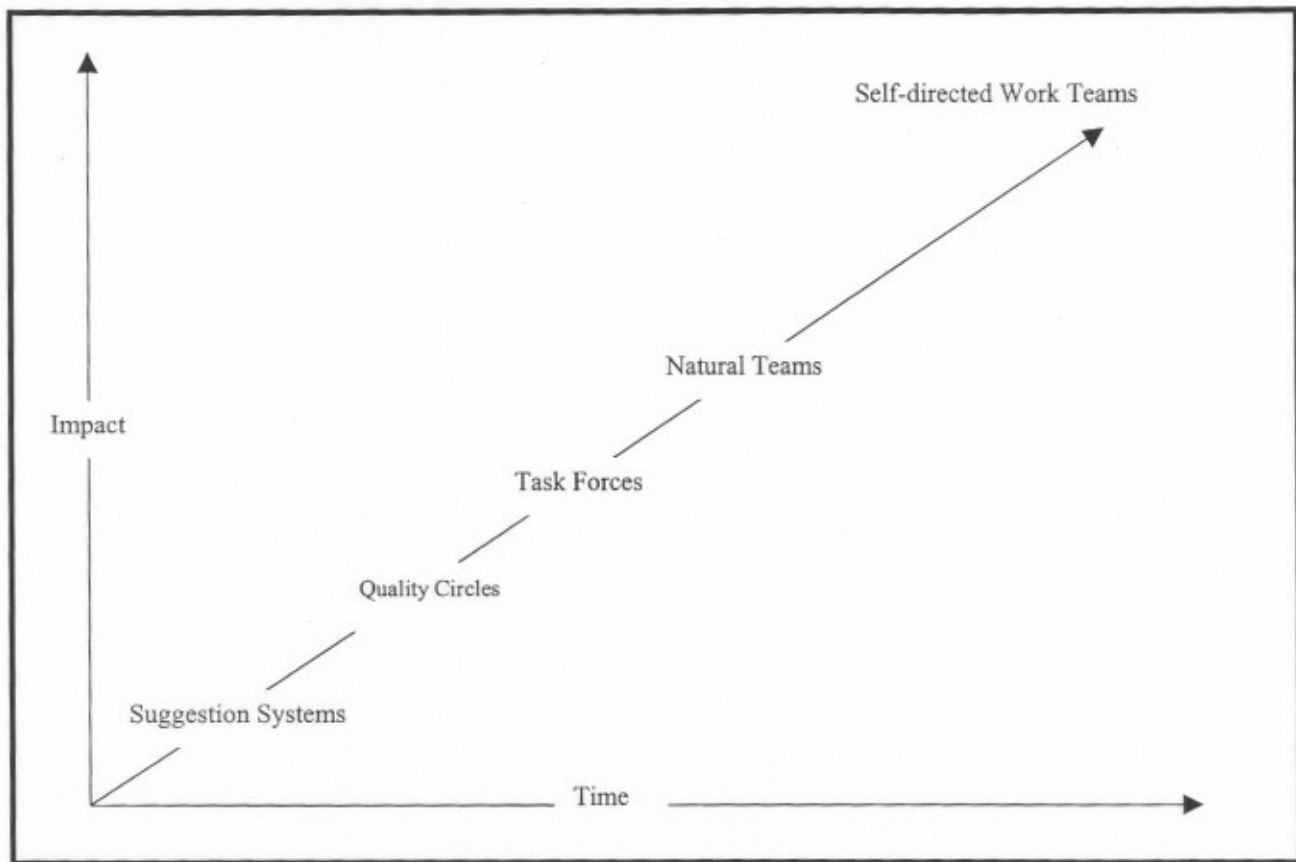
	1983	1993	% Change
Sales	\$1.2 trillion	\$1.7 trillion	+42%
Assets	\$914 billion	\$2 trillion	+119%
Equity	\$422 billion	\$494 billion	+17%
Employees	8.3 million	7.3 million	-12%

Exhibit 2: Productivity Increase Among Fortune 100 Companies



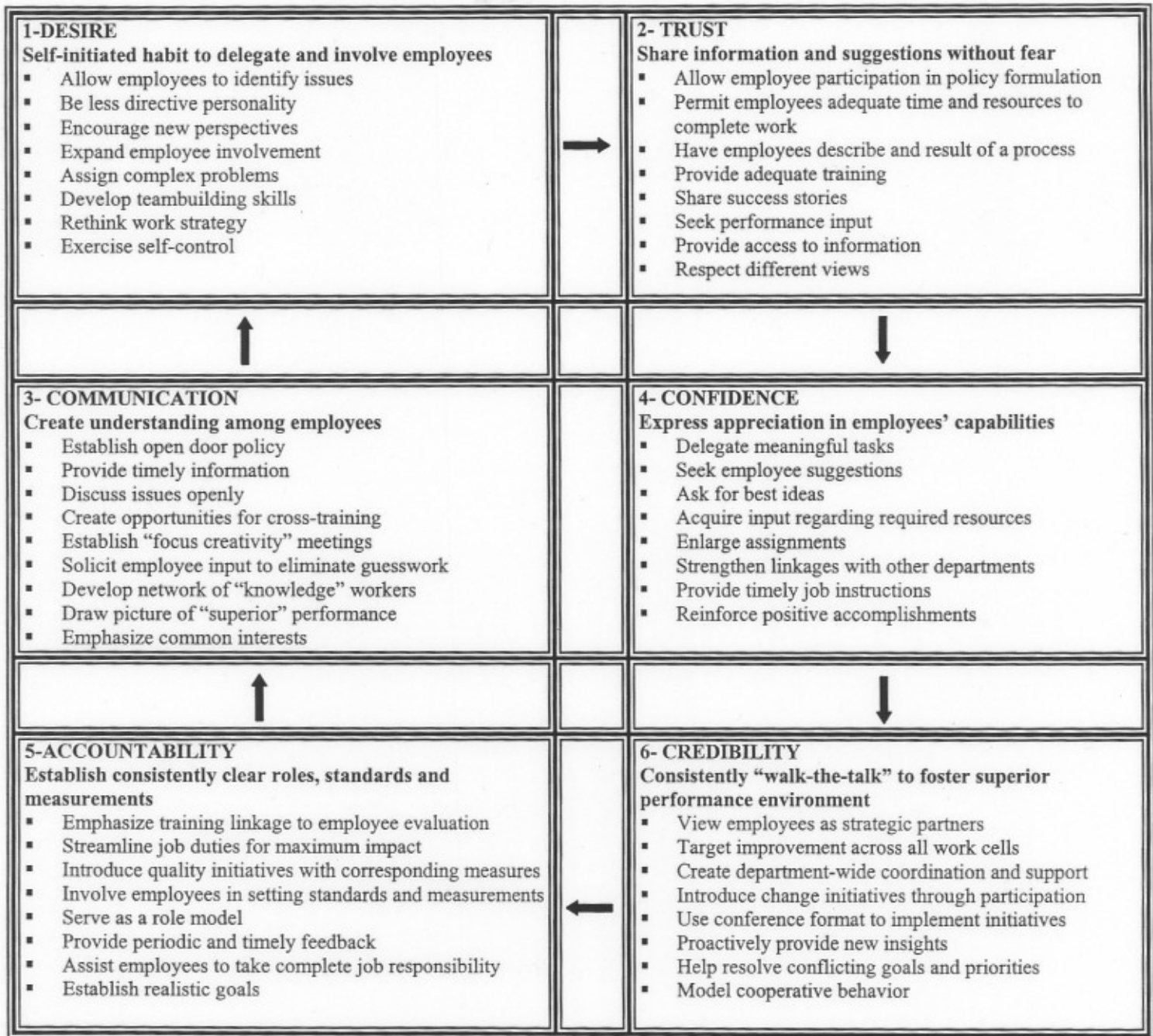
Source: Edward L. Gubman, "People Are More Valuable Than Ever", Compensation and Benefits, January-February 1995 pp.7-14

Exhibit 4: The Evolution of Employee Involvement



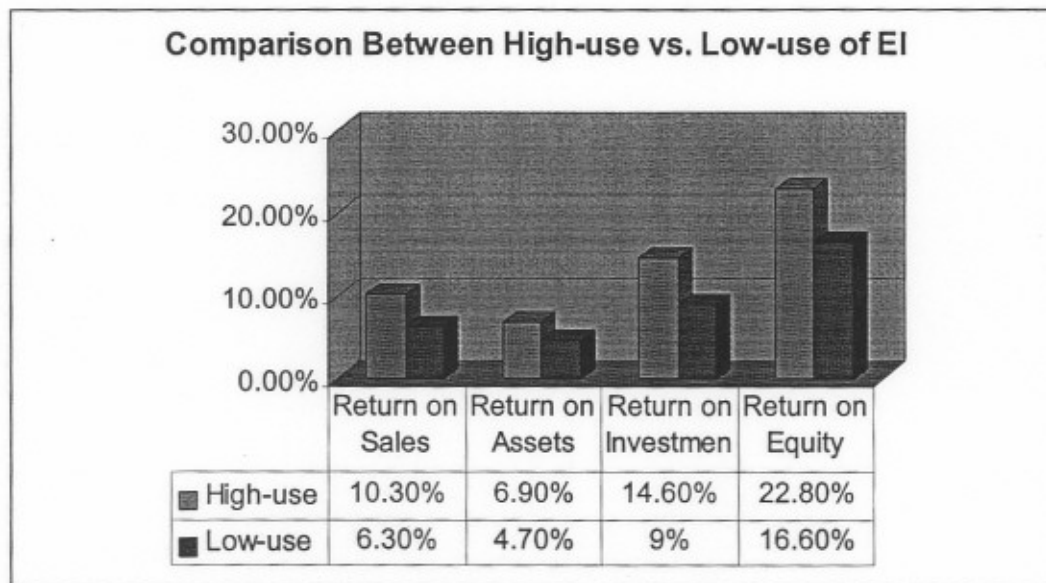
Source: Micheal Donovan, *Journal for Quality and Participation*, Vol. 18, Iss. 6, June 1996, pp.64-66

Exhibit 5: Empowerment Model



Source: Sharafat Khan, "The Key To Being A Leader Company: Empowerment", Journal for Quality and Participation, Vol. 19, Iss. 5, January/February 1997, pp.44-50

Exhibit 6: Comparison Between High-use vs. Low-use of EI



Source: Edward E. Lawler III, Susan Albert Mohrman, Gerald E. Ledford, *Creating High Performance Organizations*, Jossey-Bass Publishers, San Francisco, 1995

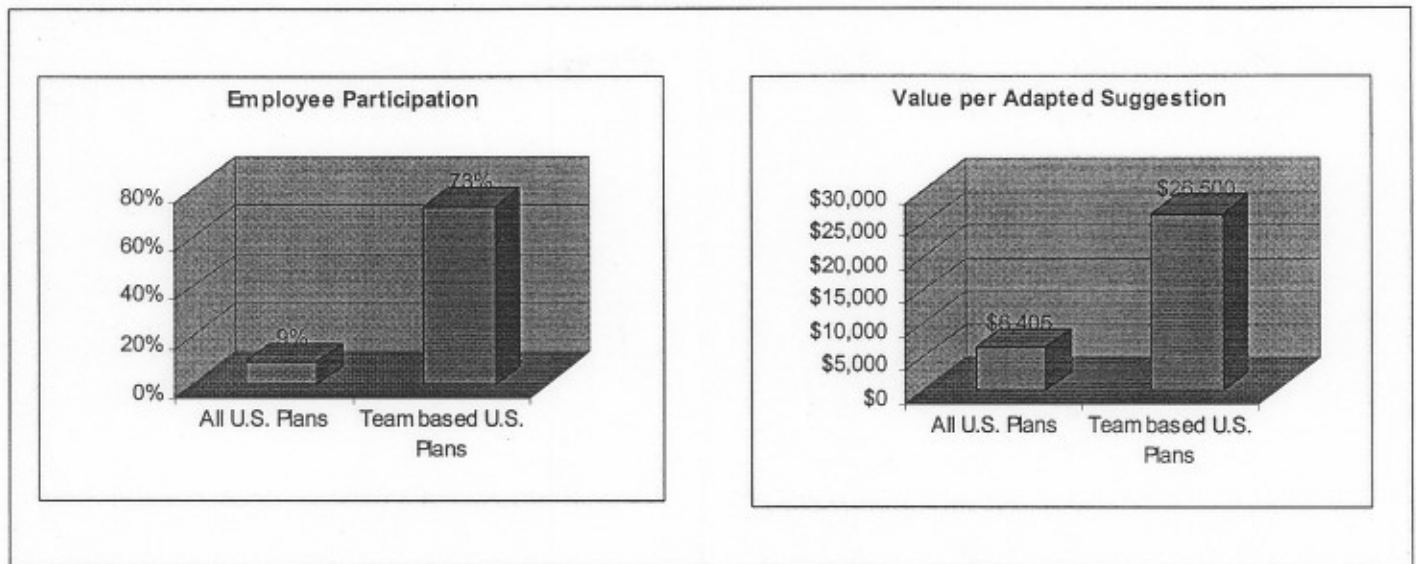
Exhibit 7: Employee Involvement Programs

Employee Involvement Programs

Type of EI Program	Percent Using Program	Median Percent of Employees Participating	Median number of Hours Spent per Participating Employee per Year
Individual Suggestion Plans	42%	20%	5 hrs.
Ad Hoc Problem Solving Plans	44%	20%	22 hrs.
Team Group Suggestion Plans	28%	25%	10 hrs.
Employee-Management Teams	19%	15%	40 hrs.
Quality Circles	26%	16%	50 hrs.
Percent of All Plans Using Any Type of EI Program	66%		

Source: Jerry L McAdams, CCP, "Design, implementation and results: Employee involvement and performance reward plans," *Compensation & Benefits Review*, Vol.27, iss.2, Mar/Apr 1995, pp.45-55

Exhibit 3: Employee Participation in Suggestion Plans and Value



Source: Jerry L McAdams, CCP, "Design, implementation and results: Employee involvement and performance reward plans," *Compensation & Benefits Review*, Vol.27, iss.2, Mar/Apr 1995, pp.45-55