

## Presentations and Speeches

### Creating Quality Through Involvement

*October 2, 1995*

#### 1. SF Hotel/Labor Project

- Increase quality & productivity in unionized hotels in San Francisco last few years.

#### 2. Background of the Project

- SF luxury hotels are like most American companies; i.e., just beginning to discover the value of employee participation and training in increasing productivity and quality.
- Many German & Japanese companies learned years ago that worker participation and training increases productivity, quality and market share.
- Some unionized American companies were also early leaders in such programs, including all of Ford, parts of GM like Saturn and NUMMI, US Steel, Corning Glass, AT&T, Magma Copper.
- Most unionized SF hotels, however, like most other American companies, have been slower in finding ways to introduce real employee participation and involvement to help them become more productive and customer focused.
- Instead, like most industries, San Francisco hotels attempted to deal with the difficult economy of the late 1980's and early 1990's by downsizing, by closing restaurants and curtailing services.

#### 3. Formation of the Multiemployer Group

- As labor contract negotiations approached in 1994, a number of our hotels in San Francisco began thinking about moving in this direction.
- We knew that to obtain the cultural changes in the labor management relationship that led such other industries to greater productivity & quality, you had to turn your unions and your workers into active partners with you in the process.
- We knew that the traditional adversarial approach to labor negotiations that hotels, baseball teams, and other industries typically follow in America could never accomplish fundamental change and, at best results, in band aid solutions to minor problems.
- Most of these hotels were facing profit squeezes, low productivity and poor quality and knew that the downsizing and room closings had just about reached their maximum and that they had to find better ways to solve their problems in the future.

- We discussed the fact that most of the model unionized companies that were making a difference in America and dramatically increasing quality and profitability had created real partnerships with the workers and their unions.
- Some of the SF hotels agreed with the partnership approach and some did not. Initially, about 15 in October 1993 and later 11, or about half the hotels in town.
- This was close to a year before contract negotiations.

## **4. Next Step- Joint Study in Advance of Negotiations**

- Once formed in October 1993, our group approached the SF union leaders of our major three unions and found them very receptive as long as it recognized the legitimate role of unions.
- The new multiemployer group and the major unions formed a Joint Steering Committee to decide together how to approach the upcoming negotiations.
- We decided to begin by jointly studying the problems the industry faced and potential solutions - unlike the traditional approach typed by the baseball.
- Joint Benchmarking trips to NUMMI, managers, workers and unions.
- Joint seminars for managers, workers and unions with academic and business experts in partnership, Manley, Bluestone, Magma, Minneapolis Hospitals.
- Five craft study teams, professionally trained and facilitated and meeting regularly to develop mutual vision statement change without regard to the contract.
- Communicated all of this to workers in a tape and a white paper.

## **5. Results of the Joint Study- Joint Lessons Learned**

- Universal lack of real communication in the hotels about how work was getting done; i.e., typical American non-participatory management system, nominal TQM programs in some.
- Pervasive lack of training, making real productivity and quality all but impossible. What training was done often feared and rejected by workers.
- Grievance system for resolving disputes often made the problems worse and undermined communication and trust within the hotel.
- Typical inefficient sick leave system that fostered service problems, lack of respect, inflexibility and high costs.
- An overall lack of flexibility in performing work and adapting to change.

## **6. Next, We Jointly Decided on How to do the Bargaining Itself**

- How to take these facts from study phase and use them in bargaining to find real solutions to improving the hotels.
- Reconvened professionally facilitated teams as formal interest based bargaining subcommittees, to jointly analyze each of the above factual problems and to jointly develop contractual solutions.
- Teams worked together to develop some truly new programs jointly instead of unilateral demands which are dead on arrival because of the power contest and the lack of understanding of what is being sought and why.
- Finally moved on to traditional bargaining over how to cut up the economic pie and decide on wages and benefits. While this part of the process was tough, the trust developed over prior nine months enabled us to make it through this period successfully and reach agreement.

## **7. We Reached Agreements With Our Major Unions Without a Strike and Which Contained Some Fundamentally New and Different Partnership Concepts For Changing the Industry**

- Grievance Mediation.
- "Living contract" JSC & PST to continue to meet regularly and build trust and that could actually change contract.
- New PTO program.
- Revolutionary change through restaurant, kitchen & maid pilot projects.
- Joint Banquet committee to improve hiring hall.
- Massively funded new joint training program, 31 times larger than anything before.
- Union's agreement to put \$25M HW surplus into training programs and to reduce employer's contributions \$75/person per month, because of unions' understanding of the hotels' need for economic relief and in order to afford a wage increase after a five year freeze. Totaled 2% settlement.

[Incidentally, most of the rest of the hotels in town quickly accepted our multiemployer group's contracts and the few that did not got into protracted battles with the unions, one of which ended up in a 73 days bitter strike because of the hotel's misguided belief that confrontation would work.]

## 8. This Was All a Year Ago- Reached Agreement Last Fall. Has Anything Changed as a Result a Year Later.

- Grievance mediation is a success, cut time, money, confrontations.
- JSC & PST trained and continue to be successful in building trust and communication with each hotel and between the hotels and the unions.
- "Living contract" mechanism worked to allow us to continue adopting to change without waiting 3-5 years for next negotiations,
- e.g. 1, wholesale revision of PTO program with SEIU during the 1st year.  
e.g. 2, incentive and training pay program with the Engineers.  
e.g. 3, Joint Training Program being developed, additional \$2 million in grants in addition to \$2 million we set aside, or 60 times more than spent in past on joint training.
- --Developing a revolutionary procedure to get worker input in advance into what kind of training they need, to create a buy in to training rather than fear and rejection.  
--PST's in each hotel first discuss training they want; then they do a survey of their workers and manager.  
--then creating MEG-wide focus groups of best workers and managers in each craft to review the surveys and develop training curriculum;  
--Training Subcommittee & JSC approved general training curriculum;  
--then sending it back to PST for customizing and implementing at each hotel.  
--Remember, this is all new money, gotten jointly from hw trust fund and state, \$4M, and is in addition to hotels' own normal training budget and program.  
--Trying to create hospitality training institute citywide for SF, partnership hotels, unions and City College to create massive and ongoing training program for our industry.
- We are Just Beginning.  
--Programs have not translated yet into many major increases in quality or productivity except a few early successes at some hotels (e.g., PTO at Grand Hyatt, training at Palace).  
--We believe that the labor management partnership is developing at about the same pace as it has developed in other companies that have gone down this road.  
--The process of cultural change and turning top down organization with little communication and training into labor management partnerships with lots of communication and training is a long and difficult one.
- We think in this first year we have implemented the new contract machinery to promote a better culture in the hotels, begun some of the training and substantially increased the levels of trust and communication within our hotels and begun the process of creating real employee participation programs in these hotels. We look optimistically at the future and at having the ability to begin dealing with some of the really difficult problems facing this industry.