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**THE WORD IS
PRODUCTIVITY.
THE TIME IS NOW.**

American Productivity Center

Productivity today is much more than a business buzzword, because history does repeat itself. The United States once more is threatened from the east, from the west and now from the north as well, only now the "enemy" is the French worker, the German worker, the Canadian worker, the Japanese worker. But most of all the enemy is us, all of us. The American worker is still the most productive in the world—but we are falling behind. If we lose this war we are all casualties. There are many casualties already; all you have to do is scan the headlines.

Dr. C. Jackson Grayson, Jr., chairman of the American Productivity Center in Houston, and the team he has assembled have perhaps the broadest perspective and clearest perception of the magnitude and the urgency of the productivity issue challenging America most directly in the very areas on which this country's long-time industrial leadership is based.

DH&S Reports spoke with Jack Grayson just after he had been named by President Ronald Reagan to serve on the President's newly formed National Productivity Advisory Committee. The panel, made up of thirty-three representatives of management, labor, academia and the professions, has as its chairman William E. Simon, former Secretary of the Treasury and now chairman of Crescent Diversified Limited. For Jack Grayson, formation of the committee is a clear indication of the Reagan Administration's "commit-

ment to restoring economic vitality through productivity improvement." Perhaps even more important, it creates a forum where management and labor can work together, a condition he calls "essential if we are to restore America's productivity growth."

In a Presidential Executive Order, the productivity committee was directed to:

... examine the government's role in achieving higher levels of national productivity and economic growth;

... advise the Cabinet Council on Economic Affairs and the President's Task Force on Regulatory Relief;

... conduct a continuing review and assessment of national productivity.

There is little about Jack Grayson that fits the stereotype of the "stop-watch-wielding efficiency expert" perhaps the image most called to mind when the productivity question is raised. Holder of a doctorate in

business administration from the Harvard Business School, Jack is a CPA, was a naval officer during World War II, a newspaper police reporter in New Orleans and a special agent of the FBI before being named dean of the business school at Tulane University in New Orleans and later dean of the business school at Southern Methodist University in Dallas.

While at SMU, he was called to Washington in 1971 by President Nixon to assume the post of chairman of the Price Commission. During his two-year stay in Washington, Jack became aware of—and concerned about—the unavailability of reliable productivity statistics, both on the overall economy and for individual companies. He was also deeply troubled by the apparent failure of government and the private sector to recognize the seriousness and scope of the productivity problem facing this country.

Returning to Dallas and SMU after

**Dr. C. Jackson Grayson, chairman,
American Productivity Center.**

his tour in Washington, Jack began enlisting support for the organization he saw even then as spearheading a broad-scale productivity-improvement campaign. Founded in Dallas in 1977, the American Productivity Center moved to Houston in 1979 at the urging, and with the strong financial support, of that city's business and civic communities, support that included a building fund to construct the not-for-profit organization's modern, highly energy-efficient headquarters. There are approximately fifty people on the APC staff at the present time, and it has an operating budget of about \$4 million.

The APC has received the strong support of Houston partner-in-charge Bob Cruikshank and been a client of Deloitte Haskins & Sells since its founding. The team on the engagement is headed by Houston partner Charlie Chaffin, who recently took over from partner Jim Williams when the latter was assigned to DH&S Executive Office, and Caroline Vetterling, a manager with the Houston office Small Business Services Department.

In the opinion of Jack Grayson, formation of the President's National Productivity Advisory Committee is only a first step, albeit one that was

much needed. "There's been rising concern and consciousness about the productivity question in this country over the past five years," he points out, "but even if we began a crash program today it would still take two to five years to turn things around."

Although the advisory committee underlines the government's concern, Dr. Grayson argues that it can and must do more. "I think the government should be leading by example," he says. "It should take what I call leadership steps, not only to illustrate its concern about the productivity question but also to show in concrete terms what actions private industry can take. For one thing, government itself should set up productivity-improvement programs in every government agency. Why should they be exempt," he asks, "when one out of every six workers works for government?" Jack also believes that an important step would be a White House conference on productivity at which President Reagan and other government figures could meet with industry and labor leaders to discuss and outline an action plan.

How much of a role would he like to see the American Productivity Center play in establishing programs and a dialogue among the different sectors? "The APC is the only organization in this country whose sole focus is on productivity and the quality of work life. We are equivalent to similar but much, much larger organizations in such countries as West Germany

and Japan. The APC has the people with the experience and the expertise to provide the kind of assistance necessary to develop and implement productivity-improvement programs in government that would serve as models and guides for the private sector," Jack explains.

Everyone at the American Productivity Center always links productivity with quality of work life. They point out that improved productivity is not speeding up an assembly line and expecting people to work faster. There

Pete Moffett (l.), APC president, with Dr. C. Jackson Grayson, APC chairman.

'We want the money ... to be spent as productively as possible.'

Dick Nystrom

For Dick Nystrom, the variety of activities in which the American Productivity Center engages and the services it provides present a real challenge to him in his role as senior vice president for finance and administration.

Dick, who recently added DH&S alumna Kathy Elliott to his staff as APC controller, pointed out that the not-for-profit status of the center as well as its various "product lines" necessitate careful and creative financial control.

"While we are a relatively small organization, the accounting, reporting and control requirements vary from activity to activity. Our advisory services activities call for reports similar to those DH&S might provide its management to control client billings and track staff utilization. Our seminar activities require a completely different registration and billing system, while our films and training materials call for inventory-control measures. When you add in a publications program, membership program and major fundraising effort, you can see how a small organization presents a real challenge to Kathy and me."

must be as much concern about improving the quality of work life for everyone as there is on increasing productivity. What is vital, they emphasize, is that a dialogue be established among government, management and labor, that the adversarial relationship be eliminated. The focus must be shifted to a climate of mutual effort and cooperation, mutual good.

"Everyone is amazed by the high rate of growth of Japanese productivity," Jack Grayson says, "and that's understandable because of their strong inroads in such high-profile industries as automobiles and steel. But we must keep several things in mind as we study them," he adds.

First, the American worker today is still the most productive in the world. Productivity, however, is measured in terms of its rate of growth and this is where the problem lies. We are slowing down. In the period from 1950 to 1965, United States private-sector productivity grew by 3.0 percent. The rate slowed to 2.4 percent from 1965 to 1973, and declined alarmingly to 0.6 percent in the 1973-1980 period. Indeed, productivity actually declined in 1978, 1979 and 1980, recording losses of 0.2, 0.4 and 0.3 percent, respectively, in those years.

Charlie Chaffin (I.), DH&S Houston partner, and Caroline Vetterling, manager with the Houston office Small Business Services department, with Dick Nystrom, senior vice president for finance and administration for the APC.

To expand on Dick's comments a little further, the APC has four major operational divisions:

...Advisory Services, which includes such areas as customized awareness programs, strategic productivity planning, productivity assessment services, measurement, white-collar productivity services, labor-management cooperation and employee-involvement services.

...Education and Training, which holds regular seminars on productivity improvement (planning, managing and measuring), measurement, and employee involvement; and training programs for managers and supervisors, including Productivity Payoff, Productivity Challenge, Employee Participation Groups, and films, slides and tapes.

...Resource and Information Services, which includes such areas as information services, membership program, publications, a speakers bureau and resource specialists.

Continued on next page

...National Policy, which seeks to stimulate consideration of productivity at the highest levels of government.

Because the changing perception and awareness of the productivity issue require the APC to be flexible, Dick finds himself deeply involved in budgeting and strategic planning.

"Two-thirds of our income is earned, while one-third represents contributions from Founder, Sponsor and Member organizations," Dick said. "One of the key functions we in finance have is to monitor allocation of resources to meet changing needs and a changing awareness of the productivity issue. We want the money given to us and the money we earn to be spent as productively as possible."

The clearest illustration of the APC management committee's desire to appropriate funds in this manner was outlined in a proposal prepared as part of a recent fundraising campaign. In the proposal, the Center pointed out that during the next few years emphasis would be placed on five strategic areas. These are:

1. Labor-Management Cooperation/Employee Involvement—Increase involvement and participation of people in their work and improve labor and management cooperation around productivity and quality of work life.
2. Productivity and Quality of Work Life Management—Integrate a productivity and quality of work life "norm" throughout the management of organizations.
3. Productivity Measurement—Provide approaches to and advice on measuring productivity at all levels, including department, company, industry, national and international.
4. White-Collar Productivity—Research, measure and improve white-collar productivity.
5. National Policy—Influence legislation and public policy that affect productivity and quality of work life.

The U.S. is like a marathon runner breathing hard and looking over his shoulder to see who's coming on strong. Surprisingly, the immediate threat is not Germany or Japan, but France. If all things remain as they are, France will surpass the U.S. in productivity as early as 1986. Other countries whose rates of productivity growth threaten to overtake that of the U.S. are, in order, West Germany, Canada and then Japan.

"But the Japanese are our strongest competitors," Jack Grayson stresses. Because of this, Jack led a group of twenty-five members of Congress, and labor and management representatives on a one-week fact-finding trip to Japan last August. (Excerpts of a report on that trip by Dr. Grayson appear elsewhere with this article.)

"While the Japanese are strong competitors, they are not adversaries—they are well aware that they owe us a real debt for the help we gave them in rebuilding after the war and they want to help us now. Even more important, the U.S. is a major market for their products, and a strong economy in this country is to their advantage. They don't want trade barriers, for example, and know that a powerful protectionist movement could develop in this country if the situation continues to deteriorate in certain industries," he points out. Perhaps even more revealing are certain factories that have been established here by the Japanese, he says. Studies have shown that these plants, staffed by American workers and led by Japanese management, often outproduce comparable facilities in Japan. We can learn from the Japanese and Germans, he says, but the solutions, the answers lie right here, within ourselves.

To APC President Robert "Pete" Moffett, Jr., it's the "long pull" that's important. "We're talking strategy versus tactics," Pete explains. "We here at the APC believe it's vital that people understand that productivity and the quality of work life must be placed in the context of an extended timeframe. There's no quick fix to the productivity problems facing this country," he says.

Pete points to the current discussion in the media (see accompanying box

for one aspect of this question) as one illustration of what he terms "the second wave of interest" in productivity. "What we're seeing now," he says, "is a growing interest in the productivity question that has been building for the past three to five years. For example, many companies that instituted programs to improve productivity in the past are now standing back and evaluating their past efforts and renewing their commitment to improve productivity. Other companies that may have largely ignored the issue in the past have finally accepted the real need to begin work now on a productivity improvement program."

Among the more interesting recent developments, according to Pete, are the major corporations—albeit still fairly limited in number—that have established productivity improvement groups in their organizations. "These range from a company that has simply designated a vice president in charge of productivity improvement to a corporation like Westinghouse that has established an internal productivity center with a very substantial staff. Honeywell is another of the larger corporations setting up an internal productivity center," he said.

Another encouraging development is the number of companies that made limited efforts in the past and now recognize that more substantial programs are necessary. "It wasn't unusual in the past for a company to deal with the productivity question with an occasional article in the company magazine or newsletter exhorting the worker to be more efficient, more productive," Pete points out. "There might even have been the occasional speech by one of the company officers. But the effort was limited at best. What we are seeing today is recognition by those companies that the U.S. productivity lag is even more serious now than it was two or three years ago and that there must be a real commitment by management to a solid improvement program. Management must show that it is not only committed to improving productivity, but that the entire effort and burden will not fall solely on the blue-collar contingent—that management will carry its share of the load."

There is, according to Pete, increasing awareness in this country that a company's growth—its very future—may well depend on increased productivity. Indeed, people at all levels

are beginning to face the reality that we must be more productive if we are to compete, and if we cannot compete the results are lost markets, lost jobs, lost income—and a lowered standard of living for most of us. This in essence is what people at the American Productivity Center refer to as "the pain factor." When the American people start hurting enough, they say, when the pain really gets bad, you won't have to sell the American worker and management on the need to improve productivity.

A good part of the problem in this country, according to Pete, is misdirected emphasis, an almost paranoid concentration on what is seen as the threat from abroad. "One of the reasons the Japanese 'live' productivity is that they have done so for hundreds of years—although in somewhat different areas. The country is resource poor, especially compared with the United States, and Japan has always had a problem in the agricultural sector as perhaps the most obvious example," Pete explains. "Japan, with a relatively limited acreage available to feed its population, has long practiced farming and related techniques designed

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**No new techniques ...
no breakthroughs ...
no magic**

The trip to Japan

Following are excerpts from a report prepared by Dr. C. Jackson Grayson, chairman of the American Productivity Center, following an August 1981 trip to Japan by business, government and academic leaders. The one-week trip, designed to permit the group to study Japanese productivity by visiting plants and talking to business, labor and government leaders, was organized by the APC.

The group returned with the belief that the key to the tremendously successful productivity growth in Japan is not one or two factors, but the effective integration of many factors affecting productivity...

The main thing the group learned on the trip...is that Japanese productivity growth does not flow from one thing. No new techniques. No new breakthroughs. No magic....

What they have is an effective, multifactor, multilevel combination of business, labor and government that works together to produce high-quality goods and services that challenge U.S. productivity and economic leadership.

...Jack Grayson...came back from the trip with his own list of ...factors that he believed constituted the heart of their productivity growth.... The

challenge for the U.S. is not to copy Japanese methods, institutions or practices...but to find which can be made applicable to the U.S. culture, and how. Taking them one by one:

Lifelong employment. The key factor in lifelong employment is job security. Americans...should examine ways to increase greatly the job security of their employees. This can be done by greater selectivity in hiring, greater investments in training, career pathing.... In return, turnover and absenteeism are likely to drop, employees will more readily accept—even suggest—investment and technological change. Loyalty and identification with the company will increase.

Employee-manager cooperation. Nearly all Japanese firms have high employee-manager cooperation, and American firms should seek to adopt and encourage such relationships.... It is the attitudes that we must change from adversarial to caring and cooperation....

Long-term viewpoint. Nearly all Japanese firms have longer time horizons in thinking about productivity and profitability... Profits are highly regarded, but not quarter by quarter. They think more in yearly, three-to-five-year, even ten-year profit spans.... They invest for the future.... Determined and dedicated [American] firms will have to break this cycle of concentration on quarterly, even annual profits, as the measure of success....

Savings and investment. The Japanese save and invest at very high rates, far greater than in the U.S. We save 5 to 6 percent of our disposable income. They save 20 percent. We invest about 10 percent of our GNP in business fixed investment. They invest at least double that. We need to save more.... We must also invest more....

Business-labor-government cooperation. The idea of a monolithic Japan, Inc., where business, labor and government plan together for the future of Japan, is a myth. But they do work and talk together far more than in the U.S. and that helps in many ways. While the U.S. is not likely ever to move completely to the Japanese level of cooperation between groups, it can begin to minimize the distances and warfare that now often exist....

Good management. American management needs a revival, a rededication and, in some instances, simply a return to fundamentals in good inventory management, employee relations, removal of bureaucratic deadwood, long-term thinking, willingness to change, risk taking. They need to get out of their sheltered offices, reduce the layering between top and bottom, pay attention to detail, work harder, reduce the disparity between lower-level pay and executive pay, and be willing to learn from anyone—including the Japanese.

Superordinate goal behavior. Superordinate goal behavior is hard to define, hard to identify...and hard to adapt. But the Japanese have it in their feelings about their work, their company, their nation. They have a sense of a larger purpose, a group, a goal—for which they are willing to sacrifice something and for which they believe they and others will benefit. America once had it—ill defined, changing and erratic. But we had it. A belief in the future of America, a willingness to work as a group for a larger goal, community feelings and pride, pride in work and the company, and an expectancy about the future and where we were going....

The Japanese success is not due to one factor.... It is the effective combination of many factors. But always a combination of people, institutions, attitudes and ideas that work together.... It comes because each person, each firm, each union, each government leader believes that productivity and quality are important for growth, for survival in the world, and for individual success and dignity.

The U.S. is at a crossroad....

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to obtain the maximum from the land available.

"The explosive industrialization that took place in Japan in the decades of the postwar period was shaped by a devastated economy, a real need for a high degree of productivity. They had a limited trained manpower pool available to industry, as well as the need to import most raw materials. You might say that productivity was a required way of life for the Japanese long before most of us here even began talking about it."

It is more important, Pete contends, to make it clear to labor in this country that in the long term productivity improvement will not threaten job security. "But the issue of job security in the short term must be addressed," he argues. The Japanese worker's lifelong job security is often cited by observers, although numerous articles have pointed out that the issue is far more complex than might appear at first glance. Job security is not quite as automatic, prevalent or customary for all Japanese workers as we are often led to believe.

But, Pete Moffett points out, the mistake once more is to focus on what

Doug White, senior vice president, labor/management cooperation and employee involvement.

Don Mizaur (l.), senior vice president, communications, instructions and development, with David Jones, vice president, fund raising.

the Japanese are doing, and how they are doing it, rather than to concentrate on what can be done here. "We've got to make American management recognize how important the job-security issue is to the worker and then get management to deal realistically with that question. For example, workers—and management—must understand that increased productivity enhances job security, it doesn't threaten it. This country's competitive position will be strengthened by greater productivity, strengthened in this country and abroad, and that's the only real job security. We've seen enough examples in other countries where workers were given a high degree of job security without any tie-in to productivity. What they had was job security until the moment the business closed down because it simply couldn't compete."

The American worker also is concerned with the displacement issue, that is, what happens to the man replaced by improved productivity. This, too, is a legitimate question, one closely related to job security if not just another aspect of the same question. And it's one that has to be faced and resolved to labor's satisfaction if we are to move into a period of mutual cooperation between labor and management, Pete insists.

"Here at the American Productivity Center we have found that labor almost always is supportive of our in-plant improvement efforts if it believes that management is committed to a serious effort, one that is directed to improving productivity in all sectors and one essentially designed to help that company compete more effectively in the marketplace. The work ethic is there," Pete says, "if people are given the right environment."

For APC Senior Vice President Doug White, whose field of expertise is labor and management relations, 1982 may well be a watershed year in U.S. industrial relations.

"It's quite possible that we are standing on the threshold of the greatest period of labor-management cooperation since the Second World War," Doug says. "Pain is a great teacher, and the situation may well become almost as painful as it was during the Great Depression ushered in by the stock market crash of '29. The effects of our weakening competitive position are being felt by most of us, directly or indirectly. Workers in the auto industry and in the industries serving the automobile manufacturers are losing their jobs. Interest rates for business loans and home mortgages stay high. Inflation per-

sists. Our problem," Doug insists, "is that we are not together."

It's time, he says, for us to stop thinking in "we-them" terms, time for us to give up the conviction that what one side wins, the other must give up. It's time for labor and for management to stop thinking of the other as an adversary. Short-term giving up has to be on both sides, he points out, if long-term gaining is to be on both sides.

"One of the problems we've had in the productivity area has been a tendency to think in terms of what I like to call a one-variable wiggle," Doug says. "Too many people like to look for the quick fix, such as saying that all our problems are caused by high labor rates. That's a one-variable wiggle and it causes a lot of trouble because it represents a terrible oversimplification of a highly complex problem with a whole galaxy of variables, all of which have to be factored in to achieve an accurate determination of which way we have to move."

According to Doug, there must be a

John McClure, vice president with the APC's Advisory Services and Research Group, with Kathleen Sutton, APC director of public affairs.

strong sense of mutuality in future talks between labor, management and government. "Here at the APC we've been developing some very

important models of collaboration. Most of these are concentrated in the steel industry because we've been providing many services to this

industry. What we've found is that at the individual worker level—right on the shop floor—there is a strong desire to cooperate and to assist when workers recognize that increased productivity benefits them as well as management and the stockholder. The American worker understands that he has a stake in the company he works for, that his future as well as management's rests on a foundation of cooperation, mutual interest, mutual respect.

"The worker will cooperate as long as he is convinced that management is serious about improved productivity and that the program is intended to do far more than just get more out of the individual worker," Doug says.

"For example, where management has legitimized productivity efforts in union contracts or in its company magazines and newsletters, workers are more than willing to cooperate. Putting it in writing, in black and white for everyone to see, is important—credibility is important. Labor is becoming increasingly aware of the need for improved productivity and wants to cooperate, but it also wants to know that management is committed to a substantial program involving the participation of all levels of the company from blue collar to top management.

"What we really have to do in the years ahead is change our way of thinking," Doug points out. "We've got to change the climate from one of blame placing to one of problem solving. And this, I think, is one of the reasons I'm so optimistic about the future. If you look at the past you find that we, as a people, have always been able to meet a challenge, to recognize and then to solve a problem. Capability is not in question—only how long it will take us to shift gear and respond to the challenge."

Indeed, the question of time seems to dominate much of the thinking of people like Jack Grayson, Pete Moffett and Doug White. For them the techniques are there, the tools are there—all that is needed is the will and the willingness to use them. Once again in the history of this nation our future has been put in the hands of each and every one of us. □

APC and the Ad Council

A growing awareness of the productivity issue

One very real sign of growing awareness of the productivity issue's importance has been the markedly increased mention and discussion in the communications media. The Advertising Council, for example, in direct consultation with the American Productivity Center, only recently began work on a campaign dealing with the need for productivity improvement. The Advertising Council is a volunteer group of people in advertising, public relations and communications which develops public-service ad programs supplied to newspapers, magazines and broadcast media.

Some measure of the attention being paid to productivity, especially in relation to Japan, can be observed by scanning magazines and newspapers.

Following are brief excerpts relating to productivity, all taken from a single issue (November 23, 1981) of *Forbes* magazine.

Challenge is constant, of course. It's the response that counts. Detroit's mistake was in not taking the Japanese seriously until it was too late.... No such complacency dulls the U.S. computer industry... The gauntlet is picked up; this time things will be different.

From a major article on the computer industry

So Japan may be gaining, but it hasn't beaten America. In many areas it hasn't even caught up. Which is not to say the challenge from Japan is a hollow one. We know it is real.

From a series of ads titled "Meeting Japan's Challenge" by Motorola Inc.

where people who were in the plant eight hours did four hours of work. That's appropriate when [the company] is making billions in profits—you make more jobs, and you make work easier for your men. But it's no longer appropriate.

Quote from a union official in an article dealing with the sale of a plant to its workers

We are now operating in an international market—not a domestic one—and our offshore competitors are fully capable of reducing us to a third-rate power in that market unless we do something about it. I hope all of our union people will understand that and deal with it.

Executive of an auto manufacturer quoted in an article on the automobile industry

American manufacturing has long been a world leader in productivity, thanks to innovation, ingenuity and sheer hard work. But inflation and overseas competition have intensified the pressures on U.S. industry.

From an IBM ad with a large illustration highlighting the word productivity

Making a company's capital more productive is the acid test of management's performance. It may even determine the success or survival of the enterprise.

From an ad of Donaldson, Lufkin & Jenrette