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Discussion

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DISCUSSION AFTER THE SPEECHES OF PETER PESTILLO AND
GORDON BETCHERMAN

QUESTION, *Professor King*: You can see why Ford is doing so well as a business today. Peter Pestillo is the architect. I wanted to give you the opportunity to ask Peter some questions.

I had a question that perhaps you could help me with. You spoke of the cooperation of unions, and I think that is important. Do you find that there are any legal barriers that you run into in cooperating with unions? Are there legal statutory limitations within the framework of the ability to do the things you want to do?

ANSWER, *Mr. Pestillo*: I am not the best one to answer that question because our relationship with the UAW has been largely an extralegal one. It is more primitive, unfortunately, most of the time. But we do not operate through the NLRB very much. I think there are artificial impediments that — I will call them quasi-legal because, to me, the NLRB is not a policy body, it is a judicial one. And that is unfortunate, because the rules seem to change regularly. But I do not think there is anything we do that is effective because it is legally required. There is not an obligation of consultation, communication, and the like, but I have not seen anything that we have reported by virtue of the process.

QUESTION, *Professor King*: In terms of the industry, do you think the workplace has changed for the better, or is it more difficult? Do you have any evaluation as to where we stand in terms, generally? I know the situation at Ford. Do you have any general comments on the joy of the workplace?

ANSWER, *Mr. Pestillo*: You put it correctly. The workplace is dramatically different. The tensions of international competitors, of not knowing where your competitor is, or what he is doing has posed real problems.

Also, we feel the effect of downsizing, which you characterized very, very well. There is no job security today. I think there ought to be more than there is, mind you, but I think part of the lag in our economy at this point is the fear of dislocation. It is not just there. All the signs are good. People are spending. But no one knows whether or not he is the next to be laid off, so there is materially more tension. But I think the empowering of workers at the same time has indeed introduced some joy to work; work is not the ritual, rote, repetitive task that it was, even in our place, which is still largely machine-paced. So yes, there is joy, but there is also a lot of tension.

QUESTION, *Mr. Langmack*: When it comes to education, some of us are busy educating ourselves and our children, and some of us

work on school boards. I find out that it is extremely difficult to get these school boards — not the one I happen to work on — to be interested in vocation. They finally accepted it, and we have a good vocational education program. But we still are not giving them the opportunity to think through what they should think about, we limit them. You spoke about how education is important. I agree with you. Is there any way that we, as a private community, could really get our school boards thinking along the lines that you are talking about? How are you doing it, or are you doing it?

ANSWER, *Mr. Pestillo*: Absolutely. Ultimately, we are their customers. There is an errant notion that one has to have a college education to be effective. The truth is, a mere college education is of no avail in industry today. And yet we have colored the collars, as I suggested. We really have at least gray collar work, and skilled trades jobs are highly remunerative and available. We are in desperate need of these workers all the time. We need to convince those schools that that is where the market is; they have to learn that the market has shifted. They have to stop venerating college education and begin to provide useful education. It is not wrong, in my view, to be an electrician. It is wrong to provide training that does not lead to work.

Most school boards are not made up of bad people, they are just misled, to some extent. They are not thinking far enough down the road. There is a host of community efforts available that can lead to that, and there are some broad national concepts.

QUESTION, *Mr. Harvey*: You spoke about the graying of your work force, and by that you mean stretching it from blue to gray, not as an age matter, of course. I would like for you to compare that to what the Japanese have been able to do world-wide as they move offshore and try to apply the lessons that they learned in Japan to foreign work forces, including work forces in the United States.

ANSWER, *Mr. Pestillo*: Unfortunately, it is a good point. The answer is yes, they have done it. The Japanese recruit in Japan for hourly workers the way Americans recruit in the United States for college grads. In other words, we take the best of the best. Go to the best schools, get the best people, and relocate. Obviously, most of our hourly force is taken from a local community.

The Japanese have never accepted that they had to have less than the best people, and then provide training. They teach their system, but they start with a good product.

Let me give an illustration. Mazda did not work in the United States until they opened the plant in Flat Rock, Michigan. They had 93,000 or more applications for 3,000-plus jobs. They combed them very, very well. They started with the very best people.

We have got a hundred thousand people operating today, some of whom I would not have hired were I starting over. We at Ford did not

test until 1996, we just sort of spot-checked to see if you were a warm body, in many cases.

We filled a shift in Cleveland in 1979. It was company pride that we did it in two days. We hired a couple of thousand people. Everybody we recruit now has been tested. They are tested for their ability to work in teams, things like that. Is that the best way to go about it? Absolutely. If you do not recruit well, you do not develop well. It is a needless burden to assume.

QUESTION, *Mr. Harvey*: Is that the way that you are going to make sure that you gray your labor force throughout the world? Is there a difference in cultures that is applicable here? What is your approach to doing this overseas? You are just learning how to do it in the U.S. market now. Are you doing the same thing overseas today?

ANSWER, *Mr. Pestillo*: The truth is we always did it in Germany, interestingly, because the German national system develops skills. We are really applying German-like techniques around the rest of the world.

But if you look at how business is developing in North and South Carolina, Alabama, and the like, it is the state-assisted training, which Ohio is beginning to try to do, that has provided qualified workers. In fact, they do job training to some extent, which South Carolina clearly does. They help with the selection and things like that, and it is a major advantage. It is what we have to grow into.

In my view, the interesting thing is people are virtually interchangeable. We always thought it hard to operate in Britain. The British people were thought to refuse hard work. Jaguar is a good example. We now build the same number of units as Jaguar with an eighty percent improvement in quality with half the work force, half the size.

COMMENT, *Mr. Erdilek*: I wanted to draw your attention to the human resources aspect of top management. Recently, Ford Motor Company has been used as a unique instance of a top American corporation that is headed by a non-American, and then as a result of the basic takeover of the Mazda Corporation in Japan, again headed by a non-Japanese. In this case it also happens to be another Scotsman.

COMMENT, *Mr. Pestillo*: Well, there cannot be many more Scotsmen left.

QUESTION, *Mr. Erdilek*: Yes. But, is this a deliberate policy or a philosophy in Ford Motor Company to globalize the top management and get the best possible people, regardless of their nationality, to improve the managerial potential and actual power of the company? To what extent is this encountering resistance given the fact that Ford is still a very American company?

ANSWER, *Mr. Pestillo*: Let me certainly say, it is, to some extent. But there is an intention to globalize the management.

Not coincidentally, Europeans, in my view, typically have been

more global in operations. Americans are particularly insular because we have a big enough country to be self-contained. It is big enough to take anything one sells. Half our business, for example, is still here. So there is always an inclination to look here.

But it was the Europeans who dealt with multiple currencies and laws. It was the Europeans who dealt with cross-national marketing and dealing with allegedly different tastes. Europeans have been more global for centuries, so there is an easier inclination towards it. I think we will find more non-American managers at Ford and other places. There is a greater facility of language for one thing. So yes, I think the bias, if it is that, will be toward more foreigners, if I can use that term. It would be an American company, more foreign participation, very, very clearly set.

Interestingly, on the labor side, which I oversee, we are doing it with no noticeable disruption. We have got Germans in the American personnel system and we have had two senior British managers involved in U.S. labor relations. They understand it pretty well.

QUESTION, *Professor King*: I had a question which I thought we might grapple with. You spoke of models for the workplace. What about the difference between high-tech and low-tech? Are you going to have different models depending on what type of industry is conferred? Is Ford going to be different from, say, Hewlett-Packard? Do you want to comment on that? I am intrigued by these models, because I think you have identified some things that were not always obvious to us as trends. We do not spot the trends because we live in the immediate world. You might comment on whether there are different models for different types of business.

ANSWER, *Mr. Betcherman*: Models are a technique you use to try to summarize a lot of information. Obviously they are blurry. Some companies fit them better than others, but I think that the kind of distinction you are talking about is really important. I do not think it is so much that Ford will have a different model than Hewlett-Packard. I think that Ford and Hewlett-Packard will have a different model than the little fast food joint down the road.

In the world of very competitive markets and high technology, we are finding that large companies are increasingly coming to the conclusions that for them to compete, they have to adopt what we call this high performance model. The business press always talks about that as the way to go, but obviously that does not make sense in industries where you do not need a lot of skills to do the work; where it does not make any economic sense for the company to make those kinds of human resource investments. So in that case, yes, I think we see a very different kind of employment model, and for good reason.

QUESTION, *Ms. Houston*: I have a question about the model as well. The model of high performance has generally come out of fairly

homogeneous cultures and has been transferred into different cultural contexts around the United States. Do you see any distinction between the two jurisdictions and how they adopt those models on a local level? The way decision making takes place in workplaces is quite different between the United States and Canada. There is much more consensual decision making in Canada, as there is in most of our structures, as opposed to a very democratic kind of majority rules decision making in the United States. And I do not know if that is anecdotal, but that has a different implication as you look at international corporations and the way they structure themselves.

ANSWER, *Mr. Betcherman*: If I understand the question, as everybody grapples to move towards this high performance model, to what extent is the process likely to be different in Canada than in the United States because of differences in the way decisions are made in the two countries? I do not know. I primarily study Canadian companies. But I do know that the issues seem to be very similar when human resource managers, researchers, or consultants in the two countries discuss things. I tend to find that it does not really matter which side of the border I am on, with the major exception that, in Canada, the union factor is different than it is in the United States.

QUESTION, *Mr. Robinson*: As a lawyer I know nothing about human resource management because 200 partners and one leader creates a situation not unlike one leader trying to herd cats. Lawyers do not cooperate very well at all. The thing that has always fascinated me is why there has never been any real pressure to move to the two-tier board European model where the supervisory board has the labor representation on it and they also have an actual decision-making board. It seems to work in Europe. We are talking about globalization of corporations. In Canada right now we are examining from all perspectives, including corporate governments, our Canada Corporations Act. Why has this idea just not caught fire at all here in the United States?

ANSWER, *Mr. Betcherman*: I think that at a policy level there has been a lot of interest in that kind of model in both countries. In the United States there was a commission chaired by John Dunlop, a legendary figure in industrial relations, set up by the Secretary of Labor that operated in the first two years of the Clinton Administration. And that commission very quickly came to the view point that many aspects of that German-type system of representation should be pursued in the United States, particularly as an option in a culture where they did not see strong forms of collective bargaining anymore.

I do not think it picked up a lot of momentum. There may be people here who are closer to the experience than I was. And, certainly, with the mid-term elections in 1994, any chance for that kind of commission basically went down the drain. But at an academic and policy level, that is an idea that is quite current. It is so difficult to get to first

base in terms of discussing that kind of institutional change with the actual parties that I do not think it has gotten out of the realm of academic and policy reflection.

QUESTION, *Ms. Cordell*: You talked briefly on the role of unions, and I wonder, is the issue of training shunned or pushed aside by companies? Do you see unions picking this up as a bargaining chip? Are unions picking up the slack? Who is going to pick up training, the federal or the provincial governments? Are unions getting involved?

ANSWER, *Mr. Betcherman*: Not really. The segment of the Canadian employer community where a lot of training goes on includes many unions. So, Ford is an example where the union plays an important role in the training. In the segment where we are identifying less and less training, there are fairly low rates of union representation anyway, because of the smaller firms and traditional industries. I think that Canadian unions have, for the most part, bought into the idea that training is important for their members, but our work does not identify them as a big player, except in some certain industries, like construction.

QUESTION, *Mr. Kasoff*: Could you expand on your observation that the Canadian unemployment rate is higher than the U.S. rate and why that occurred? Why is it staying that way?

ANSWER, *Mr. Betcherman*: A month ago I could have answered that, and then I spent a weekend at a conference devoted to understanding why the Canadian unemployment rate has gone up higher than the American unemployment rate, and now I just do not know. If you track Canadian and U.S. unemployment since the war, they were virtually identical. The gap opened up in 1982, and it has been about three or four points ever since.

I think that the explanation in the eighties is different than the explanation in the nineties. In the eighties, even though unemployment rates were higher in Canada, employment growth was rapid. The unemployment rate reflects both the number of people who are working plus a number of people who want to work. The gap in the eighties opened up not because there was a difference in the two countries in terms of the number of people employed, but in the number of people who wanted employment. More Canadians who were not employed reported that they wanted to be employed, and some people argue it is because our unemployment insurance system is more generous. There are incentives for people to be in the labor force registered as unemployed. That may or may not be true.

In the nineties, though, the gap has been less for that reason and more that we have not created jobs of the same pace as the United States. And why that is depends on what your religion is, basically. And I guess I adhere to the religion that emphasized the role of macroeconomic policy in Canada squeezing the economy so much to

get inflation out of it that we have been in a state of recession and semi-recession ever since.

QUESTION, *Professor King*: I have one other question before we close. Peter Pestillo, who represents one of the largest employers in the world, has spoken of the influence of Ford and other countries. Ford is a large employer, one of the largest employers in Canada. How does that reverberate in the Canadian economy and culture? Does that influence what Ford does in Canada? Does that have an influence so that we may be looking at a world that is quite similar?

ANSWER, *Mr. Betcherman*: Yes, I think that in all countries the large multinational employers not only are major employers quantitatively, but they are also important in terms of bench marking for everybody else. I think that a lot of these large multinationals are coming to similar conclusions about human resource management, and it is this high performance model. I think that for those industries where that makes sense, they are providing the standard that everyone else is trying to meet.

QUESTION, *Professor King*: So Ford is being followed by other companies in the world?

ANSWER, *Mr. Betcherman*: Yes, absolutely.

