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Peter Pestillo

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AN ASSESSMENT: WHERE WE STAND TODAY IN TERMS OF THE DEVELOPMENT AND UTILIZATION OF HUMAN RESOURCES - A U.S. PERSPECTIVE

*Peter Pestillo**

IN YOUR OPENING COMMENTS you summarized the three most gripping issues, I think, facing industrial relations today. And, I confess, I do not have the answers to any of the three, but I do think they are the most prominent things with which we will deal over the next generation. I guess my general counsel obliges me to confess in the presence of so many distinguished lawyers that I used to be a lawyer. I would like to go on to add that I am almost fully recovered.

I do not think any industry has known the pains and perils of globalization more than the auto industry. We began our lives with the best of all bilateral trade agreements; that is between the United States and Canada. It has allowed us to organize our North American operations around the premise of freedom of trade and the dynamism of freedom of trade. We find ourselves in a much smaller world today, a much more complicated world that grows smaller by the day.

Auto components are now made where they are cheapest to be made. Our Ford workers in Cleveland find competition not only in the rest of Ohio or Michigan, but in all of the developed nations, and will soon find themselves troubled by the likes of China and East Asia. That has put a tremendous pressure on all of us in the personnel community to find ways to be effective at the same time as being profitable. But we did not plan it that way, we probably would not have intended it that way, and we might have operated differently were we able.

We grew up in periods of fixed currency and regulated trading. Now we find ourselves in two troubling new dynamics. It seems that all the variables stay variable and we, regrettably, stay constant. And so we have got to find some way to increase our ability to change while the world around us is changing. That is not easy for those of us in industry, and certainly not for those of us in management.

I think there is one fundamental in which we must deal if we are to be fully effective in a global economy. We must be the best at managing our people. People are now going to be, if you will, the most important competitive element in this world of change. If the American and Canadian companies do not have employees who are committed

* Peter Pestillo is the Executive Vice President of Corporate Relations for Ford Motor Company.

with a high order of dedication and training, people who are willing to undertake new skills and perform without material supervision, we will not be competitive. We will fail. It is that simple.

We are not going to low-wage countries. We cannot compete in that downward spiral. We can only get so small and still be efficient. There is a functional size for all of us. We can not drop below that level and stay effective and competitive, and stay open.

At Ford, we began to understand this in the period of the early eighties. It is easy to gain humility when you have the record we had in the early eighties. I think without humility, one does not learn. If you find yourself competing door-to-door with the Girl Scouts to sell cookies, and you are failing, you soon discover that you have got to get better at selling and making cars. I think we did that.

We re-engineered the company in a couple of ways. We worked at our people factor. We decided we had to get the kind of work force that had dedication and quality, a commitment to excellence and productivity and, indeed, profitability. We had to do that in the union setting because that was not about to change. Only eleven percent of our private sector work force is organized today. That may be successful, but to me it is a waste of capital and people and is disruptive of the community. We have had to find a way at Ford not to do that.

We have changed a number of facilities, but we have not changed any street addresses. We rebuilt our plants in our communities and kept the people with whom we grew up fully employed and fully aware.

We began the eighties with the same old frailties that many of us still have; we had a top-down management style; we had a legalistic approach to labor relations; and we had what might be characterized flatly as a paternalistic approach to our people; we always thought we knew better. We were pretty good disciplinarians. Within all of that, we found no way to engage our employees in the competitive fight which we had undertaken.

Fifteen years ago, as the eighties began, the auto companies were facing tremendous competitive pressures. We saw our world change overnight with two energy crises. To put it in perspective, because Cleveland was the site of much of the drama, we began 1979 with ninety percent of our products taking V-8 engines. Before 1980 was over, only forty percent had them. That is pretty disruptive to all the investment; pretty disruptive to the folks in Cleveland. Foreign cars had increased their share of the U.S. market to about thirty-three percent. We were drenched in red ink and faced with limited prospects for survival. We were clearly limited, and others suggested we might indeed fall. Chrysler was on the brink of bankruptcy and we were perilously close. There was nothing to do but shake our heads a couple of times and get on with the task at hand because we had a rich history. Most of us here do. We were not about to squander that. So we were

going to take what benefits were represented and meet the challenges we thought we faced.

We had a couple of efforts to undertake. One was to get our house in order. We got our costs under control; we dedicated ourselves to quality; we changed our styling. We took some steps that probably were bolder than one would take in a modest period of difficulty. But I think difficult times of that variety required significant changes, not modest ones. We had to be bold.

We fought back. Most importantly, we communicated the problem to our people. We engaged them in the process and made them a part of the solution. That was a dramatic change for us. Again, we were all brought up in a process under which management knew best and people were told to leave their thoughts at the door and come to work.

What emerged was a new concept of labor relations based on cooperation. It was based more importantly on respect and trust, which had not taken place in the labor relations world before. We effectively delegatized our labor relations operation and applied more traditional personnel approaches. We humanized. We got people involved and engaged them. Not merely in making the product, but in helping to make the product. There is a significant difference there. We set a whole new world in place which has come to take over the personnel function in organized situations today.

On the plant floor and in the laboratories, we began employee involvement. We began training and engaging people, as I said, in the process of change. Surprisingly they were very willing to do so. I think we tapped the vein and it was rich.

We put a tremendous emphasis on education. That was one of our frailties. We found ourselves doing tremendous training; we spend about a quarter of a billion dollars a year on training. That sum does not bother me. What bothers me is how much of it is spent on remediation, how much we have to pick up after a lagging, if not failing, education system. This is one of the competitive burdens we do not meet fully in the United States today.

If you are going to empower a work force, you have to train them. You have to find the tools and the resources. We simply assumed they were available in the people coming to us from school. We discovered, however, that in many cases school was a place to pass the time, not the courses. We have had to repair so much of that. It is a competitive disadvantage for a lot of us in America.

With the help of the union we changed the course of Ford. We tooled ourselves, in my view, for the next century and pulled our way out of the last one. But the pressures of globalization have not left us, certainly, and with the number and nature of competitors in the auto industry, we have no choice. We will not get the long production runs unless we can operate around the world, both in the existing and the

emerging markets.

China is a place that one should not have to be, but cannot avoid being. It is one of the great choices most of us will face in industry over the next ten years. It is a terrible place in which to operate now, however, it is too large for one not to operate in. We have to find our way through that while maintaining the competitiveness we have here.

As the eighties unfolded, it happened that Ford had to take a stance, had to take some chances. I think we did. I think they were wise chances, as it turned out, but we were bold and perhaps even reckless at the time we took them. We had to become a global company. We operated everywhere. We operated in four separate entities. We were in all of the world. Half of our 330,000 people were, and are, outside of the United States. We were separate legal, as well as production, entities. That had to change. We tried to fuse that together with the difficult personnel implications that it had. But I think Ford 2000 will ultimately be a truly multinational company. We are going to operate as an international entity with one body of management, but separate pools of labor. I think it is easier to bring management together. We have to interchange our people among the various countries. That is a challenge from the standpoint of computer capability, finding out who is out there and what talents they have, defining whether there is some interchangeability. We are in the course of doing that now. We are not quite that way yet, but we will be. Most of us have to think that way. There are barriers to marketing. The best way to overcome such barriers is to have people find ways to take them down, to find ways to compete. I do not think we can have separate national forces and be as effective against those who we determine to be the international community.

That is Ford 2000. We are trying to drain the oceans. We are trying to drain the mind-sets that say I operate in this nice, comfortable legal entity in which I find myself. The benefits will be enormous if we do it. We will find those economies of scale that at our size are critical, as the size of most of the companies represented here are very, very important, if not critical.

We are beginning to develop, assign, and promote salaried people based on skill. We find remarkable interchangeability and commonality among people. That is easy to do. At the same time I think we have got to maintain our domestic relationships wherever we go. Our hourly people are not as interchangeable. They are certainly not as global. And there are legal constraints against operating in ways that offer the flexibility of a salary.

We have got to find a way to blend the difference in the two cultures and have one operating entity. However, from my standpoint, that is not the hard part. The hard part is coming in every day and moving the needle just a little bit to make the changes that allow us to

stay open and change, rather than simply to stop the change. We do not have that luxury for the most part. But we are still working on it.

Let me address the conclusions. As I said, we are global. We are going to have to be that way. That is a mind-set we have to adopt, fix, and retain. It will not change. We might like to go back to a more insular society; however, it is not there, it is not available to any of us.

I think that the theme to which I keep coming back is that which makes the difference: that is what distinguishes the good companies from the mediocre ones. It is not an easy American notion. We value our joint programs. They are very effective. They are effective because they are indeed joint.

I said that it was humility that drove us to change. We have found that we do not know everything. Many have concluded that before we did, but we found it and we accepted it. By engaging our people, we get the best of all as part of the process. By conferring ownership of programs, we get utilization of programs. There is no such thing, in my view, as the blue collar worker anymore. In effect, it is more nearly a gray collar.

We like to offer our Romeo, Michigan plant as a model. We have invited a number of people, including the Secretary of Labor, Mr. Reich, to this model plant. We have challenged anyone to distinguish between the hourly and the salaried people. Most people cannot do it. It is the most efficient, most effective engine plant in the world. One distinguishing feature is that it has no supervision or inspection. Those are impediments to efficiency. We find ways to do it with people because we train them. They have come to be committed. That is how one gets effective and profitable. We have to add value to the rates we pay, not simply to try to reduce the rates we pay. That is a completely failed science.

What The National Research Council suggests is that half of our work force will lose half of its skills in three to five years. They are going to be obsolete. That is how dynamic the process is.

I think our educational system has failed because we are still training in nineteenth century ways. We are doing rote memorization, teaching people what to learn, not the process of learning. We at Ford do not know what one will need to know ten years from now. We know that the average hourly worker will have to know some process. What used to be called shop math is no longer merely math. It is a little bit of calculus, a little bit more complicated than that which we were taught. We can confer that knowledge, we are big enough. But we have to find some way to begin to improve our education system so that the average size employer can get qualified people to come in and be further qualified, trained, and developed. We are not doing that today. I think it is my obligation to talk about some of the things Ford is doing. We have what we call our Ford Academy of Manufacturing Sciences,

which takes eleventh and twelfth graders and interests them in manufacturing. We have all been fascinated over the years with high tech. Auto plants are still pretty high-tech. I think the resurgence of the so-called rust belt is the manifestation of the fact that we got pretty good at what we did. We are the ones who built this country, not those on route 128 in Boston.

If we can engage the best of our people in a willingness to participate in manufacturing, we get better at manufacturing. That is how we grew our two countries. We have to find a way to get people interested in manufacturing. We think the Ford Academy of Manufacturing Sciences accomplishes this, but it does it in a way that is corroborative. It works with the schools. We have to continue doing that. We can sit, whine, and complain we are not getting good people. However, unless we step out there and tell the schools what we want and then help them to develop what we want, we deserve what we get. What we currently are getting is not that with which we can live over a lengthy period of time. We want people who are capable of learning, not merely trained. We want people who are willing to learn; we want people who are flexible and adaptable. If we do not have that, we cannot bring about the changes we need.

I think the key part of the wrenching change we made at Ford was not that we got people willing to learn, but we provided the capability. We made it accessible, desirable, important. People took to it. I think that people around the world are not materially different. They come with their pride. They want to do their job. They are willing to try; they have to be engaged. That is a problem I will leave for the rest of us. I do not know if it is big enough to handle these competitive pressures, as I said. Schools have to help us. We have to help them. We will do it at Ford.

A second program we are undertaking is the National Employer Leadership Council. Our chairman is the head of the program developed by President Clinton. We are involved in something called school-to-work. It is not very precise and formal. It goes to the schools and presents to them what takes place after people leave school. Sure we have a continual learning process. We have to find ways to get the schools to see what we need to do. We have to help them decide how to go about helping us. That is critical.

We have come forward. We have made a lot of progress over the years. We have all been studying everybody else, especially the Japanese. We found one painfully important truth: we were as good on the technical side as the Japanese. We knew how to make cars. We did not pay attention to our work force, however, the way the Japanese do. We lost our flexibility because we did not train people to do different things. They were much better at producing cars, not from the automation side, but from the people side.

We have operated under a democracy. By design, democracies are notoriously slow and do painful things. We made a work force and workplace in democracy. Now we have to find ways to go about dealing with the freedom we conferred. That is not like us. The Japanese start with the presumption that you will do your job. They provide the tools, the resources, and the training facilities to allow you to do it well.

Americans have always had a presumption that you will not do your job. Consequently, we audit, supervise, scrutinize, and oversee. None of that is value-added. All value takes place at the work station. We have to find ways to make the work station productive, not to make ourselves productive. Reducing layers of supervision has limited value; engaging the people, in my view, has real value. We have all grown up merely managing, causing work to be done, measuring performance, and counting pieces. Now, if we are going to democratize the work place, we have to find ways to lead, to cause people to do things.

Harry Truman once defined leadership as "getting people to do what they do not want to do and like doing it." That is what leadership is about. Leadership is not about seeing that people are in at eight o'clock. Leadership is about seeing that people think about what they are going to do on their way to and from work. That is how they are going to be effective. We were trained that way, we were not brought up that way. Some of us do not expect to have to be that way. But I think that is the challenge for us. It is easy to lay these responsibilities on our hourly work force and say they are the reason we are not competitive.

I would argue that people are people all around the world. People who are properly led are effective. People who are properly trained can be led. People who are good managers cannot always lead. But we must not have managers who cannot lead. We have no choice if we are going to compete globally, as we must.

If we are going to retain the standards of living that we have come to enjoy in our two nations, we have to find ways to stay effective, to be competitive, to grow, to develop, to manage, to train, and to lead. You can say we will get by. We will eke it out. There is enough time for most of us to see it through.

But our two countries, in my view, were built on one premise; conferred opportunity. We are immigrant nations, both of us. We came to greatness because we provided jobs when other nations did not. We provided opportunity. We had the gift of leadership. We can simply relish and enjoy it or we can confer it. I would like to believe that this is not just an opportunity for us; rather, it is an obligation.

