

The following is an excellent article regarding Dana submitted by Gerry Wirges, 600 line. The article is from:

## In Search of EXCELLENCE

### • Lessons from American's Best-Run Companies

by Thomas J Peters and Robert W Waterman Jr

#### Dana

One of the most impressive success stories in people and productivity is that of the Dana Corporation under the leadership of Rene McPherson. Dana is a \$3 billion corporation, making unexotic products like brass propeller blades and gearboxes, primarily supporting the unexciting secondary market in the automobile and trucking industry. If you had looked at Dana as a proposition in strategic management, you would undoubtedly have labeled it a loser. Yet in the 1970s, this old-fashioned Midwestern business became the number two *Fortune 500* company in total return to investors. In the early 1970s, the sales per employee at Dana were the same as the all-industry average. By the late 1970s, and without massive capital spending, Dana's sales per employee had tripled while the all-industry average had not even doubled. (In Dana's industry segment, productivity had barely increased), a phenomenal productivity record for a huge business in an otherwise uninteresting industry. Furthermore, Dana is largely unionized, with the United Auto Workers (UAW) in almost all of its plants. But during the same decade, its grievance rate fell to a tiny fraction of the overall UAW average.

The key ingredient is productivity through people, pure and simple. As we mentioned earlier, when McPherson took over in 1973, one of his first acts was to destroy 22-1/2 inches of policy manuals and substitute a simple one-page statement of philosophy. It reads in the main:

- Nothing more effectively involves people, sustains creditability or generates enthusiasm than face to face communication. It is critical to provide and discuss all organization performance figures with all of our people.
- We have an obligation to provide training and the opportunity for development to our productive people who want to improve their skills, expand their career opportunities or simply further their general education.
- It is essential to provide job security for our people.
- Create incentive programs that rely on ideas and suggestions, as well as on hard work, to establish a reward pool.

Says McPherson: "The philosophy comes first. Almost every executive agrees that people are the most important asset. Yet almost none really lives it."

McPherson quickly reduced his corporate staff of 500 to 100, and the number of layers in his organization from eleven to five. His plant managers - about ninety of them - all became "store managers." In a litany repeated at Delta and at Disney, they were made responsible for learning *all* the jobs in the plants. And they were given the autonomy to get the overall job done. Their success led McPherson to say, in a statement that could get someone else kicked out of most board rooms in America, "I am opposed to the idea that less government, fewer regulations, capital formation incentives, and renewed research in development activity are what we need most to improve productivity. My suggestion: let our people get the job done."

At Dana, philosophy does come first; but then it's largely a matter of a voluntary diffusion of ideas. Everyone is responsible for ensuring that productivity increases take place. McPherson suggests the appropriate starting point: "Personal productivity of the top managers is a vital symbol." But nobody is told how to do it. If there is a how, it is a simple belief in that the inherent will reward efficiency of the man down at the bottom of the organization. As McPherson points out: "Until we believe that the expert in any particular job is most often the person performing it, we shall forever limit the potential of that person, in terms of both his own contributions to the organization and his own personal development. Consider a manufacturing setting: within their 25-square-foot area, nobody knows more about how to operate a machine, maximize its output, improve its quality, optimize the material flow and keep it operating efficiently than do the machine operators, material handlers, and maintenance people responsible for it. Nobody." He adds, "We didn't waste time with foolishness. We didn't have procedures, we didn't have lots of staff people. We let everybody do their job on the basis of what they need, what they say they'll do, and what their results are. And we gave them enough time to do it...we had better start admitting that the most important people in an organization are those who actually provide a service or make and add value to products, not those who administer the activity...that is, when I am in your 25 square feet of space, I'd better listen to you."

McPherson's focus is always the same. In casual conversation or formal presentation, he never waivers from his emphasis on people. As one of his former associates at Dana said to us, "I never heard him (continued on next page)

make a statement that didn't say something about people." McPherson says, "Look at the pictures in the annual reports. Don't worry about the chairman; he always gets his name under the picture - and it's spelled right too. Look for pictures of people [down-the-line workers]. How many of them are identified by name?"

Like HP, Dana did away with time clocks. "Everybody complained," McPherson says. "What do we do without time clocks?" I said, "How do you manage any ten people? If you see them come in late regularly, you talk to them. Why do you need time clocks to know if the people who work for you are coming in late?" He also reinforces the focus on starting from positive assumptions about people's behavior as he elaborates on the story: "My staff said, 'You can't get rid of the time clocks. The government requires a record of every person's attendance and time worked.' I said, 'Fine. As of now, everyone comes to work on time and leaves on time. That's what the record will say. Where there are big individual exceptions, we will deal with them on a case-by-case basis.'"

McPherson is a big on face-to-face communications and on discussing *all* of the results with *all* of the people. He required that there be a monthly face-to-face meeting between division management and *every* member of the division to discuss directly and specifically all of the detailed corporate individual results. (We see that time and again in the excellent companies. They are obsessed about widely sharing information and preventing secrecy. They willingly trade any marginal loss of competitive information for the added commitment.) McPherson even stressed face-to-face contact in institutional advertisements. He ran ads that, as he says, "Made my middle managers *very* nervous at first." One said: "Talk Back to the Boss," another: "Ask Dumb Questions." McPherson deplores management's unwillingness to listen: "I wanted a picture, for a slide presentation, of a worker talking to his foreman. We had fourteen thousand photos in the file, but not one of supervisor *listening* to a worker."

McPherson spent 40 to 50% of his time on the stump, carrying the message directly to his people. He insisted on what he called "Town Meetings, with everybody in attendance. He recalls an experience in Reading, Pennsylvania: "I wanted to talk to all the people. The boss said there is no place to do it. It went on that way for three years. Finally, I said, 'Clean out the shipping department.' Sixteen hundred people showed up. In all my years of travel, I never got one cheap shot question from an employee. Yet my plant manager and division manager, when I insisted they go with me, never wanted to go...look at these pictures," he adds, pushing the stack over to us. "They are from the meetings. Always machine operators, never managers asking questions. You know why? Managers won't ask questions. They're scared."

Another McPherson obsession is training, continuous self-improvement. McPherson's pride and joy is Dana University. Several thousand Dana employees trooped through Dana U last year. Classes are practical, but at the same time they reinforce the people philosophy. Most classes are taught by seniors - corporate vice presidents (we found similar phenomenon at Disney U and McDonald's Hamburger U). According to McPherson, there is no more prestigious position for any member of the management than an appointment as a regent of Dana University. The Board of Regents is usually composed of nine division general managers. Nothing is forced at Dana. The Scanlon Profit Plan, for which Dana has gotten a lot of publicity, is a good example. Much to our surprise, it turns out that the Scanlon Plan is only in seven of the forty Dana divisions. McPherson says, "they go where they work. That's all. No division manager is under pressure to accept one."

The major pressure at Dana - and it's a very real one, as in most of our other excellent companies - is peer pressure. Dana's effort to foster it is capped by Hell Week. Twice a year about a hundred managers get together for five days to swap results and productivity improvement stories. McPherson encouraged the process, because he believes that peer pressure is what makes it all go. He says, "You can always fool the boss. I did. But you can't hide from your peers. They know what's really going on. And, of course, there is free and open communications, bordering on a free-for-all, during Hell Week. He ran ads that supported this one too: "We put them through hell."

McPherson's philosophy on job security has been tested severely during the recent hard times in the American auto industry. Much as the company would have liked to avoid it, it had to lay people off. On the other hand, even those actions were accompanied by continued intense communications. Everyone was told what was going on - as it happened. Says McPherson of the practical results, "We had an 80% participation in the stock plan in 1979. Then there were nine thousand layoffs. What's our participation rate now, including those laid off? Still 80%." Moreover, the 1981 bounce back in results by Dana, going strongly against the tide, is truly phenomenal.

The McPherson philosophy comes down to the value of everyone's contributing ideas, not just keeping up the pace on the line. "the way you stay fresh," stresses McPherson, "is you never stop traveling, you never stop listening, you never stop asking people what they think." Contrast that with the following comment from a General Motors worker, recently laid off after sixteen years in the Pontiac division: "I guess I got laid off because I make poor-quality cars. But in sixteen years, not once was I ever asked for a suggestion as to how to do my job better. Not once."

*Editorial Comment - What happened? Food for lots of comment - what do YOU think?*