Creating Organizational Change in Union Settings:

Integrating Managerial, Organizational and Labor Relations Processes

Michael H. Schuster, Ph.D. and Gregory C. Kesler

The Status Quo Is No Alternative

Cooperation and change is more difficult to bring about in union settings. The institutional relationship between labor and management, the long history of conflict and mistrust, management's need to continually reduce costs and maintain and enhance profitability, and the union's role of protecting job security and earnings of its members combine to make organization change more difficult.

The present economic environment has increased the level of cooperation throughout the United States, as both labor and management have come to realize that the real adversary is not the union or the company, but that of the marketplace and the overseas and domestic competitor. The overseas competitors most often provided with government subsidies. Major unions, such as the Steelworkers and the Automobile Workers, have found that more can be gained through cooperation than through conflict. The General Motors-U.A.W. Saturn Project is a very good example of cooperation to strengthen an industry and retain as many American jobs as possible.

Many companies have found change in union environments to be too expensive, too risky, and too unlikely to be successful to justify the effort. Mack Truck, for example, concluded that it was more cost-effective to relocate its business to another area of the country or off-shore. These situations highlight the fact that companies are faced with the choice of fixing their situation, moving it, or closing it. <u>The status quo is no longer an acceptable alternative</u>. The impact of relocation of the business or its ultimate closing fails to fully take into account the impact on employees (hourly and salaried), the community and the preservation of shareholder assets. Conversely, firms that seek to improve their situation can find that they can simultaneously improve their business, improve employee and union relations, and enhance job security.

<u>However, without a cooperative, participatory union-management and employee-management environment, it is difficult to see how many companies will survive the manufacturing challenges of the 1990's</u>. Studies of employee commitment have shown that commitment cannot be achieved without the support and participation of the union.[1]

Organizational change is much more successful in union settings where there is:

- clarity of direction
- cooperation between the company and the union;
- employee involvement;
- change in the culture of the organization;
- enhanced training for supervisors, managers and union leaders; and
- sharing of gains between employees and the company.

The CHRS process is designed to build cooperation between companies and their unions. This will occur as the result of building trust between management and the union leadership, increasing the involvement of employees through the gradual development of teams[2], change in the culture of the organization and style of management, and enhanced training of managers and union leaders. A gainsharing or other compensation scheme is seen as a possible follow-on to these initial activities.

Our approach to organizational change in union settings is divided into four tracks, as set forth in the attached model (page 3). Track One is assessment and direction setting, followed by Track Two, the development of a joint labor-management process. Track Three is leadership and human resources development, and the Track Four will include necessary structure, process and systems changes.

In spite of the obvious need for joint union-management partnerships, many companies and unions have been unsuccessful in creating meaningful change. One study reports that as many as 50-75% of all change efforts in union settings are disbanded in the first five years.[3]

There are three reasons for these failures. First, many change efforts never get "off the ground." This occurs when either the company or the union is unable to convince its counterpart of the need for change. Second, even where initial cooperation does occur, the parties' inability to integrate it with other strategic processes (e.g., the company's overall manufacturing strategy). limit the process to relationship-building and obvious problem-solving, as opposed to long-term, meaningful change.

Finally, the best cooperative effort will not be sustained when there is a failure to build a broad consensus beyond the leadership groups of both organizations and to manage the process through the historic minefield of traditional collective bargaining, leadership changes, internal political process, middle managers and union stewards, and membership and corporate expectations.[4]

CHRS Organizational Change in Union Settings Practice Team

We have assembled a highly talented team of labor relations and organizational consultants to provide our clients with a systems approach to change. The team is led by Professor Michael H. Schuster and Mr. Gregory Kesler and is supported by eight CHRS professionals.

Consultant Credentials

Michael H. Schuster, Ph.D. is a Professor of Management and Human Resources at Syracuse University. He formerly served as the Director of the Employment Studies Institute at Syracuse University and as a Senior Fulbright Scholar from the London School of Economics. Dr. Schuster has received ten research grants for the study of productivity, gainsharing, and employee involvement in over 150 companies in the United States and 20 in Great Britain. He is the author of several books, including Union-Management Cooperation: Structure, Process and Impact as well as numerous articles on related subjects. His latest book is entitled Compensation Strategies to Support High Performance Organizations.

Gregory C. Kesler is a consultant to business in organization effectiveness and human resources strategy. He is managing partner of Competitive Human Resources Strategies, Inc., a consulting firm focused on helping companies implement business strategies and organizational change. Mr. Kesler is a recognized expert in organizational design, executive succession planning and human resources strategy. He has published a model and process for redesigning the human resources function, which has been implemented in three major corporations. He has managed many system-wide change efforts, and has developed and implemented corporate succession planning and development systems for a number of Fortune 500 companies. His recent clients include: Coca-Cola (USA), John Deere, Hoechst-Celanese, NYNEX. Ciba-Geigy, General Signal, Whirlpool and Reynolds Metals. Prior to his consulting career, Mr. Kesler served as vice president of personnel and as corporate executive director of management development for Pitney Bowes. Earlier in his career, Mr. Kesler was based in Europe as human resources development director for I-R, where he established numerous executive development practices and guided corporate productivity efforts. Prior to his career in industry, Mr. Kesler was business consultant and university instructor in organization communication and human relations, in which he holds a Master's Degree from the University of Kansas. He has lectured in the executive MBA program at Syracuse University and in undergraduate courses at Columbia University.

The remaining members of the team include Mr. Robert Ahern; Ms. Lee Chartier; Mr. Donald Ephlin; Ms. Judith Schuster; Mr. Jerry Smolek; Dee Hoffman, Ph.D.; Mr. David Wudyka; and Christopher Miller, Ph.D. Their credentials will be provided upon request. We can also make available a list of client and union references.

Organizational Change Process Model

In our work with clients we have found the organizational change process to require 2-3 years to become sufficiently "seated" to assure ongoing improvement.

Our approach to managing change in union settings is based on the following five leverage points, which collectively represent a total systems approach to improvement:

1. Clarity of Direction and Shared Vision
2. Culture/Climate and Labor Relations Processes
3. Structure and Process
4. Employee/Management Skills and Knowledge
5. Rewards, Performance and Selection Systems

The Change Road Map

The leverage points, outlined above, are managed over the course of multiple tasks, planned around client needs. The precise tasks and task-sequencing of the change road map will vary from situation to situation, but the major elements of the map are generally applicable.

The initial phase is normally assessment of the current situation; the emphasis of the assessment process is in applying the first two elements of the change model: clarifying direction for change process and identifying culture and climate themes that exist today vs. new norms required to support future operational and business strategies. Change is difficult to initiate effectively without some level of certainty about the clarity of direction and the nature of the current culture and climate.

Figure One (see page 3), repeated throughout the text, represents a sample action process for planning and execution of a system-wide initiative. We use this model as the "menu" for identifying tasks that will be tailored to the client's situation; these tasks are categorized into tracks of activity, which generally are sequential, to assist in understanding the overall process. A major system-wide process will normally involve two to three years, but can be limited to more targeted activities. We stress that while the process is sequential, multiple actions will be concurrent.

The Change Road Map -- Detail

The remainder of the paper will describe each block in the page 3 diagram in detail, including the major objective and process followed for each task.

Figure One: The Change Road Map: Total Organization and Human Resources Effectiveness Process

chart this entire page

1. Organizational Assessment, Feedback and Process Planning

Objectives:

Help the management staff (and the union leadership) to define a clear overall direction for organization improvement processes, in order to accelerate change in the culture, joint processes with the union, high involvement leadership practices, site-wide teamwork, and the skillful selection of technical and organizational solutions to increasing competitive manufacturing capabilities. The organization assessment will:

1. Help the management staff to develop a long term set of broad (but tangible) goals, reflecting process improvement focus, and a set of guiding principles.
2. Isolate organizational issues that might impede the development of a high performance organization.
3. Provide data to motivate more urgency and need for change.
4. Facilitate joint collaboration between management and the union leadership in making the business competitive for the benefit of all stakeholders.
5. Provide the management team with a framework for an overall organization change strategy.
6. Provide detailed feedback to the management staff (and possibly the union leadership) for the purpose of <u>openly confronting</u> issues that need attention, and for helping them commit to future activities.
7. Assess the alignment between the business or operational strategies and organization and human resource systems, structure and process.

Assessment Process:

The main tasks to be completed in the course of this agreement are the following:

1. Organizational assessment interviewing:
   - -- assessment of organizational climate, culture and clarity of direction, including the labor-management relationship, through a series of interviews and focus groups.
2. Data analysis, report and presentation preparation.
3. Off-site, meeting of management (and possibly union leadership):
   - -- review assessment feedback, examine what other companies have done to accelerate culture change and organizational effectiveness,
   - -- agree on a broad set of improvement priorities, and agree on next steps,
   - -- define the role of management and labor in the process, if possible.
4. Salaried/hourly feedback meeting:
   - -- of assessment results with "other" salaried and hourly people, who were interviewed.

Assessment Procedures:

The process utilizes one-on-one interviews with managerial and supervisory people, as well as focus groups of employees. Additionally, we meet with the union leadership as individuals or as a committee.

The representation of management and union employees indicated below is generally applicable. If there are special circumstances to be considered, this will be tailored.

<u>One-on-One Interviews (three full days): Total Approximately 20-25 People</u>

(Depends on Organization Size)

a. Top manager and staff
   60 minute intervals
b. Managers: 8-9 from diverse areas
   (on 45 minute intervals)
c. Front line supervisors: 5-6
   (on 45 minute intervals)

<u>Focus Groups</u>

Groups of 10-12 people, grouped as indicated below and scheduled on 90-minute intervals. As a general rule 5-10% of the workforce should get to participate in this.

a. Separate groups of direct and indirect hourly factory, representative of the average length of service, age, factory area and pay levels, etc. (separate, if possible, people with distinctly different vantage points into the two groups, e.g. highly skilled vs. entry skill levels, etc.)
b. One-two groups of engineers and professional contributors.

2. First Labor-Management Off-Site Meeting

Objectives:

(1) Provide economic education on the state of the manufacturing economy;
(2) A detailed review of the financial and market status of the business, as well as an assessment of manufacturing operations.
(3) Use a case study of a successful company and union experience to highlight the successes that others have had;
(4) Identify the issues that face plant operations from both a company and a union vantage point;
(5) Provide an opportunity to enhance personal relationships so as to build trust and credibility;
(6) Discuss the feasibility of developing a continuing dialogue between union and management leaders that will help assure the competitiveness of the plant.

Labor-Management Process:

A two-day meeting is held in an off-site location. Participants include the union leadership and the local management team. Depending on the size of the location, the number of attendees can range from 20-50 people. Speakers at the meeting include Dr. Schuster, Donald Ephlin (U.A.W. - retired), top corporate management, key customers, and the participants themselves. A key focus of the meeting is a joint analysis of the assessment data.

3. Vision Improvement Priority Setting

Objective:

The staff will work together as a team to create a long-term vision for directing organization change that will include a shared set of long-term goals and a set of norms or guiding principles. (The document will be consistent with other internal vision materials.) This document will guide organization effectiveness and human resources initiatives over the next 3-5 years, as key elements of an organization excellence process.

This strategy document will crystallize organization and business priorities, and it will provide "behavioral" guidelines for people to follow. It will be owned by large numbers of people.

Strategy Content:

The direction document will include the following content:

- A list of the 3-4 critical manufacturing success factors that will enhance market competitiveness (these may be easily found in other internal documents).
- A set of 8-10 long-term outcomes or goal areas that cover the success factors; there will be two kinds of goals identified:
  - i. business results: external (customer) and internal (financial) expectations
  - ii. process improvements: process capabilities required to achieve consistent business results
    - social
    - technical
- "New Norms" or Guiding principles to guide people at all levels of the site as they redesign work, processes, and systems:
  - i. operational principles: technical norms/guidelines
  - ii. people and organization principles: social norms

Direction-Setting Process:

a. The management team will meet in an off-site setting for 3-4 days, usually over 6-8 weeks time, to begin the definition of the long-term direction, based on the format above. (The precise amount of time required depends on the current situation.) The union leaders may be involved, if sufficient levels of trust already exist.

b. Sets of small multi-level teams, made up of supervision and salaried staff, as well as leaders from the union, will work to define the applications for the guiding principles and to identify specific targets for the long-term goals that have been defined, including process improvement priorities.

Diagonal teams of people will critique the documents, and will then begin to assess their own work areas against the norms, with tools provided by the consultants. Dialogue, disagreement and debate will be encouraged.

4. - 5. Leadership Practices and Organization Survey and Feedback Workshop

Objective:

To provide each manager and director with direct report and peer feedback about their own leadership practices, and how those practices help shape values and reinforce the quality process in the division. A baseline for leadership practices will be established for measuring future improvement in the leadership processes at the location.

Survey Process:

a. CHRS will provide you the materials to administer the Leadership Practices Survey to the direct reports and peers of the managing staff (the three levels of management under the highest site manager); results are available approximately four weeks after the surveys are returned.

We will consolidate the separate manager practices data into a division report which can be used to do detailed training needs analysis for the division. The managing staff can examine its collective effectiveness in terms of average scores on each question and on each of seven leadership dimensions:

a. Clarity of Direction
b. Performance Expectations
c. Trust Building
d. Risk-Taking
e. Team Building
f. Involvement
g. Coaching and Development

Benchmarking

Each manager and director will be able to compare their own scores against up to three benchmarks:

- all other managers in the division
- other managers in the survey group
- potentially other managers from other divisions in the company.

b. Workshop and Feedback

A six-hour workshop will be scheduled with all managing staff members. The workshop will include brief presentations on organization and leadership issues, followed by confidential survey data to each participant. People will see their own data (compared to internal and external comparison groups), have an opportunity to work through exercises, and be able to share highlights with peers to help them set their own improvement plans.

All data will remain confidential and personal.

The workshop has a team-building effect as people work together on the issues.

6. Organization and Human Resources Strategy Development

Objective:

To clearly identify action items from surveys and workshops. To assure that a) a plan exists for developing the skill levels and the involvement required in all segments of the workforce to achieve business and quality plans, and b) that all policies on selection, hiring, rewards, and promotion practices support the quality strategy.

Strategy Development Process:

a. Based on the data from the Organization and Leadership surveys and the off-site meetings, the human resources staff will work with CHRS assistance, to identify critical human resource and organizational issues that need to be addressed in policy areas or future programs. These will be integrated into the overall change process plan.
b. Drafts will be reviewed with directors for input and implemented as appropriate.

7. Joint Labor/Management Facilitation and Labor-Management Partnership (LMP) Processes

Objective:

To create a labor/management partnership through improved processes and structures; renew communication; to set in motion a specific set of joint agenda items to further support the start-up of new products/processes in the plant through joint activity, responsibility-sharing and win/win bargaining on contractual matters.

Company and union officials will meet with Dr. Schuster, Mr. Ahern, Mr. Kesler and CHRS staff to determine the best way to initiate that process. The following steps represent an typical approach.

Labor-Management Facilitation Process:

a. An overview of partnership strategies is provided by Dr. Schuster.
b. Two initial planning meetings are conducted with the joint labor-management group, facilitated by Dr. Schuster and CHRS staff, to set goals, to define an on-going agenda, and to define a structure for moving the process forward.
c. One-two joint LMC meetings per month, facilitated by CHRS staff.

8. Gainsharing -- Design

Objective:

To design and implement a customized gainsharing program through a joint labor/management design team that meets the expectations established by both parties.

Gainsharing Process:

a. To initiate a process, Dr. Schuster or a CHRS staff member will conduct a one-day briefing on gainsharing with the union leadership and management.
b. CHRS will conduct a one-day team-building meeting with the design team to establish a charter, working parameters, and a work plan.
c. Dr. Schuster and/or CHRS staff will be on-site approximately twelve-fourteen days to work with the joint union/management design team in completing the development of the gainsharing program.
   CHRS will assure the rewards design process is carefully linked to the overall organization change process.
d. CHRS will work with the design team for one day on an implementation plan, including communication of the gainsharing and any revisions of the pay-for-knowledge systems, training, and other related activities.
e. Dr. Schuster will review the design with management, along with appropriate location and corporate management.

9. LMC Network Design and Facilitation Skills

Objective:

To accelerate the amount and quality of employee involvement through increased team and problem-solving skills and broad-based opportunities for involvement in process improvement. The selection and development of internal trainers and facilitators will allow the location to build its own capabilities with the support of the consultants. Union members/stewards and front-line supervisors who demonstrate ability to learn a coaching/training style of leadership will receive intensive training as trainers/facilitators. A pair of co-leaders or master-trainers will be identified (union and supervision) to lead and coordinate facilitation activities.

Facilitation Process:

a. Carefully select 8-20 (depending on organization size) of the most qualified supervisors and union stewards/members from volunteers who will be trained as trainers of the team member skills and facilitation program. Arrange for them to have some amount of time to assume training and facilitation duties beyond their immediate area of responsibility.
b. Based on the LMP endorsement, solicit hourly volunteers from selected areas (most likely to benefit) to participate in team member skills training (interpersonal and problem solving).
c. CHRS will train selected supervisors as trainers/facilitators.

10. Second Joint Labor/Management Off-Site Meeting

Objective:

To meet with the executive committee of the union and members of the Management team for the purpose of: a) communicating the status of the gainsharing program and employee involvement initiatives, b) to jointly evaluate how the labor/management process is progressing, and agree on plans for revitalizing it, and c) revisiting the state of the business and key operational goals.

Joint Labor-Management Process:

Dr. Schuster, Mr. Kesler and CHRS staff will facilitate the two-day meeting at a site selected by participants.

11. Gainsharing Implementation

Objective:

To implement gainsharing fully with complete communication of the process to all members of the division workforce.

Implementation Process:

a. CHRS designs and conducts expert training to key communicators across the division.
b. CHRS staff will revisit the plan to assure the formula is complete and to answer questions or issues.
c. CHRS provides assistance to the gainsharing implementation team to assure complete effectiveness of all communication tools and activities.
d. CHRS will provide training for all supervision, key staff and union leaders in "Leading in a Gainshare Environment," a two-day orientation.

12. Gainsharing Audit and Follow-Up (TBD)

Objective:

To track the activity associated with the gainsharing measures and pay-outs to assure effectiveness and to identify any fine-tuning that may be required in the formula or in implementation issues.

Audit Process:

Dr. Schuster and/or CHRS staff will visit the plant approximately every quarter for one-two years.

13. Staff Training -- "Management-in-Transition"

Objective:

To provide new skills and tools for managers and supervisors to use in leading major organization change. The emphasis of the content is on behavioral and leadership process skills needed to build support for change that is being planned in the vision-setting track. The program is aimed at creating a common vocabulary across the organization, and plays a major role in influencing behavior and culture, consistent with the future norms defined for the business.

Staff Training Process:

The program is organized around a number of modules, most of which are one day in length. Some units are considered "core" to the change process, while others depend more on the client circumstances. Working with the management team, 5-7 of the modules are normally selected based on the needs of the business. Additional modules may be conducted to meet client needs, later. The effect is a tailored approach, geared to business needs.

Management-in-Transition Program modules for senior managers include:

1. Leadership Practices (Survey)
2. Creating a Learning Organization
3. Personal Practices for Sharing Responsibility
4. Objectives Setting for Self-Management
5. Coaching and Counseling Tools, Methods and Practices
6. Influence and Personal Communication Practices
7. Inter-functional Process Improvement -- Role Negotiation
8. Building Team Effectiveness (Two days)
9. Fast-Turnaround Project/Program Team Effectiveness
10. Process Mapping for Continuous Improvement -- Understanding Horizontal Process Relationships
11. Selection and Assessment of Key People
12. Designing Effective Organization Structures

14. New Front-Line Supervision —Job Model Definition

Objective:

A re-definition of the first-line supervisory role is critical to creating lasting change in processes and in organization culture. This re-definition is intended to communicate a clear picture of the future role of supervisors, consistent with the vision of the top management team, and used to train, measure and select supervisors. The deliverables will include a documented set of the accountabilities, tasks/practices, and competencies necessary for success as a first-line supervisor in the future, tailored to the local challenges and environment.

New Supervision Model Process:

a. <u>Management parameters</u>: A steering committee of Directors and Managers, from both line and staff (including HR), will meet to define the project success criteria, plant goals, and boundaries for the design team.
b. <u>Project charter and start-up</u>: A design team of current first-line supervisors will meet to develop a project charter, clarify responsibilities and boundaries, and assign a group to begin interviews with internal customers.
c. <u>Data-gathering and analysis</u>: The supervisor team will learn and perform a process for a) interviewing key customers and analyzing the data, and b) examining the team member responsibilities in the new "pilot" work-team areas in the plant; a draft document will be prepared summarizing high performance organization <u>requirements</u> for supervision.
d. <u>First review of findings</u>: The design team meets with the steering committee to review the requirements for effectiveness (compared to future management vision).
e. <u>Current tasks/flow review</u>: The design team then evaluates current supervisory tasks and work flow, including: decision points, waste (excess time), redundancy, and responsibilities that should be pushed downward to work teams. Current incumbent practices (of master performers) are checked and compared to the new requirements.
f. <u>Principles and the role</u>: The design team works with the guiding principles to define what they mean (in detail) for the supervisory role, including gaining further input from peers.

g. Position model draft: The design team uses all the key inputs (including customer requirements for the future, today's process, and opportunities for improvement, current team responsibilities and quality of work life interests) and completes a draft of the new position model:
   i. future accountabilities
   ii. tasks and responsibilities
   iii. core competencies, behaviors and best practices
h. Second review and documentation: The model is shared with the steering committee, inputs are incorporated, and the draft is finalized.
i. Implementation plan: An implementation process is planned, including new performance measures, coaching and subordinate/peer feedback tools, selection systems, training programs, etc.

15. Front-Line Supervisory Training -- Organization-in-Transition

Objective:

To provide new skills and tools for managers and supervisors to use in leading major organization change. Like the senior management training process, the emphasis of this program content is on behavioral and leadership process skills needed to build support for change that is being planned in the vision-setting track. The program is aimed at creating a common vocabulary across the organization, and plays a major role in influencing behavior and culture.

Training Process:

The program is organized around a number of modules, most of which are one day in length. Some units are considered "core" to the change process, while others depend more on the client circumstances. Working with the management team, 5-7 of the modules are normally selected based on the needs of front-line supervisors. Additional modules may be conducted to meet client needs, later. The effect is a tailored approach, geared to business needs.

CHRS will provide train-the-trainer instruction to selected Management team members who conduct OiT for front-line supervisors. The new job model will be integrated into the program and communicated fully to all supervisors. Union leaders will be invited.

16. Team Skills Training

Objective:

To develop three sets of skills and knowledge throughout a critical mass of the workforce, to allow large-scale involvement in continuous process improvement activities (both social and technical processes). The three sets of know-how include:

a. Team and interpersonal skills
b. Problem-solving and decision-making skills
c. Process improvement tools and methods

Training Process:

CHRS will train and co-train union and salaried people as action teams are chartered (just-in-time) by the LMP steering committee (typically 20-25 action teams). We will plan a schedule with the co-facilitators of the site, and schedule the delivery to allow newly trained internal trainers to observe and co-train the sessions. Gradually responsibility will be given to the internal trainers.

Program content can be tailored to the needs to the site, or married with other instructional material that has previously been purchased or delivered.

17. Re-Survey of Leadership Practices

Objective:

To track progress on the baseline measures of leadership and organization effectiveness from the prior year; to set new priorities for improvement; and to define further changes in the process that are required.

Re-survey Process:

The process in Step 4, described above, is repeated in order to help each leader identify improvements or disappointments in their ongoing practices.

18. Work Re-Design

Objective:

As action teams begin to mature, or as immediate plans for new capital installation and other process changes become imminent, a critical mass of the workforce should participate in and contribute to those improvements. The objective is to accelerate the pace of improvement and the level of buy-in and support for process improvement, while improving the quality-of-worklife for motivated employees.

Work Design Process:

Workforce contribution to work redesign varies highly from location to location. Timing depends on the level skill/knowledge and the level of trust in the organization. The consultants will work through the LMP process to assess readiness for involvement-based work design, and will help develop plans for action teams to assume more active and influential roles in the process. This may include advanced forms of training and special workshops (such as the "Flying Starship" and other experiential training). Two types of work design involvement will be encouraged: In tact action teams focused within their own work area, and cross-unit ad hoc action teams, focused on inter-unit opportunities.

These plans must be tailored to the site, and initial budgeting for this support can only be estimated.

19. Organization Structure

Objective:

To define an organization structure that provides increased focus around the long-term, operational outcomes and organizational capabilities required in the division or business.

Structure Design Process:

A small design team should be charged to put together alternatives for enhancing the structure. A senior CHRS staff member will meet with the team, first to complete training on structure design models and tools. The consultant facilitate the number of design meetings required to effectively design the new structure. Focused operations are commonly organized around major process streams, based on the long-term goals identified earlier in the process.

Structure design projects range from minor realignments to complete restructuring of large divisions. Consulting support is estimated, based on extensive knowledge of the client system, usually later in the consulting engagement.

20. Human Resources Systems Re-Design

Objective:

The objective is to enhance or redesign human resources systems and practices that directly affect the organization capability to deliver on long-term performance commitments. Primary candidates include: a) Performance management systems for salaried staff, and b) management assessment, staffing and selection processes. The goal of redesigning these practices is to further institutionalize change and to improve the capability of leadership in the business.

HR System Design Process:

At this stage in the change process the consultants have had an opportunity to evaluate the impact of these systems, and with little additional data collection, can propose formal changes in these practices and systems to increase the capability of leaders and professionals in the organization. Design teams can be formed in many circumstances to develop new practices and programs in performance management and management selection systems. The scope of these changes will vary widely based on client needs and latitude to make changes. Specific proposals to redesign these practices may be required, based on individual circumstances.

The importance of these systems should not be underestimated. This work is directly supervised by Dr. Schuster and Mr. Kesler, who have extensive experience in a broad cross-section of best practices in performance management and management assessment and staffing.

21. Implementation

Objective:

The work of design teams is implemented through well-planned and communicated processes.

Process:

CHRS has worked extensively with clients to implement design changes; in our experience effective planning and communication is critical to executing changes in organization structure and human resources systems. Extensive changes may require the focused efforts of implementation teams, or may be planned by design teams. These plans must be tailored to the circumstances with the support of CHRS consultants.

Contracting Process

Our process requires that each potential client invest 1-2 days in training, education, and planning with either Dr. Schuster or Mr. Kesler. These services are invoiced on a per diem basis.

Following initial education and planning, a proposal covering 1-2 years is developed which represents our best prediction of needed activities from our menu, along with a timeline and other relevant planning documentation. An anticipated or estimated cost for the project is also provided.

If our proposal meets with the client's acceptance, we require a letter communicating the desire to move ahead with the project, and a <u>one-third initial payment</u>. Thereafter, we invoice for expenses on a monthly basis, unless another arrangement is preferred. Subsequent one-third payments are required when professional services have exhausted the initial payment. There is a 1.5% service charge for payments that extend beyond 30 days.

We invoice separately for printing, educational materials, travel and other normal expenses associated with the project. Travel, lodging and meals associated with off-site meetings by company personnel and other travel by company personnel would be paid by the company. If additional time is required beyond that outlined in the work plan, we invoice on a per diem basis.

All employee assessment and selection instruments, tests, criteria, training programs and other deliverables developed by CHRS shall remain the property of CHRS as part of the consideration of this contract. The client shall be licensed to utilize these employee assessment and selection instruments, tests, criteria, training programs and other deliverables developed by CHRS without restriction.

Both parties hereto recognize that litigation is a potential consequence of an employee assessment and selection endeavor. The parties have provided for precautionary measures against litigation and litigation support.

We expect that the client agrees to, and shall, indemnify and hold Competitive Human Resources Strategies, Inc., harmless from and against all expenses, judgments, decrees, fines, penalties, or other amounts paid, or to be paid, in satisfaction of, in settlement of, or in connection with the defense of any pending or threatened action, suit, or proceeding, civil or criminal, to which CHRS is or may be made a party by reason of any acts or omissions in the implementation of this consulting contract and/or from the development and use of the assessment and selection criteria produced under this consulting contract. Without limitation, the term "expenses" shall include all counsel fees, expert witness fees, court costs, and any other costs if a similar nature.

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NOTES:

1 Citation on dual loyalty

2 If employee involvement processes are in place, they will be strengthened and expanded.

3 M. Schuster, "Cooperation and Change in Union Settings: Problems and Opportunities," *Human Resource Management*, Summer 1984, 23:2, pp. 145-160.

4 These potential difficulties are documented in M. Schuster, "Union-Management Cooperation," in Employee and Labor Relations, John A. Fossum, Editor, The Bureau of National Affairs (BNA): Washington, D.C., 1990, pp. 4-44 - 4-81.