PARTICIPATIVE MANAGEMENT: A MANAGERIAL
PERSPECTIVE

Working Paper No. 121

by

Henry H. Beam

The University of Michigan

Management theories which emphasize subordinate participation in establishing goals and accomplishing work are categorized as participative management. Although many results-oriented managers have not been eager to accept the concepts of participative management, such managerial techniques may be able to improve production by alleviating the human problems of monotony and lack of motivation that have arisen from the extreme specialization of labor.

Participation defined

Because participation (or participative management) may mean different things to different people, for the purposes of this paper it will be defined as follows:

> Participation is the formal involvement of members of the organization in the exercise of control, usually through decision making in group meetings. [1]

This definition specifies that nonmanagement members of the organization have some control over work-related matters and that control has been deliberately granted by management. Thus it is considerably different from the informal control workers often exert by conforming to individual or group norms rather than to management's work plans.

Control, a central idea in the definition of participation, is simply any process in which a person or group

of persons determines the behavior of another person or group of persons.[2] Control may be exerted either in support of or opposition to organizational goals:

> A encourages B and C to work late and complete the project so it can be shipped out later that night to fill a customer's special order (this is control beneficial to the organization).

> A encourages B and C to stay an extra half-hour during lunch period to talk about last night's bowling results instead of returning to work (control detrimental to the organization).

Management is responsible for finding ways to control the work activities of all the organization's members so they are directed toward accomplishing the organization's goals. Traditionally this has been done by hierarchical assignment of people to jobs as demonstrated by the typical, pyramid-shaped organization chart. The higher a position on the chart, the more authority and responsibility vested in it, and the higher the monetary rewards. Management has planned work activities and the work force has carried out those activities. Thinking was deliberately separated from doing. Instructions flowed down the chain of command and reports on work accomplishment were returned.

However, vesting authority in a position on an organization chart does not guarantee that the person with authority will be able to effectively exercise control. An example is the story of the new young manager who, on meeting his shop foreman for the first time, expounded in

detail about exactly how he, the manager, was going to run
things. When he could stand no more, the foreman said,
"Wait a minute. I'll show you who is in charge here."
Whereupon he raised his hand and everyone in the shop stopped
work. "They won't go back to work until I tell them to!
Now who's in charge here?"

The point is clear: a formal structure of authority
by itself is inadequate to insure that members of the organi-
zation will work towards accomplishing the goals established
by management. Thus, in recent years, considerable interest
has developed in participative management--sharing control
over work-related avtivities with the workers themselves--as
a better way to exercise formal authority.

Elements of Participation

Participative management is based on involving
group members in the exercise of control, usually through
the decision-making process. The extent to which this
process works depends on two key elements: the type of
communication used, and the extent to which subordinates
actually help make decisions. Communication is important.
When there is no open and voluntary discussion between
management and the work force, there can be no decision
making on the part of the workers. Full, open discussion
between management and workers is essential to participation.
Even when discussion is open and free, however, there is no

guarantee that the workers will be permitted to share in the decision-making process. Management will have better information on which to base its decisions, but may still elect to make all decisions itself.

Communication may be either one-way or two-way. One-way communication exists when directives on what to do flow downward in the organization and reports on accomplishment of work flow upward, as shown in Figure 1.

Management
(thinking)
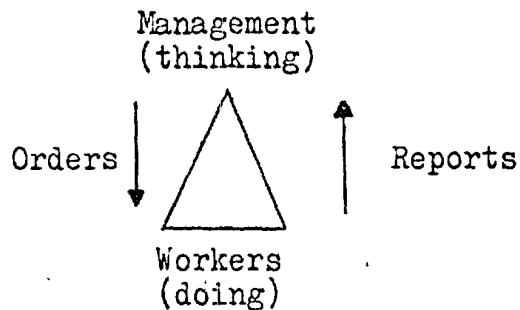
Orders ↓ △ ↑ Reports

Workers
(doing)

Fig. 1. Communication flow in the traditionally-structured organization.

If the reports indicate problems in doing the work, it is management's responsibility to investigate and remedy the situation. Management does not solicit creative ideas from lower levels in the organization.

Two-way communication exists when information is exchanged freely between superiors and subordinates at all levels in the organization. This differs from one-way communication in that subordinates are now encouraged to identify problems on their own and initiate suggestions.

Two-way communication can create a wide range of participation depending on the decision-making authority granted to subordinates. At one extreme, management receives information from subordinates but reserves the right to make all decisions itself. In practice, this is little different from the one-way communication situation. Subordinates can exercise control only in a negative fashion, i.e., they can elect to withhold information needed by management to make decisions. A classic example of negative control is the employee of a major railroad who noticed a broken section of track on the main line. When he called the company, collect, to report it, the company refused the call. Annoyed, he took no further action. Two hours later a high speed freight train derailed on the broken piece of track, causing thousands of dollars of damage. Fortunately such tragic examples of withholding information are rare. But the point is well made: management cannot force employees to send needed information to them.

At the other extreme is complete participation which involves subordinates in all decisions affecting the enterprise, including those usually reserved exclusively for management such as planning, production, and research and development. An example of this extreme form of participation is the workers' council system in Yugoslavia. All decisions are made by a council of workers who have been elected to a planning board for a specified period of time.

A worker may be a production worker on the shop floor one day;
the next day he may be a member of the group planning the
enterprise's production schedule for the next quarter.[3]
(Because such extreme participation is rare in the United States,
this paper assumes that the right to make decisions about
the overall direction of the enterprise is always manage-
ment's prerogative.)

In the U.S., participation commonly refers to
some point between these two extremes. Management's right
to make decisions concerning the goals of the organization
is not questioned. At the same time, the ability of lower-
level employees to make creative and constructive contribu-
tions to overall organizational effectiveness is fully
recognized and sincere attempts are made to tap these
creative inputs. Figure 2 shows how participation may be
visualized as a function of communication and subordinate
decision making.

Variables	- - - - -Degree of Participation- - - - - - -		
	None	Intermediate	Full
Type of communication	One-way; orders flow downward and reports are sent back up	Two-way; information flows upward and downward	Two-way; information flows upward and downward
Amount of subordinate decision making	None	Limited	High

Fig. 2. Degree of participation as a function of
type of communication and degree of subordinate
decision making.

Potential

Ardent proponents of participative management such as Rensis Likert and Douglas McGregor suggest there are a wide variety of benefits to be gained from participative management. These include:

    --increased productivity

    --better teamwork

    --effective introduction of change

    --improved employee satisfaction which thus
      reduces the human costs associated with running
      an organization, e.g., tardiness and absenteeism

    --improved quality of work

    --encouragement of the innate creativity of
      people at all levels in the organization.

Such a list of potential benefits will surely excite any manager. Further, these benefits can be realized in all parts of the business: manufacturing, quality control, personnel, finance, accounting, and research and development.

Participation is a means to increase the output of the organization using resources presently at its disposal. The difference between a participative management approach and earlier approaches is that participative

management considers the people in the organization to be
human assets whose proper management is just as important
as the proper management of physical assets (e.g., machinery
and capital). One of the early theories was Frederick Taylor's
scientific management, a concept he developed shortly after
the turn of the century. Scientific management sought to
greatly increase output by subdividing tasks into simple,
repetitive units that could be quickly mastered by unskilled
labor. To a large extent, Taylorism delivered on its promise.
Productivity increases of 100 percent and more were often
realized by such simple innovations as determining the proper
shovel to use on materials of different weights. The dif-
ficulty with Taylorism was that it attempted to design the
human factor out of work. Management determined the best
way to do a job; the worker did the job in that "scientifically"
determined fashion. On highly repetitive tasks requiring
only unskilled labor, this approach was very efficient, indeed.[5]

The human relations school, so popular in the 1930s
and 1940s, sought to make the worker happy in his job on
the premise that a happy worker is a more productive worker.[6]
It was an attempt to eliminate the friction that often seemed
to arise from a strict Tayloristic approach to industrial
efficiency.

The participative management movement began in
the mid-1950s. It had its roots in the claims of social
scientists such as Elton Mayo who a decade earlier had
theorized that man had lost his sense of community when he

was uprooted from the small community and the farm at the
turn of the century and brought to work in a crowded new
industrial env:.ronment.[7] According to Mayo, man lost his
feeling of individuality and his sense of purpose because of
the depersonalized nature of his new work. In the small
town he had important social and productive functions to
perform. But in the large, industrial organization, he
performed the same task thousands of times a day, often
without ever seeing the final product, in the name of in-
creased efficiency. Thus, he felt "dehumanized." The
assembly line typified those jobs which treated a man more
like a machine than a person with feelings and emotions.
Participative management recognizes these human needs and
seeks to constructively harness man's social nature to pro-
duce the goods and services demanded by our society.

To understand how the participative management
approach differs from Taylorism and the human relations
movement, it is useful to consider the interrelationships
between the inputs and outputs of a model work organization,
as shown in Figure 3. The inputs consist of physical re-
sources (the materials to be processed and the equipment re-
quired to do the processing) and human resources (the people
required to run the equipment). The work organization
consists of the interrelationships between the human and
physical inputs. The outputs are goods and services of
value to society, scrap products generated in producing the

Inputs	Work Organization	Outputs

Physical resources → | Interrela-tionships between human and physical resources | Goods and services of value to society →

Human resources → | | Individual satisfaction and sense of personal worth →
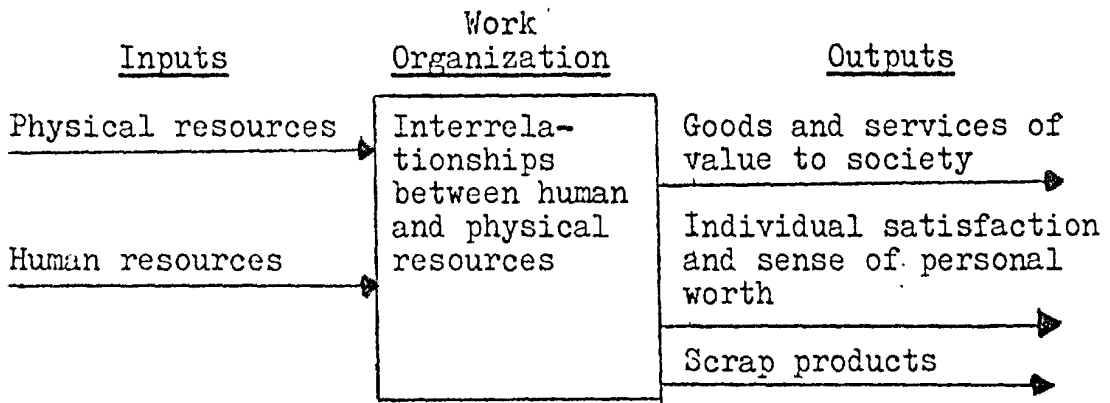
| | Scrap products →

Fig. 3. The inputs and outputs of a model work organization.

goods and services, and feelings of satisfaction and the sense of personal worth and dignity which accrues to each person who works in the organization. Taylor's scientific management attempted to maximize the output of goods and services by determining the optimal arrangement of men and machines. Since man was assumed to be economically motivated, carefully designed piece-rate incentives were assumed sufficient to spur high productivity. No thought was given to satisfying man's social and emotional needs; economic rewards were considered fully adequate.

In the human relations approach, great care was taken to insure that man's social needs were met on the assumption that increased productivity would automatically result. Regardless of how plausible such an assumption may seem, the existence of a causal relation between satisfaction and output has never been substantiated. There are satisfied workers who are unproductive and disgruntled workers who are highly productive.[8]

In both the scientific management approach and the
human relations approach, exclusive emphasis on only one of
the desired outputs of work organization (productivity in
the case of scientific management; social needs in the case
of the human relations movement) has failed consistently to
produce the desired increases in total organizational
effectiveness. In contrast, participation is concerned with
both the mechanical and the social efficiency of the work
organization. Its basic premise is that people are assets
that should be carefully trained, utilized, and conserved,
just as much as the physical assets appearing on the balance
sheet.

How does a company put such an attitude in words?
Consider the commentary by Peter McColough, Chairman of Xerox,
in the 1972 Xerox Annual Report:

> Every challenge faced by Xerox in the future
> is predicated on humanization: on the freedom of
> individuals to contribute, modestly or greatly.
> That is the people orientation of Xerox; that is the
> principal task of its management, and that is what
> each of us must be determined to encourage, to pro-
> tect, and--with luck and foresight--to prolong.

From modest beginnings in the 1950s, Xerox has grown to a
multi-billion dollar company through its development and
marketing of xerography products. Yet this statement clearly
shows it is human organization, not physical assets, which
is the true source of Xerox's prosperity.

Ardent advocates of participation believe par-
ticipation is the best way to attain high productivity and

high worker satisfaction in all jobs. But participative management has its critics as well. One often voiced criticism is that participation is a devious means to manipulate workers to management's ends for the lowest cost. Seen in this rather perverse light, participation becomes nothing more than a "cheap trick to buy off the worker."

Neither of these extremes is a satisfactory appraisal because each represents a value judgment, one favorable and the other unfavorable. The unsatisfactory aspect comes about because participation has been defined as a value-free concept; it is a means to an end, and as such may be judged suitable or unsuitable, effective or ineffective, in terms of how it accomplishes that end. Selection of ends (goals) are questions of value which may be judged "good" or "bad," depending on the viewpoint of the person rendering the judgment. For example, given the goal of producing 1,000 cars per day, participation is one of several management strategies (means) that may be employed to attain that end. Participation says nothing about whether 1,000 cars (or 900 or 1,100) should be produced, or whether we should even be producing cars. The establishment of the goal is a question of value and is, thus, outside the realm of participation.

Participation does say something about the way control in the organization may be most effectively utilized, however. It says that under certain conditions,

involvement of the participants in the decision-making process
will lead to more effective accomplishment of organizational
goals (e.g., producing the 1,000 cars per day). This is a
question of fact and is subject to validation (or refutation)
by the scientific method. But this does not mean that in
the process of being participative, employees are auto-
matically invited to help set organizational goals. The
setting of goals remains the distinct responsibility of
management. Further, it is management, not the workers,
who owners (stockholders) hold responsible for goal achieve-
ment. These goals generally can be reduced to simple,
understandable terms, e.g., to earn at least 15 percent on
invested capital; pay about half of each year's earnings to
stockholders as dividends; grow at an annual rate of 8
percent; or maintain a 20 percent share of the market for
product XYZ. Accepting that the economic goals of a firm
are largely given, management must determine how best to
meet those goals using the organization's unique set of
physical and human assets.

Participation becomes relevant as a possible means
to accomplish those ends (or goals) established for each
division or subdivision of the firm. A simple example will
help clarify this. Since 1973, workers at Hewlett-Packard
Corporation, a maker of precision electronic equipment, have
been under a program in which they may select the hours
they wish to work. They may begin anytime from 7 a.m. to

9 a.m.; thus they can finish their work as early as 4 p.m. or as late as 6 p.m. (assuming one hour for lunch). The workers have control over the time they will actually spend on the job (the means) but not over what they produce (the ends). But it is easy to see how this flexible working hour concept could lead to higher productivity. Tennis players and golfers can start work early so they can have the afternoon off to play tennis or golf. Night owls can sleep in after being up late the night before. Such flexibility does away with the Procrustean attempt of many organizations to have all employees work exactly the same hours, whether they find them convenient or not, or whether all employees are needed at work exactly the same set of hours each day.

This example seems simple, but behind it there is a very important point. The flexible working hour concept works at Hewlett-Packard because the employees have been deliberately involved in determining the hours they may work. Their participation has been very meaningful to them. In this example, participation has been used to give the employee control over a variable (working hours) that is important to him while retaining for management the responsibility about decisions affecting the overall direction and economic prosperity of Hewlett-Packard.

Some Problems

If the prescription for organizational ills were simply to implement participative management, we would expect a rush to establish participative management practices throughout American industry. However, participation is used in a very few organizations (e.g., Xerox, Jim Walter Corporation). Some others have tried it and found it wanting (e.g. Non-Linear Systems, the now bankrupt Studebaker Corporation); some organizations that are highly successful without it see no reason to try it (e.g., Textron, ITT).[9] If participation promises so much, why is it not used more widely? The reasons fall into two categories. First, the work being done may not adapt itself to participative techniques (technological reasons). Second, participation may not have been fully accepted in the organization (reasons based on understanding human behavior).

Reasons related to the type of work being done generally fall into four broad categories:

1. Highly specialized technology. Specialization of work in highly technical fields makes it difficult for people to participate intelligently in areas outside their own field of expertise.

   Example: members of the laser technology group in a research laboratory know very little about what the magnetic controls group next door is doing.

2. Time limitations. The nature of the task may be such that organizational effectiveness, and perhaps even survival, is directly related to the ability to communicate rapidly and reliably.

Example: the crew of a fire engine on duty. There is no time to discuss plans once the alarm rings; the chief's orders must be transmitted quickly and clearly to all involved.

3. Measurement problems. In some organizations, it is very difficult to measure the quality of the product. Hence, it is difficult to tell if participative practices are really any better.

Example: what is a good education? Crude proxy variables such as credit hours earned or grade point average are often used as measures of quality of education. Yet we all have met successful people who were very poor students when in school.

4. Safety is paramount in importance. Safety requirements in some highly specialized organizations are of such overriding importance that they dictate a highly structured, double-check procedure to prevent any possibility of accident.

Example: operating a nuclear reactor or performing maintenance on a nuclear weapon.

The technological or situational reasons for limiting the use of participation are readily understood. Reasons related to the implementation of the process are less well understood. They all center around "people problems": how we get along with each other in our work roles. These problems often seem unnecessary and irrational, but they are just as real and far more difficult to solve than the problems associated with the situation. Here are some examples:

1. Union leaders may feel that participation draws workers closer to management and reduces their power over the membership.

2. Some individuals may not want to participate; they like to work at routine jobs such as those found on the automotive assembly line.[10]

3. There is a tendency to get lost in the details of implementing the participative process (e.g., long meetings, concern for trivial matters).

4. It may take a year or more for the results to show up. Participative practices often show an initial decrease in productivity before showing increases. Because many managers are transferred to new positions after a year or two on the job, they are tempted to employ pressure techniques which can show short bursts of increased productivity rather than participative techniques which may take several years to bear fruit.[11]

5. There may be a lack of skill in applying the principles. If the whole organization is not developed together, it is very likely that the entire program will fail.[12]

These problems can be very difficult to overcome; indeed, not all organizations that have tried to overcome them have been successful. Some critics will seize upon this to argue that because participation does not work all the time, it should be scrapped. This implies that participation is something that should be intrinsically good (a strong ethical connotation) and universally applicable. If it doesn't work, discard the entire concept and recommence the search for the one best style of management (a sort of quest for the managerial Holy Grail).

Other critics will recognize that there are some situations where participation has failed, but there are also some situations where it has worked very well.[13] It worked because it was the appropriate tool for the application. When it failed, there were elements inherent in the situation that caused the failure, whether related to the nature of the work or to the attitudes and abilities of the people involved. The constructive approach to participation emphasizes using it in those situations where it is most

likely to be the preferred way to achieve organizational

goals. Participative techniques are unlikely to work in

some situations included under "reasons related to the

nature of work." It is quite possible, however, that good

planning and skillful implementation can overcome the

obstacles listed under "reasons related to implementation

of the process."

Participation in perspective

Thus far we have emphasized that management is an

important aspect in accomplishing organizational goals.

Further, we have described participative management as a

technique which may be preferable to use under certain cir-

cumstances. We have not yet shown the central concepts

underlying participative management. These are perhaps best

seen in the works of Rensis Likert, whose books present the

most persuasive arguments for participative management.[14]

Likert's research studies led him to conclude that

the most effective (or highest producing) managers in a wide

variety of organizations consistently followed a set of

practices he identified as participative management. Likert

designated this set of practices the "System 4" approach to

management, reflecting full participation. At the other end

of his spectrum is System 1, typified by the impersonality

and high degree of structure inherent in Taylor's scientific

management. Systems 2 and 3 represent management systems

between these extremes.

The keystone of System 4 is the "principle of supportive relations," which deserves to be read very carefully:

> The leadership and other processes of the organization must be such as to ensure a maximum probability that in all interactions and all relationships with the organization each member will, in the light of his background, values, and expectations, .view the experience as supportive and one which builds and maintains his sense of personal worth and importance.[15]

Likert's principle requires the supportive (participative) supervisor to:

a. be sensitive to the needs and feelings of his subordinates.

b. respect and trust his subordinates.

c. be receptive to their ideas and suggestions.

d. have a sincere interest in the welfare of his men.

Likert sees the group as the basic building block in the organization. He postulates that the effective manager behaves in ways quite contrary to the assumptions of depersonalization and mechanization inherent in Taylor's scientific management. Likert seeks to harness the powerful group forces identified by the human relations school by treating each employee as a human resource with peculiarly human needs, not just as an adjunct to a piece of machinery.

The organization's goal remains effectiveness, but now it specifically includes both social and economic aspects. This is participative management at its best. But a word of caution is in order. Likert's enthusiasm for

System 4 implies it is the <u>best</u> way to organize, regardless of the situation. At this point he departs from our definition of participation by suggesting that participation is good <u>per se</u>--a value judgment. We have defined participation to be value free and have argued it should be evaluated on the basis of whether it works or not. Thus, when reading Likert, we should keep in mind there may be situations in which System 1, 2, or 3 would work better than System 4.

Likert's ebullient support of his theory gives us a glimpse of the ideal state in which we have high productivity and a sense of personal worth and dignity for all members of the work force. His writings give us an expanded vision of what we are organizing for. It is not merely the technical and economic efficiency of Taylor, nor the naive attempt of the human relations theorists to make people happy in the hope they would be more productive. Rather, it is the vision that our industrial organizations can be run in ways which provide a sense of personal worth and dignity for each of their members. The evidence shows that where special considerations such as technology or safety do not preclude it, participative management can indeed work very well. The manager concerned about both the performance of his organization and the satisfaction of his subordinates should consider trying participative management. He may find some of his problems become easier to solve when he has the creative inputs of his entire work group assisting him.

NOTES

1. A. Tannenbaum, <u>Control in Organizations</u> (New York: McGraw-Hill, 1968), p. 5. This is similar to other definitions of participation, e.g., K. Davis in <u>Human Relations at Work</u>, (third edition; New York: McGraw-Hill, 1967) defines it as "mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share responsibility."

2. A. Tannenbaum, <u>Control in Organizations</u>, pp. 5-7.

3. For a discussion of participative management practices in other countries, see A. Tannenbaum, <u>et al</u>, <u>Heirarchy in Organizations</u> (San Francisco: Jossey-Bass, 1974). In addition, note that the Yugoslav workers' councils are politically-based solutions to problems of control in the organization whereas United States systems are primarily oriented toward finding ways to increase productivity independent of political considerations.

4. Some sources which give examples of these benefits are:

   L. Coch and J. French, Jr., "Overcoming Resistance to Change," <u>Human Relations</u> 1, No. 4 (1948): 512-32.

   A. Marrow, D. Bowers, and S. Seashore, <u>Management by Participation</u> (New York: Harper and Brothers, 1967).

   R. Likert, <u>The Human Organization</u> (New York: McGraw-Hill, 1967).

   W. Dowling, "At General Motors: System 4 Builds Performance and Profits," <u>Organizational Dynamics</u>, Winter 1975.

5. An excellent summary of Taylor's ideas is given in C. Tausky, <u>Work Organizations</u> (Itasca, Ill.: Peacock, 1970), pp. 25-31.

6. The human relations movement is also summarized very well in C. Tausky, <u>Work Organizations</u>, pp. 44-55.

7. E. Mayo, <u>Social Problems of Industrial Civilization</u> (Boston: Harvard University, 1945).

8. The assumption that a satisfied worker is a productive worker has never been substantiated by empirical tests. For example, an extensive review of the literature in this area by A. Brayfield and N. Crockett, "Employee

Attitudes and Employee Performance," Psychological
Bulletin 52 (1955), concluded there was no necessary
relation between job satisfaction and productivity. The
same conclusion was reached by V. Vroom in Work and
Motivation (New York: Wiley, 1964), p. 408. These
findings negated the basic premise of the human relations
school that a satisfied worker was also necessarily a
productive worker.

9. The successful experiences at Jim Walter Corp. have been
    written up in Fortune. A. Vanderwicken, "Collegial Manage-
    ment Works at Jim Walter Corporation," Fortune (March
    1973), p. 115f. The experiences of Non-Linear Systems
    Corporation with participative management techniques also
    have received a lot of publicity. See, for example,
    D. McGregor's discussion of Non-Linear Systems in The
    Professional Manager (New York: McGraw-Hill, 1967),
    pp. 88-90, and "Where Being Nice to Workers Didn't Pay,"
    Business Week, January 20, 1973, pp. 99-101.

10. See, for example, C. Hulin and M. Blood, "Job Enlargement,
    Individual Differences, and Worker Responses," Psychological
    Bulletin 69, No. 1 (1968): 41-55.

11. R. Likert, New Patterns of Management (New York:
    McGraw-Hill, 1961), pp. 69-70.

12. This is a selling point of many people working in the
    field called 'organizational development.' Two good
    references on organizational development are R. Beckhard,
    Strategies of Organizational Development (Reading, Mass:
    Addison-Wesley, 1969) and W. French, "Organizational
    Development Objectives, Assumptions and Strategies,"
    California Management Review 12 (Winter 1969): 23f.

13. One of the most persuasive applications of System 4 type
    management is at the General Motors Corporation's
    Lakewood, Georgia, assembly plant. In the period of
    three short years, Lakewood was transformed from a
    disaster area into a "sweetheart operation," with one
    of the best efficiency records in the entire General
    Motors Assembly Division. See W. Dowling, "At General
    Motors System 4 Builds Performance and Profits,"
    Organizational Dynamics, Winter 1975, pp. 23-38.