Chapter Ten.
Attempts at Reform from Within

We have seen, in previous chapters, the numerous information and agency problems of the hierarchical, absentee-owned enterprise, and the benefits of increased worker participation in reducing those problems. Why do we therefore see so little genuine profit-sharing, and so little genuine self-management, in Western corporate economies?

The answer is suggested by Leo Tolstoy's parable of the humane farmer, who experiments with larger stalls, better hay, piped-in music, and other expedients to make his cattle happier. When asked why he doesn't take the simpler route of setting free, he replies "But then I couldn't milk them."

From the perspective of management and shareholders, worker empowerment--no matter how much of an improvement in efficiency--has one seeming disadvantage: it requires increasing the worker's share of his labor-product. Full internalization by the worker of the fruits of his productivity may result in major efficiency gains, but only by violating the whole purpose of capitalism.

So corporate management resorts to all sorts of fads to simulate worker empowerment, without being able to try the real thing.

A. New Wine in Old Bottles

From my first reading of Tom Peters' work (and much of the other management literature of the 1990s, during the heyday of Quality) my overwhelming impression was of the ambivalent or dialectical character of the "revolutionary" management and organizational trends he championed. Depending on the system of power into which such ideas are incorporated, they could make life either heaven or hell for those doing the actual work. The rhetoric of management literature closely resembled that of the genuinely libertarian left on things like worker self-management, flattening hierarchies, and the like. Reading Peters (especially *Thriving on Chaos*) is a lot like reading Kropotkin's *Fields, Factories and Workshops*. It's a great study of the seeds of a potentially decentralized and human-scale economic order of worker-managed production, that might actually sprout if the state stopped propping up the current corporate system. But the reality of most of it--as practiced--was an attempt to put new wine in old bottles.

The same generalization applies to many other organizational and management theory trends (quality, reengineering, lean production, and the like), all of which celebrate the dissolution of corporate hierarchies and the organization of production along decentralized, consumer-driven, and (allegedly) bottom-up lines. And indeed, a lot of it sounds like what might be the seeds of a libertarian, self-managed, decentralized

economy, if the structural bulwarks to authoritarianism were removed. The same practices, however, when integrated into the existing system of state capitalism, become what Mike Parker and Jane Slaughter call "management-by-stress."[1]

All these management trends of flexibility, decentralization, flattening of hierarchies, and related ideas, exemplify what might be the seeds of a new libertarian economic system along the lines that Kirkpatrick Sale described in the economic chapters of *Human Scale*. But adapted to the existing corporate economy, they are more accurately described by Mike Parker and Jane Slaughter in *Working Smart* (an AFL-CIO guide to quality, lean and worker participation programs).

Many of the stated principles, as such, might be good, if they were applied by workers for themselves, in an economy of worker cooperatives. But when they are done to workers by management, they become management-by-stress.

The striking thing is that ideas like demand-pull, self-directed teams, and flexible manufacturing are discussed both by corporate management gurus like Peters, and by left-wing economic decentralists, in language that is virtually indistinguishable from one group to the other. The demand-pull concept, for example, was anticipated at least as early as Barry Stein's *Size, Efficiency, and Community Enterprise*. The difference is that Peters considers such ideas (despite his revolutionary rhetoric) largely in terms of their integration into the existing corporate economy, while the left-wingers imagine a post-corporate economy of producer and consumer cooperatives built around the new practices.

Reading Peters brought another, seemingly obvious, question to mind. In his work of the late '80s and early '90s, he wrote of the dissolution of corporate walls, the elimination of middle management, and the rise of team self-management as inevitable revolutionary trends that the Fortune 500 would inevitably adopt ("must dos") if they were to survive into the near future. If the large corporation were not revolutionized along such lines, he wrote, it would go the way of Gosplan. Michael Hammer and James Champy, in *Reengineering the Corporation*, described the imperative for reengineering in similar terms:

> The alternative is for Corporate America to close its doors and go out of business.

> The choice is that simple and that stark.[2]

Yet, fifteen or twenty years later, those revolutionary predictions read a bit like one of those 1950s magazine features on the City of the Future, with giant hanging gardens,

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[1] Mike Parker and Jane Slaughter *Working Smart: A Union Guide to Participation Programs and Reengineering* (Detroit: Labor Notes, 1994)
[2] Michael Hammer and James Champy, *Reengineering the Corporation: A Manifesto For Business Revolution* (N.Y.: HarperCollins Publishers, Inc., 1993), p. 1.

moving sidewalks, and flying cars. The corporate dinosaurs are still thrashing quite vigorously in those alleged tarpits, with no sign of going under. And the bosses are just as pointy-haired as ever; in fact, what the gurus fifteen years ago celebrated as the trend of the future is now lampooned as a symbol of the status quo: mission/vision/values statements, Kwality jargon, and all the rest of it.

So why didn't the old hierarchical corporation disintegrate to anywhere near the extent Peters predicted, and why isn't the flattened network of self-directed teams anwhere near as prevalent? One partial answer is that Peters greatly exaggerated the competitive disadvantages of inefficiency in a cartelized, state capitalist market, and underestimated the inertia of the existing system. When three-quarters of a market is dominated by a handful of corporate "Gosplans" that share the same pathological organizational culture and follow the same "industry trends," Gosplan can be pretty profitable.

But another part of the answer may be that the stuff Peters talked about actually *was* adopted to a large extent; it's just that the contrast between the new and old ways of doing things wasn't nearly as great as he imagined, and that what's called the "self-directed team" can be integrated quite nicely into the old hierarchy without anywhere near the revolutionary upheaval he expected.

Peters himself made it clear that he wasn't opposed to bigness, as such; he just wanted to simulate the advantages of smallness in the context of a large corporation. His idea was to combine the advantages of bigness and smallness in the same system. Production itself would be decentralized considerably, middle management radically streamlined, and the corporation transformed into a loose network of self-directed teams, with the buzzword of "outsourcing everything"; but it would all take place within a mercantilist framework of corporate headquarters that retained central control of "intellectual property," branding, and finance, and some support functions. Additional advantages of bigness, for such an organization, would include the ability to use market power to attract talent, the price-setting power that comes from coordinated buying and selling, sufficient stability and deep pockets to ride out market fluctuations, and sufficient size to attract investment.[3]   Or, in the words of James O'Tool whom Peters quotes, "the 'big power' of an imposing market presence."[4] (Interestingly, Peters himself admits that "'Network big' could easily become sluggish and anti-competitive," using alliances to stifle competition.[5] Mercy! We're lucky such a thing never happened, eh?)

Hammer and Champy, in *Reengineering the Corporation*, also wrote of the benefits of combining centralization and decentralization.[6] The main benefit is the ability to regulate competition, and to externalize diseconomies of scale on others.

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[3] Tom Peters, *Liberation Management: Necessary Disorganization for the Nanosecond Nineties* (New York: Fawcett Columbine, 1992), pp. 289-91.
[4] Ibid., p. 554.
[5] Ibid., p. 555.
[6] Hammer and Champy, *Reengineering the Corporation*, p. 63.

Nike (as described by Naomi Klein) has taken the principle to its logical conclusion, outsourcing all the production to an archipelago of "independent" sweatshops, while retaining control of corporate finance and legal possession of the Nike brand-name.

> The fear that the flighty multinationals will once again pull their orders and migrate to more favorable conditions underlies everything that takes place in the zones ["free trade" zones and maquiladoras]. It makes for an odd dissonance: despite the fact that they have no local physical holdings--they don't own the buildings, land or equipment--brands like Nike, the GAP and IBM are omnipresent, irresistably pulling all the strings. They are so powerful as buyers that the hands-on involvement owning the factories would entail has come to look, from their perspective, like needless micromanagement....

> If anything, the multinationals have more power over production by not owning the factories. Like most committed shoppers, they see no need to concern themselves with how their bargains were produced--they simply pounce on them, keeping the suppliers on their toes by taking bids from slews of other contractors.[7]

Johan Soderberg quote Marx, from the *Grundrisse*, on the merchant who profited from leaving the producer in nominal control of the production process: "He buys their labour and takes their property first in the form of the product, and soon after that the instrument as well, or he leaves it to them as *sham property* in order to reduce his own production costs." Soderberg adds:

> In its high-tech version, the reasons for leaving behind sham property are even more compelling. Product diversification, rapid turnovers and short life-cycles have made the management of physical assets risky. The burden of ownership is pushed down onto smaller entities while corporations stay in control by gate-keeping finances, marketing, distribution channels, and intellectual property.[8]

It's pretty hard to miss the fact that the world in which Peters saw his ideas being implemented was a world built by Tom Friedman, upheld not by the invisible hand but by the fist of the World Bank, IMF and WTO, and the U.S. armed forces. So while the boundaries between the corporation and the outside market may seem to blur from some perspectives, the corporation as an entity will continue to be very real as a beneficiary of state privilege and an extractor of profits.

One of Peters' subheadings in *Thriving on Chaos* was "Act Small/Start Small/Break Into Small Units Or Teams: A Solution For Big Firms."

> ...acting small, if you are big, is much easier said than done. A new-product team in a big

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[7] Naomi Klein, *No Logo* (New York: Picador USA, 1999), p. 226.
[8] Johan Soderberg, *Hacking Capitalism: The Free and Open Source Software Movement* (New York and London: Routledge, 2008), p. 141.

company has a tough time achieving true independence.[9]

This Peters theme first appeared in *In Search of Excellence*, where he coined the revealing term "simulated entrepreneurship" to describe it.[10]

Perhaps the most important element of their enviable track record is an ability to be big and yet to act small at the same time. A concomitant essential apparently is that they encourage the entrepreneurial spirit among their people, because they push autonomy remarkably far down the line....[11]

As Peters describes it, Nintendo's corporate strategy is quite similar to that of Nike as described by Klein. "Nintendo keeps most of the crucial design and marketing management functions to itself, but lets just about everything else go to partners and licensees."[12]

In the International Data Group, "financial control *is* centralized," with business units transmitting monthly "standard accounting reports" to headquarters along with notifications on major changes in market conditions. Unit managers also submit "30- 60- and 90-day outlooks and a year-end forecast updated every month."[13] (I also suspect that the "standard accounting reports" from "business units" reflect Eric Husman's "Sloan/DuPont/Brown model," discussed below.)

Husman considers GM to be moving toward a similar business model, in which the corporation makes money primarily by financing and branding rather than actually making cars.[14] GM's main source of profit is now its auto finance arm, GMAC. And in the years when GM turns a profit, there's a pretty good chance it did so by selling off a couple more plants. It's not too much of an exaggeration to say the only thing actually manufactured by GM in-house is the hood ornament.

For that matter, as Husman writes elsewhere, Peters' "outsource everything" model, as actually applied in most of corporate model, could be drawn directly from the original Sloan paradigm. Most of the objectionable features of rule by MBAs that I commented on in Chapter Eight (especially the short-sighted approach to cost-cutting, by asset stripping, starving and milking operations, in order to maximize apparent short-term profit) have their origins in "the imposition of the DuPont definition of profit, the Sloan

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[9] Tom Peters, *Thriving on Chaos: Handbook for a Management Revolution* (New York: Alfred A. Knopf, 1988), pp. 199, 201.

[10] Robert Waterman and Tom Peters, *In Search of Excellence: Lessons from America's Best-Run Companies* (New York: Warner Books, 1982), pp. 112-113.

[11] Ibid., p. 201.

[12] Tom Peters, *The Tom Peters Seminar: Crazy Times Call for Crazy Organizations* (New York: Vintage Books, 1994), p. 123.

[13] Peters, *Liberation Management*, pp. 271-272.

[14] Eric Husman, "GM vs. Toyota Again," GrimReader, April 7, 2007, http://www.zianet.com/ehusman/weblog/2007/04/gm-v-toyota-again.html

management method, and the Brown accounting method onto American industry."

In fact, Sloan and Brown were picked by DuPont and their methods reflect his definition of profitability, so all the evil essentially flowed from one man. At the end of World War II, with Ford Motor Company having faltered as Henry lost his mind, the DuPont/Sloan/Brown system stood at the pinnacle of the most important industry in the only country in the world left relatively unscathed by the war. Their system was adopted by every other American business for this bit of luck, not because of any inherent merit.

The Sloan system (the common, short-form name) essentially transformed manufacturers into marketing companies with a manufacturing function. [Bill Waddell and Norman Bodek, in *Rebirth of American Industry*] argue that the definition of profit is the most important aspect to consider: for DuPont, profit meant Return on Investment (ROI). The accounting system that counted inventory as an asset and people as a cost followed from that principle. No wonder GM treated its workers and suppliers (and suppliers' workers) so poorly, no wonder the UAW felt so strongly, and no wonder they are both so screwed up today. In fact, you can clearly see why GM would push problems (what most would call business risk and employees) out the door to suppliers. Once you have decided on that strategy, you have declared that you are no longer a manufacturer with a sales office, you are a marketing firm for product manufactured by someone (you are indifferent as to who manufactures).

On the other side of Pacific, and previously at Ford on this side, the definition of profit had been cash flow. In Ford's terms, it was when you had more money in the safe at the end of the week than the beginning. In Ohno's terms, the Toyota system was to try to cut the time between receipt of order and receipt of pay for that order. In such a system, inventory is no asset, but well-trained people and process speed (and therefore quality) are.[15]

The Sloan system, incidentally, with the M-form's corporate HQ treating divisions as "cost centers," sounds an awful lot like Mises' management by double-entry bookkeeping.

Consider also Peters' discussion of the music industry, which he uses as an illustration of his "craziness" and "revolution" leitmotifs. He cites Lewis Perlman's description of a recording process in which "recordings are assembled from component parts created all over the world," with guitar tracks recorded in London, drum tracks in New Orleans, etc., and all put together "anywhere from a Hollywood studio to a barn in the Berkshires."[16] What he doesn't mention is that the same corporate media dinosaur, with the help of ham-handed legislation like the Digital Millennium Copyright Act to prevent this "revolution" from carrying over into the ownership and distribution of music, still owns the copyright on the product.

The Tom Peters Seminar, as we mentioned in Chapter Nine, constantly harps on the theme of how much product value consists of intangibles, in language superficially almost indistinguishable from Yochai Benkler. Consider these quotes once more:

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[15] Eric Husman, "The Accounting Chains on American Industry," Grim Reader, March 3, 2006.
http://www.zianet.com/ehusman/weblog/2006/03/accounting-chains-on-american-industry.html
[16] Peters, *The Tom Peters Seminar*, p. 8.

...."[D]ispersed, ad hoc networks are becoming the new, if ephemeral spine of enterprise based on knowledge--knowledge gathered from whomever, wherever, and instantly packaged to meet customers' fickle demands. Tomorrow's economy will revolve around innovatively assembled brain power, not muscle power.[17]

...My new Minolta 9xi is a lumpy object, but I suspect I paid about $10 for its plastic casing, another $50 for the fine-ground optical glass, and the rest, about $640, for its intellect...[18]

It is a soft world. Nike, a "shoe" company, is consigned to *Fortune*'s service 500 list, not the industrial 500 one. Nike contracts for the production of its spiffy footwear in factories around the globe, but it creates the enormous stock value via superb design and, above all, marketing skills. Tom Silverman, founder of upstart Tommy Boy Records, says Nike was the first company to understand that it was in the lifestyle business. How else can you explain the "shoemaker" shelling out a $1 million signing bonus, a guarantee of $375,000 a year for 15 years, and Nike stock options to entice Duke basketball coach Mike Krzyewski to chuck his Adidases and "Just do it." Shoes? Lumps? Forget it! Lifestyle. Image. Speed. Value via intellect and pizazz.[19]

"Microsoft's only factory asset is the human imagination," observed *The New York Times Magazine* writer Fred Moody. In seminars I've used the slide on which those words appear at least a hundred times, yet every time that simple sentence comes into view on the screen I feel the hairs on the back of my neck bristle.[20]

A few years back, Philip Morris purchased Kraft for $12.9 billion, a fair price in view of its subsequent performance. When the accountants finished their work, it turned out that Philip Morris had bought $1.3 billion worth of "stuff" (tangible assets) and $11.6 billion of "Other." What's the other, the 116/129?

....Call it intangibles, good-will (the U.S. accountants' term), brand equity, or the ideas in the heads of thousands of Kraft employees around the world.[21]

The difference is, Tom Peters' "revolution" assumes that the intangible component of value will continue to be the property of powerful corporations. And in this context, Peters' faux Silicon Valley "libertarian" bravado about telling the government to get out of the way falls especially flat. The entire business model he describes depends on legislation passed under Reagan and again under Clinton, drastically ratcheting up trademark protections, on the Uruguay Round's radical extension of patent rights, and on the virtual outlawing of fair use under the terms of the Digital Millennium Copyright

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[17] Tom Peters. *The Tom Peters Seminar: Crazy Times Call for Crazy Organizations* (New York: Vintage Books, 1994), p. 10.

[18] Ibid., p. 10.

[19] Ibid., pp. 10-11.

[20] Ibid., p. 11.

[21] Ibid. p. 12.

Act.[22]

His discussion of networked organization, with separate firms carrying out design, engineering, and various stages of production, and linked together, also bears a superficial resemblance to the writing of P2P enthusiasts like Michel Bauwens. The difference is that Peters sees the networking as taking place on a global scale, under corporate strategic supervision:

> A piece of ice hockey equipment, designed in Scandinavia, engineered in the U.S. to meet the requirements of the large U.S. and Canadian market, manufactured in Korea and distributed through a multinational market network with initial distribution from Japan. *The question is: Where is, what is the organization?* Instead of a simple organization with design, engineering, manufacturing, distribution and sales under one corporate roof, the example shows several organizations hooked together for perhaps only one product "event."...."[23]

And the coordination of all these separate stages assumes, as Peters put it, that a "certain minimum size" is necessary for effectiveness "as a global marketer."[24]

In a networked economy based on genuinely decentralist ideas, on the other hand, just for starters there wouldn't even *be* a "large U.S. and Canadian market." Rather, goods might be designed by a peer network of engineers working on linked home computers, and physical production carried out by a small factory (or a number of small factories or machine shops carrying out the separate stages of prouction, organized by a peer-production network), and then sold in the same county-sized market where all the networked design and manufacture had taken place. Incidentally, in discussing the benefit of "networks," Peters gives as much attention to Henry Clay Whig stuff like canals, railroads and the Interstate Highway System as to the Internet.[25] His networked economy is not one based on moving information instead of stuff, as envisioned by genuine decentralists. It is one based on the subsidized movement of physical goods over long distances.

The same principle applies to Peters' ideas on close ties and responsiveness to one's customers. As much as the rhetoric sounds superficially like the demand-pull model of marketing, in substance (with his emphasis on "fashion" and the "entertainizing of everything") it's a lot closer to the old supply-push model than you might think. The old ideas of thinking up stuff to produce and then persuading people that they need it, central to the American mass-production and mass-consumption economy since the 1920s, is still very much a part of Peters' postmodern version of the Push economy.

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[22] See, for example, Naomi Klein, *No Logo*, p. 177.
[23] *Liberation Management*, p. 149.
[24] Ibid., p. 559.
[25] Ibid., p. 112.

Listening to customers is all-important--but relying on intuition, taking a chance with new products that customers can't imagine, is also "all-important" in a fashionized world. What customer could have told you he cottoned to Disc System sneakers until they actually arrived?[26]

Puma's Disk System sneakers strike me as a very bad example for backing up Peters' argument. He fails to distinguish between product innovations as specific means for achieving preexisting customer ends, and innovations as ends in themselves. Most people, hearing Peters' terms "entertainizing" and "fashionizing," would think of purely cosmetic features, contrived without regard to any previously experienced need. Good product designers have always met preexisting needs in specific ways that the customer might not have anticipated; that is far different from "fashionizing," which introduces product features as ends in themselves, largely without regard to the central function of the product, and in ways that increase lifetime costing (initial cost of brand markup and cosmetic features irrelevant to the product's purpose, as well as increased costs from breaking down more frequently or wearing out earlier because of the needlessly complex design). Nobody in the athletic shoe market may have desired the Disc System, as such. But that athletic shoe users might welcome a simple means of avoiding the inconvenience of retying shoes in the middle of a game or event when they became too loose, seems a simple matter of common sense. And that's the approach engineers have taken to product design innovations since long before anyone ever imagined Peters' "fashionized" and "entertainized" economy.

The function of product design and marketing in an "entertainized" and "fashionized" economy is to create "needs" for product features completely irrelevant to the product's primary purpose, so that the consumer will pay a markup of several hundred percent for the increased status attached to a particular trademark or other identifying cosmetic feature. The whole purpose of "entertainizing" and "fashionizing," as we saw in our account of the rise of brand specification in Chapter One, is to create artificial differentiation between products, so as to prevent competition from driving price down to production cost (the normal pattern in price competition between commodities). The proper example to illustrate Peters' "fashionizing" is not the Puma Disc System, but the Nike Swoosh.

Even when genuinely good and liberatory, the ideas of Peters and likeminded gurus on economic decentralism and worker-directed production are meant to be fitted into a conventional corporate framework. Virtually every radical management reform advocated by Peters is an attempt to artificially simulate, in the hostile environment of a large corporation, the situation that would naturally exist in a small enterprise (especially a worker co-op).

For example, in *In Search of Excellence*, he refers to "chunking," or the performance of most specific tasks by small, ad hoc groups within a large organization.

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[26] Tom Peters, *Liberation Management*, pp. 7, 14.

....That simply means breaking things up to facilitate organizational fluidity and to encourage action. The action-oriented bits and pieces come under many labels--champions, teams, task forces, czars, project centers, skunk works, and quality circles--but they have one thing in common. They never show up in the formal organization chart and seldom in the corporate phone directory....

The small group is the most visible of the chunking devices. Small groups are, quite simply, the basic organizational blocks of excellent companies.[27]

In *The Tom Peters Seminar*, he refers to the "gotta unit," a business unit of modest size in a larger body,

which routinely does the impossible... for precisely the reason the mom-and-pop grocery store will do almost anything... to serve its neighbors in the surrounding seven-block area. Without that effort, it goes out of business.... In other words, they do it 'cause they gotta.

As an example, he mentions Zurich Insurance's reorganization into "moderate-sized specialist companies," with "[s]mall-company soul and speed in a big company body..."[28] Other examples are Random House (organized with "more than two dozen feisty small-business units, or imprints" within the corporate framework),[29] and Shoebox Greetings ("a small, creative, entrepreneurial part of Hallmark").[30] Since then, I might add, we've seen Anheuser-Busch marketing "craft beers" under quasi-independent labels which carefully avoid any reference to Anheuser-Busch.

Peters' self-managed teams and incentive pay, obviously, are just a half-assed corporate imitation of the self-management that naturally occurs in producer cooperatives.[31] His close contact between customer, marketing, research and production, and the resulting turnaround time, are also attempts to duplicate within the hostile environment of a corporation what would naturally occur in a small enterprise using general-purpose machine tools. In the latter case, product design and market research would be carried out by pretty much the same people setting up the machines. Peters' systems of worker incentives are just a weak version of what would exist in a self-managed cooperative, where the workers directly engaged in the production process would have the power to put their ideas for process improvement into immediate practice, and reap the full rewards for any increased efficiency.

Likewise his treatment of network organization. He refers to Mike Malone's "virtual corporation," quoting:

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[27] Waterman and Peters, *In Search of Excellence*, p. 126.
[28] *The Tom Peters Seminar*, p. 45.
[29] Ibid., p. 47.
[30] Ibid., p. 49.
[31] Peters, *Thriving on Chaos*, pp. 332-342.

To the outside observer, it will appear almost edgeless, with permeable and continuously changing interfaces among company, supplier, and customers. From inside the firm the view will be no less amorphous, with traditional offices, departments, and operating divisions constantly reforming according to need.[32]

Bill Gates described something similar in *Business @ the Speed of Thought*,[33] which discussed many of the same networked enterprise ideas since put forward in forms ranging from *The Cluetrain Manifesto* to Enterprise 2.0.

Peters', Malone's and Gates' descriptions of the networked corporation, with its flattened hierarchy and permeable walls, sound superficially quite similar to Yochai Benkler's peer networks. The difference is that the former retain the corporate entity as owner of trademarks and IP, and control of finance and marketing. They attempt to coopt peer production within a corporate framework, in which peer producers continue to pay tribute to the owners of "intellectual property." Without such artificial property rights, the corporate boundaries would dissolve altogether.

The vertical de-integration that has resulted Peters' "organization as rolodex," from his "outsourcing of everything," was described in more realistic terms by John Micklethwait, who pointed out that "even if such small firms count as separate entities, their workers are in fact no less reliant on these corporate hubs than their peers working at the big firms."[34]

So even in the minority of cases where management theory fads were implemented with some faithfulness to the libertarian rhetoric of their authors, their implementation was still in marked contrast to the approach of the libertarian left. For the left-wing economic decentralists, such ideas are expected to reach their full flourishing only when intellectual property, centralized finance, and corporate headquarters themselves have gone the way of T. Rex. In other words, they will become the basis of economic organization in an economy centered on decentralized production for local markets, with production organized predominantly through consumer or producer cooperatives. Peters' prescription, as it is actually being implemented, is a way to integrate the Goths into the framework of the old Roman imperial structure and give the Empire a new lease on life.

In these cases, Peters and likeminded writers are good at depicting the seeds of decentralism and bottom-up management; but they adapt them to the existing corporate system. They put new wine in old bottles. But this was only when the ideas were adopted at their best.

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[32] Mike Malone and William Davidow, *The Virtual Corporation: Stucturing and Revitalizing the Corporation for the 21st Century* (New York: HarperCollins, 1992), pp. 5-6, in Ibid., pp. 131-132.
[33] Bill Gates, *Business @ the Speed of Thought: Using a Digital Nervous System* (New York: Warner Books, 1999).
[34] John Micklethwait and Adrian Wooldridge, *The Witch Doctors: Making Sense of the Management Gurus* (New York: Times Books, 1996), p. 103.

B. Lip Service and Business as Usual

In a second, larger class of cases, the implementation of the ideas either consisted of little more than lip-service (management more often than not has only the vaguest ideas of what all the Kwality jargon on the coffee mugs even means), or Tom Peters' vision itself was far less radical in concrete terms than his rhetoric implied. Self-directed teams didn't sweep the corporate world with anywhere near the force that Peters imagined they would. "Quality circles" were a popular management fad for a while, and were adopted piecemeal in some firms. And new models of bottom-up management have fared somewhat better in some industries, like information, where peer networking is so suited to the nature of the work. But for the most part, the average corporation as seen from the bottom by one of its employees is at least as authoritarian as ever.

Peters' personality is part of the problem, along with the fact that he has gotten worse as his career progressed (eventually degenerating into a total embarrassment, with the occasional genuinely libertarian insights buried in a mountain of Gingrichoid crap). His work probably reached its peak in quality with the genuinely exciting *Thriving on Chaos*. After that, it went downhill; *Liberation Management* and *The Tom Peters Seminar* could have been written by an automated Tom Peters Hyperbole Generator.

In his later work, in the 90s, he tended to throw around words like "revolution" and "radical" and "crazy" and "extreme" to the point of self-parody. A good example is the self-indulgent *Tom Peters Seminar*, which must use the term "revolution" several hundred times from cover to cover--but whose assertions are backed up mainly by quotes from Fortune 500 CEOs. By the time I finished reading that book, I felt like he'd quoted all five hundred of them, about twenty times each; he's a worse name-dropper than Tom Friedman. The overall effect is like a version of *State and Revolution* in which Lenin manages to insert three quotes from the Tsar and his ministers on every page. His celebration, in *Liberation Management*, of "Ted Turner as Hero" (along with Jack Welch and Al Neuharth), speaks volumes about the kind of "revolution" he has in mind: one with its own Thermidorean reaction already built in.[35]

The rhetoric goes to the edge of silliness--and then far, far beyond. Consider the following examples:

> Change? Change! Yes, we've almost all, finally, embraced the notion that "change is the only constant." Well, sorry. Forget change! The word is feeble. Keep saying "revolution." If it doesn't roll easily off your tongue, then I suggest you have a perception problem--and, more to the point, a business or a career problem.[36]

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[35] Tom Peters, *Liberation Management*.
[36] Tom Peters. *The Tom Peters Seminar*, p. 8.

Do you and your colleagues routinely use "hot" words: "revolution," "zany," "weird," "freaky," "nuts," "crazy," "apeshit," "Holy Toledo"...?....

Are you prepared to forswear the word "change" for "revolution"? If not, why not? Because I'm an extremist? Or because you aren't?

On a scale of 1 to 10, how "crazy" (a) are you? (b) is your unit? (c) your company? (d) your most innovative competitor?[37]

Reading such passages, I was suddenly struck by Peters' resemblance to "Poochie," the "edgy" cartoon character introduced on *Itchy & Scratchy*. When challenged to give him more "more attitude," the writers finally added sunglasses. Wow, just like Huey Lewis! Ten years ago, when the Fox Family Network premiered, a Fox corporate PR woman gushed about the "edginess" and "quirkiness" of the new network's programming. When questioned on exactly what she meant by those terms, she was unable to define them without reusing the words "quirky" and "edgy": e.g. by reference to the network's "quirky" and "edgy" demographic, sensibilities, etc. I suspect that "quirky" and "edgy," like Peters' "crazy" and "zany," amounted in substance to little more than a pair of sunglasses. Tom Peters may not have sunglasses like Poochie's, but he demonstrates his own "attitude" by wearing Hawaiian beach trunks with a suit jacket in the back cover photo of *The Tom Peters Seminar*. Whoa, *radical*, dude!

Just how much he exaggerated the radicalism of prospective change and the pressure for such change, Peters himself sometimes lets slip. Just as a basis for comparison, first consider this rather hyperbolic quote:

Change and constant improvement (*kaizen*, per the Japanese), the watchwords of the '80s, are no longer enough. Not even close. Only revolution, and perpetual revolution at that, will do.

Leaders at all levels must accept what the transformational leaders tell us: that the organization can "take it" (enormous change), that only a bias for constant action and a bold embrace of failure, big as well as amall, will move companies forward. The point is to compress 10 years' worth of "change," by yesterday's standard, into one year, if not months. Then draw a deep breath and start again. Forget the calm at the end of the storm. If you sense calm, it's only because you're in the eye of the hurricane.[38]

Or this one:

Ah, how sad it is, in these turbulent times, to watch the average company, small or large, trying to succeed in the herd by moving maybe "a little bit faster than yesterday" or "delivering a little better quality or service than yesterday." Forget it. It'll be trampled.[39]

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[37] Ibid., p. 22.
[38] Ibid., p. 271.
[39] Ibid., p. 283.

Then contrast the above rhetoric in Commandante Peters' *Revolutionary Communique No. 1* to the following passages, in which he lets slip some hints that perhaps the marketplace isn't quite as revolutionary, nor the creative destruction quite so frenzied, as he depicts it. For example, he quotes Wal-Mart CEO David Glass on the "absolute dearth of new and exciting fashion-forward products," and adds:

> He's right. Among all the new products hitting Wal-Mart's shelves, where is the equivalent of the early microwave oven, the video cassette recorder, or the Walkman--the kind of products, as Glass put it, that sucked people off their couches by the millions and propelled them into his stores?

> New soft and hard products alike are coming at us in increasing numbers from every corner of the global economy, but are they exciting, magical, special? Do they pass the Wow Test...? ...[A]s former Apple Computer chairman John Sculley said, "What's the new capability? ....It's like Rocky IV and Godfather V."[40]

Shortly thereafter, he writes:

> Look through a sample of 25 catalogs, from pet supplies to personal computers. They're thick, but are they interesting? How many new offerings take your breath away...?[41]

Peters, in such passages, inadvertently tells a tale on himself. To someone who hasn't been successfully reeducated to Peters' New Capitalist Man values, all those "revolutionary" corporations seem to be still following something that bears a suspicious resemblance to the traditional oligopoly strategy of spooning out carefully rationed improvements. And come to think of it, if there's such a dearth of innovative products, there can't really be all *that* much "revolutionary" pressure to compete with a bunch of companies producing mediocre crap, can there? He challenges his readers, at the end of the same chapter:

> How many processes and products have been tossed overboard (not "changed") in the last 12 months? If none or only a handful, why?[42]

Um...   maybe because there's a dearth of new and exciting products from our competitors, and none of their catalogs contain products that take our breath away, so we figure we can probably get filthy rich making the same kind of crap they do? *Duh*.

In the roughly thirteen years since Peters wrote all that bovine scatology about the absolute necessity for continuous revolution in quality and service, if a corporation was to survive, we've seen virtually every corporation in the country adopt the universally despised "automated customer service menu." Martha Giminez calls it "self-sourcing":

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[40] Ibid., p. 18.
[41] Ibid., p. 21.
[42] Ibid., p. 22.

Consumption increasingly requires the performance of tasks previously done by paid workers. Jobs are not disappearing just because of automation, downsizing, and outsourcing; they disappear because they are increasingly done without pay by millions of consumers while the people who previously held those low-paid service and clerical jobs find themselves unemployed and perhaps unemployable.[43]

In that thirteen years, we've seen Home Depot, Lowe's, and Wal-Mart adopt a common model parodied by *King of the Hill*'s Mega-lo-Mart, in which most service jobs are held by pimply high school kids in smocks who know little about the store's products and care less. I've seen it for myself at Lowe's, where the "associates" in the garden supply department know absolutely nothing about plants or soil additives, and the stock answer to any question is "I dunno. I guess if you don't see it, we ain't got it." I've talked to veterans of numerous Fortune 500 companies who all tell versions of the same story: career sales employees who knew the product lines and customer needs inside and out, replaced by high school kids working for minimum wage. As we saw in Chapter Seven, that's pretty much what Bob Nardelli did to Home Depot to get himself a $200 million-and-change severance package. (Nardelli was an avowed Six Sigma enthusiast, by the way; his idea of "process improvement" was to downsize the service staff and nearly double the number of customers each "associate" had to serve in an hour.) Some friggin' revolution.

Joseph Juran compared the widespread Kwality rhetoric to the reality of its implementation, in much more sober tones, in an interview with *Quality Digest Magazine*.[44] There are two parallel dynamics at work. First, contra Peters, "mediocre quality is still saleable" (as Peters himself inadvertently let slip in some of the material quoted above. At the same time, paying lip-service to Kwality is a useful marketing gimmick, even without any of the substance of quality. A good example Juran points to is ISO 9000, whose standards are usually considerably below what a company is already doing:

> We've been taken in by the standardization people coming up with a standard that's not at the excellence level but at the mediocre level. We've been taken in by the standardization people coming up with a standard that's not at the excellence level but at the mediocre level. That's inherent in the way standards are set. There has to be a consensus. The different members from companies of different standardization bodies are not going to agree to standards that their companies are not able to meet. They are starting to change the standards, but that's at a glacial pace. It takes a long time to change an international standard.

ISO 9000 standards amount, in practice, to a ratification of the least common denominator standards in an industry--or the setting of common quality standards by a

[43] Martha Giminez, "Self-Sourcing: How Corporations Get Us to Work Without Pay," *Monthly Review* 59:7 (December 2007). [37-41]

[44] "Juran: A Lifetime of Quality," *Quality Digest Magazine*, August 2002 <http://www.qualitydigest.com/aug02/articles/01_article.shtml>.

cartel. To the extent that ISO 9000 is promoted by governments, it falls into the category of state measures for cartelizing industry, discussed in Chapter Three.

QD: Do you think that ISO 9000 has actually hindered the quality movement?

Juran: Of course it has. Instead of going after improvement at a revolutionary rate, people were stampeded into going after ISO 9000, and they locked themselves into a mediocre standard. A lot of damage was, and is, being done.

ISO 9000 is therefore just a way of throwing away good money on consultants. But what matters is the market's perception of ISO 9000 as an imprimatur of superior quality. When Juran pointed out to corporate management the worthlessness of ISO 9000 certification, the response was "We know that. But we don't think, from a marketing standpoint, that we can be in a position where our competitor is certified and we are not. We'd be at a marketing disadvantage."

Consider the examples of radically "reengineered" corporations showcased in Hammer's and Champy's *Reengineering the Corporation*. The reengineered corporation streamlines certain complicated processes that exist at that level of complexity *in the first place* only because the corporation has hypertrophied several orders of magnitude far beyond maximum economy of scale. The new, streamlined process is a considerable improvement, but the benchmark for measuring that improvement is the typical centralized, hierarchical corporation. The reengineered corporation is *relatively* more flexible and efficient, in the *context* of an economy dominated by large, bureaucratic corporations. Or as Hammer and Champy put it, management wants an organization "lean *enough* to beat any competitor's price.... [emphasis added]"[45]

The more efficient processes are still more complicated and costly than would exist in small firms serving local markets, and at their best are a distant approximation of what would naturally be done anyway in a decentralized economy. They use networked information technology to streamline some of the side-effects of large size and hierarchy (side-effects that wouldn't even exist in the first place in a small enterprise).   IBM's reengineered finance approval process, for example, in which the same person walks an application through all the stages of the process, in place of an older process that involved countless handoffs: the result is essentially what the manager of a small outlet would have done anyway, by himself, based on a common-sense assessment of the customer's creditworthiness--and probably in a fraction of the time taken even by IBM's reengineered process.

C. Management by Stress

So far we have considered the cases in which ideas like those of Peters and of

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[45] Hammer and Champy, *Reengineering the Corporation*, p. 7.

Hammer and Champy have been adopted with genuine benefit (albeit within the limitations of the corporate framework), or in which their implementation was only superficial and rhetorical or had far less radical significance than their authors' rhetoric implied. Had this been the sole extent of their influence, it wouldn't have been so bad.

But there's a third case, arguably the most significant: the use of libertarian-sounding management theory, with its talk of "flattening hierarchies" and "self-directed teams," as a rhetorical smokescreen for tightening the screws on labor. This is the phenomenon described by Parker and Slaughter as "management by stress."[46] In practice, as actually implemented in the corporate capitalist workplace, the team concept and assorted Kwality fads translate into relentless downsizing and speedups, and a nightmare of overwork and job insecurity. As Parker and Slaughter describe it, these fashionable management practices can be broken down into several key components (they focus especially on the NUMMI joint-venture of Toyota and GM).

The first is the speedup. Lean production, they say, systematically isolates and removes all the buffers against bottlenecks, like stockpiled parts or extra workers to fill in for absentees. The system is deliberately stressed to identify not only the weak parts, but those that are too strong.

A good example is the use of the "andon board," representing every work station. The green light means the station is keeping up. Yellow means it is falling behind. Red is a problem that requires stopping the line. Under management-by-stress, all green is not good. The idea is to stress the system, removing staffing and other resources from green areas, until a satisfactory number of yellow lights indicates that the system is operating near its absolute limits.[47]

A second key aspect of management-by-stress is the just-in-time, or demand-pull approach to production. This is another idea that, if developed in the directions described by left-wing decentralists like Barry Stein, Dave Pollard, and Michel Bauwens, would be a good thing. But adapted to the capitalist workplace, the dark side of its dialectical nature is revealed. The idea is to reduce inventories of finished and unfinished goods to an absolute minimum. The lack of a cushion helps to stress the system, pressuring those in weak spots to superhuman efforts to catch up. Those causing bottlenecks are isolated and identified, and subjected to hellish pressure.[48] The peer pressure to avoid stopping the line and attracting unwanted attention from one's coworkers or supervisor is so intense that some workers, who have trouble keeping up, will come in early or use breaks to build stocks to avoid falling in the hole.[49]

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[46] Mike Parker and Jane Slaughter. *Working Smart: A Union Guide to Participation Programs and Reengineering* (Detroit: Labor Notes, 1994).
[47] Ibid., pp. 24-25.
[48] Ibid., pp. 25-27.
[49] Ibid., p. 29.

The removal of staffing buffers also results in peer pressure for keeping up and against absenteeism. The worker who cannot keep up with the pace of the sped-up line creates more work and stress for those down the line. And since the work group is just barely large enough to handle its work load, there is absolutely no margin for absenteeism. The team passes on its collective stress to the recalcitrant worker. The pressure is overwhelming to work through all but the most incapacitating illnesses.[50] This is reminiscent, albeit to a lesser degree, of the colorful stories veterans tell about the practice of collective punishment in the military, and the "blanket parties" organized for the individuals who made a unit suffer.

In short, the system is not bufferless at all. The workers themselves are the buffers, at little or no cost to the company.[51]

Glitches are inevitable, anywhere. Could a system that really had no buffers to deal with these glitches be as productive as this system is? Lean production does remove or sharply curtail those buffers that add significant cost--a stock of work-in-progress, back-up machinery, extra workers, or spare time--but it replaces these with an alternative. The real buffers in bufferless production are the workers, who are expected to put out extra effort to maintain production despite the unavoidable glitches.

If the just-in-time system makes a part shipment late and the team leader has to run to get it, that's the job. If overtime is required and workers have to forego personal plans, that's the job too. Using workers as the shock absorbers of the system costs management little (except for workers compensation claims), but it can be very unhealthy for the human element.[52]

A third aspect of management-by-stress is what Parker and Slaughter call "super-Taylorism," with workers pressured to time-study themselves.[53] This is how the authors characterize *kaizen*, or continuous improvement. Although the theory stresses the empowerment of workers who are involved in the improvement process, the only real creative role for workers is in figuring out how to get more work out of less staff; the new work process, once worker input is incorporated into it, itself becomes inflexible. The basic idea is that of the time and motion study: identify one "best practice" and then make everyone follow it without deviation. The "super-" modifier reflects the fact that management actually saves money on time-and-motion peckerheads with clipboards, instead paying hourly wage workers to think up ways to screw themselves.

At least as practiced in the dumbed-down version that predominates in America, *kaizen* usually means reducing staffing, not individual effort. It's a way to get more work out of fewer people. The object is to reduce man-hours enough to eliminate an entire person. As Parker and Slaughter say, "Reducing effort is not the issue, reducing jobs is."

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[50] Ibid., p. 29.
[51] Ibid., p. 69.
[52] Ibid., p. 80.
[53] Ibid., p. 27.

The original Japanese inventors of all these fads were under no illusions about "worker empowerment." For all of the American management gurus' glibness about the "end of Taylorism," so effectively lampooned by Thomas Frank, the Japanese saw their techniques as the fullfillment of scientific management, not its negation:

> The original theoreticians of the Japanese production system, such as [Yasuhiro] Monden and Taichi Ohno, saw their notion of standardized work as building on the ideas of Frederick Taylor's scientific management and Henry Ford's assembly line.... Those who implemented the production system in North America were explicit that they were following in the Taylorist tradition....

> Further, a central tenet underlying all the well-known quality programs, from Deming's to Crosby's, is that quality is achieved by removing variation from the process.... This in turn requires breaking jobs down to their elemental tasks, carrying out precisely defined steps and management instructs, and extremely tight process control-- i.e., Taylorism.

The difference is that the collection of worker knowledge is ongoing, through *kaizen*, rather than a one-time event in setting up the system as in earlier versions of scientific management. And workers time-study each other, instead of time-study by engineers. In other words, it is democratic, participatory time-and-motion study. The outcome of suggestions is increased management control.[54] Another possible way of putting it is "Theory Y" scientific management, or "Theory X ends by Theory Y means."

The team concept, in practice, is far less democratic and bottom-up than Peters pictures it:

> In the actual operation of the plant--as opposed to the ideological hype--the main significance of teams is that they are simply the name management gives to administrative units. For the most part, if we substituted "supervisor's sub-group" for team..., understanding of management-by-stress would not suffer at all.

> There is, however, some reality to the widespread notions about teams. Some teams meet and discuss real problems. When the lines move slowly enough, workers can and do help each other out. But this is most likely during initial start-up, when the "teams" often consist mainly of supervisors, engineers, and team leaders. Once the line is up to speed, jobs are specified in detail and each worker can barely keep up with his or her own job, let alone help someone else out....

> When the system is running at regular production speed, team meetings tend to drop in frequency.... In other cases, team meetings are nothing more than shape-up sessions where quality or overtime information is transmitted to the workers or a supervisor announces changes in assignments.

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[54] Ibid., p. 76.

When management talks to itself about what makes the system work, teams, in the sense of teamwork or team meetings, are rarely mentioned. In his description of Toyota, considered the reference by many NUMMI managers, Yasuhiro Monden does not use the term "team" at all. He does describe the mandatory Quality Control Circles made up of "a foreman and his subordinate workers." In the entire 230-page book explaining the production system, discussion of these circles totals seven pages, and much of this discussion covers the suggestion system and its rewards.

Similarly, John Krafcik, an MIT researcher and a former quality control engineer at NUMMI, lists teams as one of the reasons for NUMMI's success. But in describing them, Krafcik discusses only the supervisory duties of team leaders... and the peer pressure against absenteeism, not any supposed team powers or problem-solving functions.[55]

And even when the teams are fully functioning as in theory, their decision-making domain is heavily circumscribed:

NUMMI management tries to guide its Problem Solving Circles by placing boundaries on what the circles may address. Included in the untouchables list are: Company Operating Principles, Human Resources Policy and Rules, Supplier Selection, New Model Design, Sales and Marketing Policies. The message is that creativity means finding ways to meet targets established by management....

If workers may not address those areas--the ones that would actually give them some say over what happens in and to the company--what's left of workers' power? Well, the Problem Solving Circles have the power to kaizen. If "company operating principles"--i.e., leanness--are off limits, how are circles to address problems of workload or understaffing?[56]

The answer, clearly is that they are not. As Preston Glidden, a frequent commenter at my blog with fifteen years experience in quality control and quality assurance put it,

I find that so-called 'worker empowerment' in practice translates into making a worker responsible for failures, without giving him/her any real power to fix the problem.[57]

David M. Gordon, in *Fat and Mean*, similarly observed that "[m]any firms... hope to have their cake and eat it too":

They announce programs to encourage higher employee productivity but often fail to support other programs that provide strong worker rewards or cut substantially into managerial power or prerequisites.[58]

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[55] Ibid., p. 35.
[56] Ibid., pp. 70, 77.
[57] Preston Glidden comment under Kevin Carson, "Liberation Management, or Management by Stress?" Mutualist Blog: Free Market Anticapitalism, August 28, 2006.
http://mutualist.blogspot.com/2006/08/liberation-management-or-management-by.html
[58] David M. Gordon, *Fat and Mean*, p. 93.

So why does the reality described above differ so sharply from the gushing, quasi-syndicalist rhetoric of management theory gurus like Peters? Two words: "Potemkin village."

This chapter points to an unlovely picture of life in a management-by-stress plant. It contradicts most of what is said in the glowing accounts of the team concept in the popular media. Where do these accounts come from?

Many stories about how workers feel about life in management-by-stress plants are based on reports of company officials, union officers, or consultants who have some vested interest in the programs' being declared a success. Some very positive descriptions are based on interviews at the time the plant was starting up. As we have described earlier, the conditions, the role of teams and teamwork during the start-up period are transformed by the time the lines reach full production speed. Some reports are based on testimony by workers specially selected by the company to meet reporters. The distortions are then compounded by authors who know little about what life is like in a factory.[59]

So the lesson here seems to be that, at least in some aspects of the workplace, a revolutionary change really did take place in the '90s and the first years of the 21st century. Judged against Peters' liberatory rhetoric, the team concept has meant little practical change. But judged in terms of "management-by-stress," a great deal of change-- mostly for the worse--has occurred. Radically downsized workforces have been pushed to their limits, with greatly increased stress and turnover and diminished morale. Although Peters' rhetoric, taken at face value, sounds like something out of Kropotkin or Kirkpatrick Sale, implemented within the framework of a corporate economy it is in practice a system for tightening management control.

Interestingly, even some consultants in the field of *kaizen* or lean production admit the same, in a backhanded manner. Consider, for example, the reaction of Jon Miller at Panta Rei (a lean blog) to an article critical of kaizen by Christian Berggren.[60] Berggren noted that even in the auto industry itself (kaizen got its start as "the Toyota system"), even in Japanese ventures, there was great variation in working conditions. As an example of "starkly opposing views on Japan and the Toyota Production System (nowadays denominated 'lean production')," he cited

a 1988 seminar for Saab and Volvo managers, organized by myself and an internal Saab consultant. The Saab consultant had just returned from the start-up of Honda Allison in Canada. Formerly he had been quite restrained when discussing Japan. But at Honda he had

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[59] Parker and Slaughter, p. 37.

[60] Christian Berggren, "Lean Production: The End of History?" Expanded version of paper presented for a seminar at the Science and Technology Analysis Research Programme, University of Wollongong (September 1991) <http://www.uow.edu.au/arts/sts/research/STPPapers/LeanProduction-10.html>.

seen the light: this was a 'total new work experience, egalitarian, creative, dynamic, uniquely productive'. At the same seminar the first results of Krafcik's international assembly plant study were presented, giving further credit to the assumption of Japanese superiority. But other Saab managers and technicians had also been visiting Honda plants in North America. They had seen very different things: a frantic work pace, relentless attendance demands, substandard production equipment creating a lot of work hazards, and heavy indoctrination in a quasi-totalitarian culture. Their report seemed to come not only from a different plant but a different planet!

He also quoted a contrasting pair of evaluations, one from the enthusiastic MIT study of lean production, the other from the head of a UAW local at a Japanese-owned American plant.

> Lean production combines the best features of both craft production and mass production ... lean production offers a creative tension in which workers have many ways to address challenges. This creative tension involved in solving complex problems is precisely what has separated manual factory work from professional `think' work in the age of mass production. (Daniel Jones et al. in *The Machine that Changed the World*, MIT, 1990.)

> They promised us a rose garden. They gave us a desert. (Phil Keeling, UAW President at Mazda's Flat Rock plant.)

In fact, Berggren points out that the character of lean production is mixed, at least as practiced in Japanese "transplants" in North America. Job security is greater, along with a greater degree of egalitarianism within the hierarchy. And American workers in such plants are generally proud of the genuinely superior quality of the cars they build.

Nevertheless, the system is not only lean but *mean*--in ways that corroborate Parker's and Slaughter's analysis of management by stress.

> But there is another side of the sword: unlimited performance demands and working hours, recurrent health and safety complaints, and an utterly rigorous factory regime.

> 1. *Unlimited performance demands.* Transplants do not recognize any union regulations of performance demands or other limitations on management's discretion to organize work. With the help of *kaizen* all slack is eliminated. In the GM car factories, even those that have achieved high productivity and quality like Buick City, the work pace is relatively relaxed. People have time to talk to visitors and do some reading at their work stations. These things are unthinkable at Japanese transplants. According to their view, if workers are occasionally able to read a magazine at work, that does not only signify waste (*muda*), but also that workers will lack the motive force to continually make proposals for improvements.

> 2. *Unlimited working hours.* In a fundamental sense, lean production is not free of buffers. Long and flexible working hours are the hidden buffer that is utilized if necessary. The amount of overtime work, often ordered at very short notice, was high in all transplants. The far-reaching management discretion to determine working hours means that, in principle, production quotas will be reached irrespective of what happened during the day or on the shift. This is also an instrument to force the pace of improvements in production. If

interruptions require that workers must stay past normal working hours, employees' interest in preventing the recurrence of such interruptions increases. The 8-hour day has been a goal for more than a century in the West, but it is very hard to fit into the logic of the transplants.

3. In Japan the absolute priority of production is solicited by the gender division of labour. Regular auto workers are men, and their women take the sole responsibility for the family. Still the autoworkers' union, JAW, has become increasingly critical of the long working hours, which seem to be virtually impossible to cut in the system of lean production, in spite of all its productivity strides. According to the Ministry of Labour manufacturing workers in Japan worked on average 2190 hours in 1988. But according to statistics presented by Koshi Endo, the real working time, including 'voluntary' activities such as QC meetings and 'hidden' (non-reported) overtime, was 2430 hours (that is 50% more than in Germany!). In the US a much larger proportion of women are regular workers. At Mazda, for example, female workers made up more than 30% of the workforce. The relentless demand to fulfil production quotas creates even more stress than in Japan. When they work overtime, who take care of the family and the children?

4. *Growing health and safety complaints.* Japanese plants place considerable emphasis on safety and the avoidance of accidents which can interrupt production. The products are designed for easy manufacture, with great precision in the making of parts. But the sheer repetitiveness of the jobs, which are designed according to very Taylorist principles, combined with the intense pace and long working hours, nevertheless lead to significant health risks, above all cumulative trauma disorders (CTD) or repetitive strain injuries (RSI). Incidentally these are not recognized as an occupational injury in Japan.

5. At Mazda, for instance, there were early reports of an unusually high incidence of carpal tunnel syndrome, damage to nerves and tendons in the hands and wrists. The total number of work-related injuries was three times higher at Mazda in than in comparable American plants.

6. There seems to be very little tolerance of such injuries. When we visited Honda's auto plant in Anna, management did not even admit that this was a problem in any way related to conditions of production, but maintained it was entirely dependent on individuals. 'There are weak and strong people. And there are right and wrong attitudes.'

7. *A rigorous factory regime.* By eliminating buffers, lean production increases management's dependence on employees and their contribution. In the *Machine ...* book the MIT authors emphasize that the elimination of all kind [sic] of buffers and reserves makes the system much more dependent on the dedication of the workforce. 'Trust and feelings of reciprocity' are represented as the basis of the system. But the elimination of traditional safety nets (buffers, etc.) is more than compensated for by the strict personnel selection and scrupulous factory regime, replete with compulsory uniforms, detailed conduct and discipline codes, absolute demands for attendance, minute regulation of the workplace and elimination of all personal attributes. In many respects the transplants involve a militarization of the plant regime. In a society plagued by disorder and delinquency this could be attractive for quite a few employees - but it is far from the democratic quality associated with team-work in Western Europe.

8. The pressure this regime imposes on workers has been clearly demonstrated by recent events at the Mazda plant in Flat Rock. As a part of the new contract negotiated in March

1991 (see below) Mazda was forced to relax their perfect attendance policy. Workers were provided with four Paid Absence Allowance (PAA) days, which they could use at their own discretion simply by notifying their supervisor a few hours in advance. Despite the alleged 'trust and feelings of reciprocity' this new right very quickly became a kind of safety valve for many workers. As a result, production came to a stop on Fridays in some departments. To guarantee production without having to add manpower the company wanted to restrict the use of PAA days, especially on Fridays, and in exchange offered substantial bonus increases. But the workers voted no - the right to decide for themselves on one single issue was obviously too important to be substituted by money. (The company then introduced the restrictions unilaterally, but that is another story, which speaks volumes about the alleged 'reciprocity' of the system.)

Berggren also presents evidence to confirm the allegation of Parker and Slaughter that the team concept becomes more authoritarian over time. At the Canadian CAMI plant (a Ford-Suzuki joint venture), researchers found:

On the one hand, the researchers found a consistently high level of participation in suggestion activities (71% of the respondents in the second study) and a majority of workers supporting QC activities. On the other hand there was a deeply ambiguous assessment of the team concept. The social qualities were appreciated, but in the second round 41% of the interviewees thought teams were a way to get people to pressure one another, up from only 19% in the first field study. Also in the second round of observation, the research team discerned a growing overall disillusionment with CAMI philosophy: 78% of the interviewed workers argued that CAMI was a factory where management still had all the power.

At the NUMMI plant, likewise, there has been "strong opposition, criticizing the intensive line speed and the constant pressure to work harder and faster, not just smarter."

Berggren also suggests that lean production is only questionably applicable outside the auto industry, especially in industries where an obsessive focus on reducing labor-hours per unit of output may be inappropriate.

When I first reviewed Parker's and Slaughter's book on my blog, an anonymous reader "eyeball-deep in a developing Lean work environment" confirmed their analysis, and that of Berggren, from personal experience:

In the past year that my company has jumped on the Lean bandwagon and Kaizen has become our reality, I have watched the majority of our most skilled and intelligent workers break down and leave. I myself am at the breaking point. This system does nothing but remove management responsibility from the management and place it on the shoulders of the employees. We have watched management recieve large raises and bonuses as a result of *us* doing *their* jobs for them. As we have worked harder and faster and profits have gone up, our health (both mental and physical) has declined day by day. Meanwhile managers wander around on their "Gemba" rounds and do basically nothing all day.[61]

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[61] Anonymous comment under Carson, "Liberation Management or Management by Stress?"

As I mentioned in introducing Berggren's analysis, Jon Miller, a lean proponent at Panta Rei blog, was forced to concede some of his criticisms, however grudgingly.

It is very easy to implement "display Lean" with all of the surface similarities but not the supporting human resource development and management problem solving disciplines built in. Even when it does have these things, a Lean workplace is fraught with tension. Ideally it should be a healthy tension that focuses the mind on solving problems and serving the customer. When people lack respect between one another, or when working conditions do not meet the basic needs of people this tension becomes unhealthy....

Lean production does not respect people. Of course it doesn't. Production systems do not have feelings or the ability to respect human beings. Production systems are a set of rules and principles that describe effective ways to make money based on following certain laws of physics and economics.

But Lean is not capable of being mean either, unlike people are. When people criticize Lean production as "lean and mean" what they are really saying is that the people in charge of implementing Lean care less about the livelihoods of the workers as they do for themselves. This is one side of human nature. Lean production used by people who care less about people can be brutal while Lean production used by people who care about people can be a wonderful thing.[62]

Allowing for its focus on mere differences in the personal style of management, as opposed to structural issues of power, Miller seems to be saying (albeit in much milder form) something very much like my point: that management systems like *kaizen* and quality can be either empowering or hellish for workers, depending on the institutional context in which they are adopted.

A good example is the treatment of downtime on the job as *muda*, or waste, as mentioned by Berggren. Traditionally, one way workers have made their jobs bearable (especially jobs intermittently requiring strenuous effort) is by regulating the pace of work, and interspercing downtime with bursts of effort. This is sometimes referred to as "one on, one off," as workers engaged in some physically exhausting activity take alternate staggered periods of effort and rest, despite being on the clock. The wage paid for the time takes into account the pace of work set by workers. Employers, on the other hand, have always sought to substitute regulation of the pace of work by machine, in order to extract maximum continuous effort from workers. When management succeeds in reducing downtime to a minimum and extracting maximum effort with a minimum of interruption, the result is the kinds of stress, burnout and repetitive motion injuries described by Berggren.

Michael Yates, in a *Monthly Review* article, relies on worker accounts to illustrate the physical demands of lean production (at least what predominates under that name in the

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[62] Jon Miller, "Lean Production Does Not Respect People," Panta Rei, May 10, 2006 <http://www.gembapantarei.com/2006/05/lean_production_does_not_respect_people.html>.

U.S.) in extremely vivid terms.

There are about 1.1 million auto workers. Not only are they facing rapidly rising insecurity, they are also confronted every day with a work regimen so Taylorized that they must work fifty-seven of every sixty seconds. What must this be like? What does it do to mind and body? In this connection, it is instructive to read Ben Hamper's *Rivethead* (1992), a startling account of working in auto plants. Hamper worked in an old plant, where the norm was about forty-five seconds of work each minute. He eventually got a job in a new, "lean production" facility. He called it a "gulag." In her book, *On the Line at Subaru-Isuzu* (1995), sociologist Laurie Graham tells us about her work routine in one of these gulags. Below, I have skipped a lot of the steps, because I just want to give readers a sense of the work. Remember as you read it that the line is relentlessly moving while she is working:

1. Go to the car and take the token card off a wire on the front of the car.
2. Pick up the 2 VIN (vehicle identification number) plates from the embosser and check the plates to see that they have the same number.
3. Insert the token card into the token card reader.
4. While waiting for the computer output, break down the key kit for the car by pulling the 3 lock cylinders and the lock code from the bag.
5. Copy the vehicle control number and color number onto the appearance check sheet....
8. Lift the hood and put the hood jig in place so it will hold the hood open while installing the hood stay....
22. Rivet the large VIN plate to the left-hand center pillar.
23. Begin with step one on the next car.

This work is so intense that it is not possible to steal a break much less learn your workmate's job so that you can double-up, then rest while she does both jobs. Within six months of the plant's start-up, a majority of the workers had to wear wrist splints for incipient carpal tunnel. Necks and backs ache from bodies being twisted into unnatural positions for eight hours a day. Supervisors recommend exercises and suggest that workers who cannot deal with the pain are sissies.

What is true for auto workers is true for all who do this type of labor—whether it be in beef processing plants or on chicken disassembly lines where workers labor with slippery blood and gore on the floor and on their bodies. And where cuts lead to infections and disease.[63]

Charlie Post and Jane Slaughter quoted one autoworker who described lean production as "eight hours of aerobic activity each day."[64]

There is nothing illegitimate about downtime on the job. The worker's intervals of downtime on the job are just as legitimate a "perk" as the CEO's enormous salary, bonuses and stock options. In a regime of self-employment, which predominated in

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[63] Michael Yates, "The Injuries of Class," *Monthly Review* 59:8 (January 2008), pp. 6-7 <http://www.monthlyreview.org/080101yates.php>. [1-10]
[64] Charlie Post and Jane Slaughter, "Lean Production: Why Work is Worse Than Ever, and What's the Alternative" A Solidarity Working Paper (2000) <http://www.solidarity-us.org/LeanProduction.html>.

America until late in the nineteenth century, it is normal for the worker to control his pace of work, and to rest at periods of his own choosing. The same was true in many areas of Europe even under the Old Regime, when peasants were forced to pay rent but still worked without supervision. Since the self-employed laborer appropriates his full product, any particular choice of exertion is a straightforward exchange of effort for consumption. And as radical economic historians like Stephen Marglin have pointed out, a chief motive of the factory system was to put capitalists in control of the pace of work, in order to reduce downtime and increase the effort extracted for a given payment. The history of industrial relations since then, from Ure and Taylor on, from the deskilling described by Katharine Stone in the steel industry to the introduction of automated machine tools described by David Noble, has been a struggle over whether the pace of work will be set by workers on the shop floor, or by machines controlled by management.

As we noted earlier, whether the alternation of exertion and rest is considered "waste," or a worker's normal exchange of total effort for total consumption, depends on who holds the power. The definition of "waste" depends on one's understanding of efficiency; this means entirely different things, from the respective standpoints of labor and capital. For labor, efficiency means maximizing the ratio of consumption outputs to labor inputs (optimizing returns on labor); for capital, it means optimizing returns on capital.

Something like lean production could be practiced in a worker-controlled setting to eliminate *real* waste, like unnecessary use of materials or misdirected efforts, without treating the wage of labor itself as a cost of business rather than the purpose of the business. The workers, rather, would see the payment of labor as the rationale for their enterprise, and treat the mixture of exertion and rest undertaken in earning that payment as a matter to be decided by those who know where the shoe pinches.

> In a worker-run economy, the introduction of new technology could bring more free time, more jobs, more interesting work and less stress, rather than unemployment, deskilling and speed-up.[65]

The fundamental problem is the conflict of interest involved in the power differential, by which one party reaps the benefits of its policies, while imposing the costs on the other party. Lean, as actually practiced, treats labor as the main "cost" to be economized on.

Eric Husman, although generally hostile to the Parker and Slaughter book, in reviewing it makes some points that coincide quite well with my own analysis.[66] Most of his major objections involve their inconsistent cultural and ideological attitudes, rooted in the old corporate liberal model of unionism. For example, despite their identification of lean production with "super-Taylorism," they actually share more values in common with

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[65] Post and Slaughter, "Lean Production."
[66] Eric Husman, "Working Smart? Or Rather Neither, Really," Grim Reader, October 10, 2006
<http://www.zianet.com/ehusman/weblog/2006/10/working-smart-or-rather-neither-really.html>.

actual Taylorism than does lean production. Parker and Slaughter equate "Taylorism," in simplistic fashion, to time-and-motion study and the identification of the "best way," when--as Husman points out--its central feature was actually the strict separation of management from labor functions, and of thinking from doing. In this, with their affinity for "rigid work rules, rigid work classifications, bureaucratization," Parker and Slaughter are actually quite close to Taylor.

In fairness to those authors, I should point out that the issue of bureaucratic work rules arguably has a dialectical character. Parker and Slaughter themselves sometimes concede, in passing, that many of the techniques of TQM or *kaizen*, in and of themselves, might be useful in the context of a production system owned and controlled by workers. On the other hand, in a workplace organized on the principles of absentee ownership and managerialism, such work rules can be a necessary evil; giving management the discretion it needs to implement more flexible systems would result in those systems being turned against the workers. So in a sense, union interference with the most efficient ways of organizing production are a necessary result of the agency problems inherent in wage labor. Labor's preference for rigid work rules is quite rational, despite their interference with efficiency, given management's real propensity to abuse the discretion and flexibility needed to run things more efficiently. The asymettric power relations between labor and management, since the beginning of the industrial system, have made it in labor's rational interest to exploit any possible advantage presented by their control of production, and to fight any attempt to reduce their control of production. Husman himself seems to acknowledge this:

> ....By maintaining strict classifications and rules and resisting team problem solving, workers are able to hide aspects of their job and thereby maintain a bargaining chip. *Kaizen* encourages them to reveal this secret knowledge, making it easier to document those secrets, eliminate custom work, and train new workers. This is interesting from a transaction cost economics POV, as it illustrates on one hand a principal-agent problem, and on the other hand the difficulty of making contracts in the presence of opportunistic behavior.

Nevertheless, despite all of Husman's objections, Parker and Slaugher are correct in their central contention: that what is *called* "lean manufacturing" by most American employers (and probably what is called TQM and Six Sigma as well) amounts, as actually practiced, to downsizing and speedup, and an attempt to squeeze more work out of fewer people for less money. They are mistaken only in taking the "lean" label at face value in most cases.

For example, take Judith Biewener's case study of the Regional Bell companies, where cross-functional training and teams were combined with downsizing, speedups and reduced job security.

> At the company I studied, downsizing has generated widespread resentment and a sense of insecurity among employees, leaving them cynical and suspicious of management initiatives. In general, workers are positive about the idea of bringing this particular set of jobs together; they consider it helpful to be able to immediately resolve problems with their coworkers in

other job titles that before would require phone calls to other offices and, very often, a great deal of waiting. For the most part, however, cross-functional teaming is closely associated with the pain and disruption of consolidation and downsizing.....

Because job reductions have outpaced the work redesign in many cases, stress from work speedup in the centers is at high levels.... Meanwhile, frequent failure to meet service levels because of the extra work offends workers' strong service ethic.... As a result, workers question the company leadership's judgment about competitive strategy....

Since this company has introduced cross-functional groups and cross-training in a way that is effectively divorced from employee involvement, such ill feeling may not seem to pose a significant problem for management. However, to the extent that workers resist or even undercut the new cross-functional arrangements being introduced--by holding back information to coworkers about their jobs, for example--such sentiment among workers is problematic even for the abbreviated high performance work system being implemented by this company.

In addition, the ability of the company to proceed with multiskilling and job rotation has been severely hampered by the dramatic extent of the downsizing. For instance, in certain cases functional and geographic specializations are being *reinforced* as the pressure to "just get the work done" squeezes out time for workers to learn new tasks and procedures or to teach others about their jobs. And despite management hopes that cross-training will lessen the skill loss associated with downsizing, when cuts are made so deeply and swiftly, skill transfer can be undercut by the departure of experienced workers.[67]

And this Husman does not directly contest. His most important point, in my opinion, is that most of the American firms treated as case studies by Parker and Slaugher were only superficially adherents of lean or *kaizen*. Only NUMMI, of all the American plants the two mentioned, even came close. Parker's and Slaughter's main shortcoming, aside from all the cultural and attitudinal idiosyncracies to which Husman objects, is that they uncritically identify "lean" manufacturers mainly by taking lean slogans at face value. But the Berggren article, which Husman takes far more seriously than the Parker and Slaughter book (he was kind enough to recommend it to me in the first place), has some areas of overlap with Parker and Slaughter in its treatment of lean production in plants where it is seriously applied (e.g., NUMMI, the original Toyota Production System, and Japanese transplants in North America). Namely, according to Berggren, lean production has an ambivalent character that can sometimes be expressed in speedups and constantly increasing extraction of effort even when it is genuinely practiced.

Husman's main objection, taken with the aspects of Parker and Slaughter that are backed up by Berggren, together give us what amounts to a restatement of two of my central themes in this chapter: 1) corporate America in more cases than not only pays lip-service to management theory fads, with little or no understanding of what the slogans

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[67] Judith Biewener, "Downsizing and the New American Workplace," *Review of Radical Political Economics* 29:4 (December 1997), pp. 16-17.

even mean; and 2) when they really are seriously applied, rather than living up to their libertarian potential they tend to take on an authoritarian character as they are adapted to the structural imperatives of absentee ownership, managerialism and hierarchy. Despite their sloppiness and other shortcomings, I found Parker and Slaughter a source of much useful information. Nevertheless, I believe that Husman and I are largely in agreement. As he said in response to my own review,

> I believe that lean is amoral: it can be used for good or bad, e.g. GM probably has found a system for eliminating more jobs. And we certainly have seen lots of people use the slogans without getting the message. But I also believe that it is potentially valuable, especially as lean is exactly the type of system Kirkpatrick Sale tries to describe as a means for producing goods locally from generalized machinery... and it is exactly what Amory Lovins and Paul Hawken see as the productive mechanism in *Natural Capitalism....*

I would probably agree with every word of that.

D. Dumbing Down

Interestingly, those directly involved in developing such practices as TQM and the Toyota Production System, etc. (and just about anyone who takes the ideas seriously), tend to display hostility (if not outright contempt) toward most dumbed-down corporate attempts to put them into practice. The writers who show the most enthusiasm for some such practice's "revolutionary" application in a long string of Fortune 500 corporations, generally, are superficial popularizers and cheerleaders like Peters. The serious Quality people I've met, with industrial engineering backgrounds, tend to contrast Deming's thought with today's corporate Kwality programs in terms very like Nietzsche's dictum: "There was only one Christian, and he died on the cross."

The one seeming exception is Six Sigma, for which I've been able to find nothing *but* popularized descriptions. If Six Sigma has anything comparable to Deming's *Out of the Crisis* as a serious and authoritative exposition, it must be some in-house work for Motorola engineers. That impression is confirmed by my discussions with people from industrial engineering backgrounds, and who have had direct experience with assorted lean and quality programs. I also get the impression, from discussion with such people, that there is no "serious" version of Six Sigma in the same sense as with Deming or Juran, which was subsequently dumbed down for consumption by the corporate suits: Six Sigma is *itself* the dumbed-down, pop version of Quality, originally developed for the corporate suits. One correspondent humorously compares it to "a branch of Scientology, what with the belts and the toolkits and the specific minimum project sizes and meaningless acronyms," and treats the Black Belts as equivalent to Operating Thetans. In substance, Six Sigma has little or nothing to offer in addition Walter Shewhart's 1930s work in statistical quality control at Western Electric; any substantive refinements to Shewhart's work were already made by his disciples Juran and Deming back in the 1950s, and further improved on by Ohno. Everything substantive in Six Sigma is cribbed from those earlier versions of quality control, with a new brand name (McQuality) put on it.

As Juran said, "From what I've seen of it, it's a basic version of quality improvement. There is nothing new there."[68]

In the case of lean manufacturing, as Eric Husman pointed out above, Bill Waddell refuses to work with American corporations in the GM-DuPont tradition, which focus on the kind of short-sighted, pennywise-pound foolish approach to cost cutting mandated by GAAP accounting practices.

> [Parker and Slaughter] talk repeatedly of how management uses lean processes and reengineering to make it easier to outsource and introduce automation, yet these are the diametric opposite of what Toyota does. Toyota is famously conservative about the introduction of technology. By outsourcing, Parker and Slaughter mean forcing single supplier systems to stock parts for Just-In-Time pull, but Toyota keeps dual suppliers and works with them to introduce real JIT methods into their operations. As a result, many Toyota First-Tier suppliers have expanded their business by supplying to Toyota's competitors, while GM, Ford, Delphi, and all the rest of the Sloanist, GAAP, Taylorist producers keep laying off, outsourcing, and automating their way to oblivion. Only about 12 pages out of 315 are occupied with Japanese companies, but Japan itself is not universally lean as they imply - Toyota stands out even there....

> Waddell and Bodek persuasively argue in *Rebirth of American Industry* that GM and companies based on its management principles will never fully grasp or be able to apply lean management theories because of the accounting rules they use. In *Rebirth*, the single most valuable point is that a company's accounting system sets their definition of profitability, and that everything else about the company flows from that definition. The Sloan system was largely based on DuPont's view of the operation and Brown's implementation of an accounting system based on DuPont's opinion.

> To put it in perspective, it is valuable to compare the original Ford and the Toyoda family values to the GM values. Henry Ford and Kiichiro Toyoda both owned a manufacturing concern and made money by manufacturing things. DuPont owned a group of companies that manufactured things, but he had two options for making money: he could manufacture things or he could break the organization up and sell it off by piece. Therefore, he and Brown devised a system designed always to be ready to sell off.

> In their system, multiple divisions were organized in the "M Form" corporation in which each division was independently evaluated as a cost center. They looked at it as "islands of cost awash in a sea of profit". Each division "sold" its product to other divisions (for example, Fisher "sold" bodies to the assembly plants). When you take in inventory, that's an asset; when you produce it and make it the next division's inventory, that's a profit; everything in between is a cost. Further, cost is divided into two categories: fixed and variable. The fixed cost is the cost of management and the plant operating costs. The variable cost is the labor. If a plant has high variable costs and little profit, it can and should be sold off in the Sloan/DuPont/Brown system. That system was ascendant in the 1950s, when GM was the mother of all corporations in the post-WWII era, and the structure was embodied in

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[68] "Juran: A Lifetime of Quality."

the Generally Accepted Accounting Practices (GAAP) which is today accepted by all publicly traded stock companies. In other words, if you don't follow those practices, you open yourself to civil and criminal procedures by shareholders suits, criminal prosecutors, the SEC, and the IRS.

So it should be no surprise that when union activists look at GM's application of lean theories they find a facade and little else. The accounting system in place in almost all public companies will force them to the same conclusion: eliminate labor because it is a cost, don't worry about inventory because it is an asset. GE took this to its logical limit: keep the name, sell off the manufacturing capability, put all of your effort into marketing and financing. The result today is that GMAC and GE Capital are the most profitable divisions of those companies. The MBAs in charge were baptized in the GAAP and Sloanist M-Form corporation theory; they eliminate variable costs (labor) by investing in specialized automation or by outsourcing it.

And Toyota is beating the crap out of them with people and relatively low-tech, general application machinery.

Sam Smith, in *Progressive Review*, described the general phenomenon in much less charitable terms:

A cursory examination of American business suggests that its major product is wasted energy. Compute all the energy loss created by corporate lawyers, Washington lobbyists, marketing consultants, CEO benefits, advertising agencies, leadership seminars, human resource supervisors, strategic planners and industry conventions and it is amazing that this country has any manufacturing base at all. We have created an economy based not on actually doing anything, but on facilitating, supervising, planning, managing, analyzing, tax advising, marketing, consulting or defending in court what might be done if we had time to do it. The few remaining truly productive companies become immediate targets for another entropic activity, the leveraged buyout.[69]

Husman writes elsewhere on the incompatibility of lean production with the Sloan management system, or the difficulty of "trying to become lean with a Brownian accounting system."

That, like the "management by numbers" stupidity of Sloan "management", serves only the near-sighted and non-manufacturing-minded DuPont definition of profit. Deming was right: the idea that someone could graduate with an MBA and step into the front office of a manufacturer without ever having spent time on the factory floor is a fraud. It was a fraud allowed to flourish in a time when Sloan companies were competing against other Sloan companies: marketing vs. marketing. Once a Manufacturer stepped into the ring, they were doomed to fail. Unless they change their definition of profitability and the management and accounting systems that support that, the Sloan companies are not going to compete with a Toyota.[70]

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[69] Sam Smith, "The Corporate Curse," *Undernews*, May 7, 2008 <http://prorev.com/2008/05/corporate-curse.html>.
[70] Husman, "The Accounting Chains on American Industry."

As Husman said, it's utterly pointless even to try implementing lean production in a company with Sloan accounting. Every day, Waddell and Bodek write, a Sloanist factory holds a "production meeting" which demands two figures: the value of output (i.e. by DuPont standards that include the value of goods "sold" to inventory), and the labor-hours expended to produce it. They describe one company, governed by the Sloan system, in which a "lean transformation" had been mandated. The company's CEO has a resume full of past "lean" experience.

> While it may appear as though the lean team is being asked to fit a square peg into a round hole, they handle it adeptly. On the one hand, lean dictates that they drive the plant to short cycle time, high quality production with no waste, precisely leveled with customer demand. On the other hand, the daily meeting reminds them that the objective is to utilize labor without regard to inventory and marginal regard for quality. The dilemma is resolved by creating a plant that looks lean, but runs as it always has.

> A U-shaped cell here and a kanban there is all it takes. When senior management comes to visit, bringing along customers or Wall Street analysts, they are shown visible proof that the plant is, indeed, lean.... The company is typical. It is one of the 98%+ that claim lean accomplishments in public announcements, but bring none of these accomplishments to the bottom line.

> If you were to speak to the CEO he would undoubtedly tell you that his responsibility is to exert leadership, and he does that by talking about lean, authorizing spending on lean training, and bringing in lean consultants. The actual change to lean, however, is viewed as purely a factory issue at the end of the day. If you were to ask him exactly what has changed in his world, or anywhere at the corporate level, the truthful answer would be "Nothing." Lean at the corporate level of this and virtually every big company is a factory philosophy, rather than a management philosophy....

> ...Nowhere in the equation does it occur to [corporate management] that the plants and supply chain have come to exist and operate in a manner that best serves the definition of good performance laid out by the accounting system. The lean strategy they push down directs the factors to operate in a completely different, lean manner than in the manner which has proven to best meet the numbers; but they must still hit all of the numbers.[71]

This fundamental conflict between American management culture and the requirements for genuine quality are the reason attempts at lean, Quality, TPS, or whatever other name you choose always wind up being dumbed down. As Waddell and Bodek put it, that management culture inevitably resulted in the way General Electric "turned Six Sigma into the strategy to outsource and offshore everything."

> They value streamed the corporation and came to the conclusion that just about everyone except headquarters (of course) added insufficient value and needed to go.

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[71] William H. Waddell and Norman Bodek, *Rebirth of American Industry: A Study of Lean Management* (Vancouver, WA: PCS Press, 2005), pp. 132-133.

Lean manufacturing got "Sloaned."[72]

The actual implementation of quality and kaizen in most American corporations makes the efforts of GM and General Electric look positively wonkish by comparison. As I mentioned earlier, senior management more often than not has little or no idea of what the Kwality jargon they're paying lip service to even means.

Jerome Alexander (an MBA and CPA with a career background in middle management, who blogs on management issues at The Corporate Cynic) describes the superficial management approach to TQM at one of his past employers[73]. He prefaces his comments by noting that he had supported the TQM concept, but that his experience with management's actual implementation of the program had made him "gun shy" of such fads. At the time, the height of TQM popularity in the '90s, he was a division operations manager for a national corporation, and his division faced serious customer dissatisfaction as a result of quality problems with a line of capital equipment that it had introduced.

> The company spared no expense getting us on fast track to TQM. They picked one of the more expensive TQM program providers and flew us all over country. I was chosen to be an instructor because I managed a large region and my operations were far flung. I picked our division HR manager as my assistant. Ron and I were great friends. He operated out of corporate headquarters and his boss, the Vice President of Human Resources wanted tabs kept on the progress of the program in the field. Being stationed at corporate headquarters afforded Ron a bird's eye view into what was going on at the senior staff level as well as with the CEO....

> I will admit that I was skeptical about the TQM concept from the outset. How could such a culture change take place at an extremely conservative firm like ours? I did not like the gimmicky "Fru-Fru" (you know –the silly exercises, role playing, campaign buttons, etc.) that was associated with the training. I've never liked that stuff. I really didn't think that TQM would work in our kind of operations either. But I was committed to learning the methods and as long as I was chosen to be an instructor, I dug into the materials like I would study for any other academic course. It took me a while to intellectualize the concepts but over a cocktail one night at the program sponsored "happy hour", it clicked. The whole thing was unbelievably simple. It made sense logically and I felt that the concepts could be easily communicated to the employees – with or without the "Fru-Fru." I actually began believe that this could work....

> We got down to the business of setting up training at the division level in accordance with the schedule and format set out by the program. It was a step-by-step process that rolled

[72] Ibid., pp. 201-202.

[73] Jerome Alexander, "Requiem for TQM of Total Quality Mismanagement," The Corporate Cynic, April 1, 2007 <http://thecorporatecynic.wordpress.com/2007/04/01/tqm-mayhem-or-total-quality-mismanagement/> Alexander wrote this post in response to a request from Jon Miller of Panta Rei blog for his opinion on TQM.

out in a series of stages. But while we in the field were diligently at work laying the groundwork, things were already going awry at corporate headquarters. Part of the implementation protocol required a show of support by top management. This included a visit by one of the TQM program consultants to meet with CEO. Ron informed me that the CEO had refused to meet with them. After a plethora of pleadings by the consultants, he relented but had assigned the whole program to a lower level vice president.

The next step in the process was the big corporate "kick off" meeting at headquarters. All the divisional managers were flown for the hoopla. It was a topnotch affair attended by a few hundred people including the entire corporate office staff. The CEO even gave the keynote address. He voiced his support for the program but one could tell that his conviction was lukewarm at best. Two of his comments were telling: "…I hope that no one thinks that we're getting into this program because I happened to pick up Business Week and read an article about it. We need this." and his final comment with which we were sent off to go and do TQM, "I really want this program to work but I don't want people wasting their time attending a lot of meetings."

Alexander describes what the latter comment meant, from the standpoint of senior management's actual training in TQM:

1. The key corporate executives only participated in the "executive summary" overview session (held at a resort in Florida). Some did not even consider it worthwhile to attend.

2. Due to the CEO's statement about "too many meetings", corporate employees received mandatory but abridged training. They did get all of the "Fru-Fru."….

And those engaged in production, the heart of any real TQM process, were never truly engaged:

Interestingly enough, although a grass roots program, the events were always confined to corporate headquarters and never found there way down to the production worker level. Everything that occurred at our company was always centered on corporate headquarters. That's where the CEO and the power base were located. Everything revolved around them. Even though the production facilities were the areas deemed as needing the program, only their top managers were called into headquarters to participate. Production workers only read about it in the company newsletters.

Over the next twelve months, the program peaked and then began to degenerate as the novelty wore off and company priorities began to change. The training schedules, formats, and overall protocol that the program consultants had laid out began to be modified and reprioritized by corporate officials.

Unfortunately, the implementation of the basic concept was hamstrung by management's superficial understanding of TQM, and its simultaneous exclusion of production workers from the substance of the quality improvement process. Senior management, whose knowledge of TQM was about as substantial as the TQM mugs they received at their half-day "Executive Summary for Clueless Bosses" seminar, interfered with the proper operation of the process (anyone who's seen what ensues when *Dilbert*'s

pointy-haired boss decides to interfere with the engineers' work based on some half-understood article in *Business Week* should get the idea). And the paucity of worker suggestions for process improvement, resulting from the lack of initial involvement and buy-in, resulted in management attempts to artificially generate suggestions. Alexander went into considerable detail about what this meant in concrete terms:

OFI's (Opportunities for Improvement)

These were to be grassroots ideas for improving the processes performed by the employees themselves, i.e. "If my area had better lighting, I could more easily…. and the work that I pass on work would contain less defects." "If the parts were degreased before I got them, I could…." "If I had a different tool, I could…." You get the picture. The intent was to improve the process. Although each OFI was to be put to writing and catalogued, they were not intended to be suggestion box items. The program was also explicit about the fact that no financial incentives be attached. The improvement of the process was to be its own reward. Operating the process would become easier with less rework, etc.

What went wrong:

1. One of the corporate AVP's, who had only attended an "Executive Summary" session had latched to the notion that each OFI should show a direct link to a product improvement. He resurrected an old idea that had been suggested by a field employee for modifying an ancillary device on a finished piece of equipment. The suggestion had nothing to do with employee's process and was based on a simple observation. The AVP decided that this example should be used as the model for all OFI's. He also suggested that the employee be given a cash reward for the idea. Since he was an AVP, his position power trumped the intent of the program.

2. When we were initiated into the OFI process at our training sessions, the program consultants stressed that American workers were not as keen as Japanese or even European workers when it came to writing OFI's. Americans were more apt to just "fix" things as opposed to committing their ideas to writing. The consultants showed statistics of the propensity of various groups to create written OFI documents. We were even told not to expect too many at first. That is indeed what occurred. This initial paucity of OFI's was deemed unacceptable by our corporate management. Our workers were better than the Japanese or Europeans and, therefore, should turn in even more OFI's. Besides, the company had just made a considerable monetary investment in TQM training and, by God; they wanted to see something for it. The entire OFI program deteriorated into a numbers game and a contest. You can guess the rest. If you can't imagine the undue pressure placed on line management, the nonproductive shenanigans, infighting and poor morale that resulted, I can write an entire post about them.

If you think things couldn't be dumbed down and bastardized any further, prepare to be disillusioned. Alexander's description has to be read to be believed:

Program review benchmarks

One of the protocols of the TQM program that our company had chosen was to hold were covered with charts and graphs. I asked one of the supervisors what it was all about.

"Measurement!" he answered. "But what are you measuring?" I asked. "Everything!" he answered, "The Controller told us to put up as many charts and graphs as we benchmarking events at various stages of the implementation to review what had been learned to date and take stock of progress. There were to be a series of these events scheduled to build upon each other and culminate in the recognition of the culture change.

What went wrong:

1. We could not have these events in the field due to scheduling and budgetary concerns. Our larger operations were only able to squeeze in one or two.

2. Corporate headquarters, of course, held a massive affair combining several of the benchmarking events into one. Sparing no expense, a hotel ballroom was transformed into a genuine three-ring circus arena complete with clowns, prize booths and even a dunk tank. The office staff was dressed in "zero defect" tee shirts and played ring toss games to win giant yardsticks for "measurement." Banners and balloons carried the words "All work is a Process" and "Quality is Free." The tab for all of it sure couldn't have been. The food was great. But other than for the fun and games, no one really seemed to know why they were there. It was all kind of surreal.

3. I went back to the corporate office after the event and visited the accounting department where I had spent many years before moving into operations. The walls could."

4. Reading about the event in company newsletter and seeing the pictures of the gala demoralized the production workers.

Three years later it was all over. The company received a spiffy "Quality Statement" like all large corporations have today. New employees received a booklet describing the TQM process that they were to memorize. They might also have been shown a videotape. The OFI process had stopped (thank God). The entire administration of the TQM program had been remanded to the Quality Assurance Department. Their focus went back inspecting finished goods and reviewing production processes. The relationship with original program consultants reverted to receiving a monthly newsletter. Nothing else changed.

The banners were sagging on the walls and the balloons were all but deflated and hanging limp, sad reminders of an extremely expensive foray into the TQM fad of the '90's.

Following his lengthy and rather painful account of the TQM trainwreck at his former employer, Alexander eloquently summarized what went wrong in these brief words:

Enacted for the wrong reasons. Afforded only lip service support by a disinterested top management. Continuously modified by ill-informed senior officials."

That could be the epitaph for most large corporations at which TQM and other quality fads were tried. But the interesting part, from a perverse stopping-to-look-at-an-accident perspective, is the sheer catharsis involved in reading all the excruciating details of just *how* it was screwed up in a particular case, and thereby receiving the gratifying reassurance that, yep, while the specific details may differ, those pointy-haired bosses are

equally stupid everywhere. As Tolstoy might have put it, every incompetently managed corporation is incompetently managed in its own way.

Juran remarked on the corporate tendency to pay lip service to quality, referring to general policy statements on the subject as "Motherhood policies":

> ....Virtually all published statements of corporate quality policy contain a brief declaration which summarizes the company's position. For example:
>
> *It is the policy of the company to provide products and services of a quality that meet the initial and continuing needs and expectations of customers in relation to the price paid and to the nature of competitive offerings, and in doing so, to be the leader in product quality reputation.*
>
> *To achieve and sustain a reputation for quality at competitive prices in the National and International markets for our entire product range.*
>
> *To provide a product which satisfies performance, quality, reliability, and safety requirements of our customers at a fair market price.*
>
> *To provide products and services which consistently meet the needs and expectations of our customers and of users within the company.*
>
> No one quarrels with such statements. However, they are regarded by most managers as too vague to provide guides for conduct. (Hence the name "motherhood" policies; i.e., everyone is in favor of motherhood.)[74]

Or as Peters quoted some anonymous employee about his manager, in Chapter Eight: He's all for quality, in the sense that he never says he's against it--the problem is he's for everything. And although he occasionally speaks in favor of quality, he acts a hundred times a day in favor of shipping product.

One common feature in most dumbed-down versions of lean production and quality, as opposed to the real thing, is that management takes the costs of genuine quality improvement in isolation, rather than in the context of the *far greater* cost of poor quality. This idea, the "Cost of Quality" or "Cost of Non-Compliance," is especially central to the thought of Philip Crosby[75] (who also noted that it's typically disregarded by most management quality initiatives).

For example, as Husman points out in his critique of Parker and Slaughter, genuine advocates of lean production consider injury to workers as itself a cost of doing business.

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[74] J.M. Juran, *Juran's Quality Control Handbook*, 5.4-5.
[75] Philip Crosby, *Quality is Free: The Art of Making Quality Certain* (New York: McGraw-Hill Book Company, 1979). See also Juran, 4.4-5.

Dumbed-down lean production also differs from the real thing in what it identifies as *muda*, or waste. For Ohno, the primary target in eliminating waste was activity that did not contribute directly to value-added: one-off activities removed from the production process. On his frequent visits to Detroit after WWII, judged the American system as "rife with *muda*."

> He reasoned that none of the specialists beyond the assembly workers was actually adding any value to the car. What's more, Ohno thought that assembly workers could probably do most of the functions of the specialists and do them much better because of their direct acquaintance with conditions on the line.... Yet, the role of the assembly worker had the lowest status in the factory.[76]

I wonder how Ohno would classify those in management ranks whose jobs involve mainly writing mission, vision and values statements, inventing new "employee recognition" gimmicks, or handling the revolving door of expensive consultants from Fish! or whatever other "motivational" program is the flavor of the week.

Ohno's approach, as described by Womack et al., dovetails with Deming's account (already quoted in Chapter Eight) of the typical pattern of Japanese cost-cutting priorities, in his experience:

> In Japan, when a company has to absorb a sudden economic hardship such as a 25 per cent decline in sales, the sacrificial pecking order is firmly set. First the corporate dividends are cut. Then the salaries and the bonuses of top management are reduced. Next, management salaries are trimmed from the top to the middle of the hierarchy. Lastly, the rank and file are asked to accept pay cuts or a reduction in the work force through attrition or voluntary discharge. In the United States, a typical firm would probably do the opposite under similar circumstances [except for the relative priority of dividends and management pay, of course--KC]."[77]

This is borne out by the example of Toyota Corporation in the late 1940s, when company president and founding family member Eiji Toyoda regarded a layoff of one-quarter of Toyota workers as an action so serious and blameworthy as to require his own resignation. And in so doing, he treated the layoffs as a unique, one-time event, coupled with a corporate social compact in which lifetime employment for core workers would be the norm and layoffs would be governed by the list of priorities Deming described.[78]

Most dumbed-down American lean manufacturing systems, on the other hand, target the productive workforce as their first priority in eliminating "waste," and try to squeeze as much effort as possible out of the smallest possible number of people. And their

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[76] James P. Womack, Daniel T. Jones, Daniel Roos. *The Machine That Changed the World* (New York: Macmillan Publishing Company, 1990), p. 56.

[77] W. Edwards Deming, *Out of the Crisis* (Cambridge, Mass.: M.I.T., Center for Advanced Engineering Study, 1986), p. 147.

[78] Womack et al., *The Machine That Changed the World*, p. ?

overall priority list is exactly the opposite of Deming's: first cut the total productive workforce, or their pay, benefits, or work hours; then cut back on middle management; and only in the direst emergency, cut back on the perks of senior management.

Management almost never compares the direct cost (or indirect cost in lost production time) of scrap and rework, or of replacing defective customer orders, or of lost goodwill, etc., to the cost of the resources needed to produce a quality product in the first place. In hospitals, this cost of poor quality includes nosocomial (hospital-acquired) infections, medication errors, patient falls, and general patient dissatisfaction and bad word-of-mouth resulting from the poor quality of service. As already mentioned in an appendix to Chapter Eight ("Appendix 8A: Blaming Workers for the Results of Mismanagement"), the increased cost of patient complications resulting from reduced staffing actually exceeds the apparent labor-cost savings from downsizing.

And that doesn't even include other, secondary costs, like waste (or even outright sabotage) by the overworked and disgruntled staff, or the costs of increased turnover among demoralized employees. At the hospital where I work, the excessive stress and workloads among remaining employees after the downsizing resulted in more workers quitting, until the hospital failed to meet even the staffing levels required by management. As a result, the hospital was repeatedly forced to go on "diversion mode," which means turning away patients from Admissions because of inadequate staffing. More than once, I've seen the hospital forced to pay an expensive price for nursing staff from an agency to fill in a gap created by previous downsizings: I've even seen travel RNs, whose agency probably charged over $100/hr for their services, working as orderlies on wards where staff had been allowed to go down by attrition as a "cost-saving measure." Saved a hell of a lot of money, didn't it? As for the costs from employee disgruntlement, I see more orderlies than not give patients free supplies rather than taking time to charge them by swiping the bar code, or save a few steps by wrapping up dirty towels and washcloths in a diaper and throwing them away (or even throwing away bed linens). The costs of such deliberate waste by a single orderly can easily exceed their hourly wage. And in every case, the justification is the same: "Let them take it out of what they saved by downsizing and then working us to death." "Let them take it out of what they saved stealing our PTOs (paid time off hours)." You'd think it's a no-brainer that you can't make a profit when your own workers hate you, but apparently not. And the hospital would probably start running in black ink almost overnight, to management's astonishment, if we ever thought they were dealing with us in good faith. But that won't happen because, while their dedication to Kwality is almost entirely lip service, their dedication to their own perks most decidedly is not.

It's hard to assess how much of the combined lip service and neglect come from management's superficial understanding of quality, and how much come from their deliberate and cynical disregard of it. Are they fools, or are they knaves? I can't avoid the conclusion that a considerable amount of knavery is involved. When
    1) it is well documented that the cost of poor quality (infections, errors, etc.) from inadequate staffing exceeds the savings from reduced labor costs;

2) management has a shiny new CQI program in place and knows how to parrot all the jargon; and yet

3) deliberately chooses to reduce staff in preference to any alternative means of cutting costs...

...then it's pretty clear their commitment to quality improvement is pretty superficial-- and they probably know it. Management typically focuses, above all else, on downsizing staff, in a way that runs directly counter to the spirit of everything Deming, Juran or Crosby ever wrote about the cost of poor quality. But since, as we saw in Chapter Eight, the basic metrics of the Sloan system reinforce such behavior, it's meaningless to distinguish management's self-dealing from its mindless response to Sloanist incentives: to them, they're the same thing.

Another way in which dumbed-down Kwality programs differ from the original idea, is the importance of "driving out fear" in Deming's original program, so that workers felt safe discussing the causes of waste among themselves. Contrast this to the paranoid atmosphere at NBC News, when Jack Welch's infatuation with Six Sigma was the party line at parent company GE:

> Six Sigma--the methodology for the improvement of business processes that strives for 3.4 defects or fewer per million opportunities--was a somewhat mysterious symbol of management authority at every GE division. Six Sigma messages popped up on the screens of computers or in e-mail in-boxes every day. Six Sigma was out there, coming, unstoppable, like a comet or rural electrification. It was going to make everything better, and slowly it would claim employees in glazed-eyed conversions. Suddenly in the office down the hall a coworker would no longer laugh at the same old jokes. A grim smile suggested that he was on the lookout for snarky critics of the company. It was better to talk about the weather.[79]

As Mike Parker and Jane Slaughter point out, most TQM programs do just the opposite of "driving out fear." The organizations continue to rely heavily on what Deming called the "deadly diseases" of performance evaluations, merit ratings, and annual reviews[80]--all predicated on a behavioral approach to increasing productivity by increasing individual pressure to perform, rather than properly structuring the process.

Perhaps the most significant discrepancy between the original principles of quality, and Kwality as it is practiced in Corporate America, is the tendency to motivate increased employee effort for genuine process improvement. At the hospital where I work, for example, I looked (just for fun) into the *Quality Improvement Handbook*, a binder with inserts going back as far as the mid-90s, and found an astonishing geological cross-section of fossilized, abandoned management theory fads. The ghost of Deming appeared in both his TQM and Six-Sigma incarnations, not to mention Deming's distant cousin

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[79] John Hockenberry, "You Don't Understand Our Audience: What I learned about network television at Dateline NBC," *Technology Review* (MIT), January/February 2008 <www.technologyreview.com/Infotech/19845/>.

[80] Mike Parker and Jane Slaughter, "Beware! TQM is coming to Your Campus," *NEA Higher Ed*, Spring 1994 <http://www2.nea.org/he/tqm.html>.

ISO-9000. What's really funny is to see all the "Plan, Do, Check, Act" jargon in the posters on bulletin boards, along with impressive-looking charts of adverse events over time. But right next to them, on the very same bulletin boards, are all sorts of "slogans and exhortations" (big Deming no-nos, examples of the very behavioral approach he regarded as anathema to Quality), to get people to minimize adverse events by working harder and being more enthusiastic. They parrot all the jargon of Kwality while missing the central point of Deming's Red Bead Experiment: process variation occurs because *the process* is badly designed (i.e., designed to produce a given level of variation), and it can be corrected only by *changing the process* so that reduced variation is its normal output.-- not by slogans and exhortations aimed at eliciting greater levels of effort, motivation, or attention from workers. Despite all the lip service to Deming, their substantive approach amounts to what Drucker called "management by drives."

In contrast, Joseph Juran treated "Perfectionism" as a deviation from orthodox quality, and identified one of its central characteristics as the "Belief that humans can be motivated to make no errors."[81] At one point, he refers to "Zero Defects" as

> a kind of banner to fly during a company "drive" to improve quality. In its best usage this is comparable to adopting an appealing brand name to help sell a product. In such cases much depends on the substance behind the drive. If the drive is well conceived..., then a good brand name is an aid to selling it to the internal customers. If the drive is ill-conceived (e.g., an attempt to solve the company's quality problems by exhorting the work force), then it will fail no matter how clever is the slogan.

Elsewhere, he writes at much greater length on the idiocy of this behavioral approach to "quality" through drives:

> ...The kind of management thinking that seeks remedy in short-term programs is usually the kind of thinking that brought about the poor quality performance in the first place. When a campaign is sought, what is actually needed is a change in management systems that will enable people to consistently produce high levels of quality....

> Some grievous errors have been made in quality campaigns which have left the organization in worse shape, with less performance capability than before the campaign, even when the stated objectives of the campaign were met and short-term results obtained. The major assumption underlying most short-term programs is that deficient quality performance (errors, defects, etc.) results from an unwillingness of workers to pay attention to the necessary details necessary for quality. Hence, the thrust of the campaign is to convince workers to take greater care and pride in their work without providing a method to improve....

> These assumptions of worker inattention were made without adequate diagnosis. They are also unsound from the viewpoint of behavioral psychology, and unsupported by the facts.

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[81] J.M. Juran and Frank M Gryna, *Juran's Quality Control Handbook.* Fourth edition (New York: McGraw-Hill Book Company, 1951, 1988), 3.29.

The majority of defects are inherent in the system and, therefore, only management can create the conditions for improvement.[82]

...Many upper managers have opted for a road which can properly be called "exhortation only." This road consists of using skillful propaganda to arouse awareness among subordinates that quality is important. This is an important first step in a program, but it does not provide organizational machinery to tackle the long-standing complex quality problems. Further, it does not provide a specific answer to the questions "What do you want me to do differently?"[83]

Many managers harbor deep-seated beliefs that most defects are caused during manufacture and specifically are due to worker errors, i.e., that defects are mainly worker-controllable. The facts seldom bear this out, but the belief persists.[84]

The majority of defects, as Juran puts it elsewhere, are primarily "management-controllable," and therefore cannot be addressed mainly by "motivational and disciplinary measures."[85] And many of those which are apparently "worker-controllable" (e.g. defects resulting from lack of attention, etc.) are in fact management controllable defects in disguise: i.e., they result from a production process that requires unreasonable levels of sustained effort and vigilance, and thus inevitably leads to error when management finds it cannot sloganize away human nature:

...Inadvertent errors are those which workers are unable to avoid because of human inability to pay attention. Centuries of experience have demonstrated that human beings are simply unable to maintain continuing attention....

The evident "cause" of inadvertent defects is inattention. But what causes inattention? The search for an answer leads us into the complexities of psychological (e.g., monotony) and physiological (e.g., fatigue) phenomena.... To explore these complexities in depth means going deeper and deeper into an endless swamp. It is simpler to go around the swamp--go go direct from symptom to remedy.

Remedies for inadvertent errors involve two approaches:

1. Reducing the extent of dependence on human attention [i.e., fail-safe systems]....

2. Making it easier for the human beings to remain attentive. Reorganization of work to reduce fatigue and monotony, job rotation, sense multipliers, templates, masks, and overlays are examples of remedies.[86]

In addition to inadvertent errors, there are deliberate errors caused by the double bind

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[82] Ibid., 10.48.
[83] Ibid., 22.11.
[84] Ibid., 22.32.
[85] Ibid., 22.35.
[86] Ibid., 22.55-56.

in which subordinates are sometimes put by impossible management demands, or by an "atmosphere of blame." When the time and resources available to do a job are simply inadequate (especially because of understaffing), but the pressure to "get it done" is relentless, production workers will cut corners and falsify the upward flow of data, and each subsequently level of the hierarchy will behave similarly toward its higher-ups.[87]

I already discussed management's typical behavioral approach--drives, slogans, etc.-- in Appendix 8A, and provided some examples. In the hospital where I work, specifically, management's solution to med errors, hospital-acquired infections and other complications (all of which result primarily from inadequate staffing and dangerous workloads, whether in terms of patient numbers or acuity), is to do everything *but* increase staffing: slogans, posters, in-service meetings, handouts, more interference by middle management committees, and tracking forms that further add to the workload and reduce time available for patient care, etc. Management's main "process" alteration, in hospitals and everywhere else, is to put immense pressure on production workers to increase effort (essentially what Parker and Slaughter described as "management by stress").

Management resorts to something similar at most hospitals, in my experience. When patient satisfaction surveys reveal dissatisfaction over the time it takes to get a response to a call light, for example, management doesn't see the problem as insufficient staffing to keep up with the workload, or the solution as (say) eliminating some staff positions in the nursing office and reducing the number of useless eaters on "quality" committees in order to provide more nursing staff--heaven forfend! Management's solution is to issue pagers to orderlies so they can listen to its constant squawking that "Assistance is needed in Rm. 17!" The problem, you see, isn't that the orderly is up to his elbows in shit or soaked to the skin giving somebody a shower, and that most of the lights in his group of a dozen patients have gone off before he can get away from what he's doing. It isn't that none of his coworkers is able to answer the light for him, because they're all similarly up to their elbows in shit and unable to even answer their own call lights that are stacking up on the intercom. Oh, no! Heaven forfend! It's that the worker doesn't hear the constant ringing out in the hall (believe me, he does--most of us hear the hellish things in our sleep after a day in one of those understaffed shitholes), or that he's too lazy or incompetent to get to them in time. So what's needed is a new form of electronic torture, combined with harassment and progressive penalties if he doesn't reduce his time-to-answer to management specifications.

Conclusion. To reiterate, all of the previous analysis is not to say that these fashionable management theories are inherently worthless. Just reading Peters' work by itself (especially *Thriving on Chaos*), without considering the utterly evil institutional environment in which his ideas have been adapted, is almost as exilirating a read as Kropotkin's *Fields, Factories and Workshops*. As with Kropotkin, many of the ideas he

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[87] Ibid., 22.59.

discusses sound like the seeds of a possible libertarian economy, if they were adapted to an overall structure of cooperative ownership and decentralized production for local markets.

And as I've already pointed out, many theorists of the alternative economy have adapted the same ideas to genuinely libertarian structural conditions. Even Parker and Slaughter concede some value to the ideas themselves, if workers had more control over how they were adopted in practice. For example, lean production could be designed to achieve genuine efficiencies without unduly stressful conditions; one possible adaptation would be to supplement the lean, just-in-time model with or flying squads to help work stations with problems, or with a small floating pool of extras to fill in for absentees.

Another example of how the same concepts might be applied differently, if used to empower workers instead of bosses, is *kaizen*. Instead of (as we saw above) *kaizen* being used to eliminate jobs rather than reduce the effort required, it might be used for the reverse: as a way for workers to make their own jobs easier. It would be a case of "labor-saving technology," for once, living up to its name.

In a decentralized, cooperative market economy, the built-in conflict of interest currently involved in "process improvement" would disappear. With management representing those doing the work, instead of those trying to get more out of them, most of the so-called "agency dilemma" would be straightened out as cleanly as the Gordian knot. "Change" would cease to be something imposed from above, by those with fundamentally different interests, and would instead consist of decisions made by workers concerning their own work.

Depending on whose power framework these ideas are incorporated into, the resulting world can be either as hideous as an iron-heeled cyberpunk dystopia (Stephen King's *The Running Man* and Marge Piercy's *He, She, and It* are pretty effective extrapolations of the kind of world our corporate technofascist overlords are trying to build for us), or as humanly appealing as the 21st century England of William Morris. Either "all will be well, and all manner of things will be well," or the future will be a boot stamping on a human face forever. Or maybe we'll just muddle through somewhere in between, with them trying to enslave us but not quite getting off with everything they want.

But I don't think our corporate masters can keep their grip on the world, and I don't think they can even just muddle through for many more decades. Their state-subsidized economy is generating costs faster than they can externalize them on the rest of us, and it's headed for the breaking point: Peak Oil, the debt crisis, overbuilt highway structure crumbling several times faster than money can be appropriated to repair it, soil driven to collapse by chemical agribusiness, etc. To borrow Stavrianos striking imagery from *The Promise of the Coming Dark Age*, the seeds of a genuinely new economy are waiting to sprout up through the cracks in the ruins of state capitalism. And when it happens, rather than new wine being poured into old bottles, we'll be using the new ideas as the fundamental organizing principles of a new economy--not to keep the old one on life

support.

Appendix 10A.
The Military Origins of Quality Control

As a matter of historical interest, industrial quality control is yet another example of industrial practices adopted largely under military influence. We already saw, in Chapter Three, references to David Noble's historical work on the role of the state in creating the military-university-industrial-R&D complex, on automated control systems as an offshoot of military technology, and on the central role of military R&D in the development of the modern electronics industry. Industrial quality control falls into the same category.

In "The Military Origins of Quality Control,"[88] Eric Husman starts with the historical background on the origins of many of the organizing principles of the factory itself in the military hierarchy, and more specifically of standardized production in military industry. The principle of interchangeable parts, for example, started with the Napoleonic army's requirements for arms producers, and was transplanted to American industry by Eli Whitney (it was not successfully implemented by Whitney himself, but in the 1820s by a machinist named John Hall).

> Drawing on the work of his predecessors, especially Simeon North and his use of a master model, Hall worked out a system of gauges and jigs or "rational fixtures". The real trick was to keep close watch on those gauges to make sure they are still in specification or tolerance. We can see in this the basic science of statistical quality control, the science of figuring out how much error is acceptable.

It was also the direct ancestor of Henry Ford's mass production system.

But for our purposes, Husman's most important material begins with the military origins of the modern form of statistical Quality Control in the 1930s and of continuous improvement in WWII, and the adoption of both postwar Japan.

> The other side of this story begins when W. Edwards Deming learned of statistical process control from Walter Shewhart. After applying the methods to the 1940 census, Deming was brought to Japan by Gen. Douglass Macarthur's Japanese Occupational Force to help with the 1951 census. While there, he was invited to teach statistical process control methods to the war torn economy there. What is little appreciated, however, is that Macarthur also had access to legions of instructors from the Training Within Industry (TWI) service to help teach modern methods to the Japanese.

> TWI was a program created by the War Manpower Commission of the War Department

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[88] Eric Husman, "The Military Origins of Quality Control," Grim Reader, September 4, 2006 <http://www.zianet.com/ehusman/weblog/2006/09/military-origins-of-quality-control.html>.

for the purpose of helping manufacturers cope with the fact that they were being asked to ramp up production at the same time many of their employees were being enlisted or drafted into the Armed Forces. TWI consisted of 4 programs: Job Instruction, Job Methods, Job Relations (and another version of this for union officials), and Program Development. Together, these taught what would be recognizable today as standard work and continuous improvement or kaizen. That the Japanese programs brought back into vogue in the US had an American origin is not well known, but also beyond dispute. Maazaki Isai says in *Kaizen: The Key to Japan's Competitive Success*, "It is well known that the initial concepts of statistical quality control and its managerial implications were brought to Japan by such pioneers as Deming and Juran in the postwar years. Less well known is the fact that the suggestion system was brought to Japan about the same time by TWI (Training Within Industries [sic]) and the U. S. Air Force. In addition, many Japanese executives who visited the United States right after the war learned about the suggestion system and started it at their companies." In the intro to Donald Dinero's *Training Within Industry: The Foundation of Lean*, John Shook writes about a time when he was working for Toyota when he "protested to my Japanese colleague, declaring that the program as configured just wouldn't do and required radical revision before being unleashed on the NUMMI workforce." His colleague, Toyota Master Trainer Iaso Kato, "stormed out and fetched from a back room file a yellowed, dog-eared, coffee-stained copy of the English-language original training manual, just as he had received it .... To my absolute amazement, the program that Toyota was going to great expense (including retranslating from Japanese to English) to "transfer" to NUMMI was exactly what the Americans had taught the Japanese decades earlier. Of course, it was JI, the Job Instruction module of TWI. Toyota still used it in 1984 and continues to use it today ...." These same points are made in Jim Huntzinger's article, "The Roots of Lean; Training Within Industry: The Origin of Kaizen ". To bring it full circle, the American Society for Quality says that the term "Total Quality Management" was first used by the U.S. Naval Air Systems Command around 1984 "to describe its Japanese-style management approach to quality improvement."

As for ISO 9000, it had its origins in the U.S. Army's standardization requirements which, via NATO, influenced European industry:

> The final promised tale is that of the evolution of Army quality specification MIL-Q-9858 (1958). This standard was soon adopted by NATO as AQAP-1 (1969). That in turn was adopted by the British Standards Institute as BS 5750 in 1979, which in turn became the basis of the original ISO 9000 standard in 1987. Thus we have a direct line of descendancy from an American military standard to ~~a protectionist European~~ an international industrial standard in about 30 years. From my understanding, it is just about impossible to fail a certification inspection because they are done by for-profit consultants. As a result, the automotive industry has established their own variant, QS 9000, because they need actual standardization and not lots of paperwork and paper tiger certifications.

ISO 9000, in other words, seems to be a management gimmick *deliberately designed* for the sake of lip service. (Perhaps not coincidentally, it is one of the many abortive ventures preserved in the *Continuous Process Improvement* handbook at the hospital where I work, along with CQI, reengineering, Six Sigma, and generic Kwality jargon from no specified system.)

Interestingly, Juran claims that published statements of company quality policy were rare until the 1950s, and occurred mainly in firms engaged in government contracting, in response to "requirements by government agencies that their contractors prepare written manuals for review and approval."[89] In Arkansas, and probably many other states, it is a statutory requirement that every department have a quality improvement committee in place (in addition to being a JCAHO requirement).

"quasibill," another astute commenter at my blog with considerable direct experience with the idiocy of management in the corporate world, confirmed Husman's analysis:

> Every single management consultant we had at my old company was ex-military or ex-military contractor. In fact, when we switched to project teams (with much fanfare and investment), we brought in a guy from a big military contractor to "implement" the teams....[90]

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[89] J.M. Juran, *Juran's Quality Control Handbook*, 5.2.
[90] quasibill comment at Carson, "Liberation Management or Management by Stress?"