

**MANUFACTURING
MAKES AMERICA STRONG**

Statement
of
Don Rainville
Universal Dynamics Corporation
on behalf of
The National Association of Manufacturers
before the
Commission on the Future of
Worker-Management Relations

August 10, 1994



**Testimony of Don Rainville
President, Universal Dynamics Inc.
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Introduction

My name is Don Rainville, and I'm the president of Universal Dynamics Inc., located in Woodbridge, Virginia. We design, manufacture and market machinery and software for the plastics industry. Our main products are dehumidifiers used to temper the plastic pellets that go into every plastic product you see today.

I am also a member of the National Association of Manufacturers' Board of Directors and its Employee Relations Committee. The NAM is a voluntary business association of more than 12,000 member companies and subsidiaries, large and small, located in every state. Members range in size from the very large to the more than 8,000 small manufacturing firms, each with fewer than 500 employees. NAM members employ 85 percent of all workers in manufacturing and produce more than 80 percent of the nation's manufactured goods. The NAM is affiliated with an additional 158,000 businesses through its Associations Council and the National Industrial Council.

Rosemary Collyer, Chester McCammon and myself are joined with representatives of the Labor Policy Association whose testimony we support, particularly as it expresses preference for administratively revising a hostile or outdated interpretation of Section 8(a)(2) of the National Labor Relations Act by the National Labor Relations Board.

Employee Involvement at Universal Dynamics

When I joined Universal Dynamics in 1980, it had just 40 employees, a high turnover rate and modest profits. Now, with 205 workers, we're the largest industrial employer in Prince William County, and we're still growing. We've drastically reduced turnover to the point that even though some workers leave for higher wages or more responsibility elsewhere, as will happen with any firm, they often come back to us later on.

This spring, the German firm of Mann & Hummel agreed to buy us out for the price of \$13.2 million, more than 30 times earnings -- a pretty high price for a manufacturing company. We will finalize the sale this summer. I'll be staying on as president for at least five years.

This sounds like a Cinderella story, and in a way it is. Only instead of a glass slipper, the transformation is due to a lot of hard work, a committed workforce and a workplace philosophy that emphasizes trust between employees and management, cooperation, continuous change and continuous learning.

A key part of our workplace operations is what has come to be known as employee involvement. At our workplace, employees take part in nearly all workplace decisions and also initiate changes in procedures right from the floor. We all work together on everything, and, as I've just demonstrated, we get results.

Yet I've found that outside our company, there's a real lack of understanding about employee involvement and its role in management. People think it's the latest gimmick, or that it simply involves meetings once a month to allow workers to vent steam and keep them happy. Of course, neither of these is true.

To understand employee involvement, it may be helpful to talk first about what it is not. Specifically, employee involvement is not something that exists in isolation in a plant. It's not like buying a new accessory for your car -- a radio, say. You don't just slip it in and turn it on with the flick of a switch.

Also, employee involvement is not something that can be legislated, like a tax increase. Employee involvement is based on human intangibles like trust and self-motivation. You cannot direct someone to trust their employers, or trust their workers. It's like ordering a man to love his wife.

It's not about calling meetings once a month, and then doing whatever employees tell you to do -- or taking their suggestions down, for show, and then ignoring them.

Here is what employee involvement is. Employee involvement is part of an overall management program. It must be integrated with all the other programs operated in a workplace, including quality control, training and education. And conversely, other programs are an integral part of employee involvement.

Employee involvement is an attitude. It's a relationship. It's a process that has to evolve. It's based on trust. You can't say, "You will now trust your employers and your employees." It requires time, plus caring and sharing, and an ability to "go with the flow" whenever the flow will lead to improved procedures or a better working atmosphere.

And frankly, it works so well, we wish we could keep it a secret so our competitors didn't hear about it. But since many kinds of workplaces could benefit from employee involvement, we think it's important to spread the word. Education and encouragement are the way to induce more employers to institute employee involvement practices at their plants.

It might help to tell you how we got into employee involvement (EI) and all our related programs, and then to tell you how EI works at our plant.

Before I became president, Universal Dynamics had a traditional management style with an aggressive manager who was more dictatorial than most. Upon becoming president, I resolved I was not going to run a company where people don't like working, so I called in a couple of consultants. They came up with an EI program with employee groups and a steering committee that met as required. The program has evolved since then, although the basic structure still exists.

The workers at Universal are now deployed in teams, and everybody builds machines -- even the supervisors/team leaders. We have no middle managers. Everyone including the floor sweepers is educated to speak up on issues of quality, production and quality of life in the

workplace. When the floor sweeper says, "Why am I sweeping away screws? Why did you buy five when you should have bought three?" We all go to the bank. And our floor sweepers have done things like that!

The employee groups are constantly changing depending on what's going on at the plant. But the rule is: anyone can bring up anything for discussion, and the issue will be discussed. We have never turned down any request -- every one is considered.

We also have something we call the green sheet program to insure quality right from the floor. The name is sort of a misnomer -- we actually use three color-coded sheets to categorize problems as delays, quality-control-related, or engineering-related.

But the procedure is the same. A worker who spots a problem or who has an idea to improve procedures can fill out a sheet. If a standard that would apply to the problem doesn't exist, the worker can suggest one. The sheet then goes to a manager. If the manager doesn't accept the recommendation, the worker is given an explanation -- but is never reprimanded.

We have a big recognition program, and we give out awards. The green sheets get graded. The worker who turns in the highest number of points for green sheets gets \$50. We've been doing it for three years, and I still get a hundred green sheets a month. And I have to say that I'm glad! It shows the workers are still involved, still thinking about their work, and that as manufacturing and market conditions change, we're keeping up with them.

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We accept good workers who don't want to be involved with the program, however. We respect people who just don't want to be decision-makers. They do a great job, too.

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The other important thing is: We have no secrets. We tell the workers practically everything -- right down to the last nickel we made during the quarter just past. This is not standard at many plants, I realize. In fact, our own past president and general manager once said, "You can't tell them that we made \$65,000 in a quarter. They can't relate to that. They make \$5.00 an hour."

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I said, "Of course they can relate to that. They can relate to anything if you give them the whole story instead of just part of the story."

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So from that day on, we started publishing all our financial figures monthly for the employees. How much money I make they have known all along, since the company is publicly held. We have a company meeting every four weeks and we go over all the numbers with the employees, down to how much we throw away in scrap. We have a bonus plan for the employees. We keep them informed about performance throughout the year, and the bonuses are tied to profits.

Here's one example about how the involvement process works. In one of our divisions last year, we had to cut expenses. I said we had to lay people off. But the vice president of the company came back and said, "We have decided that we would like you to lower all of our

salaries by 15 percent, including mine." Which we did. We also let one part-time worker go. He has since been rehired full time. That is the kind of relationship we have.

Here's another. If there was a law saying you had to do whatever your group said, I have no doubt the first hundred-degree day they would all vote for air conditioning, at any cost. Under a properly running EI system, they would say, "You know, it's really hot. Maybe we need air conditioning. Let's get all the facts." And then they'd find out, "Well, gee, we have to pay \$500,000 for the equipment. Then we have to pay so much money a month! And we have to pay for that equipment even in the wintertime, when we're not running it."

Well, we all know that we get paid out of the excess money that's left after we pay for everything else. That's \$500,000 less that we can get paid. And it does get cooler in the fall. I have no doubt that group would never vote for air conditioning. That group might instead vote to insulate the building better. Or get more fans, as we did, along with improved ventilation.

Employee involvement works because it is mutually balanced by both management and the workers' desire to succeed and prosper. I have no doubt in my mind that people will behave responsibly if you give them the information they need to make decisions.

Responses to Questions on Employee Involvement

The Fact-Finding Report of the Commission on the Future of Worker-Management Relations has developed a set of questions about employee involvement, and I would like to address these.

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- o The first question asks: "How can the level of trust and quality of relationships among workers, labor leaders, managers and other groups in society and workplace be enhanced?"

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It's simple. Tell the facts. It's simple, yet it's so hard for both sides in a normal relationship to do, and disclose information.

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What we find is that we can tell employees anything and if you give them all the information, they can understand it. If you pick what they can have and what they can't have, that's when you get into problems. They find out the truth, and they resent very much that you haven't told them.

- o The second question asks: "Whether there is a deep, unrealized interest in participation in the American work force? And if so, what keeps these employees from taking initiative on these matters?"

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I would say, yes, there is great unrealized interest out there in employee involvement. But the adversarial relationship that exists between labor and management in so many organizations is very deep. It takes management to bring that out and take the initiative. It's not something that will come out on its own, and you can't legislate it away. It's up to management to serve as coach in the process of converting to employee involvement.

- o Question three asks: "Should employees have some voice in initiating employee participation and, if so, how should this be done?"

The answer to this one is simple, too. Employees have to be able to initiate things, or you don't have an employee involvement program. How you do it will depend on each individual firm, but there is advice available via consultants, associations and business organizations.

- o Question four asks: "Should employees have some voice in determining whether, once started, a given employee participation process should be continued, changed or terminated." And again, if so, how might this be done?

If you have an employee involvement program, where people are making decisions, they clearly have the decision whether to continue it or not. If a program isn't working and management changes it, fine. If management comes in and changes a program that is working, then the managers get what they deserve.

- o Question five asks: "How serious are economic obstacles, such as downsizing pressures for short-term results, high start-up costs and lack of understanding in the investment community? What if anything, can be done to address these issues?"

There are virtually no start-up costs to an employee involvement program. You could say I paid a consultant \$8,000 to come in here and set up employee involvement groups, but our increase in efficiency was so fast and our improvement in morale was instant, that over time the cost balanced out. We always have training anyway in areas such as supervision, how to get along with people, total quality and so forth. It takes time. But it saves money inversely to what it costs. If I spend \$10 on employee involvement, I save \$100. And as for downsizing, at our shop, if we eliminate one job, we end up creating two others because we're expanding. I think word has to be spread that instead of costing more, employee involvement saves money in the long run.

- o Question six asks: "How should the legal uncertainties and limits on employee participation and labor-management cooperation be addressed without discouraging workplace innovations that enhance the competitiveness of the modern workplace and without risking return to the conditions that motivated passage of these protections?"

These are two separate issues. One is interpreting the laws so we can legally do what we're doing. This is entirely separate from the other issue that this questions raises, i.e., "Do we need additional laws to control abuses that may result from this type of a program?"

Our position on the first one is obvious. Yes, we believe laws should be made more permissive to employee initiation of programs such as employee involvement. As for the second issue, if a need develops and people need protection, I'd be the first one to vote for it. Our

philosophy about government legislation is: Get out of our way and don't do anything until you know you have a reason. Flexibility and performance should be the objectives.

- o Question seven asks: "What, if any, government strategies can assist the diffusion of employee participation and labor/management cooperation?"

As I stated earlier, the government doesn't belong here. This is business. It will be driven by competition. The government is interfering with my business if it speeds up the advancement of my competitors to accept employee involvement. Now, if my competitors learn that because I've beaten their pants off that maybe they ought to do it, that's fair. However, the government could safely get the word out that it's working, or encourage it.

As the Commission stated, the question in respect to legal policy is whether, and if so, how, the National Labor Relations Act should be revised or interpreted to permit nonunion firms to develop employee participation plans that have been challenged under Section 8(a)(2) of the Act.

One suggestion is self-managed production teams, particularly if a team addresses not only efficiency and product quality but also workplace safety and other matters of direct concern to employees. We are in favor of such teams.

Another is to institute in-house dispute resolution procedures in which employees may participate. We don't have disputes at Universal Dynamics. But we have rules, and procedures

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that are followed if any of these are broken. And yes, we are in favor of employee participation
in development of these procedures.

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We are not in favor of joint quality of life committees, in which some of the members
are employees selected by management, and others are selected by employees, simply because
we don't have permanent, standing committees. Any kind of committees I have six months from
now I don't have today. You can't legislate something that's permanent. The whole idea of a
good, working employee involvement system is that it changes to the needs of the organization.

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We are absolutely in favor of no longer limiting the freedom of non-union employers to
establish procedures by which its employees will deal with (as opposed to collectively bargain
about) conditions of employment. The law should be interpreted to allow such.

The Commission has suggested that further understanding is needed of the barriers to
starting or sustaining employee participation. The four factors the Commission says appear to
be important are insufficient trust, inability of employees to initiate participation, economic
pressures on employers and government policies and legal issues.

That's an accurate statement for the most part. However, I don't relate to the part about
"economic pressures." I think companies have to encourage employee participation because of
economic pressures.

In conclusion, I have this to say. Employee involvement, when properly running, works. And more and more workplaces are beginning to realize this. I'm certain something momentous is happening in U.S. companies. I don't think there's any comparison to what's ever happened before. I think it's something new, different from anything I've ever heard of happening before.

Let's hope, for the future of U.S. business and manufacturing, that it continues.