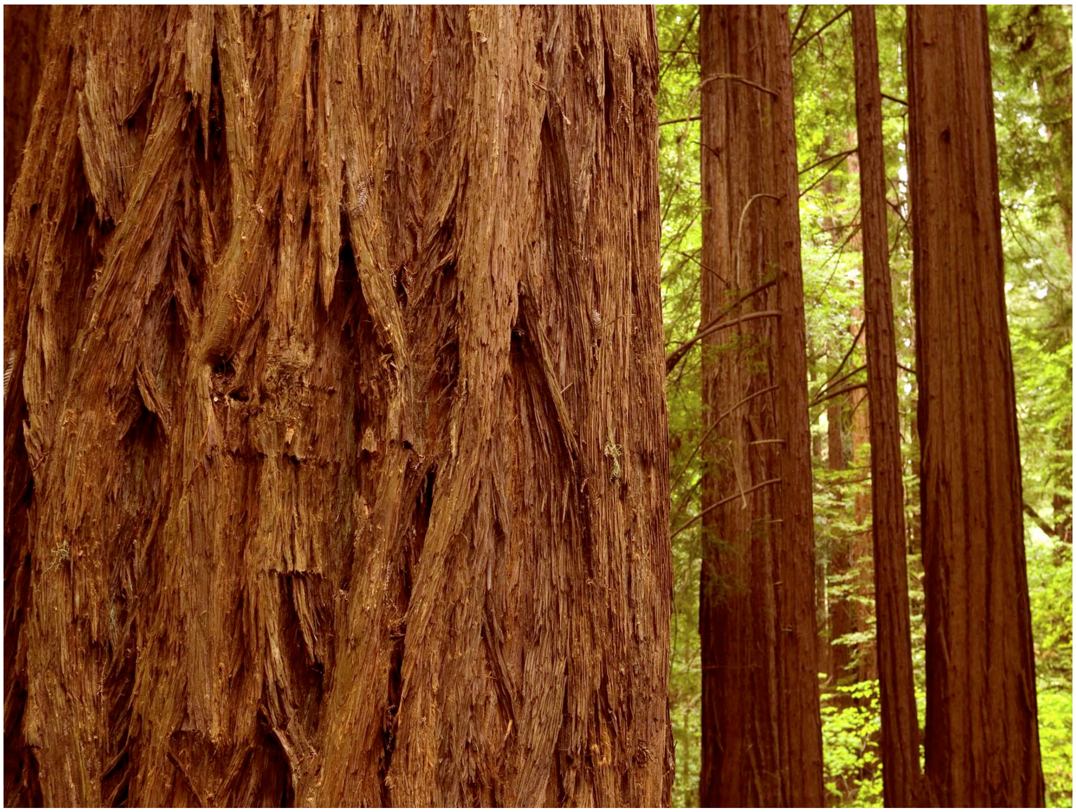
PROPOSAL FOR LABOR & MANAGEMENT WORKING GROUPS & GENERAL I.T. RECOMMENDATIONS



WHITE PAPER SUBMITTED:

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By: Members of the I.T. Technology Forecasting & Planning Committee

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Purpose

I.T. has periodically attempted to innovate and reduce cost of operation. This has been done through leadership changes, reorganizations, and other methods. All have proved marginally, if at all, effective. Part of the problem, we contend, is the absence of a planning organ for ongoing identification and the phasing in of new technology as old is phased out. In addition, the expertise of highly knowledgeable I.T. technical staff has not been utilized in helping craft solutions that require technological expertise. Furthermore, the current managment-labor dynamics do not foster a culture that is forward looking and cooperative.

The county's historic approach has been to reorganize the department; effectively "rearranging the deck chairs on the Titanic". But the fundamental problems remain.

These reorganizations are morale killers, have not proven effective, and have not enabled the adoption of new technology at a steady rate comparable to other businesses and organizations.

This committee's purpose is to provide a recommendation for sound, technological, and economically effective solutions to the county's I.T. management and elected officials. Solving the twofold problem of innovation and cost, while having the added benefit of enhancing morale and worker participation in the solutions are the holistic goals of this document. If successful, we would hope this recommendation could be replicated throughout the county.

If we had a "forecasting" or "planning" organ within I.T. composed of labor and management who's job it was to identify new technology and prepare for its adoption, we could avoid a great deal of pain and unnecessary job losses.

As an example, Voice Over Internet Protocol (VOIP) was a big deal about 5-7 years ago; now it is commonplace. We could have identified VOIP then, informed Telecom that we planned on moving in that direction and then created a plan to train and transition the staff to VOIP, rather than simply eliminate many of their jobs. They would be invested, motivated, and interested, management and the county would get a new technology that was cheaper and better, and job losses could be kept at zero or a bare minimum by transitioning the old staff into the new technology through training and career building.

As the county's data center has been a continuous source of cost/benefit analysis, we will begin with an examination of its function and the best ways to vacate the Kelly Building while creating a cost-effective, cutting-edge solution for the county.

Mission Statement

To identify new technologies that can replace or add to existing I.T. resources in creating cost-savings for the county so that job cuts can be kept as low as possible and this committee can function as a template in the formation of an I.T. Technology Planning Organ.

Expected Results

- Increased participation of Labor in new technology research, development, and implementation.
- The formation of a planning organ within I.T. to identify and adopt new technologies and phase out old ones. This would be a standing committee to exist in perpetuity.
- Fewer layoffs in favor of more job training for new skills for employees who support technologies that are being phased out.
- Increased cost-savings with the adoption of more and better technologies.

Background: A Brief History of I.T. Outsourcing

I.T. departments in other public sector jurisdictions have met with little success in outsourcing the functions of I.T. Our first and most extensive example is a report from Washington, County -- our nearest neighbor -- to provide background on their experience with outsourcing their services. We will also cover Federal, State, and other non-local examples. Of the six case studies provided in this document (p. 6), the fifth (JP Morgan Chase) we believe you'll see a great deal of similarity. Out intent here is to supply significant examples to underscore the point that government and private sector enterprises that are medium to large scale, meet with little success when decisions and reorganizations are made in isolation. As psychologists readily know, collective decision-making is far stronger and far more effective.

Successful Management and Labor Collaboration Efforts

The stated goal of this proposal is to cause a cultural shift in the way Multnomah County does business and makes decisions. The labor-management divide that currently exists is far too rigid. Most managers feel that they make the decisions, workers carry out the work, and that is the end of the story. As relates to I.T. especially in this organization, this method has yet to produce a result that is satisfactory in the short- or long-term. We aim to highlight how efforts in other organizations are a model of labor/management cooperation. One we hope will end the failed attempts to remake the organization without labor's input. The labor force of Multnomah County contains a great wealth of institutional and technical knowledge. They are an excellent resource in helping determine what works, what doesn't, and the best options for positive change.

Many studies have been done on this subject at research universities throughout the country. One, of note, from Princeton University's Alan S. Blinder and John Morgan in 2000 found that not only are decisions made collectively just as fast or faster than those made individually, but that the decisions made by groups are more accurate by a very large margin and that individual decisions are more likely to prone to error or failure. Additionally, the larger the participatory group, the more accurate the decision and the more likely of a project to succeed.

Not only will a larger degree of collaboration between management and labor produce better results as the studies cited above make clear, but employees can feel a sense of ownership over the decisions being made that affect their lives. This will improve morale, motivate engagement in the process of change, and institutionalize a "team" attitude that at present is lacking.

The Local 88 Budget Task Force working in collaboration with the Chair is but a small taste of the benefits that could be had by moving in this direction. Additionally, as we will see in the case studies after the conclusion, many other organizations have implemented what we propose to model and the results have been nothing short of stellar.

Multnomah County I.T.: Where We Can Begin

As stated in the purpose at the beginning of this document, the case we are making is about improving a system and culture of management and labor relations. We do not expect words, good intentions, and a few Power Point presentations to make such changes a reality. Instead, we seek to test an idea in the I.T. organization. Then fine tune it, and replicate this model as appropriate throughout the organization.

Because one thing is clear regarding I.T., in particular: historically, leadership changes and the accompanying organizational changes the new leadership implement lack elements necessary for a successful transformation of the I.T. organization into the unit we need it to be. The expertise of those on the ground and with history within the institution is often lost in management's tendency to act alone. We think that misses out on the addition of knowledge and experience that could make decisions much more sound.

It is worth remembering past I.T. efforts: the Shared Services organizational model, the Thin-Client project, and the SAP installation. In the case of the first two examples, millions of dollars were spent and both efforts failed. In the last (and oldest example), the effort succeeded. SAP's successful deployment coincided with a county culture shift; the organization was encouraging the empowerment of employees and collaborative working relationships based on facilitative leadership and labor+management models. Notably the expertise of the line staff in the Shared Services model and the Thin-Client project was not a key input. The failure of these two examples contributed to eroding morale and an aversion to change in I.T. To the line staff change meant possible job loss, no input from them on decisions they have expertise on, no real improvement in technology, wasted millions, and - worst of all - no accountability for the managers who had ordered the failed changes. There is a better way and each of us knows it. But we have to work to make the better way a reality and a part of the county's institutional structure.

The case we have made for labor to be more of a collaborating and contributing partner with management in this document is about a county change. But we know that in order to get this right and make it replicable, we need to start somewhere. We believe the best place to begin is with I.T.'s reorganization.

For starters, it's a focus of the county Chair; and, rightly so. Second, it's a place where labor has a tremendous amount of technical expertise to offer in recommending and crafting solutions.

The Data Center

We believe the place in I.T. to begin is with the Data Center. The planning organ we will propose in the following pages, should undertake finding at a minimum two options for the data center. It should seek to identify:

- Future State of the Data Center
- Future Footprint
- Future Savings with Delineated Methods of Achieving Said Savings
- Future Staffing (with an aim to minimize job loss and maximize training)
- Future Problems/Risks

- Future Advantages/Benefits
- Et al.

County I.T. Systems Analysis
In addition, this planning organ should undertake a countywide review of the I.T. footprint and work in crafting the proposals of both I.T. management and the recommendations of the consultancy examining our systems. It should seek to identify:

- E-Mail Infrastructure
- Windows Desktop Environment
- Open Source Options (where and how possible with an analysis of installation costs)
- Hosted Services Model for more applications
- Hardware
- Proprietary Software (that we should keep and/or retire)
- Licensing
- Methods for Ensuring Business Process Needs are Met and Not Trumped by Technical Solutions
- Training Regimens to Ensure Staff is Current and Effective
- Et al.

This process should be organic, transparent, and worked on from all sides with a mind for realizing our common goals. Goals and objectives that should be spelled out clearly in a mission statement as is noted at the front of this document. But then the question remains, what organizational body would we need to make this kind of positive collaboration and group problem-solving a reality?

A Modest Proposal:

Multnomah County Technology Planning Organ

With apologies to Jonathan Swift, our proposal is to create a planning organ that would meet regularly and identify, vet, and recommend adoption of new technology platforms in a strategically phased-in method. So that, staff can be retrained to adopt and support the new technology and we can help keep innovation moving, worker skills high, and increased efficiency can be realized in our financials.

To reiterate the example from the purpose: "As an example, VOIP was a big deal about 5-7 years ago. We could have identified VOIP then, informed Telecom that we planned on moving in that direction and then created a plan to train and transition the staff to VOIP, rather than simply eliminate many of their jobs. They would be invested and interested, management and the county would get a new technology that was cheaper and better, and job losses could be kept at zero or a bare minimum by transitioning the old staff into the new technology through training and career building."

We think it's important to note, however, that at some point technology can only save us as much as it can save. Beyond that, I.T. costs what it costs. But that's not to say we can wring out savings with these recommendations. We believe, strongly, we can.

Rough Outlines of the Composition of a Planning Group:

- Chartered Organ with delineated rights and responsibilities.
- Generally: Technically skilled individuals in a variety of disciplines and supported areas of I.T. (a set of criteria for qualifying as a member of this group needs to be set).
- Composed of Equal Parts Labor and Management Staff
- Two technology experts from outside of government who would not necessarily be at every meeting, but attend at least two times annually to weigh in on proposals and provide industry feedback.

Conclusion

I.T. has gone through reorganization after reorganization. Each time, whatever progress gets made is quickly ossified because I.T. lacks an institutional organ to plan for and anticipate change. Because it lacks this function, technologies quickly become old and outdated and we cannot realize the full potential, full efficiency, and full cost-savings that technology can provide both the internal functions of the county and, more importantly, our most important customers: the public of Multnomah County.

This problem, however, isn't just unique to I.T., even though it is most acutely seen in I.T. This is a problem of any large scale organization that doesn't utilize the talent it has at its disposal to the fullest. We hope the literature presented here makes clear that management need not feel that they are fighting an impossible entropic force. Rather, by involving labor in both the decision-making process and the implementation they draw upon a larger pool and make allies of the very people charged with realizing the vision of the organization.

In this model, we both share the risks and the glory. We both formulate decisions and work to make them real. We both lead and follow. It is a far more democratic method of doing business, it's proven in other organizations, and most importantly of all: it works. It works far, far better than the way the county's culture has so far realized solutions for it's myriad of problems.

We call on you to remember what was accomplished with the Labor and Management agreement on a wage freeze. We saved jobs and alleviated a lot of strain on a budget process that looked impossibly difficult to overcome. That's only a small taste of what we believe is possible.

We hope you believe it too.

Case Studies: I.T. Outsourcing / Reorganization Efforts

First Case Study - Local Example: Washington County, Oregon (Beaverton)

Quoted in part. Full report provided upon request.

RECOMMENDATIONS:
Washington County should <u>stabilize its technology support group by bringing the existing out-sourced functions</u> in-house as part of the County's Information Services division. IS management should continue to monitor technology trends for opportunities to out-source complete services to application service providers, if or when appropriate. It

should also continue to utilize outside contractors for special projects and for projects where specific skill sets are required that are not part of existing staff skill sets.

COUNTY AUDITOR'S REPORT ON CONTRACTING OUT

In addition to the Dowling report, the Auditor's report of January 1999, prepared by Public Knowledge Inc., has identified a number of criteria in determining whether to contract out. This section will address those criteria.

MARKET SITUATION – There are many companies that are prepared to provide outsourcing services. However, as previously identified, there is significant instability amongst companies that provide this service. Of the two previous vendors, one has gone out of business and the second was sold off to another company (the third change in ownership over the past ten years). The County's current vendor has not expanded its customer base. Its only other outsourcing customer in the Northwest (BPA) is in the process of issuing an RFP. Even if BPA retained Unisys, the contract will be much smaller as BPA has been in-sourcing many positions that were previously contracted out to Unisys.

POTENTIAL FOR SAVING – Based on the attached analysis, it will be less expensive for the County to in-source its support. In addition, whenever the County requires a position that is not defined in the current contract, the costs are quite high. For example, when the County was looking to acquire a project manager for its new FMIS, Unisys was quoting costs in the area of $125, 000 per annum. The County acquired its own employee for substantially less. In addition to savings on a per position basis, the County would be able to eliminate the expensive position of site (program) manager. While this position adds some value in personnel management, it is relatively low added value.

OPERATIONAL EFFICIENCY – The current iteration of the outsource service is not as efficient as it could be. The vendor has provided no management tools or methodologies during its contract. Its head office is not able to provide automated billing capability to the County. The local site manager had to develop on his own (and charge the County for his time) an invoicing system. There is significant overhead on invoice processing both on the County's side and the vendor's side. While there would be additional overhead when the resources are brought back in-house, it is felt that these would be off-setting. The current model causes duplicate efforts in acquiring and managing information. The site manager tends not to share information nor format it in a way that is useful to County IS management.

RISK – This would increase to a minor degree. Under the current model, County IS management has had to insert itself, in order to prevent significant problems from developing. An example of this was when one of the two computer operators was scheduled for surgery that was to cause her to be away for 6-8 weeks. The Unisys site manager was away sick and there was no back up identified. The site manager's secretary was away on personal leave. She literally did not know who to talk to at Unisys. She approached County IS management with her problem and we eventually helped resolve it.

QUALITY/EFFECTIVENESS OF SERVICE – IS has no internal technical staff with which to compare. However, the GIS Specialists in departments are very technical and do much programming. In the opinion of the County's former GIS manager, the GIS Specialists are much more accomplished, produce better quality technical support and are knowledgeable on some of the newer technologies.

LEGAL BARRIERS – There are no legal barriers to either continue to contract out or to bring the resources back in house.

MANAGEMENT CONTROL – This is a major issue under the current contract. In the current contract, there is a tri-mester planning process that requires the vendor to lay out plans for its resources, have IS management present additional services that need to be addressed and then come up with a plan showing what could be accomplished with the resources available. This plan could then be used to set priorities for projects if resources are scarce or cost out what additional resources would cost if all the projects needed to be addressed. The plan could also be a good tool to measure and manage the resources. While tri-mester planning took place during the initial 1.5 years of the contract, the current site manager has not provided a tri-mester plan during the past 1.5 years. It has become almost impossible to ensure the contractor is optimizing its resources and is providing good service to the County.

STRATEGIC/POLICITCAL SENSITIVITY – Because the service is already contracted out, there is no political sensitivity related to “lost jobs”. As far as sensitivity on the vendor account, the current vendor has been in consistent violation of its contract over the past 15-18 months. Their corporate offices had been made aware on several occasions but has been very slow to respond.

PROS/CONS/ISSUES/RISKS

There is considerable instability in dealing with contracted vendors. For example, CMSI, which was a local company, was sold to BRC, which was located in California. Initially, CMSI had several other customers in the Portland area. This facilitated sharing resources and also having a pool of resources to draw upon when filling vacant positions. When the County replaced BRC, it was the last customer BRC had in the greater Portland area. There was no pool of resources to share. Subsequent to the County’s decision, BRC was sold to a company called ACF.

Prior to the Unisys contract, the County also engaged OFC to manage PCs and the network. It has recently been learned that OFC has ceased operations. Finally, Unisys has not been successful in expanding its presence in the Northwest beyond Washington County and the Bonneville Power Administration (BPA). In recent months, BPA has been creating a large number of additional in-house positions and hiring mainly Unisys staff. As they fill these positions, they are reducing the number of contractor positions. BPA’s contract with Unisys expires the Fall of 2000. BPA plans to issue an RFP seeking a vendor that provides services in a limited role. There is a distinct possibility that Washington County might be the only Unisys outsource customer in the Portland area.

The current contract with Unisys was developed to allow the County to rapidly transition its technology infrastructure while stabilizing its costs. Contractor resources were utilized to plan for the technical infrastructure of the new buildings that have been developed over the past few years. The technology supported today is vastly different from the environment that was in place when the current contract was negotiated. This contract flexibility allowed the County to support the significantly changed physical and technical environment. It did so at minimal annual increase in support cost. The negative aspect of this is that the County shares in the risk. As part of the contract, the vendor is completely responsible for personnel decisions.

The major advantage of the existing contracting out model is that there is considerably more flexibility and reduced response time in adding additional resources or changing the skill sets required to support the evolving County technical infrastructure. With the current model, only budget approval is required to add additional resources. The vendor can then recruit within their broad categories to address the County’s additional needs. Likewise, if the County’s needs change, the County only has to advise the vendor of its changing needs and the vendor can modify its support resource specifications. On the negative side, the vendor has a right to charge extra for technology not defined in the contract. Given the rapid change in technology and the new systems supported, the County might have been obligated, under a different contract and vendor, to significant cost increases. IS management has been guarding against this in order to minimize cost increases due to technology changes.

A major disadvantage of the contract model is that contractor staff view their positions as temporary due to the fact contracts generally expire in three to five years. As contracts approach the expiration date, it becomes more difficult to recruit for quality staff who wants to remain with the organization for an extended time. The contractor staff, who has been with the organization for an extended period of time, "generally like working at the County”, as opposed to “like working for the contractor”.

Second Case Study - Federal Example: Transportation Security Administration

Quoted in part. Complete report is provided in the addendum to this report.

TSA WEBSITE SECURITY VULNERABILITIES

After conducting a detailed security accreditation review of the traveler redress website, TSA’s Chief Information Security Officer (CISO) granted the website a 12-month “Authority to Operate” in September 2006. The CISO did not detect a number of glaring security problems affecting the website when it went live on October 6, 2006. The security vulnerabilities of the website included the following:

• **The Site Was Not Hosted on a Government Domain.** Instead of being hosted on a government web domain (e.g., “tsa.gov”), the redress system was hosted on a commercial domain operated by the contractor (http//rms.desyne.com). When they left the government domain, visitors to the redress management site lost any assurance they were visiting a legitimate government website.30

• **The Home Page Was Not Encrypted.** The website home page did not have an encrypted "secure socket layer" (SSL) with an "https" protocol identifier. As a result, every time travelers visited the site to check on the status of their applications, the control numbers they entered to access their files were vulnerable to theft. Once they obtainedthese numbers, attackers would have access to travelers' personal information.

• **The Submission Page Was Not Encrypted.** One of the site's links that allowed travelers to submit personal information was also unsecured. Although travelers could access an encrypted page to submit personal information, a link reading "file your application online" transferred users to an unsecured site. Travelers submitting their name, address, Social Security numbers, eye color, place of birth, and other sensitive personal information through this link had no protection from attack.

- **Encrypted Pages Were Not Properly Certified.** Although other web pages within the site were SSL-protected, they were not properly certified. Under standard web security practices, operators of SSL-protected websites obtain third-party certifications to assure users that an outside party has approved the web site's security measures. Instead of the proper third-party certification, the site had only an expired certification that Desyne itself had generated. These were serious security deficiencies. As one commentator noted: Consider what this means for a passenger who is stewing in the airport terminal after missing his flight because a TSA screener confused him with that other Robert Johnson on the TSA's special list. The good Mr. Johnson is told he can try to prevent this misunderstanding from happening again if he submits data requested by the travel identity verification site. He pops open his laptop, hops on the airport's terminal wireless network, completes the form and clicks "submit." Meanwhile, a digital terrorist has just captured the data Johnson has submitted because it was sent without SSL.

Third Case Study - State Example: State of Texas

All Isn't Great in Government Outsourcing
by Ann All Oct 30, 2008 12:41:39 PM

I've written several times about the trend of local and state government agencies employing outsourcing in an effort to cut costs and supplement their staffs. In fact, some agencies even work with offshore providers, a practice once widely shunned by the public sector.

But the practice shouldn't be seen as a panacea.

Texas Gov. Rick Perry recently halted the state's plan to offload its data management tasks to IBM until the two sides can agree on a plan to correct ongoing problems. Two dozen agencies have submitted complaints about Big Blue, including instances of unexpected server and e-mail outages, corrupted files and a hacking incident revealing security breaches that weren't addressed in a timely manner. In one notable incident, a server malfunction in July destroyed nearly half of eight months' worth of documents belonging to Attorney General Greg Abbott's Medicaid fraud investigators.

Brian Rawson, the state's CTO, noted in a letter that the company "is not meeting expectations" and has been fined $900,000 for failure to complete timely backups, a condition of its $863 million, seven-year contract. Under the agreement, IBM will manage IT services and equipment purchases for 27 state agencies.

IBM is "taking the appropriate steps to resolve any issues," said company official Jeff Tieszen, who notes the state is on track to save $178 million by 2013. Some agency officials have claimed the state will need an additional $71 million in the next two-year budget cycle to cover unexpected IT costs and overruns. Most of the higher costs are driven by increased demand for computer time and services, according to Rawson's department, the Department of Information Resources.

Ironically, Texas was an early advocate of outsourcing government work, with lawmakers in 2005 ordering agencies to outsource their data storage, security and disaster recovery services. Not many other states have outsourcing initiatives of this scope, though Virginia last year launched a similarly ambitious program. Interestingly, IBM was the only one of three services providers that did not withdraw a bid for a contract to provide IT services to the state of Georgia earlier this year.

source: http://www.itbusinessedge.com/cm/blogs/all/all-isnt-great-in-government-outsourcing/?cs=10488

Fourth Case Study - Foreign Government Example: Federal Government of Australia

From the monograph annotation:

Much of the research that has been carried out into outsourcing is based on relatively successful case studies. Yet drawing inferences from case studies when those with largely negative outcomes rarely see the light of day represents a significant problem. When negative cases are systematically unrepresented, there is less opportunity to subject theory to scrutiny. This chapter goes some way towards redressing this trend, by reporting on a large scale "selective" outsourcing arrangement that has been publicly described as a failure — the Australian Federal Government's "whole of government" IT infrastructure outsourcing initiative. This initiative, originally promoted as likely to lead to a billion dollar saving, was abandoned early in 2001, after a damning public report by the Australian Auditor General. However, a detailed study of the initiative suggests that the "failure" occurred despite the project adhering to many of the recommended guidelines for successful outsourcing that had been derived from earlier case analysis.

The findings have important implications for decision makers confronted with outsourcing choices. The study suggests that the risks of outsourcing are often downplayed, or ignored in the rush to reap the expected benefits. The study also suggests that expectations of savings from outsourcing IT are often substantially higher than those that have been empirically confirmed in the field. Decision makers are advised that key assumptions about costs, savings, managerial effort, and the effects of outsourcing on operational performance might be incorrect, and to plan for their outsourcing activity accordingly. They should pay particular attention to coordination and transaction costs, as these tend to be overlooked in the business case. These costs will be magnified if "best in breed" multiple-vendor outsourcing is chosen, and if contracts are kept short. Decision-makers are also warned of the difficulties they are likely to have at the end of an outsourcing contract if there is not a large and robust pool of alternative vendors willing to bid against the incumbent.

source: Corbitt, Brian and Rouse, Ann Outsourcing and Offshoring in the 21st Century: A Socio-Economic Perspective, Hershey, PA.: Idea Group Publishing, 2006.

Fifth Case Study - Private Sector Corporation Example: JP Morgan Chase

Outsourcing--and Backsourcing--at JPMorgan Chase
JPMorgan Chase's decision to first outsource IT and then bring it back in-house stands as a cautionary tale for any CIO considering an outsourcing megadeal.

By Stephanie Overby
September 01, 2005
Website: CIO [http://www.cio.com/article/10524/Outsourcing_and_Backsourcing_at_JPMorgan_Chase?page=1]

When David Rosario got the official notice at the end of 2002 that his job would be outsourced to IBM, he was not surprised.

Rumors had been circulating for months at JPMorgan Chase, where he had worked as a network engineer since 2001, that the company would be signing away much of IT to an external services company.

The $5 billion IBM-JPMorgan contract was heralded at the time as the largest outsourcing deal on record, and it received a great deal of publicity in the mainstream and trade press as the wave of the future. JPMorgan itself had trumpeted the deal as a "groundbreaking" partnership that would cut costs, increase innovation and benefit its IT workers.

But Rosario and other employees soon discovered that they would have to reinterview at IBM for their positions. During that process, Rosario was told that his job at IBM would be secure for the foreseeable future. Others, however, were not so lucky. They were told by Big Blue that their jobs would likely be gone within a year or two. As a result, some left as soon as they could.

Rosario stayed.

But his sense of security didn't last. Rosario watched as IBM cut the pay of most of the consultants working for the bank and then eventually let many of them go. And with IBM's well-publicized penchant for sending work offshore, he wondered ifas a full-time employeehe would be next.

BEST PRACTICES

Backsourcing may be the right move to make for some companies. But it isn't easy. Here are seven steps to ease the pain.

But before that could happen, on July 1, 2004, JPMorgan completed its merger with Chicago-based Bank One, which itself had canceled a well-publicized outsourcing deal with IBM and AT&T a few years earlier. Two and a half months later, the merged company announced that it would be ending its much-touted deal with IBM early and "back-sourcing" its information technology, bringing it back in-house.

However, Rosario wasn't sure how long he could hold on to his regained position at JPMorgan. He knew that there were now Bank One employees doing the same work he was. And sure enough, not long after he began working for JPMorgan again, he found out his job was on the list of 12 positions to be eliminated in his department. Lucky for Rosario, he had become skilled at reading the IT tea leaves, and had already secured a job for himself in another area of the company as an IT architect. But not before all the to-and-fro took its toll on him. "I lost my trust in management a long time ago," he says. "I don't believe anything they say or do. I know they'll put a spin on anything, as long as it allows them to keep retention up for just as long as they need to."

Rosario is just one of thousands of employees affected by JPMorgan's decision to outsource to IBM and its subsequent move to bring the work back in-house. And he is not the only one who suffered such whiplash. In interviews with a number of current and former employees, CIO repeatedly heard stories of diminished morale and decreased productivity over the past several years.

But the bank's decisions have had ramifications even bigger than poor morale or the loss of employee trust. JPMorgan's decision to bring IT back in-house—though applauded by most industry analysts, IT experts and even employees like Rosario as the right thing to do—has been a costly and difficult move, according to analysts and current and former employees. It has eaten up years of management time and attention as managers prepared the organization for the outsourcing and then reorganized again to bring the work back in-house. A number of IT projects were slowed down and some day-to-day tasks did not get done, causing a lot of pent-up demand for IT services, according to several employees. In sum, JPMorgan's experience stands as a cautionary tale for any CIO considering a multibillion-dollar outsourcing deal.

"Bringing outsourced work back in-house can cause such disruption to an organization that most people don't do it," says Ralph Schonenbach, CEO of the Trestle Group, an outsourcing consultancy based in Zurich, Switzerland. "It's a very difficult and painful change for an organization to go through."

For their part, JPMorgan officials deny any such struggle. "This has been a smooth transition because the same people—the IBM employees and contractors supporting the JPMorgan account—were transferred back to JPMorgan. They simply changed employers, not jobs," says JPMorgan spokesperson Charlotte Gilbert-Biro. "In addition, Bank One executives and managers are experienced at transitioning technologists back in-house."

Employee Fatigue

On Dec. 20, 2002, JPMorgan announced its seven-year outsourcing arrangement with IBM—including data centers, help desks, distributed computing, and data and voice networks—with great fanfare. "We view technology as a key competitive advantage," stated Thomas B. Ketchum, JPMorgan's vice chairman, in a company press release. "Our agreement with IBM will create capacity for efficient growth and accelerate our pace of innovation while reducing costs, increasing quality and providing exciting career opportunities for our employees."

The deal would help JPMorgan create "significant value" for its clients, shareholders and employees, Ketchum promised. Less than a year into the relationship, then-CIO John Schmidlin said at a Gartner outsourcing summit that his only regret was that they hadn't signed the deal with IBM sooner.

Fast-forward to Sept. 15, 2004, when JPMorgan announced the premature end of the contract with IBM with equal flourish and similar promises. In another company press release, Austin Adams, the former CIO of Bank One who took over for Schmidlin as CIO for the $1.1 trillion merged bank, said, "We believemanaging our own technology infrastructure is best for the long-term growth and success of our company, as well as our shareholders. Our new capabilities will give us competitive advantages, accelerate innovation, and enable us to become more streamlined and efficient." (Adams, who also presided over the backsourcing of Bank One's deal with IBM a few years earlier, declined to be interviewed for this story. Schmidlin could not be reached for comment.)

The fact that JPMorgan officials gave basically the same reasons for the retreat from the mega-outsourcing deal that they had proffered for inking the deal in the first place left some employees confused and resentful. "Morale was not high," says one former consultant who managed server support at JPMorgan and was let go. He asked not to be named.

Some workers had been hit by the outsourcing where it hurt even morein their paychecks. Though many employees (such as Rosario) saw only the company name on their paychecks change, others (typically consultants) took significant pay cuts by moving to IBM. "The five people in my group [all consultants]—which included network, systems and database administrators—were all told that they had to reapply for their jobs," says Scott Kirwin, who worked as an independent consultant for JPMorgan in New York from July 2002 until April 2003. "A lot of them did, but they were hired at salaries that were 20 percent less."

JPMorgan declined to comment on any salary reductions or layoffs that may have occurred during the outsourcing and backsourcing. However, bank officials at the time said that approximately 4,000 people, including employees and contractors, were transferred to IBM during the initial phase of the outsourcing. According to the bank's 2003 annual report, 2,800 of these people were full-time employees. In a statement announcing it would bring IT back in-house, JPMorgan officials said that roughly 4,000 workers would return to the bank. According to the bank's 2004 annual report, 3,100 of those people were full-time employees and 800 were contractors. Some of the original contractors were either hired as employees by IBM at lower salaries or laid off, according to several current and former JPMorgan workers.

Meanwhile, productivity at JPMorgan took a hit, according to several former and current employees. "For more than a year, there were a lot of people not getting any work done. They didn't know where they were going to be, they didn't want to commit to projects, and they started slacking off," says a former consultant who used to manage server support for JPMorgan. (He has since gotten another full-time IT position at a major company.) Among the projects not getting done were server migrations, data center upgrades and network patches. "When people aren't productive, the company loses money," he says.

During the backsourcing, layoffs also occurred. Some were merger-related. (When Bank One made its own backsourcing move in 2002, the company chose not to invite back some of the employees it had transferred to IBM, taking the opportunity to "upgrade talent where appropriate," says JPMorgan spokeswoman Gilbert-Biro.) While JPMorgan says more than 97 percent of the employees and contractors accepted their offer to return to the bank when the backsourcing initially took place, Rosario says many people are worried they will no longer be needed because of the merger with Bank One. And some have already lost their jobs. "I've seen several project managers and IT middle managers let go," he says. "And I've seen some people who have the option leave before they got laid off. I had options here in the bank, and I exercised those."

Analysts confirm that there have been layoffs during the backsourcing. These firings "don't get much attention because they aren't nearly the size of the 4,000-person workforce involved in the megadeal at IBM, but layoffs have been occurring," says Susan Cournoyer, vice president of research with Gartner Research.

JPMorgan has announced that the merger will result in a total of 12,000 layoffs by 2007. The bank, however, insists that many of the merger-related job eliminations will not occur in IT. "The vast majority of job reductions are in call centers, operating centers and back-office support, and do not affect technology," says Gilbert-Biro.

The Cost of Reorganization—Times Two

There was a price to pay at JPMorgan—not only in low morale and employee turnover during the back-and-forth of sourcing, but also in the reduced well-being of the IT organization and corporation as a whole. That price included the time and expense it took to first reorganize the company to support an outsourcing arrangement and then to reverse those changes to prepare for a backsourced environment. Kirwin saw the distraction it caused at JPMorgan, as managers and staff had to work on things such as documenting and presenting information required for the outsourcing—describing staffing levels, current skills, budgets and work assignments, and quantifying what their teams did on a day-to-day basis—all in addition to their normal duties. This kind of additional work lasted from the time when the initial plans for outsourcing were being discussed all the way through the period after the outsourcer was chosen, and continued through the outsourcing deal's duration.

"The minute you start talking about outsourcing, you lose productivity, not just among us employees but managers and directors who have to set aside what they're hired to do to talk about this significant business change," says Kirwin. "And there's never a dollar figure attached to that." If there were, "they might not sign these deals in the first place," he adds.

Specifically, you have to bring in a consultancy to help you figure out your outsourcing strategy and how to reengineer your processes for outsourcing. And then, you have to make lots of investments in HR to counsel employees, the Trestle Group's Schonenbach says. You also have to spend money on retention bonuses to keep key employees around during the transition.

Then, "if you decide to insource, you have to do that all over again in reverse, and it costs you twice as much," he adds. "These deals take a long time to pay off for both the customer and the outsourcer. So when you end it early, you're losing a lot of money."

JPMorgan won't say how much the divorce cost them, and IBM isn't talking either. But a number of analysts say that because the bank ended the contract prematurely—just 21 months into its seven-year contract&3151;it paid a substantial price.

To terminate a contract of that size that early into the deal, JPMorgan likely had to pay IBM millions of dollars, says Christopher Ford, a partner at the law firm Alston & Bird in Washington, D.C., who recently led a team of lawyers on ING Insurance Americas' $600 million IBM outsourcing deal. Cournoyer agrees that a "low-end estimate" for the final penalty would be in the multimillions of dollars.

When companies bring IT back in-house, it routinely costs them more—in the short term at least—to run their own data centers, help desks, distributed computing, and data and voice networks than it does to continue outsourcing them, according to Jeff Kaplan, senior consultant with the Cutter Consortium's Sourcing and Vendor Relationships Advisory Service and the managing director of ThinkStrategies. Clearly, JPMorgan will be taking advantage of the $1 billion that Bank One invested in its own data centers and IT infrastructure over the past few years. But it must now reestablish all of its own systems, staffs and operating procedures, and "realign them with the business so that they fit with the corporate structure and strategies," Kaplan says.

Employees confirm there is a big readjustment going on inside the bank. "In some cases, responsibilities are getting greatly redefined, sometimes completely reversing the way things had been done," Rosario says.

That's why, even though the majority of outsourcing deals are less than satisfactory, most companies try to work things out with their service providers rather than backsourcing. According to a recent study by Deloitte Consulting, 70 percent of senior executives reported significant negative experiences with outsourcing projects, but only 25 percent of respondents brought the work back in-house. "That organizational disruption is what's kept companies from backing out of outsourcing relationships," Ford says.

JPMorgan officials, however, say the disruption was minimal. "We were only 21 months into the contract with IBM, and JPMorgan hadn't yet moved the bulk of the work to IBM's data centers," says Gilbert-Biro.

The Price of Stagnation

In recent years, IBM has made a successful push toward signing more mega-outsourcing deals. For the past three years, in fact, its IT services business has accounted for nearly half the company's total revenue, growing from $36.3 billion in 2002 to $46.2 billion in 2004. In its 2004 annual report, IBM noted that its IBM Global Services unit earns more than twice the annual revenue of its closest rival. In fact, around the same time that JPMorgan signed its deal with IBM, IBM also signed several multibillion-dollar contracts (five worth over $1 billion in 2002 and seven in 2003) with major companies—including American Express ($4 billion in 2002), Deutsche Bank ($2.5 billion in 2002) and Michelin ($1.21 billion in 2003)—that have not been canceled.

However, in the past year, the outsourcing contracts IBM has signed have been smaller and shorter in duration. Experts such as Schonenbach and Dane Anderson, program director for Meta Group, say this is largely because megadeals are not that profitable for the vendor, particularly in the short term. As a result, some outsourcers try to make money by charging customers for services they consider outside the contract, experts say. And if the customer resists paying for these extra but often necessary improvements, it can have a deleterious impact on IT. And indeed, a number of employees who worked on both the Bank One and JPMorgan outsourcing deals say they were bad for the banks in terms of IT innovation and efficiency.

In the Bank One deal, "outsourcing the entire IT staff stagnated us, from a technology viewpoint," says the JPMorgan systems engineer who survived the outsourcing—and then backsourcing—at Bank One. "Once they signed the contract, we didn't move at all beyond that date as far as picking up new technologies that would give us a competitive advantage. Technology was not refreshed, and new projects were not rolled out."

The problem was with the way things did—or, more accurately, didn't—get done. "The contract between Bank One and IBM had enough vagueness within it that IBM could charge for anything that wasn't already being done within the bank before the deal began," he says. "Our IBM managers said if something wasn't stated specifically in the contract—a particular task or a type of support—they wouldn't have us do it unless the bank paid them more. So a lot of things didn't get done."

For example, every time Bank One needed him to add or remove a user because of a new hire or fire, he and his team of 50 had to go onto all 1,500 servers to add or remove that person. There was a Tivoli module that could have been added to help manage user accounts more efficiently, and he notified his IBM manager. "If you can find a way to make the bank pay for it, then we'll do it," he was told. The module was never added. Another Bank One systems administrator who was hired on by IBM says he also saw several examples in which IBM declined to implement additional improvements because Bank One would not pay for them.

The same thing happened with JPMorgan during its time with IBM, say several employees involved in that outsourcing deal. According to the former consultant who worked for the bank in New York before and after the outsourcing relationship, "IBM caused tremendous headaches for JPMorgan and the company's infrastructure, nickel-and-diming to control their own costs."

Others saw the same things at other IT locations. During the 21 months when IBM was in charge, "Things that used to get done no longer got done," says a database administrator who was hired by IBM from JPMorgan in Columbus, Ohio.

In fact, it seemed that even ordinary office products were hard to procure in a timely manner. "Even office supplies had to be approved two levels above my boss," Rosario says. "[IBM] even delayed getting batteries for our pagers, and some project managers had to go and buy their own reams of paper at Staples." Rosario adds that during the last six months of the JPMorgan outsourcing deal, IBM halted all projects. An IBM spokesman declined to comment, citing contractual obligations.

Once the work was backsourced, even the JPMorgan systems engineerwho knew what to expect, having gone through the same thing at Bank Onewas amazed by the projects that had sat idle during the outsourcing. "What I'm seeing now is a whole lot of pent-up project demand," he says. "Now that it's all insourced, we're pushing straight ahead, and it's really keeping us busy."

However, the procedures put in place to deal with an outsourced environment continue to slow work down, according to two JPMorgan employees. During the outsourcing, all connectivity and possible combinations of hardware and software were tested in a lab environment before JPMorgan told IBM what it could install and how to do it. "They wanted to make sure the vendor would put things in the right way and always use best practices," says the systems engineer. "They have certification labs to test things to the nth degree, which on the surface sounds good. But [because of the testing backlog], they've got equipment out there that's six or seven years old and hasn't been upgraded. It's really slowing us down." JPMorgan confirmed that it continues to rely on the certification processes.

More Outsourcing Ahead?
Despite JPMorgan's insistence on the value of backsourcing, some analysts speculate that the bank plans to do more offshore outsourcing in the future. The bank already has a captive offshore center in Mumbai, India, that performs business process functions, such as accounting and call center work. It will have 3,000 employees by the end of 2005, according to CIO Adams. And JPMorgan has already done some IT work with Cognizant, Infosys, mPhasis and Wipro—though over the past several years, both the bank and its offshore partners have been mum on their current and future projects. However, Gartner's Cournoyer predicts there will be more going offshore. "They seem to be replacing one big megadeal with a more diverse multisourcing strategy that includes offshore," says Cournoyer.

Even so, experts don't expect that JPMorgan will announce a big offshore outsourcing deal with the fanfare that accompanied its IBM arrangement. "No big financial services company is going to say, We just ended our $5 billion deal with IBM, and we're sending most of the work in piece parts to India," Cournoyer says.

Sixth Case Study - Trend Example: Outsourcing is Failing and Becoming Less Used

Reversal of Fortune: Outsourcing is Out, Backsourcing is In
from Compass Bank's, Compass on Business Website
http://cob.compassbank.com/index.php?option=com_content&task=view&sectionid=&id=173&Itemid=50

A trend is taking shape in Arizona. Marshall J. Vest, director of the Economic and Business Research Center at The University of Arizona's Eller College of Management—a Compass on Business partner—recently overheard some interesting discussion in the Tucson commercial brokerage community. Apparently, the market is experiencing a "groundswell of interest" from companies seeking to locate call centers in Tucson.

While 20 to 30 technical support and inbound customer service firms already exist in the city, these newcomers are coming to Tucson to bring their support and call center operations back home following disappointing experiences with overseas centers.

The practice of sending non-core functions out-of-house, otherwise known as outsourcing, has been a viable business strategy for decades. And for the past several years, it's been particularly strong. But outsourcing and its overseas component, offshoring, have more recently been painted as an economic scourge perpetrated by "Benedict Arnold CEOs" that is responsible for a jobless recovery in America. Driven by cultural issues and problematic execution, the outsourcing backlash is coming from consumers and corporate players alike.

"Companies are outsourcing more and enjoying it less," notes Mark Gottfredson, of global management consulting firm Bain & Company. Through 2008, some 70% of outsourcing deals will be "infected" but curable, and 10% will be "terminal," predicts Gartner Inc. analyst Linda Cohen. The topic of a recent web seminar presented by the Conference Board, an executive educational non-profit organization, ominously hints that the bloom is off the overseas rose: "Making Offshoring Pay Off: Avoiding Failure and Disappointing Outcomes," it dourly advertises. Marcus Courtney, a former high-tech worker in Seattle, has his own measure of the backlash trend. He has watched the ranks of WashTech, the anti-offshoring union he founded in 1998, swell from zero to a current 1,400 members and 17,000 e-mail subscribers.

THE ROOTS OF BACKLASH
What happened to the hottest trend in business? Gartner Inc., which once lauded outsourcing, recently published a report entitled, "Five Reasons Why Offshore Deals Go Bust." According to its findings, the five culprits are: unreal-

ized cost savings, loss of productivity, poor commitment and communications, cultural differences, and lack of offshore readiness and expertise.

There's a dark side, in other words, to paying that heavily-touted thirty cents on the dollar. Executional issues, often tricky with colleagues in the next cubicle, become exponentially more challenging with changes in time zones and cultures. Poor customer service, disgruntled consumers, sagging employee morale, not to mention thousands of laid-off American workers are but a few of the trend's most observable negative consequences.

Perhaps chief among the outsourcing difficulties have been the cultural differences that have lead to customer discontent. In an industry report by Cutter Consortium, Dell Computers is said to have rerouted tech support calls from its Bangalore, India facility back to U.S. call centers in Texas, Idaho and Tennessee, among other places, after U.S. corporate customers complained about language issues and delays in seeing their problems solved. "After receiving negative customer feedback, Dell quickly discovered that the Indian workers couldn't adequately answer its customers' technical questions," the report states.

The language barrier is clearly an issue and one credit card corporation, which Harvard Business School professor F. Warren McFarlan prefers not to name, has learned that outsourcing's big savings sometimes have a hard time finding their way to the bottom line. This firm, on whose board McFarlan sits, initially moved all of its marketing calls and billing inquiries to India, resulting in an eye-popping cost savings of 65% to 70%. "Those numbers were so absolutely utterly compelling," the professor enthuses. "Offshoring was our absolute salvation." However, it soon became apparent that due to cultural nuances, some customer calls, namely second and third attempts to reach delinquent bill-payers, were best handled by the firm's U.S. call center in El Paso, Texas. "The Indian call center personnel didn't understand how we treat debtors in this country," explains McFarlan. "It involves an intricate combination of pressure and other tactics."

Disgruntled consumers make for motivated voters, and the incendiary effects of the backlash have shown up on the political landscape. When Maryland Democratic Assembly member Pauline Menes introduced a bill in 2003 seeking to prohibit contractors or subcontractors from hiring overseas employees to perform state work, it languished for a year. Then, in 2004, seemingly out of nowhere, her phone started ringing off the hook. "The whole issue caught fire," Menes says.

One of the indicators of the depth of the backlash was the state of Indiana's widely publicized cancellation of an overseas contract with Tata Consulting, even though the Indian firm's bid for a massive Workforce Department computer upgrade job was more than $8 million cheaper than competing U.S. offers. The prospect of Indian employees processing jobless Hoosier's unemployment insurance claims was so unpalatable to constituents that it prompted then-state Governor Joe Kernan to pull the plug. After two years in limbo, the contract was finally awarded to Haverstick, a homegrown Indiana tech firm, in September 2005.

The political attention around offshoring continues to escalate nationwide. In 2004, approximately 200 anti-offshore bills were introduced in the states. In 2005, 21 states voted on offshoring bills, up from eight states in 2003. The bills range from "Consumer Right to Know" legislation, which requires call centers to identify their locations, to legislation (passed by the Senate) that prohibits states from using federal money to secure state procurement contracts fulfilled outside the U.S.

In addition to its political volatility, a series of high-profile outsourcing deals gone awry has fueled the burgeoning backlash. Dell, Gateway, Hilton Hotels, Dow Chemical, Suncorp and Lehman Brothers are but several of the scores of outsourcing deals that have been terminated prematurely or brought back in-house during the past few years.

LESSONS LEARNED AND BEST PRACTICES

A positive by-product of all these deals gone awry is that they have raised the overall level of knowledge about outsourcing in general, and given rise to an emerging set of best practices for both offshoring and backsourcing. Though it has been around since the late 1980s (when Eastman Kodak made a landmark decision to offload its entire IT functions to IBM, DEC and BusinessLand), offshoring, until recently, has remained a rather unscientific, unsophisticated field. "It's been a taboo topic," notes offshoring consultant Stephanie Heiter, of Strategies in Play in Charleston, West Virginia. "People were afraid to talk about it, because they were afraid of losing their jobs."

Now, with some mileage and data points under its belt, outsourcing and backsourcing have come to be understood as cyclical phenomena, driven by economic and competitive factors. Crudely translated: when times are good, companies like to do things in-house; when the going gets tough and cost-cutting becomes an imperative, outsourcing is the way to go.

While some estimate the current outsourcing/backsourcing odds at fifty-fifty, Harvard's McFarlan thinks the deck is ultimately stacked in favor of outsourcing. He estimates that during the past 15 years, approximately 15% to 20% of outsourced efforts have either been backsourced or moved to another outsourcer. "The tide is still running the other way, because of economics, the quality of communication links and the ability for work to be done 10 to 11 hours off clock," he says.

Still, considerable lessons have been learned from this 15% to 20% of backsourced or relocated deals. For starters, what went wrong? Usually, it's a case of having improper expectations from the outset, notes Jeff Kaplan, senior consultant with the Cutter Consortium, and author of the report, "Backsourcing: Why, When, and How to Do It". Companies expect to cut costs or increase quality and service levels to an unrealistic degree, or else they fail to set in place a set of processes that evolve as customer requirements change, he says. All too often, "there's not a good mechanism to catch errors," he adds. Better to start an outsourcing arrangement with the equivalent of a prenuptial agreement, which clearly spells out the terms under which vendors or customers can extract themselves from the deal. "In other words, outsource with backsourcing in mind," advises Kaplan. "Otherwise, it becomes very messy, just like a bad divorce, where decisions are made based on pure emotion rather than in a rational way."

Case Studies: Successful Management and Labor Collaboration Efforts

First Case Study: New York State Jurisdictions

Aspiring to Excellence: Comparative Case Studies of Public Sector Labor-Management Cooperation in New York State

Authors: Nicole Blumner, Lindy Burt, Jon Gans, Lisa Goldberg, Kristin Guild, Young Sung Kim, Chang Kil Lee, Darth Vaughn, Mildred Warner, June 1998. (attached to addendum).
http://government.cce.cornell.edu/doc/reports/aspiring_to_excellence/default.asp

This full report is an excellent study of labor and management collaboration in several public jurisdictions. The labor-management section and conclusion are included here for consideration. The entire report is attached as an addendum.

Labor-Management Committees

Labor-management committees are cooperative structures that focus on problem solving and building trust. They typically deal with issues including workplace safety, work hours, training, personnel issues, and daily workplace concerns. Although labor-management committees may initially focus on less controversial issues, such as worker safety standards, over time they may build a level of trust between labor and management that allows them to deal with more complex problems (Gold 1986).

Labor-management committees may be permanent or they may form around a particular issue and disband once resolution is reached. However, they are not necessarily formed to solve crises. Many are proactive and attempt to improve current work practices. They are flexible and easy to implement, and require minimal training. Labor-management committees are cornerstones of cooperation in each of the counties studied.

Structure

The labor-management committees in Genesee, Ontario, and Tompkins Counties are similar in terms of their goals: enhanced labor-management relations, decreased costs, and improved services. Each county has a central guiding or umbrella committee that oversees the activities of issue-based or departmental labor-management subcommittees. They may facilitate training and provide direction to subcommittees or they may address specific program innovations or daily operations. All three counties implemented labor-management committees before mutual-gains bargaining and total quality management.

There are differences in how each county uses the committees, however. In Ontario County, where such committees have existed since the early 1980s, they operate independently of the TQM program. Ontario County has a county-wide committee, committees that operate within departments, and others that address specific issues, such as safety and health.

Tompkins County's labor-management committees, which have existed since the mid-1980s, now function as part of its TQM program. Prior to the inception of the TQM program, non-union members who volunteered or were voted in by all employees were allowed to serve on labor-management committees. Under the total quality management agreement negotiated between the CSEA and the county board of representatives, now there are more committees, and only union-selected representatives may serve on them (see the total quality management section, below).

Genesee County does not have a TQM program, and their labor-management committees are the main venue for workplace innovation. There is one main committee for the general bargaining unit, which covers most county departments, and a separate committee for the nursing home unit.

Representation

Labor-management committees are composed of representatives of management and the union. Only in Tompkins County were legislators also included. Tompkins County's umbrella committee has 13 members, including representatives from top management, middle management, and labor. In Ontario County, the countywide committee is made up of the county administrator, deputy administrator, director of human resources, and several of the local union presidents. In Genesee County, the general unit committee consists of the county manager, the personnel officer, the CSEA general unit president, and the regional labor relations specialist, as well as two more representatives from both management and labor who rotate onto the committee in three-year intervals. This provides more people an opportunity to be part of the process. Size of the committees varies according to the scope of the issue and the need for stakeholder input. Most have eight or fewer members, but at least one committee in Tompkins County has over twenty members.

Functions

In all counties, labor-management committees address a broad spectrum of workplace concerns. In Genesee County, the general unit committee emphasizes relationships and creating an environment where employees feel their input is valued and decisions are made by consensus. The labor-management committee has introduced policies that create a more family-oriented environment.

Labor-management committees can also be forums for discussing alternatives to privatization proposals. In Ontario County, labor has the opportunity to give their input before a decision to privatize a service is made by the administration. In Genesee County, labor and management formed a special joint action committee to address the threat of possible privatization in the Department of Mental Health Services.

Labor-management committees can impact the delivery of government services by finding ways to reduce costs while maintaining or improving the service itself. While hard data documenting the impact of innovations on cost was difficult to obtain, workers' compensation costs were significantly reduced in Tompkins County as a result of safety measures and training recommended by a labor-management committee (prior to the implementation of TQM). In Genesee County, labor-management committee recommendations and process improvements have led to cost savings through reduced absenteeism, increased productivity, and decreased supervision time. Their nursing home committee has helped the facility improve efficiency and avoid privatization. Client surveys in Ontario and Tompkins Counties have indicated overall improvements in services.

Labor-management committees do not address contract disputes or grievances, although they appear to be effective in defusing potential problems before they reach the grievance stage. All three counties credited labor-management committees for helping to keep the number of formal grievances low.

Role and Authority of Committees

There is great flexibility in how roles are defined for labor-management committees. Tompkins County has a formal agreement defining the roles, expectations, and boundaries of authority for the Leadership Council, which took one year to negotiate and which clearly outlines the scope of the committee process. Genesee County has less formal written guidelines that articulate the goals and procedures of the committee. The authority of the labor-management committee is not written into a contract but is accepted by both parties. Ontario County's labor-management committee is well entrenched and seems to function effectively without a written agreement.

Labor-management committees have varying degrees of authority and power. In some cases, their policy recommendations are binding, while in others they merely offer suggestions that must gain the approval of elected officials. This is often the case when budget or cost decisions are involved. Committees in Ontario County are empowered to draft letters of agreement around issues that would normally be addressed through contract negotiations.

In some cases, the use of labor-management committees may impact traditional lines of authority. Middle managers may lose some of their decision-making authority because employees can voice concerns directly to top levels of management through the committee. In Ontario County this was an issue, but in Genesee and Tompkins Counties, middle managers are included on committees.

Training/Support

Training committee members in conflict resolution and consensus decision making may help committees work more smoothly. Training sessions allow both groups to establish their commitment to the concept and to forge cooperative relationships. For example, in the Genesee County Nursing Home, a half-day training session for the entire staff helped them use their labor-management committee more effectively. In this case, a CSEA facilitator from Albany was used. The Public Employment Relations Board (PERB) and Cornell's Industrial and Labor Relations Extension are other valuable sources of training and information. It is important to recognize, however, that there may be a significant time lag after training before measurable results are seen.

Tompkins and Ontario Counties, which had longer-standing labor-management committees, have invested more in training for mutual-gains bargaining techniques and total quality management than for labor-management committees.

Relationships

Labor-management committees can be contentious because they bring together individuals with diverse points of view. Strong leadership, good communication, and commitment to the process make the difference between success and failure. Without these elements it is difficult, if not impossible, to build the necessary level of trust to make a labor-management committee work. Both Tompkins and Genesee Counties had attempted labor-management committees in the past, with limited scope and success. By focusing on relationships, building trust, and gaining the commitment of leadership they were able to establish the successful committees that operate today. One strategy used was to begin by addressing issues that are less contentious, to build momentum so committees can tackle larger, more difficult problems in the future. This increases the level of trust among committee members and reduces the potential for early conflict.

Employee morale has been greatly improved in the counties studied. There are still conflicts and differences of opinion, but labor-management committees provide a mechanism for giving voice to these problems before they become intractable.

Challenges and Limitations

Several challenges in implementing labor-management committees are evident:

Time is required to build the trust necessary for effective committees.

They have limited authority: they are not designed to make decisions about broad structural changes in county operations.

Defining the appropriate roles and boundaries of committees is important: many problems lie beyond the scope of committees and call for wider participation of elected officials and citizens.

Labor-Management Section Conclusion

Labor-management committees are excellent forums for communication and workplace problem solving. They are flexible and require minimal training, which also makes them inexpensive. In all three counties, good communication, strong relationships, committed leadership, and trust proved to be the most important factors for committee success. While the most compelling impact seen was on labor-management relations, committee efforts also led to improvements in county government functioning. Labor-management committees are relatively easy to implement and provide a foundation for incorporating more sophisticated tools, such as mutual-gains bargaining and total quality management, into an organization.

- The following are recommendations to consider for labor-management committees:
- Establish a central, guiding committee to oversee the endeavor.
- Integrate committees into the organizational structure.
- Define expectations and parameters for decision making.
- Include as many stakeholders as possible and necessary.
- Communicate and foster a shared understanding of goals and objectives for both the committee and the organization.
- Be cognizant of power differentials and the effect these may have on communication.

- Address issues where it is easy to reach consensus at the outset in order to build momentum to tackle more difficult topics.

Study Conclusion:

Goals of Cooperative Tools and Processes

Most of our informants articulated their goal as a more smoothly functioning organization, with more creative problem solving and positive interactions between management and labor. Managers and elected officials focused on increased efficiency, cost savings, and improved service quality. Labor representatives expressed goals of increasing employee participation in decision making and improving service delivery by widening employees' stake in the process and product. Thus, improving service delivery was a goal of all parties, but with slightly different emphases. Elected officials valued improved service delivery for its impact on citizen constituents, whereas labor representatives valued increased service quality for its effects on job quality.

Preconditions for Success

Several conditions existed in our counties prior to the successful introduction of formalized cooperative processes. First, the labor-management relationship in all three counties was already cooperative, or at least noncombative, providing fertile ground in which cooperative structures could thrive. Second, all the counties we studied were in relatively stable economic and political positions prior to establishing cooperative structures. We were not informed of any fiscal or political crises in recent memory that might put pressure on leaders to avoid the risk-taking inherent in cooperative initiatives. These three counties made a significant culture change not as a last-resort strategy, but as a means to improve already functional but imperfect processes. However, the cooperative structures have proven useful in dealing with crisis, such as the threatened sale of the nursing home in Genesee County.

We observed several other essential preconditions in our study counties. Committed, supportive leaders are required. This sometimes necessitates a change in the legislature, county administration, or union leadership. The attitudes of those in leadership positions proved crucial to the counties' ability to embrace the new ideas and paradigms of cooperative tools. Furthermore, in order to buy into the new cooperative relations, middle managers and line employees had to trust the intentions of both labor and management leaders. Even in counties where cooperative tools have been used successfully, the departments with a lower degree of labor-management trust have been slower to make the transition to new tools.

Impacts of Cooperation

Internal Process Improvements

The changes seen in government service delivery seem to be primarily internal in nature. Tompkins County, for instance, streamlined its intake processes for various social services. Genesee County instituted several policies that affect employee benefits, encouraging workplace efficiency and increased job satisfaction. The efficiency gains from internal restructuring are thought to "trickle down" to external improvements. The Genesee County Nursing Home, for instance, through its labor-management committee, has addressed staffing issues that are crucial to efficient functioning and effective service delivery.

Employee Morale

The second area where impacts have been significant is employee morale, which was uniformly reported by our informants to have improved under cooperative processes. Again, data for improvements are difficult to obtain, and most employee surveys were completed after new structures were implemented, and therefore lack a comparative benchmark. All counties stated the number of grievances has decreased, and the grievances that are filed are uniformly serious in nature, the less serious problems being resolved in other forums, due to improved communication and trust.

Cost Savings

Though gains and savings have sometimes proven difficult to measure due to a fear of budget cuts to agencies that report cost savings, the overriding sentiment is that cooperative efforts are resulting in real cost savings. Ontario County has documented at least one instance of large financial savings in its reduction of worker compensation costs due to a safety program implemented by a TQM committee. Genesee County's nursing home has become profitable again in part due to the efforts of its labor-management committee.

Key Elements for Cooperation

From the case studies, we have identified a number of elements that are necessary for cooperation to be successful:

Training

First, a substantial amount of time and resources were devoted to training labor and management leaders, and more often than not, legislators and line employees as well, in cooperative structures and processes. In Ontario and Tompkins Counties for instance, all employees are being trained in total quality management concepts. Line employees were less likely to be trained in mutual-gains bargaining, which is used primarily by representatives of labor and management for the contract agreement. In Genesee County, for instance, while the assistant county manager was trained to facilitate the negotiation process, the employees were not trained prior to the switch to mutual-gains bargaining, and perhaps for this reason, the first contract negotiated by this method was voted down by union members. On the other hand, the Genesee County Nursing Home sponsored a half-day training session for the entire nursing home staff with a CSEA facilitator, which helped their labor-management committee become much more effective. Whether or not all employees were trained, training brought about a critical shift in how members of the organization viewed labor-management relations.

Local colleges and universities were valuable resources for training in these methods. Both Tompkins and Ontario Counties made extensive use of nearby educational facilities.

Leadership Commitment and Support

The counties we studied all shared the presence of an appointed, professional administrator to manage the transition to cooperative tools. However, one expert on local government told us that the form of government is less important than the administrator or leader's commitment to the cooperative process. A high level of emotional maturity is essential, as is the ability to work well with people and to get them to buy into the process. The case study counties possessed leaders who were willing to work with, but ultimately hold responsible, resistant managers. The commitment of union leadership was also an important factor. Without the willingness of the union officials in these counties to try new ways of working with management, cooperative processes would not have been possible.

The role of elected officials was significant only to the extent they were generally supportive and did not interfere with the process. We did not observe a high degree of involvement in cooperative tools on the part of county elected officials, with the notable exception of Tompkins County, where a legislator was actively engaged in developing the TQM initiative.

Additionally, in the three counties we observed a clear commitment to the process of implementing cooperative tools. Since gains from TQM, for instance, were not immediate, and could take several years after training to realize, the commitment of leaders to see the process through was essential to its success. Administrators and union officials' commitment to labor-management committees as an effective vehicle for problem solving also seemed to be a significant factor in their success. Tools that yield faster results, such as mutual-gains bargaining, perhaps require less depth of commitment from county leaders. In all cases, however, all parties must buy in to the process. Given the levels of trust required, cooperative efforts are likely to be sensitive to attempts to undermine them.

Communication

Communication of the goals, structure, and roles of key players in cooperative processes is also important, both within the organization and in the larger community. Umbrella or countywide committees play important roles here as the central forums for sharing of information and ideas. Creating public awareness of county efforts also may be desirable but was not emphasized in our case study counties.

Evaluation

Evaluation is essential to assure appropriate and effective implementation of cooperative tools and to create support among elected officials and the public. Better evaluation of the cooperative processes in all three counties is needed. For instance, in Ontario County cooperative relations are so strong that some perceive mutual-gains bargaining as an administrative burden that in and of itself may not add significant benefits. However, county leaders currently have no means to gauge MGB's effectiveness. Management in Genesee County indicated that evaluation was an area they hoped to address in the future. The private sector may be a source for evaluation tools that counties can use to measure the success of their efforts.

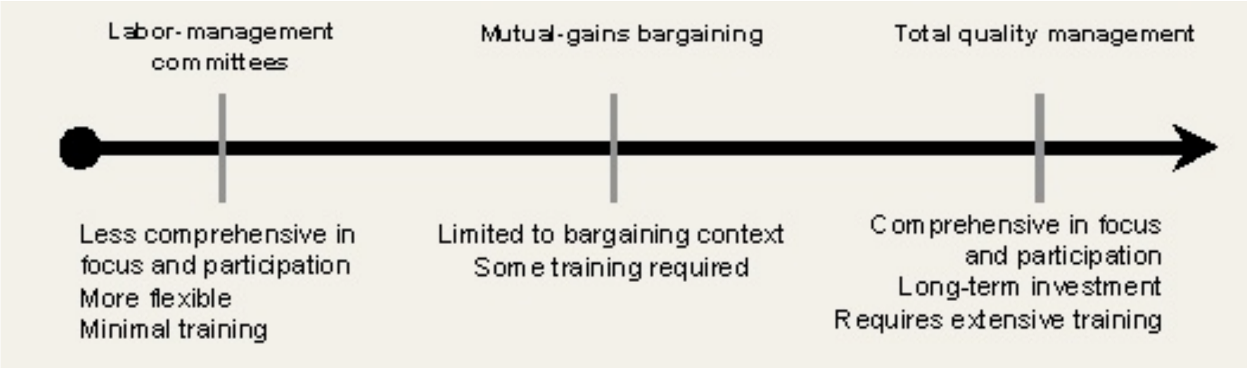
Key Differences Between the Counties

We recognized several key differences among the counties in the implementation of cooperative tools. First, the amount of money spent on training varied widely. Tompkins County had by far the greatest expenditures, almost entirely attributable to its TQM program. Tompkins' use of outside consultants on a regular basis also distinguished it from the other two counties. Genesee County, in contrast, only approached outside consultants on an infrequent basis. However, Genesee's labor-management committees required lower levels of training and hence less cost, compared to the formal TQM programs of Ontario and Tompkins. Interest in the process of workplace change rather than a focus on outcomes or products seemed to guide efforts in Tompkins County, perhaps partly because of its close ties to the academic community through Cornell University.

The level of involvement of elected officials and middle managers also varied. In Genesee County, middle managers may participate in the negotiating process and sit on labor-management committees. In Tompkins County, middle managers are well represented on total quality management committees. In Ontario, where the committees create a direct channel from workers to top management, it is less clear that middle managers are adequately incorporated into the structure. Tompkins is the only county in which an elected official sits on the countywide labor-management committee. In Genesee County, county management felt that by not participating in committees, elected officials maintained a beneficial distance from the process. Whether elected officials should be involved may depend on the extent of the changes being implemented; in a more formal and expensive process such as TQM, their participation seems more appropriate and essential, while it may not be necessary for internally focused committees.

Continuum of Cooperative Tools

The three cooperative tools exist along a continuum based on the complexity of the tool, the level of investment required, and its degree of departure from traditional labor-management relations. The following diagram illustrates this continuum:



A government with labor-management committees may not choose to implement a TQM program, but a government without labor-management committees may not be wise to implement TQM as its first cooperative effort. Thus, the diagram may also be viewed as a time line of cooperative structures, indicating a progression from relatively simple tools such as labor-management committees to more complex, formal, costly, and comprehensive processes such as TQM. Other tools we did not observe in our counties could be added to this model, such as gainsharing.

Limitations and Further Questions

As tools for restructuring, the cooperative methods discussed here have several limitations. Their ability to affect the external policy environment is limited, so they are constrained by the political contexts in which they must operate. They also do not afford an opportunity for citizens to become more involved in government. Since public support for its activities is important to local governments, they should come up with ways for creating greater citizen involvement in their restructuring efforts.

Many questions emerged during the course of our study. First, what is the true impact of cooperative tools and processes on middle management? Much has been written about the downsizing of middle management in the private sector. Is this also the case in government? Second, what are the appropriate roles for citizens and elected officials in efforts to restructure government-through both internal and external methods? Finally, our cases only addressed examples of successful cooperative tools and processes in counties that had developed a significant degree of trust between labor and management. What are the outcomes of cooperative initiatives in counties that lacked this precondition of trust?

Second Case Study: Federal Study Find Labor+Managment Cooperation Critical to State & Local Government Success

U.S. Secretary of Labor's Task Force on Excellence in State and Local Government Through Labor-Management Cooperation
Cornell University, ILR School of Management, May 1996.

A study of 50 public workplaces found that labor-management cooperation and employee participation in the public sector leads to dramatic improvements in quality, costs and delivery of service, the U.S. Department of Labor announced today.

The report, entitled 'Working Together for Public Service," details specific service improvements and cost savings that result from cooperation and participation, as well as methods that can be used to bring workplace cooperation to many government services and jurisdictions.

The report was issued by the Task Force on Excellence in State and Local Government Through Labor-Management Cooperation. It was comprised of 14 elected officials, labor leaders and academics and was appointed by Labor Secretary Robert B. Reich and co-chaired by former Governor Jim Florio of New Jersey and Mayor Jerry Abramson of Louisville, Kentucky. The task force was unanimous in the view that public workplaces must change from traditional ways of doing business and move towards workplace cooperation, participation and quality improvement.

Further, the task force believes that the public sector offers significant opportunity--far more than is commonly believed--for employee participation and labormanagement cooperation.

"It is evident from these findings that employee involvement and labor-management cooperation represent a high-potential strategy for meeting the demands on state and local government. I join the task force in challenging elected officials, union leaders, public employees and administrators to move towards models of workplace participation and cooperation. Some of the most dramatic turnarounds in business performance come from labor-management cooperation and employee participation. We should apply the same lessons to the public sector," said Reich.

Mayor Abramson agreed, stating that by "working together, we can cut red tape that contributes to the public's low opinion of government today. Citizens are our customers, and they deserve the best service we can provide. This report will help those of us in the public sector improve our image by improving our performance in servicing our customers."

Noting that many traditional ways of planning and performing public services are antiquated and not responsive to the needs of communities, Governor Florio commented that, "cumbersome procurement, accounting and civil service rules, authoritarian organizational relationships and labor management confrontation are often part of the landscape, but surely won't serve our communities well anymore. These findings suggest how to break old molds and use some approaches that can actually produce better service."

Also among the report findings: Absenteeism, time loss injuries, and overtime were often reduced significantly. Work schedules and procedures were changed to save time and money and to provide better service. School performance improved, public safety services increased, and vehicle readiness and equipment purchasing were improved to save overtime and other costs and improve the quality of service.

In every case where there was a collective bargaining relationship related to a service-focused partnership, the task force found that there were fewer grievances and contracts were negotiated more quickly. Usually, contracts were shorter, more flexible and focused on service responsibilities.

"Employees usually know the most about how to get a job done. If you create a way for them to be involved, don't rely on top-down approaches, and then combine their talents with the priorities of elected officials, you can find resources you did not know you had and solve problems that have been in the way for years," Reich said.

The report includes examples and detailed discussion of ingredients to creating cooperative workplace arrangements. The appendix lists contacts so that parties interested in pursuing their own improvements can get peer assistance. The report is available on three Internet sites: the U.S. Departrnent of Labor web site, the Martin P. Catherwood Library at the School of Industrial and Labor Relations at Cornell University, and through the Alliance for Reinventing Government's Public Innovator Learning Network.

Some Typical Examples

• The State of Connecticut and District 1l99/New England Health Care Employees (SEIU) set up employee teams to look into safety problems, reducing injuries and saving nearly S5 million after implementation in only half the department.

• In Peoria, Illinois, a coalition of unions and management worked on a joint committee that stopped the bickering and competition over health coverage, developed a plan with better benefits and utilization management, and saved $1.2 million--or almost 20 percent-- of expected costs.

• As part of a quality improvement/labor-management partnership, Madison, Wisconsin and AFSCME Local 60 developed a new approach to electrical code enforcement that has improved safety and overall compliance and has electrical contractors complimenting the department. The senior inspector, once known as "Dr. No" is now a well-respected and more satisfied public employee. As a result of a training program developed after consultation with electrical contractors, inspection activity costs S30,000 a year less.

• At the Foshay School in South Central Los Angeles, drop-outs have gone from 21 percent to 3.5 percent, test scores from the bottom to near the state average. Suspensions have gone from 400 cases to 40, all through a labor-management partnership formed by a new principal and the local head of the United Teachers or Los Angeles.

• The City of Indianapolis, working with AFSCME Local 3131, as part of a citywide service improvement effort, made substantial improvements in the city's motor vehicle repairs, showing nearly a 25 percent decline in that department's budget and a 90 percent decline in grievances. Rather than annual wage adjustments, the parries agreed during the current contract to a gain-sharing program, where 25 percent of the savings accrued to the employees. Although no bargaining unit employee has lost a job, the city contracts out some services, under ground rules developed with the input of union representatives. Among other things, improvements in cost accounting helped labor and management identify barriers to service improvement.

• In the State of Ohio, probably the most comprehensive effort found at the state level, a state-wide effort in cooperation with the Ohio Civil Service Employees Association is saving hundreds of thousands of dollars annually and engaging labor and management leadership in learning the best quality improvement techniques and applying them to state government.

• In Phoenix, Arizona, the management team and representatives of Fire Fighters Local 493 gather each year in a planning retreat to identify service and workplace issues needing attention. Arbitration has not been used there for 10 years.

• The Los Angeles Bureau of Sanitation and SEIU Local 47 have, among other innovations through a joint problem-solving committee, increased vehicle readiness from 75 percent to 94 percent, obtaining a large increase in productivity. The overall labor-management relationship has shifted to a far more positive tone and the next three years looks for a 25 percent budget reduction with no layoffs in the department.

• In Portland, Maine, the city and AFSCME Local 481 worked together through a cold winter to use new approaches and skills to build a community minor league ballpark, millions of dollars below the projected contract cost. Grievances were resolved by a "a walk to center field." The pride and lessons from this high-pressure project has resulted in a complete revamping of the labor-management relationship and a reorientation of almost all public works services into self-managed teams. City workers more often than not beat the estimated private-sector cost of most small construction and repair projects.

Some Additional Interesting Findings

• In conjunction with a participative program and a labor-management partnership, a "no-layoff," or, at least, a significant employment safety net and retraining program, contributed greatly to creativity in finding cost savings and service improvements.

• Simple forms of training were found to greatly contribute to the improvement of a labor-management relationship by teaching the parties alternatives to traditional bargaining. Investments in training, normally the first budget item cut in hard times, turned out to be important also in teaching workers and managers skills in analyzing and changing service delivery systems and solving other kinds of workplace issues.

• Often, a service-oriented relationship began after a successful attempt to reduce grievances or conflicts over contract terms, or after working together to resolve a specific service problem. The improved trust and better problem-solving skills then were applied to larger service issues.

• Most successful service partnerships started small, on one issue, or in one department or division, and then spread.

• In a brief examination of contracting out, the task force found that cooperative models of workplace cooperation generally got as good or better results than a policy of imposed contracting out, and offered other long term benefits. Contracting out as part of a cooperative relationship was often a useful tool, but not the primary answer to cost and quality of services.

• Supervisory and managerial levels were often reduced as a result of participative examination of services for improvements and efficiencies, and there was a far greater use of teams and labor-management committees.

• Jurisdictions involved in workplace partnerships where there was a collective bargaining relationship used the features and mechanisms of a collective bargaining relationship to the advantage of service improvement.

• Changes and improvements in budgeting, cost accounting, procurement practices and in civil service systems often accompanied successful cooperative partnerships and greatly aided efforts to improve services. Employee involvement contributed centrally to identifying the most important changes and to developing alternatives.

• Support and encouragement from national labor, management, neutral and research organizations have and can help spread the use of effective workplace participation and labor-management cooperation aimed at improved service delivery.

• Successful cooperative relationships emerged not only from visionary leadership, but often from bitter or difficult relationships or came up around problems that had previously seemed insurmountable.

Third Case Study: Private Sector Cooperation - Industrial Success Story & Roadmap

Stump, B. (1999, January). **From Adversaries to Allies: Labor-Management Cooperation**. Journal for Quality & Participation, 22(1), 44. Retrieved August 10, 2009, from Academic Search Premier database.

Forget the fancy formulas and Flowcharts. Sometimes the greatest innovation is simply cooperation.

On February 9, 1997, the AFL-CIO executive council passed a resolution on workplace democracy. In part, the statement reads, "We want American employers to prosper by benefiting from workers' insights and knowledge through creating good union jobs for American workers, their families, and communities."

The Labor Federation's workplace democracy initiative endorses and promotes the efforts of union members to exercise increased influence over the success of the companies they work for.

This initiative builds on a growing, decades-old, evolution that manifests itself today in hundreds of work sites where employees are represented by organized labor. Management and labor have come together in a joint effort to build a stronger future for both institutions.

The logic is simple: work together to put out a top quality product or service. The company makes money, the employees share in the successes, and the cycle ensures individual long-term economic security, plus organizational health for both the company and the union.

While a laudable goal, the process is not simple. It begins with one person talking to another and deciding to give cooperation a try. Moving from there to success requires a long and difficult journey. Common issues and elements have to be faced and resolved in each location. But each journey has its unique twists and turns.

Indiana foundry and fabrication plant

In 1983 the employees of the Dodge Manufacturing facility in Mishawaka, Indiana were shocked by the posting of a plant closing notice. Nearly 2,000 jobs would be lost at the Mishawaka facility. The United Steelworkers Local 1191 responded by talking with management and making a deal.

Ron Armour, USWA local vice president, recalls, "We requested to talk to them about saving the plant. We would take some concessions, if the company would guarantee that for the next three years they would pull no additional work from our plant."

The union was not able to save all jobs, and the employees had to make some painful concessions. But they got a commitment to keep a limited operation and about 200 people employed.

Today, employment has risen to 700. A lot of work and some previously moved equipment are now back at Dodge. Some of this work has returned from non-union shops. Two years ago the union and company signed a five-year labor agreement, negotiated in a very nontraditional way. The facility, which has been bought and sold four times in the last 15 years, now enjoys one of the best labor-management cooperative atmospheres in the country.

How did this come about? After the near shutdown, the plant pretty much floundered and barely managed to stay in business. It continued to make castings and conveyor parts for a few customers. There was little growth.

In the 1988 negotiations, the USWA asked that the labor agreement include a provision for joint labor-management participation from top to bottom. A year later, at the urging of the USWA district director, Tom Jones, the two parties formed the joint steering committee and advisory committees to implement the agreement.

For a while these groups sought to get things going throughout the plant but found the whole effort getting bogged down in a bureaucracy of committees. Little real improvement was happening.

Then in 1990, a consulting team recommended abolishing the bureaucracy and simplifying the process. Kevin Young was selected from among the USWA ranks to serve as full-time coordinator and trainer for the cooperative process.

Winning teams

The focus of the effort shifted to teamwork within natural work groups of employees with a common product, process, and/or work area. The initial orientation for teamwork concentrated on the "soft" skills of communication: conflict resolution, team building, problem solving, and making decisions together.

The work teams examined the range of decisions and who could best make them. Through this process, decision making shifted from the first-line supervisor to the team members. Supervisors, in fact, have evolved from being the bosses to becoming valuable resources to the team.

Young is quick to point out that what is happening here is a process of evolution and change, not a program. "If you try to make this kind of change as a program, not a process, you're dead in the water."

Improvement came one incident at a time. For example, one work team had a reputation for wanting as much overtime as possible. When the leadership looked at the situation, they found out that the workers were just doing what they were told.

Decisions about work to be done were being made by separate departments-sales engineering and production scheduling. The work team simply responded to the squeakiest wheel, often having to change setups several times in a day and then work overtime to get things out the door.

After discussing these issues with the work team, the engineers and the production schedulers became jointly responsible for the daily list of jobs to be done. Orders and specs were put on a board. As each craftsman finished a job, he went up and picked up the next job due. The new procedure worked like a charm. In the first year, the group came in $120,000 under the overtime budget.

All has not been rosy, however. The facility has made mistakes along the way but has tried to learn from them. The first was having so much bureaucracy built up around a joint leadership team and advisory committees. Not only was this process clumsy, but it tried to control things too much and not let creativity flow from the workers.

Another mistake was not paying attention to the first-line supervisors. Leaders assumed things could go along without some specially focused training for them. Wrong! The supervisors' old orders were to work hard, tell people what to do, and make sure they didn't make mistakes. Now supervisors were being told to let the people decide, let them make mistakes so that they would try to do things differently. Not surprisingly, it has taken time for this message to sink in and for supervisors to learn skills to be effective in these new ways.

No more bad ol' days

Training for highly skilled jobs continues through an active apprenticeship program with employees involved in design of the training process. Since this began, 43 of 44 people completing the program at Dodge have stayed there.

Over the last ten years, the company has matched over $600,000 in training grants from the state of Indiana to support the upgrading and enhancement of worker skills. Most team training is done by the USWA's Kevin Young, with occasional visits by outside resources.

As the plant grows, the history of nearly closing and the troubled 1980s is fading. In fact, it does not exist in the experience of newer employees-they've forgotten (or didn't know) how bad things were. Bob Tordi, operations manager, recently reminded all employees of their history, "What saved this facility more than anything else was the cooperative relationship we have developed built upon mutual trust and respect."

The list of the facility's accomplishments grows:

Profitability continues to increase.

The number of customers has increased. The foundry is making products and selling them to customers who compete with each other in the marketplace, which took some convincing.

ISO 9002 certification has been achieved. The stewards were doing the in-house inventory and audit before the visiting certification team came around.

There is a joint union and management review every three months of quarterly and year-to-date financial performance, strategic plans, and profit-sharing payout figures. (The union is convinced that there is only one set of books. Years back, they had to subpoena the books to have them examined by union auditors.)

A profit-sharing plan has been expanded to include pay-for-skill dimensions.

With all the hard work of this effort, the people at Dodge Reliance are not yet done. As Young puts it, "It's all worthwhile. We've had our ups and downs. We don't always agree on how to get there, but we know where we want to go."

Lessons learned

Drawing on this foundry and fabrication plant and numerous other sites we have worked with over the last 17 years, we've discovered ten common elements of what it takes for increased cooperation and partnership to replace historical animosities.

1) Leaders on each side have to be willing to take risks.

The process begins when one plant management official or a local union leader says to the other, "There must be a better way." And the response is "You're right, and I'm willing to work with you to try to find it."

Throughout the site, others will watch for sincerity and whether their changing relationship mirrors the espoused values of cooperation and partnering. They will have to grow their trust as they ask others to do likewise.

Among both the union and the salaried employees will be many who oppose this kind of change. They will protest-openly and clandestinely-and will try to thwart the efforts. Leaders on both sides will risk power, prestige, and possibly, their jobs.

2) Proceed in the absence of trust--build it as you go along.

Waiting for trust to develop before proceeding will be an endless wait. The parties have to start wherever they are and seek small ways to grow the level of trust. Each promise and commitment kept will increase trust, and should be celebrated.

3) Cooperation is not a bargaining chip.

The temptation is very strong to enter this process like a traditional negotiation. For example, "We'll cooperate, if you settle these grievances our way." This approach doesn't work for the long haul.

The commitment to build a cooperative relationship is a foundation that stays in place while the relationship gets built. You won't be successful if you are trying to shake up and redesign the foundation while constructing the new edifice.

4) Let go of past baggage.

Every labor/management history has events that have caused resentments and anger. In an adversarial relationship, this unpleasant past is kept alive by continually recounting and reliving it. Either or both parties keep scratching at these wounds so they never quite heal. As long as this continues, a cooperative relationship will not flourish.

History is real, and so is its pain. Nothing will make it go away. Parties wishing to develop a cooperative relationship, however, have to commit to moving beyond this pain and focus on what they want to accomplish in the future.

5) Commit to a long-term process.

It takes time to build a new relationship, even when the need appears urgent-and things will not always go smoothly. Both parties will have to commit to working at it, even through false starts.

6) Plan for changes in leadership.

Long-term change will also outlast most local union presidents' term of office and many plant managers' tenure. So the parties will also have to find a way for their relationship to survive changes in leadership.

While leaders willing to take risks are an essential ingredient in the initial stages, eventually the atmosphere and culture of cooperation will generally take hold and survive this turnover. Until that time, each leadership change will be a critical event.

7) Learn from others and do what seems right for you.

Groups trying to build cooperative relationships today have an advantage over those starting down this path 15 to 20 years ago. There are plenty of sites to visit and stories to learn from. Those who have succeeded in changing their relationship can be a valuable resource to those who want to try.

And what each local site does will be unique. Cooperative activities are not one-size-fits-all programs to be carried from one location to another. Each effort to foster labor/management partnership plants its seeds and nurtures the evolution as the parties' relationship develops and matures.

8) Respect the needs of both institutions: labor and the company.

Where the workforce is represented by a union, there is an institution whose needs and goals have to be respected as much as the company's. Sales, profit, and return on investment are critical to the company's longevity. Stability and growth of membership are parallel survival issues for the union.

A true partnership will dedicate itself to meeting the needs of both institutions and not sacrifice one for the other. This delicate balance requires effort and dedication to maintain.

9) Make decisions together.

Traditionally, management made all the decisions about the business. American management is becoming more comfortable with a style that seeks ideas and suggestions from employees.

A labor/management cooperative partnership expands the topics the parties jointly consider before final decisions are made. Some decisions are reserved for management or union to decide unilaterally. In most instances they ask the other party for input and ideas. In only a few are there no consultation.

As the relationship develops, an increasing number of decisions are jointly shared. Action takes place only when there is a consensus both parties actively support. This requires major shifts in decisionmaking procedures and timing. Without this shared responsibility, the partnership relationship will not reach its full potential.

10) Look at the bottom line.

The bottom line for any cooperative relationship is growth and development for both the union and the company. When done well, the result is continual honing of the enterprise's competitive edge. As Joe Perkins, president of United Mine Workers Local 1296, in Alabama puts it, "Company people have good ideas, the same as union people. And when you combine them, you have a big advantage."

Fourth Case Study: Policing Is Greatly Improved in a Labor-Management Model

Steinheider, B., & Wuestewald, T. (2008, May). **From the bottom-up: sharing leadership in a police agency**. Police Practice & Research, 9(2), 145-163. Retrieved August 10, 2009, doi:10.1080/15614260802081303

From a lengthy study, this conclusion:

This study assessed the effects of a high involvement Shared Leadership initiative within a medium-sized police agency. The results suggest that workforce involvement strategies in police departments can improve employee attitudes about working conditions and labor–management relations. The findings extend the research on labor–management cooperation to the law enforcement field and hold important implications for the growing issue of police labor relations. Confirming previous research, the data also indicate that empowerment has the potential to elicit line officer commitment to community-oriented policing, as well as to other organizational goals. Enhanced commitment may even translate into greater discretionary officer productivity and better service delivery. Participation also seems to improve communications at all levels and can help bridge the typical schism between senior management and line officers. Finally, the study suggests that bottom-up democratic reform of police organizations is not only possible, but in fact, may already be at hand.