

Oral History Interview*

Dwane Baumgardner

Conducted and Transcribed by:

Ryan Harvey

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*Due to time constraints, only a portion of the base questions were answered, and normal interviewing procedure was not followed. Mr. Baumgardner read and answer questions himself.

This is Dwane Baumgardner. It is Thursday, August 4th, 8:35 in the morning. I'm going to go through the questions real quick and just answer them as fast as I can.

How and when did you first become aware of the Scanlon Plan?

When I joined the company in 1969.

How did you come to know Carl Frost?

It was approximately a year or so after I joined the company, because at the beginning I was involved mainly in R & D type of activities, and didn't have too much exposure to things of this nature.

What specific activities has he been involved in at your company?

A wide range of activities from counseling executives, as well as talking with people throughout the company at all levels, advising them, giving them input and provocative thoughts to help develop their thinking, and to develop the thinking of our plant. He's been involved in numerous development type meetings. He has had a very positive, settling, steady influence on the company. On me personally, he's had a very dramatic impact in terms of personal, professional and organizational growth.

Describe to me what you feel the Scanlon Process is?

The Scanlon Process is a fundamental way of managing your business involving the four Scanlon Principles; Identity, Participation, Equity, and Competence. I've spoken of these many times, so I won't get into them now. I believe in them very strongly, and feel that they are the foundation of virtually all improvement programs- organization improvement, development improvement- that I have ever heard of.

What led to your decision to implement the Scanlon Process?

This was an idea from a truck driver that talked to John Donnelly, Jr. back in 1952 or '54. I forget the specific year. It was nine months, I think, after Herman Miller had started working with Dr. Frost. That was when John Donnelly went to meet with Dr. Frost and learn more about what was going on.

With regard to the obstacles and difficulties we faced in the first years of the Scanlon Process implementation.

I can't speak with any authority on that because, again, that was about fifteen years before I joined the company. I do know that it has been a process of learning and development from the very beginning, and continues to be that way now. We experimented, as I understand, with many different approaches in

terms of sharing the success of the organization in the form of a bonus. We did things like demonstrating trust and responsibility with employees by getting rid of time clocks in the early days. Our approach toward sharing has evolved over the years. Until the time now, it is a profit sharing plan in total. So that everything that goes into affecting the profitability of the company is something that all employees are concerned and aware of. We try to expand their literacy in those areas.

What does the process mean to our company?

It basically is the foundation of how we manage the company. Sort of the roots of the big tree that I've used to describe how they fit in. It's fundamental. It applies to everything that we do in the company. Again, I think it's had a positive impact on customers, investors, and employees because it's helped us, through our mandate, better meet those needs, by making all of us more literate through the process of understanding what we do need to achieve to meet the needs of the stakeholders with excellence. We've saved, I think, a tremendous amount of money in the form of improvements that we've made, that we wouldn't have made had we not had the strong levels of support, cooperation, and trust, and creative idea sharing, and implementation throughout the company. Employee relations, it speaks for itself. We were rated as one of the top ten companies to work for in America. We have earned the top quality awards

with nearly all of our customers.

How would you describe the principles of Identity, Participation, Equity, and Competence?

Identity, three components, literacy, determining what is the right job and the criteria for doing the job right. The process is education, and literacy is probably one of the absolute key issues. Without a literate work force, you're not going to be able to change and be flexible, and have the skills that you need to move forward. Knowing the right job is probably the single most important thing that a company can do because if you're working in the wrong area, trying to do the wrong thing, such as IBM has done, and Sears has done; no matter how good you do the job, you're not going to be successful. Then even once you determine what the right job is, you must know the criteria for doing the job right. We interpret participation at Donnelly, to involve employees on a broad range of issues, not only work and productivity improvement, quality improvement issues, but also in dealing with issues of fairness within the company, equity issues. Equity, again, we view in the broadest context, not only in providing an equitable return for all of our stakeholders, but making sure that issues of fairness that come up as we work together within the company, are dealt with effectively and efficiently. Competence: we always strive for personal, professional, and organizational competence. Personal

competence: making sure that we're self-aware of what our own mental models are individually, so that we can better understand our behavior, and how it impacts others, and be more effective team members. Professional competence, knowing our particular job and our specialty with a high degree of competence. The organizational, knowing how to work together effectively, and in an environment of participation where there is an emphasis on competence.

What are some specific examples of implementation and application of each principle?

That would be awfully hard to do in this short time, so I'll skip that.

It's evolved quite a bit over the past fifty years. I think it's going to continue to evolve in the future, particularly as we become more of a global company. We're building plants in France and Mexico. We have plants in Ireland already. We strongly believe that the fundamental principles apply no matter where you are on the globe.

With regard to management fads. We believe that the Scanlon Process is fundamental. It is durable. It's long lasting. It provides a foundation on which any organization can guide its actions as to how it goes about doing the work, and serving its customers, and achieving its mandate for all the other

stakeholders.

Why do I think that is?

It's just because of many years of thinking and reflecting on it, and reading many books regarding management theory, and seeing how it fits in as a common thread that goes through all of the various management theories that I've read about, and that deal with improvement.

What, if anything, is the uniqueness of the Scanlon Process?

I think one of the things that's unique about it is that it is quiet fundamental. It does contain those threads that I think are woven throughout virtually all of the improvement approaches that have been used throughout the world that have been published, that I'm aware of. I think that's unique. It can be very confusing reading all those books and articles about approaches, and experiences people have had in improving, and then trying to figure out, Do they fit together? Or do you have to just pick one, then go to another one, and so on? I think that's where the "flavor of the month" management improvement process comes from. The Scanlon Process is basically very fundamental. We characterize it like the roots of a giant oak tree. The trunk of the tree is basically helping the organization, the process of helping the organization become a lean enterprise. That means being very cost competitive, and very quality conscious, and very delivery conscious, and all

those important things that go into helping the operation improve. The fruits of the tree are the rewards that all of the stakeholders get. The shareholders who get security of their investment and growth of their investment. Employees who get security of employment and growth through career development in their employment. Customers who get excellent products that they can count on in the long term, and be proud of the companies that they're working with. And suppliers, again, security for their business, involved with their companies in a partnership fashion to help improve and optimize the total value stream that's involved in making any given product for the customer.

Is it suitable for any and all organizations or are there some for which it's inappropriate?

I think it's suitable for any organization. I think it's suitable even for your personal life in terms of using it as guidelines and fundamental philosophies, in terms of how you interact together on the home-front, as well as whether you're in a service organization, a manufacturing organization, a research organization, or whatever.

What are the criteria for successful implementation?

Basically, there has to be literacy as one of the Scanlon principles. It's in the beginning. There has to be literacy at

the top, an understanding at the top of what it really is all about, and support and commitment to stick with it over long periods of time to develop it in that unique organization. Every organization is unique. So there's no one cookbook in terms of how to do it.

With regard to whether it can only flourish in communities like Holland where there's a work ethic and deeply rooted values?

That's not the case at all. Holland is a wonderful place. It does have deeply rooted values, and a very strong work ethic. Therefore, it makes it somewhat easier because of the excellent raw material is here. Basically, at least in my travels around the world, I believe that people are people no matter where they are living. They have the same general fears. They have the same general hopes. They have the same general desires in terms of making a difference in what they do during the time that they're alive. The Scanlon Process is a way of tapping into those fundamental, deep-rooted desires and wishes, and helping deal with the fears (fears of lack of security) wishes and desires of growth and development. I think that they apply no matter where you are.

So that's some of my thoughts. I hope they're helpful. Sorry for not being able to elaborate more.