

Industrial & Labor Relations Review

Volume 58, Issue 1

2004

Article 82

Learning from Saturn: A Look at the Boldest Experiment in Corporate Governance and Employee Relations

Saul A. Rubinstein*

Thomas A. Kochan†

*,
†,

Copyright ©2004 by the authors. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher, bepress, which has been given certain exclusive rights by the author. *Industrial & Labor Relations Review* is produced by The Berkeley Electronic Press (bepress). <http://digitalcommons.ilr.cornell.edu/ilrreview>

In fact, Clawson does a good deal of waffling between prescription and description. Despite leaving the reader with little doubt about what he thinks ought to be done, in his concluding paragraph he tells us, "This book has focused not on an abstract vision of what I think labor could or should do, but rather on what people have actually been doing" (p. 205).

The middle chapters of the book do indeed review contemporary cases that illustrate the interaction of gender and unionism (union organizing at Harvard and Yale), community organizing and unionism (the AFL-CIO's Stamford project, in which four unions "work together not just to address workplace issues, but also to lead community-wide struggles for better housing"), ethnicity and unionism (the Los Angeles Justice for Janitors project and ethnically based Workers Centers, which undertake a variety of activities in order to improve their constituencies' situation), the impact on unions and other social groups of neoliberal globalization (the Battle in Seattle and its aftermath), and the implications for labor of the anti-sweatshop movement and living wage campaigns.

One serious flaw in the book is Clawson's misunderstanding of the history of what he calls the "New Deal Labor System." He believes that the "initial basic framework" called for the National Labor Relations Board to schedule elections whenever "a significant fraction of the workforce" was able to demonstrate that it "wanted a union" (p. 29). That is the way the system works today, but that is not how Senator Wagner and his colleagues intended it to work. Instead, the Wagner strategists wanted employers voluntarily to accept and recognize labor organizations as partners. Elections were to be held only in unusual and difficult circumstances. Acceptance by labor activists like Clawson of the reasonableness of the election system as the norm, with its implication of government neutrality toward rather than firm support for labor organization, is a measure of the success of the employer assault on labor that he describes in an early chapter.

A long history of research and thought has firmly established the principle that a vibrant democracy requires a robust labor movement. Despite its flaws, as a vehicle designed to provoke thought on how that might come about in the United States, *The Next Upsurge* deserves a wide readership.

Roy J. Adams

Emeritus Professor
McMaster University

Learning from Saturn: A Look at the Boldest Experiment in Corporate Governance and Employee Relations. By Saul A. Rubinstein and Thomas A. Kochan. Ithaca, N.Y.: Cornell University Press, 2001. 192 pp. ISBN 0-8014-3873-X, \$27.95 (cloth).

Two decades ago the automobile industry was in a funk. Just coming out of the deep economic shocks of the late 1970s and early 1980s, and trying to regain its footing after the bankruptcy of Chrysler and the near-bankruptcy of Ford, the auto industry was looking for new ideas on how to manage its wide-ranging and diverse factories and logistics operations. Steeped in an authoritarian managerial culture and conditioned by the strength of the United Auto Workers, which successfully contested General Motors' southern relocation de-unionization strategy, the auto industry began to experiment with labor-management participation models. Steeped also in the postwar marketing culture, in which the auto industry continued to tell consumers what they wanted even as they drifted away from large American cars to well-built small foreign-made models, GM attempted to use this opportunity to change its own marketing culture by creating a small car that would satisfy the increasingly demanding American consumer.

This book is about the innovative Saturn experiment, America's most thoroughgoing attempt to restructure the entire production and distribution as well as industrial relations systems. With Saturn, General Motors tried to start with a clean slate and configure a completely new way of building and marketing automobiles. Similarly, the company decided to engage the union and the work force for the first time on the ground floor of this new enterprise, putting labor, management, and engineering on similar footing and setting out to develop a car company with a clean sheet of paper. The book argues persuasively that this groundbreaking effort on the part of the UAW returned the union to its historic roots under the legendary Walter Reuther, who believed that the auto industry needed constructive engagement with its unionized employees to be successful in a complex consumer-driven market.

As the authors demonstrate in this brief and well-written book, GM and the UAW succeeded most spectacularly. Working together, they built an entire automobile corporation from scratch. Although it took substantial time and planning

and patient negotiation among the principals, by its third production year, Saturn had become the quality, reliability, and customer-satisfaction leader among domestic automakers. At the same time, the Saturn plant became one of GM's most productive auto factories.

After a few years, however, the bloom came off the rose and Saturn faced a reality-check. When Saturn was first formed, all of the represented employees, who transferred in from other GM plants, gave up their transfer rights; the success of the Saturn experiment would determine their futures. This was never the case with management and professional employees, however; for them, a tour at Saturn was like a tour in any other operation—a temporary stop on the way to Detroit. GM's commitment to the enterprise was further compromised when it failed to provide the full investment originally promised; Saturn production never reached its full capacity. GM also harmed Saturn when it failed to update the Saturn, as production runs of the original car continued long after they would have been revamped for any other automobile.

So did the Saturn experiment work? The authors argue persuasively that it was a successful experiment, regardless of the subsequent history. The experiment demonstrated that labor-management participation can bring about a significant improvement in productivity, as well as in worker satisfaction. From their extensive survey research in the plant, the authors show that represented advisors contributed strongly to successful production outcomes in the plant, precisely because they were more adept than traditional front-line supervisors at solving the kinds of people-problems that so often plague participative production systems. While the union's role was changed and members' attitudes toward the union were mixed, union members returned the original leadership team to office repeatedly. When the members decided they wanted a change, the slate that successfully opposed the original leadership team still supported the basic Saturn industrial relations model. After all, most workers want to go to work and do their jobs in a positive and supportive environment; as long as they are not harassed by management, they tend to have a robust commitment both to their work and to their union. The authors' surveys confirmed this support, with 84% of respondents indicating the partnership was heading in the right direction and only 10% saying it was heading in the wrong direction.

What makes partnership work for both the company and the union? Research reported in the book, along with new research by the authors and others, suggests that partnership builds broad networks of social capital. Social capital—the dense network of relationships among people engaged in a cooperative enterprise—has salutary effects at every level of the industrial relations system. At the workplace level, workers and managers interact with each other—not just among people with common skills, roles, and backgrounds, but also across these boundaries. The stronger these connections, the stronger and more productive will be the organization engaged in the production or service-delivery process. Since union and management bring different strengths into play, each has an important and mutually supportive function. At the collective bargaining level, social capital has long been understood as an important part of industrial relations success; bargainers who know each other well and establish mutual trust are more likely to be successful at resolving conflicts. While we have less experience in strategic labor-management engagement, we have reason to believe that social capital should play a similar role here.

Is *Learning from Saturn* a current story or just a good history? I would argue that the principles that underlie Saturn remain intact and viable. While labor-management participation has not lived up to its promise to date, this may be more due to the resistance of the parties than to any basic flaw in the concept. It may especially be due to managers' inconsistent implementation of and lack of loyalty to the very participation models that sound so good initially. Labor-management participation calls on managers to support cultural change, and organizational culture that is hostile to employee representation—and perhaps employee involvement—runs very deep in the United States.

Learning from Saturn is an excellent window into the labor-management participation process. It provides a useful case study for instructional purposes as well. I have used the book twice in classes as the basis for a productive discussion about participation. Since most of our program's students are working adults with ties to the automobile industry, *Learning from Saturn* provides useful leverage for discussion. With labor-management participation at Saturn still producing such hot debate, the authors would do themselves and the industrial relations community a great

favor by establishing a web site for their book, tracking current developments both on the shop floor and in theory. This debate is not over.

Michael H. Belzer

Associate Professor
College of Urban, Labor,
and Metropolitan Affairs
Wayne State University

Industrial Relations, Politics, and Government

Labor and the Environmental Movement: The Quest for Common Ground. By Brian K. Obach. Cambridge, Mass.: MIT Press, 2004. 338 pp. ISBN 0-262-15109-X, \$68.00 (cloth); 0-262-65066-5, \$27.00 (paper).

What are the possibilities and limitations of alliances between labor and environmentalists? In contrast to those who see these groups as inherently at odds or separated by strong cultural barriers, Brian K. Obach argues that the difficulties of blue-green coalitions are rooted largely in organizational factors. Obach's book provides a useful empirical sociological analysis of the bases of cooperation and conflict among labor and environmental groups in the United States. It highlights processes by which groups sometimes manage to unite against a common enemy and the ways in which the structure of social movement sectors and the demands of organizational maintenance make this cooperation tenuous. Despite a few limitations, this is a good book on a very important topic.

Obach starts by showing that labor and environmental interests are not inherently contradictory. Drawing on previous economic analyses, he convincingly argues that the infamous jobs versus environment trade-off is overblown (or at least only applies in a limited number of settings). Looking historically, he shows that organized labor and environmentalists have cooperated to support several important policy initiatives—including the Clean Air Act, OSHA, and community right-to-know legislation—as well as, more recently, to oppose NAFTA and the WTO.

Yet a basis of shared interests is not sufficient to produce effective coalitions. Obach argues that actual processes of coalition formation must be examined in light of a “coalition contradiction,” which is rooted in the structure of Ameri-

can politics and the dictates of organizational maintenance. According to this analysis, the fragmented character of the American state—with its multiple branches and plethora of administrative agencies—combined with the explosion of environmental groups in the 1960s has produced a crowded social movement sector with many different (and often narrowly focused) organizations. Because of this, coalitions are crucial for achieving significant policy changes. But at the same time, the number and narrowness of social movement organizations undermines the formation and persistence of coalitions, since organizational leaders find themselves at risk of losing members and financial support if they move too far away from their core issues and missions. This is a more serious problem for environmental organizations (and other voluntary associations) than for labor unions, since the latter produce largely “private goods” for a stable membership base.

In spite of the coalition contradiction, labor-environmental alliances do form. Obach shows that they are facilitated by previous interaction among leaders, moments of crisis, and the skillful work of “coalition brokers” who have the kind of overlapping experience that allows them to build effective “bridges” between camps. Most of this coalition activity is short-lived and purely instrumental, but in some circumstances, Obach argues, a process of organizational learning can occur, in which broader conceptions of problems and solutions can become institutionalized in an organization.

Most of the analysis is based on case studies of labor-environmental coalitions in five states—Wisconsin, Maine, Washington, New York, and New Jersey—with information drawn from organizational literature and interviews with labor and environmental leaders working at the state level. These case studies are supplemented with an original survey of state labor leaders. Clearly the research has provided Obach with a wealth of rich information from which to draw.

Although Obach never cites sociologist Charles Perrow's description of organizations as “recalcitrant tools” (*Complex Organizations: A Critical Essay*, 1986), his main argument resonates with that image. Obach discusses a variety of instances in which narrowly constructed organizational goals (“We just don't work on that”), leaders' perceptions of members' interests, and the need to compete for resources (from members and foundations) produce a kind of organizational inertia that makes substantial cooperation difficult.

There are a number of appealing things about