

**AGENTS OF CHANGE:
CROSSING THE POST-INDUSTRIAL DIVIDE**

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Oxford University Press
June, 2003

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ACKNOWLEDGMENTS

The authors gratefully acknowledge the very generous contributions of many friends and colleagues, both to the original stories and to this reflection on them.

In particular we would like to thank Paolo Celentani, Richard Normann, Pietro Spirito, Ralph Craviso, Lorraine Fauconnier John Petrillo, Morty Bahr, Paul Adler, Lavinia Hall, Hal Burlingame, and Wally Olins for their comments on drafts this manuscript. Maria Stroffolino provided invaluable support throughout.

SECTION I: INTRODUCTION

CHAPTER 1 INTRODUCTION

In the last thirty years the established system of industrial democracy and stakeholder representation has been disrupted throughout the industrialized world. The roles of unions and of government regulation, central to the post-World War II order, have everywhere been weakened or have come under attack, as management presses the need for “flexibility” to confront increased market turbulence.

Though some now argue that there is simply no longer a need for outside stakeholders or regulation, this pure market view has not advanced very far in practice. In real life economic actors have become not less but more interdependent and reliant on relationships of trust and cooperation. Companies rely ever more on allies and partners outside their walls, and they need increasingly to “co-produce” with others.¹ In real life new market conditions lead even “free-market” CEOs to seek government protection; indeed, the growth of international trade has given government a renewed role in setting the conditions for market definition. Despite conservative ideology and the delegitimation of state regulation, governments have continued to grow. Though managers may dream of unfettered flexibility, in real life they face increasingly assertive internal stakeholders as they struggle to maintain the commitment and involvement of their knowledge employees; and they encounter every day emboldened new external pressure groups. At the international level free-market policies, far from spreading triumphantly, have encountered violent protests and spreading resistance.

Such developments suggest that, although the familiar structures of unions, governments, and business may need changing, *some* form of organized stakeholder relations is needed to bring together differing values and to avoid a spiral into disorder. The real problem is the need for stakeholders to work better together, and for the stakeholder system as a whole to be better structured to encourage change and flexibility as well as justice and human values.

Over the last twenty-five years the four authors have been consultants in many conflictual situations in companies emerging from semi-monopolistic national status and struggling to deal with global competitiveness. This book is a reflection on those experiences and on intervention in general. Our work, as we have come to understand it over time, has essentially been about trying to ease the transition from industrial to post-industrial systems: first, by helping the stakeholders of the old order understand the passage and to work through it in as peaceful a manner as possible; and second, by helping them to develop the new capacities needed for operating in an economy dominated increasingly by knowledge and services.²

We have learned through practice about both the potential and the limits of cooperative change. We have concluded, in comparing our experiences on both sides of the Atlantic, that the basic shift towards greater competitiveness is creating similarly intense turbulence throughout the industrialized world; that a great deal can be done to help unions and companies, as well as other stakeholders, work through the change process together; but that in the end a

more fundamental reconstruction of the system of stakeholder relations may be needed to achieve stability.

Four cases in which we have been particularly deeply involved will form the basis of our reflections: the telecommunications giants AT&T and Lucent in the United States; EDF, France's former electricity monopoly; and Ferrovie dello Stato, the Italian state railway. All of these have gone through highly tumultuous transitions, none of which is yet complete. Though in one sense they represent a narrow economic sector – infra-structural monopoly companies with strong ties to the State, thrown into the fray of the open market – their experience is also *typical* of the industrial economies as a whole: in country after country, and industry after industry, stable nation-based oligopolies have been broken apart by the forces of globalization and technological change. The story of telecommunications or railways is not fundamentally different from that of automobiles or steel.

Our record has successes and limits. We have had considerable success in building more trust in the labor-management relation and in helping the parties discover ways to adapt together in difficult economic transitions. We contributed to understanding how to bring together independent stakeholders in a genuine dialogue. We have created new forums, turned conflictual discussions towards problem-definition and problem-solving, developed shared understanding of business strategy, catalyzed emotional discussions of values and ideals, helped unions and other groups with their internal planning and development, and initiated “mutual gains” analyses of fundamental interests. Along the way we have learned a good deal about the power and the limitations of these techniques.

Yet we have gradually become aware of a deeper issue: every agreement we have helped to build has been challenged and undermined by the continuing and relentless pressure of an economic transformation whose scope we are still only beginning to grasp. And as this pressure has grown in our own interventions and on the wider scene, economic values have come more and more frequently to dominate human ones. Sometimes, as in the case of AT&T described below, the relationship has finally deteriorated into near-warfare.

In the end the old framework of stakeholder dialogue, even in its best forms, has proved no longer adequate to the social challenges. Thus we have a new problem: not to improve the dialogue but to create new ones; not to build trust among already-defined actors, but to build a new framework to bring in actors who have not been effectively included in the past.

Action and analysis

Our focus on action – what to *do* about change – is somewhat unusual for scholars grounded in traditional disciplines. Social science has always been uncomfortable in making the passage to action. The classical view, carried into modern sociology by Max Weber, is that scientists should be detached and objective, above the battle. Activism from this perspective distorts science by injecting motives other than the pure desire for truth. Scientists might venture to suggest what others should do – deducing the suggestions from their analysis; they shy away from thinking about what *they* might do.³

The separation between the two realms, however, creates problems for both. First, social analysis doesn't help as much as it should in planning actions, because one cannot move directly from analysis of a system to recommendations for action. This is mainly because the objects of the analysis – human beings – also act. Physical objects do not develop personal feelings towards the scientists studying them, or at least don't let it affect how they respond; but consultants constantly find that their own relation to their clients and other stakeholders determines the consequences of their advice. There is no such thing as “right” analysis if, as often happens, the client doesn't want to hear it.⁴

Social scientists regularly commit the elementary error of assuming that analysis can pass directly to action, and those who follow their advice suffer for it. Many studies have shown, for example, that participative work systems produce statistically significant improvements in productivity. But even if that relation is true scientifically, it often *becomes* untrue in action: if the person trying to *implement* this proposal is viewed with suspicion by middle management fearful of losing their power, or by unions concerned about management manipulation, the idea can lead to open or covert resistance – and all the studies suddenly mean nothing.⁵

The ability to act, in other words, does not depend solely on the ability to understand the system on which one acts; it also depends on the ability to *connect* with actors in the system and to interact with them in a positive way. That complicated alchemy of knowledge, technique, empathy, distance, and patience is the focus of chapters 7-9.

The second problem with the separation of action from knowledge in the social sciences is that one of the best ways to gain knowledge is to try to change things. Those who study societies are hampered by serious obstacles: patterns are seldom repeated; they cannot do controlled experiments; human beings continually insist on acting in unexpected and unprecedented ways; and at the level of nations or large systems there are usually too few cases to be able to draw sound conclusions. So it is for many purposes impossible to apply objective methods or statistical tests of truth. Social scientists since Weber have therefore found it necessary to apply *verstehen* – “understanding,” their own human ability to *make sense* of social situations – as a way of getting at “truth.” We extend this proposition to suggest that the best way to make sense of social situations is often not to watch them but to act in them, and then reflect on our experiences.⁶

In the case of the issues we focus on here, there have been many efforts to understand the evolution of corporate strategy, organization, and relations to stakeholders. Observation of past and present cases tells a very ambiguous story: efforts to generate new levels of value from the organization of knowledge, or to effectively mobilize employees across levels and divisions, are promising but have run into consistent problems. By reflecting on our interventions we can see these limits, as it were, dynamically. It is not just a matter of theorizing that something should be done: because we have actually *tried* doing many things, we can see directly what works and what does not, and we can sketch the shape and power of the resistances.

Thus many authors have suggested that unions and managements should engage in mutual-gains problem-solving; we can say that we have tried it, and we have seen both what it can accomplish and some of the repeated obstacles. Others have said that worker participation is key; we have tried that and found that it meets some but not all the needs. Some have suggested forms of “codetermination” – direct union or stakeholder involvement in operational planning beyond the usual level of collective bargaining; again, we have tried it and found it only gets part way to a stabilization of relations. Finally, some have suggested thorough strategic partnerships; here our efforts are more preliminary and the assessment more tentative, but we have experienced the problems.

If scientists can learn from action, it is of course also true that activists must learn from science. Lacking rigorous attention to evidence, prior research, and existing theories, most consultant accounts of change fall victim to subjectivism, special pleading, defensiveness, and overgeneralization. We attempt here to find the narrow path through these dangers lying between the two realms by examining experience with an analytic eye.⁷

Our experience base as data

Our experiences are the evidence on which this book is built; it is therefore worth reviewing their scope and limitations. For the most part we four have worked separately and developed our approaches independently, on different projects on both sides of the Atlantic, even in different languages, coming together only since 1995. Two of the authors are American:

- Charles Heckscher started with a degree in sociology and an interest in industrial democracy. His first job was with the Communications Workers of America, a union that will figure heavily in these pages. He then taught Human Resources Management at the Harvard Business School, followed by a move to the Labor Studies Department at Rutgers University. He has written about the future of unions, the changing forms of corporate organization, and the emergent role of middle management. His consulting work has centered on mutual-gains negotiation and organizational development in many industries and unions; AT&T, Lucent, and the Communications Workers have been his longest-running clients.
- Michael Maccoby trained as a psychoanalyst with Erich Fromm after receiving a BA and PhD at Harvard in social relations; together they developed the concept of “social character” and conducted an anthropologically-oriented study of a Mexican village. He carried on this work with managers; *The Gamesman*, published in 1977, generated great interest among companies who wanted to understand the changing demands on management. From 1978-90 he directed a program on work and technology at Harvard’s Kennedy School of Government. He began an engagement with AT&T in 1977 which lasted until 2000; he also worked for many other companies and unions in the US, Canada and in Europe, guiding strategic planning processes and efforts at improving relationships. His research has continued to explore the development of social character and leadership in the new economy .

The other two authors are French nationals who have worked primarily in Europe:

- Rafael Ramirez has lived in 5 countries (Mexico, Canada, the US, the UK, and France). He holds degrees in geography and environmental studies, for which he studied with Eric Trist and Gareth Morgan, and a doctorate in Social Systems Science from Wharton. After suffering an industrial accident in 1976 he focused these trans-disciplinary interests on organization design. The relations between organization and value creation became the central theme of his work in 1985, when he joined SMG, a Swedish research and consulting firm. He has consulted with public and private organizations in over 20 countries, and is Professor of Management at HEC, one of France's leading business schools.
- Pierre-Eric Tixier was trained as a lawyer before moving into sociology.⁸ He worked first on self management and conducted his first major research project on and with the CFDT union. For the last ten years he has been a professor at the Institut d'Etudes Politiques de Paris ("Sciences-Po") and director of a research group. He began consulting to EDF in 1989. His current work focuses on the way in which European countries, especially France, are dealing with the pressures of globalization. He has written on industrial relations, on companies' responses to globalization, on the human effects of corporate restructuring, and on the move from monopoly to competition among public enterprises.

Though we have worked on many interventions, the four that we will use as the primary basis for our reflections are ones that have lasted a long time and gone through many permutations.

- Maccoby's work at AT&T, beginning in 1977 on management strategy, moving to workplace restructuring and worker participation, and finally to an effort to involve unions in operational planning for the business.
- Ramirez' involvement in an effort to redefine the strategic direction of Ferrovie dello Stato – the Italian State Railroad
- Heckscher's efforts to facilitate strategic dialogue between unions and management at Lucent Technologies
- Tixier's engagement with EDF, the French electric monopoly, and its unions as they struggled to deal with the pressures of opening markets.

Systematic reflection on experience: the learning network

The use of experience as a source of data is full of dangers because it is difficult to get an objective check on perception. In these cases, where we have also been active agents, there is a particularly high danger of distortion from a desire to look good or to avoid angering clients. On the other hand, it is hard to imagine a better way to get information about the "real" dynamics of the intervention process. Standard social science methods of surveys and interviews have crucial limitations: they lack "privileged access" based on trusted relationships; they usually focus on a narrow time slice in what is a very long process; they cannot ordinarily get at the "micro-dynamics" of

meetings and conversations. In an ideal world one could conceive of a method that would combine reflection by the interveners with interviews by an independent team. The complexity and scope of such an undertaking, however, would be so massive that we decided to take another avenue: to reflect systematically on our experience in order to maximize its power.

Thus we have explored our experiences through a long process of discussion among the four authors and beyond. In the mid 1990s, all of us separately began to think about the accelerating forces of deregulation, internationalization, and restructuring and how they affected our work. Although we had interacted in various combinations over the years, our conversations in that period took a more reflective turn. In 1995-6 we held two meetings of about a dozen consultants with similar experiences. This diverse group agreed on two points. First, we saw a need to take a broad and complex approach to intervention; we saw weaknesses in the traditional consulting approaches linked to firms like McKinsey or Accenture, which often center on offering technical solutions and tend to underplay the longer-term structural bases of relations among and within organizations. Second, we shared a sense of increasing frustration and difficulty in our work: as we said in a 1996 memo, “participative and joint efforts keep running into the same obstacles and remain marginal to the overall organizational trend.”

Over the course of the next six years the four authors crystallized as a working group, meeting at least twice a year on different sides of the Atlantic. We spent a great deal of time getting to know each other’s work and way of framing interventions. We began by writing detailed descriptions of major cases we had worked on, which we then analyzed and critiqued in detail. We interviewed each others’ clients to deepen our understanding of each other’s work, and to provide some independent check on the perceptions of the intervener himself.⁹ Through this process we began to develop some frameworks that we tested against the data in the different interventions, by discussing them with each other and with the client organizations. We tried to do better than the common way of using experiential data, which is to think of a proposition and find a story to illustrate it; instead we checked our ideas systematically against the four cases, as well as any other trustworthy knowledge we could find, to make sure they held up beyond a single story.

In our discussions we found substantial differences in approach, but also important similarities: all of us had come to see the importance of combining many dimensions of strategy and relationships into a coherent approach in order to even have a hope of meeting the challenges of the current transformation. Each of us added particular skills - psychoanalytic training, sociological theory, strategic analysis - to this increasingly complex mix. In the end we wrote the bulk of the book, aside from the case studies, in a joint manner, circulating partial drafts, critiquing, and gradually putting together a collective product. This “8 hands writing” effort is rare in itself – there are few books indeed in which 4 authors have managed to write as one, sorting out all of the disagreements not by reaching a least common denominator, but through listening to the rationale of different, initially unreconciled, points of view, and convincing each other of a view we can in the end all adhere to.

Over this long process we broadened and changed our focus. What had begun as a study of intervention in labor-management relations in deregulating monopolies expanded to the problem of the transition from monopolies employing an industrial mode of production to international competitive markets in the knowledge-solutions age. Finally we recognized that the interventions we had done so far were only the beginning of a road that we could dimly see, involving the transformation of an entire stakeholder system grounded in law and practice throughout the world. The increasing pressure of this enormous shift accounts for the frustration, felt by ourselves and the rest of our colleagues, about the fact that nothing we do seems to obtain a stable end-point - agreements and restructurings keep coming unraveled, and every step of progress soon seems insufficient.

We all started from different points: helping with union-management relations, or with worker participation efforts, or with strategic reorientations. We have converged on the notion that at the core of all of these is the *reconstruction of systems of relationships*. Each of the organizations we have worked with is facing changes so massive that they cannot be dealt with by simply “implementing” previously designed plans through existing functions and roles; they need to reconfigure. That means that each part - both internal, management levels and functions within management, and stakeholder groups like unions or environmental activists - has to establish a position anew in a system of dynamic relations.

Core learnings

The argument as finally developed in this book consists of two rather different reflections: on the methods we have used as interveners, and on our emerging understanding of the essential problem that we face.

1. A “full engagement” approach to relational interventions

Our “activism,” in retrospect, is centrally about helping different stakeholders work together through difficult changes in as constructive and discursive a manner as possible. How does one do this? Our experience is that it is a long and complex process, in which the intervener’s role is often hard to define. Most consultants take a quicker route, offering expert analysis and packaged solutions; but that, in our experience, tends only to lock in defenses and established patterns. Major changes in relationships, by contrast, require an approach that works through deep patterns of identity at all levels of organizations and across traditional barriers – an approach of *full engagement* with many players in many dimensions.

Such an intervention is first of all not expert but *interactive*. It focuses on building dialogue among groups that normally remain separate or relate in purely formal ways. The union-management connection is one important one; other important interactions are also put under strain – between top management and middle management; between business leadership and “people functions” like Human Resources and Labor Relations; between national union leaders and their locals and members. Though we understand the value of conflict, we seek to work through that conflict by helping the

parties understand each other rather than merely threatening fearsome consequences.

Interactivity also requires that the consultants themselves engage the parties and win credibility and influence. In order to do this they must avoid being “slotted” into defined roles as experts on some topic, serving particular organizational leaders. Whatever effectiveness interveners of this type have comes from the fact that they stand outside existing relationships, not beholden to any one party, and not fitting into a predefined function. This frees them up to cross organizational lines and also to move through time – to bring back the past, or take thinking into the future, with greater ease than the system’s stakeholders often can.

Full engagement is, secondly, *systemic*, in the sense that it seeks to touch every aspect of systems of relationships - from corporate strategy to operations to blue-collar work identities, from management to unions to the shifting and indistinct array of other claimants on company resources. Ramirez, starting as a strategy consultant to top management, found that insufficient focus on the operational and stakeholder environment severely limited what the project could achieve; the other three of us, when addressing problems of union-management or worker-management relations, found that ignoring rapid changes in the strategic landscape was equally dangerous. We all converged, therefore, on an approach that combines strategic and relational logics. An important conclusion is that it is no longer possible to separate analysis and prescription, on the one hand, from implementation and revision, on the other.

Finally, full engagement deals not only with rational interests, but with deep emotional patterns often traceable to events long past. This is the realm of *sociodynamics*, where the effort of individuals and groups to maintain their identities and sense of pride can be as important as their current interests – and much harder to deal with. If these aspects are swept under the rug by purely analytic processes, they reappear as resistances and manipulations that obstruct change. One aspect of intervention, therefore, is to ensure that the actors’ sense of identity is respected and that they feel they have a place in the visions of the future.

Our approach to intervention thus stands in contrast to purely cognitive and analytic approaches to consultancy. Though we are often hired as experts, we quickly disavow the role. What we bring is largely two simple abilities, which can only be provided by someone standing “outside” the system: the ability to make new connections among actors and to encourage understanding and systematic reflection. This approach creates particular problems in the role of the interveners as they try to position themselves to be trusted by many parties but taking the side of none. We explore the dynamics of this role and the elements of the intervention process in chapters 7-9.

2. The development of “post-industrial relations”

We began by trying to change aspects of the large companies with which we worked – more participation, improved strategy, deeper cooperation. Over time, however, we have come to see that the challenges they face require not incremental improvements but a fundamentally new system of stakeholder

relations and involvement to replace one which is in decline. We reached this point because narrower definitions of the problem have not *worked*. Time after time plans and agreements achieved with great difficulty have been swept away by unexpected pressures – managers with new strategic missions, governments changing the regulatory framework, competitors moving in on formerly safe markets. We began to feel collectively that the problem we were facing was larger than it appeared – that the resolution to the growing challenges is not just a matter of improving the relation between these immediate actors, but might involve a larger reconfiguration.

The familiar system of collective bargaining and government regulation is one particular solution to the stabilization of economic relations. It grew out of periods of bitter and often violent conflicts which took somewhat different forms in different countries over the last century and a half – though the broad outlines of the system turned out to be surprisingly consistent. It is characterized by relatively centralized bargaining, strongly rule-based contracts, public policies aimed at stabilizing employment, and strong corporate communities providing long-term security in exchange for loyalty. We see this system as one particular “stakeholder regime” – a crystallization of fluid forces and movements into a stable web of relations with rules accepted by all the parties.

What is happening now is the dissolution of the existing stakeholder regime under the pressures of new actors and economic forces. The familiar pattern of periodic negotiations among large organizations is losing favor everywhere as economies move towards a focus on knowledge and complex services, requiring a high level of “co-production” among many actors rather than vertically-integrated mass production. So the intervention problem shifts from how to shore up and stabilize an existing regime, to how to catalyze the transition to a new set of relations.

Clearly this involves more than working with management or with the union-management connection within a single firm, however large. To make a difference, interveners would need (in the long run) to take up three tasks. One is to help “old” stakeholders like corporations, unions, and government agencies to examine the changes under way and to rethink their place in the emerging system. A second may be to help “new” stakeholders – associations that do not have a stable place in the neo-corporatist order – to define themselves and develop the organizational strength to become a part of the larger dialogue. The third may be to try to design new mechanisms for working out the conflicts among these groups – something beyond the existing mechanisms of collective bargaining and government regulation. The authors have in different ways been exploring such frontiers; the book concludes in chapter 12 with reflection on this work and possible directions for the future. Here it is system governance, rather than bi-lateral agreements, which is the focus.

The core question of this book, bringing together the two themes, is: Can we (as consultants) help with a transition to an effective form of stakeholder relations for the current economy, reducing the mistrust which otherwise threatens to disrupt the change process? Our hope is modest: that we can contribute to making this deep shift in relationships somewhat less conflictual, somewhat less painful, somewhat more orderly than it would otherwise have

been. The development of new forms of relations with stakeholders is necessarily a matter of conflict, as various actors fight to get into the game. The aspiration is, however, that the process can be smoothed a bit through deliberate collective learning and reflection, and through dialogues that prevent conflicts from spinning into self-sustaining destructive spirals.

In the end the lessons are twofold. Our experience shows that it is possible to make a difference in stakeholder relations, helping to increase trust and the ability to manage differences through dialogue. On the other hand, the efforts so far have only begun to explore the borders of a large-scale social change whose size and scope have yet to be mapped in detail.

ENDNOTES

¹ On “co-production,” see Normann, Richard and Ramirez, Rafael (1994); and Ramirez, Rafael and Wallin, Johan (2000). We develop the concept further in chapter 11.

² In a more technical sense we began by trying to improve the functioning of relational systems but have concluded that they need to be changed in their core principles: thus we are shifting from “within-stage” to “between-stage” intervention, or linear to non-linear. Khalil, Elias L. (1996) is among the more useful technical discussions of the difference.

³ See Weber (1919/1946 (a) and (b)). In the former he says: ““To take a practical political stand is one thing, and to analyze political structures and party positions is another.” We suggest that to reflect systematically on the experience of taking a practical political stand is yet another.

⁴ We recognize that we are simplifying physics here, which is why we add the adjective “classical.” In a sense Heisenberg introduced the same problem into physics that we are pointing to in the social realm, but it is far more constantly evident and important for the latter.

⁵ This criticism is not about unintended consequences. Interveners can of course make the error of an incomplete analysis, as economists are prone to do in ignoring political and cultural factors. But the point here is that *even if* the analysis were complete and perfect, the process of “*putting it into action*” is anything but a “straight-line” proposition because the person putting it into action has to interact with other people.

⁶ See also Gilmore, Thomas; Krantz, Jim; and Ramirez, Rafael (1986), p 160: “The notion of disturbing a system as the best way to understand it.”

⁷ The “Action research” tradition, well-developed in Scandinavia, takes a similar approach. It is somewhat more grounded in an value-based view that knowledge *should* be democratizing; and it is somewhat less focused on the question of change, or rather tends to treat change more as an unpredictable outcome of shared research. See, e.g., Naschold, F *et al* (1993).

⁸ Heckscher’s academic advisers in his doctoral work included Talcott Parsons and Lawrence Kohlberg; Tixier’s included Michel Crozier and Renaud Sainsaulieu.

⁹ Ramirez and Tixier interviewed managers at AT&T and Lucent, and officials of the CWA union. Heckscher and Maccoby interviewed managers at EDF and union leaders at CFDT. Maccoby visited Ferrovie dello Stato. Heckscher talked to some of Tixier’s contacts in the CGT and CFDT unions.

