THE DESIGN, IMPLEMENTATION AND

MEASUREMENT OF A MACROCHANGE

PROGRAMME

by

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SUMMARY

This thesis is a case study which examines the feasibility of introducing planned macrochange in a semi-public, bilingual organization (A Canadian Crown Corporation). The emphasis is on the process of becoming rather than what existed at a particular point in time.

Attention is given to the organization's historical and political context and the pressures that members of the political Opposition, the media and former executives can bring to an evolving change programme.

Following the traumatic introduction of a major reorganization, the process of introducing a planned macrochange programme is examined from the perspective of a senior executive hired to introduce a particular style of management recommended by external consultants.

An important dimension was the application of two climate surveys of representative samples of the organization's management. The findings of the first application, in 1972, were used by senior executives as the basis for action planning and resulted in seven change strategies. Two were modified versions of a macrochange programme introduced in 1950 to a very large American organization. The second application, in 1976, was used to evaluate manager's perceptions of the change that had occurred, particularly related to the two major strategies.

To determine the extent of implementation of the seven strategies, post evaluation interviews were undertaken in 1980 with present or former line managers and personnel specialists.

Some of the major findings were:

- macrochange can be introduced in a semi-public organization under conditions of intense external pressure.

- strategies involving the direct application of participative management are more effective in changing manager's perceptions than those involving more abstract training.

- sophisticated statistical analysis using clusters and factors can be misleading and may be part of the reason climate measures are considered 'soft'. It would seem that item by item analysis provides a more useful measure of change.

The case study concludes with observations on what was learned and a discussion of aspects of planned macrochange which could be addressed in future research.

organization change, climate survey, participative management, macrochange

Phillip John Chartrand
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CHAPTER 1: THESIS OUTLINE

Although the need to introduce change and to maintain development in organizations is clearly recognized, its accomplishment still presents major problems which are not well understood, even more than 10 years after Bennis' well-known statement - "Change is the biggest story in the world today, and we are not coping with it adequately."[1]

Those with experience and knowledge of change have come to argue the merits of macrochange; that is, change encompassing the corporate offices, as well as all branches and levels of an organization. It has been recognized, first, that there are system interdependencies within organizations, so that change in one area will tend to have consequences for other areas, and, second, due to the hierarchical nature of organizations, improvement at a given level must involve those at the higher levels who tend to "call the tune", and determine the prevailing systems and the extent of change to be introduced.

Macrochange has rarely been attempted, is extremely difficult to implement, and has been studied hardly at all, particularly by a member of the executive group while the process was in progress. While it is difficult to accomplish in large, complex organizations in the private sector, certain companies - frequently under the threat of survival - have introduced macrochange, sometimes at the cost - perhaps unnecessarily - of great personal disruption and uncertainty not only to its management and professional work force, but also to its technical, clerical and blue-collar workers. In recent years, it has been argued both for and against, that companies in the private sector have had greater success. Greenwood[2] has documented some of the difficulties of introducing macrochange in a large American company - General Electric.

The question arises whether it is more difficult to accomplish in large public or semi-public organizations. The term 'semi-public' is used to describe such organizations as Crown Corporations, that are solely owned and controlled by the Government (there are approximately 340 such Federal organizations in Canada). In both public and semi-public organizations, groups opposed to change may be able to mobilize the support of external political influentials, such as pressure groups,

politicians and members of the media. Argyris and
Warwick[3] have documented the problems in attempting
to change the organization and management style of
the United States State Department.

Even in such cases where the change has
been enshrined in legislation - such as the
reorganization of the National Health Service
in Britain[4] - implementation has been a painful
process, subject to criticism from groups within the
organization and from professional lobbying outside it.
The Canadian Royal Commission on Government
Organization, which is popularly known as the Glassco
Commission,[5] was a questionable success. Although a
number of recommended changes did take place, many
would argue that the changes were in the interest of
groups within the system, and did not result in a more
efficient and effective Public Service.

Hence, it is expected that planned
macrochange can only be introduced and sustained with
great difficulty, if at all, within large, semi-public
organizations, where the force of legislation is
lacking, but where, particularly in the Western
democracies, external political lobbying is still
possible, and even welcomed by members of the
opposition and the media.

What is the role or roles of the change
agent in such situations? How does it affect the

original terms of reference? Are social or management science values applicable and sustainable in the face of legitimate divergent and opposing forces, typical in our Western democratic societies?

This led to the "null" hypothesis of this thesis that lasting planned macrochange cannot be introduced into a semi-public organization. The objective of this thesis is to examine this pessimistic conclusion by an attempt to introduce such a programme in a large, semi-public corporation - Air Canada.

The study places this change programme in its relevant context: the previous history and style of the airline, and its institutional and political context at the time of the change programme. The study will also attempt to determine if there are additional problems posed when change is introduced in a bicultural organization, where the change programme may be identified with members of one culture rather than the other. An attempt is made to analyze the role or focus of the principal change agent - the author. The change actually achieved by means of a before-and-after assessment of organizational climate, and other evidence are also analyzed.

The thesis is presented as a case study, emphasizing the process of change in the organization during the years 1968 and 1976, and dealing more generally with the years before and after that period.

Air Canada - the tenth largest airline in the world, employing approximately 20,000 people, with annual revenues surpassing one billion dollars - is examined from its foundation as a Crown corporation in 1937. This semi-public status was not the desire of its founder, the Federal Minister of Transport, C.D. Howe. Members of the private sector refused to participate in its establishment due to past problems experienced in trying to collaborate with the Canadian Government's bureaucracy and its political leaders.

In 1968, the Chief Executive Officer, who had led the airline for 20 years through what he referred to as its "adolescence", retired.[6] The party in power at that time felt that the organization was not sufficiently integrated with national objectives and that change was required. Two successors to the former President were recruited from outside the airline. They were appointed as Chairman and Chief Executive Officer and President. These selections were a disappointment to those who had seen the retirement of the President as a possible chain of promotions from within. At any rate, they had hoped for a replacement who knew the industry and its particular problems. It was recognized by most of the existing management that the organization required major changes in long-term mission, as well as in management style.

On the recommendations of the existing senior and executive management to the new incumbents, McMcKinsey and Company, a prominent international consulting firm with considerable airline experience was engaged to conduct a major study. The study resulted in a number of far-reaching recommendations, including an extensive reorganization. In May of 1970, the reorganization was implemented.

Considered of prime importance by the consultants, and agreed to by management, were the recommendations to simultaneously introduce an extensively changed structure establishing new functions with a new management style based on a participative approach. The hiring of the change agent responsible for the introduction of the latter recommendation was delayed 18 months, and, during that time, considerable dysfunction occurred. When the change agent was appointed, the question of whether to implement the consultants' recommendations or address the dysfunction that had developed had to be resolved.

The background and career progression of the change agent and his resulting modus operandi prior to joining the airline are discussed. These are an interesting element of the case study, particularly as they are significant for understanding the approach and the way the implementation of the macrochange programme evolved.

The planned macrochange introduced
involved eight interrelated strategies. The two major
ones - Professional Management Development Program
(PMDP) and Work Planning and Review (WP&R) - were
designed as the prime instruments for the diffusion
of change, and, as such, were implemented on a
company-wide basis involving all management and
professional (M and P) employees.By 1976, some M and P
employees had been exposed to PMDP and/or WP&R, and
some had been exposed to neither programme.

One of the more unusual features of the
programme was an attempt to evaluate the effects by
means of a before-and-after measurement, achieved by
applying a 102-item climate questionnaire. It was
administered to 535 management and professional
employees in 1972, and replicated in 1976. There were
233 subjects common to both surveys. The
'quasi-experimental' analysis employed used those who
had been exposed to neither strategy as a control
group; the remainder of the 233 subjects were divided
into seven experimental groups. Exposure to the two
major programmes was used as the independent variable
relating to the perception of climate (the dependent
variable) to determine, in part, the extent of change
perceived to have taken place.

The thesis is divided into four parts
and eight chapters. A summary follows of chapters
2 to 8 , which examine the "null hypothesis" that

lasting planned change cannot be introduced into
semi-public corporations.

The purpose of Chapter 2 is the
discussion of literature leading to planned macrochange.
A definition of macrochange is given, followed by a
review of organization and change theory. Various
approaches to diagnosis leading to change are
examined, including reference to the consultant's
role and the positive and negative aspects of climate
review as a diagnostic and evaluative strategy.
A question which is central to this thesis is whether
it is more difficult to introduce change in public and
semi-public or private organizations. Another
consideration is whether a bicultural organization
presents special problems in relation to the
introduction of macrochange. Some of the merits and
limitations of the case study as a method of generating
insight into organizations are discussed. Of practical
interest is the study by Greenwood[7] of the history of
the 20-year macrochange programme at General Electric.

Chapter 3 deals with the evolution
of the traditions within the airline which were of
critical importance for handling change and for
predicting the probable response to it. A discussion
of the history of transportation in Canada, emphasizing
the political aspects and the difficulties encountered,
is included.

This background is important because some of the problems and issues dealt with in 1970 developed much earlier; first, during the establishment of the railway systems, and later, during the establishment of the airlines. The availability of a temporarily blacklisted airline executive from the United States provided the opportunity for the airline to become operational, and established a basis for technical excellence. During the years 1939 to 1945, the emphasis was on contributions to wartime activity.

The challenge faced by the airline's first long-term president, and the planned change he introduced to obtain management, organizational and operational effectiveness are described more fully, in addition to the legacy he left. In 1968, following his retirement and the appointment of two successors, McKinsey and Company of New York undertook an in-depth study of the airline, and the critical findings, recommendations and commencement of the implementation phase are presented. Chapter 3 concludes with the traumatic impact of the introduction of structural change referred to years later by long-service managers as 'Black Friday', and the potential effect of disrupting the change programme.

Chapter 4 consists of a description of the evolving nature of a mature consultant's modus operandi by examining chronologically how

various work experiences were rejected or assimilated. Cultural and family background, continuing educational exposures, and work experiences are documented.

The work experiences include the decision to join Canadian General Electric in 1952, when it was commencing a macrochange programme. During this period, an interest developed in research as a practical means of solving problems, particularly diagnosing operational problems by social science techniques. This interest increased during four years as the Director of the Personnel Consulting Division of the Federal Government's Bureau of Management Consulting Services where 37 studies in 18 ministries were undertaken. All the studies centered on change. This work experience also provided a perception of the difficulties of introducing change in the public sector.

The chapter concludes with a brief overview of the consultant's modus operandi when hired by Air Canada. Since 14 years were spent with Canadian General Electric, a comparison of the findings of the 20-year study of General Electric by Greenwood,[8] and the author's conclusions of the macrochange programme are reviewed.

Chapter 5 commences with an outline of the consultant's entry into Air Canada. The question of whether it is reasonable to expect -

particularly in a semi-public corporation - realistic terms of reference which are dependent on the client's perception of the problems and willingness to share with a consultant who had not joined the organization are discussed. After a preliminary diagnosis, there was an abrupt change in strategy, and different roles and alternative short-term strategies (pilot projects) were developed by the Organization Planning and Development Division (OP&D). Attempts were made to understand the technology and gain knowledge and information of how planned change in the airline industry takes place. The chapter covers some of the actions taken to resolve major dysfunctional problems in the areas of Management and Organizational Effectiveness. Finally, the importance of External Influences in a semi-public organization are reviewed.

Chapter 6 deals with the introduction of the change programme almost two years after the McKinsey reorganization, and six months after the author joined Air Canada. At that time, the OP&D consultants felt that a macrochange programme had a reasonable chance of success, and the search for a suitable unfreezing instrument commenced. The reasons for selecting the particular survey, as well as the application and feedback to executive and senior management are presented. The tactics employed were an important aspect, and the difficulties encountered

in ensuring management ownership, rather than OP&D ownership. The progress of each strategy and the replication of the 1972 survey in 1976 are discussed. Limitations were found in the 1976 analysis and feedback to management, and this led to a decision to re-examine and re-analyze both the 1972 and 1976 surveys, using different methodology.

In Chapter 7, an examination is made of the objectives of the change programme, the effects of shared decision-making, and some of the types of expected changes in perception. There were three phases which led to a 'quasi-experimental' methodology, and the actual changes in perception of the 1972 survey as compared to the 1976 survey are presented for the control group and the seven experimental groups, by item. This enabled an individual statistical and narrative examination of the 30 items that differentiated statistically. Three trends were identified, and an overview of the findings is presented.

Chapter 8 is an evaluation of the research, and what was accomplished in terms of the initial objectives, including insights provided by the holistic case study approach, and some reflections on how undertakings of this magnitude might be more productive in the future. A series of post-evaluative interviews were conducted, primarily in the spring of 1980, to augment the appraisal. A number of recommendations are made for future research, as practical implications

and guidelines arising from the study and the experience it describes.

The documentation of a single case study of this magnitude is difficult. There is an enormous amount of complex material encompassing a large number of variables which evolved in different and unanticipated directions over a period of time. The challenge is to bring the most important elements together in order to form conclusions from which useful generalizations may be made.

While no restrictions of any kind were made by Air Canada with respect to the material to be used, an attempt has been made to respect certain company policies and the identity of people who shared their impressions of the organization with me.

Since executive salaries and pension arrangements are considered to be privileged information, references to specific data on such matters have been deleted. As requested, the names and dates of meetings with people who expressed opinions on issues which might be considered controversial have not been recorded except where permission has been granted.

In the chapter on the evolution of the change agent's modus operandi, the discussion of individuals is subjective but the material has been reviewed by people who affirm the opinion expressed.

NOTES

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   (Lexington, Mass.: Lexington Books, 1974) .

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7. Greenwood, op.cit.

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PART I

INTRODUCTION

CHAPTER 2:
THE NATURE OF ORGANIZATIONS
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THE NATURE OF ORGANIZATIONS AND PLANNED CHANGE

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Complex systems differ from simple
ones in being "counter-intuitive,"
i.e., not behaving as one might
expect them to. They are
remarkably insensitive to
changes in many system parameters,
i.e., ultrastable. They stubbornly
resist policy changes. They
contain influential pressure
points, often in unexpected places,
which can alter system steady
states dramatically. They are able
to compensate for externally
applied efforts to correct them by
reducing internal activity that
corresponds to those efforts.
They often react to a policy change
in the long run in a way opposite
to their reaction in the short
run. . . .

Intuition and judgement generated by
a lifetime of experience with the
simple systems that surround one's
every action create a network of
expectations and perceptions that
could hardly be better designed to
mislead the unwary when he moves
into the realm of complex
systems.[1]

The purpose of this chapter is to examine literature to provide a setting for the case study of this thesis. A definition of macrochange will be given. Organization and change theory will be discussed to show the diversity of opinion and the difficulty of presenting a consistent theoretical base. While there is a great deal of useful material which gives some direction, there are few, if any, perspectives that represent a comprehensive social science foundation for interpreting a change programme of the magnitude of the one undertaken in Air Canada. Various diagnostic approaches are discussed, as well as the consultant's role in applying change strategies. Climate reviews formed part of the diagnosis and evaluation in the airline change programme, and a discussion of some of the controversial aspects to using this method are presented. The fact that Air Canada is a semi-public organization is of importance, because the authorities and responsibilities, as well as the boundaries, are different than in public or private organizations. There seems to be little question that external influences probably have a more significant impact. Another variable in this case study is the fact that the airline existed in a bicultural environment, which represented two different value systems. As a means of generating useful information, the limitations and merits of the case study method will be discussed.

2.1.   Macrochange - A Definition

       The term 'macrochange', as used in this
thesis, is intended to define a change programme of
multi-interventions (structure, role, management style,
informations systems, etc.), introduced to an
organization on a system-wide basis to alter the style
of management and the interaction of various levels,
including the senior executive level.

       While macrochange can be introduced in
small and medium-sized organizations, it is particularly
difficult to introduce in large organizations (over
10,000 employees). As Forrester[2] states, they seem
to stubbornly resist policy changes, and, in general,
react to change in a manner difficult to predict.

       Filley and House[3] use the terms
"microcosmic" and "macrocosmic", in discussing
change programmes. They define a microcosmic approach
as starting with small units of analysis; for example,
a single person or small group (a foreman and his
subordinates). They describe macrocosmic by stating it
"typically starts with the entire environment of the
phenomenon in question then moves to the smaller units
within it."[4] They note that the use of each approach
will influence the researchers' conclusions.

       While there has been much written about
organization change, limited material is available on

macrochange in large organizations. Most of it deals either with one major intervention, frequently affecting a unit within the boundary system (Miller and Rice)[5] or multi-interventions in small enterprises (Seashore and Bowers)[6]. The strategies in this thesis were introduced as an integrated, but time-spaced programme to an organization of over 20,000 employees with annual revenues currently over one billion dollars.

2.2.   Organization Theory and Change

2.2.1.   Organization Theory

As organizations became increasingly large, complex, and a dominant fact of life in Western industrialized nations, more research into various aspects of organizations has been undertaken. The research has been directed along several lines: some investigations deal almost solely with the nature of organizations, and are generally considered to represent organization or design theory; other research has been devoted to a variety of methods concerned with changing organizations. There has been, of course, a good deal of overlap in these two areas, since many change strategies have developed from the various organization theories. From a practitioner's point of view, they are useful, because, as Forrester has said, complex systems are "counter intuitive".[7] Yet, many

practitioners seem to apply the educational

psychologist, Thorndike's Law of Effect;[8] they tend to

repeat actions that they have found successful in other

situations. Unfortunately, previous experience is

frequently not transferable, and knowledge of existing

theory is helpful in considering other alternatives.

In general, organization theory tends to

be descriptive and explanatory, dealing with the

relationships between the variables that comprise

organizations, how they differ, and why some

organizations succeed and others fail, whereas

organizational change theory tends to be prescriptive.

However, it is difficult to generalize, as the

contingency theory of Lawrence and Lorsch,[9] as

well as the strategy and structure theory of Chandler[10]

are both potentially prescriptive. Some examples of

studies which have contributed to a better understanding

of organizations, and which are relevant to this

thesis are summarized below.

Technology is an important variable in

the understanding of an airline. Basically a

transportation technology, airlines are relatively new,

extremely dynamic, and operate in an unstable and

competitive market.

Woodward's study[11] supports the notion

that technologies vary widely in organizations. The

study attempted to analyze 100 British industrial firms

and focused on organizational structure and operating procedures. The various enterprises were classified according to technological complexity: unit and small batch, large batch and mass production, and long-run process production of the same product. Compared on this basis, a relationship was found between organizational structure and the type of industry. Furthermore, the researchers concluded that the classical organization and management principles are not necessarily suitable to all technologies.

While Woodward examined differences among organizations, Hall[12] investigated differences within organizations, and concluded that non-routine departments appeared significantly different from routine departments with respect to hierarchy and authority, division of labour, and specified procedures. He found that, when work is less routine, people work in a less bureaucratic setting. Hall's work is useful when considering the variety of functions and activities that comprise an airline. Some Branches - for example, marketing - are characterized as being non-routine, whereas flight operations tend to be routine.

Lawrence and Lorsch[13] took a somewhat different tack in examining organizations, and, in their research, emphasized viewing organizations as open systems in which the internal characteristics

must be appropriate to the external demands of the

environment. They stress the presence of

organizational differentiation - in terms of

differences in goals, degree of formality, etc. -

from one department to another. Integration,

according to Lawrence and Lorsch, describes the degree

of collaboration between departments. They argue that

the environment of the organization determines both the

degree of differentiation and the method of

integration. Two environmental factors are

considered of particular importance: the certainty of

information about events and the dominant competitive

issue of the enterprise. From continuing research on

these propositions, and also factoring in performance -

characterized by changes in profits, sales volume,

new products, etc. - they concluded that the

effective organization must have the degree of

differentiation and integration demanded by the

environment. These are critical aspects of an

airline's organization, and require the utmost

reflection when contemplating the introduction

of macrochange. An airline is made up of a number of

differentiated Branches; yet, for successful

performance, they must be very well integrated.

The above theories involving types of

situations, degrees of routineness, the need for

differentiation, and integration had a direct bearing

on the Air Canada change programme. In Chapter 8
it will be shown how these theories were helpful in
determining both the diagnostic and change programmes
chosen.

2.2.2. Organization Change

Given the complex, interdependent nature
of organizations, a method of categorizing the various
approaches to organization change is necessary, and
particularly useful to the practitioner.

Leavitt[14] identified four interacting
variables as possible points of change intervention,
and also emphasized the need for goodness of fit and
compatibility between each of these variables.

CHART 2.1
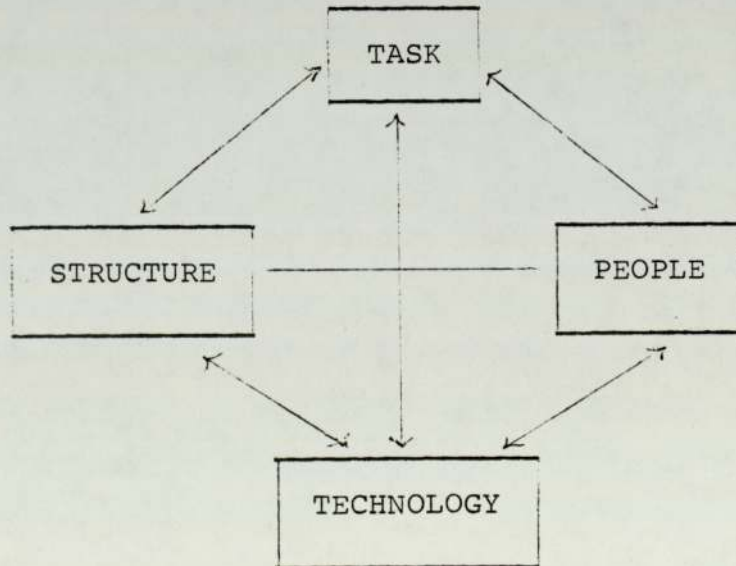
Task describes the objectives of an organization. For example, a change in task in Air Canada would be from an objective centered on providing air transportation from one point to another to an objective centered on a total travel experience, including hotels, tours, car rental and transfers, etc.

Technology refers to equipment, plant buildings, and the technical knowledge employed. For example, a change in Air Canada would be from slim-bodied DC8 planes to the introduction of wide-bodied L-1011 and 747 planes.

Structure includes systems of authority, workflow, information and communications systems, etc. For example, in Air Canada, a structural change would be from having the Chairman as a part-time position and the President as Chief Executive Officer to having the Chairman as Chief Executive Officer and having the staff Branches report to him, while the President would be responsible for operations.

People refers to employees in the organization, their attitudes and expectations. An example in Air Canada would be the employee attitudes towards the reorganization recommended and planned by the consulting firm, McKinsey and Company.

The most crucial point about these four variables, as noted previously, is that they interact,

and, by consciously changing one variable, pressure
will be set up to change other variables, frequently
with unexpected consequences. A brief review of
various change approaches and variables involved
will provide a basis for discussing the several change
interventions introduced in Air Canada.

The early efforts of organizational
change, as described by Smith[15] in the 18th century,
and formalized by Taylor[16] and Fayol[17] at the
beginning of this century, concentrated on technology
and structure within the perspective of closed systems.
That is, solutions and principles were thought to be
appropriate to all organizations and disregarded
differences in the other two variables, as well as
ignoring the impact of environmental factors.

In the 1940's, the Human Relations
School as a method of organizational change began
to emerge. The theorists and practitioners associated
with this approach concentrated their energies on the
people variable, individually and in groups. Leavitt[18]
identified two phases of the people approach; an early,
manipulative method, which aimed at getting people to
perform in desired ways by the use of group pressure,
Dale Carnegie-type[19] of influence, etc. Later, change
strategies were derived from a more humanistic
approach, which emphasized personal involvement,
greater participation and power equalization.

Lewin[20] perceived "behaviour as a dynamic balance of forces working in opposite directions within the socio-psychological space of the enterprise." Lewin identified three phases in the organizational change process:

1) Unfreezing of present, changing balance of variables;

2) Movement to a new balance;

3) Refreezing of the new position.

A number of contributors are associated with the various methods designed to achieve participation and power equalization. Rogers'[21] non-directive or client-centered technique in dealing with individuals and groups is the basis of many of the methods used in T groups, sensitivity and laboratory training.

Drucker[22] had an approach to changing organizations by increasing participation among the members. Management was seen as a profession in which the manager has a responsibility to participate in the higher objective of which he is part. By examining the organization and its objectives in terms of planning, organizing, integrating and measuring (POIM), power and responsibility could be shared. Odiorne[23] and McConkey,[24] students of Drucker, organized the strategy into what is generally known as Management by Objectives.

Kay, Meyer and French,[25] through their research on Managerial Performance Appraisals, found that the simple but specific documentation of objectives improved managerial performance considerably.

McGregor[26] addressed the question of management style in his X and Y theory, with X representing the traditional, authoritarian perspective, and Y an approach which permitted more discretion and participation, and, consequently, a better balance of power.

Likert[27] defined the people variable in organizations as overlapping sets of groups, rather than individuals. He proposed a typology of four systems, ranging from System I - authoritative, to System II - benevolent, to System III - consultative, to System IV - participative. Likert believed that a System IV approach was the most productive.

Another people approach that has been used by some practitioners was developed by Argyris,[28] who hypothesized that healthy individuals strive towards fulfilment, but that formal, organization values create a social atmosphere in which the members' inter-personal competence must decrease. In order to alleviate this situation and improve the fit between inter-personal competence and its relationship to organizational effectiveness,

Argyris designed a number of steps, including diagnosis to understand the dynamics of the situation, and various laboratory programs to help participants modify their values to achieve better power equalization.

The Managerial Grid of Blake and Mouton[29] was designed to change an organization by a series of six strategies. The first three include laboratories to improve communications relating to both task and people variables. The latter three strategies deal with developing an ideal model for the organization, and planning how it can be implemented and measured. In effect, the Grid examines managerial style.

Early structural changes dealt largely with establishing administrative principles based on specialization, central control and decision-making. However, as early as 1919, large, multi-product corporations - such as Dupont and General Motors - found this type of structure inadequate, and moved towards a decentralized concept with considerable autonomy at the divisional level.[30] These efforts, however, tended to be the exception, and most authorities of that day would have recommended a more traditional approach.

More recently, a number of approaches to structural change have emerged. The Interactionalist

School is one; their perspective is that attitudes and sentiments are not changed by training, but rather, by changing the interactional structure of the enterprise. In short, when the structure is changed, behaviour and performance changes will occur.

A somewhat different structural perspective is suggested by Perrow[31] and others. Their orientation is that organizations may be defined in terms of roles and role relationships. Structural changes are made through adjusting role definitions and role relationships.

In summary, recent structuralist approaches have generally considered organizations to be inter-dependent systems operating in an uncertain environment.

Technological changes in organizations have been applied in a number of ways. Time-study methods and industrial engineering, as well as the increasing use of computers and operations research have introduced broad technological changes into almost all organizations. These changes, together with vastly improved methods of production, have taken, and continue to take many forms, and the important point seems to be that their introduction is accompanied by wide ramifications on the task, people and structural variables. Job redesign is a recent approach to change that includes both the technical and people variables.

Task change, as noted above, refers to changes in the objectives of an organization. While they may be deliberate - for example, entering a new market field - they frequently arise from changes in technology. Task is an important variable in organizational change, particularly when considered with the other variables, the degree of technical complexity and how it relates to structure, and the environment in which the organization operates. As Tushman has noted, "organizational change efforts will be systematically different depending on the degree of predictability of the primary task."[32]

The concept of a contextual variable has been included in more recent studies: Pugh et al;[33] Child;[34] James and Jones;[35] Sells.[36] The original Aston studies describe the contextual variable as including origin and history, size, charter, technology (integration on the work processes), and inter-dependence.

James and Jones describe the contextual variable as the:

> . . . values, policies, traditions and other normative and prescriptive characteristics of an organization that influence the structure of the organizational units as well as the behaviors of participants at all levels.[37]

In an organization, these are interdependent, and do provide some insight into where the boundaries terminate.

For instance, in a Crown Corporation, such as Air
Canada, which is owned by the Government, it is
difficult to estimate where the boundaries end. Do
they terminate at the Chairman of the Board's area of
authority, at the Minister to whom he reports, at the
Cabinet, at the Prime Minister, at the House of
Commons, or at the voters?

Starbuck, commenting on Child, states
that:

> . . . even talking about an
> organization's environment implies
> that the organization differs from
> its environment, yet the two are
> not separate and a boundary between
> them is partially an arbitrary
> invention of the perceiver.[38]

Boundaries in semi-public
organizations are particularly difficult to define;
yet, to undertake the challenge of introducing planned
macrochange into a Crown Corporation, they must be
described as they relate to the decision-making
process. Only by attempting to come to grips with
where the boundaries end can an attempt to understand
the decision-making process and the influence of what
Pettigrew[39] has called the politics of decision-making
be understood.

Hall[40] emphasizes that there is
agreement that power in organizations does not take
just one form - legitimate authority - and
that extraorganizational considerations are

important in understanding power. "Power is not a fixed sum . . . the amount of power in the system can increase or decrease", and, furthermore, a certain amount of conflict over power can be considered normal in organizations.

Pettigrew notes that:

> . . . by their ability to exert power over others, individuals can change or maintain structure as well as the norms and expectations upon which those structures lie.[41]

There seems to be agreement that the more complex and differentiated the organization is, the more likely there is to be uncertainty and complexity in the decision-making process.

In summary, organizations are characterized by increasing complexity and rapid change, and the strategies designed to improve operations have tended to focus on one of the variables, but there is a good deal of evidence that this method has been too simplistic. For example, the socio-technical school - Trist and Bamforth,[42] Rice,[43] and others - has shown that both the technical and social factors must be considered at the same time for effective organizational change.

At this point in time, there does not seem to be anything definitive which adequately reflects how to introduce effective organizational change with consideration of the interaction among

the four variables operating in an environment which is

complex and unpredictable. The state of the art seems

to be that, while the various approaches discussed

above have merit, there are notable inadequacies.

Lorsch summarizes the problems by stating:

> To put it simply and concisely as
> we have built our knowledge about
> behaviour in work organizations,
> we seem to have created a babel of
> concepts and theories which not
> only may be confusing to the
> practitioner but which have caused
> behavioural scientists to have
> disagreements.[44]

2.3.   Diagnosis

Tushman describes diagnosis as "the

process which provides both the client and the

consultant an opportunity to learn about the dynamics

of the system."[45] While the client is always aware of

a manifest problem, frequently he is not aware of

latent problems or their causes. Once the real,

underlying causes are identified, the original problem

or problems often change dramatically. Although all

consultancies start with some sort of diagnosis or

problem definition, too frequently these are either

superficial and/or personalized or instrumented in such

a way that they lead to a pre-determined set of action

plans which can be inappropriate.

This notion is supported by Lawrence and Lorsch.[46] They state that:

> One limitation of the diagnostic attempts as usually practised is that they tend to be somewhat cursory and often tend to be conducted in spite of the fact that the action program has already been well planned in advance by the change agent.

A further problem they note is that:

> . . . the change agent during the diagnostic phase is often more concerned with understanding and improving his relationship to the client organization than he is in understanding specific organizational problems.

As an example, the authors quote Seashore and Bowers,[47] who indicated they decided to conduct their diagnosis to introduce calmness and realism while pursuing the intended work.

Dalton[48] advocates that conclusions must be drawn from an intensive diagnosis of the situation, and if an analysis is to be more than an academic exercise, it must reach decisions about the specific problems to be remedied, the causes of the problems, and the forces that are likely to work for and against change.

Beckard[49] notes that, not only is there a need to diagnose in-depth at the beginning of the consultancy, but also, there is a need to determine progress and adjust action planning accordingly.

Hackman[50] makes two points regarding job redesign interventions, which are applicable to change programs in general. First, there is the readiness of management to institute change. This readiness must be determined before the action planning phase is implemented, and should be part of the consultant's decision whether to proceed or not. Second, he observes that the consultant must be aware of unanticipated spin-offs in areas other than the unit in which he is working. Failure to allow for spin-offs can result in the organization situation being worse than it was prior to the change program.

It has become increasingly evident that thorough and continuing diagnosis is critical, and is perhaps the most vital element in effecting successful organizational change. Historically, many consultants - whether outside, academic or resident - have, for a variety of reasons, not given sufficient attention to this area. The outside consultant must appear to be particularly sensitive to the client's manifested problems if he is going to get the contract. Once he has the contract, his concern is to get repeat business, and, consequently, he wants to leave a satisfied client. The academic is generally interested in gaining support for his theories; he needs an organizational setting to test them. Since he does not usually have ready access to organizations, when one becomes available, he may not risk jeopardizing

the opportunity by a thorough diagnosis. The resident
consultant frequently has a problem due to his status
in the organization. His access to the Chief Executive
Officer is usually blocked by at least three levels of
management.

There are a large variety of diagnostic
methods which have been developed mainly by social
scientists. They include a number of techniques for
mapping the situation, as well as for identifying the
factors that are creating organizational problems. An
adequate diagnosis provides a basis for appropriate
action planning.

There are less structured types of
approaches, which include observation and interviews,
and the more structured tools, which include a variety
of questionnaires to measure attitudes and behaviour.
The problem with observation and interviews alone is
that they are difficult to standardize, and are
expensive and time-consuming. The difficulty with
questionnaires lies in their inflexibility and inability
to supply sufficient qualitative data. As Beer has noted:

> Probably the most efficient and
> effective sequence of diagnostic
> methods starts with observation,
> is followed by a semi-structured
> interview, and is completed by a
> questionnaire intended to measure
> precisely problems identified by
> the earlier steps. This sequence
> provides a funnel effect, moving
> from emphasis on "band-width" to
> emphasis on "fidelity" of
> measurement.[51]

None of the earlier diagnostic methods
involved the participants to any large extent. In the
late 1950's, this insufficiency was identified, and
efforts were aimed at collaboration between consultants
and organization members in the gathering and
interpreting of data and subsequent action planning -
Mann;[52] Mann and Likert;[53] etc. The principle here
is that when people are involved in the diagnosis and
planning, they have ownership and commitment to the
change programme.

Likert[54] describes his approach as based
on survey feedback and group work to lead the client
organization into a more consultative or participative
mode. Other change agents - such as Blake and
Mouton[55] - have developed instrumented diagnosis and
feedback to the participants. Such approaches,
however, tend to be somewhat prescriptive, and to lead
the clients towards a type of solution emphasizing the
people or inter-personal variable. While both these
approaches can be appropriate in certain situations,
they do not give adequate consideration to other
organizational variables - task, technology and
structure.

One diagnostic approach that does not
lead to a predetermined solution, and which can
investigate several organizational variables is
Beckhard's Confrontation Meeting.[56] It is presented in

some detail, because of its influence on part of the

diagnostic approach used in this thesis. Beckhard

developed his method based on a confrontation meeting,

which allows the client and the consultant to look at a

broad range of problems, including how a change

programme is progressing. Its format permits

flexibility, and it facilitates identifying

dysfunctional issues quickly, achieving group

concensus and recommendation of action plans.

The advantage is that, in a relatively short period of

time, a medium-sized organization can be mobilized

towards an action plan - in something like one to

two months. The meeting itself usually takes one full

day, and an outline is presented in the following

Table (Page 41).[57]

The following is an example of a

typical morning assignment:

> Think of yourself as a person with
> needs and goals in this
> organization, and think
> of the total organization.
> What are the behaviour,
> procedures, ways of work,
> attitudes, etc. that should be
> different so that life would be
> better around here?

CHART 2.2

A ONE-DAY CONFRONTATION MEETING			
PHASE	TIME	ACTIVITY	SUMMARY
1	45-60 Minutes	Senior manager communicates his goals for the meeting.	Setting climate
2	1 Hour	Group divides into small heterogeneous syndicates who identify current problems, which are recorded by an elected reporter.	Collecting information
3	1 Hour	Reporters summarize main points on newsprint; these are categorized and duplicated for general distribution.	Sharing information
4	1 Hour, 15 Min.	After 15 minutes in the general meeting, members convene with problem list in functional groups to discuss problems, decide priorities, identify issues for top management, and decide how to communicate results to subordinates.	Setting priority and group action planning
5	1-2 Hours	General session in which the groups from Phase 4 report their findings; top management responds and agrees on priorities.	Planning organizational action
6	1-3 Hours	Top management team meets separately to plan follow-up actions, which are reported back to the whole group in a few days.	Follow-up by top team
7	2 Hours	Follow-up by all concerned some 4-6 weeks later.	Progress review

While working for the Bureau of
Management Consulting Services, the author became
interested in the development of a diagnostic technique
oriented to revealing major operational problems in
large organizations. The first application in a
Government Ministry, was called Mark I, and consisted
of interviews with senior managers, a mailed out
questionnaire, and a one-day session based on
Beckhard's Confrontation Meeting.[58] While the approach
had merit, it did not produce the necessary quantifiable
data on which to support recommendations for change.

A revised diagnostic approach, called
Mark II, which consisted of three steps, was applied
in another Ministry. In step one, individual,
open-ended, patterned interviews were conducted with
senior management to determine the mission, objectives
and style of management in a ministry. Steps two and
three required approximately one day of pre-work; both
steps were conducted on the same day, in groups of 15
participants, using two group leaders. Step two
involved completing two questionnaires. One was
a structured questionnaire, regarding how the
participant felt about specific issues, which
were derived from an analysis of the interviews with
senior managers. The other was a semi-structured
questionnaire designed to identify operational
problems, and asking for specific examples and

possible solutions. Step three was an unstructured

group session; the objective was to determine the

degree of group consensus on operating problems, and

the level of priorities assigned to those problems.

The three steps are presented in the diagram below.

CHART 2.3

MARK II

DIAGNOSTIC APPROACH

STEP 1

Key
Manager
Interviews
N : 33

Content
Analysis

STEP 2

Structured/
Semi-
Structured
Questionnaires
N : 216

Statis-
tical
Analysis

Integration
Feedback

STEP 3

Unstructured
Group
Session
N : 216

Statis-
tical
Content
Analysis
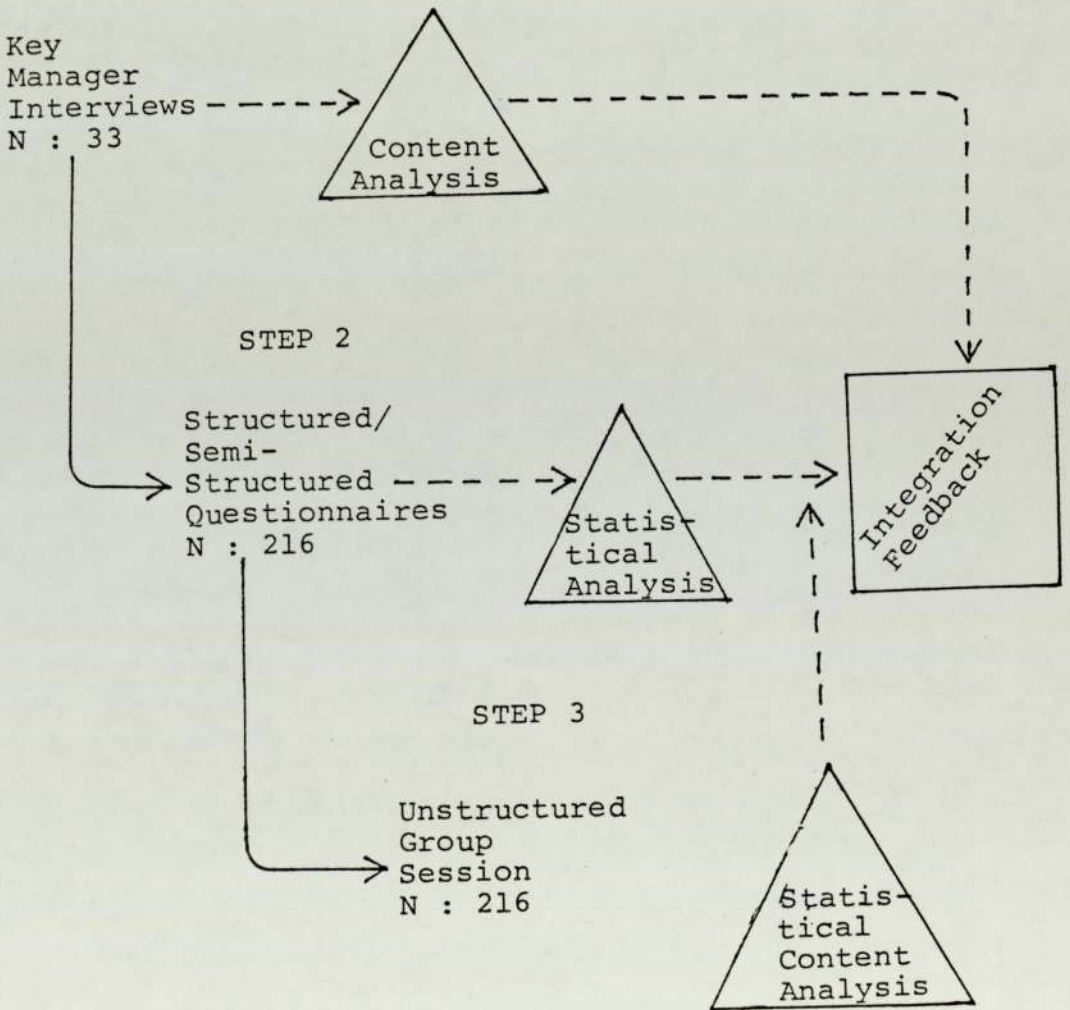
Mark I and Mark II were the basis for the author's M.Sc. Degree by external research.[59] Although the technique was found penetrating and useful, it was awkward and time-consuming to apply in large organizations.

The author's objective, after completing a Master's Thesis, was to design a Mark III approach, and use it in a major change programme to provide the basis for a Doctoral Thesis. Mark III was designed and applied in Air Canada. Illustrations of the type of findings it generated, the strengths and weaknesses, will be discussed in Chapter Five.

2.4. Climate Review

The concept of climate was originally developed by Lewin,[60] in an attempt to create a systematic conception of the environmental determinants of behaviour. This led him to formulate the equation, $B = f(P, E)$; behaviour (B) was the result of the interaction between the person (P) and his immediate psychological environment (E).

Tagiuri[61] described climate as a relatively enduring quality of the total environment that:

a)   is experienced by the occupants;

b)   influences their behaviour; and,

c)   can be described in terms of the values

of a particular set of characteristics

or attributes of the environment.

In discussing climate, Payne and Pugh state:

. . . a molar concept reflecting
the content and strength of the
prevalent values, norms, attitudes
and feelings of the members of a
social system which can be
operationally measured through the
perceptions of system members or
observational and other objective
measures.[62]

Forehand and Gilmer[63] recognized five

influencing aspects to climate: size and shape,

leadership patterns, communication networks, and

decision-making procedures.

Meyer, using the work of Litwin and

Stringer[64] measured five dimensions in his climate index:

1)   Responsibility - the degree of delegation

experienced by employees;

2)   Standards - the expectations about the

quality of one's work;

3)   Reward - recognition and reward for good

work as opposed to disapproval for poor

performance;

4)   Organizational clarity - orderliness as

opposed to disorderliness;

5)   Friendly spirit - good fellowship, trust.

The approach to constructing and

analyzing climate questionnaires shows the influence of

psychometricians' experience in constructing tests.
Characteristics and dimensions - such as those of
Litwin, Stringer and Meyer - are identified, and a
number of individual items (questions) are formulated,
supposedly to measure those characteristics.
The number of items in the questionnaire usually varies
from approximately 100 to 175. For example, Sells'[65]
climate questionnaire contains 102 items, and the
Payne and Pheysey[66] Business Organization Climate
Index contains 160. The method of analysis is
statistically sophisticated, usually involving various
tests for clustering or factor analysis.

The results of a climate questionnaire
are presented to management in terms they can
understand. In order to do this, some researchers
reduce the amount of information by eliminating items
which do not group with other items and by creating
clusters containing the remaining items. In this way,
the findings can, hopefully, be understood and communicated
to management in a relatively succinct manner.

For those interested in planned change,
climate review can be used for diagnostic purposes in
an organization. The findings can be fed back to
management and used as a stimulus for action planning
involving the management group. For example, if the
reward system is seen as unfair, changes are agreed

upon and introduced. In a subsequent reapplication of the climate review, management could expect a more positive response to that dimension or cluster which refers to the reward system.

One of the important questions this thesis addresses is the suitability of climate questionnaires for the dual purpose of diagnosis and evaluation. The technique of reducing the items to clusters, communicating them to management, and introducing strategies based on the analysis can produce disappointing results. Detractors have described climate questionnaires as to be so gross that they are useless. James and Jones[67] described climate as a soft measure, which, at best, gives limited insight into an organization. In subsequent chapters, the question of whether or not climate reviews can be used for the dual functions of diagnosis and evaluation, and whether they can be usefully employed in planned macrochange will be discussed.

2.5. Bicultural Problem

Peterson and Garrison,[68] in speaking of the lack of attention paid to the role of cultural variables in describing organizations in different countries, have pointed out that differences in culture may block effective communication; that culture, to a

large degree, prescribes the standard of achievement
and system of rewards, as well as affecting the
superior subordinate relationships.

There is a small, but growing body of
information concerning the differences in management
style and work habits of French and English Canadians.
Auclair[69] found, in a study of over 3,000 French and
English Canadian managers, that French Canadian
managers placed greater value on their role as family
head, thereby enduring more stress due to the
conflicting roles of business and family. The English
Canadian managers place less value on their role in
the family. This finding is supported by Kunungo and
others,[70] who found French Canadian workers to be less
achievement oriented than English Canadians.

The question of what occurs when English
and French Canadians meet in competitive work
situations has been addressed by Richer and Laporte.[71]
They concluded that a non-closure, means-oriented type
(French Canadian) is forced into competition with a
closure, goals-oriented type (English Canadian) .
In other words, a French Canadian given a problem is,
by his education, taught to take an overview of the
situation, consider past and future implications before
determining his recommendation (means-oriented).
The English Canadian tends to be more pragmatic, and
given a problem, is less likely to go back to

first principles. He will tend to consider the next

logical steps, and implement the solution (closure and

goal-oriented), which can lead to the observation that

English Canadians value efficiency and short-term

specific solutions more than do French Canadians.

While these studies are concerned with

the differences in French and English Canadian values

and styles of management, they do not directly address

the question of what is likely to happen when a change

programme is introduced and identified with the

cultural background of a particular executive -

in the case of Air Canada, with a French Canadian.

The possible impact of this dimension on the change

programme will be mentioned in the concluding chapter,

Chapter 8.

2.6.   Case Study

There are several important limitations

to the single case study. Filley and House have

summarized these as follows:

> 1) Since no attempt is made to
> control environment, only rarely
> does one find two cases that can
> be meaningfully compared in terms
> of essential characteristics.
> 2) Since the data are usually
> collected without rigorous
> classification or control of
> variables, case studies can rarely
> be repeated or their findings
> verified.   3) Since the data are
> seldom collected to test an a priori
> hypothesis, the significance of

the findings is left to the
subjective interpretation of
the researcher.   4) Because they
are narrative, case studies
usually require a great deal of
time and space for findings to be
reported, and the significance of
those findings are limited to a
particular set of circumstances
whose recurrance is usually
unpredictable and speculative.
5) Case study offers a narrow
and limited base for
generalization.[72]

On the other hand, there are certain
merits to the single case study, as compared to
comparative research on a large number of
organizations. The latter usually tend to be
superficial, and are limited to a description
of the state of an organization at a particular point
in time. It is difficult to generate useful theory on
macrochange from this sort of data. The intensive
approach can, however, concentrate on critical
variables and processes, and provide material for new
hypotheses and theory. Because only one organization
is being examined, research can be addressed to more
variables, and the result is information with a depth
much greater than that provided by comparative studies
involving up to 100 or more organizations. There is an
element of reality found in the single case study which
can provide penetrating information for the academic
and the practitioner.

The possibility of replication is frequently cited as one of the major advantages of the comparative study over the single case study. It was with this limitation in mind that the climate survey used in Air Canada in 1972 and 1976 was included. It was hoped that the use of an instrument to measure the climate before and after the introduction of a macrochange programme would provide a rigour not usually found in single case studies.

The following review of Chandler's[73] comparative study of planned change in large systems is followed by a review of the study of General Electric by Greenwood.[74] The latter is a case study undertaken well after the macrochange programme was completed, and contains no elements of rigorous, social science measurement. Nevertheless, it does provide useful background and insight for the Air Canada case study.

2.6.1   Strategy and Structure

In 1962, Chandler[75] traced planned macrochange in four large, complex organizations in the United States - General Motors, Dupont, Standard Oil and Sears Roebuck. He observed that managers rarely change their daily routine and their positions of power, except when faced with pressure sufficiently adverse that changes have to be made. He notes that a comparative study of organizations that have created

new structures and methods of administration, would
point to urgent needs and compelling opportunities both
from within and without the firm.

After a preliminary review of nearly 50
of the largest American industrial firms, Chandler
chose four that were among the first to initiate new
structures, independent of one another. The motivating
reason for change was the evolution of a strategy which
Chandler describes as a long-term objective to
rationalize the use of expanding resources, after a
period of growth which made the organization difficult
to manage effectively. In the four cases, once the
strategy was established, an appropriate structure was
designed and implemented.

Chandler defines structure as the design
of the organization through which the enterprise is
managed. The design, whether formal or informal, has
two aspects: first, the lines of authority and
communication between different offices and officers,
and second, the information and data that flow through
these lines.

Chandler's work provides insight into
how change was carried out in these organizations.
The change agents were typically senior executives
in the corporations. He acknowledges that human
resources - trained personnel, with manufacturing,
marketing, engineering, scientific, and managerial
skills - were often more valuable than the

warehouses, plants, offices, and other physical
facilities, but he gives limited insight into the
process of change in these organizations.

It is of interest that Chandler made a
number of references to General Electric and its
macrochange programme under President Ralph Cordiner.
He notes that Cordiner's reorganization went further
than those in any other company studied, both in the
creation of a large number of relatively small
administrative units, and in the methods developed to
administer these units. Later, he adds:

> Cordiner's imaginative innovations
> in developing a structure . . .
> offers an extremely important
> subject for further research since
> they suggest future trends in
> organization of the most
> technological advanced type of
> American Industrial Enterprise.[76]

Greenwood[77] carried out this research in
Managerial Decentralization, published in 1974, a study
of macrochange in a large, complex organization.
This work will be examined in some detail for the
following reasons. First, it is a comprehensive case
study of a macrochange program. Second, the author was
exposed to this change programme in the 14 years spent
with Canadian General Electric, from 1952 - 1966, and
the experience contributed to the evolution of his
modus operandi. Third, some of the change strategies
introduced in General Electric were modified and
adapted to the change program implemented in Air Canada.

Greenwood does not use organization and change theory terminology as a framework for his study. However, many of the theoretical concepts can be identified. For example, Leavitt,[78] as previously mentioned, states that an organization has four components - task, technology, people and structure - and that change in one will influence the others. It is possible to trace the changes introduced to General Electric to these four components.

In 1938, Executive Vice-President Charles Wilson, who later became President of General Electric, set up a planning committee. This committee concluded that, if the company was to progress efficiently, the organization must adopt two principles - decentralization in management and diversification in production. However, this was not easy to do under the Presidency of Gerard Swope and Chairman Owen Young.

In 1940, an article in Fortune Magazine stated, in the 18 years of the Swope and Young stewardship, while General Electric had never been in serious financial trouble, that, "Swope was in complete command with dictatorial powers . . . his attitudes and deportment pure Prussian."[79] In 1940, Swope retired, but when the United States became involved in World War II, he came back to replace Wilson, who was assigned to the War Production Board.

In 1943, Ralph Cordiner was made
assistant to Swope, and his full-time assignment was to
develop a plan for overhauling the management and
organization structure. His objectives were:

> . . . to organize the firm, to
> find out where it was going, to
> find common identity, common
> objectives and a sense of mutual
> responsibility and purpose.[80]

In 1950, Cordiner, two years before he
expected it, was appointed President of the organization
of 216,000 employees with gross revenues of
approximately two billion dollars. He was faced with
the decision of introducing the change programme
immediately or on a gradual basis. Despite the fact
that he had expected two more preparatory years, he
decided to begin the implementation immediately.

He brought to the New York head office
Harold F. Smiddy (who became Vice-President of
Consulting Services), to help plan the new approach to
managing. Greenwood quotes managers at that time as
describing Cordiner as having "as much charisma as a
cold fish,"[81] and Smiddy as the most brilliant
management theorist in the corporation, who also became
the most feared person in the organization: "You
either liked him or hated him, there was no middle
road. You had to respect his brilliance."[82] Smiddy
formulated the basic concept about 1951, but few
people - including Cordiner and Smiddy - claimed

that the concept was truly beginning to work until
around 1960.

The main strategies extracted from
Greenwood's account were:

-    The introduction of a radical restructuring
     affecting all levels of management.

Two hundred relatively autonomous business units, each
with its own Marketing, Engineering, Manufacturing,
Finance and Personnel functions were created.
Headquarters services groups were established, and
consultants were provided on request. The consultants
were required to lead by the authority of knowledge,
and not by the authority of position. All committees,
as decision-making bodies, were removed, as well as
assistants, including the President's Assistant.

-    Created a body of management theory and
     practice based on some of the tenets of
     scientific management, but heavily influenced
     by injections of Lillian Gilbreth.,
     Mary Parker Follett, Harry Hopf and
     Peter Drucker.

The philosophy was documented in four volumes entitled,
Professional Business Management. This participative
approach to management recognized "that individuals are
motivated principally . . . by inner drives rather than
by someone else's direction."[83] It emphasized that all
work should involve not only doing, but the

related planning. Smitty also believed that management
was a "distinct type of work, with its own discipline,
criteria for achievement, something which is both
learnable and teachable."[84] Professional business
management was given as a course at the various
strategic business locations.

-       Established a measurement project which
        produced eight key results, as follows:
        profitability, market position, productivity,
        product leadership (innovation), personal
        development, employee attitudes, public
        responsibility, balance between short- and
        long-range goals.

-       Established a Management School at
        Crotonville, New York to inculcate
        the new concepts to senior management.

"Even top level management as well as third and fourth
level went to school".[85] Lecturers like Cordiner,
Swope, Wilson, Drucker, Hopf, and McGregor were
frequent contributors. The course was intensive,
five and one-half days for 13 weeks, with one week-end
home during the period. Greenwood describes it as an
accelerated MBA programme which "may be considered
similar to the Harvard MBA programme . . . concentrated
on management theory and economics, social and
political issues."[86]

-    Introduced objective-oriented management
     position guides documented by the incumbents,
     and agreed to by their bosses; from the
     president down, all of which included the
     generic terms "teach, advise, and counsel".[87]

Annual reviews were conducted to determine progress;
flexible pay ranges were provided to recognize various
levels of individual contribution. Greenwood believes
that the above approach constituted the first Management
by Objectives (MBO) programme in North America (although
it was not called that), and that many of Drucker's
ideas came from hours of discussion with Smiddy. The
thinking behind the approach was that:

> . . . an employee needs to know
> what is expected of him: an
> employee needs to know how he is
> doing; an employee needs to be
> able to obtain assistance when
> necessary.[88]

There are several aspects of this case
study which are of particular interest to those
contemplating macrochange. Although Swope recognized
the need for a different approach to organization and
management, no concrete progress was, or perhaps could
be, made while he was President due to the dominance of
his personality. Change was only introduced after his
retirement. Cordiner spent seven years of research,
diagnosis, consultation and planning before he was able

to implement his 1943 mandate. In spite of the
organizational level of the principal change agents
(president and vice-president), according to Smiddy,
it took 10 years before the concepts were implemented
and General Electric was being managed in a
decentralized manner, and it could be said that the
change programme had reached a critical mass stage,
and both Smiddy and Cordiner could retire from
the organization.

The resistance to change and the
political infighting was intense. Greenwood, through
interviews with present and past senior executives,
provides an excellent and realistic picture of what
occurred in a number of areas of General Electric.

A clash of cultures took place: the
"old school" managers, usually found in the power
positions of upper level management, would not change,
while the young, middle level managers, schooled in a
"fad" of the mid-fifties, the human relations movement,
devoted many hours to study and to the application of
the new philosophy, and were frustrated by their
losses. Cordiner was apparently ready to accept
the situation, for, while he expected decentralization
on paper to take five years, he believed that only when
the middle managers accepted the new philosophy, and
they, too, in turn, ascended to the top, would
decentralized decision-making become a reality.

In an interview which appeared in Forbes'
Magazine, Cordiner, when asked why decentralization took
so long, gave as one of the reasons:

> I thought that a lot of the fellows
> we took from functional jobs and
> made general managers would respond
> to the challenge of being measured.
> I was wrong. I should have
> realized that you can't expect a
> fellow who has been running just
> a part of it to, all of a sudden,
> be accountable for the whole
> thing.[89]

Accused of causing these managers trouble and
heartache, Cordiner agreed, but believed it had been
necessary to undertake the new philosophy for the
company to be managed effectively.

In discussing the "financial
fraternity", Greenwood states that the Comptroller and
his associates had the right to appoint financial
managers. Ninety-eight percent of these managers
were graduates of the company's Business Training
Course. A three-year course considered by General
Electric "to be the toughest accounting program in
the country",[90] created a kinship and loyalty of those
who were indoctrinated into the accounting philosophy
of the Comptrollers' Department.

It is interesting to note that they were
in a position to undermine the principles of the
decentralization programme by the way, and to whom they
reported the results of the autonomous business units.

In short, they tended to report upwards within the finance function, and this frequently proved to be dysfunctional.

Another difficulty was that General Electric was continually developing new products. The system of decentralizing business around products worked well when a product was developed within a department, but open warfare occurred when products were developed in the corporate research division.

From Greenwood's overall evaluation, one is left with the impression that the change programme was a partial success. On the positive side, he observes that the plan and philosophy, the thinking through of the general scope of management, and the organization theory itself comprise the contribution that the company has made to the general knowledge of formal organization. This is consistent with Mary Parker Follett's observation "that Business practice has gone ahead of Business theory."[91] Greenwood quotes Dun's Review of 1963, in which a panel of 300 presidents and board chairmen named General Electric the best managed company in the United States:

> . . . these men knew the history
> of the company, its numerous
> antitrust suits, its labour
> problems, they also knew its
> research, leadership, and
> management organization.[92]

On the negative side, Greenwood makes the following observations. He quotes Meyer as saying that, despite the company's annual performance review policy, in the 18 years he was with the company, he was only reviewed twice. Further, that despite the eight key result areas, General Managers were motivated by profitability because that was what they were measured by. His most penetrating comment is that, after 20 years of practising a decentralization philosophy, the company had only succeeded in developing acceptable measurements for profit centers, which constituted 200 positions out of 400,000.

There are three critical areas in which the author is in disagreement with Greenwood. First, the importance that the Professional Business Management Course played in the eventual implementation of decentralized management. Second, the importance of the work of the individual methods services in assisting management groups in applying the new concepts. Third, the extent of decentralization and measurement that took place which was well beyond the 200 positions Greenwood mentions. These areas will be discussed in Chapter 4 , as part of the development and continuing evolution of the author's consultancy style and focus.

2.7.   Action Research

          Clark,[93] in his work, Action Research
& Organizational Change, has a number of useful
concepts for the theorist and the practitioner.
He emphasizes the difficulties in achieving planned
organizational change, and believes that action
research is a useful approach because it is concerned
with creating organization change and, simultaneously,
studying the process. He also states that those who
have privileged access have the responsibility to
document the undertakings, and, in this way, gain
more satisfactory long-term developments in theory
and practice.

          In action research, Clark describes two
tasks - the theoretical and the practical - and
three task-masters - the scientist, the practitioner,
and the client. Clark provides useful insight into
some of the areas of concern in diagnosing, planning
and implementing macrochange, the consultant's role
and focus, and the strategies chosen and their
appropriateness. For the characteristics of
successful interventions, he quotes Greiner's
multiphase description.

          These and other aspects of Clark's work
will be utilized, as they represent a social science
perspective which balances the scientific management
orientation of Chandler and Greenwood.

2.8.   Summary

In this chapter, a theoretical base for macrochange has been established. Organizational and change theory and various diagnostic approaches have been reviewed, including 'softer' measures, such as climate review. The strengths and weaknesses of the case study method have been examined with particular reference to the macrochange programme described by Greenwood, and some notes on the value of action research.

In conclusion, a framework for analyzing the concepts relevant to macrochange which can be derived from various writings is provided by the Payne and Pugh model of major influences on "Organizational Structure and Climate".[94]

The client organization, a Crown Corporation, has a particular context ((1) in the diagram). The context, a semi-public organization has led to the pessimistic hypothesis that planned macrochange involving a more participative approach to management cannot be introduced. The implementation of change strategies will, if they are successful, affect the Organizational Structure ((2) in diagram). If the structure changes, it should affect the Organization Climate ((3) in diagram) directly, and, since it also affects the Individual's Immediate Environment ((4) in diagram) directly, it should affect Individual Perception ((5) in diagram), which will, in turn, have

ORGANIZATIONAL STRUCTURE AND CLIMATE

WIDER ECONOMIC AND CULTURAL ENVIRONMENT

Economic	Political/Ideological	Social	Urban/Rural

(1) Organizational Context	(2) Organizational Structure	(3) Organizational Climate	(5) The Individual
Charter (purpose) Size Resources Technology Dependence Ownership	Structuring of the role activities Authority system Status system Configuration of roles in structure	Progressiveness & Development Risk taking Warmth Support Control	Personality Needs Abilities Satisfaction Goals

(4) Individual's Immediate Environment

Boss
Colleagues
Reward system
Tasks

an effect on his perception of Organizational Climate.

The expectation is, therefore, that if changes to the organization structure occur and a more participative approach is realized, the result will be a significant difference in perception of climate measured before and after the change takes place.

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PART II
HISTORICAL AND
INSTITUTIONAL SETTING

CHAPTER 3:
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PART II

PROCESS OF CHANGE

CHAPTER 3:

INTRODUCTION TO THE ORGANIZATION

3.1.   The Client Organization's Historical and
                    Political Background

3.1.1.   Establishing a National Railway

Historically, transportation has been
the focus of national debate and attention in Canada,
a country characterized by great distances and a small
population very unevenly distributed. In 1871, four
years after Confederation, the population of three and
one-half million was concentrated largely in Quebec
and Ontario.[1] The Conservative Prime Minister, Sir
John A. MacDonald, aided by Sir George Etienne Cartier,
was dedicated to the unification of Canada.

> MacDonald's vision of Canada was a
> transcontinental nation in North
> America - a workable alternative
> to the United States.[2]

To stitch the scattered provinces and empty territories
of the west to the east, and to lead the British colony
of British Columbia into Confederation, MacDonald
promised a railway that would link the country
together. At that time, British Columbia was receiving
overtures for annexation from the United States.
The proposed railway was regarded as "an act of
insane recklessness"[3] by Alexander Mackenzie, Liberal
Leader of the Opposition.

The surveying, financing, and other
various attempts at letting the contract took place,
for the most part, from 1871 to 1879. The actual
construction of the railway was carried out by a
private concern, the Canadian Pacific Railway (CPR),
between 1880 and 1885. It was a monumental task, quite
unprecedented in scope, with financial and technological
problems, many of which became political issues.

There were incessant accusations of
patronage and mismanagement, which resulted in
controversy, uncertainty and the loss of Conservative
power for four years. As a newspaper of that time
commented: "Rarely have political and financial
circles been so agitated over any public event."[4]
Central issues included the financing of the scheme,
the question of where lines should be placed, and   -

perhaps most important - whether, in fact, the task
was possible.

This was a large and unique undertaking
with a difficult time factor and many problems.
For example, the terrain, particularly the Rocky
Mountains, presented an incredible challenge to the
CPR surveyors. It was impossible to foresee the
financial and technological problems that arose during
the building period, and, as the costs mounted, the
Conservatives were constantly under pressure.

It is interesting to note that the
financial situation became so severe that the three
principals of the railway company made personal
loans - including mortgaging their homes - to meet
ongoing expenses, and to avoid bankruptcy. It was, in
fact, only the continued efforts of the Conservative
Government and the railway personnel, in an atmosphere
of constant criticism, that made it possible to
complete the railway. It was not, however,
accomplished without a good deal of personal sacrifice
and subsequent disenchantment. When the project was
completed, the CPR Board of Directors declared that
they would never again undertake a venture which would
make them dependent on the Government for business
decisions.

MacDonald did attain his national
dream - a united Canada, capable of withstanding the

lure of annexation to the United States. In the
process, the establishment of a coast-to-coast
railway was a contributing factor, an achievement
which Sir John A. MacDonald considered among his
greatest triumphs.

3.1.2.   Establishing a National Airline

In 1937, Canada was in the seventieth
year of its existence as a united Dominion.
The population was approximately eight and one-half
million people, and while it had two national
railways - the privately-owned Canadian Pacific (CP)
and the publicly-owned Canadian National (CN) - it
had neither a transcontinental highway nor a
transcontinental airline.

Private airline companies, without
government assistance, were experiencing significant
growth.[5] Air mail grew from 539,000 pounds in 1933
to 1,500,000 in 1936. Airline passengers carried
grew from 85,000 in 1933 to 223,000 in 1936. Air
freight carried grew from 4,000,000 in 1933 to
27,000,000 in 1936.[6] While this growth was impressive,
it tended to be from south to north, and from a series
of centres with limited or no connecting links.

On March 4, 1937, the Honourable
C.D. Howe, Liberal Minister of Transport, moved
that the House go into committee at the next sitting

to consider the following resolution. This resolution,
Bill 74, dealt with the creation of the Trans Canada
Air Lines, an arrangement with a corporation
respecting lines and services of transport of
passengers, goods and mail. The motion read:

> It is expedient to introduce a
> measure to incorporate the
> corporation to be known as
> Trans Canada Air Lines with
> authority to establish and operate
> airlines to service across Canada
> and matters incidental thereto.
> Also authorize the government to
> enter into a contract with the
> corporation providing for the
> organization of such lines and
> services including transport of
> passengers, goods and mails and
> for the payment of subsidy of the
> corporation and for the operation
> and maintenance by the government
> of emergency landing fields and
> other specific services; and also
> to authorize the government, at its
> discretion, to acquire and pay for
> all the shares of the capital stock
> in the corporation. Further, to
> authorize the railway commissioners
> to fix the rates to be paid to the
> corporation for its services.[7]

During the late 1800's, there had been
violent disagreement between the parliamentary parties
concerning the building of the railway. In 1937,
however, the Conservative Opposition Leader,
R.B. Bennett, knew and recognized the potential of
aviation in Canada, and was supportive to the proposal

of a national airline.* He stated:

> We are on the threshold of great
> advancement . . . man has been able
> to bridge distances in days that
> used to take weeks. . . . We can
> fly from the Cape of Good Hope to
> London in a few days. In making
> arrangements for flying across
> Canada, from the Atlantic to the
> Pacific, we are dealing with . . .
> tremendous developments.[8]

Further, Howe was anxious to avoid the
problems of political patronage and overdevelopment
that had plagued railroading in Canada. Heavy
subsidization had resulted in the construction of:

> . . . an inefficient system of a
> much larger traffic capacity than
> economically justifiable. . . . In
> spite of large subsidies, with the
> exception of the Canadian Pacific,
> all railways operated at a loss
> . . . proposals for unified
> management of the two railways were
> rejected in the 1920's and the
> 1930's. By 1931 the CN (including
> constituent railways before 1923)
> received 2.5 billion dollars in
> subsidies. The density of traffic
> was below the minimum economic
> level on a large portion of the
> network: 42% (17,600 miles) of
> it carried only 5% of the
> traffic.[9]

---

*This indicated a change of attitude from 1932,
when R.B. Bennett, then Prime Minister,cancelled
the Prairie Mail contract with Canadian Airways.
Canadian Airways had been formed by
C.R. Richardson, a Winnipeg entrepreneur who had
financial backing from both the CNR and the CPR.

To avoid these types of problems, Howe felt that the best results could be obtained if the CN and the CP Railways had joint ownership of the airline with a number of directors appointed by the Government and the greater number appointed by the joint owners. The directors would be responsible to hire the expertise required to establish the airline. In this way, he hoped to avoid sole public ownership.

While this approach was endorsed by the Opposition, the directors of the CPR - true to the declaration of their predecessors in 1855, reinforced by the Bennett/Canadian Airway/Mail contract experience - refused to join the Government in the undertaking. As a result, both political parties reluctantly accepted the alternative of establishing the airline as a Crown Corporation under the ownership of the CN. Hence, the Party in power became responsible for establishing the airline.

This political basis for the new airline had continued ramifications in two areas. First, it was constantly in the public eye - a public issue - making the management of the corporation and the introduction of planned change a particularly difficult and frequently unpredictable task. Second, the CPR establishment of a rival air service provided competition in the limited Canadian market, and, as in

the case of the two railways, an inefficient
duplication of services.

3.2.   The Early Growth - 1937 to 1947

  3.2.1.   The First Formal Organization
                        Structure

          The Trans Canada Air Lines (TCA) Bill
was passed on April 2, 1937.[10] The CNR Directors acted
quickly, and a team of airline executives was hired.
The airline's first organizational chart, dated
August of 1938, is shown as Chart 3.1 (Page 84).[11]
          The team was led by Philip G. Johnson,
a young, dynamic, experienced executive, who had
already been President of the Boeing Company of
Seattle and of United Airlines. Black-listed for five
years in the United States on charges of which he was
later completely exhonorated, Johnson brought with him
a team of highly qualified and experienced airline
people. As Vice-President of Operations, he brought
the fledgling airline quickly and effectively into
service, at the same time, laying the basis for its
continued reputation for technical excellence.
          While not all the positions were filled,
the organization was operational. Since the major
challenge was obtaining the equipment (aeroplanes)

TRANS-CANADA AIR LINES
ORGANIZATION CHART

PRESIDENT

SECRETARY

VICE-PRESIDENT
IN CHARGE OF OPERATIONS
ASST. TO VICE-PRESIDENT

LEGAL
PURCHASING
ADVERTISING
MEDICAL

ACCOUNTING
STORES
TREASURY
INSURANCE

OPERATIONS

GENERAL SUPERINTENDENT

TRAFFIC

TRAFFIC MANAGER

Superintendent
Mtce. & O'Haul

Superintendent
Flying

Superintendent
Meteor. & Disp.

Superintendent
Communications

District Traffic Agent
Western District

District Traffic Agent
Central District

District Traffic Agent
Eastern District

Engin-
eering

Repair
Base

Servicing

Ground
Radio
Stations

Aircraft
Radio

Consisting of:
Engine Shop
Metal Shop
Instrument Shop
Machine & Prop Shop
Accessories &
Electrical Shop
Radio Shop

Western District
- SEATTLE
- VANCOUVER
- LETHBRIDGE
- CALGARY
- EDMONTON
- OUTSIDE AGENTS

Central District
- REGINA
- WINNIPEG
- OUTSIDE AGENTS

Eastern District
- NORTH BAY
- TORONTO
- OTTAWA
- MONTREAL
- MONCTON
- OUTSIDE AGENTS

Superintendent
Western Div.

- SEATTLE
- VANCOUVER
- OLIVER
- CRANBROOK
- LETHBRIDGE
- CALGARY
- EDMONTON
- REGINA
- WINNIPEG

Superintendent
Eastern Division

- WAGAMING
- KAPUSKASING
- NORTH BAY
- TORONTO
- OTTAWA
- MONTREAL
- MONCTON

ACCOUNTING, ADVERTISING, INSURANCE, LEGAL, MEDICAL,
PURCHASING AND TREASURY work is performed for the
Air Lines by the respective departments of Canadian National
Railways. Liaison is maintained through the office of
"Vice-President in charge of Operations."
TRAFFIC DEPARTMENT - now in process of formation.
GENERAL SUPERINTENDENT - This office now filled
by Chief Technical Adviser, (D. B. Colyer.)

Montreal, September 8th, 1938

(General Traffic Manager appointed Sept. 12/38)

CHART 3.1

-84-

-85-

and the maintenance facilities, these were among the
first activities undertaken. Next came the traffic
function, which, in effect, was the customer sales.
Such functions as accounting, treasury, legal,
purchasing, advertising and medical services were
performed for the airline by the respective Departments
of the CNR. The liaison was maintained through the
office of the Vice-President of Operations.
This approach to organizational planning was practical
and efficient for an airline in 1937, when the
equipment used was in its formative stage, and
far less reliable than the jets used today.
The prime task was keeping airplanes operational -
flying and maintenance - with a secondary task of
traffic or sales to the customer.

Two other events which affected the
organization's development occurred - the formation
of the Canadian Airlines Pilots Association and the
establishment of the Canadian Pacific Airlines by
the CPR.

3.2.2.   The Canadian Airlines Pilots
Association

By December 13, 1937, within six months
of the airline becoming operational, in a room at the
Fort Garry Hotel in Winnipeg, ten pilots and one
supervisor were brought together to discuss the

founding of an organization. The idea was to create a body able to consolidate pilots' views on airline problems, and, with authority to voice them when necessary.[12]

This group became certified, and was the airline's first union. A powerful group, who exerted considerable influence on the corporate direction of the airline, many of the members continued to straddle a union and management role. One of the founding members, H.W. Seagrim, eventually became the second most powerful person in the airline, and the heir-apparent.

3.2.3.   Canadian Pacific Airlines

Although the CPR rejected Howe's offer of joint ownership of TCA in 1937, plans were formulated to build an airline under CPR sponsorship that would provide competition for the national carrier. Many bush lines were bought and amalgamated into one line. Howe perceived this as a threat to TCA, in that it might produce the same situation as having two railways had done:

> Canada could not afford two
> transcontinental rail services.
> Many people advocated shutting down
> the former government line, a
> viewpoint the CPR may not have
> fostered, but towards which it
> was not adverse. The wastefulness
> of the double railroad system, the

> duplication of facilities, staff
> and services were cited by the
> Opposition parties, to the
> constant embarrassment of the
> government.[13]

Howe used these same arguments, that Canada was too small to support two airlines, and, in 1944, Bill 133 was passed; this legislation made it illegal for the CPR to compete with TCA on a large scale, and specified that the corporation would, for all time, do all Canadian mainline flying. The only roles permitted private enterprise were northern bush operations and feeder services. The CPR had no other choice but to cut back on services and lay off many of its airline personnel. The CPR Directors, however, did not abandon the idea of establishing a major airline in Canada, and, in fact, step-by-step over the next 25 years, this goal was accomplished.

3.2.4.   The War Years

During the war years - 1939 to 1945 - limited expansion took place, and many of the planned strategies had to be postponed. Any expansion that did take place was directly related to making air transportation more effective in supporting the war effort. The necessity for such policy was well-known and understood by the airline's personnel.

However, when hostilities ceased, they looked forward, with increased expectations, to the expansion programs originally envisaged.

Howe supported this vision. During the war, he had been assigned to the critical portfolio of Minister of Munitions and Supply, relinquishing his Transport Ministry, but, at the same time, maintaining responsibility for TCA. This continuing association with the airline's strategic policy decisions over the ten years of its existence, significantly helped him to work closely with the management, and to defend it from the detractors in the House.

3.3.   The Client Organization under President
         G.R. McGregor - 1948 - 1968

On January 31, 1948, TCA President H.J. Symington announced that a new president had been elected by the Board of Directors. He "calmly" telephoned to tell G.R. McGregor that he was to be the new president: ". . . the statement was made without any forewarning as to whether he (McGregor) would favourably regard the appointment."[14]

While he may not have been consulted, the Board chose wisely, as few people in Canada could have fitted the profile for the airline president as well as McGregor.

At 46 years of age, he had been interested in aviation since childhood. As a graduate engineer, he joined the Bell Telephone Company in 1923, and became Montreal District Manager in 1938. Soon afterward, he joined the RCAF as a pilot, where he spent approximately six years in service, and left, after the war, as a much-decorated Group Captain. While still on active service in England, he was approached by Symington on behalf of TCA.

In December of 1945, he joined the airline on a six-month leave of absence from the Bell, "to (as the records show) undertake a personal adventure with TCA", and, told orally, to "come to my senses."[15] He became General Traffic Manager of the airline, and, finding the work absorbing, resigned from the Bell, and, at the same time, turned down the opportunity to become Director of Air Services in the Department of Transport.

Late in 1947, McGregor chaired the first joint traffic conference of the International Air Transport Association (IATA). The results drew favourable publicity in the trade journals - in addition, an offer of a senior position in the association. In McGregor's view, it was partly to counter this offer, that the Board of Directors elected him to the presidency, effective February 1948, where he "remained for twenty hectic years, not in the

least attracted by any attempts to lure me into other fields."[16]

The challenges he faced are well-documented in his memoirs, entitled <u>The Adolescence of an Airline</u>, which covers his stewardship from 1948 to 1968.[*]

3.3.1.   <u>Situational Analysis - 1948</u>

This portion of the thesis deals with the organization as it was when McGregor took office. Much of the information comes from his memoirs, and is divided into the categories previously mentioned - Management, Organization Effectiveness and External Influences.   The information will be presented in point form, and will only be expanded if the impact on the organization would not be self-evident to students of organizational behaviour.

---

[*] G.R. McGregor had intended to complete this work on his retirement, but unfortunately, he became ill and died before the work was completed. His long-time secretary, Miss B. Buchanan, worked with him on Parts I and II, and edited Parts III, IV and V from the rough drafts, notes, which were supported by the objective performance figures from the company archives.

3.3.2. Management - 1948

- The company did not have an operating budget. Expense charges were made in the airline books kept by the CNR against estimates. However, as McGregor would soon report back to Howe, the estimates were not realistic.

- The 1938 organization chart had not been put into place during the war. The company still depended on major organization functions of the business, such as Accounting, Law, Public Relations, etc., from the parent CNR. Most of the emphasis had been on operations. A complete complement of pilots, mechanics and radio operators, etc., existed. Minute detail was recorded on flights and equipment. However, the records were not kept for management decision-making, but rather, to be able to defend the company's position in the event of failure.

Conversely, the Customer Sales area did not have its own personnel, nor were extensive records kept. Sales were made through the CNR's railway agents. In McGregor's view, this was a particularly unsatisfactory arrangement, as a railway agent was likely to attach a higher priority to railway transportation sales than airline transportation sales.

3.3.3.   Organization Effectiveness - 1948

- The company was losing financially; a deficit of $1,115,000 in 1946, and $1,760,000 in 1947.

- While the challenge of safe transportation had been met, the on-time performance was very poor. Only 35 to 40% of all flights left at the scheduled departure time. This inconvenienced the majority of its 562,445 passengers.

- The depreciation policy had not been adhered to: some aircraft - completely obsolete - were still shown as having book value.

- There was gratuitous use of some of the company's 4,000 personnel, who were available to various government departments and the International Civil Aeronautics Organization.

- There were some routes which, due to their limited traffic potential, proved to be extremely uneconomical. For example, 1.24 revenue passengers were carried daily between Toronto and Thunder Bay. To maintain this service required an aircraft and crew full-time.

- There were heavy seasonal fluctuations in traffic flows. The average number of passengers

carried during the summer months swelled to 65,000 from 45,000 in the winter - a differential of 44%.

-           McGregor recognized fleet selection as one - if not the most critical - factor in airline economics. There were, in his view, too many diverse aircraft. If the five types were consolidated into two, the training time required to fly and service the various types would be significantly reduced. In addition, there would be a lower inventory for replacement parts throughout the system.

-           One of the aircraft recently added to the fleet, the North Star, was equipped with a Merlin engine - a combination which was incredibly noisy and highly criticized.

3.3.4.   The External Influences - 1948

           One of McGregor's first actions was to report to the minister responsible for TCA, to determine his terms of reference. The meeting took approximately ten minutes, and the Minister of Transport, Howe, gave him one succinct reference: "You keep out of the taxpayer's pocket and I'll keep out of your hair."[17]
           This informal aspect of their business relationship was to continue until 1957, when Howe was defeated. McGregor admired Howe not only for his directness, but also for the "tremendous breadth of his

concept of the airline", and "the need for and
economic viability of a transcontinental airline
which would primarily serve Canada and its
international routes."[18] The Minister of Transport was
the parliamentarian capable of defending the airline
not only in the House, but also against the many
attempts of CPA to encroach on the Air Canada
mandate.*

Captain J. Smith, in his book, The First
Thirty Years, effectively summarized the airline's
external problems:

> At war end, this company (TCA)
> appeared to face no barriers to
> expansion, but its administration
> believed the airline would grow
> indefinitely. By 1947, however,
> TCA was forced to postpone its
> plans in order to concentrate on
> finding a profit.
>
> CPA and every other private
> aviation enterprise in Canada
> attacked, without remission, the
> Federal Government's
> TCA-chosen-instrument philosophy.
> Obviously, they must, if they were
> to enjoy any future.

---

*The esteem G.R. McGregor felt for Howe is,
perhaps best summed up in the following quote from
his memoirs:

> I know of no one whose work brought him
> into close contact with Mr. Howe, during
> the years of the Second World War and
> those after whose regard for the Minister
> of almost everything did not closely
> approach hero worship. Perhaps more
> impressive this universal esteem entirely
> disregarded political affilitations.[19]

The Conservative Opposition
members in the House were their
eager supporters, hoping to
discredit the Government by
an attack on aviation policy.
George Drew, Conservative leader,
hammered away at TCA on the floor
and through the press. The
Company was losing money, not a
matter to criticize at this time,
since there was not an airline in
the world that was making a
profit. However, the Company's
losses made splended political
ammunition. In addition, the
North Star, put into mainline
service in early 1947, was a
tremendous embarrassment. It was
incredibly noisy, and the Rolls
Royce Merlin engines, so highly
thought of during the war, failed
frequently and miserably in
commercial service. The general
public was tired of being pushed
around, tired of Government
bureaucracy, fed up with
inflation. In this climate, the
situation of a Government-owned
airline that was losing money, and
owned a problem airplane, was
difficult.[20]

The next portion will cover some of
McGregor's major accomplishments, and particularly
the legacy he left to his successors.

3.3.5.   Coping with the Management
Challenge

The year McGregor was elected president
was the first full year in the airline's history not
influenced by the effects of World War II.
As previously mentioned, organizationally,
it had been compromised to meet the needs of wartime

civil aviation. Since transportation was a government priority, the potential market for general business and leisure was apparent.

In the President's view, there was no way to go but up.[21] The following is a discussion of some of the strategies he employed in introducing change, his management style, and the organizational situation he left for his successors.

3.3.6.   Management - 1948 to 1968

Having worked for 15 years, for the most part, in one of Canada's largest corporations, as well as having spent six years in administration in the Air Force,* the President was no stranger to getting work done through people. The need for such basics as operating budgets, some form of role definition, a more autonomous organization, were self-evident, as well as the need for policies on sales, equipment depreciation, standardization of equipment, standards of performance, and employee productivity. These were priorities, and were introduced with considerable skill and finesse.

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*McGregor had been responsible for planning and implementing, three days after 'D' Day, the establishment of the second tactical airforce base on the European continent.

Some early decisions related to the
critical need of putting the company in the black,
while others, which were not as critical, were
postponed to a later date. The evolving organization
structure provides insight into the President's
modus operandi, and the degree of stability he provided
to the company.

> To avoid over-hasty tampering with
> an organization plan which, while
> far from perfect, was nevertheless
> running reasonably smoothly . . .
> the Organization Section would
> prepare . . . an organization
> diagram (which they) regarded
> as being the ultimate ideal toward
> which the Company should work
> . . . the plan should be based on
> tried and proved practices. . . .
> The ultimate plan should avoid
> double or crossing lines of
> responsibility, the double-banking
> of jobs and anything tending toward
> top-heavy supervision. Its design
> should be chiefly dictated by
> considerations of efficiency and
> economy but should have enough
> built-in elasticity to permit
> unlimited growth . . . if and
> when an ultimate plan is adopted
> the plan would be given very
> limited distribution and that
> progress toward the goal which it
> represented would be made at times
> and under conditions which would
> permit organizational changes with
> a minimum of disruption.[22]

McGregor's approach to introducing
change without disruption is illustrated over and
over again. Two typical examples are, first, when the
CN Vice-President and Comptroller, T.H. Cooper retired,
McGregor appointed a CN employee, W.S. Harvey to be the

airline's Comptroller, and, second, when John
Schofield, responsible for Architectural Planning for
the CNR, retired, the airline took over its own planning,
retaining Schofield as a consultant for a time.

The structure the organization evolved
to is shown in Chart 3.2 - Air Canada - 1966 (See
Page 99).[23]

McGregor's management style could be
described, in Likert's[24] terms, as System II; he was
a no-nonsense, benevolent autocrat. He and the three
Senior Vice-Presidents - Operations, Sales and
Finance - made the critical decisions. Positions and
responsibilities were described in a bureaucratic
manner, characterized by a legal, rational system
in Weberian terms. Employees were expected to perform
in the manner described, and, unless a serious mistake
was made, there was very little negative feedback.
Because of the high cost of training - particularly
of pilots - a policy of no-layoffs was almost always
maintained, providing stability, and a low turnover in
the organization.

During the latter part of his tenure,
there were senior management within the company who
recognized a need for a different approach to
organization and management. P.E. Willis, a Director
of Administrative Services and a specialist in

1966

CHART 3.2

```
                        ┌──────────────┐
                        │    BOARD     │
                        │     OF       │
                        │  DIRECTORS   │
                        └──────────────┘
        ┌──────────────┐                    ┌──────────────┐
        │  SECRETARY   │                    │   PENSION    │
        │              │                    │  COMMITTEES  │
        └──────────────┘                    └──────────────┘
                        ┌──────────────┐
                        │  PRESIDENT   │
                        │     AND      │
                        │CHIEF EXECUTIVE│
                        │   OFFICER.   │
                        └──────────────┘
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| SENIOR VICE PRESIDENT - FINANCE | VICE PRESIDENT - ADMINIS-TRATIVE SERVICES | VICE PRESIDENT - PUBLIC RELATIONS | GENERAL COUNSEL | GENERAL ATTORNEY | CHIEF MEDICAL OFFICER |

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                        ┌──────────────┐
                        │  EXECUTIVE   │
                        │VICE PRESIDENT│
                        └──────────────┘
```

| SENIOR VICE PRESIDENT - SALES | VICE PRESIDENT - OPERATIONS | GENERAL MANAGER, - PURCHASES & STORES | GENERAL MANAGER, EXPRESS SERVICES |

administrative systems, in 1964, published, at his own
expense, a 480-page book entitled Organization for an
Airline.[25] Willis felt that there was still a
lop-sided attention upon technical matters and
problems of operating aircraft, carried into the last
ten years when every indication has shown the need to
orient towards customers. In retrospect, Willis was a
beacon pointing to an evolutionary trend which many
airlines would adopt. However, he was not able to
influence McGregor to institute the changes he
advocated.

3.3.7.   Organization Effectiveness -
The Turnaround

While the President was able to
introduce new management policies on budgeting
and divisional responsibility for funds quickly,
progress towards making a profit, while steady,
took longer. It was not until 1951, that TCA made a
profit - an accomplishment which McGregor felt was
shared by all the airline's employees:

> I do believe that the 4,000-odd
> T.C.A. people regarded each penny
> . . . as more important and
> symbolic of achievement than any
> dollar of their own money.[26]

It should be remembered that the
airline, being government owned, came under a Schedule
"C" budgeting process, whereby it could not retain

earnings, other than in certain cases where they were retained to offset equipment costs which were awaiting delivery. This, plus McGregor's often quoted view that, if the airline were to show too great a profit, it would lose its good routes to either CPA or the regional carriers, did not provide an incentive to the organization to make more than a modest surplus. The airline rarely had a loss year after 1951, and, in the 20 years of his stewardship, TCA made a profit in 15 of those years.

While the net profit of the airline improved satisfactorily, equal attention was given to the organizational performance. The very low 35 to 40% of flights leaving at the scheduled time (on-time performance) improved to world-record standards; for example, in 1949, a world record of 95% of TCA flights operated on time. This emphasis on providing a reliable, dependable service continued throughout the 1948 to 1968 period, with the company being ranked either first or second of the ten largest North American airlines on the basis of on-time performance.

Part of this reliability improvement came about through the fleet standardization program. The five types of aircraft used in 1948 were reduced to two types by 1949 - 20 North Star M2's and 27 DC3P's. However, by 1968, the aircraft fleet types had increased to eight. While this, in part, could be rationalized by the complex route structure, other

airlines of comparable size and routes - for example, North West Orient - had managed to standardize their fleet more effectively.

Having improved its product through better on-time performance, and more comfortable, quieter aircraft, the organization set about reducing the "shoulders"* of the year by encouraging people to fly in the off-season. This was accomplished, in part, by excursion rates, such as family plans. The introduction, however, of flights to Bermuda and Caribbean countries, such as Nassau, Jamaica, Barbados and Trinidad, became extremely valuable in counter-balancing seasonal differences, since peak Southern traffic occurred during the low periods of Atlantic and transcontinental operations.

In the task of telephone reservations, TCA became:

> . . . the first airline to make extensive use of quality of service measurement. Passenger agents were given special training in the handling of customers and with their full knowledge incoming telephone calls were monitored and the quality of handling which the caller received was measured along with numerous other services.[27]

---

*"Shoulders" is that part of the year's traffic profile where the traffic is much less than during the June-July-August-September peak.

One important criterion of organization effectiveness used in major airlines is the available ton miles (ATM) per employee.* During the 1948 to 1968 period, the equipment became faster and larger (from 165 miles per hour to 550 miles per hour, and from 40 to 196 passengers), and, thus far, more productive in relationship to the number of employees.

From piston engines with variable pitch propellers, to much larger aircraft using full flow jet engines, was indeed a quantum jump.Further to the airline's leadership in adopting technological improvements in aircraft propulsion, by 1963, TCA was the first North American airline to be using turbine engines exclusively, either of the turbo-prop or full jet type.[28]

It was not the leader in terms of ATM's per employee. While the relationship was better than in the major European airlines, it did not approach the American carriers. Considerable attention was devoted to determining the reason for this discrepancy. The conclusion of the management of that era was that it was due to fundamental differences in the basic traffic and operating conditions in the two countries.

---

*This is the aircraft miles flown on all flights multiplied by the total weight available for payload, in relationship to all employees on the payroll.

> Route patterns connecting
> communities of relatively
> small population; climatic
> conditions calling for more costly
> hangerage, ground equipment and
> handling; larger inventories due
> to distances from manufacturers
> sensitive to the word "monopoly".
> T.C.A. set very high standards of
> safety and service; the gearing of
> the operation to serve peak season
> traffic, some over-staffing in the
> off-season was inevitable.[29]

However, the use of faster, larger, more efficient aircraft, as well as the increasing use of automation, did help to accelerate the improvement of the ATM/employee relationship over the twenty-year period. Chart 3.3 - ATM/Employee Improvement - 1952-1967[30] shown below, indicates how significant this improvement was from 1952 - the first year the data is available - to 1967.

CHART 3.3
ATM/EMPLOYEE IMPROVEMENT — 1952 - 1967

YEAR	ATM	YEAR	ATM	YEAR	ATM	YEAR	ATM
1952	22,285	1953	22,030	1954	20,884	1955	24,029
1956	26,847	1957	28,843	1958	30,977	1959	34,440
1960	36,063	1961	44,557	1962	49,837	1963	57,685
1964	61,441	1965	70,848	1966	73,582	1967	77,556

The next portion will deal with the external influences during this same period.

3.3.8 External Influences - 1948 - 1968

The critical factors from the external environment which affect the airline are the Minister to whom it reports the policies of the Government in power, special interest groups - for example, manufacturers - the competition for routes, and the news media.

From 1937 until the Liberal defeat of 1957, the airline was fortunate in reporting to the same Minister. C.D. Howe believed in the airline, and in the autonomy its managers required if it was to be successful. During this period, management was able to make necessary decisions with a minimum of political interference. However, with the election of a Conservative Government, and the defeat of Howe in his own riding, the President reported to a succession of five different Ministers. The first was George Hees, about whom McGregor held strong feelings:

> Hees' evident concern was not with
> the rights or wrongs of the case,
> but with the fact that it was on
> record and might be embarassing.
> He was always agreeable, very
> reasonable and approachable but
> failed completely to defend the
> airline from the deprecations, the
> evils of which had been spelled

out to him and these came thick
and fast.31

One of the immediate effects of this

lack of defense by the Minister was the sharing of

the transcontinental route with CPA, and the granting

of Fourth and Fifth Freedoms to foreign carriers,*

in some cases without giving the Canadian carriers

reciprocal rights.

The direct result of what McGregor

termed the "Hees effect", was that after eight years

of making a profit, the airline experienced three

deficit years. The turnover of Ministers not only

weakened the airline's representation in Parliament,

but the new Government arranged for the scheduled

replacement of the Board of Directors every three

years:

> . . . . Unless they were
> reappointed, and sometimes was to
> result in there being more
> recruits than seasoned players
> . . . the calibre of appointments
> to the TCA board began to
> deteriorate considerably.32

Commenting on the Government ownership,

and its impact on the airline, McGregor goes on

to say:

> If one wanted to be terribly
> cynical about it, a Government
> organization cannot contribute

---

*Extension of routes into other countries.

          to party war chests but others
          can. . . . If a Government
          airline is going well others want
          to get into the act. Politicians
          show a strong tendency to grant
          political requests. . . . If your
          record is good you get cut into a
          part of the political pie; but if
          the picture is bad, we are
          vulnerable to interference
          because we look weak and
          incompetent.[33]

          So concerned was McGregor with the turn

of events by which Canadian and international routes

were divided into uneconomical and inequitable

portions (33,922 miles to CPA, and 14,682 to TCA),

that he and his management group prepared a paper in

which it was advocated that the two carriers

be amalgamated. Of a subsequent discussion with

Donald Gordon, the CNR President, McGregor related that

Gordon felt it was "the saddest document he had read as

its logic was irrefutable."[34]

          While a number of alternative ways of

bringing the amalgamation about were considered, none

were acceptable to the CPR.   Further, Buck Crump,

the CPR President, stated clearly, in private

conversations with Donald Gordon and McGregor,

that the CPR Company would publicly fight any attempt

at amalgamation. Despite the economic logic, it would

have taken a Government stronger than its predecessors

to face the public in a free-enterprise system, and

advocate a takeover of what has been one of Canada's

most consistently successful companies. So, despite
the "irrefutable logic", the required legislation was
not formally proposed to the House, due to its
political unacceptability.   TCA adjusted to the
"Hees effect", and, in the six years following 1962,
it made a profit.

CPA, with what one would presume its
management considered a fair share of the market,
continued to grow into a healthy, viable organization.
It had come a long way since C.D. Howe had temporarily
limited its growth by introducing Bill 133 in 1944,
whereby the CPA role was to be a feeder airline,
and was prohibited from mainline operation.

As a publicly-owned airline in a
three-party democratic system, Air Canada has always
been susceptible to political criticism. In the
1948 to 1968 period, McGregor was subject to attack
on two major issues - the alleged French
discrimination, and the capability of TCA's management.

In the early sixties, the Liberal
Premier of Quebec started the so-called "quiet
revolution", to be "Maîtres Chez Nous".* Supported by
able Ministers of the calibre of René Lévesque and
Eric Kierans, the movement was successful, and helped

---

*Masters in our Own House.

create a new French Canadian awareness and

self-confidence. Some of the effects of the quiet

revolution were a greater awareness of economic

matters and a closer association with the French

culture.

At about this time, the airline was in

the process of choosing a type of aircraft more suited

to deal with shorter flights than the large DC8.

Four aircraft were considered, among them the

French-made Caravelle. The DC9 was eventually chosen,

the Caravelle having been rated fourth - partly

because it was an older aircraft, which would soon

face obsolescence.

When McGregor appeared before the 1963

Annual Parliamentary Committee hearing, where the

financial affairs of the organization were discussed,

there was great interest in why the DC9 had been

chosen, and not the Caravelle. In McGregor's view:

> Our mission in life as I saw it was
> to develop and administer an
> economically sound, healthy,
> safe and well run airline, for the
> benefit of Canada as a whole.
> This could not be done by putting
> first other causes such as regional
> development or industrial subsidy,
> or political interest to the
> detriment of the airline. It was
> never recognized as a right of
> government, or any community or
> private company, to unduly
> influence the airline's internal
> decisions - and this applied to
> hiring or promoting staff,
> scheduling services, locating

offices and plants, giving out
contracts, and buying supplies,
or - as in this case -
equipment.[35]

During the hearing, McGregor felt:

. . . it was not our part to run
down unsuccessful contenders.
However, at the end of a long
day of dealing with emotional
red herrings, I was ill-advised
enough to say bluntly, "The
Caravelle is no good for
T.C.A. . . .[36]

and, as an aside, unfortunately picked up by the

microphone, ". . . not that I think it is any great

shakes either."[37]

Both the French and English media picked

it up. An article dated September 21, 1963, appeared

in Paris - Match,[38] entitled "Le Seul Défaut de

Caravelle: Elle est Française".* In this same

article, in response to a question of why none of the

nine directors reporting to him were French Canadians,

he allegedly** replied:

Je n'en ai pas trouvé un seul de
compétent, les Canadiens-Français
ne sont pas faits pour la
technique.[39]***

----

*"The Caravelle's Only Fault: She's French".

**The allegation was otherwise attributed to
Donald Gordon.

***"I haven't found a single competent one,
French Canadians are not made for technology."

University of Montreal students
demonstrated to demand a confrontation on the subject
of the use of French by the airline. The confrontation
took place, and McGregor was able to establish that,
"not prejudice but sound technical reasons ruled out
the Caravelle for T.C.A."[40] While he did escape being
burned in effigy - as the CNR President, Donald
Gordon had been the previous year because of his
policies concerning French Canadians in the railway -
feelings were very high. However, it should be noted
that both the I.A.M.A.W. (International Association of
Machinists and Aerospace Workers) and the Board of
Directors helped alleviate the pressure by publicly
re-affirming their loyalty and confidence.

There were two other major issues -
which will only be referred to briefly - for which
McGregor was criticized by the press, and which were
part of the legacy he left. The first involved the
transfer, first, of the head office, and, later, part
of, and then, all of the Maintenance Base from
Winipeg to Montreal - which, seemingly, had
the President renege on a promise made by himself and
supported by the Prime Minister. The second issue was
the criticism of some of the senior airport and sales
managers. McGregor had complained that, when he
took over the airline, airport managers were
promoted radio operators who had not been properly

trained for these different responsibilities. In the
concluding years of his stewardship, public complaints
from such large centres as Toronto were frequently in
the press, concerning the unsuitability of the senior
managers responsible for representing Air Canada.
However, the President, loyal to the people who had
worked with the organization for years, refused to
remove those being criticized.

3.3.9   A Review of 1948 to 1968

        G.R. McGregor accepted the Presidency of
the airline when it was publicly being attacked and had
serious management and operational problems. He was
admirably suited for the position, with experience in
both management and aviation. Working closely with
the political founder, C.D. Howe, he developed a stable,
profitable, technically superb airline, using
an operating style which was essentially a
rational/legal approach. Following the defeat of Howe
and the Liberals, he reported to a succession of five
Ministers in ten years; there was also a deterioration
in the Board of Directors. While the airline had lost
its champion in the House, it did have a strong inner
sense of accomplishment and loyalty to its leader.

        In the later years of his stewardship,
he became more and more interested in technical matters
and less in any change in management style.

Charlie Eyre, who had been Director of Personnel at
that time, stated:

> We made a number of presentations
> to him advocating change but he
> was not well, he seemed to be
> getting firmer in his ways and
> more interested in operational
> matters. We just could not get
> him to move.[41]

When the President did leave, he was two
years past the retirement age, and had not been well
for some time. He reluctantly stayed on when the
successor he had groomed, H.W. Seagrim, was not seen
as acceptable by the Board, and, in effect, the
Government. McGregor viewed this as "the deepest
possible disappointment."[42]

3.4.   The New Team

On December 15, 1968, G.R. McGregor's
replacement was announced. Two people were appointed.
In keeping with the Liberal Party's policy on
Bilingualism and Biculturalism, the Chairman and Chief
Executive Officer (C.E.O.), Yves Pratte was a
French Canadian, and the new President, John Baldwin,
an English Canadian.

Yves Pratte, the son of a lawyer, was
born and educated in Quebec City. At 43 years of age,
he had had a successful career as a lawyer.

On graduating in law , he had started his career in the offices of St-Laurent, Taschereau, Noël & Pratte. Mr. St-Laurent was to become the Prime Minister of Canada.   From 1962 to 1965, Pratte had been the Dean of Law at Laval University (the youngest in the university's history). In the three years prior to joining Air Canada, he had been a member of the Royal Commission on Security, as well as providing special legal counsel in Quebec, to Premier Jean Lesage of the Provincial Liberal Party, and to his successor, Premier Daniel Johnson of the Union Nationale Party. Unlike McGregor, Pratte had experience neither in the airline industry nor in managing a large company. A direct, candid person, he referred to himself as a political appointee who had been number four on a short list.

The first choice had been Lucien Saulnier, Chief Administrator of the City of Montreal. Mr. Saulnier had negotiated for several months with the Prime Minister, Pierre Trudeau. The impasse had been the dual nature of the Chairman's and the President's roles. Saulnier wanted sole responsibility, but - partly because the president's position had been committed, and partly because the dual concept was analogous to the bicultural make-up of Canada - a compromise could not be reached, and Saulnier refused

the appointment. Pratte, a dedicated Federalist, saw
the potential, and took up the challenge.

The new President, John Baldwin,
represented the English establishment on the new team.
At 56, born in Toronto, the son of Reverend J.R.
Baldwin, he had been a brilliant student, with an
M.A. from Toronto, and, as a Rhodes Scholar, a B.A.
from Oxford. He had joined the Department of External
Affairs in 1941, and served as Assistant Secretary of
the Cabinet from 1943 to 1948. Appointed Chairman of
the Air Transport Board in 1949, he became Deputy
Minister of Transport in 1954, a position he held
for 14 years, until his appointment as President of
Air Canada in 1968.

Baldwin was a respected Ottawa mandarin;
a gentleman faithful to the "code of the Ottawa hills",
he always tried to protect his Minister. His large
portfolio of 18,000 employees was considered one of
the more responsible ones. While he had significant
experience in the administration of a large
ministry, he had not been faced with introducing change
in a large semi-public organization.

The reasons given for selecting both
the C.E.O. and the President from outside the
organization were two-fold. First, the company was
not perceived as being sufficiently sympathetic to
national problems and objectives. Second, the

appointment of a French Canadian and an English Canadian to the two most senior positions was an experiment in trying to make Canada's Policy of Bilingualism and Biculturalism work. Further, if Pratte was successful in running one of Canada's largest corporations, it would demonstrate to French Canadians that equal rights for them were a reality, and not merely a political intention.

The organization structure established by the new team is shown in Chart 3.4 - Air Canada's Organization's Chart - 1969[43] (See Page 117).

The President, John Baldwin had all of McGregor's responsibilities, with the exception of chairing board meetings. Yves Pratte had that responsibility, with a span of control of only two people - the President, and First Vice-President, H. Seagrim. Seagrim's role was that of personal adviser to Pratte.

1968 had been a record profit year. 1969, contrary to projections, produced a 6.6 million dollar decline in net profit - from 4.2 to 1.5 million dollars - with the return on investment at 4.8% being the lowest since 1963.

The C.E.O. was frustrated by an inability to seemingly get things done. For instance, while there had been a very modest increase in passenger miles flown, the number of employees

CHART 3.4

-117-

1969

```
FIRST VICE          CHAIRMAN                                    SECRETARY OF
PRESIDENT                                                       THE COMPANY

                    PRESIDENT
```

| FINANCE DEPARTMENT | ADMINISTRATIVE SERVICES DEPT | PUBLIC RELATIONS DEPARTMENT | LAW DEPARTMENT | MEDICAL DEPARTMENT | GENERAL MANAGER | GENERAL MANAGER |

Senior Vice Pres.   Vice President   President

Senior Vice Pres.

| SALES DEPARTMENT | | Gen. Mgr. | PURCHASES & STORES DEPT. | Vice President | OPERATIONS DEPARTMENT |
| Asst. Vice Pres. |

| GENERAL MANAGER, MARKETING SVCES. | DIRECTOR, SALES MANAGEM'T PLAN'G | ASSISTANT VICE PRESIDENT - SALES |

| GENERAL SALES MANAGER | GENERAL TRAFFIC MANAGER | EUROPEAN SALES MANAGER | WESTERN REGION |

| GEN. COMMERCIAL PLANNING MANAGER | DIRECTOR, MARKETING PLAN'G | QUEBEC REGION | ONTARIO REGION |

| DIRECTOR, PRICING & INDUSTRY AFFAIRS | EASTERN REGION | UNITED STATES REGION |

| SOUTHERN REGION | PAYLOAD CONTROL |

Operations Department:

REGL OPNS MANAGER OVERSEAS REGION	ENGINEERING RE-SEARCH & DEVLPT.
REGL OPNS MANAGER EASTERN REGION	DIRECTOR OF PASSENGER SERVICE
REGL OPNS MANAGER CENTRAL REGION	DIRECTOR OF TELECOMMUNICATIONS
REGL OPNS MANAGER WESTERN REGION	DIRECTOR, STATION & CARGO SERVICES
GENERAL MANAGER, FLIGHT OPERATIONS	DIRECTOR OF OPERATIONS PLAN'G
GENERAL MANAGER, MAINTENANCE

on the payroll had increased substantially - from 16,656 to 17,138 - despite Pratte's directive to control growth in this area.

Recognizing that a serious problem was developing, on the advice of a number of executive managers, and with the consent of the Board of Directors, Pratte brought in a consulting firm to undertake an organization study. The terms of reference were general. They were to recommend programmes to support the company's objectives and the structure required to meet these programs. The company chosen was McKinsey of New York, essentially because of their experience with comparable projects for large United States, European and Asian airlines.

3.5.   The McKinsey Study

3.5.1.   The Diagnostic Approach

In June of 1969, the McKinsey Company began the study. There were two diagnostic phases, the first involving four steps; the first step was to determine the economic forces at work in the industry and within Air Canada. These findings were discussed with senior management in two progress reviews in July and August. The second step was to develop

statements of Air Canada's broad objectives and
basic goals. These were developed from a series
of individual and group meetings with key executives
in each operating and functional area.
Third, a questionnaire was developed in conjunction
with Lawrence and Lorsch, and was sent out to 2,000
managers and supervisors concerning their
perceptions of Air Canada's goals, organization and
management practices. Fourth, the McKinsey
consultants carried out "their own diagnostic
evaluation of the current organization and management
processes through extensive interviews and field
visits."[44]

      During the second phase, McKinsey
"designed an organizational structure that would
best meet the requirements of our first-phase
findings."[45] The structure was very similar
to the one recommended and implemented by KLM some
three years earlier.

      In their presentation to management,
Phase I - Diagnosis and Phase II - Design were
represented diagramatically, as shown in Chart 3.5 -
Diagram Outline of the McKinsey Study[46] (See
Page 120).
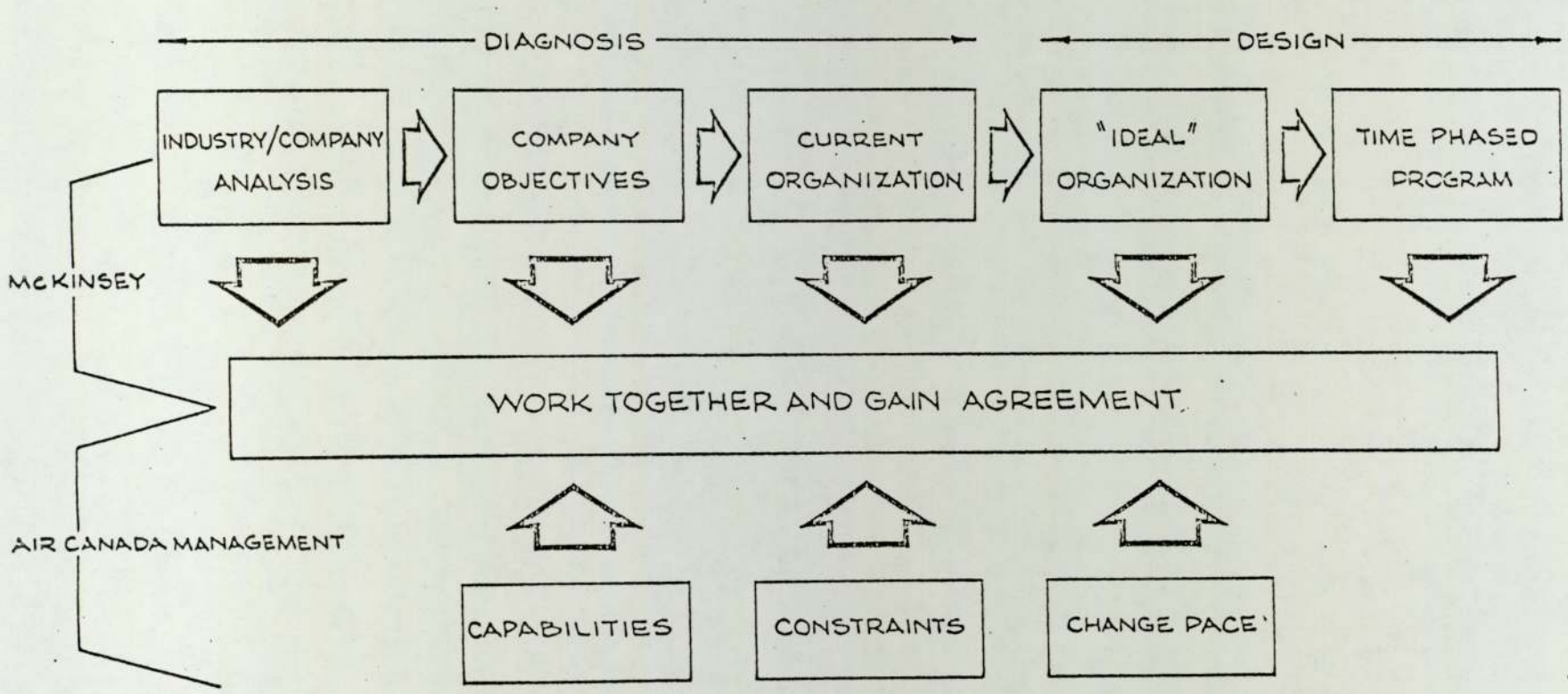
DIAGRAM OUTLINE OF THE McKINSEY STUDY

CHART 3.5

3.5.2.   The Findings

a.   Economic Forces

Air Canada's annual planned capital expenditures for the five years between 1969 to 1973, inclusive, were projected at about 50% of the property and equipment as of the 31st December, 1968. The cost of the 31 aircraft to be delivered by 1974 was $418 million. This is shown in Chart 3.6 - Property & Equipment Expenditures - 1968 - 1973.[47]

CHART 3.6

PROPERTY & EQUIPMENT EXPENDITURES
1968 - 1973

ACTUAL
P & E
(12/31/68)
$401

(Millions)

←——— PLANNED ADDITIONS ———→

50% OF
1968
P & E

| | | 211 | | 231 | |
| 170 | | | 168 | | 172** |

| 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
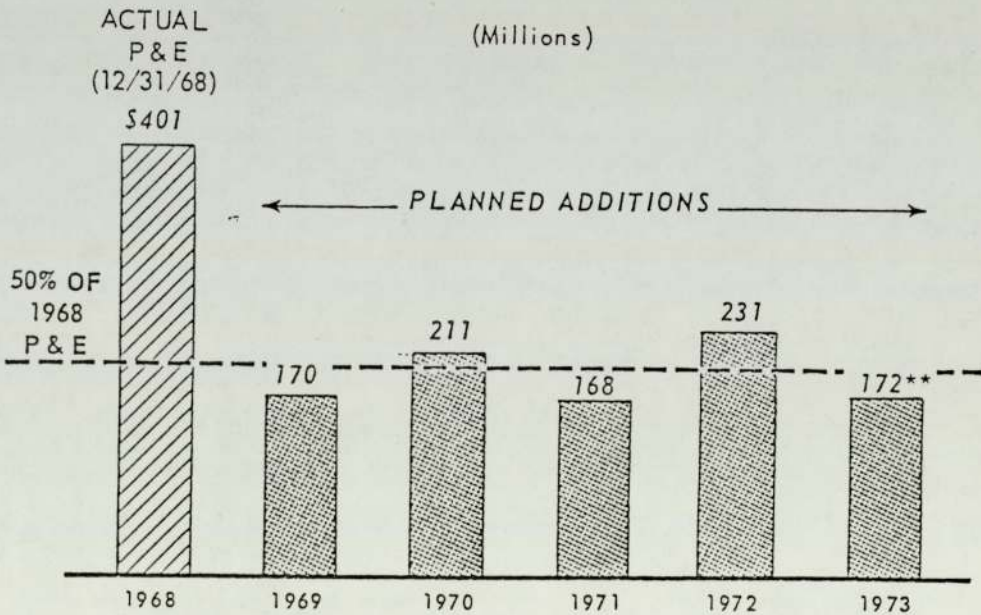
* Flight Equipment, Spares, Ground Equipment and Facilities.
** Does not include SST prepayments.

Sources: 1968 annual report, 1968 capital budget.

To pay for these Property and Equipment expenditures, Air Canada was counting on the return on investment (ROI) to increase 50% over 1968. At this same time, United States trunks were forecasting a sharp, steady decline, as can be seen in Chart 3.7 - Projected Air Canada & U.S. Trunks ROI[48] and Chart 3.8 - Return on Assets (R.O.A.)[49] (See Page 123).

b.   The Management Questionnaire

Seventy-three percent of the mail-out questionnaires were completed and returned for analysis. The managers' response indicated a need for a more pro-active marketing approach.

In the seven broad aims referred to in Chart 3.9 - Managers' Perceptions of Priority Aims and Tasks[50] (See Page 124), four are related to marketing, while two referred to a climate which could be changed, depending on the management style used.

CHART 3.7

PROJECTED AIR CANADA & U.S. TRUNKS ROI
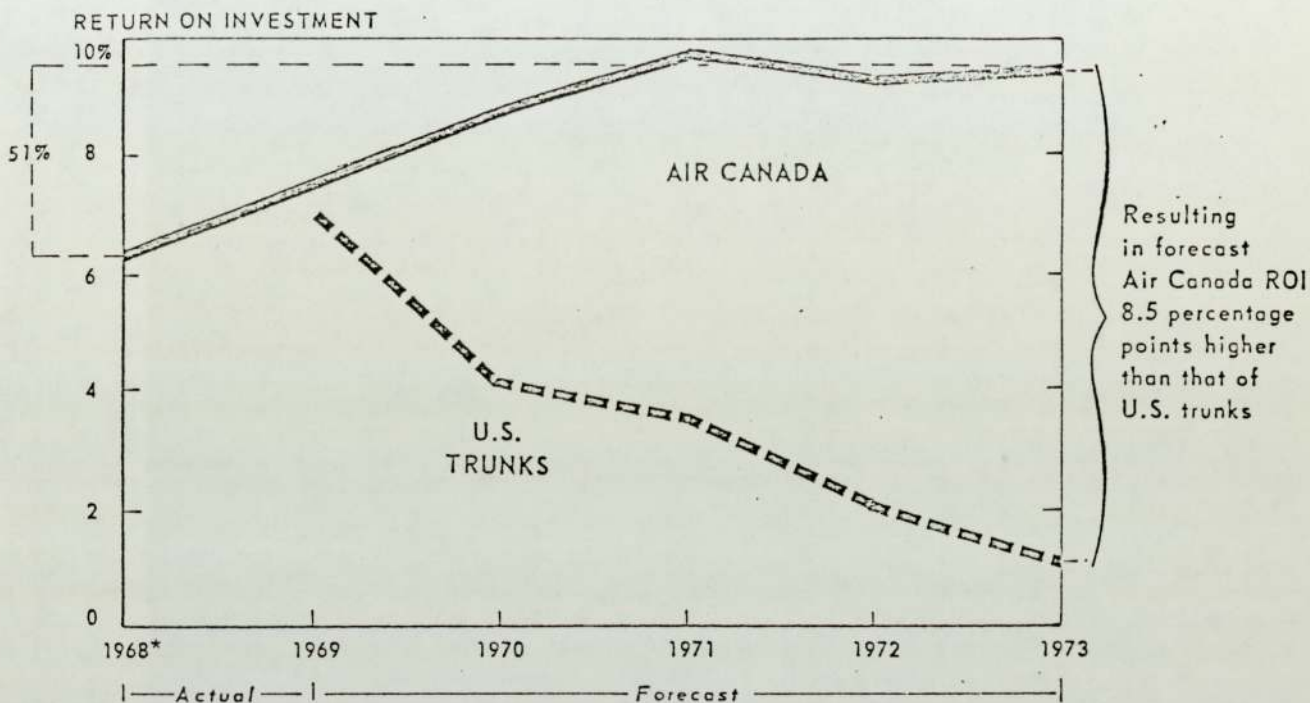
CHART 3.8

RETURN ON ASSETS   (R.O.A.)

The R.O.A. to achieve
the fore cast flow was
more than double the
1968 level.
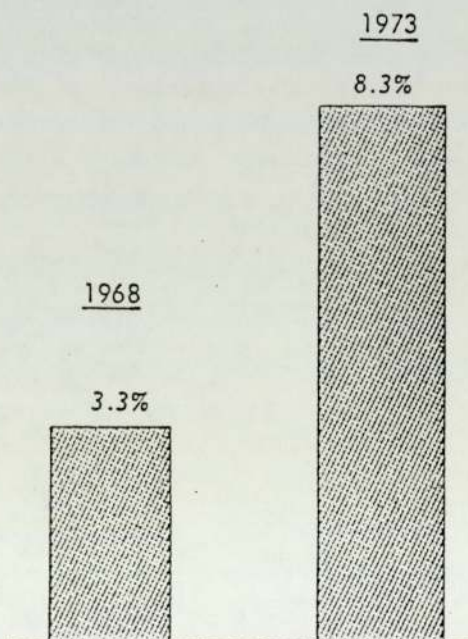
CHART 3.9

MANAGERS' PERCEPTIONS OF PRIORITY AIMS AND TASKS

AIR CANADA'S MANAGERS BELIEVE THAT SEVEN BROAD AIMS SHOULD RECEIVE TOP PRIORITY....
....BUT FIVE OF THE SEVEN GET TOO LITTLE ATTENTION.....

PERCENTAGE WHO FEEL
Company Should Pursue
Company Is Pursuing

Creating an environment that employees find stimulating and challenging

Gaining a reputation as a customer-oriented airline

Having one of the industry's very best safety records

Identifying and exploiting new air transportation markets

Expanding from air transportation into other businesses

Being a leading international airline

Developing greater internal flexibility and adaptability

c.   General Findings

i.   Field Relations

The McKinsey diagnosis further
indicated that the integration of the field activities
was a critical step in improving service.
All managers viewed local working relationships as
being most important. While this view was expressed
more strongly in the field, it was supported by managers
at Headquarters, as demonstrated in Chart 3.10 -
Relationships Ranked as Most Important[51] (See Page
126), and Chart 3.11 - Percentage of Each Functional
Group Ranking Field Relationships as Most Important[52]
(See Page   126).

However, as illustrated by Chart 3.12 -
Critical Organizational Relationships,[53] (See Page
127) the quality of inter-departmental relationships
was seen as poor, particularly in the field, between
Field Sales and Station Operations.

In concluding, the consultants stated:

> Employee morale is low and
> managers are not motivated
> toward excellence in performance.
> The field positions are seen to be
> end-of-career slots . . . field
> officers are not given
> organizational power, do not
> influence headquarters by their
> own personal stature and do not
> engender respect among their
> subordinates.[54]

CHART 3.10

RELATIONSHIPS RANKED AS MOST IMPORTANT

RELATIONSHIPS RESPONDENTS WERE ASKED TO RANK

	FIELD/FIELD	HEADQUARTERS/ HEADQUARTERS	FIELD/ HEADQUARTERS

Percentage of Managers Ranking as Most Important
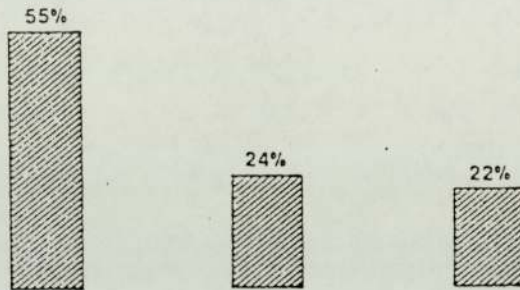
FIELD/FIELD 55%, HEADQUARTERS/HEADQUARTERS 24%, FIELD/HEADQUARTERS 22%

CHART 3.11

PERCENTAGE OF EACH FUNCTIONAL GROUP RANKING
FIELD RELATIONSHIPS AS MOST IMPORTANT

Percentage of Each Functional Group Ranking Field/Field Relationships as Most Important

STATION OPERATIONS 68%, FIELD SALES 67%, PURCHASES AND STORES 65%, MAINTENANCE 65%, HEADQUARTERS OPERATION 42%, HEADQUARTERS SALES 37%, FINANCE 16%
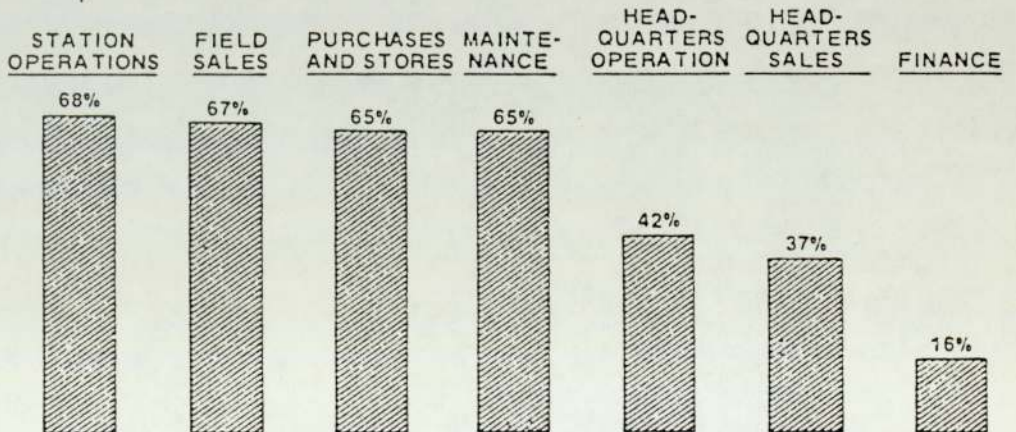
MANAGER'S OPINIONS INDICATE THAT WORKING RELATIONSHIPS
SHOULD BE IMPROVED . . . .

	FIELD SALES	STATION OPERATIONS	PASSENGER SERVICE	HEADQUARTERS SALES	HEADQUARTERS OPERATIONS
		Regional Operations			Flight Operations

"NORMAL" QUALITY OF RELATIONSHIPS FOUND IN PREVIOUS STUDIES

Quality of Relationship Scale High ⬆ ⬇ Low

	FIELD SALES	STATION OPERATIONS	PASSENGER SERVICE	HEADQUARTERS SALES	HEADQUARTERS OPERATIONS
				Field Sales Finance	
					Finance

Average Quality of Air Canada Interdepartmental Relationships (dashed line)

	FIELD SALES	STATION OPERATIONS	PASSENGER SERVICE	HEADQUARTERS SALES	HEADQUARTERS OPERATIONS
		Maintenance Passenger Service	Flight Operations Station Operations		
	Passenger Service Regional Operations Station Operations	Field Sales	Field Sales		
				Headquarters Operations	Headquarters Sales

ii. Personnel Function

The McKinsey consultants found the performance of the Personnel function to be inadequate, and presented four points to support their view. These follow.

1. Corporate Personnel and Industrial Relations group is positioned at a low level in the management hierarchy; in addition, its present organization does not logically group the very different activities associated with personnel administration, contract personnel relations, and programs for management level employees. (See Chart 3.13 - Personnel Branch Activities & Proximity to the President - Page 129 [55])

2. Many major departments and divisions have positions that overlap the corporate group, resulting in duplication of effort and division of final responsibility - e.g., manpower planning in headquarters operations, management programs in sales, and labor relations in maintenance.

3. Many important personnel functions, particularly those involving management of human resources, are not now carried out anywhere in the organization. Managers are viewed as belonging to their own divisions, vacancies are filled by each division with no consultation of others, and corporate personnel group have little say in planning their careers or development.

4. The present poor quality of relations between the corporate group and major line units limits the contribution of personnel staff. One cause appears to be unclear definition of their roles and lack of management support in disputes with line divisions.[56]

CHART 3.13

PERSONNEL BRANCH ACTIVITIES & PROXIMITY TO THE PRESIDENT

CHAIRMAN

PRESIDENT

VICE PRESIDENT ADMINISTRATIVE SERVICES

DIRECTOR OF PERSONNEL AND INDUSTRIAL RELATIONS

General Administration Programs

Bargaining Units Programs

Management Programs

MANAGER PENSION AND RETIREMENT PLANS

DIRECTOR OF INDUSTRIAL RELATIONS

MANAGER SUGGESTION AND EMPLOYEE SERVICES

MANAGER INDUSTRIAL RELATIONS OVERSEAS

SPECIAL ASSISTANT BILINGUALISM

SENIOR MANAGER COMPENSATION

MANAGER MANAGEMENT PLANNING AND DEVELOPMENT

MANAGER LABOUR RELATIONS

MANAGER PERSONNEL FORECASTING & EMPLOYMENT

3.5.3.   Recommendations

The McKinsey diagnosis led to the recommendation that organization structure and management processes had to be modified to fulfill five basic requirements:

1.   Strengthen marketing effectiveness, making marketing the competitive cutting edge of the business and upgrading customer service to equal or surpass competitive levels.

2.   Maintain a high level of technical excellence while holding the line on costs.

3.   Maximize the contribution of support activities, particularly in personnel, finance, and data processing.

4.   Strengthen all phases of planning to focus management effort on overall economic performance.

5.   Develop a new style of management that is able to adapt more readily to change, encourages interdepartmental cooperation and fosters a sense of participation by all employees.[57]

The key findings from the economic analysis, the goal setting exercise and the organizational diagnosis, including the questionnaire which flowed into the above recommendations are illustrated diagrammatically in Chart 3.14 - Summary of Diagnosis and Requirements[58]   (See Page 131).

CONCLUSIONS FROM ECONOMIC ANALYSIS, GOAL SETTING, AND
ORGANIZATION DIAGNOSIS COMBINE TO INDICATE ....

... KEY REQUIREMENTS THE ORGANIZATION MUST SATISFY

ECONOMIC ANALYSIS

1. The airline's economic balance is most sensitive to revenue elements.

2. Operational planning is the most critical economic function in the airline.

3. Business planning is becoming critical as the pace of change and competition continues to accelerate.

4. Costs in the operations area have to be reduced, but without affecting technical excellence.

BASIC GOALS AND BROAD AIMS

1. Maintain a high degree of customer satisfaction.

2. Take aggressive approach to developing routes and markets.

3. Achieve a level of profitability permitting financial independence.

4. Accept fully public responsibility as Canada's pre-eminent airline.

5. Maintain superiority in flight operations and safety.

6. Create an attractive internal working environment.

ORGANIZATION DIAGNOSIS AND QUESTIONNAIRE

1. Develop a stimulating and challenging working environment

   - Delegate more responsibility downwards

   - Develop more objective and equitable compensation and promotion policies

   - Eliminate the gulf between managers, supervisors, and employees.

2. Reduce interdepartmental rivalry, conflict, and compartmentalization.

3. Strengthen field level effectiveness through better coordination in the field.

4. Reorder company goals and task priorities to put more stress on

   - Development of new products and markets

   - Upgrading customer service, performance, and image

   - Improving planning practices and effectiveness.

1. Strengthen marketing effectiveness, making marketing the competitive cutting edge of the business, and upgrading customer service to equal or surpass competitive levels

2. Maintain a high level of technical excellence while holding the line on costs

3. Maximize the contribution of support activities, particularly in personnel, finance, and data processing

4. Strengthen all phases of planning to focus management effort on overall economic performance

5. Develop a new style of management that is able to adapt more readily to change, encourages interdepartmental cooperation, and fosters a sense of participation by all employees

Having completed Phase I - diagnosis, periodic feedback and a summary of requirements - McKinsey presented their Phase II product - an organization structure that would best meet these requirements; the structure is presented in Chart 3.15 - Basic Organization Structure for the Seventies[59] (See Page 133), and will now be discussed.

As can be seen, major changes in structure were envisaged. These are covered in point form below:

1. To reflect the significant differences in decision-making criteria and time horizons -

> . . . the C.E.O. is responsible
> for those activities that relate
> primarily to planning the
> long-term future of the company
> (these were essentially the staff
> branches), while the President is
> responsible for technical and
> day-to-day operations.[60]

The effective relationship was seen as sensitive and critical. The President was to work with the C.E.O., to ensure that the operating viewpoint was reflected in planning decisions. The staff Branches reporting to the C.E.O. would also serve the President and the Branches reporting to him. The President and his operating group had to have total and easy access to, and receive proper service from, the control, budgeting and financial analysis service of the finance group. The Personnel and Industrial Relations groups

CHART 3.15

BASIC ORGANIZATION STRUCTURE FOR THE SEVENTIES

```
                            ┌──────────────┐
                            │  SHARE-      │
                            │  HOLDERS     │
                            └──────┬───────┘
                            ┌──────┴───────┐
                            │  BOARD OF    │
                            │  DIRECTORS   │
                            └──────┬───────┘
                            ┌──────┴───────┐
                            │ CHAIRMAN OF  │
                            │ THE BOARD    │
                            │ AND CHIEF    │
                            │ EXECUTIVE    │
                            │ OFFICER      │
                            └──────┬───────┘
```

| SECRETARY | VICE PRESIDENT FINANCE | VICE PRESIDENT STRATEGIC PLANNING | VICE PRESIDENT PERSONNEL AND INDUSTRIAL RELATIONS | VICE PRESIDENT SCHEDULE PLANNING | VICE PRESIDENT MARKETING | VICE PRESIDENT GOVERNMENT AND INDUSTRY RELATIONS | VICE PRESIDENT PUBLIC RELATIONS | GENERAL COUNSEL |

```
                            ┌──────────────┐
                            │  PRESIDENT   │
                            └──────┬───────┘
```

| VICE PRESIDENT COMPUTER SERVICES | VICE PRESIDENT MAINTENANCE | VICE PRESIDENT FLIGHT OPERATIONS | VICE PRESIDENT CUSTOMER SERVICE | VICE PRESIDENT PURCHASING AND FACILITIES | VICE PRESIDENT MOVEMENT CONTROL |

Support ── Staff

VICE PRESIDENTS
FIELD DIVISIONS

will have had to be very responsive to the needs of the various units reporting to the President, where the great majority of employees are located[61] (approximately 94% at that time).

2.   Under the newly-created Vice-President of Customer Service, five new Vice-President positions, responsible for geographic regions were established. In all regions, the Vice-Presidents had responsibility for both airport management and sales, as well as having a Finance and Personnel capability.

3.   The new Marketing Branch, separated from Sales, was to involve itself in new product design and fleet planning decisions.

4.   The Finance Branch was to be upgraded. Better cost information, improved management information systems and financial analysis were expected. The Treasury function's expertise was to be augmented to increase their ability to raise required capital from less automatic sources than the Government.[62] The Finance Branch was expected to help the new Regions develop financial expertise.

5.   From the Administrative Services, a Computer and System Services Branch was established. The Branch included an Operations Research Division. While the Branch was generally seen as a staff Branch, because of its heavy involvement in the then being

designed computerized reservations system, it reported to the President.

6. A Strategic Planning (Corporate Planning) Branch was set up under a Vice-President to be responsible for Business Planning. The role of this group was seen as helping set the basic direction and overall corporate strategy for the company.[63] Through financial and marketing analyses, it was expected to identify the company's strategic performance gaps, which could assist in forming the basis for:

1. The development of broad objectives and guidelines for existing activities.

2. Establishing a corporate strategy for diversification.

3. The most profitable allocation of resources between existing and new activities.[64]

Examples of the type of activities envisaged in 2 and 3 above, were: hotel chains, car rental facilities, intermodal air freight set up as a joint venture with railroads and steamships and trucking, a computer services company, contracting out present data transmission capabilities, etc.

7. Two other activities were raised to the Branch level with the deployment of the fleet:

1.   Schedule Planning: the main task of this
Branch, which reported to the C.E.O., was to build a
schedule and basic profit plans on which individual
units could base detailed budgets, revenue schedules and
operating plans and programs. The deployment of a
fleet can exercise significant influence on the level
of profit; for instance:

-    Switching from the worst to the best
     aircraft on a 300-mile journey improves
     return on investment by 50 percent.

-    Increasing the average stage length of a
     DC-8L from 400 to 800 miles would improve
     the profit potential of that investment by
     about 10%.[65]

2.   The Movement Planning Branch - which became
known as the System Operations Control (SOC) - was
involved in the deployment of the fleet on a day-to-day
basis. Aircraft (fin numbers) are assigned the day
before flight on a daily basis. In 1969, spot charter
revenues and extra sections accounted for $17 million
in revenues. In this same period, 17,000 departures,
or 10% of all scheduled departures required action by
Movement Planners.[66]

          While the logic of recommending these
two new Branches was sound, it should be appreciated
that McKinsey was introducing a concentrated approach
on activities that had previously been carried out by a

number of Branches. This represented a significant change.

8. Vice-President of Government and Industry Affairs. The communication responsibilities were seen as being threefold:

1. Assisting senior and executive managers to maintain sound relations with members of the Federal Government and air transport associations, such as the International Air Transport Association (IATA).

2. By providing information and fully developed materials to the media or Air Canada managers with outside speaking engagements.

3. Helping management communicate items of news or policy interest internally, and participating in creating an atmosphere of open communications inside the company.[67]

In the consultants' view, based on the interviews and the questionnaire findings, there was a need for improved performance in each of the three areas. Consequently, they recommended the creation of the new Branch reporting to the C.E.O., Government and Industry Affairs. The new Branch was responsible for:

1. Maintaining contact with industry and Federal Government agencies.

2.   Establishing relations with Provincial
and major Municipal Governments.

3.   Providing expertise in price and route
negotiations.[68]

The Public Relations Branch would report
to the C.E.O., with the responsibility for developing a
favourable company image, consistent with marketing
programs. Regional Public Relations personnel would
report to the new Regional Vice-President, but would
have a functional relationship with Headquarters.

Lastly, an internal Communications
manager reporting to the Vice-President of Personnel,
would be responsible for:

-   Disseminating information throughout the
    company through internal publications and
    other means.

-   Working with line managers to improve
    communications within and between Departments.[69]

9.   Changing Management Style: In the
diagnostic phase, the study had shown "a tremendous
awareness of the need for change in management practices."[70]
Creating a stimulating and challenging working
environment was identified as the most important need
and furthest from realization.

> Sixty-five percent of the respondents
> had felt that it should be pursued and
> only ten percent thought it was being
> pursued.
> Developing greater internal flexibility
> and adaptability as also previously
> referred to, were given high priority.[71]

The McKinsey consultants recognized that such comments could be gathered in any organization. However, what appeared significant at Air Canada, was the "apparent depth of pent-up feelings with which such observations have been made."[72] McKinsey went on to observe that the managers' perception of the quality of relations between Branches and sub-units of Branches was "much lower than the norm found in organizations previously studied."[73] Further, that while it was most desirable to resolve conflicts between Branches "through reasoning together . . . power was the most frequently used method. The pattern differed considerably from other healthy organizations."[74]

In the General Comments section of the questionnaire, concern for manpower management - the process for obtaining, compensating, promoting and managing employees - had been seen as the largest problem area. However, they quoted two corporate objectives already set to show senior management's intentions:

1. Develop a style of management that encourages the full contribution from individuals at all levels to problems that concern them, and fosters a widespread sense of participation and involvement in overall company affairs.

    - Encourage candid 2-way communication within and between different organization units

    - Demonstrate continual awareness of the need

          to listen to and understand
          ideas, suggestions, opinions
          and grievances

-   Conduct employee-company
      relations based on continuing
      consultation, communication,
      and respect at all levels,
      recognizing the importance
      of employee associations and
      unions.

2.   Create an environment and processes
      for the management of manpower that
      will aim at excellence of
      performance and the development and
      growth of the capabilities of
      employees

-   Set challenging group and
      individual objectives

-   Delegate responsibility as
      closely as practicable to the
      level at which decisions are
      implemented

-   Compensate and promote
      individuals in relation to
      their performance and to the
      practices of other Canadian
      growth industries.[75]

McKinsey completed their study in April, and in May of 1970, the new organization was announced.

3.5.4. Summary of the McKinsey Study

The McKinsey Company did an in-depth organizational study of Air Canada. Their conclusions were that the management style that had developed over the years in Air Canada was not cohesive, did not foster individual feelings of responsibility, and, consequently, there was serious non-productive

conflicts between Branches. Economically, they saw the results of unrealistic and questionable planning, which had not foreseen a down-turn in revenue, but had made unprecedented commitments to capital expenditures.

They recommended a new, "revolutionary" organization structure, emphasizing Planning, Marketing, and Regionalization. While the structure was revolutionary to Air Canada, comparable ones had been introduced in other major airlines. The Personnel Branch was expected to play a major role, particularly in the change process. They saw the Personnel Branch helping the managers supply the mortar between the bricks.[76]

McKinsey's action planning was based on interviews, a management questionnaire and a number of Task Force sessions with senior and executive management. The recommendations were widely known and generally accepted. Management at Air Canada felt a sense of ownership. The consultants, using an overhead projector, presented the findings by using a number of diagram exhibits, supported by narrative comments in point form.

It should be noted that the documentation left with the client was limited to one volume of 69 pages on the diagnosis and recommendations, supported by 77 exhibits and Task Force Reports of from five to 15 pages on the major Branches, some letters to the C.E.O. on the divided responsibilities of the C.E.O.

and the President, position descriptions outlining the

Branch heads' responsibilities and decision-making

authority. Procedural matters on how Branches would

interface, etc., were not documented, nor were they

discussed in detail.

On May 7, 1970, the new organization

was announced - a day which is still referred to

by some Air Canada managers as "Black Friday".

The retiring Vice-President of Personnel, C. Eyre,

in January of 1979, on reading this chapter, observed:

> If you had hired the best minds in
> the world and asked them to design
> the most disruptive approach
> possible, they could not have been
> more successful. . . . Forces were
> set in motion at that point which
> were the cause of the eventual
> undoing of Yves Pratte.[77]

3.6.   Summary

In this chapter, the establishment of

the airline as a semi-public organization has been

discussed. Of particular interest were the traditions

established by the management style of the first

long-term President;   a benevolent autocrat, he

successfully introduced change on an evolutionary

basis, with a minimum of disruption, particularly

to the Management and Professional personnel.

In the later years of his career with Air Canada, he
was physically not well. He became more and more
involved in technical matters, such as fleet selection.
He refused to act on a number of recommendations for
change, such as the difficult interface between Sales
and Operations, and to introduce a different approach
to management.

On his retirement, two external people
were appointed as his replacement. The C.E.O. and
Chairman was a French Canadian, and the President,
an English Canadian; neither had experience in
managing or introducing change in a large, dynamic
semi-public organization.

Soon after their appointment, McKinsey
and Company were engaged to conduct a study on the
organization and management of the airline. Working
closely with a large number of managers, extensive
changes were recommended, with emphasis on corporate
planning, marketing, finance and personnel, including
a new style of management based on a participative
approach. The method of introduction included the
elimination of approximately 100 management positions
which involved many of the senior, long-service
executives. The effect was traumatic, and apparently
set up counterforces to the anticipated change.

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PART II

HISTORICAL AND
INSTITUTIONAL SETTING

CHAPTER 4:

THE EVOLUTION OF THE
CONSULTANT'S MODUS OPERANDI

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PART II

HISTORICAL AND INSTITUTIONAL SETTING

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PROCESS OF CHANGE

CHAPTER 4:

THE EVOLUTION OF THE
CONSULTANT'S MODUS OPERANDI

4.1.   Introduction

> To learn from one's own experience
> one must pause long enough to
> regard and analyze it.[1]

The development of a consulting style is
a process which continues to evolve. The style at any
point in time is the result of a complex interaction of
variables, including genetic components, family
influences, early vocational interests and decisions,
as well as a series of relatively unpredictable career
events. This lifelong process is influenced not only
by the individual's decisions, but also by the people
he works with and the organizations for which he works.

Consultants select and are selected by
styles. Available experience and the extent of the

success of these experiences determine the degree to
which he selects particular approaches. Timing is
critical - a sound strategy applied at an
inappropriate time can result in failure and a
subsequent change - perhaps unwise - in strategy.

Much has been written about change
approaches, but little about the evolution of a
consultancy style.

This chapter will deal briefly with
family background, followed by a discussion of what was
learned from a series of work experiences from which a
modus operandi or a "focus"[2] evolved.

Each position was unique; I learned from
it, and developed certain approaches which might be
called tactics or strategies for solving organizational
problems. It should be noted that these approaches
were not fixed, but changed and continued to change as
I was exposed to practical challenges, other people's
direction and ideas, as well as the body of knowledge
associated with the various dimensions of
organizational theory. The end product of these
experiences is the consulting style I brought to
Air Canada in November of 1971.

It would be difficult to identify which
experiences were the most important during the 30
years; however, the material which follows is an
attempt to describe, in chronological order, the work
situation and the learning which resulted. All the work
was in Canada, in both French and English settings.

References will be made to the Appendices, which contain a more complete account of these experiences. The chapter is presented in this way to provide a succinct account, and, at the same time, provide further background for the reader.

4.2.   Family Background and Early Work Experiences

I was born on October 5, 1925, in the province of Quebec, of English and French parents.

My mother, Bernice Scott was born in the province of Ontario, a second-generation Canadian. Her family were entrepreneurs, who bought failing or marginal hotels, revitalized them, and sold them at a profit.

My father, Raoul Chartrand was born in Quebec, a tenth-generation Canadian. His ancestor, Noel Chartrain was born in Saint-Pierre de Tours, France, in 1651, and came to Canada as an officer in the King's Marines. My father's background included farmers, entrepreneurs, professionals, artists, and a member of the Quebec Parliament. While my paternal grandmother, typical of most French-Canadians of that period, did not speak English, my paternal grandfather did, and, consequently, my father learned English as a second language.

During the Depression of the 1930's, my father was over-extended in a business he had founded,

and, as the family home and all major assets were lost, a decision was made for my sister and me to live with relatives. For several years, I lived with my French relatives, which provided me with an opportunity to learn French, and to appreciate something of the French-Canadian value system. The remainder of my father's career was spent in intermediate and senior management positions in the private and public sectors.

In 1939, my parents moved to the city of Westmount, located in the centre of the city of Montreal. The school I attended was St-Léon de Westmount, run by the Christian Brothers; one-half of the school was English, the other half French. With the exception of certain sports programmes, there was virtually no intermingling of the two sectors, with the exception of the few who spoke both languages.

Although my parents had taken it for granted that I would attend university, my interest in the academic part of school was limited. My interests centred on building, designing, and exhibiting model aeroplanes, and buying, restoring and selling motorcycles and cars. I also had a strong interest in jazz music, and spent many hours improvising on the piano. As well, I enjoyed hockey, skiing, and particularly, Canadian football.

The first turnaround I experienced was in football. Our high school had 68 students, and was really too small to support organized teams. Nevertheless, we had an excellent coach, and entered

one or two teams in the various categories each year.
Consequently, virtually everyone - the able and the
not-so-able - had to participate.

In the first year, those of us under 14
who played football, not only did not win a game, but,
in the entire season, we scored only one touchdown.
This is very probably the worst record ever established
in Canadian football. Yet, in our senior year, with
virtually the same players, we became a cohesive,
well-integrated team, who won the City Championship.

4.2.1.   What Was Learned

1.   Through exposure to both French and
English cultures and life styles, I came to appreciate
their different perspectives. This helped me
throughout my career, as I have worked closely with
people from both cultures.

2.   Through team sport dynamics, such as
football, I experienced the importance of the
integration of assignments, the dependence on
colleagues, and the total group effort, so critical to
either a successful offensive or defensive play. This
not only stressed the importance of team efforts in the
achievement of organizational objectives, but also
instilled an appreciation that such desirable
characteristics can be developed.

3.   A keen interest in mechanics and design
helped me develop a problem-solving approach to the

diagnosis of technical problems. A natural manual
dexterity in handling and resolving mechanical problems
enabled me to feel comfortable with the technological
aspects of organizations.

4.2.2.   Early Part-Time Work Experiences

During the Second World War - from
1939 to 1945 - there was a shortage of labour in
Canada, which afforded young people the opportunity to
secure work for which they would normally have been
considered too young. The following is a list of the
jobs I held during that period, as well as those I
held after my discharge from the army, and while
attending the first two years of university:

- Counter-man in a restaurant
- Rivet-sticker in the shipyards,
  working with a crew of Mohawk
  Indians, renowned for their high
  steel work
- Airport tarmac crew
- Purser staff and deckhand on boats
  on the Canadian Atlantic and
  Pacific coasts
- Mail sorter
- Construction labourer on flat
  roofing
- Punch-press operator
- Semi-skilled mechanic and car-body
  man
- Car salesman
- Credit investigator

4.3.   Early Full-Time Employment

Upon completing two years of university, my wife and I started a family, and it was necessary to work full-time. The following is a brief discussion of the work situations and what was learned.

In every major assignment, there was a specific challenge, often linked with an organizational crisis. Later in my career, I often took evening courses to complete my first degree, with a major in Industrial Psychology. This enabled me to transfer theory to work situations, providing the dual interest of completing academic assignments, while adding to my knowledge of applicable theory and techniques in work situations. The latter originally took the form of position papers to support recommendations, and later, documenting experiences (case studies) in professional journals for practitioners.

4.3.1.   Allan's Beverages - 1949 - 1951

My first permanent job on leaving university was with Allan's Beverages, a small, carbonated, non-alcoholic beverage manufacturer, with an extensive line of products, ranging from ginger ale to "biére d'épinette". The firm, located in Montreal, was purchased from the sons of the original founder by William Carment, a former vice-president of a large international rubber company. Allan's Beverages staff

fluctuated from 25 to 50 people, depending on the
season.

I was hired as the stock room supervisor
because of high shrinkage; there was a considerable
difference between the cases of drinks manufactured and
the sales reported. After solving this problem, I was
assigned as assistant to the production superintendent,
later to the accounting department, and finally, I
became sales manager in charge of approximately 10
salesmen and three independent jobbers. Despite
excellent future prospects, I left the job because of a
lack of interest in promoting the product, extremely
long hours, and a developing interest in pursuing a
career in the personnel field.

4.3.2. What Was Learned

1. I obtained an overview of business by
working in each of the major functions: sales,
production, and finance.

2. It gave me the opportunity of working
closely with the chief executive officer, whose style
was authoritarian, with minimum attention to the human
relations aspects. He emphasized control, and most of
his decisions were based on data from charts and tables
accumulated by the accounting department.

3. I developed an approach to introducing
change by gathering information through the examination
of records, observation, and discussions, followed by

the introduction of change and monitoring of the
effects. I recognized that critical information is
often communicated in an informal setting. The fact
that I worked on vintage cars and motorcycles, and
often tuned them during work breaks, provided the
atmosphere that enabled people to feel comfortable in
discussing work problems that they might have been
reluctant to talk about in a more formal setting.

4.   I found it enjoyable to solve problems;
however, most of the solutions were arrived at through
system changes, rather than by working through people.

4.3.3.   Marcliffe Motors - 1951

A friend of mine had started a car body
shop about two years earlier, called Marcliffe Motors,
and, after about three months of unsuccessful
job hunting, I started to work with him on a part-time
basis at the going labour rate of $1.00 an hour. The
body shop was located in affluent Westmount, a city
within the larger city of Montreal. The garage had
space for four cars, employed from two to eight people,
and did a considerable volume of business with car
dealers. The shop, however, was losing money, and was
on the point of going into bankruptcy.

When my search for employment in the
personnel field was unsuccessful, I joined Marcliffe
Motors full-time as the general manager in charge of
estimating. In two months, the firm was turned around,

and showed a profit. I was able to effect the needed
changes, the remuneration was excellent, but the long
hours and lack of actual ownership were problems.
When I was offered a position in personnel, I decided
to accept a sizeable cut in earnings, and joined
Canadian General Electric (C.G.E.).

4.3.4.   What Was Learned

1.   It is difficult to predict profit
margins in a small business that cannot support a
costing function, but it is critical to success.
What I added to the business was a recognition that the
business we got from car dealers, while easy to obtain,
did not provide sufficient margins to compensate for
the inevitable underestimation of the time required to
do a job effectively. The following two approaches
were developed to counteract this. First, a procedure
for estimating, which consisted of a checklist of tasks
to be carried out, and, after adding up the hours of
work, doubling it. This never proved to be a problem,
and we did not lose work on the basis of price.
Second, the implementation of the notion: "Ready or
not, there comes a spot where they must be shot"; that
is, at some point, the firm could not afford to devote
any more time to a car, and short-cuts had to be
devised, or money would be lost. In a small firm like
Marcliffe, this could readily mean bankruptcy.

2.   I came to realize that perhaps it was not only the nature of the job that seemed to take up so much time, but also my compulsive approach to work, and perhaps, a fear of failure. I tended to put in a large number of hours in demanding or uncertain situations.

3.   I discovered something about job satisfaction. Work which can start off as an enjoyable, creative hobby, can become distasteful under continually demanding circumstances.

4.4.   Canadian General Electric (C.G.E.) -
                       1952 - 1966

When I joined C.G.E., I perceived it as a large firm which could provide opportunities to gain experience in the personnel function. I was offered a two-year training programme in the personnel unit at the Major Appliance Department in Montreal. I had no idea that Ralph Cordiner, the new President of General Electric (G.E.), the American parent company, was to launch a macrochange programme which would make the company one of the most interesting places to work in North America. I still find it somewhat amazing that such an important career decision was made with so little appreciation of the long-term implications.

From 1952 to 1966, I had a number of assignments in four locations with C.G.E., that were primarily related to aspects of the personnel function. These were as part of teams attempting to improve the substandard performance of relatively autonomous business units. What was learned during this period will be discussed in this section.

In Chapter 2, the study of the macrochange programme at G.E. by Greenwood[3] was mentioned. There are three areas related to the programme, which, in my view, were important to the realization of the critical mass stage, which were not emphasized in the study. They will be reviewed in this chapter.

Due to the importance of Smiddy's Professional Business Management Programme (PBM),[4] which is one of the aspects Greenwood has underestimated, a resumé of the four volumes which served as the basis for the course is presented in Appendix 4.1, following a brief outline of the history of the company.

The following sections will deal with the four assignments mentioned above.

4.4.1.   Major Appliance Department,
           Montreal Works   -
           September 1952 to April 1955

In 1952, Montreal Works became the headquarters for the C.G.E. Major Appliance Department.

Walter Ward, the General Manager began his career as an apprentice in Peterborough, Ontario, and, after a wartime career in the Navy as a Lieutenant Commander, he had obtained an engineering degree. Ward later became the President and Chairman of the Board of C.G.E.

In 1947, the plant, which had produced tanks during the war, was purchased by C.G.E. A year later, the "white goods" (refrigerators, stoves, and washing machines) from diverse plants in Ontario were moved into this location, bringing in the managers and individual contributors required to run the operation. This created a potentially sensitive situation, because all the management people, with the exception of two foremen, were unilingual English in a plant where 85% of the employees were French-speaking.

The challenges Ward faced in 1952 were basically economic ones - to increase sales, lower costs, and increase the return on investment. The lack of French-speaking management did not present a serious problem at that time. The Province of Quebec, under the premiership of Maurice Duplessis, welcomed the influx of much-needed new industry into the province.

Prior to 1952, the personnel unit had reported to the Works Manager. In keeping with the G.E. strategic business unit concept, it became a section reporting to the General Manager. The Works Manager became the Manager of Manufacturing, who reported to the General Manager.

The Finance Manager, instead of reporting to Headquarters, became the Finance Section Manager, also reporting to the General Manager. In Montreal, partly because the Works Manager was beyond retirement age, and partly because of the strength of Ward's leadership, the reaction to this move was not as difficult as Greenwood[5] rightly portrayed it in many of the other G.E. departments. The finance move was not well-accepted by the incumbent in Montreal, and caused some friction until he was promoted.

The plant, which averaged about 1500 employees, had sufficient personnel activities to require the following sub-functions - labour relations, employment, wage and salary administration, safety, and training. To fill these positions required four support staff, eight management and professional employees, five of whom were responsible for the above sub-functions, which reported to the Manager of Plant and Community Relations, Lorne Crone.

Crone was a self-developed person who had 15 years' experience in personnel, mostly with other large companies. A small library on management, cybernetics, and social inter-action was maintained in the Employment Supervisor's office. Crone, a natural developer of people, introduced me to Carl Rogers, Peter Drucker, etc. He also encouraged me to continue my degree by taking work-related evening courses at Sir George Williams University.

The skill level of the workers in the plant was not high. Most of the jobs were of the

repetitive, assembly-line type, although a machine shop and fairly sophisticated tool room existed to make the necessary jigs, fixtures and dies.

The General Manager introduced two major strategies to improve the Department's performance - the first was a short-term success, but a long-term failure, and the second, a more complete success.

The first was the acceptance of a sub-contract from Canadair to manufacture the tail assembly of the T33 Trainer aeroplane. This meant hiring all the personnel required - approximately 250 - to set up the appropriate manufacturing facilities. This was successfully accomplished, and a number of tail assemblies were produced.

Soon afterwards, however, President Eisenhower cut defence spending, which meant cancelling the sub-contract. So, while earnings improved considerably during the existence of this cost-plus contract, Ward, on its cancellation, was to find that a number of inefficiencies had become part of the appliance business.

For example, the more sophisticated machinery bought for precise aeroplane manufacturing was not required for less precise, major appliance manufacturing. In addition, sub-functions, such as the inventory stores, had become more sophisticated and costly than required for the manufacturing of appliances. However, the next endeavour was more successful.

The second strategy was to level load the plant. The appliance business was, at that time, a peak and valley business, even more than it is today. When Ward took over the plant, the sales forecasting was not effective. Consequently, there were wide swings in the number of employees required, and major layoffs were common, as were major hiring programmes - causing serious inefficiencies in the utilization of the work force.

After much consultation with his people, the General Manager decided to 'level-load' the plant; that is, to build 600 refrigerator units per week on an annual basis. In the process, he literally stored and built a mountain of appliances just before the spring sales peak.

The strategy was successful and the Major Appliance Department was able to meet acceptable standards of return on the sales dollar, which was the G.E. major criterion of performance at that time.

4.4.2. What Was Learned

1. The new G.E. philosophy of 'business statesmanship' in the Department created a sense of accomplishment, fair-play, and comradeship, directly opposed to my earlier impressions of big business.

2. I saw the personnel function becoming a respected part of the business unit, helping to solve critical problems, and reporting on the same level

as Marketing, Engineering, Manufacturing, and
Finance.

3.   While the creation of the relatively
autonomous strategic business units gave the General
Manager the necessary mandate, it was the practical,
wise decision to level and maintain production of an
awesomely growing mountain of appliances for inventory
which turned the business around.

4.   As Employment Supervisor, my mandate
allowed me to apply the principles of the vocational
guidance course which leaned heavily towards appraisal
and aptitude testing, and to build some normative data
for future selection purposes.

5.   I realized that organized training could
be highly effective in accelerating personal development.
A colleague, Lyman Martin, had difficulty saying
his name before 15 fellow-workers in the first
evening of an Effective Speaking Course. After 15
weekly sessions, he graduated, and six months later, in
a public meeting, made a successful dinner presentation
on his specialty, safety in industry.

6.   As a personnel specialist, I realized
that, in order to be effective in the recruitment of
scarce, skilled resources, one had to understand the
machines involved and the skills required to operate
the machines. To accomplish this, I spent a great deal
of time with workers, hiring foremen and the engineers
responsible for designing the product.

7.   I helped design a low-keyed
bilingualization programme for the C.G.E. management
group. Over a 10-year period, this programme made
steady progress, surpassing the original objectives,
and without encountering the usually expected stresses
found in Canadian industry when French Canadian
managers replace English Canadian managers.

8.   While Employment Supervisor, the first
Negro machinist and the first Negro secretary in the
plant's history were hired. A very skillful gentleman,
69 years-of-age, was also hired to help start up a
critical project.

9.   In 1954, Jim Goss, the President of
C.G.E., addressed the Personnel Specialists, and
described their role as the moral obligation to be
right. To be the company's social conscience could
mean standing up to all the managers in the company.

I was impressed by his views, and
decided that to carry out such a mandate required
financial independence. My wife and I subsequently
developed our own pension plan, referred to as the
'independence fund'. It would demand a considerable
investment of my salary to mature in time to permit
retirement at age 50. (This did happen.)

About two and one-half years after
joining C.G.E., I was told that my position was being
amalgamated with another, and that I would be
redundant. I had the option of working in Quebec for
either Singer Sewing Machine Company or for Alcan

Company, or of remaining with C.G.E., but moving to Guelph, Ontario. I elected to stay with C.G.E., and to accept a cut in pay of approximately 10%. There were three prime reasons for my decision.

First, the Guelph job involved wage and salary administration, with some opportunity to get into union relations.

Second, I had been bitten by the C.G.E. 'involvement bug'. Knowing that the large Transformer Department in its new location at Guelph Works was losing money - the loss could be as high as nine cents on the sales dollar in 1955 - I was offered the opportunity to be part of the team that was going to do something about it.

Third, I had gained considerable respect for C.G.E. , its policies, its people, and the research that it was carrying out. There was a contagious feeling that, as long as one's recommendations were well thought through, they would be accepted. People were encouraged to develop what I called the 'general manager's approach' - that is, to make each decision as though one were the manager.

4.4.3.   Power Transformer Department,
          Guelph Works -
          May 1955 to November 1958

As part of Cordiner's reorganization, Guelph Works, which had manufactured one product - large power transformers - became part of the

Large Apparatus Department. While its parent
department was located in Peterborough some 150 miles
away, the Power Transformer Department in Guelph was
set up as a strategic business unit with the typical
five functions,four of which were located in Guelph,
and the fifth - Marketing - in Toronto.

The new plant, which had been completed
in 1954, and designed to produce this sole product, was
extremely well laid out. The volume of business was
eight million dollars. It had originally been designed
to handle approximately 16 million dollars business;
however, competition was intense, and there were 28
other Canadian and European manufacturers competing in
the Canadian market.

Guelph did not have the wide
fluctuations in personnel that the Montreal plant
experienced. The skill level was much higher, and many
of the jobs, although not apprenticed, were considered
trades. The number of employees varied between 800 and
1000. Some of the employees had other interests, such
as farming, and, at certain times of the year, such as
harvest time, absenteeism was a problem.

In 1956, Lloyd Graham, the original
General Manager under whom the Guelph plant was built,
was replaced by Stan Shield, following a disastrous
year in which Guelph Works lost nine cents on the sales
dollar. Shield, an engineer, had worked with C.G.E.
for over 25 years. With a career in design engineering
and manufacturing, he was recognized as an expert in

production control.

While he was an effective manager, his style was completely different from Ward's. In Likert's[6] terms, he was a System II Manager; an outspoken, benevolent autocrat, highly boss- and systems-oriented, somewhat paternalistic, and prepared to support his people, whom he would tend to bully unless they stood up to him. Ward, on the other hand, was a System III Manager - he was quiet-spoken and somewhat introspective, consultative, prepared to delegate and experiment, and he never gave the impression of having all the answers.

One of the amazing things about the Guelph turnaround is that Stan Shield made so few changes, and yet the results were dramatic. From a loss of nine cents on the sales dollar, Guelph Works went to a profit of five cents in about 18 months. So impressive was Shield's performance, that Cordiner permitted Shield to continue managing without exposing the managers and individual contributors to PBM.

Following are the three major changes Shield introduced.

The first involved a change from a somewhat casual style of management. The previous general manager had not moved his home from Toronto, which, at that time, was a one and one-half to two hours' drive away, so that he usually arrived around 10 a.m., unless he had a specific earlier meeting. The section managers also tended to be casual about

time-keeping, as were the M and P group. Consequently, while the official starting time was 8 a.m., a high percentage would arrive later.

One of the first things the new general manager did was to stand by the floor-to-ceiling window of his office overlooking the sidewalk most M and P people used to enter the building; beside him was his secretary to whom he spoke, and who took notes.

The next thing he did was to call a meeting of his section managers for 8:15 a.m., without prior notice. There were three in the building, and he asked them to sit in his board room until the rest arrived.

The last section manager arrived at 10:10 a.m. At this point, Shield joined the group, and stated that, in future, he would be calling other meetings first thing in the morning, and he expected them to be on time.

Within one week, the result of these two actions was close to incredible. By 8:03 in the morning, everyone was in, and the sidewalk from the parking lot was vacant.

The second change Shield introduced is noteworthy, because it was simple and limited, consisting of the reassignment of two managers and minor organizational changes to four positions.

Shield, after observing the operation for about four weeks, came to the conclusion that there were too many delays between the time the design of the

transformer began until the product passed tests, and was shipped to the customer. He reassigned the Manager of Manufacturing to his former position as Manager of Production and Inventory Control. The Manager of Manufacturing position was changed to involve manufacturing engineering, and was filled by a youngish engineer who had worked with Shield in Peterborough. The new incumbent's mandate was to de-emphasize piece-work. The three general foremen who had originally reported to the position, now reported to Shield. While the Marketing Manager was not changed, his office was transferred from Toronto to the Guelph location.

The third change involved standardizing transformer design. Shield, after discussions with many of the engineers and design draughtsmen, introduced a concept by which elements of the transformer were standardized. Previously, when an order came in, for an average of 1.5 transformers, the design was unique, and was not referred to again unless the exact order was repeated. Shield's approach was to look at the differences between orders, and design around the differences.

The overall effect was to shorten the design time from an average of three months to four weeks. However, one of the by-products of implementing this engineering concept was the gradual layoff of 15 draughtsmen. This brought about the certification of a union to represent them, and a subsequent strike.

Guelph was a total contrast to Montreal from a developmental point of view. The reason for this probably stems from the leaders of the personnel function. In both situations, the General Manager and the Manager of Plant and Community Relations were capable people, but their skills and approaches were different.

Crone was pro-active; a planner, who had worked for other large corporations, and who could see the new role of the personnel function as a major contributor. He read extensively, and encouraged others to develop, through attending seminars and conferences, and associating with academic and professional circles.

The General Manager, Ward shared that approach, and, as a result, changes were introduced and power was shared; for example, budgets and control over hiring were delegated, and the functions cooperated independently of direction from the General Manager. One concrete effect was that more people developed. In the personnel function, all but one of the original staff received promotions within the company.

Tom Weaver, the Personnel Manager at Guelph was as astute as Crone, having at least as high social skills and dedication, as well as an excellent, dry sense of humour, and had come up through the company primarily as a legal interpreter of the union agreement. He had to deal with a more aggressive union, which would down tools over any issue.

Consequently, his style was reactive, and his planning was not extensive. He strove to maintain a reasonable relationship between the union and management, was active and effective in community relations, but did not encourage the development of educational programmes, and believed that a university degree was a handicap when dealing with union people.

Weaver also ran a 'tight ship'. He staffed to get the job done with a minimum of personnel; there was no training supervisor, and contract administration and wage and salary administration responsibilities were combined. Thus, when business revenues were down, there were no layoffs or transfers of personnel. There was a level of stability in the personnel function at Guelph which did not exist at Montreal.

The approach of Weaver was consistent with that of Shield, who viewed an effective organization as one in which each manager thoroughly mastered his area of responsibility; once mastered, however, the manager was not encouraged to transfer to other areas.

Despite the fact that the first-line supervisors, on average, scored higher on achievement tests (See Appendix 4.2) than in other business units of C.G.E., two of the tests were significant at the 5% confidence level (Otis timed and a Dimension test by the Industrial Psychology Corporation), the rate of promotion to external locations was lower.

It should also be recognized that a large portion of the staff was reluctant to leave Guelph. They would have rated what we would today call the quality of life as very high. They felt - and, in fact, were - a part of the city of 30,000 people.

When an offer came to be responsible for the full personnel function at the Rexdale Picture Tube operation, it was accepted. The business, which was part of the newly acquired Radio Valve Company, was losing money, and offered the opportunity of instituting concepts developed and accepted in Canadian General Electric, as well as other innovative approaches.

4.4.4.   What Was Learned

1.   Guelph provided the opportunity of observing and participating in a dramatic turnaround, using primarily a Theory X management style, and with a minimum of disruption to the management and professional people involved. As stated, only three management positions were significantly changed.

2.   There was the opportunity of working in the highly legalistic context of a union agreement, and solving problems with a professional, militant union, which would readily use an illegal work stoppage as one of a number of tactics to pressure management to give in to their demands.

3.   There was the opportunity of applying
the principles of job evaluation and design, and of
doing wage, salary, and conditions of work surveys with
30 other member firms of the local Personnel
Association.

4.   Guelph provided the opportunity to
observe a new plant adjusting to a small, but mature
city. There was involvement in community affairs, and
the satisfaction derived from this experience. Guelph
was a difficult city to leave. However, the challenge
of being responsible for the personnel function in a
smaller plant that was losing money was appealing.
More responsibility meant more money; although this in
itself would not have been enough to change jobs,
having to provide for three growing children was a
factor in making the decision.

4.4.5.   <u>Electronic Equipment and Tube</u>
<u>Department, Rexdale Works,</u>
<u>Toronto - November 1958 to</u>
<u>November 1961</u>

In the mid-1920's, Canadian General
Electric and the RCA Victor Company financed a firm
which would supply them and the Canadian market with
radio valves (tubes). The company, known as the Radio
Valve Company, was given almost complete autonomy, and
it was said that this was achieved by playing these two
giants against each other, and by usually showing a
profit.

Like Stan Shield, President Walter Davison ('Davey') was a Systems II manager - a benevolent autocrat - but Davey's style was somewhat more flamboyant. He had built an effective and efficient team which had consistently made a profit and kept unions out, but, unfortunately, like many strong leaders, no one who could replace him.

In 1948, Radio Valve Company lost money, and prospects were not bright for a recovery. At this point, C.G.E. bought out RCA for one million dollars. However, as this was the beginning of the television boom in North America, the market improved, Radio Valve Company made a profit, and Davey maintained his autonomy. This allowed him to build a new satellite plant - a concept which was foreign to C.G.E. planning.

The expanding television market had created a boom for cathode ray tubes, which are used as picture tubes for television sets, in radar equipment, medical monitoring, etc. The parent plant had fully expanded its Dufferin Street works, and the decision to build a satellite plant in Rexdale was made.

Rexdale is a suburb of Toronto, some 10 miles from the Dufferin plant. The single purpose of the plant, which would employ between 300 and 500 people, was to manufacture picture tubes. All senior marketing, finance and industrial engineering functions were located at the Dufferin works.

The impact of such a decision can best be illustrated by its effect on the hiring policy.

Because Rexdale had no personnel function, selection of people was made at Dufferin. Employees did not have the opportunity to see where they would work, nor did the supervisor have the opportunity of assessing the candidate's suitability at the hiring stage; therefore, he could later blame poor production performance on the quality of employees sent to him. This was in direct contradiction of C.G.E.'s first principle of decentralization - to put authority to make decisions at points as near as possible to where the action takes place.

By the time the plant was completed and had begun to function, the return on investment in Radio Valve Company was beginning to deteriorate. It was this, and the absence of identifiable successors to Davey and other senior managers, also approaching retirement, which impelled C.G.E. to take over the business of Radio Valve Company. While it had been incorporated into its structure as a Strategic Business Unit, C.G.E. decided to introduce its own management people gradually, as required.

For the first time, I had the opportunity of helping design and implement a complete change programme. Jack Prescott, the General Manager, Bob Fleetham, Department Relations Manager, and myself, the Rexdale Relations Manager were all products of the new G.E. philosophy of management introduced by Cordiner. The change programme reflected this philosophy, and a relatively comprehensive account of

the new generation of C.G.E. managers, as well as the changes introduced are presented in Appendix 4.3.

4.4.6. What Was Learned

1.   When I left Rexdale to accept a transfer to Peterborough, I had been working 10 years with C.G.E. Neither Prescott, Fleetham, nor I would have described ourselves as change agents or consultants, but, in effect, both Fleetham and I were, while Prescott was the client. We saw ourselves as being pragmatic, bottom-line oriented individual contributors, who believed that involving employees in problem-solving was in the best interest of both the employees and the business. However, while we had empathy with personnel at all levels, many of the actions we took were unpopular, and we found ourselves swimming upstream. The fact that these actions and difficult decisions were successful influenced the evolution of my future modus operandi.

2.   Fleetham's style, based on an objective-setting process, was my first exposure to the approach being consistently applied. I saw how it could be implemented, and how it could be effective.

3.   Montreal had demonstrated the value of autonomous business units; Guelph had provided the opportunity of evaluating, in detail, specific jobs, and how they related to each other within the six functions of the business unit. Rexdale provided the

opportunity of seeing how the functions and the processes of business interrelated.

4.   I added to my knowledge of dealing with unions. I made mistakes, and learned from them, but the importance of having strategies, of being consistent in their application under pressure in the hope of reaching a sound and workable conclusion, was repeatedly demonstrated. The applicability of the 'Law of Effect',[7] that people tend to repeat actions that have been successful, was a useful guideline. By attempting to be fair, firm, and predictable under pressure, and not rewarding negative behaviour, it was possible to develop a union/management problem-solving approach.

5.   From Fleetham's point of view, the following performance review demonstrates how he perceived the evolution of my development. These are excerpts from the March 1961 Performance Review.[*8]

Part I - Performance on Accountability Factors

- Generally his advice and counsel to management has reflected careful consideration to experience, alternate sources of recommended action - resulting in sound and effective advice.
- He has been most mindful of the long range consequences in establishing codes and job identifications. Zealously pursues the course that the company should establish rates according to community and that such rates demand a good employee effort and skill in return.

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[*]The complete Performance Review is found in Appendix 4.4.

- There is a need for more work on Instructions.

- Has been of positive and continuing assistance to management in recommending the more efficient use of personnel. Written grievance activity is down 34% over 1959. Management participates in union relations matters with greater confidence and authority. No work stoppages or work interference during review period. Local management union relations continued relatively stable.

- He continues to apply effectively a rather cumbersome procedure which is set out in the Collective Bargaining agreement, for the increasing and decreasing of personnel. Has been alert to point out to management opportunities to utilize manpower through advanced planning for and timing of lay offs, through recommending promotions of calibre employees and through transfer of those not meeting job requirements. He has much good experience in this area and has contributed generously to the Rexdale operation.

As an Individual

Over the past two years he has added substantially to his (union) relations knowledge and he has shown skill in the application of that knowledge. He is putting together a substantial arsenal of (union) relations skills through the diversity demanded by this particular job.

Summary of Demonstrated Relations Skills.

1. High interest in Relations work, together with desire to learn.

2. Flexibility and capacity to grow along with increasing flexibility.

3. Identification of his role in terms of the needs of the business.

Direction of Progress

- Capacity to take on greater responsibility in Relations work.

- My observations indicate to me that he is now doing the work which is most satisfying to him in which he is able to make the best use of his abilities.

- Although he contributed well as a specialist there are indications that he would perform effectively in a managerial position.

6.   My ability in interpersonal relations
developed further. In Montreal, I had always felt
comfortable in interviews or with senior personnel on a
one-to-one basis, or in meetings. However, I can
remember attending my first Personnel Association of
Toronto Spring Conference in the Spring of 1954.
A speaker was addressing a group of about 200 people.
I was most impressed, not by the contents of the
presentation, but by the fact that he was quite calmly
speaking to 200 people. My reaction was: "My God, if
to be a success in this field you have to make
presentations in a conference like this one, there is
no way I will ever be able to accomplish such a
feat."

In Guelph, after taking an Effective
Speaking Course, I became comfortable in very large
meetings where I had to prepare and present a concept,
and defend its practicability or potential
contribution. I also participated in television
interviews, and learned to cope reasonably effectively.

Rexdale offered the opportunity of
researching a concept, making a presentation of it, and
discussing alternate views with groups. Professional
Business Management was taught on this basis, and, at
the end of the 18 sessions, five or six major
presentations were made, and there were 40 to 50
occasions for active participation in group situations.

In the endless face-to-face meetings
with the unions, communication skills were critical.

One soon learned that, although a 'controlled mad' could be useful, if one lost one's poise, one usually lost the point.

Although communications were usually open - for example, the union and the employees could be told that sales projections were pointed downward, and that a reduction of the work force was forecast in three months' time when our contractual obligations required only seven days' notice - I learned to pace my position to those present and to the time and number of meetings allotted for the issue. While Boulewarism[9] - presenting your best position first - worked in some situations, the unions did not always like the approach. Consequently, it was necessary to prepare a number of retreat strategies which had been agreed upon by senior management. The alternative of improvising in a meeting, without the opportunity of examining the pros and cons, could result in unanticipated effects that could be disastrous for both sides.

7.   For the first time, I became aware of the physical limitations, and the lack of effectiveness after working extended hours. I began suffering chest pains and physical discomfort.

A local doctor who had introduced an immunization programme in the plant examined me, and pointed out the need for a more balanced approach to living. He recommended a number of activities, such as annual holiday, regular exercise, etc., which, when

followed, not only eliminated the discomfort, but increased my effectiveness. Both Fleetham and Prescott experienced similar forms of stress requiring medical advice, and, in all three cases, the symptoms were eliminated through a better balanced approach to working and living.

This experience left me with the definite conviction that working extended hours under pressure has only short-term benefits. Incidentally, the first six months at Rexdale, I worked a 70-hour week, gradually reduced to 60 hours; the second year averaged close to 55, and the third year was down to 50 hours.

8. At Rexdale, I also developed the notion that a competent, effective personnel specialist could make a significant contribution during, and in a change situation, and his position could be more critical than that of the Chief Executive Officer. I also recognized that it would be almost impossible to introduce any major change programme without the involvement of the Chief Executive Officer.

In the Fall of 1961, the six changes (See Appendix 4.3 for details) introduced had become part of the climate, and the operation was producing an acceptable return on sales and investment. Fleetham had made it known that I was available for a promotion, and Doug Brown, Manager of Plant and Community Relations at the Peterborough plant, after a series of interviews, offered me the position of Education and

Training Specialist at C.G.E.'s largest and oldest plant.

From a family point of view, Peterborough offered a quality of living that a tract house in the suburbs of Toronto could not. I accepted; sold our home at a profit, which added to the 'independence fund'.

4.4.7.   Peterborough Works - November 1961 to May 1966

Peterborough, a city of 50,000 people, is located in the Kwartha Lake area, some 90 miles from Toronto. The Peterborough works, built in 1896 by Thomas Edison, consisted of six strategic business units in 1961. Products varied from one-quarter horsepower motors to very large electrical motors, turbine generators and civilian nuclear power plants. The equipment, tools and jigs, was very impressive, from the almost clinical to a 48-foot boring-mill bed where the machinist rode around the cutting tools on an observation seat.

In late 1961, the Canadian economy experienced a mild recession. There were 2800 employees, a reduction of about 50% from two years earlier. To remain employed, an unskilled worker had to have 14 years company service to displace or 'bump' a junior employee whose job could be learned in five days - for example, to become a sweeper.

Walter Ward was the General Manager of the Apparatus Department, and was landlord to the smaller business units. After leaving Montreal, he had worked on special projects in G.E., reporting directly to President Cordiner. Later, he was assigned to Europe as the President of International General Electric, Europe.

Ward's major business problem in 1961 was to increase the sales volume. Forecasts were positive, and large orders were being placed for delivery in 1963 and 1964.

One social concern he had was the disproportionate dependence of Peterborough citizens on C.G.E., the largest of the three large employers in Peterborough. C.G.E. was the driving force behind the founding of Trent University, donated the land, contributed together with the employees, a large portion of the funding, and assigned a competent General Manager to oversee the project.

Douglas Brown, Manager of Plant and Community Relations had started with the company at a large Toronto plant, had also worked at the corporate headquarters, and had, in 1961, the most senior field position in Personnel. His function provided a service not only to the Apparatus Department, but to all the other business units located at Peterborough.

He was unusually discerning, and very determined to make a contribution to society through the personnel field. He was also innovative in his

approach, searching for new applications of personnel work. Unfortunately, he was a highly critical person, who somehow managed, partly through his superior intelligence and moralistic approach, to reduce and/or alienate most of the people working for and/or with him.

Both Ward and Brown considered the position of Specialist - Education and Training one of the most important in the personnel function. Of note was the extent of Ward's interest. Not only did he insist on interviewing me, but he personally checked my references with the General Managers at Rexdale and Guelph.

I can recall talking to him just after being interviewed by the senior section managers in Marketing, Finance and Manufacturing. He wanted to make sure I knew that Doug Brown could be demanding and difficult to work for; but, more importantly, he wanted to know whether I could stand up to working with the Peterborough management. Ward, a somewhat reticent person, said that he knew they could, and did, "crucify specialists" unreasonably, and yet, "I love them."[10]

Having mastered the Rexdale situation, I looked forward to my new assignment.

The first project was a failing off-hours blue print reading and shop mathematics programme for blue-collar workers. It was the basis of a progressive skill training programme, which is

documented in a number of articles,[11] and only a brief
outline is presented here.

Peterborough established an apprentice
programme in 1896, and, in 1961, had 112 apprentices
learning 17 types of skills; 85% of the graduate
apprentices were promoted to management positions.
There was always a shortage of skilled people in a
recovery phase. In the past, these requirements had
been filled by readily available European craftsmen,
but this source was no longer plentiful, and even when
they were available, they were among the first to be
laid off in a serious downturn of business.

The decision was made to upgrade the
skills of the long-service semi-skilled employees
through this new programme. Unfortunately, the
drop-out rate was 48%, and there was serious concern
that the employees would not continue to participate.
By interviewing both those who dropped out and those
who completed the course, it was found that the problem
was one of determining entrance criteria.

A small battery of appraisal tests was
designed and administered to the successful course
participants to establish entrance criteria. The next
time the programme was given, 88% completed the course.

Having established a sound base for the
programme, it was possible to build. Courses were run
in arc welding - a programme which had traditionally
been given 'on hours', and led to government
certification in flat and vertical welding. A new

programme was developed and given 'off hours', and the
following chart shows the success rate compared to the
'on hours' course that had previously been given.

CHART 4.1

COMPARISON OF OFF- AND ON-HOUR COMPANY-SPONSORED COURSES		
	Off-Hour	On-Hour
Average registration	6.5	5.5
Total cost	$549.85	$3160.00
Cost relation	1	6.8
Per employee	84.60	575.00
Number of hours	80	80-120
Certified	1 flat 5 vertical	5 vertical

The programme permitted a semi-skilled
worker to go through from one to three semesters in the
Blue-print Reading and Shop Mathematics Programme, and
then, move through two semesters in the Arc Welding and
Theory Class. He could then be qualified for a
third-class fitter welder category. Comparable
improved skills routes were available in the machine
cutting trades. This gave long-service employees the
opportunity to gain skills without going through a
traditional four-year apprenticeship programme, and
enabled the company to accept work on a business upturn
without having to train new employees.

In a plant in which a number of the
semi-skilled jobs were on rotating shifts, employees on

the second shift would leave, and make up the hours

after their regular shift. This was in direct

violation of the collective agreement, but, since the

union perceived the training as valuable, they did not

make it an issue. The word was:

> We know what you guys are trying
> to do, and we support that. We
> also know that you are breaking
> the agreement and, while we are
> shutting our eyes for the
> present, we are really watching
> you like hawks.[12]

Working with Ted Beals, Director of one

of the local collegiate and vocational schools, and

Bill Davis, the then Ontario Minister of Education,

academic credits were given for learning a machine

skill in an industrial plant. This was the first time

in Ontario's history.

The Progressive Skill Training

Programme, judged from:

a.   the coverage it received;

b.   the return on investment it made

       possible; or,

c.   the opportunity it provided for

       individual employees,

was a success. The following is an excerpt from an

article which highlighted its contributions:

> Looking at it in that order,
> (a) the Peterborough program won an
> award from The Ontario Society of
> Training and Development. The
> Canadian P&IR Journal carried an
> outline of it in April 1965; the
> American Society of Training
> Director's Journal covered it in
> September 1966, and it was digested
> by a European Management Journal

and translated into seven
languages. (b) From the return on
investment view, a number of senior
managers at Peterborough felt that
because the plant did not suffer a
shortage of skills, common in
Canadian industry, the contribution
to the net profit was well in the
six figures and perhaps in the
sevens. (c) As to its value to
employees, through this program,
literally hundreds of people
equipped themselves with new skills
and knowledge and in many cases
started on new careers.[13]

However, in my view, it was the modest
research project to establish a battery of tests
undertaken with Ray Berry, which was responsible for
the eventual success of the Progressive Skill Training
Programme. This approach of supporting activities and
programmes with measurement became a fundamental
approach in my modus operandi.

In 1961, in the area of management
development, only three courses were available -
Business Fundamentals, Effective Speaking, and
Blue-print Reading. My budget was sufficient to pay
the part-time instructors, a second-in-command and a
secretary, plus materials. How these resources were
used was left to my discretion.

After visiting other Canadian and
American plants, the G.E. Industrial Development
Services, and following extensive discussions with
Ontario Hydro Company, whose training activities were
considered among the most advanced in Canada, a
strategy was developed.

A programme was built on the premise
that what was required was professionally written
material and lesson plans for the courses, as well as
the development of teaching skills in our part-time
staff. This was accomplished with the aid of Jack
Sukloff, one of the most capable and experienced
trainers in C.G.E.

Twelve potential instructors were chosen
approximately one month before the seminar was to
begin; they were interviewed to determine their
interests, experience, and social interaction skills.
All were given reading material and three assignments
to research. The actual seminar consisted of three
days and two evenings, in which they learned some new
theory, designed lesson plans, and applied various
non-directive approaches to develop and maintain group
involvement.

This approach to using part-time evening
instructors was a success. By 1965, 34 courses, taught
by 35 instructors, were offered to groups - usually,
12 people, but ranging from six to 20. A list of the
courses and a description of the first four appears in
Appendix 4.5.

The extent to which the Progressive
Skill Training Programme was recognized has previously
been indicated. While the coverage received, the
return on investment, and the opportunities created for
employees were all meaningful, the most gratifying

recognition was the General Manager's Award, presented
by Stan Adamson, who had replaced Walter Ward (who had
been promoted to the presidency).

This was the first time the annual award
had been given to a member of the personnel function.
Usually, it was awarded to individual contributors,
such as a design engineer who developed a major
technical advance, or a marketing specialist who
developed a new market. The award was limited to a
wallet with the word, "Thanks", and the General
Manager's initials engraved. However, to my colleagues
and myself, it was extremely meaningful, since many
personnel specialists are never quite sure to what
extent their contribution is recognized.

a.   General Electric Consulting Services

There were two very helpful and
stimulating units attached to the corporate offices in
New York. One was the Behavioral Research Service led
by Herbert Meyer, and the other was the Individual
Development Methods Service headed by Marion Kellog.

Meyer was a graduate in Psychology from
Michigan who came to G.E. in the early fifties from
the Psychological Corporation. The role of the
Behavioral Research Service was to conduct original
research within the company.

Meyer had three strengths. First, he
worked with some of the leading academic and practising

behavioral scientists in the United States, and was
able to discuss and involve them in company research
projects, building on their latest, and, frequently,
not yet published works. Second, he seemed able to
choose particularly worthwhile projects that were
serious problems to management. Examples of studies
are: The Effects of Goal Difficulty on Performance;
A Study of Performance Appraisal Based on Self-Review;
An Evaluation of Two Procedures Designed to Improve
Employee Attitude and Performance; Background
Characteristics of Engineers Associated with Major
Changes in Rate of Salary Progress.[14] The last study
was replicated, with some changes, at Peterborough.
It covered career progress of 143 graduate engineers
over a 10-year period.

Meyer's third strength was his unusual
ability to take complex research findings and interpret
them in terms that M and P personnel could understand.
His recommendations on appropriate actions were easily
read, and frequently acted upon by management in the
field or in strategic business units.

Meyer's most important contribution was
accomplished in a study conducted with two of his
colleagues, Emmanuel Kay, Director of Plant and
Community Relations of the Small Aircraft Engine
Department, and J.R.P. French, Jr., of the University
of Michigan Research Center for Group Dynamics. The
original work, published internally in March of 1962,
and externally in 1965, dealt with a study of the

Performance Appraisal Interview,[15] and has been discussed by Greenwood.[16] The research led to the company adopting a new approach to objective setting, referred to as Work Planning and Review (WP&R).

In Cherns' [17] terminology of five types of research, it would best be described as Basic Objective Research oriented to solve general practical problems. However, the dominant diffusion channel was not, as he suggests, in learned and professional journals, but rather, in internal reports addressed to senior managers and practitioners within the company. Articles in professional journals usually appeared years after the studies, while more complete reports were distributed within the company, usually a few months after the analysis was completed. However, certain behavioural scientists, like Lawler, seemed to have access to the original reports. For example, there are 15 references to the work of Meyer and his colleagues, which refer to the internal G.E. reports in Dunnette's Handbook of Industrial and Organizational Psychology, published in 1976.[18]

b.   Individual Development Methods
Service

This unit, headed by Marion Kellog , was not mentioned by Greenwood. It was established to implement the findings of the Behavioral Sciences Research Service Group. Kellog, whose academic background was in mathematics and physics, soon after

joining G.E., transferred into the personnel function, and later, became Manager of Plant and Community Relations.

The work of Kay, Meyer and French[19] had shown G.E. executive management the potential for improved managerial performance. Subsequently, the Individual Development Methods Service was established to diffuse these new concepts throughout the company.

Typically, Kellog or one of her associates would interview the head of a function, preferably the General Manager of a strategic business unit. Then, a workshop with subordinates was conducted. Work objectives would be established, and the manager would be left to work with his people; a member of the Individual Development Methods Service would later be available on request by the manager to review progress. The clients - usually seasoned managers - had been through Crotonville's Association Island meetings, or had at least been exposed to PBM.

Exposure to WP&R demonstrated a dramatic increase in effectiveness. The Behavioural Science Research Unit had established the potential of WP&R, and subsequent studies replicated the findings. Basically, the research showed that a productivity increase of approximately 27% to 65% was achieved when improvement needs were translated into specific goals. An illustration is shown in the Diagram on Page 198.[19]

CHART 4.2

```
                                                PERCENT GOAL
                                                ACHIEVEMENT*

 ┌─────────────────────────┐
 │ "IMPROVEMENT NEEDS"      ╲                      ─ 70
 │  TRANSLATED INTO          ╲───────────────────  ─ 60
 │  SPECIFIC GOALS          ╱
 └─────────────────────────┘                      ─ 50

                                                   ─ 40

 ┌─────────────────────────┐                       ─ 30
 │ "IMPROVEMENT NEEDS"      ╲
 │  NOT TRANSLATED INTO      ╲───────────────────  ─ 20
 │  SPECIFIC GOALS          ╱
 └─────────────────────────┘                       ─ 10
```
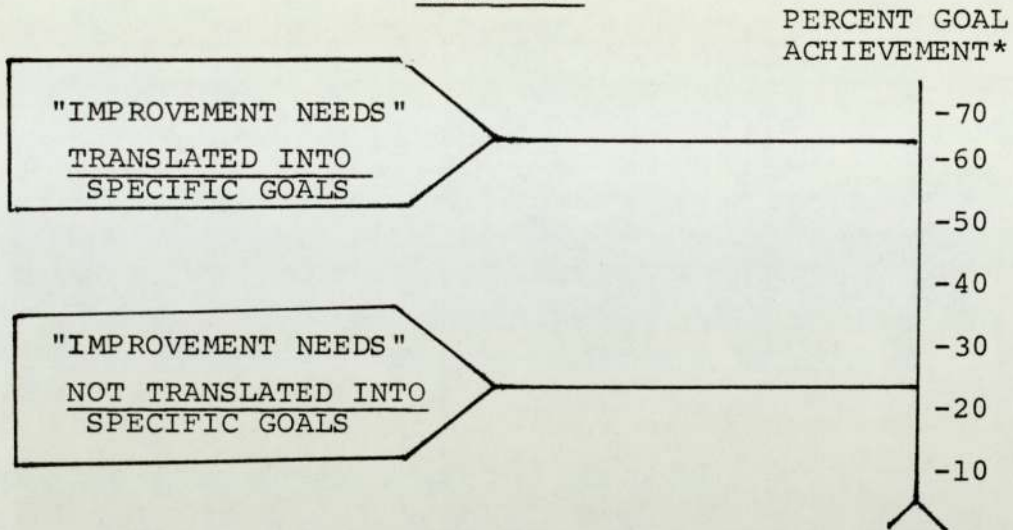
* Manager and subordinate
  estimates of goal
  achievement combined

With this type of theoretical support within the organization, the Individual Development Methods Service, and Kellog, in particular, were in demand. The group evolved an approach within the company which was documented in two books by Kellog. [20]

Kellog's concepts of the potential of WP&R are presented below:

> There is a persistent theme in management thinking today: to increase the employee's influence on the goals of the organization of which he is a member and certainly on his own work. This implies that the manager must become more democratic in his approach, more open-minded, more responsible. This effect is most desirable.
>
> On the other hand, the trend has frequently been interpreted to mean that managers should be more casual in their relationships with their associates. Indeed, informality and spur-of-the-moment activity are signs of our times. But informality can be and is, in fact, much overdone in work situations. Where responsibility and accountability are concerned, chance understanding and decisions made off the top of the head are totally inadequate.

To meet his personal standards as well as his obligations to the organization employing him, every manager must hold several critical discussions with employees. If these are thoughtfully handled, prepared for, and conducted with skill, they help build an effective relationship between the two parties and increase the employee's influence and self-actualization. But they cannot be one-way: they must be dialogues. Their outcome should represent the joint thinking of both man and manager. In most cases decisions reached should be recorded.

Moreover, these dialogues should reinforce each other, build on the strongest aspects of the working relationship. This means they should hang together to form a network. None stands alone in content: each is dependent on the others. In total, they expose the working philosophy, values, judgments, and conclusions of each man to the other party.

Kellog also established a series of seminars, primarily for the personnel community at Crotonville. This became an annual event, usually interspersed with Kellog's visits to field locations, such as Peterborough, or the visits of personnel specialists to New York for planning discussions.

One Crotonville seminar that I attended consisted of a half-day with Chris Argyris, discussing his current research and its relationship to organizational objectives; a day with Ben Tregoe, working on his problem identification and decision-making approach; and, finally, a day spent learning to programme and operate a shared-time computer. This was at a time when shared-time computers were about to be introduced to the United States market.

Both Meyer and Kellog fulfilled their responsibilities well, and Peterborough Works and I benefitted from their skills, energy, and dedication. These types of associations and opportunities for

renewal make it very difficult to leave an

organization. However, as can be seen by the letters

from Meyer and Kellog in Appendix 4.6, a continuing and

valued relationship is still feasible.

In 1964, the thought of leaving C.G.E.

became a serious possibility, and, by 1966, I had

completed my undergraduate degree. Partly through

curiosity, I had applied to the Federal Government of

Canada. At that time, they were looking for

experienced senior personnel practitioners from

industry to help introduce the changes recommended by

the Glassco Commission.[21]

Two former C.G.E. employees whom I knew

well were working for the Government; they were

enthusiastic, and encouraged me to consider the

possibilities. Both of them had found the government's

new emphasis on management stimulating, and,

furthermore, both reported that Ottawa was an

interesting city in which to live. I applied, and

attended several interviews and received three offers.

After a good deal of reflection, I accepted the

third offer.

4.4.8.   What Was Learned

1.   I had the opportunity of working in a

plant which made fascinating and complex technological

products, managed largely by graduate engineers and by

time-served apprentices or people with equivalent

backgrounds and limited formal education. When polled, they stated that Professional Business Management (PBM) was helpful, and the most influential development programme they had undertaken in their careers. First-line managers - for example, foremen - negotiated their objectives and budgets, called on staff services when they needed them, handled grievances with the union, and most of them communicated frequently with their employees in a non-directive manner. They ran their segments of the business as though they were the owners.

2.   I observed a professional senior manager running a successful business in difficult times, turn it around, and launch new projects, including the founding of a university. Ward, who started on the shop floor and became Chairman of the Board, had empathy for the people of Peterborough, as well as for the employees of C.G.E., particularly for the managers. Yet, when necessary, he was able to be firm. In his large office, he had built in on one side, a very small table and two chairs, one of which backed into a wall projection, and very intense conversations were held there with his management people.

Ward was 35 years of age when Cordiner introduced the G.E. change programme, and its supporting management development programme, PBM. He absorbed the philosophy and applied it, and could be

used as an illustration of the type of manager Cordiner was trying to produce. Watching his progress provided an important model for me.

    3.   I learned to utilize action research.

    Clark[22] defined action research as having a direct involvement in organizational change, and, at the same time, adding to the body of social science knowledge.

    I learned to utilize reasonably complex research designs with before-and-after measures, using experimental and control groups, and implemented the findings. I worked with some of the most highly qualified and experienced behavioural scientists in North America, who were bringing out meaningful applications of basic objective and action research.

    Most research in North America at that time relating to the personnel field was being done by academics. The methodology was a psychometric one, with endless hours of discussion on validity and reliability factors. In 1965, Olaf Sorenson, a psychologist who had worked for many years with G.E. and C.G.E., stated that 95% of the research being done in psychology in general was with animals. While some of the animal-based research - such as Skinner's work[23] - did get transferred into the work situations, most did not. The work of such behavioural scientists as Meyer and French, or the Aston group was a rarity.

Managers who came to a personnel specialist for assistance were immediately suspicious if one mentioned research. They saw them as academics more interested in theories than in work problems. They did, however, tend to react positively to concepts of measurement, particularly since before-and-after measurement could be useful in convincing more senior management to invest large sums in new programmes.

The premise we adopted was that being able to carry out action research was largely a question of timing, and that surveys, appraisal tests, economic information and turnover information were necessary tools. When the client came with a problem, it could be discussed in diagnostic and measurement terms, and with a minimum period of delay, since the hard data available through the system was known, action research could be implemented. While contrary to what was generally being done by personnel practitioners at that time, this approach became an important part of my modus operandi, and facilitated the documentation of findings in a scientific manner.

4.   I found that oral and written communication can be part of a change strategy.

To implement the off-hours training programme had required the development of a seminar to teach line managers how to present sessions with a non-directive approach. The seminar was developed by Jack Sukloff and myself in 1962, and was used annually within Peterborough Works.

In 1963, I was asked to present the
seminar for the Personnel Association of Toronto (PAT).
This association has, for many years, been one of
North America's largest personnel associations, and
claims to be the most active. The seminar was a
success, and was repeated annually until 1970.

This exposure, plus the publication of
two articles[24] on a subject of considerable general
interest - the development of industrial skills in
conjunction with the academic community - led to
invitations as a resource person at conferences,
seminars, etc. This new dimension, as well as
providing a form of unexpected income, gave me
experience in speaking to large groups of people -
up to 1,000 - and fielding questions from the floor.
An unforeseen by-product of these activities was the
increased credibility of the Peterborough management
when they saw a published article or comment on a
programme, such as Progressive Skill Training, which
they rightly felt was theirs. This gave the
programme a renewed impetus, and, in my opinion, the
managers worked harder to ensure the programme's success.

5. I was exposed to the concept of
community responsibility and integration.

C.G.E.'s concept of the organization as
a responsible corporate citizen was accepted throughout
the company. There was an emphasis on community
involvement. The President would chair major charity

drives, most employees would participate in such
service clubs as the Kiwanis, Boy Scouts, Canadian
Mental Health Association, etc. At Peterborough, I saw
a dimension of community involvement which I had not
seen elsewhere. The funding and building of Trent
University was an example of this.

However, what influenced me even more,
was the personnel function's involvement in secondary
school education programmes and their involvement in
our training programmes. After Ted Beal had examined
the machine-cutting portion of our Progressive Skill
Training Programme, under his supervision, academic
credits were offered to people learning machinery
skills.

In addition, the Director of Education
for Peterborough, Eldon Ray, who was also responsible
for the five Peterborough high schools, was impressed
by our approach to non-directive teaching. Senior
staff members, principals, vice-principals, and
guidance heads asked to participate in such C.G.E.
evening management development courses as Business
Fundamentals. They were fascinated by the
non-directive learning dynamics. Their involvement
perhaps culminated when Dr. Ray asked us to develop and
research a high school course in the social sciences.
This interaction between the school system and industry
was impressive to me, producing a synergy through which
the sum of the parts was greater than the whole.

6.   I learned some important elements of introducing change.

While the Peterborough experience did not involve introducing macrochange, it did provide some insight into some of the necessary elements. In any change programme, personal and career expectations are raised; employees want to understand what is going on, and how it will affect them. Through the PBM course, people did receive an appreciation of the C.G.E. management philosophy, and, equally important, they learned a shared management vocabulary, and how they could apply the principles of planning, organizing, integrating, and measuring to their own work. Their managerial performance improved, and there was an interest in further development, which led to the rather extensive evening programme referred to above. This interest in self-development was shared by the blue-collar workers, who annually oversubscribed to the Progressive Skill Training courses and other related courses.

Consequently, the use of in-house designed courses as a reinforcing agent to the change process became part of my modus operandi. I also became aware of the importance of having someone who is very well acquainted with the climate when one is considering introducing change, and is new to the location.   The mores and informal systems are an important consideration in the application of any change strategy, and it is almost impossible for a

consultant, irrespective of how sensitive he is, to become totally aware, without the assistance of someone who has lived for years in the organization.

In the 14 years I spent with C.G.E., a policy of protecting managers' job security was maintained. With the exception of the specialty managers brought in for the aircraft contract in Montreal, during the 14 years, I saw no more than a handful of management people being forced to leave the company. These were primarily for theft or falsifying expense accounts. The company was very strict in any financial matter, and, while they were quite flexible in applying the finance regulations, clear prior arrangements had to be made and approved by the Finance Manager. This proved an excellent training for someone who was about to undertake a career where any misuse of public funds or privilege could be front-page news.

Leaving C.G.E. brought its share of nostalgia: the farewell party which took place in the penthouse of the largest hotel in Peterborough; the last handshake and good wishes by the new General Manager, Stan Adamson, with the assurance that the door swings both ways, and you will always be welcome back.

During the last few weeks at C.G.E., I was busy finishing up projects and making arrangements to launch a research project on job design. I attempted to delay leaving Peterborough until the psychologist hired for the summer had commenced the programme. However, my new employer insisted that I

start work as soon as possible, and I had no other
choice but to leave, impressed by the Government's sense
of urgency.

4.4.9. Greenwood's View of the Extent of Decentralization

In Chapter 2 , mention was made of the
three areas where Greenwood's[25] emphasis and/or
conclusions do not coincide with those of the author.
The first was the impact of the Professional Business
Management Programme; the second, the contribution of
the Individual Development Methods Service ; the third,
the extent to which decentralized management did take
place in G.E.

Greenwood's research was conducted 20
years after the change programme, and, essentially,
involved interviewing senior executives and examining
records. My exposure began with the implementation of
the programme in Canada in 1952, and was basically the
perspective of someone experiencing the change while it
progressed, looking upwards in the hierarchy.

The first two differences in perception
are important, as they can have a vital effect on a
macrochange programme reaching a critical mass stage.
The third issue is also important, as it involves a
criterion of the performance for a change agent. When
does he know, if his objective is to decentralize
management, that the objective has been accomplished?
The following is a brief discussion of these points.

The four Professional Business
Management books represented Cordiner and Smiddy's
thinking on decentralized management. They were the
basis for a course, which, to use Greenwood's term, was
'decentralized'. That is, the course was administered
by the business units.

In Canada, with the exception of Guelph
Works, virtually all personnel who had responsibilities
for managing others - including the foremen and most
of the specialists and individual contributors in such
functions as Personnel, Marketing, Finance, etc. -
were exposed to the PBM programme. As previously
mentioned, the courses lasted 16 weeks, each weekly
session was two and one-half hours in duration, and
required from four to eight hours of preparation.
These assignments were of a practical nature;
participants typically discussed them with colleagues
and/or their bosses. Consequently, a thorough
appreciation of the new concepts developed, as well as
a shared management vocabulary.

Greenwood was correct when he stated
that many of the old-time managers and some of the
'Finance Fraternity' resisted decentralization. It was
extremely difficult for some of these people to
delegate. However, it was through a thorough
appreciation of the new management concepts that many
of the M and P personnel working under the
authoritarian manager were helped to tolerate the
frustration, realizing, through PBM, that, eventually,

the new concepts would be implemented on a company-wide basis. Unfortunately, not everyone could be expected to tolerate an untenable situation, once their expectations had been raised. Some asked for and received transfers, others left the company, but most stayed, waiting until the principles became a reality in their area.

The Individual Development Methods Service (IDMS) was also very useful in helping diffuse the findings of the Behavioural Research Service. Many of the managers, while they wanted to delegate, found that, after years of withholding responsibility, they did not know how to go through the process of establishing objectives. Further, many could not appreciate, in their own selfish interests, how such an approach could contribute to their effectiveness.

The workshops presented by the IDMS helped many managers and individual contributors understand the process, as well as the difficulties in assigning objectives and delegating authority and responsibility. Meyer's research was an important breakthrough in management effectiveness, but it was the work of Kellog's group which made it an accepted practice in the company.

On the third point - the question of the extent of delegation that took place - Greenwood not only grossly underestimated what did occur, but also apparently failed to understand an important

aspect of how delegation takes place. In general
terms - using an illustration from an IDMS
workshop - if work is represented by a triangle, it
can be divided into three segments, as shown in the
diagram below:

CHART 4.3

- INNOVATIVE OBJECTIVES

- PROBLEM SOLVING
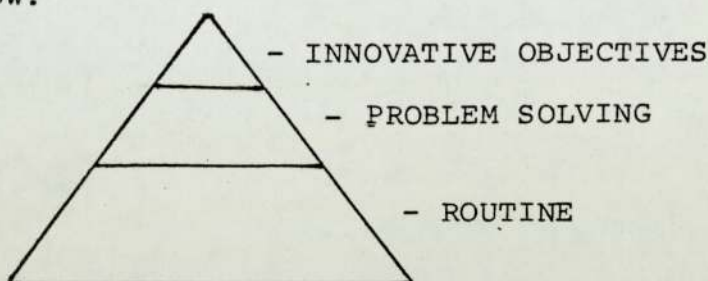
- ROUTINE

The largest portion of most people's
work is routine; all jobs, from the president to the
foreman, contain varying amounts of routine activities.
The next segment of the triangle, which is a smaller
portion, involves problem-solving and decision-making,
which also occurs, to varying degrees, in all jobs.
The smallest section involves the innovative
objectives. These usually number from three to six,
are set on an annual basis, and are typically reviewed
every three months, or as major issues arise. Each
objective is accompanied by the brief action steps
required to complete it. The objective is the work,
the steps the plan and the periodic re-examination,
the review - hence, the term, Work Plan and Review.
It should be noted that all verbiage is minimized, and
three objectives can usually be covered on less than
one page.

The three major inputs to WP&R sessions
are illustrated in the following diagram (See Page 212).

```
┌─────────────┐
│ Strategic   │          CHART 4.4
│ Business    │          ─────────
│ Unit        │
│ Objectives  │
└─────────────┘
┌─────────────┐          ┌─────────────┐
│             │          │ Work plan   │
│ Budget      │          │ and Review  │
│             │          │ Session     │
└─────────────┘          └─────────────┘
┌─────────────┐
│ Position    │
│ Guide       │
└─────────────┘
```
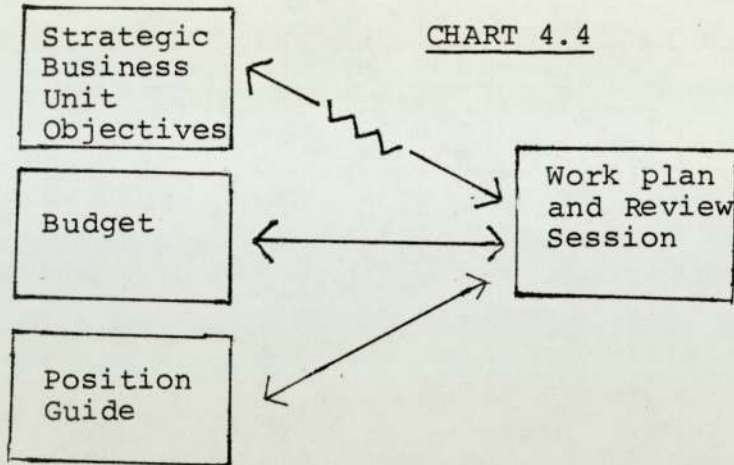
From the strategic business unit,

objectives, the general expectations of M and P

personnel are communicated through the manager, as are

the financial realities within the very general

guidance of the employees' position guide. Two-way

communication is essential.

As mentioned earlier, Kellog indicated

that success at mutually acceptable objective setting

is judged on the basis of whether genuine negotiations

between the boss and subordinate takes place. In an

interview in 1969, Kellog also mentioned that, when

consultants from the McKinsey Company were called in to

help with long-term strategic planning, they observed

that G.E. had the best bottom-up planning of any

organization they had examined.

This general approach is how G.E. is

managed. Yet Greenwood states in the final page of his

book:

> With all the emphasis on
> measuring managers on their
> performance, it is interesting that
> the only measurements that have

been developed to any extent are
applicable to operations solely.
The measurements of services and
the functional areas along with
individual contributions above or
below the profit center level have
not been developed as yet.
Therefore, after twenty years of
researching and practicing its
decentralization philosophy,
General Electric has not developed
a sound, generally acceptable
measurement for any manager,
consultant, or high-level
individual contributor, other than
the manager of a profit center.
There are less than two hundred of
these positions out of over
400,000 employees.[26]

What Greenwood has missed is that work
in G.E. is considered as dynamic; consequently,
objectives and measurements - criteria of
accomplishment - must be flexible. While meaningful
standards of performance can be established for a
business unit, attempts to establish bureaucratic
measurements for those who work within the units cannot
and should not be established. If this had been done,
the delegation that Cordiner and Smiddy were trying to
accomplish would have been defeated.

In conclusion, the above quote is highly
misleading. Most, but not all, of the managers and
specialists at G.E., including first-line foremen, do
have changing criteria of performance, normally
expressed as objectives, which are the basis for their
performance measurement. In the author's view, the
1950 change programme has reached a critical mass
stage. Delegation, in most business units, has taken
place to the level that Cordiner and Smiddy envisaged,

and this involves tens of thousands of G.E. and C.G.E.

managers and individual contributors.

4.5.   Canadian Federal Civil Service   -

          June 1966 to November 1971

          On September 16, 1960, by Order in

Council, a Royal Commission of Government Organization,

commonly referred to as the Glassco Commission, was

appointed. The commissioners were directed:

> . . . to enquire into and report
> upon the organization and methods
> of operation of the departments
> and agencies of the Government of
> Canada and to recommend the
> changes therein which they
> consider would best promote
> efficiency, economy and improved
> service in the dispatch of public
> business.[27]

          As a Commissioner noted:

> . . . it was clear from the start
> that this broad directive imposed
> a formidable task, but just how
> formidable became evident only as
> the work of research staff
> revealed the extent and diversity
> of the activities of the
> Government of Canada. A total of
> 116 departments and agencies were
> identified . . . (with) a total
> work force of 480,000 people
> (including the Armed Services).
> This was more than seven percent
> of the Canadian work force,
> roughly equal to the number
> employed in the 25 largest
> industrial corporations or the 60
> largest manufacturing concerns in
> Canada.[28]

Further, the Commissioners state that:

. . . the most obvious feature of
the Canadian setting is the size
and regional diversity of the
country. The effect of this
diversity on the political process
in Canada has long been recognized,
but its relevance to the machinery
of administration seems to have
been largely overlooked. Yet the
task of national administration in
Canada is clearly different from
that in more compact and homogeneous
countries.[29]

On July 18, 1962, almost two years

later, the Report of the Royal Commission was

submitted to the Governor General in Council.

Detailed recommendations were given throughout the

Report, as a result of the intensive study conducted.

A summary of the recommendations was that:

. . . efficient conduct of the
nation's business urgently
requires the development of
competent management services
groups, both centrally and
departmentally, to be responsible
for achieving efficient operations
through prudent use of recognized
administrative techniques.[30]

Not unexpectedly, the Report,
among other things, sharply
criticized the state of personnel
management in the Civil Service.
To begin with, instead of any
centralized or overall planning,
it discovered only a plethora of
detailed controls split among the
CSC (Civil Service Commission),
the Treasury Board and the
departments. . . . The main
villain emerging from the pages of
the Glassco Report was the CSC,
the body historically concerned
with most facets of personnel
management and, because of its
desire to ensure uniformity of
treatment of civil servants, the
organization largely responsible

for the growth of controls.
The Glassco Commission found these
controls permeating all activities
which were the responsibility of
the CSC.[31]

The Glassco Commission, in discussing

the management of human resources, stated:

The charges laid at the doorstep
of the personnel management
system, and largely confirmed by
our investigation, can be bluntly
stated: that there is a waste of
human resources because of the
failure to give orderly
consideration to the best methods
of providing and utilizing people
and the consequent frustration of
many individual careers; the
procedures being costly and time
consuming; personnel management in
departments being generally
misdirected, mainly because
accountability for the effective
use of personnel is fragmented or
virtually non-existent. The
general conclusion, that
departments and agencies should be
vested with the responsibility and
authority to manage their own
personnel, is supported in later
sections of this report by an
examination of particular
deficiencies in present methods of
dealing with most aspects of
personnel management.[32]

The Report recommended that departments

and agencies be given the authority necessary to manage

their own personnel, and that they be held accountable

for efficient performance. In addition, it advised

that the personnel functions be strengthened by the

appointment of Chief Personnel Officers, with

adequate staffs of personnel specialists. To

accomplish this, it recommended that a new act be

passed that would give the departments and agencies

responsibility for personnel management.

The Report was much discussed, and committees were appointed to examine the sweeping changes recommended by the Royal Commission. By June of 1963, the government gave modified approval to the Glassco Commission recommendations that departments be given authority to manage their own personnel, and be held accountable for efficient performance. In addition, the controls formerly exercised by the CSC were modified, although not nearly to the degree recommended by the Glassco Commission. At any rate, a new approach to the personnel function had been conceived. There remained the challenge of implementation.

To accomplish this, three essential ingredients were needed. First, the addition of professional expertise in personnel management in sufficient numbers to staff the department. Second, new leadership for the Civil Service Commission, and, third, a new Public Service Employment Act which would permit the official delegation of personnel management matters to the departments and agencies.

A major hiring programme for personnel expertise had begun in 1964. John J. Carson, who had been a member of the Glassco Commission, was appointed by the Prime Minister in 1965 for a 10 year period as Chairman of the Civil Service Commission (changed in name to the Public Service Commission, or PSC). The drafting of the new act commenced, and the Public Service Employment Act was passed in 1967.

Carson's view of the five major problem areas, stated as briefly as possible, was that:

a. The great majority of public servants feel they are remote from the source of decisions.

b. Controls appear arbitrary, and often seem to go against common sense and fairness.

c. There is a lack of involvement in establishing objectives.

d. It is difficult to see the significance of individual achievement.

e. Communication is often one-way or non-existent.

To overcome these problems and to introduce greater departmental autonomy, Carson attempted to make the personnel function act as a catalyst with the role of bringing about a massive change in the government's approach to its manpower and management problems. He stated:

> This stimulating and exciting
> exercise forced me to focus on some
> of the limitations of our
> 'profession' (on a national basis).
> In some respects we are
> underdeveloped or, at best, a very
> unevenly developed group. From
> the 2,000 supposedly experienced
> (personnel) people who applied
> from outside, we were only able to
> select 100.[33]

The hiring, the indoctrination process into the Public Service was conducted with a sense of urgency. It appeared to be an organization introducing change with energy. It took approximately six weeks to appreciate that I had been hired to an existing

position list, but for a non-existent job. That is,
there was authority to hire someone, but there was no
work for the person. However, in a relatively short
period of time, I became Director of the non-existent
Personnel Consulting Division (PCD); while there were
no official duties, a considerable amount of work
existed. An account of how this came about is
presented in Appendix 4.7.

4.5.1   The Personnel Consulting Division

          The Bureau of Management Consulting
Services offered a number of services to all Federal
Government departments and agencies; a chart of the
various divisions is shown below:

CHART 4.5
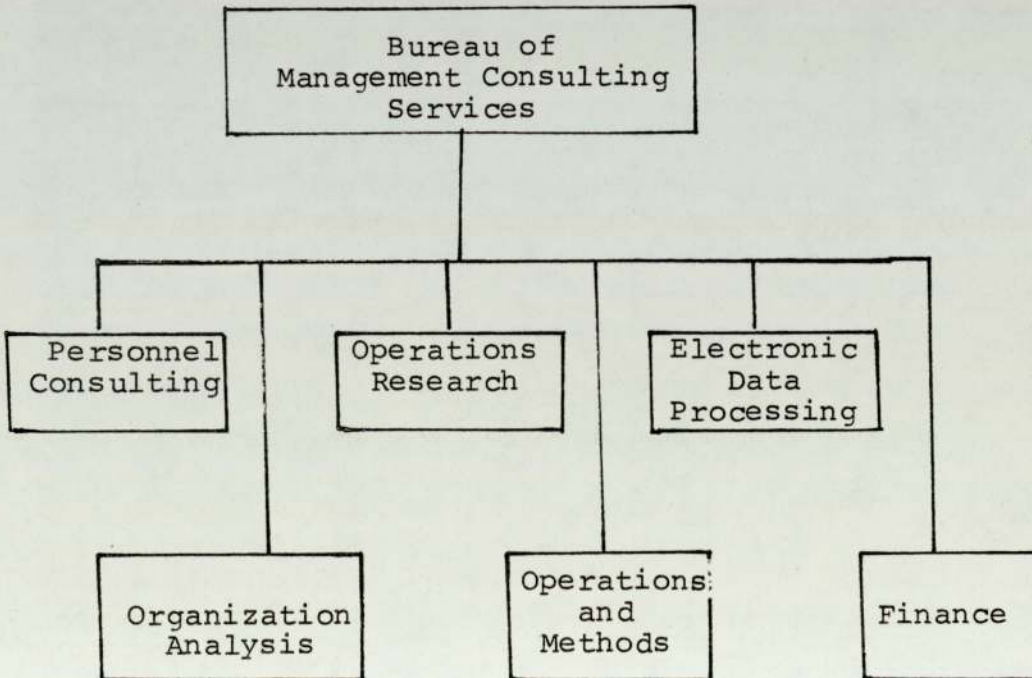
In 1969, the Bureau was transferred to
the Department of Supply and Service. This transfer
was made to remove the Bureau from any possible
influence of a control agency (PSC), and to provide the
possibility of more objective service to the client
departments and agencies.

The purpose, responsibilities, and
general terms of reference of the Personnel Consulting
Division can be summarized as follows: on the request
of a department's deputy minister, and in conjunction
with personnel policies established by the Treasury
Board and the PSC, the Division analyzed current
personnel programmes, recommended changes, and, on
occasion, assisted implementing the recommendations.
All changes were designed to develop personnel
programmes, to help the department or agency more
effectively meet its objectives.

A summary of the consulting style is
presented below. The purpose and responsibilities of
the PCD, as outlined above, were accomplished by the
following procedures:

- Surveys of the officers and staff and
   identification of personnel problems manifested
   in the department's current programmes.
- Analysis of findings to determine if the problems
   were as manifested, or if there were other,
   latent factors involved.
- Meetings with central agency representatives
   (PSC and Treasury Board) to explain and promote

understanding of the department's needs within
the framework of the central agencies' policies
and recommended procedures.

- Formulation of programmes to meet the
  department's needs. These programmes, or action
  plans were outlined in reports, which were
  discussed with the department's senior officers;
  recommendations were made on the use of other
  advisory services to supply specialized knowledge
  and skill which could help maximize the use of
  the department's personnel.

In addition to these prescribed
routines, the PCD scheduled regular internal staff
meetings to discuss informally requests for studies,
terms of reference, methodology, findings, proposed
recommendations, and methods of presentation. The
members of the Division also established the policy of
supplementing resources with any available skills from
either inside or outside the Public Service. The
Bureau's other divisions provided the most immediately
available supplementary resource. A good deal of
consideration was given to establishing a method of
evaluating the completed studies.

Four criteria were thought to be
important in this measurement, and were as follows:

1.   The degree the research had helped the
client resolve the problem, measured by the insight
obtained, percentage of recommendations implemented,

and, if possible, a qualitative value of the recommendations.

2.   Having once completed the study, the type of insight obtained which would enable improved methodology on a second application.

3.   Findings in the study which would contribute to the existing body of knowledge diffused through articles for professional, academic and commercial journals circulating the report, addresses, etc.

4.   The personal 'stretch' for the consultant or research assistant in terms of his professional development, including his next logical assignment, bearing in mind the Division's work load and his development interest and needs.

There were a number of different types of studies undertaken by the PCD.   The studies are categorized into six main types, plus an additional group called professional opinion.   This latter group was of short duration, averaging approximately two man-days, and is not included in the following data.

The six main categories were Personnel Management, Manpower Planning and Utilization, Descriptive Research, Climate Reviews, Management by Objectives, and Organization Development.   The average time to complete each study was 12 calendar months; the number of people involved averaged 48 man-months per study.   The size of the teams ranged from one to 18

people, with an average of four. Typically, the
studies were requested by a deputy minister, and
usually, there was a high level of feedback to
the client throughout the study.

While there was a considerable range
in implementation and satisfaction, an independent
study[34] showed that approximately 60 per cent of
the recommendations were implemented by the client.
Most reports were released by the client for the
use of other departments. Thirteen of the studies
were the basis of articles in journals or the
popular press. One study was published as a
monograph, and two were mentioned in the House of
Commons.

A summary of the information on
the 25 studies is presented in the following
chart, Division Projects - 1967 - 1970 (See
Page 224).   Explanation of chart and abbreviations
begins on Page 225.

Between 1967 and 1970, 32 studies
were undertaken by the Division. Eight studies
were not included in the independent study,
because they were either in progress, or too
recently completed to be measured vis-à-vis
implementation, etc.

CHART 4.6

DIVISION PROJECTS - 1967 - 1970

Study	No.	Dura-tion	Resources	Diagnostic Strategies	Request-ing Client	Degree of Clt. Feed-back	Exter-nal Publi-cation
CATEGORY 1 Personnel Management	8	5 MM	Mode 2 Rge 1-4 Fm: DS, CR, B.	Interviews Records	DM 90% DP 10%	High	None
CATEGORY 2 Manpower Planning & Utilization	5	3 MY	Mode 6 Rge 4-15 Fm: DS,DC DRS,B,CR PS,Priv, A.	Interviews Tests(Psych) Quest.Group Work Recs.	DM 60% DP 40%	Low	AJ PJ
CATEGORY 3 Descriptive Research	3	2 MY	Mode 3 Rge 3-18 Fm: DS,DC DRS,B,PS	Interviews Quest.Recs.	SE 100%	Low	AJ PJ MJ PP M
CATEGORY 4 Climate Re-view a)as a change strategy b)as a meas-ure of change	2 3	3 MM 10 MD	Mode 1 Rge N/A Fm: DS, DRS. Mode 1 Rge 1 Fm: DRS	Quest. Group Work Interviews Quest. Interviews	DGB 100% DM 100%	High Medium	None AJ PJ
CATEGORY 5 Management by Objectives Pilot Pro-jects	3	18 MM	Mode 3 Rge 3-5 Fm: DS, CR, Priv.,A.	Interviews Quest. Group work	DM 100%	High	AJ PM
CATEGORY 6 Organization Development	1	60 MY	Mode 15 Rge N/A Fm:DS,DC, DRS,B,CR PS,Priv. A	Interviews Group Work Quest. Recs.	DM 100%	High	AJ PJ
Professional Opinion	250	2 MD	Mode 1 Rge 1-2 Fm:DS,DC DRS,Priv.	Interviews	PS 60% PD 30% DM 10%	N/A	None

Explanation of Chart

Column 1 - Type of study

Column 2 - Number of studies

Column 3 - Duration of a typical study

Column 4 - Information on three aspects of the resources

    Mode: The number of people most commonly utilized

    Range: The range of people utilized in various studies

    From: Where the study team was recruited from:

    DS - Division Senior Consultant
    DC - Division Consultant
    DRS - Division Research Specialist
    B - Other Bureau Divisions
    CR - Client Resources
    PS - Public Service
    Priv - Private Sector
    A - Academic Sector

Column 5 - The Diagnostic Strategies utilized in the fact-finding stage, in order of emphasis

Column 6 - The Requesting Client

    DP - Director Personnel or Senior Personnel Executive in a department
    SE - Senior Executive in a central agency
    PS - Personnel Specialist; usually reporting to a Director of Personnel or one level lower
    DGB - Director General of the Bureau of Management Consulting Service

Column 7 - The external publications

    AJ - Academic journal
    PJ - Professional journal
    MJ - Management journal
    PP - Popular press (newspaper articles, items, editorials, etc.)
    M - Monographs

In summary, the PCD was established in April of 1967. The Division was action research oriented, and its mandate and the large volume of requests for service afforded considerable discretion in how it deployed resources (although it should be noted that it had no line authority whatsoever). The management style was participative, and was frequently supplemented by resources from other members of the Public Service, as well as from the private and academic sectors.

A method of measuring completed studies was established. The initial staff of six represented a mix of disciplines, predominantly from the social sciences. Selection of clients was made on the basis of how critical their problem appeared to be, the degree PCD could possibly assist, and the resources available, as well as the likelihood of implementation.

In Chapter 2 of this thesis, the evolution of Mark I and II was briefly reviewed. By 1968, I was fascinated by the potential of such approaches, and made arrangements to attend Loughborough University's M.Sc. programme in Human and Environmental studies.

Loughborough had been recommended to me by Douglas Bunker of the University of Buffalo as being active in the area of planned change. The literature on the programme was compatible with my interest, and the possibility of continuing with a Ph.D. by external research had considerable appeal.

Unfortunately, due to an extensive reorganization in the Post Office, in which I was asked to implement the organization planning and development portion, the sabbatical was delayed one year. During this year, 1969, the Bureau of Management Consulting Services was transferred to the Department of Supply and Services, and the new Deputy Minister was reluctant to honour the rather vague gentleman's agreement relevant to the sabbatical. However, rather typically of the Public Service, the hiring commitment was eventually verified and honoured.

4.5.2   Loughborough -
          September 1970 to September 1971

In 1970, before leaving for England, I was offered a position with Air Canada. Like the Post Office, they had gone through a major reorganization, and wanted someone to act as a change agent in the role of Director of Organization Planning and Development (See Appendix 4.8). While their offer included support for continuing education, as well as a 60% increase in salary, it would have meant postponing the sabbatical at least two, or perhaps three years. Consequently, the offer was refused, and, in September of 1970, I began the long-planned-for educational leave. Loughborough was an enriching experience, both academically and socially.

The academic path I chose was to attend
the lectures, read the related material, and complete a
research thesis by documenting the Mark I and Mark II
diagnostic approaches. I felt that when this was
completed, I would be in a position to return to
Canada, and design and apply a Mark III, which could be
the basis for a Ph.D. thesis.

One of the advantages of working in a
large organization such as the Government of Canada is
the data pool for research projects. If one had a
practical new concept, there always seemed to be
someone interested in using his department for a pilot
application.

The challenge was documenting a
dissertation in the prescribed manner. This, however,
was to be expected, and, with the usual number of
drafts, the thesis was completed.

Another challenge was the publication of
a two-part article on the application of Management By
Objectives and Business Planning in two Federal
Government Departments.[35] The difficulties of ensuring
accuracy and editorial approval 3,000 miles away were
very different from being near the place of
publication. In view of dropping out of the Canadian
scene for a year, and realizing that the work world
would progress without me, and the possibility of
coming back 'out of touch', I felt that publishing the
two articles while I was away would help me to maintain
a type of presence in Canada.

While this absence had been voiced as a concern by a number of people in my age group who were contemplating sabbaticals, in my case, it did not result in any lack of continued opportunities for career progress. In the year I was away, I had three firm job offers, and was approached on two others. The Post Office wanted me to come back to a position which would lead to Assistant Deputy Minister of Personnel. The Bureau of Management Consulting Services wanted to create a new Division, specializing in new product design. The Director General, John Toller, felt that the Bureau should capitalize on the innovations the PCD had already introduced to the government, as well as on my exposure in England to additional concepts by establishing a new Division within the Bureau.

Air Canada had made another enquiry, as to whether I would be prepared to join the airline on completion of my studies in September. They had not yet appointed the internal consultant to direct their massive change programme, which had been progressing for approximately one year.

While the situation had considerable appeal, I felt a certain responsibility to go back to the government, since they were paying for the sabbatical. While no agreement had been signed, I told Dave Tennant, the Vice-President of Personnel that I felt an obligation to go back to the Bureau.
Three weeks later, he telephoned England again, and

asked if I would come, if he could borrow me for two years.

I was unaware that Prime Minister Trudeau had announced what became known as Trudeau's people swap.[36] The objectives were discussed in the December 11, 1971 issue of the Financial Post (See Appendix 4.9)

The objectives were to increase mutual understanding between the Government and private companies, emphasizing the fact that the Federal Government stands in constant need of executives and managers trained in modern business techniques. Tennant, having become aware of the programme, had invited John Carson, Chairman of the Public Service Commission, to meet the Air Canada executives, and explain the concept. In this meeting, he proposed an exchange by which I would come to Air Canada, and, at some future date, they would send someone to the Federal Government. I became one of the first senior management people to leave the Government on this exchange programme.

4.5.3.   What Was Learned

1.   One of the important learning experiences was coping with size.

While General Electric and the Federal Government, excluding the armed forces, were approximately the same size (250,000 employees),

General Electric was far more manageable. One major

reason was the size of the strategic business units in

G.E., as compared to the size of Government

Departments. In C.G.E., in the largest division of the

company, there were 6,000 employees. In the Federal

Government, the largest Department was the Post Office,

with approximately 50,000 employees. Introducing

change to the Post Office was far more complex and

difficult than in C.G.E.

The Post Office had undergone an

extensive study by the consulting firm of Kates, Peat,

Marwick and Mitchell (KPM), in 1968. KPM had

recommended a reorganization based on the creation of

four highly decentralized regions. While remaining

members of the Bureau of Management Consulting

Services, the PCD accepted a request to assist the Post

Office in implementing the KPM recommendations.

In the Post Office, I occupied the new

position of Director of Organization Planning and

Development, and three of the PCD consultants became

part of the staff. Our prime responsibility was to

assist in the decentralization process by establishing

the four regional substructures, and introducing a form

of negotiated participative management which we called

business planning. An article was published by

the author which explains the concept in some

detail.[37]

My tenure in the Post Office occupied 75% of my time for one year. While it was clearly not sufficiently long for the new management style to reach a critical mass stage, it did allow me to develop a strategy to design and introduce a macrochange programme. This was the third project in the Federal Government where the mandate was to introduce a new management style. The first one was documented in the article, "Manpower Planning, a Subsystem to Management By Objectives".[38] The second project dealt with small groups of only 30 people.

In both projects, the change strategy was developed by the PCD and two experienced consultants - one from the PCD, and one from outside the Government - introduced the concepts. Both projects were researched. The second was done more scientifically, with before-and-after attitude measures, including both an experimental and a control group.

The findings were that the pilot groups were:

> . . . highly enthusiastic, able to
> sort out objectives and put them
> in meaningful terms - ended up
> with a significantly different
> list of priorities - the
> superior-subordinate dialogue
> created a richer communication
> flow than had previously existed -
> it took two to three times as much
> time for individuals to work out
> objectives, discuss them with
> their supervisors than had been
> visualized. Impressionistic
> judgment strongly suggests that

investment would have an economic
benefit from ten- to twenty-fold
or more of its costs.[39]

The challenge in the Post Office was to
introduce these concepts on a macro basis to a
potential of over 4,000 managers. Using Kellog and
Humble,[40] and our own experiences, a group of
consultant trainers were developed, who presented
seminars on management philosophy, the consulting
process, and the role of the consultant in the Post
Office setting. A consultant was assigned to each of
the major functional units reporting to the senior
manager.

In two years, the business planning
concept was a reality, although it never reached the
first-line supervisors, as originally planned. The
implementation of this programme was invaluable to me
in terms of introducing macrochange programmes.

2.   I found that career orientation was
different in the Public Service.

One of the unwritten departmental codes
of 'Capital Hill' is to protect your Minister,
primarily from the Opposition's attacks in the House of
Commons. The Opposition tends to look for scandals,
typically involving the misuse of funds. The Deputy
Minister protects his Minister by being aware of, and
controlling most activities within his Department.

This approach to administration is not
conducive to delegating clear goals and work plans to
the lower levels of the hierarchy. Administration

takes place by a cumbersome form of adherence to
written policies and procedures. There was very little
satisfaction from this approach, and especially when
compared with C.G.E., where responsibility was
delegated, and, if managing effectively, recognition
was received for performance.

Unfortunately, in the Public Service,
the system rewarded the size of the work force
The more people one had, the higher one's level and
corresponding salary range. It is dangerous to
generalize, as pockets of almost anything could be
found in the departments, including highly efficient
results-oriented segments. In general, officers tended
to look towards career accomplishment in terms of level
increase, rather than in terms of achieving work
objectives. They would readily leave a two-year
project six months after it had begun if, by doing so,
they would receive a promotion.

In the PCD study of executive career
paths, the officers who had reached the senior levels
most rapidly were those who had been the most mobile.
There was a direct correlation between progress and
mobility.

What I observed was that this mobility
was non-productive, and that one of its fundamental
causes was the lack of job satisfaction obtainable due
to the administrative style common in the Public
Service. For example, six months after the PCD was
officially founded, and my Director's position

established at the senior officer level, I was offered
a promotion to the senior training job in the
Government. I refused, feeling an obligation to stay
with the Division and the people who were hired for at
least two years until it was firmly established.

In my experience with the Public Service
this type of offer to high-potential, visible people
was common. In fact, when a consultant was hired -
either internally or externally - I predicted that he
would receive an offer of a higher level job within
three to six months of starting in the Division
Consequently, I asked candidates for a 'gentleman's'
commitment to stay for a specified time - usually,
one year to 18 months. In all cases, the predicted
offer materialized. All those hired from the outside
honoured the commitment. Fifty per cent of those hired
internally did not.

3.   I learned something about managing in
the Public Service.

The five years spent in the Public
Service made me aware of the difficulties of learning
to manage in the Federal Government - the lack of
budgets and specific objectives at and below the
middle level of management are two of the problems in
the public sector. In the private sector, many
managers, down to the first-line level, have budgets if
for no other reason than costing their contributed
content. Subsequently, objectives can readily be

related, as well as information systems designed to feed back progress.

These managerial tools did not exist in most areas of the Federal Government, thereby limiting the psychic income people could derive from their jobs. Unfortunately, such objectives were replaced by an interest in hygiene factors, the size of offices, and endless arguments with the Bureau of Classification and Review on salary levels. A hierarchy of Departments had been built up with External Affairs officers at one end and the Post Office officers at the other.

All these aspects, and many others, limited productivity. While there was some improvement in this area, I estimated that the productivity on average across the Public Service was approximately 50% of that in the private sector; yet, officers in the Public Service are bright, well-read, and are aware of public opinion that they are not effective managers.

The most dramatic improvement I witnessed was when the Bureau , on April 1, 1970, started to charge for its services. Objectives were set up to feed back attainment to the individual consultants. In effect, we made bids on studies, charging a daily consulting rate for the individual consultants involved. Prior to this, there had always been at least 50% of the consultants working in their offices. It had been the custom in most divisions to meet for a coffee break in the morning. These breaks were stimulating, as various topics, including

individual studies, were discussed. However, they were
also time-consuming, and frequently lasted an hour.

The day we started to charge for our
services, the Bureau was virtually empty, and there was
practically no one at the coffee break. The
consultants were out booking time with clients. In my
opinion, productivity increased something like 50% that
day and henceforth. The PCD, in its first month,
charged 86.1% of available time to clients. In the
first six months, it never charged less than 73% of its
available time.

While this is only one incident of an
improvement, it reinforced my belief in negotiative,
participative management as a means of increasing both
the organization effectiveness and the individual
psychic income or job satisfaction. Although the
timing was right for macrochange, there was no Ralph
Cordiner to lead the Public Service into a
significantly improved era of managerial effectiveness.

4.   One positive aspect of the Public
Service was the system for hiring and promoting. It
originated in 1918 to avoid political patronage. It
was cumbersome, since it took an average of nine
months to fill a position at the officer level, but
candidates were selected without political
implications.

5.   Another positive aspect of the Public
Service was the opportunity of doing research in the

behavioural science field. Many of the studies the
PCD conducted could have been used for graduate
theses. The study of executive career paths
took 14 months to complete, and met high standards of
innovation and of contribution to the existing body of
knowledge. Professor Edwin Ghiselli of the University
of California urged that it be published, and wrote the
preface for it, in which he said:

> The Rate Factor developed by the
> Bureau of Management Consulting
> Services of the Canadian Public
> Service, which is described here,
> is a new and very interesting way
> of measuring the success of
> managers. It provides precise and
> quantitative description of
> managers' success in career terms
> however long or short those
> careers might have been. This
> flexibility is only one of the
> Rate Factor's many excellent
> qualities. It is completely
> objective, and therefore does not
> depend upon fallible human
> judgment. Furthermore, it is a
> function of the two most obvious
> marks of managerial success, viz.,
> level achieved in the
> organization, and salary.[41]

Professor D. Bunker of the University of
Buffalo stated that the approach to diagnosis was
realistic, unprecedented, and could be generalized
upon . For someone with my interest in a Ph.D., this
large data pool, as well as a mandate to design new
approaches to organization effectiveness, had
considerable appeal.

When Tennant, Vice-President of
Personnel, again offered me the position of Director of
Organization Planning and Development, it included an

understanding that I could document the change process
in Air Canada for a Ph.D.   On this basis, I accepted
his offer.

4.6.   Summary of Consultancy Style

            Krumboltz, in dealing with career
selection and evolution, has observed that:

> Human beings are capable of
> relating their observations of
> themselves and of their
> environment in such a way as to
> make possible projections into the
> future as well as inferences about
> the past. Task approach skills are
> defined as cognitive and
> performance abilities and
> emotional predispositions for
> coping with the environment,
> interpreting it in relation to
> self-observation generalizations,
> and making covert or overt
> predictions about future events.
> They include work habits, mental
> sets, perceptual and thought
> processes, performance standards
> and values, problem orientating,
> and emotional responses.[42]

            In short, this describes the set of
reactions a consultant is likely to bring to a
specific project.

            In this chapter, the author has attempted
to review this complex interaction of variables.
Starting from the family and cultural background, eight
phases of work experiences, seven formal education and
development experiences, and three major career
decisions have been presented. They are shown in the
following diagram on Page 240 .

CHART 4.7

MODEL OF WORK AND EDUCATIONAL EXPERIENCE RESULTING IN A CONSULTANCY STYLE

Row 1:

BACKGROUND
ENTREPRE-
NEURIAL
BI-CULTURAL
ENGLISH
FRENCH

1 - 13

(2 YEARS OF B.A. (PSYCH.))

SKILLED + SEMI-SKILLED GRASS ROOTS EXPERIENCE

14 - 23

ALLAN'S BEVERAGES LINE RESPONSIBILITY

24 - 25

MARCLIFFE MOTORS GEN. MGT.

25 - 26

DECISION TO GO INTO PERSONNEL WORK.

Row 2:

(1½ YEARS B.A. EVENING COURSES)

CGE MONTREAL EMPLOYMENT DECENTRALIZATION

27 - 30

(EFFECTIVE SPEAKING COURSE)

CGE GUELPH UNION RELATIONS, ROLES + RESPONSIBILITIES

30 - 33

(PBM COURSE)

CGE REXDALE MACRO CHANGE PERSONNEL MGT PBM.

34 - 37

(½ YEAR TO FINISH B.A.) (CROTONVILLE ORG. CHANGE + BEHAVIOR COURSE)

CGE PETER-BOROUGH EDUCATION + TRAINING - RESEARCH.

37 - 40

DECISION TO JOIN FEDERAL GOVERNMENT

Row 3:

FED. GOVT. ORG. DIAGNOSIS + CHANGE

41 - 45

(H.Sc. LOUGHBOROUGH HUMAN + ENVIRONMENTAL STUDIES)

45 - 46

DECISION TO JOIN AIR CANADA

The person Air Canada finally hired was eclectic, and had been involved in seven turnarounds. Change was thought of in terms of reaching a critical mass stage. There was no such thing as a perfect strategy; eighty per cent was as close to perfection as one could get. In any change situation, one had to expect counteracting forces and ideas (favourite sayings: "It isn't a four-square world," and, "There is no Santa Claus."). No one can come into a change situation with a prescribed set of appropriate strategies; a comment made to the Air Canada executives was: "You are hiring an analyst, not an almanac; I do not know the appropriate solutions at this point in time." Consequently, a belief that an in-depth diagnosis must be carried out prior to attempting to action plan or implement was an important concept.

Yet, irrespective of how sound the diagnosis, unless there is a top executive or executives genuinely concerned and committed to the introduction of change, and realizing that it will take considerable time to implement, there is very little chance that the programme will reach a critical mass stage. A macrochange programme must belong to the chief executive, and, although the change agent is very important, he must maintain a low profile. It is mandatory that the consultant ally himself to people who know the formal and informal organization, and that this person or persons have an appreciation, through past experience, in introducing some sort of change.

Unions can be supportive; their leaders are democratically elected. If one convinces the union president of supporting a particular change strategy which the membership is not ready to accept, he may very well be voted out of office at the next election. Therefore, one should make sure that the union executive is coming along with him. This slows the process, but is the only sound way to introduce lasting change and create a problem-solving approach with a union executive.

Finally, participative management, based on negotiations between the management incumbents, is effective. Not only does it make the organization more effective, but it can self-actualize the employee, making his job more meaningful, and, introduced in a non-threatening manner, can prepare the boss to delegate in an objective manner, without seemingly abdicating his responsibilities.

Well-planned interrelated strategies designed by social scientists can be seen as too complex and/or theoretical. They tend to invite criticism and resistance. Alternatively, strategies brought forward to alleviate an operational problem tend to be seen as practical. Pilot projects are perceived as non-threatening, and management is more ready to adopt a generic approach if it appears to have worked elsewhere in the organization.

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PART III

THE EVOLVING STRATEGIES AND

THEIR IMPLEMENTATION

CHAPTER 5:

SITUATIONAL ANALYSIS
AND INTERIM STRATEGIES

PART III

THE EVOLVING STRATEGIES AND
THEIR IMPLEMENTATION

CHAPTER 5:

SITUATIONAL ANALYSIS
AND INTERIM STRATEGIES

Table of Contents - Continued/

PART III

CHAPTER 5:

SITUATIONAL ANALYSIS
AND INTERIM STRATEGIES

This chapter will consist of the
author's introduction to Air Canada in November of
1971, and what had occurred since the implementation of
the new structure, following the McKinsey study some 18
months earlier. Next, the client's view of the task,
which differed from the diagnosis of the Organization
Planning and Development Division (OP&D), will be
discussed. It was found that certain situations had
occurred which had to be rectified before a macrochange
programme could be introduced. Finally, the
introduction of interim strategies, which became part
of the macrochange programme will be described.

5.1.   First Impressions

        The Vice-President of Personnel,
Dave Tennant, negotiated, through the Chairman of the
Federal Public Service Commission, the right to offer
me the position of Director of OP&D on a secondment
basis for two years. This offered the interesting
challenge of introducing a macrochange programme to
Air Canada. It was, however, important to determine if
the timing was right. One negative element -
particularly for my family - was that taking the
position would mean another move, having just returned
from a year in England.

        As noted earlier, the position had been
vacant for 18 months, and Tennant had offered it to two
other people. Both had refused, primarily because of
Air Canada's reputation for starting management change
programmes and not completing them.

        The McKinsey consultants reiterated the
importance of filling the job as a key one for
implementing the agreed-upon recommendations. By this
time, the Chief Executive Officer (C.E.O.), Yves
Pratte, however, was reluctant, because a manpower
freeze had been announced in September of 1971, and to
hire someone would have been contrary to this policy.

        During October, a series of interviews
was arranged for me. Five of these were with Tennant,
three with the C.E.O., one with the President, John

Baldwin, and one each with the three most senior

executives - Marketing Vice-President, Yves Menard;

Customer Service Vice-President, Jim McLean; and

Finance Vice-President, Earl Orser. All these

executives had read at least one of my published

articles on introducing change, and the C.E.O. read and

discussed three of them[1] with me. This was a

convenient way of having them understand my value

system and modus operandi.

In discussing Air Canada's problems, all

the senior executives talked primarily in terms of the

May, 1970 McKinsey recommendations. The C.E.O.,

President, Personnel and Customer Service

Vice-Presidents had, immediately after the

reorganization, visited the various regions, and stated

to all managers the reasons for certain changes. These

presentations were summarized in InfoManagement[2] (a

newly-established bi-weekly management newsletter), and

were given to me to read as an overview of the required

change.

The sessions across the system were

referred to officially as System Management Sessions,

and, unofficially, as "The Road Show of the Four

Horsemen". As the newly-created positions of the

Vice-Presidents of Finance and of Marketing had not

then been filled, the "Four Horsemen" included material

on these functions. The following is a summary of

their presentations:

1.   The President emphasized several important areas:

- The need to strengthen marketing.

- The maintenance and improvement of service to customers.

- The control of operational costs.

- The establishment of a company-wide support group at Headquarters.

- The need for better long-term planning.

- The need for a more responsible role for managers.

He stated:

> It was quite obvious from the
> (McKinsey) study of the environment
> and the challenges that lie ahead,
> from the review of the corporate
> organization, and from comments of
> our management people, that
> dramatic changes were required;
> changes that would cover not only
> the organizational structure but
> processes and styles.[3]

2.   The Vice-President of Customer Service talked in specific, realistic, industry terms, and stated that:

- The industry is fiercely competitive.

- The airline business is increasingly expensive to operate.

- The company must be managed as a system.

- The airline is people-intensive.

He perceived the newly-established Operational Planning Branch as bringing together all Branches to develop an integrated operational plan.

It becomes, in effect, the centre
of gravity of our system, bringing
together the special interests of
each Branch and working with all
Branches around the hub of
corporate goals and objectives.
The organization of an airline is,
in fact, a series of
interdependencies which must
operate as an integrated system.[4]

He also emphasized individual accountability, ensuring that the individual had authority to do the job, and authority to act decisively, so that decision-making was as close to the action as possible.

3.   The Personnel Vice-President talked of the use of people in the development of effective processes, giving two illustrations - internal communications and manpower planning. He announced that a management Manpower Planning Programme would be ready in mid-February of 1971, and that a non-management programme would be implemented some months after the first programme was installed.[5]

4.   The C.E.O. urged managers to change their style, to avoid being mere administrators, and to become true managers, masters of the company, and of their own destiny, and not to allow environmental factors outside the company to dictate their actions. He went on to discuss corporate goals rolled down from the top, to the setting of targets for subordinates. Emphasis was placed on the importance of subordinates; he stated:

> Whether a manager is engaged in
> setting goals for his unit, in
> developing action plans or in
> implementing these plans, he needs
> the advice and the assistance of
> his subordinates.[6]

He also mentioned that he hoped that this "philosophy will permeate the ranks of all management."[7]

Further, the C.E.O. spoke about the responsibility of managers to train and give performance reviews to their subordinates: "Many careers have been ruined because managers have failed in this (latter) aspect of their job".[8] He concluded by stating:

> We have gone through trying times
> in the past few months. There is
> no going back. The future will
> also have its difficulties.
> Nothing comes easy that is
> worthwhile. But for those who,
> like you, are determined to meet
> the challenge, opportunities will
> be theirs.[9]

From the numerous discussions and exchanges of material, the impression received - but not clearly articulated - was that the senior Air Canada executives wanted a macrochange programme involving a roll-down of Branch objectives and the establishment of a major management education programme. Although they clearly recognized that they had not achieved the objectives referred to in the "Road Show", there was little or no suggestion of any serious dysfunction having developed during the 18

months after the reorganization was implemented. The Vice-President of Customer Service gave the most useful insights by implying that there was a lot of work to be done, particularly in the area of interpersonal relations.

During the discussions, the C.E.O.'s major concern stemmed from the fact that the managers had not accepted the new style of management recommended by McKinsey, and that it was very difficult to "get anything done".[10]

The implementation of the McKinsey style had been the responsibility of the Personnel Branch. I pointed out in one discussion with him, that the new style involved a new system, and that time to design and train people in the use of such a system was required. One could not advocate it into being; the C.E.O. somewhat reluctantly accepted this logic.

The Personnel Vice-President, as noted earlier, had been aware, through the McKinsey consultants repeatedly pointed it out to him, that he had not provided a leader for the OP&D staff who would have the responsibility of implementing the new management system. He recognized, somewhat vaguely, that Air Canada faced a new set of problems since the reorganization, but he could not articulate them. His approach was: "We need help; come and work for us for two years - if you can't, give us a year, or a month."[11]

As might be expected, each of the senior
executives seemed to be most interested in determining
what sort of person I was, what my work experiences
were, and the extent to which I could help them.
From their point of view, I was an outsider, and they
were not likely to share problems openly with me.
A group interview with the four people who comprised
the OP&D staff confirmed, in general terms, that the
organization needed help in implementing management
systems, and that it had been hindered by not having
an accepted professional change person directing the
required strategy.

On the basis of these numerous
discussions, I decided to accept the two-year
assignment. It offered not only a very interesting
work challenge, but also provided the possibility of
continuing the research done in two Federal Departments
and documented in an M.Sc. Thesis.[12]

The Vice-President of Personnel
suggested that, in order to avoid the expense and
disruption of moving my family to Montreal, they would
underwrite accomodation in Montreal, and pay the
expenses of commuting the 125 miles to and from Ottawa
on weekends. Appendix 5.1 contains the letter of
understanding covering the secondment.

The next section of this chapter will
deal with the realities of the Air Canada situation,
which became apparent after six weeks of on-site
situational analysis.

5.2.   <u>Acclimitization and Fact-Finding -
        November and December, 1971</u>

        In the first six weeks, a series of
in-depth interviews was arranged with the OP&D staff, a
number of the Vice-Presidents, and two of the McKinsey
consultants. One of the most obvious differences in
these interviews from those held before the position
was accepted was that, as a member of the airline, the
information was much more open. In fact, it literally
gushed forward.

        Many of the people - particularly the
long-service employees - were frank and outspoken in
their criticism of the reorganization. Although
intensely loyal, they were concerned with the
deterioration of performance and the time it was taking
to get the organization moving in a new direction.
They all suggested ideas on how to improve the
situation.

5.2.1.   <u>OP&D Staff</u>

        In the first week of November, there was
a meeting with the OP&D staff, followed by individual
discussions. Current projects were reviewed, the modus
operandi on frequency of meetings, the format, monthly
reports, etc., were discussed and agreed upon. It was
recognized that I would require time - from five to
six weeks - to acclimatize and learn more about the

airline. At the end of that period, an off-site

meeting would be held to discuss objectives for the

next year.

The agenda for this meeting was as

follows:

1. How we can best maximize our
    resources and contributions for
    1972.

2. What the organization should and
    does expect from us.

3. What my conversations with the top
    executives are bringing out.

4. The type of information and data we
    need to do our jobs which you may
    have but I do not have, e.g. hard
    data.

5. My so-called "management style".

6. How each of us is currently
    spending his time.[13]

The OP&D structure was as follows:

CHART 5.1
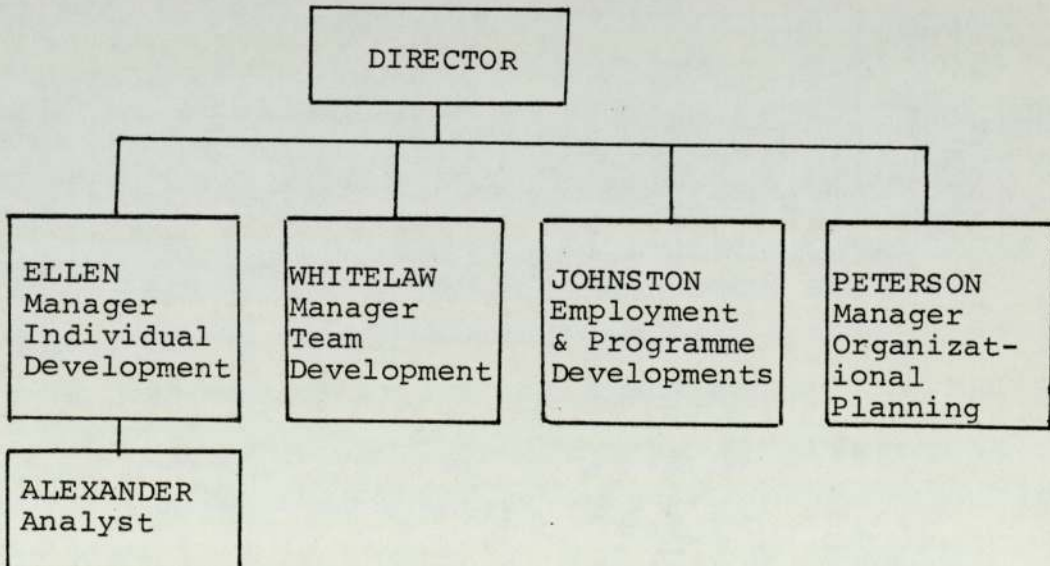
Having been leaderless, and not effective in introducing change, they were extremely frustrated. The two senior members, Ellen and Whitelaw, had been considered for the Director's job, but neither had been judged to be suitable by the Vice-President of Personnel. Both were aware of, and resigned to this. The group - all unilingual English - had diverse backgrounds. The Vice-President of Personnel described the personnel resources in the company as being very lean, stating that, with the possible exception of one field director, the five people assigned to the OP&D staff were the best in the company.

Ellen, 46 years of age, had 20 years' service, primarily in operations and training, and his knowledge of the organization and the industry were invaluable.

Whitelaw, 35 years of age, had 15 years' service. He had spent most of his career in the personnel field, and had excellent interpersonal skills; he was verbally fluent, but, more important, he had an in-depth appreciation of the company and the industry developed through a number of years doing job evaluations inside and outside the company.

Peterson was 30, and his background had followed the same pattern as Whitelaw. His portfolio - Organization Planning - was a critical new Personnel Branch responsibility. Neither Peterson nor the Vice-President of Personnel had had any previous

experience in this area.

Johnston, aged 34, had a background in clinical psychology, six years' experience with a consulting firm, and two years with Air Canada, principally as a manager of employment.

Alexander, 24 years of age, was a recent M.B.A. graduate, with considerable self-confidence and teaching skills. While he had limited work experience, his father had held executive positions in large corporations. This background, as well as his university activities as an involved student leader, had given him maturity and useful insight into large corporations, and the problems of introducing change.

All in all, they were a sound, well-balanced organization development team, pleased to have a leader at last, and, from the beginning, we worked cohesively.

5.2.2. Interviews with Vice-Presidents and Senior Managers

It is not unusual for a new resident consultant to spend two to three hours interviewing Vice-Presidents and senior managers. What was unusual in this situation was the extent to which these people, particularly the operations staff, spent time arranging meaningful sessions, using slides, flip charts, etc., and providing reading material on their functions.

Having all worked on various McKinsey task forces, they knew the importance placed on the OP&D function, and spared neither time nor effort.

Their interest and dedication to the company, as well as their desire to do everything possible to improve the airline, was evident. However, the fact that I reported to Tennant, a respected, long-service operations man, undoubtedly was partly responsible for their very useful efforts. It should be noted that, while the Vice-Presidents of the two largest Branches - Customer Services and Maintenance - were prepared to give of their own time, they were reluctant to involve their subordinates in any private discussions.

It would be too lengthy to recount the material given in all these presentations; however, to give an indication of the type of information received, summaries of three are presented in Appendix 5.2. They were part of an intense private acclimatization on airline technology.

5.3.   Situational Analysis - December, 1971

From December 4th to 7th, 1971, the OP&D Division held a meeting in Nassau to discuss objectives for the coming year. Consistent with the senior executive's expectations, this meeting had originally been arranged to plan the 1972 objective of

the introduction of a "Total Approach to Management in Air Canada".[14]

    As the meeting progressed, and information was shared, however, problems became apparent which would make the success of such a programme in the immediate future difficult, if not impossible. These problems will be discussed under:

    1.   Management;

    2.   Organization Effectiveness; and,

    3.   External Influences

5.3.1.   Management

    The key executives were unable to manage the organization in a professional manner; that is, they could not plan, organize, integrate, and measure the airline effectively. The principal reasons for this were:

- neither the C.E.O. nor the President had had management experience in a giant, competitive business;
- neither the C.E.O. nor the President had direct airline experience;
- all the key executives were either new to the industry, or new to their roles. This is illustrated in the chart, Key Executives - December, 1971 (See Page 263).

CHART 5.2

KEY EXECUTIVES   -   DECEMBER, 1971

```
                    ┌──────────────────────────┐
                    │         C.E.O.           │
                    │ - no airline experience  │
                    │ - no experience in       │
                    │   large organizations    │
                    │ - joined A/C 1968        │
                    └──────────────────────────┘
```

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┌─────────────────┐ ┌──────────────────┐ ┌──────────────────┐ ┌──────────────────┐
│ V-P PERSONNEL   │ │ PRESIDENT        │ │ V-P MARKETING    │ │ V-PFINANCE       │
│ - 31 years A/C  │ │ - administrator  │ │ -experience in   │ │ -experience in   │
│ - operations    │ │   of govt. dept. │ │  sales at V-P    │ │  finance         │
│   experience    │ │ -no airline or   │ │  level           │ │ -no airline      │
│ - Personnel     │ │   large organiz- │ │ -no airline      │ │  experience      │
│   portfolio,    │ │   ation experience│ │  experience     │ │ -joined A/C      │
│   1970          │ │ - joined A/C 1968│ │ -joined A/C      │ │  1971            │
│                 │ │                  │ │  1970            │ │                  │
└─────────────────┘ └──────────────────┘ └──────────────────┘ └──────────────────┘
```

```
          ┌────────────────────────────┐
          │ V-P CUSTOMER SERVICE       │
          │ -30 years A/C              │
          │ -Maintenance Branch        │
          │  experience                │
          │ -Customer Service          │
          │  portfolio, 1970           │
          └────────────────────────────┘
```

It should be noted that not only had

there been changes in the key executives, but also, on

the McKinsey recommendations, there had been extensive

changes of management personnel throughout the company.

One comment at the time was:

> To make sure that the old arguments
> don't get used over and over again
> there is a deliberate policy of
> appointing many of the new
> Vice-Presidents from other
> divisions than the ones they are
> to head.[15]

The Vice-President of Customer Service

was quoted as saying:

> There is no doubt that, where other
> things are equal, we now try to
> fill a job with a man from another

line of work in the airline rather
than one who has been doing the
same sort of job before.[16]

Most of those chosen received a
promotion in rank and salary.

Each of the key executives will be
discussed briefly below:

Chief Executive Officer (C.E.O.)

The C.E.O. was very aware of, and
dedicated to the Prime Minister's intention of showing
the nation that, contrary to general opinion, a
French-Canadian could operate a large, complex
organization effectively. He worked long hours -
typically, 12 hours a day, and six and one-half days a
week.

As a successful corporate lawyer, there
was no financial advantage in the position, but as a
French-Canadian and committed Federalist,[*] he felt the
challenge was an important one.

A commentary at the time of his
appointment, noted:

> Though (he) has no proven
> managerial competence, he is
> clearly a man of ability; he also
> possesses the proper ethnic
> qualification (the government
> seemingly gave high priority to
> finding a French-Canadian

---

[*]A Federalist - dedicated to the idea of having
Canada's government remain the same; a 'nationalist',
on the other hand, would be one who believes Québec
should have a different status.

chieftain). . . . He takes a
salary cut from $100,000-plus a
year.[17]

The C.E.O. recognized his lack of
expertise in the industry, and realized that Air
Canada needed change. He stated:

I had no orders from the government
on this. But as soon as I took
over and talked to the senior
executives of the airline I
realized that changes had to be
made, that everyone in the airline
wanted change. I am no expert on
these things and it was clear we
needed expertise. So I set out to
find it.[18]

He felt most comfortable in one-to-one
situations, avoided group meetings, and also tended to
dislike public relations activities.

His approach to resolving problems was
rather typical of what Richer and Laporte[19] have
referred to as "means oriented". He had the ability to
grasp complex, abstract ideas, but wanted to understand
the overall implications, as well as examining
everything in great detail. This approach was also
obviously something that related to his legal
background.

In addition, he had excellent recall.
Air Canada's managers tended to operate by committee.
Their action points often came from secretaries'
minutes. In meetings with the C.E.O. - which were
frequently on a one-to-one basis - there were no
secretaries present, and, consequently, action points
tended to get lost, or to be translated into vague

intentions in the subordinates' minds. However, the
C.E.O., with his attention to detail, and unusual
recall, did not forget, and many of his subordinates
found his approach threatening.

The C.E.O.'s interpretation of the
managers' inability to follow through was that they
would not accept responsibility. He was disappointed
with the results of the reorganization, and
particularly with the fact that management had not
accepted the newly-delegated authority announced in the
"Road Show".

This, in itself, was not surprising.
While they were told to accept greater responsibility,
and act on their own initiatives, for years they had
been operating in an environment which did not foster
this type of management initiative. Further, there was
a lack of role clarity, between and within Branches; a
system to roll objectives down or up had not been
established, nor had the managers been taught how to go
about implementing such an approach in their own areas.

President

He had a long and distinguished career
in the Public Service. Having been an assistant
secretary to the Cabinet War Committee during World War
II, he had been, for the last 14 years, Deputy Minister
of Transport under such ministerial giants as C.D. Howe
and J. Pickersgill.

His appointment to Air Canada provided a

new challenge, and had considerable immediate and long-term financial benefits. The salaries of the President and Vice-Presidents of Air Canada were considerably less than their American counterparts; however, people moving from the public sector to private industry or a Crown Corporation at a senior level could expect to double their salaries.

John Langford,[20] in his book on transportation in Canada, stated that, following the 1968 election, the new President, when he was Deputy Minister of Transport, had not requested P.P.B. (Program, Planning and Budgeting was a programme most of the Departments were introducing under the Treasury Board's direction). Had he had the experience of introducing such a system, it would have helped him in the Air Canada situation.

Since the new President's previous contributions had been either in academia or in the Public Service, he had no experience in managing a large, competitive airline. While he wanted to do the right thing, he was uncomfortable in confrontation situations, and tended to compromise under pressure. For example, together with the Vice-President of Flight Operations, he conducted the 1971 contract negotiations with the airline pilots. He did not, incidentally, seek advice from the Director of Labour Relations. A letter of intent was signed, which allowed approximately 1,154 flight operations personnel returning from assignments to fly in the first-class

cabins. This was a departure from usual company practice, and ultimately resulted in the privilege being extended to about 2,369 flight personnel and 3,314 management personnel.

The effect was a deterioration in first-class service, because the paying customers resented the number of Air Canada employees in the front cabin. Many of the Air Canada personnel knew one another, and a club-type atmosphere developed, and it seemed, at times, as if the first-class service were being run for their convenience, whereas, in fact, the customer had paid a substantial additional sum for luxury accomodation.

In the words of one of the McKinsey consultants, the President was "a well meaning person but not a strong manager".[21] One popular opinion was that it was unfortunate that the two top positions had not been more appropriately designed to suit the abilities of the new incumbents. A better arrangement could have been to appoint the President as Chairman; in this role, he would have had less direct responsibility, and he could have carried out the many statesman-like tasks very well. The Chairman and C.E.O. could have then been given the President and C.E.O. role, with its additional operational responsibilities.

Vice-President - Customer Service

He had 30 years' experience with the airline, having joined as a mechanic in 1941. During most of his career, he had been in the Maintenance Branch, and, in 1965, he was appointed General Manager. He was a strong believer in autonomy, and the Branch, under his direction, was referred to as 'Fortress Maintenance'.

He was an ambitious person, and was quoted by long-service employees as stating that, someday, he would be President of the airline. He was also unusually knowledgeable, logical, and fluent. He had the capacity to find the weakness in almost any position; consequently, knowingly or unknowingly, he tended to dominate and inhibit his peers and the President.

When he was appointed Vice-President of Customer Service in 1970, it was the largest Branch in the company, with 46 per cent of the managers reporting to it, primarily through the five regional Vice-Presidents. He knew the industry thoroughly, planned his strategies to the last detail, and controlled all inputs. He ran a tight ship, and the type of subordinates he chose respected him and enjoyed being part of his Branch.

Under the new organization, the intention had been that all Branches would receive staff assistance from the Marketing, Finance and

Personnel Branches at Headquarters. These capacities
were developed within his Branch, and it became known
as the 'Company within the Company'. He had limited
respect for the President, refused to answer his letters
stating that either he or the President was redundant.

Vice-President - Personnel

A Montrealer, he was a graduate engineer
who joined the airline in 1938. Prior to the
reorganization, his career had been on the operation's
side and he had no experience in the personnel function
although, during the McKinsey study, he had been given
the critical responsibility for preparing programmes
to make the best use of human resources within the
company. On McGregor's retirement in 1968, he was
considered the third most important person in the
airline. In May, 1970, he was appointed Vice-President
of Personnel on the basis that he would lend prestige
to the position. He somewhat reluctantly accepted.
He was also a bell-wether because of his many associations
throughout the airline; a consultant is wise to heed the
opinions of such an individual.

His lack of professional expertise was
complicated by the fact that the former Director of
Personnel, who had many years of experience, was on
assignment as President and General Manager of Air
Jamaica and was not readily available for consultation.
Consequently, the new Vice-President of Personnel

tended to be stronger in such areas as pensions and salary administration than in the critical areas of labour relations and organization planning and development.

Although the Vice-President of Personnel was a direct, well-meaning person, essentially, it was his lack of expertise which made it possible for the Vice-President of Customer Service to build the "Company within the Company", in clear violation of the philosophy behind the 1970 reorganization.

Vice-President - Marketing

New to Air Canada and the airline industry, he had an excellent marketing track record, with large, international companies in consumer products (General Foods, Johnson & Johnson, etc.).

He was, at that point, more of an idea man than a professional manager, and the administration of his Branch was carried out by long-service Air Canada managers. However, he was having serious problems working with the Vice-President of Customer Service. The latter maintained, correctly so, that the Marketing Branch had been set up to do long-term planning. The former argued, also correctly, that a greater amount of dovetailing between planning and sales was necessary if closure on the planning was going to be realized.

The C.E.O. agreed with the Vice-President of Marketing, and instructed the

President to ensure that the dovetailing took place.
The Vice-President of Customer Service ignored or
side-stepped the President's efforts, and progress was
laborious.

Vice-President - Finance

He had a sound track record in small- to
medium-sized organizations. The job of establishing a
modern finance function was an important one, and,
although he met with some resistance and considerable
overlapping between his Branch and the Customer
Service's economic and planning functions, a degree of
progress was achieved.

All the executives described above had
been successful in other situations, and yet, there was
a serious lack of top team cohesiveness. The strategy
of placing new people in new positions has merit, but,
as Ralph Cordiner found out in General Electric, such
transfers do not always meet the strategist's
expectations. In the airline, the organization appeared
to have passed a saturation point for personnel changes.
The problem was aggravated by the President not being
able to carry out his coordinating responsibilities,
the Organization Planning Group not being able to
enforce the functional type of organization recommended
by McKinsey and accepted by Air Canada management,
and the leaderless OP&D consultants not being able
to implement the recommended total management system.

In October of 1971, however, the OP&D Division prepared a report concerning the problems they perceived, and possible solutions.

5.3.2. The Total Management System - October, 1971

In January of 1971, there had been an initial attempt to introduce objective-setting in a number of Branches. While it had not been successful, being somewhat cumbersome, it was continuing in some Branches and at the C.E.O.'s level.

The OP&D report identified the following problems:

- results indicate that goal-setting may not be the most appropriate system of managing for all levels or functions in the Company[**]
- many managers believe that it is relatively useless to try and implement management by objectives or any other management system based on goal-setting without first having a well-defined business plan
- company and branch goals were insufficiently concrete or specific in 1970 to enable some managers to work out their own improvement plans or to determine their task priorities
- these problems were compounded in several areas of the Company by confusion and/or disagreement as to the branch/unit division of responsibility and authority
- some managers encountered difficulty in carrying out the avowed intention of delegating authority to subordinates
- it has become increasingly obvious that proper training, at the knowledge, skill and attitude levels, should be undertaken by many managers to help them change their management style, or else they will fail.[22]

"[**]This conclusion is reinforced by research conducted by General Electric and elsewhere."

The report stated that, if a total management system was not introduced and implemented, there could be serious consequences:

.cooperation between and within branches will become progressively more difficult

.managers will remain uncertain as to exactly what is expected of them and the relationship between what they do and other company activities will become increasingly strained

.branches will be tempted to continue to follow (and/or to develop) their own approaches to managing people which will lead to increased division and/or fragmentation of management practices

.data used for the determination of training and development needs, deployment, promotion, salary adjustments will remain soft and relatively unreliable

.confidence of the management force at large in the senior leadership of the Company will diminish.[23]

To improve the situation, the report suggested the following:

.that each person know exactly what his job is and what he is to accomplish

.effective two-way communication

.a problem-solving approach to decision-making

.pre-planned involvement of subordinates in goal-setting, decision-making, etc.

.recognition of conflict as healthy and inevitable and that it must be handled creatively

.proper delegation of authority, accountability and decision-making to the lowest possible levels

.that managers train and develop their subordinates

.a stimulating and challenging work environment for all employees.[24]

The report further suggested that the anticipated outcome of developing and implementing such a total management system would be that:

    corporate goals will be met because each
    manager will have a better appreciation of:

    .what he is to do, his authority, and the
     results expected

    .why he is to do it

    .how he is to do it

    .where and when it should be done

    .what the really important profit-influencing
     tasks are (priorities, etc.)

    .how he will be rewarded for his
     accomplishments

    .what jobs he should aspire to and the course
     he should follow to get there

    .what his training and development needs are.

    A total management system will also provide
    senior management with:

    .a vehicle for communicating its expectations
     throughout the Company

    .a means of more effectively translating
     goals, plans and objectives into action at
     all levels

    .more reliable information for changing goals
     and priorities

    .more reliable information for purposes of
     Manpower and Organizational Planning, Wage &
     Salary Administration, etc.

    .improvement in management controls

    .more accurate and reliable information on
     morale and attitudes

    .improved results.[25]

A visual presentation of 18 different aspects relating to a total management system was shown in the report, and is reproduced on Page 277 .

The OP&D staff had also provided for a five-phase implementation plan:

a)   Research and evaluate. . .
b)   Develop the design of. . .
c)   Plan and coordinate necessary education
      for. . .
d)   Plan and coordinate implementation
      of. . .
e)   Plan and coordinate evaluation of a
      total management system.[26]

While the report had merit in that
serious problems and needs were identified, the
implementation strategy had limited chance of success.

It is interesting to note that Air
Canada generally had success with operational plans
described in minute, scientific detail. There was a
tendency amongst the senior OP&D personnel to duplicate
this approach in the research and design of the total
management system, rather than to display the tolerance
for ambiguity required in many types of social science
interventions. This may have been the principle
reason why Air Canada had never attained a critical
mass stage in its system-wide management development
and change programmes.

My preferences in introducing strategies
were referred to at the end of Chapter 4.   Other
social scientists share this approach. For instance,
Clark believes "that it is not possible to neatly
identify the mission - indeed it might be politically
disastrous for the project if this happened."[27] Clark
also refers to Jones' study of 200 case studies,
stating "that action programmes are rarely
characterized by a clearly defined and constant
purpose".

TOTAL MANAGEMENT SYSTEM[28]

TOTAL SYSTEMS EVALUATION

CORPORATE PLANNING → BRANCH PLANS → UNIT PLANS

OTHER SYSTEMS AND RESOURCES REQUIRED TO ACCOMPLISH

JOB REVIEW → PLANNING / ORGANIZING → PLANS → DOING / CONTROLLING → PROGRESS REVIEWS → EVALUATING → RESULTS

JOB REVIEW:
- KEY TASKS
- RESPONSABILITIES
- STANDARDS
- EXPECTATIONS
- ETC.

PLANS:
- WHAT
- HOW
- WHEN
- WHO

PROGRESS REVIEWS:
- PROBLEMS
- CHANGES IN PLAN
- CHANGES IN GOALS
- OTHERS

RESULTS:
- WHAT WAS DONE
- HOW WELL
- PROBLEMS
- OTHER FACTORS

ORGANIZATION PLANNING

JOB REQUIREMENTS ---> JOB GRADING → SALARY SCALES

RECRUITMENT AND SELECTION

INDIVIDUAL APPRAISAL → SALARY REVIEW / CAREER PLANNING / TRAINING + DEVELOPMENT

EMPLOYEE ATTITUDE / MORALE

MAN POWER PLANNING

APPENDIX III

The following is a summary of organization effectiveness and the influences predominant at that point in time - December, 1971.

5.3.3. Organization Effectiveness

There had been deterioration in this area; three examples are discussed below:

Return on Investment: -

The return on investment had decreased from 1969 to 1971, primarily because of commitments made prior to 1968 to purchase new airplanes based on projections of increased passenger and cargo demand - a demand which had not occurred.

On-Time Performance (i.e. - keeping to the flight schedule)

Of the 10 large North American carriers, Air Canada had been a leader for years in this area. In an attempt to become more customer-oriented, a policy of holding flights a few minutes had been implemented. Holding for a few minutes became five minutes, then ten minutes, and the effect was that, by late 1971, Air Canada had the second worst on-time performance in comparison with the other large North American carriers.

Number of Employees: -

Although attempts to control the number
of employees were made in 1971, the following chart,[29]
Headcount History - Total Air Canada - 1968 to 1971
(See Page 280) shows that the average man-years were
steadily increasing. By extending the 1971 curve, the
average for that year was 1,000 more employees than
when the new C.E.O. and President joined the airline in
1968.

There were a number of reasons for the
increase in personnel. For example, the new 747 jumbo
jets were expensive to service, and required a ground
crew of 15 to 25 people, whereas the DC8's required
seven to 10.

The schedule of 1971 anticipated that
the Canadian economy of 1971 would grow considerably.
Only when the airline was well into the second quarter
of the 1971 calendar year, did it become apparent that
the economy was not moving, and a number of cutbacks
were made in the schedule. As the Vice-President of
Fleet Planning stated:

> By that time it was too late to
> start to develop a completely
> integrated schedule and the
> resulting product had a large
> number of gaps and discontinuities. [29]

This not only utilized manpower
ineffectively, but also generated many passenger
complaints.

HEADCOUNT

18,200
18,000
17,800
17,600
17,400
17,200
17,000
16,800
16,600
16,400
16,200
16,000

1971

1970

1969

1968

AVERAGE BY YEAR

1970 - 17,729

1971 to OCT.
  - 17,575

1969 - 17,344

1968 - 16,788

J F M A M J J A S O N D AVERAGE

-280-

CHART 5.4

HEADCOUNT HISTORY
TOTAL AIR CANADA
1968 to 1971

Nov. 12/71
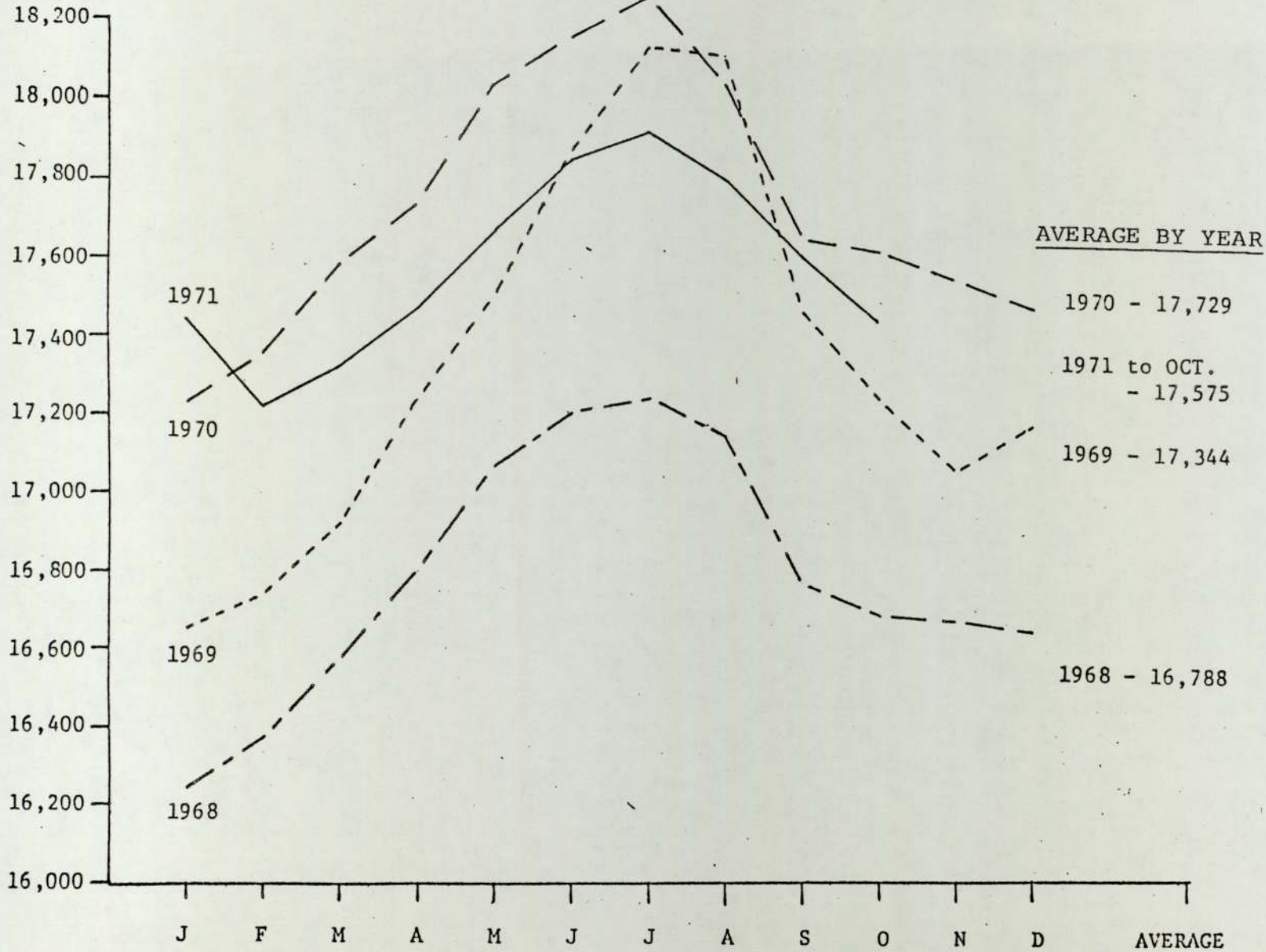
5.3.4.   External Influences

As previously stated, after the defeat of C.D. Howe, Air Canada never enjoyed the same level of support in the House of Commons. The airline became more susceptible to attacks from the Federal Opposition, and, consequently, more newsworthy.

By 1971, the deterioration in on-time service and the reworking of the 1971 schedule had resulted in a greater number of customer complaints than usual. Some of these found their way into the press, but there was no sustained attack on the airline by the Opposition, the press, or the flying public.

One cause of unwelcome publicity was the relations with the International Association of Mechanics and Aerospace Workers (I.A.M. A.W.). Since 1962, there had been some sort of disruption of Air Canada service during each set of negotiations. These disruptions were typically front-page items.

5.4.   Summary - Nassau Meeting

The problems discussed during the Nassau meeting can be summarized as follows:

1.   There was a serious lack of professional management expertise, cohesiveness, and team-work at the key executive level in a technology where centralized decision-making is critical. This situation

was aggravated by changes of position at the senior management level - "Old whores in new beds," is the way middle management put it.

2. The development of the "Company within the Company" had resulted in a serious overlap of roles, and, consequently, a great deal of political infighting.

3. Certain aspects, such as the Executive Committee's interest in a five-year corporate plan and a system-wide approach to management, were positive. However, the corporate plan, which was to be a primary input into the management system, was still in the process of preparation.

4. The introduction of a total management system represented another drastic change that would have had to be imposed on an organization already struggling with a series of dramatic changes.

5. A number of things which the airline had done well before the reorganization had "fallen between the cracks", and were performed poorly. For example, a system-wide methods group had been available to review and design appropriate systems at new airports, sales offices, etc., but the service had been discontinued.

The OP&D staff concluded that it was important to stabilize those elements which were working well and address the Division's activities to the specific problems that had developed, and, from

this process, work towards the implementation of the desired 'total management system'.   The emphasis was on consolidating 'evolution', rather than instigating another 'revolution'.

In Lewin's[30] terms, the airline management had, in the McKinsey study diagnostic and fact-finding stage, gone through an in-depth unfreezing, and had worked through to the action-planning phase.   However, due to the traumatic way the reorganization had been introduced, the lack of an overall change strategy and the political infighting that resulted in the creation of the "Company within the Company", had refrozen in a dysfunctional manner. The OP&D staff agreed that, prior to introducing macrostrategies, a second unfreezing activity, such as a system-wide survey was necessary.

The conclusion of the Nassau meeting was that, in view of the existing climate, it would be appropriate to introduce short-term microstrategies only.

5.4.1.   Short-Term Strategies

The strategies would involve microprojects from which insight could be gained on how the various Branches and levels of management reacted to the implementation of an objective-setting approach. Some of the projects would also help illustrate to management and/or the employees the usefulness of the

strategies to their Branches and to themselves, as well as establishing the credibility of the OP&D staff as effective change agents.

The Division's approach tended to be positive reinforcement of existing or evolving corporate systems. For example, rather than introduce a new total approach to management concept, the current objective setting approach was modified and linked to the new five-year Corporate Plan.

The specific strategies were:

1. Use of the Division's Resources

A conscious strategy was one of refusing projects. To avoid spreading the resources too thinly, all incoming projects would be screened to ensure that criteria for success was present. These criteria were:

- that the professional resources were available to carry out the project;

- that the success of the project was important to the organization;

- that the projects be undertaken at a sufficiently high level that the OP&D staff would not need to draw attention to the project's success. In short, the OP&D would maintain a low profile, but its credibility would be established through association with visible and successful problem-solving and/or change projects.

- projects would be regarded as pilot projects, measured in such a way as to be seen as

illustrations to support a future macrochange programme.

2.   Acclimatization of OP&D Director

Under the umbrella of the Director's acclimatization to the organization and to the industry, the expected, new, dramatic programmes would not be introduced.

3.   Objective Setting

The Director would work with the C.E.O., and coach him on a one-to-one basis on the objective-setting process which was about to begin in 1972. The emphasis would be on one level only - the C.E.O. and his subordinates.

4.   In-Flight Improvement Programme

Of the few projects in progress, the in-flight improvement project seemed to offer the most potential for involving employees and management in the type of change programmes needed in Air Canada. It would, therefore, be given top priority, and all Division members would work for the project manager when and where he required assistance.

5.   Mark III

Building on the Mark I and Mark II diagnostic approaches developed in the Federal Government, a Mark III diagnostic approach would be developed. It would include improvement in application

and new instruments particularly suited to Air Canada's problems.

6. Organization Planning

Considerable emphasis would be placed on controlling any future change in the structure, and the Division's staff would try to sort out any overlap in the structure.

5.5. Progress - December, 1971 - May, 1972

The following is a review of the progress made on the six strategies agreed upon during the Nassau meeting.

1. Use of the Division's Resources

While requests for the Division's resources increased, as the author had predicted, and contrary to the consultants' expectations, it was possible to control the projects which were accepted. During the six months' period, there was cohesiveness, and the group worked well together. However - perhaps typically so in a highly visible and operationally oriented group - all but one of the Division's staff were offered promotions. Two elected to take the promotions, one within the company and one outside; a third member left to pursue personal development.

2.   Acclimatization of OP&D Director

As well as directing the agreed upon strategies, there was involvement with some specific problems encountered by the C.E.O. and the Vice-President of Personnel. For example, when there was a serious labour relations problem with the largest union, the I.A.M.A.W., which threatened temporary closure of the airline, the author was asked to develop the human resources policy, should such a situation arise. This established a working relationship with Vice-Presidents and Personnel Directors of the leading North American and European carriers.

Perhaps the single most helpful acclimatization was arranged through the McKinsey consultants. This involved in-depth meetings with their leading airline consultants and clients. For instance, three days were spent in Amsterdam, one with the McKinsey consultants, and two with some of the KLM senior executives. Other sessions were arranged with Air France, Eastern Airlines, etc.

Most of the Vice-Presidents of Air Canada were re-interviewed, usually with their immediate subordinates. The exception was the regional Vice-Presidents, who reported to the Vice-President of Customer Service.

3.   Objective-Setting

The responsibility for coaching the C.E.O. on objective-setting came under consultative services to his office. He continued to regard the Director as a consultant.

The C.E.O. was easy to work with, and not only very much at home with any form of abstraction, but also very interested in applying new concepts. He never proceeded unless he understood the 'why' and 'hows'. He read pertinent material, such as selected passages from Marion Kellog's book, When Man and Manager Talk.[31] He took private personal criticism and feedback well.

The short-term improvements in objective-setting were:

- fewer objectives;
- concentration on innovative aspects with each subordinate;
- specific and concise action points;
- regular follow-up reviews.

Excellent progress was made on the first three, and less on the last, partly due to the lack of an effective information system. This approach went a long way toward improving the C.E.O.'s relationship with most, but not all, of his subordinates. When they understood more concretely what was expected of them, a less threatening atmosphere was created.

4.   In-Flight Improvement Project

The objective of the project was to improve the service offered to the customers. Representatives from various activities and regional bases were chosen, and a team of eight people was assigned to work with the OP&D Project Manager for approximately eight months.

Some 1600 individual improvement suggestions were received from the flight attendants. These suggestions were grouped into a variety of improvement projects, varying from the selection and training of new flight attendants to the reporting systems for unserviceable equipment.

The analysis also showed a need for a management system and a corresponding education programme to train old and new managers in its application.

The Director of In-Flight approved two programmes which became the basis of two pilot projects, and provided the opportunity of testing a management-by-results approach and a system-wide education programme. He was also sufficiently impressed with the impact of the organization development efforts, that he offered one of the OP&D Division's senior consultants a position as Director of Personnel for the Branch. This ensured continuity in the implementation of the recommended action planning, and guaranteed the collection of communicable information from the pilot projects.

5.   Mark III

The development of the Mark III
diagnostic strategy evolved from the Mark I and Mark II
approaches developed in the Federal Government.   Pilot
projects were applied in Personnel, In-Flight and
Finance.   The purpose of Mark III was to focus on
particular operational problems on employee concerns in
a given organizational component, in order to generate
remedial action plans.

The process followed consisted of some
limited pre-work and a one-day session with two
leaders.   The one day involved three phases.

Phase One required the participants to
complete a series of two-part open-ended questions:

A.   1)   What makes your job difficult or unpleasant
         to do?

     2)   What are the reasons for this?

     3)   What could be done to remove this difficulty
         or unpleasantness?

B.   1)   What makes your job easy or pleasant to do?

     2)   What are the reasons for this?

     3)   How can this be more generally applied?

Phase Two involved a two-part questionnaire
containing 88 items, measuring 18 dimensions.

Part I   -   Achievement, Responsibility, Recognition,
             Growth, Orientation, Social, Physical,
             Economic Status, Security.

Part II -   Work Planning, Decision-making, Teamwork,

Organization Change, Communication (Down),

Communication (Up), Conflict Resolution,

Reward System.

Each question was evaluated on three scales of 1 - 7:

1)   How do you see it now?

2)   What do you feel it realistically ought
     to be?

3)   What priority (urgency) for closing the
     gap exists?

Phase Three consumed approximately one-half a day. It started with brainstorming problems, grouping them into families; then, an open discussion on the nature, extent, intensity, symptoms, examples, possible causes, and recommendations for action. Finally, the problems discussed (usually six to eight) were evaluated on the above scales.

The diagnostic strategy, Mark III, became recognized as a useful, albeit sometimes painful, insight to Branches. However, there were two weaknesses. Because of the capacity to identify specific problems and suggest practical solutions, participants' expectations were such that it became important for the Branch manager to disclose his intentions. The introduction of the subsequent changes was time-consuming. While it might only take a week to cover 45 managers in a Branch, and another week to write up a report and present it to the Branches' senior management, it could involve an O.D. consultant

from three to six months to assist the Branch to
implement the changes. Further, Branch heads
frequently wanted a follow-up application to determine
what progress had been made.

The second weakness involved the high
degree of differentiation within the client Branches.
In macrochange, the change agent is seeking system-wide
strategies to promote integration across the
organization. Mark III's had the opposite effect; it
clearly identified issues particular to the client
Branch. For this reason, the use of this diagnostic
tool was not encouraged.

6.   Organization Planning

Diagnosis in this area was arrived at
through interviews, examining individual position
descriptions, tracing the decision-making and
administrative processes, and comparing the Air Canada
structure to other international airlines. The
principal problem was the 'Company within the Company',
which caused considerable overlap in roles, resulting
in duplication of work, and wasted effort in trying to
determine who was responsible for what.

The two days spent with KLM in March of
1972, during which the evolution of their structure was
discussed, were particularly helpful. Their structure
had been designed by McKinsey, and was similar to Air
Canada's. In the chart on Page 293, KLM General
Organization Chart - January, 1970 [32], the following

CHART 5.5   KLM GENERAL ORGANIZATION CHART   JANUARY, 1970   -293-

KLM

GENERAL ORGANIZATION CHART

JANUARY 1970

GENERAL MEETING OF SHAREHOLDERS

BOARD OF DIRECTORS

MANAGEMENT

GENERAL SECRETARIAT

| INDUSTRY RELATIONS BUREAU | PUBLIC RELATIONS BUREAU | CENTRAL PLANNING & RESEARCH BUREAU | SPECIAL PROJECTS BUREAU | FINANCE BUREAU | INTERNAL AUDIT BUREAU | LEGAL AFFAIRS BUREAU |

GENERAL MANAGER

SECRETARIAT GENERAL MANAGER

| FOREIGN RELATIONS DEPARTMENT | CO-OPERATION PROJ. CO-ORDINATION DEPARTMENT | HOLDINGS DEPARTMENT | CATERING DEPARTMENT | INTERNAL SERVICES DEPARTMENT | MEDICAL DEPARTMENT | SECURITY DEPARTMENT |

| ENGINEERING & MAINTENANCE DIVISION | FLIGHT OPERATIONS DIVISION | MARKETING DIVISION | LOGISTICS DIVISION | ACCOUNTING DIVISION | PERSONNEL DIVISION |

FIELD ORGANIZATION

| AREA CANADA | AREA USA | AREA LATIN AMERICA & CARIBBEAN | AREA THE NETHERLANDS & SCHIPHOL | AREA EUROPE | AREA AFRICA | AREA MIDDLE & FAR EAST |

E S T A B L I S H M E N T S

SPL/BG

[handwritten annotations:] Estimate of income per line group weekly & Sales Estimates

[handwritten annotation:] made overall per Budget - ets pointments plus/promotion ...

equivalents should be kept in mind: the KLM management was comparable to the C.E.O., the general manager was comparable to the President, and the Field Organization was comparable to the Vice-President of Customer Service.

When the structure had been introduced at KLM, the Vice-President of Field Organization had requested his own staff divisions. The request had been examined by the Organization Planning Division, which was staffed by experienced professionals, and was refused on the basis that all services could be supplied by the Headquarters Staff Branches. At KLM, the Vice-President, Field Organization, operated with a staff of one - his secretary.

> The structure originally suggested
> had worked out well. A straight
> line runs from top management via
> the general manager to the
> divisions, via 'field
> organizations' down to the various
> functional areas with individual
> accountability for decision-making
> and results. 33

Clearly, this objective had not been attained at Air Canada in the May of 1970 reorganization.

It is interesting to note that two years later, the KLM Vice-President of Field Organization requested that his position be eliminated, and the seven regions were reduced to five. This is shown in the chart, KLM General Organization Chart - April, 1972 (See Page 295). [34]

CHART 5.6

KLM

GENERAL ORGANIZATION CHART

APRIL 1972

GENERAL MEETING OF SHAREHOLDERS

BOARD OF DIRECTORS

MANAGEMENT

GENERAL SECRETARIAT

PUBLIC RELATIONS BUREAU

CENTRAL PLANNING & RESEARCH BUREAU

AUTOMATION BUREAU

SPECIAL PROJECTS BUREAU

FINANCE BUREAU

INTERNAL AUDIT BUREAU

LEGAL AFFAIRS BUREAU

HOLDINGS BUREAU

GENERAL MANAGER

SECRETARIAT GENERAL MANAGER

FOREIGN RELATIONS & CO-OPERATION DEPARTMENT

CATERING DEPARTMENT

INTERNAL SERVICES DEPARTMENT

MEDICAL DEPARTMENT

SECURITY DEPARTMENT

ENGINEERING & MAINTENANCE DIVISION

FLIGHT OPERATIONS DIVISION

MARKETING DIVISION

LOGISTICS DIVISION

ACCOUNTING DIVISION

PERSONNEL DIVISION

AREA BENELUX

AREA NORTH & SOUTH AMERICA

AREA EUROPE & AFRICA

AREA ASIA & AUSTRALIA

SCHIPHOL STATION
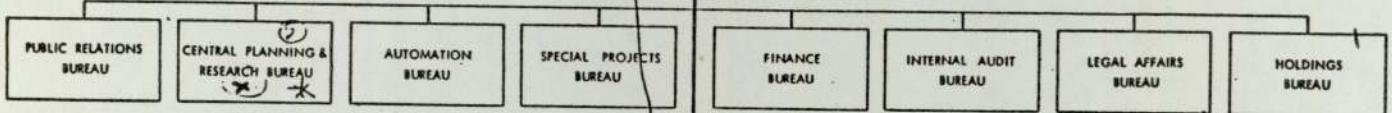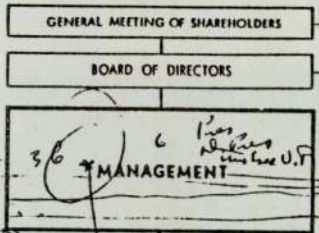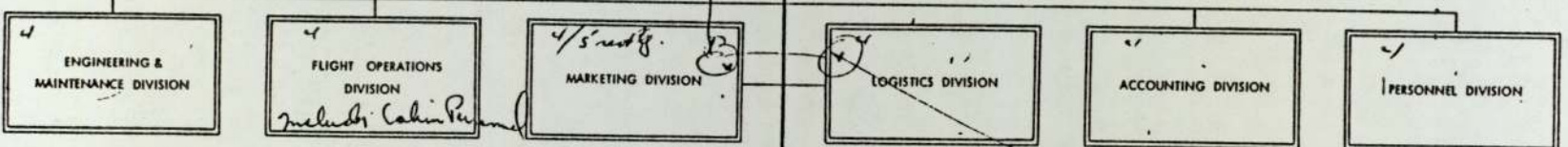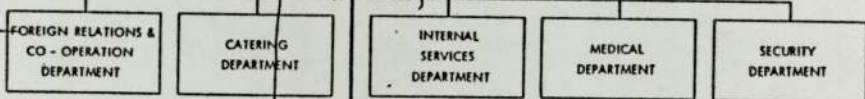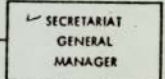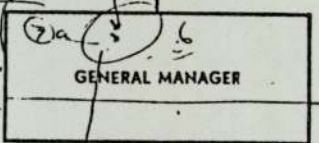
ESTABLISHMENTS

A decision was made to follow the KLM direction. The Vice-President of Customer Service agreed to take a two-year sabbatical at Cornell University. This was announced, effective May 1, 1972.

This sort of elegant solution was beyond my experience. While I agreed that either he or the President had to go, since the President was a Government appointee, it would obviously be McLean. However, this represented a tremendous loss of knowledge, skill and drive to the airline. It was my recommendation that he be assigned to one of the subsidiary airlines that Air Canada was being asked to form; for example, Air Ontario was being proposed at that time. In this way, his expertise could have been retrieved at some future opportune situation.

Charlie Eyre*, on reading this chapter, observed: "I watched Jim MacLean operate typically in the manner you describe for 25 years. Yet I believe he could have been controlled".[35] In the author's view, had Eyre been chosen as the Vice-President of Personnel in May of 1970, while the change agent may or may not have had the same freedom as the author, Eyre would never have permitted the development of the 'Company within the Company', and the second reorganization of May of 1972 would have been unnecessary.

When the Vice-President of Customer Services left, the task remained to reassign the 295 people reporting to him. This was a necessary, but nevertheless traumatic upheaval of Air Canada

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* Charles Eyre, Vice-President of Personnel, Air Canada, who retired February, 1979.

personnel, and it took some time to accomplish. The chart on Page 298 , Air Canada - 1972,[36] shows the regions reporting directly to the President. The change in structure eliminated the overlap, and also made access to the regions easier.

To assist the President with this broader span of control, the Vice-President of Personnel was assigned, as a senior Vice-President, the responsibility for a technical services grouping - maintenance, flight operation, and purchasing. The author was asked to replace him as Vice-President of Personnel.

This was a difficult decision to make. The objective of the secondment was, first, to assist in implementing a change programme, and second, to develop a Mark III instrument as the basis of a doctoral thesis. While the increase in salary was welcome, it was not a critical factor, and, in any case, would have to be relinquished on returning to the Federal Public Service. The Vice-President's portfolio included responsibility for Labour Relations, Compensation, Manpower Planning, and Internal Communications. While all these areas related to a macrochange programme, the responsibility for planning, organizing, integrating, and measuring the activities would be extremely time-consuming, and could detract from the organization development strategies, and would also make the necessary attention and research into the Mark III instrumentation for doctoral research impossible.

AIR CANADA — 1972

CHART 5.7

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                            ┌──────────────┐
                            │    BOARD     │
                            │     OF       │
                            │  DIRECTORS   │
                            └──────────────┘
                    ┌──────────────────┐   ┌──────────────┐
                    │ CHAIRMAN OF THE  │   │  CORPORATE   │
                    │ BOARD AND CHIEF  │───│  PLANNING    │
                    │  EXEC. OFFICER   │   │ CO-ORDINATOR │
                    └──────────────────┘   └──────────────┘
```

| V. P. & ASSISTANT TO THE CHAIRMAN | V. P. FINANCE | V. P. PERSONNEL AND ORG. DEVELOPMENT | V. P. OPERATIONAL PLANNING | V. P. COMPUTER & SYSTEMS SERVICES | V. P. MARKETING | V. P. GOVERNMENT & INDUSTRY AFFAIRS | V. P. PUBLIC RELATIONS | GENERAL COUNSEL |

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                            ┌──────────────┐
                            │  PRESIDENT   │
                            └──────────────┘
```

| CHIEF MEDICAL OFFICER | TRANSPORTA-TION SERVICES | V. P. PAYLOAD & OPERATIONS CONTROL | DIRECTOR IN-FLIGHT SERVICE | | | | | V. P. TECHNICAL SERVICES |

| V. P. WESTERN REGION | V. P. CENTRAL AND SOUTHERN REGION | V. P. EASTERN REGION | V. P. UNITED STATES REGION | V. P. EUROPEAN REGION | V.P. PURCHASING AND FACILITIES | V. P. MAINTENANCE | V. P. FLIGHT OPERATIONS |

My decision was largely influenced by
the OP&D staff, who argued that, by taking the
Vice-President position, the continuation of the
current strategies would be assured. If another person
was assigned to the position, he would need time to
acclimatize, would bring his own biases, and could,
conceivably, lead the company in another direction.
In any case, valuable time from a two-year secondment
would be lost, and therefore, I decided to accept the
position, to be effective May 1, 1972, somewhat but
not totally convinced that a case study of the
macrochange programme would be an interesting subject
for a dissertation. The President arranged with the
Chairman of the Public Service Commission to extend the
secondment.

Approximately six months later, the
C.E.O. recognized that the change required would take
several years to complete, and felt it was important to
have continuity in the position of Vice-President of
Personnel. The name was changed to Personnel and
Organization Development (P&OD) Branch. I was offered
and accepted a five-year contract, retroactive to
November of 1971. A copy of the contract is in Appendix
5.3.

5.6   Moving Towards Macrostrategies After
                    June, 1972

Immediately after the reorganization of
May of 1972, there was a marked improvement in

cohesiveness among the senior staff, who comprised the Executive Committee, and decisions tended to be better thought through and carried out.[*]

Without the strong personality of the Vice-President of Customer Service, and with the assistance of the operational know-how of the former Vice-President of Personnel, the President was better able to coordinate his responsibilities.

The overlapping of the Corporate staff Branches and their counterparts in the Company within the Company' being eliminated, a major cause of frustration and inefficiency was eliminated. However, the individual level of professional management expertise, although moving in the right direction, had a long way to go. Some of the key executives still made decisions, particularly in the human resources area, which were well-meaning, but which literally 'haunted' the organization.

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[*] Douglas McGregor, in his 20 years as President, had never had a French-Canadian reporting directly to him. During Yves Pratte's tenure, approximately half of the Executive Committee were French-Canadians. The inside word was, "the airline has gone from a Scottish Mafia to a French-Canadian mafia". There was very little outward display of what could be called either anti-French or anti-English feeling, although all the meetings were conducted in English. One fascinating, if not significant, aspect was that, at the weekly Executive meetings in the boardroom, the French-speaking executives, Menard, Jeanniot, D'Amours, Chartrand, Fournier, etc., sat on one side of the table, while the English-speaking executives sat on the other - people like Baldwin, Orser, Cochrane, Tennant, Vaughan, etc.

Some of the events that occurred are described in point form under the three categories of Management, Organization Effectiveness, and External Influences.

5.6.1. Management - An Approach to Introducing Change

While the C.E.O. and the Executive Committee still expected the Personnel Branch to come forward with a total management system, there was a conscious decision not to do this. The approach used was to develop units of such a system for the Personnel Branch, and share them with the C.E.O.   The following is an illustration of the method used to keep the C.E.O. aware of developments:

> As promised, I am enclosing the minutes of our Branch Planning Session of May 5th-8th.   With some of the usual 'wheel spinning' the meeting got off to a good start. I believe it will help us channel our energies to meet the higher priority items of the Branch.

> There is a 6 ft. wall chart in my office which places the various pieces in perspective. I would be pleased to walk you through it at your convenience.

> Further to our discussion on your attending one of our Branch Meetings, for an informal exchange, would it be feasible to plan on your attending our June 5th meeting at 2:30 p.m.

> Any comments or questions on the minutes would be welcome. 37

If the C.E.O. found the concept useful, which he did in most cases, at his discretion, he would ask other Branches to apply the strategy in their areas. They, in turn, asked the OP&D staff for assistance. The Division had more requests for their professional organization development resources than they could handle.

The push for change was seen as coming from the C.E.O.'s office, and the Personnel and Organization Development Branch was able, at this stage in the change programme, to maintain a relatively low profile. Another advantage of this approach was a control over the rate of change introduced. Further, by seeding the various pilot projects in the Branches, when taking the successful ones together, they could provide the basis for a total management system. Examples of pilot projects and their use will be provided in Chapter 6.

1. Objective-Setting

Using the P&OD Branch for a pilot project, a two-day workshop on Work Plan and Review (WP&R) was arranged. All the management and professional people in the Branch attended. Marion Kellog of General Electric was the principal resource person. The sessions were practical, and were a useful way to identify the priorities and to roll down objectives. An organization development consultant was assigned to assist the Vice-President of P&OD

in continuing the objective-setting process, and in providing liaison between the various levels of management, and in coaching individuals, as required.

In the June 1972 to June 1973 period, four branches were exposed to a change tactic which involved a three-phase approach:

a) diagnose with a Mark III, which predictably identified the objective-setting process as a serious problem;

b) a two-day workshop with Marion Kellog, involving the Vice-President of a Branch and the senior management in a large Branch, and all management in a smaller Branch; and,

c) continuing work with an OD consultant assigned to the Branch.

2. Monthly Report

A monthly report was introduced in the P&OD Branch. Each management and professional person submitted a one-page report in point form, covering his key activities for the month. These were edited by the Division Heads, and sent to the Vice-President's office, where they were re-edited, and sent to the C.E.O. for his perusal. By reading approximately 2.5. pages, the C.E.O. was aware of how the Branch was progressing, relevant to budget, objectives, and key routine matters. The Branch Report of September, 1972 is included in Appendix 5.4.

3.   Corporate Plan

In November of 1972, the first Corporate
Plan was produced under the guidance of Pierre
Jeanniot, Vice-President of Computer System Services.
It was a mammoth undertaking, and was the first time
that planners from the key Branches had worked as a
team to produce a major corporate document since the
1970 reorganization. However, it had several
limitations,as noted in the following comments, which
were made when the plan was completed:

> A grandiose document, which is not
> workable for a Corporate Plan.
> It has weak strategies or concepts
> on how to implement Corporate Plan
> (control).
>
> Individual branches must develop
> 5-year plans (supportive to the
> Corporate Plan) and break out the
> immediate future (next year) in
> terms of specific things which must
> get done, identify alternate times,
> etc.
>
> Once the above tie is in place
> individual Branches and managers
> can proceed towards merging
> budgeting with work planning.[38]

Nevertheless, the document was useful,
and, in subsequent years, increasingly became the
basis for relating Corporate and Branch objectives.

It evolved in the following way:
the Executive Committee, the Branch heads and many
of the senior managers spent weeks studying and
reacting to the Corporate Plan. Having been through the
McKinsey study, the Branch heads knew that such a document
could and most probably would influence the direction

of their Branches. Its contents became well known
and, consequently, it became a communication tool.
The Director of Corporate Planning, Jeanniot,
showed considerable flexibility and, in subsequent
years, welcomed inputs from the Branch heads.
Linder and Watson, his two successors, used the same
approach. The C.E.O. also listened and was
prepared to be flexible providing he fully
understood what the Branch heads were proposing
and how their suggestions could be fitted into
the Corporate Plan.

What had started as a top down
planning exercise carried out by a committee
representing staff Branches became, more and more,
a vehicle which reflected the objectives formulated
by Branch heads and fed through the C.E.O. and the
Executive Committee to the Corporate Planning Office
for inclusion in the annual update of the Corporate
Plan.

For example, following the improved
cohesiveness of the May of 1972 reorganization and
the success of some of the short-term strategies,
the organization development consultants and the
author became aware of the potential of conducting
a company wide survey as an unfreezing instrument.
At the request of the Corporate Planning Office,
some of the P&OD Branch objectives were included in
the 1973 Corporate Plan. (See the diagram, Overview
of Human Resources Management Plan - Page 306).[39]

OVERVIEW OF HUMAN RESOURCES MANAGEMENT PLAN:

CORPORATE PLAN	STRATEGIC THRUSTS	FUNCTIONAL AREAS	STRATEGIC ELEMENTS	FOCUS
MARKETS AND PRODUCT DEVELOPMENT	H.R. PLANNING AND DEVELOPMENT	ORGANIZATION PLANNING	PD 1, PD 2, PD 3, PD 4	"RIGHT JOB"
DIVERSIFICATION		ORGANIZATION DEVELOPMENT	PD 5, PD 6, PD 7	"RIGHT MANAGEMENT PROCESSES"
HUMAN RESOURCE MANAGEMENT PLAN		MANAGEMENT DEVELOPMENT		"RIGHT SKILLS"
PRODUCTION	H.R. ACQUISITION AND DEPLOYMENT	MANPOWER PLANNING	AD 1, AD 2, AD 3, AD 4, AD 5, AD 6, AD 7, AD 8, AD 9	"RIGHT MAN"
FINANCING	HUMAN RESOURCE SUSTAINING	COMPENSATION	HRS 6, HRS 7, HRS 8, HRS 9, HRS 10, HRS 11, HRS 12	"RIGHT 'PERSONNEL' SUPPORT SYSTEMS"
MANAGEMENT SYSTEM DEVELOPMENT		LABOUR RELATIONS	HRS 1, HRS 2, HRS 3, HRS 4, HRS 5	
		COMMUNICATIONS	HRS 13	

CHART 5.8

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The Human Resource Management Plan was essentially the responsibility of the P&OD Branch. One of the strategic elements opposite Organization Development was PD7; that is, the seventh strategic element under Planning and Development. This particular objective involved a company-wide survey of management. It had been negotiated as a 1972 objective with the C.E.O., and was now included in the Corporate Plan. In this way, PD7 tended to become a company-wide strategic element, and the corporate planners 'pushed' to have the survey completed.

4. Information Systems

One of the first projects undertaken by the new assistant to the President was to set up a room, approximately 16 feet by 12 feet, with floor-to-ceiling 8" x 11" wall charts showing the airline's performance in a large number of areas. These included on-time performance, the cost of maintaining the various aeroplanes, and the time it took to answer the reservation telephones, etc.

At first, the information tended to be system-wide; that is, it reflected performance from the corporate perspective. In time, however, the standards were on a regional basis, and the information systems became a useful means of measuring performance and setting Branch objectives.

5.   Personnel Resources

When I joined Air Canada, the Vice-President of Personnel made it clear that there was a dearth of talent in the personnel function throughout the company. When I became Vice-President, a policy of improving the level of professional expertise was adopted. The policy included two tactics.

First, from other Branches, managers who had successful performance records - preferably in Branches where change had been introduced - an interest in the area, and good social interaction skills were brought into the Personnel function to become effective personnel specialists. There were many such transfers; for example, Roger Linder and Butch Bouchard.

Linder, a B.Sc. in Mathematics, 35 years of age, was a former Operation Research Director in the Systems and Computer Services Branch. He stayed one year in the P&OD Branch as Director of Organization Planning, and was promoted to the position of Vice-President of the Atlantic-Canada (Maritime Provinces) Region.

Butch Bouchard, 38 years of age, was a former Manager of the Dorval Airport, with a staff of 500 people. Bouchard had originally been a client. Impressed by the organization development work, he joined the Division, and became recognized as a knowledgeable and capable contributor. Today, he is

one of the two remaining senior organization development consultants. Some of the advantages of using line managers in the personnel function will be discussed in Chapter 8.

Second, a number of experienced professional people - usually, personnel generalists, but occasionally, personnel specialists - were hired from outside the company. Several of these, like Bob Fleetham and William Verrier, after a few months at P&OD Branch Headquarters, accepted senior personnel positions in the field. Others, like Philippe Valois and Robert Jort, stayed at P&OD Branch Headquarters.

Verrier, 42 years of age, M.B.A., was a former Director of Personnel for a large shipping company. He became Director of Personnel for the Eastern Region.

Fleetham, B.Comm., 48 years old, was formerly with C.G.E. and the Post Office. He was appointed to the position of Director of Personnel of the Maintenance Branch.

Valois, B.A., B.Comm., 34 years of age, had worked with the Steel Company of Canada as Personnel Manager, and with the Federal Government's Bureau of Management Consulting Services as a consultant. He became the Director of Organization Development in the Personnel Branch.

Jort, B.A., 32 years of age, had worked with three large international firms - Alcan, Massey-Ferguson, and Honeywell. He joined Air Canada as a senior organization development consultant.

These people - among the very best in their field in Canada - made important contributions to the airline. Some, like Jort and Verrier, received promotions, and stayed with the airline, while others, like Fleetham and Valois, eventually left, and continued to have successful careers outside Air Canada.

5.6.2.   Organization Effectiveness

Steady progress was made in a number of areas in organization effectiveness.

1.   Transportation Services

Under the President's guidance, a new group called Transportation Services was established at Headquarters, headed by Claude Taylor, then Vice-President of Public Affairs. The group provided a link between the field and Headquarters on standards throughout the system, and records were gathered on performance in a variety of critical areas. Studies were made to assist managers who were having difficulties. The OD group, under Valois, worked with the Transportation Services managers in developing their consulting approach, and, at the same time, integrated the information produced into the objective-setting approach.

2.   On-Time Performance

As mentioned earlier, in 1972, Air
Canada ranked eleventh in North America of the large
carriers in on-time performance. Through the
concentrated efforts of a number of Branches, by 1973,
the airline ranked fifth. This represented a
significant improvement, but the airline had not yet
regained its pre-McKinsey ranking.

3.   Telephone Answering Services

Transportation Services provided
information on the length of time it took to answer
customer calls. On peak days, Air Canada received up
to 100,000 telephone calls, and the goal was to answer
80 percent of them within 20 seconds. While there was
no immediate improvement, projects were established
that eventually produced the desired results.

4.   Dismantling the 'Company Within the
Company'

Three Task Forces (Personnel, Finance
and Marketing) were set up to place the surplus people
from the 'Company within the Company'. Through the
Task Forces, one level of the hierarchy was removed.
The result was that roles between the field and
Headquarters were clarified, and decisions were made
and implemented more quickly. In short, there was a
marked improvement in both organization effectiveness
and efficiency.

5.   Branch Performance Awards

In late 1972, the C.E.O. announced the introduction of a Branch bonus system. Branches were rated on the basis of their contribution to organization effectiveness. The original segments of the organization included 19 units (ten Branches, five regions, and four smaller segments, such as the Chairman's Office, which included the Corporate Planning group). The establishment of the Branch performance was accomplished through the review and ranking by the C.E.O. and the President, followed by a review by a Compensation Committee made up of three members of the Board of Directors. The bonus money depended on the ranking and available money.

The 1972 rankings are shown in the Table on Page 313 . [40]

As can be seen by the Table, the range of bonuses was a low of .4% of annual salaries for the Maintenance Branch to a high of 1.4% for the three leading groups - Central and Southern Region, Eastern Region, and Marketing Branch.

Guidelines were established for the distribution of the award to management personnel. Generally, the Branch head had considerable freedom on how to distribute the money within the Branch.

Both the bonus system, which was new, and the performance evaluation, which was determined on a grading of performance based on accomplishment, established credence that the C.E.O. was serious in

CHART 5.9

Branch/Region	%	Ranking
Chairman	1.1	(11)
President	1.1	(11)
Finance	1.3	(4)
Personnel and Organization Development	1.3	(4)
Computer and System Services	1.2	(7)
Public Relations	0.6	(18)
Government and Industrial Affairs	1.1	(11)
Maintenance	0.4	(19)
Purchasing and Facilities	1.2	(7)
Flight Operations	1.1	(11)
Customer Service Support	0.9	(17)
In-Flight Service	1.2	(7)
European Region	1.2	(7)
Eastern Region	1.4	(1)
Central and Southern Region	1.4	(1)
Western Region	1.3	(4)
Marketing	1.4	(1)
Payload and Operations Control	1.1	(11)
Operational Planning	1.1	(11)

managing the organization on the basis of results.
In the beginning of 1973, he stated to the Executive
Committee that he had used the approach himself, and
that it helped him to manage, and that he expected each
of his subordinates to use it with their subordinates
"at least as poorly as I have done with you". [41]

5.6.3.   External Influences

In 1972 and 1973, external pressures on
Air Canada were relatively mild, given that every time
negotiations took place and a strike was threatened, it
was front-page news. However, there was no sustained
attack by members of either the Federal Opposition or
the media. Unfortunately, activities were going on
which became part of a well-planned, organized attack
on the airline at a later date. Two examples of these
are described below.

1.   Surplus Managers

Air Canada had been a stable employer of
managers during McGregor's time, and the continued
growth in the industry had maintained this trend.
However, in May of 1970, approximately 150 managers,
some of whom were key executives, had been declared
surplus.

Financially, surplus managers had been
given a golden handshake; that is, the organization had
been generous in its separation allowances and

pension provisions. Nevertheless, it had been a devastating blow to most, causing considerable unrest to many of the long-service employees who remained.

In May of 1972, a second wave of surplus managers occurred with the dismantling of the 'Company within the Company'. While a large number of managers were not considered surplus, as in 1970, for those involved and for many of their friends, it was understandably traumatic.

Air Canada had instituted a system called Code 021 for surplus non-union people. Code 021 was a salary expense code, established to cover people who were redundant until they could be reassigned elsewhere. While on this budget code, the employee could be lent to various Branches without charge. For many this provided an opportunity to develop new skills and/or demonstrate the usefulness of skills they already had in a new Branch. Subsequently, many transferred into the Branch as permanent employees.

From a manpower planning point of view, this was an innovative, productive approach. However, there was attendant uncertainty among those on Code 021, which, two years later, was interpreted as a general lack of morale by the media.

2.   The Canadian Airline Employees
        Association (CALEA)

Much of the work of the passenger agents had been automated since the advent of computer-based

video feedback systems. As a result, passenger agent jobs were considered less prestigious. They were no longer masters of a complex flight and fare structure, because the information was received from a computer system. The agents looked to their union for protection.

The union itself grew from a company association to a fully cerfified, independent union. One of the unique aspects of CALEA was that it developed with limited guidance from other, established unions; therefore, its strategies were atypical of a labour movement.

One of the union's main advisors, Douglas Fisher was also something of a maverick. He ran for the National Democratic Party (NDP*) in the Federal election of 1957, and defeated C.D. Howe, the government minister who founded Air Canada. Following his short-lived political career, Fisher became a well-known, nationally syndicated columnist - a very powerful role. In addition, he represented CALEA in arbitration cases, and also assisted in the formulation of union policies and strategies. On many occasions, Fisher had been accused of being anti-big business and anti-French. His biggest weapon was his column.

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*NDP - The National Democratic Party - at that time, represented about 15% of the Canadian voters.

CALEA's union executive made a policy decision that, to exert pressure on the airline, it would give information to Members of Parliament. The assumption was that the Opposition would use the information to embarrass the party in power, who, in turn, would put pressure on Air Canada to modify decisions relevant to CALEA.

Periodically, in Canada, parliamentary hearings on transportation and communication are held. These hearings give representatives of all parties a chance to question the airline executives. During the 1972 hearings, members of the CALEA executive sat behind Members of the Opposition, and handed them notes containing information. Further, in November of 1973, while negotiations were going on, CALEA submitted a highly critical brief concerning management and working conditions in Air Canada to Members of Parliament.

Immediately after the May of 1972 reorganization was announced, the Director of Personnel and Administration, Customer Service Branch, attempting to complete what he considered were his outstanding commitments before his position was eliminated, wrote to the President that he planned on "making an initial study of the work situation of passenger agents",[42] by conducting a survey.

This clearly did not make sense to the OP&D staff and the employee who had been chosen to conduct the survey, Caela Farren. While there were many things relating to passenger agents to be

rectified, it was agreed that they could not be
accomplished without first working with their
supervisors and managers, and that a survey would only
raise expectations which the airline was not in a
position to satisfy immediately.

The President assured a consultant from
the OP&D staff that the survey would not be carried
out. Unfortunately, the survey did take place. The
results were damaging, as had been expected, and the
union executive obtained a copy, which was given to
Fisher, and the results were referred to in the
parliamentary brief mentioned above. Letters relevant
to this situation are in Appendix 5.5.

Ironically, as the new Air Canada
executive began to work more cohesively, and strategies
were established to make the airline more effective and
a satisfying place to work, external forces gained a
different perspective of the organization.

Their viewpoint, based largely on their
perceptions of earlier events, provided the information
for initiating a sustained attack on the airline in
late 1974 and 1975. These included their early
impressions of the French-Canadian C.E.O., the
uncertainty associated with the relocation of surplus
personnel in the 1970 and 1972 reorganizations, and the
CALEA negotiation strategy based on the use of external
pressures, including circulating information about
passenger agent problems identified in the June of 1972
survey.

5.7.   Summary

In November of 1971, the client organization hired the change agent to assist in introducing some of the recommendations made in a major study and reorganization 18 months earlier. From discussions with the executives, senior managers and the organization planning and development consultants (although many had received promotions), it became apparent that most of the managers were disappointed with the results. Serious problems were: the lack of cohesion and balance at the executive level; the inability of the President to coordinate his functions; the lack of a management system; the lack of control over the organization planning (structure) changes instituted since the May of 1970 reorganization, which had resulted in the creation of what became known as 'the Company within the Company'.

In an extended planning meeting, the OP&D Division determined that the introduction of the expected macrochange programme would not succeed, and alternative short-term microstrategies were formulated. These included an intensive airline industry acclimatization programme for the author.

Following a further reorganization in May of 1972, which removed the 'Company within the Company', and grouped some of the functions reporting to the President, a greater degree of cohesion developed at the executive level, which enabled some

improvements in management and organization effectiveness. Pilot projects in management styles and related education programmes, which could be part of a future, more extensive, programme, were conducted in a number of Branches.

Throughout this period, an attempt was made by the consultants to maintain a low profile, so that the 'push' for change could be seen as emanating from and belonging to the C.E.O. and the Branch heads.

Approximately one year after the author joined the organization, it was felt by the senior OP&D consultants that the airline was now ready for a macrochange programme, and the planning for the implementation of a suitable unfreezing instrument began.

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PART III

THE   EVOLVING STRATEGIES
AND THEIR IMPLEMENTATION

CHAPTER 6:

THE MACRODIAGNOSIS,
RESULTING STRATEGIES,
AND THE PERCEIVED RESULTS

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CHAPTER 6:

THE MACRODIAGNOSIS,
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AND THE PERCEIVED RESULTS

6.1.   Introduction

In Chapter 5, reference was made to the
fact that the airline's major objective in filling the
position of Director of the Organization Planning and
Development Division (OP&D) was to introduce a
company-wide participative system of management and
related education programmes to reinforce the new
system.

Within six weeks after joining the
airline in November of 1971, it became apparent that
the timing was not right for this major undertaking.
Following a meeting in Nassau, a number of short-term
microstrategies were introduced; one of these resulted

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in the reorganization of the Customer Service Branch,
announced in May of 1972.

As a full-time member of the Executive
Committee, a growing cohesiveness and balance could be
sensed. This, as well as the acceptance of the pilot
microstrategies, convinced the author and the OP&D
consultants that the successful introduction of a
planned macrochange programme was feasible.

In this chapter, the search for a
suitable unfreezing instrument will be discussed, how
the instrument was applied, analyzed and fed back to
the executives and management committees, as well as
their involvement in the design of and commitment to
the change strategies. The increased external
influences will be reviewed, as well as the progress
made in each of the change strategies, followed by data
showing some of the improvements in organization
effectiveness. The last section of this chapter will
consist of a discussion of the reapplication of the
survey in 1976, and the climate changes, as perceived
and documented by the OP&D Division and members of the
Institute of Behavioral Research, Texas Christian
University.

6.2.   The Search for an Unfreezing Instrument

6.2.1.   Mark III - An Effective but
           Unsuitable Diagnostic Instrument

One of the positive elements of joining Air Canada had been to continue the work of developing a powerful diagnostic instrument.

In Chapter 2 and Chapter 5, the work on a diagnostic instrument, based on Beckhard's Confrontation Model[1] in the Federal Government, called Mark I and Mark II, was described. In Chapter 5, one of the short-term strategies adopted in Air Canada - the evolution and application of Mark III - was discussed.

In the summer of 1972, it became apparent that the Executive Committee was sufficiently balanced and cohesive to introduce a macrochange programme. The OP&D group began a search for a suitable unfreezing instrument. At that point, the Mark III design had been applied in three Branches - In-Flight, Personnel and Finance. The acceptance had been high by both senior management and the participating employees.

The Mark III findings reports were considered confidential, and the property of the client Branch. If the C.E.O. wanted a copy of the report, he had to request it from the Branch Vice-President. The one exception was the report for the Personnel and Organization Development Branch (P&OD). Unabridged

copies of reports of new programmes piloted in the Personnel Branch were sent to the C.E.O. for review. In the case of the Mark III application, he received unabridged copies dealing with management and non-management people.

Mark III was successful in identifying problems in the Branches where it was applied. Once the problems were indicated, people suggested and expected remedies for the problems. However, at that point in time, the organization development specialists in the OP&D Division were looking for an instrument that would identify system-wide, common problems that would provide an overview of the total system, rather than findings concerning in-depth individual Branch problems. The emphasis was on integration, as opposed to differentiation.

6.2.2.   Mark IV - Selection

Recognizing that Mark III was not suitable, the OP&D staff searched for a more appropriate instrument.

The task was described as conducting an open-ended, structured survey of a representative sample of Air Canada's 13 Branches and five Regions. Ideally, it would be able to produce both vertical - Branch - and horizontal - levels - information in the areas of climate and training needs expectations. Further, a biographical profile of the managers and

their career paths was required. The results would
have to stand up to a test of face validity by the
various levels of management, and the methodology would
have to withstand a critical examination by the OP&D
Division, as well as the sophisticated Operations
Research group.

While there was no lack of interest and
opinion on methodology and instruments from specialists
outside the airline, the extent to which professionals
with limited experience in projects of this magnitude
were prepared to take over the responsibility for
carrying it out was surprising. It is interesting
that, of all the people consulted, two quite separate
sources ultimately led to the choice of The Institute
of Behavioral Research (IBR, Texas Christian
University.

1.   Source 1

David Jackson of David Jackson
Associates, a research oriented psychologist, had
conducted extensive and original research, varying from
marketing projects for Standard Oil to a study of the
career paths of the Department of External Affairs
personnel.This latter project was carried out for the
Federal Government Bureau of Management Consulting
Services.[2] At that time, the author carried out
the project as Director of the Personnel Division of
the Bureau.

Jackson, who had completed his doctoral studies at the University of Chicago, felt that the University of Chicago's Industrial Relations group was the most experienced in North America in the area of climate surveys, with considerable experience in the airline industry. Contact was made with John Stanek, Director of the Survey Program at the University of Chicago. He confirmed that his group had a long-term interest, and a good deal of experience in the field.[3]

They had conducted, or were in the process of conducting, surveys for 15 international airlines. Over the years, they had developed norms on a wide range of problems within the airline industry, and, through their computer bank, could give immediate print-outs regarding the situation of a given Branch in an airline relative to other Branches in that airline, and relative to comparable Branches in other airlines. This data could also be broken down by age, level, function, geographical locality, etc.

The survey instrument used by Stanek is contained in Appendix 6.1., as well as a letter of August 1, 1972, in which he wrote:

> Do you know Saul Sells (Texas) who
> works at Eastern Airlines? He has
> done some interesting work in our
> field of mutual interest.[4]

In a subsequent telephone conversation, he suggested that contacting Sells might be useful.

The contrast between the academic, consultants and practitioners who had limited experience, but were prepared to take on the project,

in comparison with those who were highly qualified, and who recommended other people, was noteworthy. For example, as mentioned above, Jackson, whose work in the area of measurement and change was extensive, recommended Stanek. Stanek, whose research included 15 other airlines, would like to have included Air Canada in his information bank, but, after a number of conversations, stated he felt that Sells' experience would be more appropriate to the Air Canada situation.

2. Source 2

Max Ellen, an OP&D consultant, suggested that Air Canada host the Corporate Airline Trainers' Association's annual meeting. The members consisted of the corporate training managers of nine of the largest North American carriers. They met annually for a loosely structured meeting in which each airline would make a presentation on their new programmes, and the other airlines would critique the programmes, based on their own experience.

In the July of 1972 meeting, Carl Johnston made a presentation on the Mark III instrument, and mentioned Air Canada's current interest in developing a more general, but highly professional Mark IV instrument. Representatives of two airlines - American and Eastern - almost simultaneously recommended the Institute of Behavioral Research (IBR), Texas Christian University, directed by Saul Sells. Both had worked extensively with Sells, and were

impressed with his direct experience in this area, as
well as his methodological rigour. There were a number
of doctoral candidates on his staff who were looking
for opportunities to increase their analytical skills,
and obtain material for articles and dissertations.
It was mentioned that these people were available at
very low rates.

The IBR faculty consisted of 10 highly
qualified and experienced consultants, who had done
extensive research on a wide range of organizational
problems for a variety of clients. The research staff
were 18 in number, and the computational and support
staff were 33.   In addition, there were 18 research
fellows - doctoral candidates. An example of the
ranges of projects is contained in one of the IBR
Annual Reports, presented in Appendix 6.2.

One of the two people who mentioned IBR
was Tom Gazda, Training Director at Eastern Airlines,
who had completed an extensive survey for that airline.
The results had been fed back to their Executive
Committee, who had approved a completely new approach
to management and employee development at Eastern.

When Gazda had first joined Eastern,
they had used an American Management Association
approach to training, by buying courses in basic
supervisory training which the Personnel Department
felt were appropriate, and presenting them to
management. Gazda, like many professional trainers,
began to have "nagging doubts on whether the training

offered was in the right area".[5]

Partly because he had a National Training Laboratory background, he decided that an open-ended approach to training needs was important. Under his guidance, management was asked, in a systematic manner, to state 'what they felt they needed'. From the responses, it was determined that there was no shared body of management knowledge in the organization.

Management, impressed by his work, promoted Gazda in 1968 to the senior training responsibility with the airline. His mandate was to develop an integrated survey of training needs, manpower requirements, and an analysis of organization climate.

Gazda and his staff surveyed the literature, and found no previous work of this magnitude. The decision was made, and funds were allotted for Eastern Airlines to develop its own survey instruments, as well as its own normative data. Saul Sells, Director of IBR, was chosen to assist in the project, because of his psychometric background and 10 years of activity in surveying organization climates.

The IBR climate survey instrument had been administered in a number of settings - military, airlines, hospitals, banks, manufacturing, etc. - to approximately 10,000 participants. Multivariate analysis had been applied to determine the consistency of the items, and how they grouped into relatively

homogenous clusters. To measure the degree of change required in the participants' view, a scaling of the Haire, Porter, Ghiselli variety was adopted - perceived situation "now" and perceived situation "should be".[6]

Gazda reported that development work on the instruments at Eastern took a further six months, with Sells and IBR responsible for the statistical tests of reliability and validity.

In 1969, the survey was used with a sample of 600 Eastern Airline management personnel. Executive management accepted the findings, which resulted in a complete redesign of the management training curriculum, and affected the 6,500 management and technical staff at Eastern in the areas of technical knowledge, skills, task management, people management, analytical skills, and communication skills.

The Air Canada OP&D Division subsequently decided to use Gazda as part of the project team. He had permission from Eastern to consult part-time through New York University. IBR would be used for the design and analysis of the survey. Carl Johnston of the OP&D Division was appointed project manager for Air Canada. Sells, Chartrand and Gazda were members of the steering committee.

The survey was carried out from December of 1972 to January of 1973, and the results were

expected to be ready for presentation to the Executive Committee in May or June of 1973. The direct costs were a rather modest $28,000.

The next section of this chapter deals with the design, application, analytical methodology, feedback to the client system, and the resulting action planning.

6.3.   Design of Mark IV

The climate instrument used was developed over a number of years by the Institute of Behavioral Research. The management development portion was designed by them, in conjunction with Tom Gazda and his associates, partly while he was at Eastern Airlines, and partly as an independent consultant. Carl Johnston, as project manager, and Dr. Ivan Ellis of the Air Canada Operations Research Division, reviewed the instrument, and made some suggestions relevant to an Air Canada application, which were incorporated.

There were 22 clusters available from the IBR survey instrument, and 17 were selected as being appropriate to Air Canada. For example, questions which referred to the quality of management training were eliminated, as almost no management training was being conducted at that time. However, questions relevant to the need for such training

were pertinent, and were included.

The instrument, presented in Appendix 6.3., was called the <u>Management Development and Training Needs Survey</u>.[7]

The first part was devised to determine the training needs of management level personnel on 12 factors, each representing a different type of ability, as follows:

a) technical knowledge;
b) knowledge of the organization;
c) knowledge of the industry;
d) ability to plan;
e) ability to organize;
f) ability to measure;
g) ability to solve problems;
h) ability to make decisions;
i) ability to direct
j) ability to develop subordinates;
k) interpersonal ability; and
l) communications skill.[8]

For each of these factors, respondents were asked to answer the following questions:

a) How important is the factor in meeting performance requirements?
b) At present, to what extent is the factor a problem in successfully meeting your performance requirement?
c) What actions do you recommend to strengthen the factor?
d) Concerning your comments in the question above, what proportion of the problem can be corrected solely through training?[9]

Part II of the instrument presented 102 items, each of which described some aspects of organizational climate at Air Canada. 'Organizational climate' was the general term applied to items "that mean employees' perception of their organization".[10]

The respondent was asked to make two judgments for each statement - the extent of his agreement or disagreement with the statement, and the amount of improvement he perceived as necessary to rectify existing conditions.

The 102 organizational climate items represented 17 different clusters. Definitions of the 17 clusters follow:

Climate Clusters

a) Clarity of Organizational Structure: questions dealing with clarity of job definition, assignment of responsibility and decision authority.

b) Provisions for Individual Responsibility: questions concerning the extent to which individuals perceive that they are allowed, encouraged, or expected to take individual responsibility in their work and to use their own judgment.

c) Practices and Policies Concerning Risk-Taking: questions concerning how employees perceive management's attitude toward being slow, safe, sure, cautious as opposed to being innovative and decisive, even if the latter involves taking risks.

d) Fairness and Objectivity of the Reward System: questions concerning the existence of favoritism in granting raises and promotions, recognition and reward for good work, and general fairness in reward for merit.

e) Efficiency of Work: questions concerning effectiveness of work systems and procedures, provision of information and tools needed, efficiency of work arrangements, use of labor-saving devices, and avoidance of wasteful methods.

f) Friendliness and Warmth of Work Environment: questions concerning the existence of a friendly atmosphere, the extent to which the work environment is

relaxed and easy going, whether people are cool and aloof to each other, and the like.

g) Openness of Expression; Tolerance of Dissent: questions concerning the freedom that employees perceive to speak frankly and to disagree, the extent to which they perceive management as tolerant of differences of opinion, as preferring or rejecting 'yes-men', and as controlling expression of opinion.

h) Prevalence of Restrictive Structure: questions dealing with red tape, administrative controls, excessive paper work.

i) Decision-Making; Decisiveness of Management: questions concerning promptness, deliberation (vs. impulsiveness), consistency, firmness, and wisdom of management decisions and their effects on work.

j) Communication Upward: questions concerning management's desire, efforts, and effectiveness in keeping informed on problems, needs, and performance of employees, management's availability, accessibility, and attentiveness to employees and their ideas.

k) Standards of Quality and Accuracy of Work: questions concerning maintenance of high standards, acceptance of second-rate work, compromises on standards, efforts to improve quality, and quality control.

l) Communication Downward: questions concerning the extent to which employees are kept informed on plans, results, evaluation of performance, and other matters affecting their work, well-being, and welfare.

m) Opportunities for Growth and Advancement: questions concerning employees' perceptions of opportunity to pursue a successful career in the company, the practices regarding advancement from within, the existence of dead-end jobs, the availability of training, supervisory concern with development.

n) Provision for Maintenance Needs of Employees: questions concerning adequacy of pay, work conditions, provisions for comfort, safety, and health of employees, and adjustment of compensation to cost-of-living changes.

o)   Group Cohesivensss, Teamwork:
     questions concerning interpersonal
     relations in work groups, relations with
     immediate supervisors, teamwork, and
     cooperation at the working level.

p)   Company Image: questions concerning
     employee perceptions of the prestige,
     position, reputation, and standing of
     the airline in the community and their
     pride in being associated with it.

q)   Recent Changes in Air Canada:
     questions dealing with the desirability
     of the recent changes, the manner in
     which the changes were effected including
     smoothness, disruption of work, and
     ability to keep track of the changes.[11]

          To analyze the stated requirements of

individuals and their perceptions of climate, eight

classification variables were chosen. These same

variables had been useful to the analysts and

executives in the Eastern Airline application. The

chart, Classification Variables (See Page 342),

presents the classification variables.[12]

          Two types of respondents were identified

in the study - first, a subject randomly chosen, and,

second, the supervisor for this subject. The first of

these was called the incumbent, and the latter the

supervisor. Respondents to the questionnaire were 369

incumbents and 167 supervisors, providing a total

sample of 536, or 16% of the total management

population of 3,424.   Of these 536 respondents, 158

matched supervisor - incumbent pairs were identified.

Matching the entire sample was contemplated, but the

expense and time was not justifiable, and 158 pairs

were considered adequate.

For each Branch and/or Region, a

minimum of 37 respondents was chosen.

CHART 6.1

CLASSIFICATION VARIABLES

CLASSIFICATION INFORMATION

Instructions: The information below is required for summarizing the results of the Survey. As mentioned previously, the Survey results will be tabulated by groups and the identity of individual responders will in no way be revealed to company personnel.

1. What is your present age (to the nearest birthday)? _____

2. What is your marital status? Single   Engaged   Married   Widowed   Separated   Divorced
   □ □ □ □ □ □

3. Indicate your sex. .
   Male □ Female □

4. Circle the highest number of years of education you have attained.

	High School	College	Graduate School
	9 10 11 12	1 2 3 4 5	1 2 3 4 5

5. Indicate the degrees, if any, you hold: _____

6. What is your current salary group?   70   71   72   73   74   75   76   77   78   79   80 81 - 85

7. How many years/months have you held your present position?   Years _____ Months _____

   Years/months in a management position   Years _____ Months _____

   Years/months with Air Canada   Years _____ Months _____

8. How many employees do you directly supervise?   None □ Number _____

6.4.   Application and Analysis of Mark IV - 1972

1.   Application

A number of session leaders were trained,

and approximately 20 managers attended each session.

The sessions were approximately five and one-half hours in length, and included an open-ended, unstructured discussion on climate and training in Air Canada.

On completion of the session, participants placed their questionnaires in a sealed envelope, addressed to the Institute of Behavioral Research.

Sessions were held in Vancouver, Winnipeg, Toronto, Montreal, Halifax, Los Angeles, London, Paris, and Frankfurt.

2.   Analysis

Over 200,000 prime units of information were received from the respondents. Most of the analysis was computer-based, the exception being the content analysis of the approximately 2,000 write-in comments.

The scoring is illustrated from part of Item 1 of the Climate Survey (See Page 344).[13]

(c) Neither agree nor disagree is eliminated; (a) and (b) Strongly Agree and Agree are collapsed, and regarded as satisfaction; (d) and (e) Disagree and Strongly Disagree are collapsed, and regarded as dissatisfaction.

The computer analysis could be termed in-depth, professional and elegant; that is, not only were conventional tests and multivariate analyses used, but also, a component analysis of both the training

needs and climate factors was undertaken. Principal
component analysis was used "to reduce the number of
items while retaining the same amount of
information".[14]

In effect, this reduced the
before-and-after measurement of the Climate Survey from
the original 17 clusters to 10 factors. The use of
such sophisticated techniques in such a subjective and
ambiguous area as a climate review will be discussed in
the next chapter.

CHART 6.2

Reaction to Work Environment

In   my opinion

	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
	(a)	(b)	(c)	(d)	(e)

1. The organizational
    lines (who is
    responsible for
    what, who reports
    to whom) are
    sufficiently clear
    to me.

1. ____ ____ ____ ____ ____

6.5.   Results, Presentation and Conclusions

On May 9, 1973, a presentation was made
to the Management Committee on the findings and
implications of the survey. Following the presentation
by Gazda, the 21 Branch heads, including the C.E.O. and
the President, were broken into four groups to discuss
the findings, and make recommendations.

Gazda had been under specific direction
that, under no circumstances, was he to make any
recommendations. He was to answer all questions
relevant to clarity, and explain, when asked, the
implication of the findings.

The challenge, as seen by the author and
some members of the OP&D Division, was to ensure that
the Branch heads were deeply committed to the
recommended strategies. Consequently, it was
imperative that the Branch heads work through the
possible alternatives, and arrive at a consensus on
recommendations.

Air Canada, as previously stated, had
never completed a system-wide management change
programme. Some insight could perhaps be gained from
the difficulty in getting some of the OP&D Division to
agree to the above strategy. They had developed a low
profile since the December, 1971 Nassau meeting, but,
through their consulting activities, the application of
the microstrategies, and the macrodiagnostic
survey which involved 536 people , everything

pointed in a certain direction, as far as action planning was concerned.

The author refused to permit them, through Gazda, to make concrete, seemingly irrefutable, recommendations. Some were convinced of the logic of having the Branch heads arrive at the same conclusions, with the risk that they might not. Unfortunately, others had to be convinced. That is, the author stated this was the way it was going to be done in the interest of having strategies which were more likely to be implemented to a critical mass stage.

A resumé of the findings and conclusions drawn from the questionnaire responses follows.[15]

6.5.1. Summary and Conclusions from the Training Needs Section

1. Findings

1. Expressed need for training widespread - not related to management level, years of service, age, or education.

2. Strong agreement between bosses and subordinates on importance of knowledge and skill factors, and extent of deficiencies.

3. Wide variation in nature and extent of training needs among Branches.

4. Some needs identified as more critical than others.

5.   Some problems/deficiencies correctable through training action. Other actions also required to resolve existing problems.

2.   Conclusions

1.   There was a high need for training at all management levels, reflecting the consequences of recent organizational change (i.e. - new people in new jobs); the relatively small amount of management training conducted in recent years, and concern for managerial obsolescence, due to the rapid rate of business and technological change.

2.   Related to the above, management employees were concerned about the company's apparent lack of interest in their development, and this, in turn, had negative effects on personal motivation and productivity.

3.   For the most part, the management training that had been conducted did not have significant impact on the organization's efforts to up-grade the level of management knowledge and skill because of:

-    stop-and-start nature of the activity;

-    general, rather than specific focus on knowledge and skill deficiencies;

-    little or no positive reinforcement from immediate management;

-    fragmented activity vs. planned, systematic,
     consistent effort corporate-wide;
-    low priority due to operating requirements.

        4.   Demand for training would increase even
more due to the development of replacements for large
numbers of management personnel retiring in the short-
and long-term future.

        5.   While training had been lacking, a
number of organizational factors had also hampered
effective individual manager performance; for example,
lack of clear objectives, organizational changes,
administrative systems, etc.

        6.   There was a clear need for management
employees to develop a consistent vocabulary and
framework for thinking and acting, with respect to the
management process; management employees, to varying
degrees, had a limited view of what is involved in
professional management.

            6.5.2.   Summary and Conclusions from the
                      Biographical Data

        1.   Findings

        1.   Almost 50% turnover expected in the next 15
years, concentrated in the last five years.

        2.   Wide variability between Branches.

        3.   Turnover represented a serious
experience loss.

4. Formal educational level below United States major carriers.

5. Formal education concentrated in staff Branches.

6. Job mobility low at lower levels of organization, particularly pronounced in some Branches/Regions.

7. High proportion of new and/or short-service employees in some Branches/Regions at senior levels.

This situation is illustrated by the chart, Median Years of Service by Salary Grade - Total Company (See Page 350).[16]

The chart illustrates that, if the company were practising a policy of promotion from within, longer-service employees would be expected to fill the senior jobs (the hypothetical trend line). However, in actual fact, this practice was only followed to level 78, after which senior management jobs were being filled by an influx of shorter-service employees. That is, some senior management, including Vice-Presidents, were being hired from outside the organization.

CHART 6.3

MEDIAN YEARS OF SERVICE BY SALARY GRADE
TOTAL COMPANY
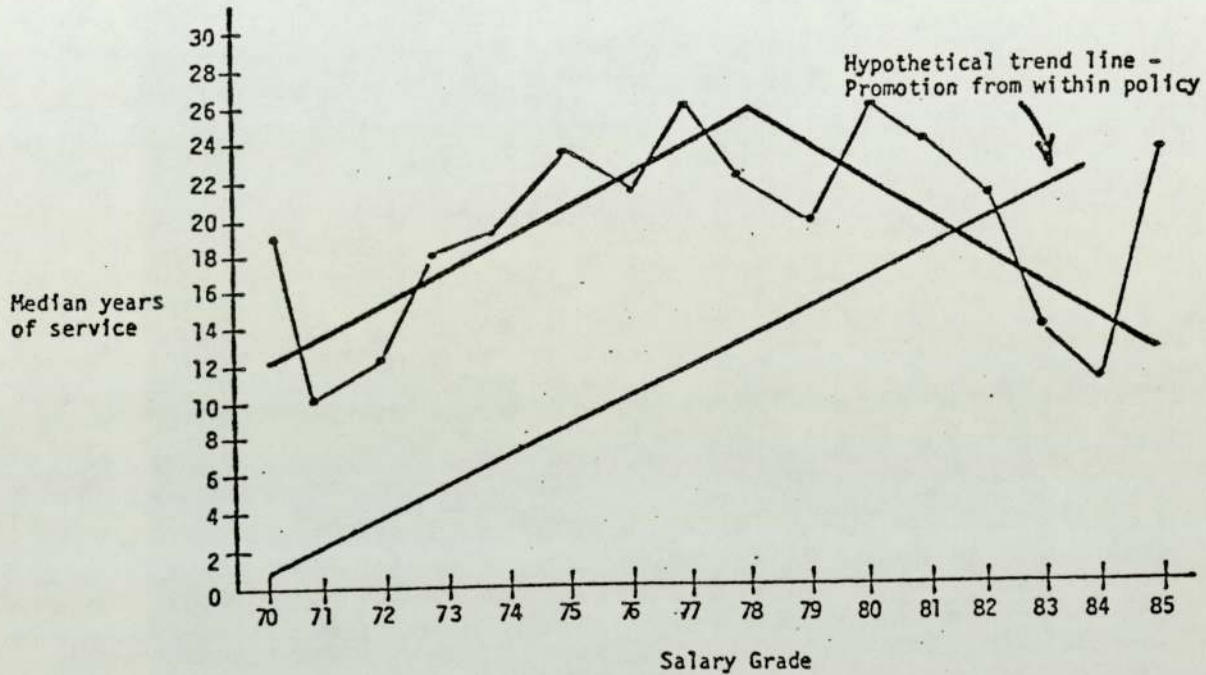
2.   Conclusions

    1.   There was an urgent need to obtain
effective control over short- and long-term problems in
the recruitment, deployment and development of management
manpower resources. The current situation reflected
.the consequences of recent organization change;
for example, infusion of new personnel, the
relatively low level of manpower planning and
development awareness/activity in recent years, which
had allowed resources to evolve almost without
deliberate, conscious direction.

2.   Problems were centered on the high
number of management replacements needed in the next 10
to 15 years, lack of formal education of management
personnel on the whole and the distribution of such
resources, lack of job mobility at lower levels of
management, and the need to identify and develop
managerial talent for promotion to senior management
level.

3.   Generally speaking, efforts to obtain
effective control over management resources problems
had fallen short because of:
-    the rapid pace of events;
-    lack of adequate resources;
-    fragmented activity, rather than planned,
     systematic effort, consistently applied on a
     corporate-wide basis;
-    low priority.

4.   Any shortages of management manpower in
the short- or long-term could have serious
economic/performance effects on the company's
operations.

5.   Since manpower planning activities
directly affect the careers of individual managers,
inadequacies in this area created concerns which could
have adversely affected both attitudes and
productivity.

6.5.3   Organization Climate Implications

In the presentation to the Executive
Committee, each of the 10 factors - the products of
the principal component analysis - were discussed
individually, and then presented in a summary form.
The following are four illustrations of the 10 factors,
two of which were positive - that is, more people
expressed satisfaction than dissatisfaction - and two
of which were negative - that is, more people
expressed dissatisfaction than satisfaction. The

positive factors described are Factor 4 - Pay and
Benefits, and Factor 1 - Interpersonal Relations, and
the negative ones are Factor 3 - Organization and
Administrative Efficiency, and Factor 8 - Inter-
Branch/Region Cooperation. A selection of some of
the principal component items relating to the factors
are discussed below. The appropriate ratio of the
percentage of respondents agreeing to the percentage
disagreeing is shown in parentheses.

Factor 4 - Pay and Benefits

Factor Definition: -
A measure of the degree of satisfaction/dissatisfaction
expressed by management employees towards the salary
and employee benefits that the company provided.

Management Employees Agreed: -
-    that the salary Air Canada was paying its
     employees was satisfactory in relation to
     industry norms (3:1)

- that the company had a reputation for paying
  its employees well (7:1)
- that the employee benefits were highly
  competitive with other industries (10:1)

Factor 1 - Interpersonal Relations

Factor Definition: -

A measure of the prevailing social atmosphere within
the Branch/Region; the degree to which people felt that
management was open and supportive; the degree of trust
and mutual respect that prevailed; the degree to which
conflict was openly faced and resolved; a measure of
the friendliness and warmth of the work environment.

Management Employees Reported: -

- that conflict and disagreement were surfaced
  and openly dealt with (2:1)
- that managers and supervisors treated their
  subordinates with dignity and respect (3:1)
- that a friendly atmosphere prevailed among
  most of the people (9:1)

but that:

- supervisors did not provide enough
  recognition to employees who did good
  work (2:1)
- employees were almost certain to hear about
  their mistakes, but seldom about their
  successes (2:1)

and also that:

- higher management did not keep well informed about the needs and problems of subordinates (3:2)

- higher management was told what they wanted to hear, rather than how things really were (3:2)

Factor 3 - Organization and Administrative Efficiency

Factor Definition: -

A measure of the degree to which managers felt that the administrative routines, processes and procedures, as well as the organization structure were supportive of getting their jobs done in a timely and effective fashion.

Management Employees Agreed: -

- that there were many bottle-necks within the system that slowed things down (5:1)
- that a great deal of time was spent on administrative forms and reports (3:1)
- that the company organization was cumbersome, and interfered with getting things done (2:1), and that there were too many levels/layers of management in the company (2:1)
- that there was too much red tape (2:1)

Factor 8 - Inter-Branch/Region Cooperation

Factor Definition: -

A measure of the degree to which management employees
saw the Branches pulling together in cooperative
endeavour towards a common purpose; the degree of
'teamwork' they thought existed across Branch
boundaries.

Managers Overwhelmingly Felt: -

-       that it takes an inordinate length of time to
        coordinate important actions between
        Branches (6:1)

-       that most Branches are primarily concerned
        about their own goals (4:1), and tend to go
        their own separate ways (4:1)

-       that the company seems to be composed of
        several different airlines (6:1), and that,
        when two Branches get into a serious conflict,
        it usually had to be settled "upstairs"
        (5:2)

        The summary chart, showing all factors
is presented on Page 356.[17]

COMPARISON OF MANAGEMENT EMPLOYEES EXPRESSING SATISFACTION/DISSATISFACTION

% FREQUENCY OF RESPONSE

SATISFACTION
DISSATISFACTION

100
80
60
40
20
0

66   19
49   34
51   31
69   20
46   30
34   43
27   56
17   60
31   51
59   27
42   38

PAY & BENEFITS.
WORKING CONDITIONS.
INTERPERSONAL RELATIONSHIPS.
ENCOURAGEMENT OF IND. RESP.
ORG. CHANGE
MGMT'S RISK TAKING
ORG. ADMIN. EFFICIENCY
INTER-BRANCH COOPERATION
DOWNWARD COMMUNICATIONS
WORK STANDARDS
TOTAL COMPANY

7/2   5/2   3/2   7/2   5/2   1/1   1/2   2/7   2/3   2/1   1/1
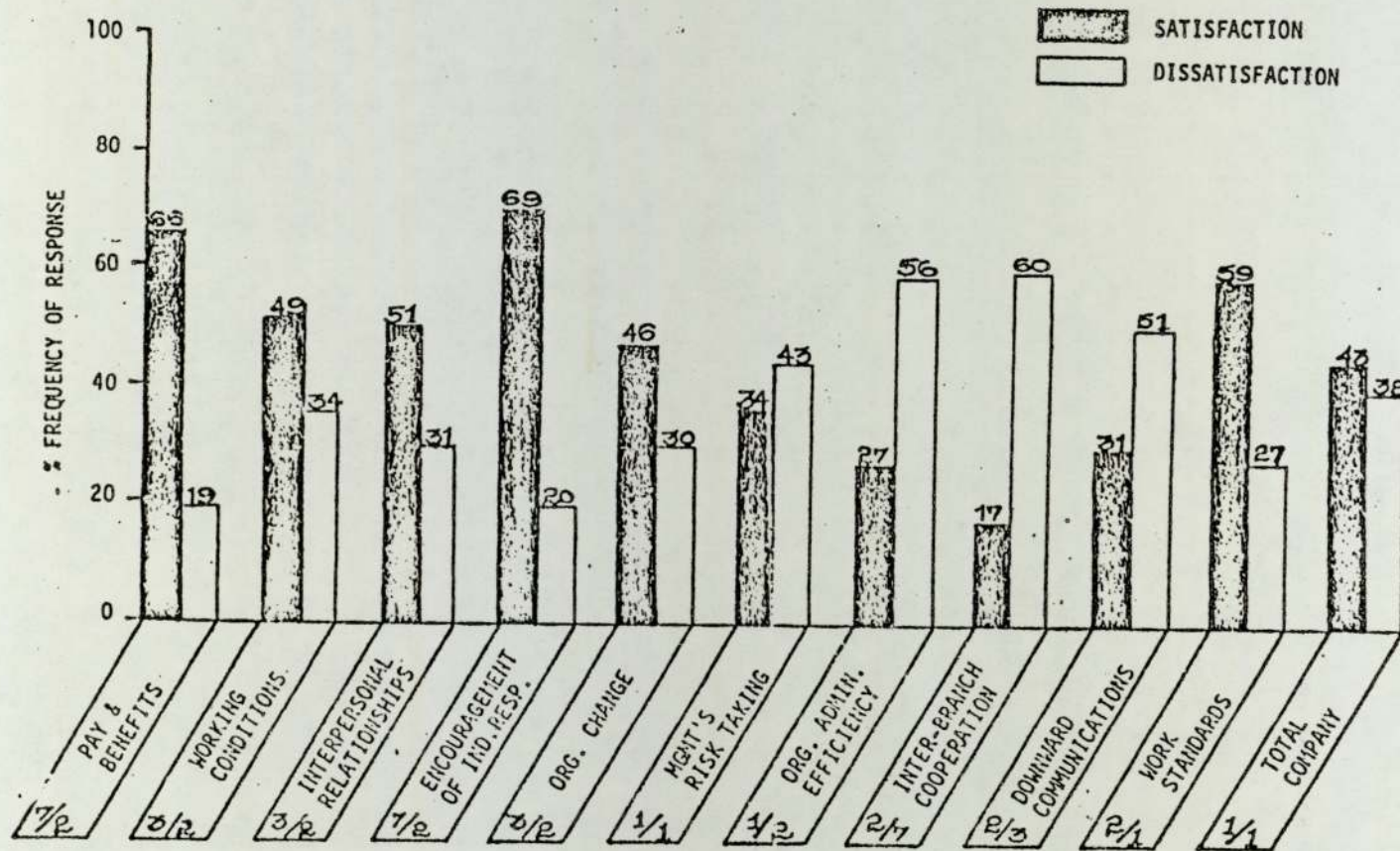
RATIO OF SATISFIED TO DISSATISFIED EMPLOYEES

CHART 6.4

6.5.4.   Overall Findings and Conclusions

1.   Findings

There was an overall balance within the company on the factors measured. Little relationship was found between answers to the questionnaire items and age, education, level in the airline, or years of service. However, there were significant differences found between Branches. The overall findings are summarized as follows:

1.   Managers expressed general satisfaction with pay and benefits, interpersonal relations, and encouragement of individual responsibility.

2.   Managers conveyed mixed reactions on working conditions, organizational change and employee identification with the company, and management's willingness to take risks.

3.   Managers expressed clear dissatisfaction with administrative efficiency of the organization, inter-Branch/Region cooperation, and downward communications.

4.   Managers strongly agreed that the company established and maintained high work standards.

2.   Conclusions

1.   Air Canada's organization climate effectively fostered strong employee identification with the company, although this was eroding somewhat,

due to rapid and poorly executed organizational
change . The strong identification with the company
may also have been due to factors entirely outside the
organization (for example, glamorous and highly visible
service to the general public, that caused employees to
be more aware of company affiliation).

2. In terms of the basic things provided to
employees, Air Canada was rated high on pay and
employee benefits, and slightly above average on
working conditions; the company's management employees
both recognized and appreciated competitive pay and
employee benefits provided by Air Canada. There was
room for improvement in certain Branches/Regions,
particularly in the area of working conditions.

3. The day-to-day environment among
management employees was generally warm, open, and
friendly, and partially a carry-over by employees from
the days when Air Canada was a much smaller, less
complex, and more cohesive organization.

4. Work was carried out in a way that
management employees felt stressed high quality,
and that they were expected to be responsible for their
own work. However, management employees believed
risk-taking was discouraged, and this was related to
the management-by-exception principle, which tended to
punish failures and discourage trying out
higher-risk new ideas.

5.   The company's style of managing strongly reflected the management-by-exception principle: that is, focus on the five or 10 percent of the operation causing problems compared to the 90-95 percent that was running smoothly; this meant employees tended to hear only the bad news (what was going wrong), and, in turn, took a blame-passing, defensive stance, letting higher management hear what they wanted to hear. Blame-passing also contributed to separateness, more competitive and non-cooperative behaviour among Branches/Regions.

6.6.   Action Planning

Most of the time spent in the first meeting with management involved discussions on the meaning of the survey findings, and their implications, both short- and long-term. There was a strong tendency by some of the executives present to see the solution to most of these problems as an extensive training programme. This type of simplified approach was averted, and, in the final plenary session, it was agreed that the group would meet in six weeks' time, and that the OP&D Division would bring forward some illustrations for possible action planning.

The second meeting followed the format of the first: a series of presentations, breaking into

four groups, reporting back to the plenary session,
consideration of the various sub-group recommendations,
and obtaining a degree of general agreement, which
provided the mandate for the main strategies.

The presentations in the second meeting
were made by the line managers, who had carried out the
microstrategies and pilot projects on Work Planning and
Review and management development in their Branches.
In each of the presentations, a senior manager made the
presentation, aided by from one to three members of his
Branch, who helped define, in airline terms, the
problems encountered at various levels of management,
as well as the increases in efficiency and cohesiveness
that had taken place.

While both groups of managers felt that
the two strategies should be the basis of a system-wide
change programme, they placed considerable emphasis on
the time-consuming nature of implementing such
programmes on an effective basis. Their contribution
was of paramount importance in slowing down the
pressure for a level of change, particularly training,
which the organization could not, in the author's view,
support on a continuing basis.

Most of the recommendations were less
specific, but sufficiently clear as mandates to evolve
into system-wide strategies, which the executives could
continue to identify as 'their' recommendations. For
instance, after hours of discussion, the need for
clearer interfaces between and within Branches was
noted by three of the four working groups in the

plenary sessions. This eventually became Strategy Number 3, and, months later, evolved into a Branch responsibility of charting activity, led by a trained organization planning consultant. The effect of this and other strategies will be discussed later in this chapter.

As a result of this second meeting, seven strategies evolved. It was recognized that these strategies would be time-consuming, requiring up to five years to complete, and that they would not resolve all of the problems the survey had brought forward. However, they dealt with the most critical issues, and there was a strong commitment to staying with the projects until their completion.

The seven strategies are listed below, together with the tentative time frames for the various interventions to reach a critical mass stage, as estimated by the OP&D Division. An eighth strategy is also described although it was not implemented.

Strategy No. 1

A Work Planning and Review Programme (WP&R), emphasizing objective-setting, would be introduced on a corporate-wide basis. Objectives would be negotiated annually, starting with the C.E.O., and, eventually, rolling down to the first-line supervisors (totalling approximately 2,000). Formal reviews would be conducted two to three times annually, with informal reviews as the work situations required.

Estimated completion: December, 1978.

Strategy No. 2

An education programme, reinforcing the
concepts of WP&R would be developed and presented to
the 3,600 management and professional employees in the
airline. It became known as the Professional Management
Development Programme (PMDP).
Estimated completion: December, 1977.

Strategy No. 3

An Organization Planning Division (OP),
separate from the Organization Development Division
(OD), would be established to identify and clarify
Branch roles and responsibilities. Incidentally, this
separation was perceived as a temporary arrangement.
Estimated completion: September, 1975.

Strategy No. 4

A Performance Review and Reward system
would be designed, so that all levels of management would
be encouraged to adopt a management-by-results approach.
Estimated completion: March, 1975.

Strategy No. 5

Career Development Plans would be
introduced in phases to develop the current and next
generation of managers.
Estimated completion: Phase I - December, 1975;
Phase II - December, 1976; Phase III - ongoing.
December, 1977, and ongoing.

Strategy No. 6

Greater emphasis would be placed on improving relations with unionized people through the medium of job redesign projects.

Estimated completion: Perceived as an ongoing process

Strategy No. 7

The basic role of the OD Division was articulated as providing assistance to operating management in the areas where improvement was required, and working with them on a cooperative basis to identify and implement changes to achieve better business results. Full or part-time OD consultants were assigned to each Branch head, while a Senior OD consultant* worked with the C.E.O., the Group Vice-Presidents, the Corporate Planning Office, and the Comptroller. In this way, the OD consultants could carry information from one level to another vertically, and from one Branch to another horizontally, thereby significantly increasing the potential for company integration.

Estimated completion: While this work was seen as ongoing, the staffing and training of the OD consultants was to be completed by 1973, and estimated completion of the WP&R portion of the assignment would be December, 1978.

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* The Senior OD consultant, the Director of Corporate Planning and the Comptroller worked well and frequently together, they informally became known as the "Troika".

Strategy No. 8

An eighth strategy, which was well-researched, and showed considerable potential, involved semi-structured, non-directive communication sessions between first-line supervisors and their people. The objective was to feed current business information - opportunities and problems - from the Branch heads to the supervisors, and, finally, to non-management personnel, allow for open discussion, and obtain their reaction, and any other inputs they wanted to make, which could be fed back to the Branch heads for planning or further information purposes. Partly because the calibre and number of people required to introduce such a programme was scarce, and partly because it was felt that sufficient business knowledge of current objectives did not exist at the various levels of the hierarchy, the project was postponed until a more propitious time.

Before giving an assessment of the strategies, the external influences in the form of a sustained attack will be discussed. The unfavourable press began with the opening of Terminal 2 in Toronto in 1973, which was under the direction of the President. Subsequently, after the completion of five years' service with the airline, he retired, and returned to Ottawa, where he became a consultant to the Ministry of Transportation.

6.7.   External Influences -
         Air Canada Under Attack

        The following is a brief overview of the
external forces which Air Canada was subject to while
the change strategies were being implemented. Such
forces have a direct bearing on the problem of
introducing change in a semi-public organization.

        In 1974, the Progressive Conservative
Party, led by Robert Stanfield, lost a closely fought
election to the Liberal Party, headed by Pierre
Trudeau. Shortly afterward, Stanfield resigned.
While he was in office, he had not permitted - in the
name of national unity - any form of racist criticism
against French Canadians.

        Until a new leader was selected, the
Conservative caucus directed the party strategy. At
that time, there was a considerable English Canadian
backlash against the Liberal programmes for
bilingualism and biculturalism in Canada. Support for
the Conservative Party was primarily in English Canada,
and they had very few seats in Quebec. It seemed there
was little to lose in an attack on French Canadian
leadership. People like Pratte, who had been appointed
by Trudeau, were in a particularly vulnerable position.

        The first warning of the impending
attack came in a November of 1974 conversation with
Tom Saunders,[18] leader of the Passenger Agents Union,
who stated that he knew that a national attack was

going to be launched in 1975 on Air Canada and Pratte, and the intensity would be unprecedented. He mentioned that he, personally, had nothing against Pratte, and was prepared to support him.

The attack was well-orchestrated. It involved members of the Conservative caucus, retired Air Canada executives, and a few current ones who for reasons of personal ambition or fear for their present positions, or who had not agreed with the changes started with the 1970 reorganization. One of the last group leaked confidential, financial information relevant to the new French Canadian executives.

Further, the Conservatives had a number of researchers working to find alleged evidence of impropriety. Douglas Fisher, a former Member of Parliament, in his nationally syndicated column, and on television, carried out an unrelenting attack on the airline. It is of interest that he was also the advisor and representative at arbitration of the airline's passenger agents, and he also had access to the 1972 survey of passenger agents, which had 'inadvertently' been carried out.

As a result, a great deal of information was gathered, and an almost continuous attack was launched through the media. It started with an article by Fisher, "Managerial Disarray at Air Canada".[19] There were periodic allegations of wrongdoing made in the House of Commons by Conservative Member Elmer MacKay. These were followed up by daily attacks on

television, on radio, and in the press.*

To give an indication of the intensity of the situation, some relevant items are presented in Appendix 6.5. Included are a Radio TV Summary[20], (an airline representative was not usually present to defend the airline) , a letter to a newspaper publisher thanking him for a partial retraction,[21] an article by a well-known Canadian reporter, Clive Baxter in the prestigious Financial Post,[22] which contains a number of innaccuracies, and the conclusions of a full-page article by Douglas Fullerton [23]. Unfortunately, this last item, supportive to Pratte, appeared very late in the proceedings, and two days before a judicial report [24] was tabled.

The allegations led to a commission of inquiry, headed by Judge W.Z. Estey. Air Canada cooperated fully, and records and personnel were made available. Many months were spent on hearing testimony and tracing and summarizing activities (Appendix 6.6).

Unfortunately, the attack continued after the inquiry began investigations and Pratte, concerned that the Government was not defending Air Canada in the House of Commons, resigned. A copy of his resignation and a letter to Trudeau, criticizing the Government for accepting it, are shown in Appendix 6.7.

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* In a P&OD meeting the late Wally Lalonde suggested that a letter be sent to the C.E.O. confirming Branch support. The letter and Pratte's response are shown in Appendix 6.4.

Pratte had many supporters in the organization, who were extremely disappointed by his resignation. Some typical comments by middle-level Managers in the OP&D Branch meeting to announce his resignation were: "Just when we are pulling together - what a disaster."

> I think he was doing a good job; he
> is logical, has a sense of honor,
> knows what he wants and is a good
> leader. In the last couple of
> years he has taken hold of his job,
> has learned the airline business and
> we are seeing the results. I think
> that someone senior inside or who has
> just left the airline has done him in.
> I would like to know who. The biggest
> mistake they ever made was to have two
> heads. Baldwin was a disaster. Since
> he (Baldwin) left, Mr. Pratte has
> brought it around.[25]

The following week, a long-service Senior Regional Vice-President said:

> He was martyred; it was inevitable
> from the beginning with the publicity
> and the Estey Commission. The Conser-
> vative caucus would not give up until
> they got him. It was racist. If
> someone comes in and tries to build
> on the work of Pratte, the company
> will progress.[26]

From the author's viewpoint, the attack was time-consuming, energy-draining, somewhat disillusioning, and it took time away from the change programme. As an attempt to counteract the situation, more of my time was spent on outside activities, making presentations to the Conference Board and other professional associations. I also met with the Minister of Transport, and urged him not to accept Pratte's

resignation. Some details of these activities are
shown in Appendix 6.8.

Yet, very little could counteract the
flood of negative material. It was almost impossible
to get anything positive about Air Canada in the media.
For instance, a group of passenger agents went across
the system during their holidays, using their own
passes, and collected 3,500 signatures, endorsing
Pratte's administration, but no serious mention was
made of the fact.

At the April of 1975 Toronto Personnel
Association Spring Conference, attended by about 1,700
people, Marion Kellog, Vice-President of Consulting
Services for General Electric, as the keynote speaker,
stated that the most comprehensive organization
development programme in North America was occurring at
Air Canada, and described why. Not one member of the
press mentioned her observations.

At the same conference, the Chairman of
the Ontario Industrial Relations Board stopped in the
middle of his speech, and stated that the recently
signed contract between Air Canada and the I.A.M.A.W.
(union), signed before the expiration of the previous
contract, was a major breakthrough, and he felt
the attitude of the press was irresponsible.
Because the agreement had been signed in Clearwater,
Florida, the media indicated that there had been
something irregular, hinting at tall glasses, and fun
in the sun, etc.

In December of 1975, the Estey Inquiry
Report was tabled by the Minister of Transport.[27]
Judge Estey stated that there was:

> . . . no loss of corporate assets
> due to the unlawful conduct on the
> part of any of the airline's
> employees; nor was there any
> evidence of any pecuniary gain by
> an employee either at the expense
> of the airline or by an improper
> use of his position in the
> airline.

However, Estey did criticize a disregard
for sound business procedures in some of the personal
decisions made by an executive. He referred to a
technically incorrect payment to a travel agent signed
by the Vice-President of Marketing, Yves Menard. The
method of payment had been recommended by three senior
managers, and, to his regret, Menard signed it without
verifying that it was in the proper form.

Menard resigned from Air Canada, and
became President of a medium-sized Canadian
conglomerate. Pratte, after his resignation, returned
to a Montreal law practice, and later, was appointed to
the Supreme Court. It is somewhat ironical that Estey
was appointed to the Supreme Court at the same time.

To the French press, the attack on Air
Canada represented a rejection of a respected citizen
and symbol. Jean-Guy Dubuc, writing in La Presse,
stated:

> Un autre Canadien français sali et
> finalement éliminé. . . . Il est
> impossible de prouver que le départ
> de M. Pratte est le fruit des
> pressions anglophones contre un

haut personnage francophone. La
preuve serait d'ailleurs trop
triste. Mais plusieurs indices
laissent percer une telle
hypothèse. Tous les moyens sont
bons pour combattre le "French
Power."28

After Pratte's resignation, an
Acting Chairman was assigned, and the airline
personnel were concerned at the possibility of
another political appointee. Most breathed a
sign of relief when Claude Taylor, a long-service
employee, with a background as a passenger agent,
and in finance, government and industry affairs,
as well as public relations, was chosen as the
new President and C.E.O.

He was appointed by the Liberals,
and was friendly with the Conservatives. It
seemed likely that he would continue the major
change strategies. Generally, the English press
lauded his appointment, as can be seen in the Air
Canada Media Round-up[29] in Appendix 6.10.

It was somewhat reassuring, when,
in his first address to a large meeting of
Headquarters managers, he stated that he intended
to build on what his predecessors had done, and
that he had received nothing but positive comments
on PMDP. He went on to say that, until someone
could show him how to manage better, he intended to
use the WP&R method of setting objectives. With
the appointment of Claude Taylor, the attack on the
airline stopped.

Claude Taylor, a Maritimer from
Nova Scotia, 51 years of age, was a Deacon in the
Baptist Church. He was a self made man who started
with the airline in 1948 as a passenger agent. Prior
to the 1970 reorganization, he held a senior manager
position in the former Sales Department under the
Senior Vice-President, Gordon Wood.

Taylor, whose formal education
consisted of high school and a certificate course
in industrial accountancy from McGill University
was a strong supporter of company sponsored self
development programmes. He had attended a number
of outside courses, including sensitivity training
at N.T.L. He influenced Wood to employ Edward
Schleh to introduce a management by objectives
programme to the Sales Branch in the early sixties.

In the 1970 reorganization, Taylor was
promoted to Vice-President, Industry and Government
Affairs. Later, the public relations portfolio
was added to the Branch. In effect, Taylor was
responsible for Air Canada's external image and
contacts with the airline industry (for example,
IATA), the Government (including the Opposition),
and the media.

He knew the airline business well,
was a political person, and very capable in
inter-personal relations with an amazing ability to

recall small, positive, personal details about a
multitude of acquaintances. He always appeared to
be pleasant and, if he was ever displeased by
anyone, they rarely were aware of it, as one senior
executive stated, until it was too late.

Taylor may not have been everyone's
choice to replace Pratte after he resigned. His
Branch rating, approved by the Compensation
Committee of the Board, had gone down from seven in
1973 to 11 in 1974 and this did not take into
account the disastrous public relations performance
of 1975 when the attack on Air Canada was in full
force.

Irrespective of the above, there was
tremendous relief felt by most Air Canada managers
(including the author who had eight months to go
in his contract) when Taylor was appointed as
Pratte's replacement. The fear was that someone
from outside would be named who might have been
influenced by the Opposition and the media. If
this had occurred and the person had not taken
the time to understand how Air Canada was improving
its managerial capacities, it would well have
undermined what Marion Kellog described as the most
comprehensive organization development programme
in North America (p. 369).

6.8.   <u>An Assessment of the Strategies</u>

<u>Strategy No. 1   -   The Objective-Setting</u>
<u>Programme</u>

Between 1973 and 1975, this programme
made steady progress, working from the C.E.O. down.

The concept of objective-setting, and
WP&R, was introduced to each Vice-President and his
senior management in a two-and-one-half-day workshop.
These workshops were conducted by Marion Kellog,
Vice-President, Consulting Services, General Electric.

An organization development consultant
attended the workshop with the Branch to which he was
assigned, and he followed up the training session by
working on an individual and group basis with the
Branch Vice-President and his senior management.
Depending on how comfortable the Branch appeared to be
in assimilating the WP&R concepts, the Branch head and
the consultant determined how far down they could go in
the Branch that year. In other words, the roll-down
would vary, depending on the degree of receptivity,
adaptability, interest, and experience of the managers
in the different Branches.

The greatest single problem with this
strategy was to prevent managers from trying to
accomplish too much, too quickly. With few exceptions,
early attempts at WP&R with the first-line supervisors
were not successful. To successfully implement this
type of concept, it is necessary to have an information

system which feeds back how effective performance is relevant to objectives. This information was not readily available, and, until such an information system was in place, it was difficult to introduce WP&R to first-line supervisors.

By December of 1975, all Branches had been introduced to the concept. Approximately 2,000 management and professional people - of whom 1,500 were managers of people - had attended workshops. About 1,000 of this group were fully committed to the approach as a way of managing.

In reviewing the progress, it was felt that a critical mass stage could still be reached by December of 1978. Critical mass in this intervention was defined as follows: WP&R would be installed in the form of setting annual objectives, with two or three formal recyclings during the year by all the executive and senior management, 95% of the middle managers, and 80% of the first-line supervisors. Recycling meant the man and the manager would talk about progress against work plans, and determine if there was a need to amend the original objectives.

Strategy No. 2 - System-Wide Education Programme

The education programme designed to reinforce the WP&R programme was custom-designed by the newly-formed Management Development group, who were part of the Manpower Planning Division of the P&OD Branch.

With some outside consulting help, they designed a
 programme called the Professional Management
Development Programme (PMDP), based on the
management-for-results concepts of planning,
organizing, integrating and measuring.

PMDP was an updated version of the
Professional Business Management (PBM) programme,
introduced by Cordiner and Smiddy[30] to the General
Electric management in 1954. It also incorporated many
of the aspects utilized in the pilot projects
undertaken in In-Flight Service.

It required 15 months to design, and it
was run through six pilot groups. In its final version,
it consisted of four modules of approximately
two and one-half days each. The modules were
conducted on a workshop basis, with the emphasis not on
theory, but on how to cope with current work problems
in a systematic and productive way. In other words,
how to deal with the here-and-now.

The workshops averaged approximately 20
people from a number of different Branches. In 1974,
120 people attended PMDP pilot workshops, and, in 1975,
1,058 managers had been exposed to the programme. In
1976, another 1,100 attended workshops, and the
remaining one-third of the management and professional
people were scheduled for 1977.

The estimated cost of developing PMDP,
presenting it to over 3,000 managers and individual
contributors, including their salaries while away from

their work, was, in 1973 dollars, approximately five million dollars.

PMDP was well-received, except for two Branches - Maintenance and Flight Operations (the pilots). A directive from the C.E.O. was required to have the Branches participate fully.

It should be noted that the airline management had traditionally been skeptical of training programmes. Internally, as previously stated, the airline had the reputation of starting many good programmes, but had never completed them on a system-wide basis.

In the case of PMDP, the participants' reaction was that the content, the manner of presentation, and the opportunity of being exposed to people and problems in other Branches was very positive. A large number of managers reported a significant improvement in the way the participants approached their jobs after they completed the programme.

The participants, however, had two areas of skepticism - one, would the programme be carried through to completion, would all managers be exposed to the concepts; and, two, would top management also be exposed to the principles. Relevant to the first point, the C.E.O., despite severe economic problems, refused to cut back on PMDP. As mentioned above, the cost of the programme was in the neighbourhood of five million dollars, or one and one-half million dollars annually.

It was the C.E.O.'s view that the investment in management development was one of the most critical the airline could make, and, relevant to the second point, since PMDP reinforces WP&R, and the concept started from the top and rolled down, the approaches were already being used by top management.

Nevertheless, a two and one-half day seminar was held in September of 1975, for Branch heads, to give them an appreciation course, during which a number of PMDP exercises were worked through. This seminar was given at the Vice-Presidents' request, and was attended by all but one Vice-President. They had asked for the appreciation seminar, because of the number of positive comments they were receiving from their employees, who had participated, and many expressed embarrassment at not being more aware of the course content.

Strategy No. 3 - Clarification of Roles and Responsibilities

As mentioned earlier, an Organization Planning Division (OP), separate from the Organization Development Division (OD), was formed. The founding OP Director was the former Director of the Operational Research group, Computer and Systems Services Branch.

The tactic the OP Division used was a workshop to clarify Branch roles and responsibilities. A Branch head and his senior managers met, and, with the assistance of an organization planning specialist,

their first task was to clarify and document the roles and objectives of the Branch. Next, a form of instrumentation called Roles, Accountability, Decision-Making, Authority (RADA) was used, whereby each participant would determine his actual responsibilities and level of authority.

Unexpectedly, the organization planning specialists found greater overlapping and misunderstanding within Branches than between Branches. Internal Branch disagreements were, for the most part, resolved by the Branch heads, with the help of the organization planning specialists. Problems between Branches were generally resolved with the Branch heads, again with the assistance of the organization planning specialists.

On occasion, resolution was referred to the C.E.O. for information and clarification, and, in some cases, to ensure that he was in agreement with the recommended division of responsibilities. The C.E.O. requested assistance from the OP Division, and a number of projects were conducted for him and/or the Branch heads, concerning structural problems of a different nature. These problems were usually questions on the effectiveness of the official structure.

In the latter part of 1974, the organization structure had been generally clarified, lessening the OP Division workload. One of the issues that had been identified was the lack of integration between the various personnel units within the company.

Each Branch had its own personnel unit,
and the personnel function was shown by a solid line to
the Branch head and a dotted line to the corporate
P&OD Branch. Although it was recognized that the
selection and performance of Branch personnel directors
was mutually agreed upon by Branch and the
Vice-President, P&OD Branch, it was also recognized
that there was a lack of communication regarding the
objectives each was working towards, and that some type
of greater coordination of activities was required.
Since the coordination would be a corporate
responsibility, a rearrangement of portfolios was
required within the P&OD Branch. The new arrangement,
which was put into place in the latter part of 1974,
is shown below.

CHART 6.5

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                        │ Vice-President  │
                        │      P&OD       │
                        └─────────────────┘
                                 │
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┌────────┐┌────────┐┌──────────┐┌─────────┐┌──────────┐┌───────────┐
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│        ││        ││          ││         ││          ││           │
│Relations││ sation ││Communi-  ││zation   ││& Organi- ││& Manage-  │
│        ││        ││cations   ││Develop- ││zation    ││ment Deve- │
│        ││        ││          ││ment     ││Planning  ││lopment    │
└────────┘└────────┘└──────────┘└─────────┘└──────────┘└───────────┘
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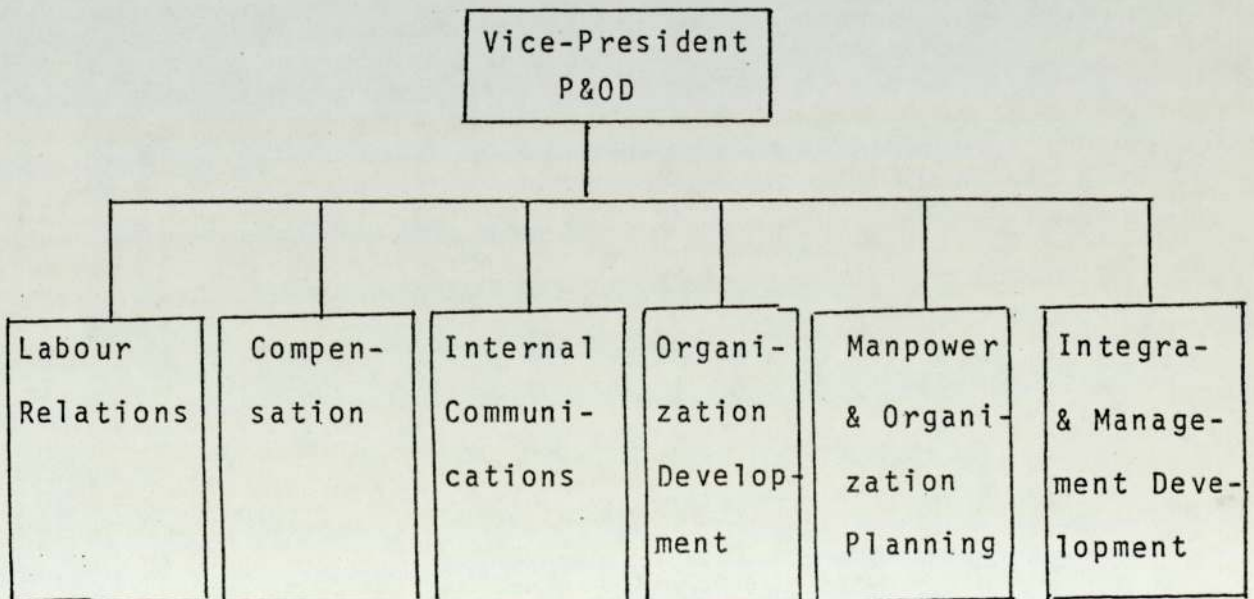
As shown, Manpower Planning and OP were placed under one Director. A new Integration sub-function and the Management Development sub-function were under another Director. The other Divisions - Labour Relations, Compensation, Internal Communications, and OD - remained the same.

The situation was reviewed in the summer of 1975. It was found that the union of Integration and Management Development into one Division had met its objectives. However, Manpower Planning and OP did not work as effectively.

There is a good deal of logic to the marriage of the sub-function of OP, which has the responsibility to advise and counsel on structure and related roles and responsibility, and the sub-function of Manpower Planning, which is charged with counselling and guiding how a structure should be staffed. Despite this seeming logic, it was found that, more and more, management and people problems were being resolved by restructuring. The first complaints came from the line managers, who recognized the incongruence. The OD Division was trying to resolve performance issues by diagnosing the problems, and more effectively managing them, whereas the OP Division seemingly was trying to resolve most problems by restructuring.

This was particularly ludicrous, as, in the author's opinion, the changing of an organization structure should be considered only as a last resort. In fact, in his office, he had a wall plaque with the

following quotation:

> We trained hard but it seemed that
> every time we were beginning to
> form up into teams we would be
> reorganized. I was to learn later
> in life that we tend to meet any
> new situation by reorganizing and
> a wonderful method it can be for
> creating the illusion of progress
> while producing confusion,
> inefficiency and demoralization.[31]

The problem was resolved by returning to the original concept of one OP&D Division. In this way, all organization planning problems that were identified could first be examined through organization development concepts. This approach was to resolve problems with the Branch people through organization development technology. Only as a last resort would a restructuring of the organization occur. Even where the organization structure was changed, it would be accomplished, when at all possible, with the people already working in the area.

In the author's view, this approach lent far more stability to the organization, and stability was certainly required. The revised P&OD Branch is shown in Chart 6.6 (See Page 383).

Strategies No. 4 and 5 - Performance Review and Reward System and Career Development Plans

Due to the relationship of these two interventions, they will be discussed together. The relationship of objective-setting to performance review and career planning is shown in Chart 6.7 (See Page 384).

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┌─────────────────┐
│ Vice-President   │
│     P&OD         │
└─────────────────┘
         │
    ┌────┴────┬────────┬────────┬────────┬────────┐
┌───────┐ ┌───────┐ ┌────────┐ ┌────────┐ ┌────────┐ ┌─────────┐
│Labour │ │Compen-│ │Internal│ │Organi- │ │Manpower│ │Integra- │
│Relations│ │sation │ │Communi-│ │zation  │ │Planning│ │tion &   │
│       │ │       │ │cations │ │Planning│ │        │ │Manage-  │
│       │ │       │ │        │ │& Devel-│ │        │ │ment     │
│       │ │       │ │        │ │opment  │ │        │ │Devel-   │
│       │ │       │ │        │ │        │ │        │ │opment   │
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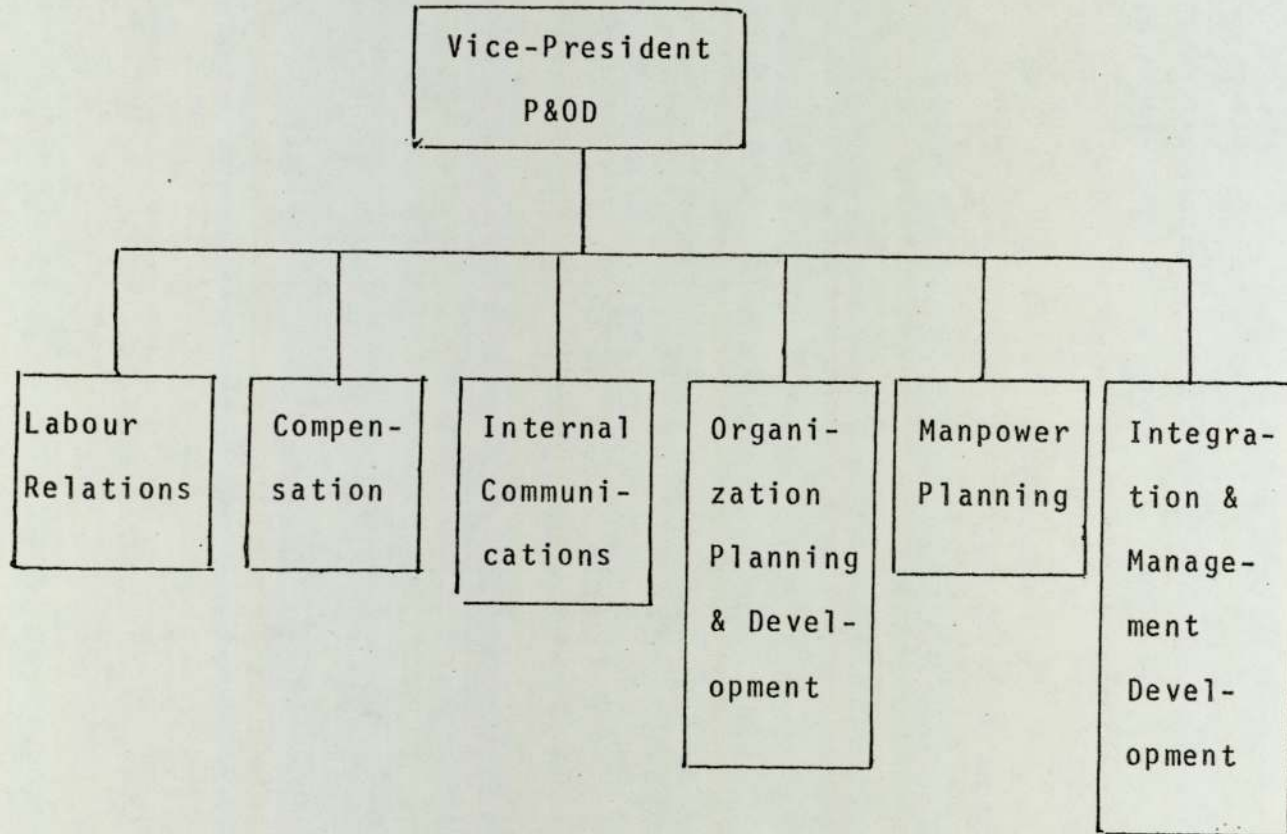
CHART 6.7

MANAGEMENT ACCOUNTABILITY   MODEL
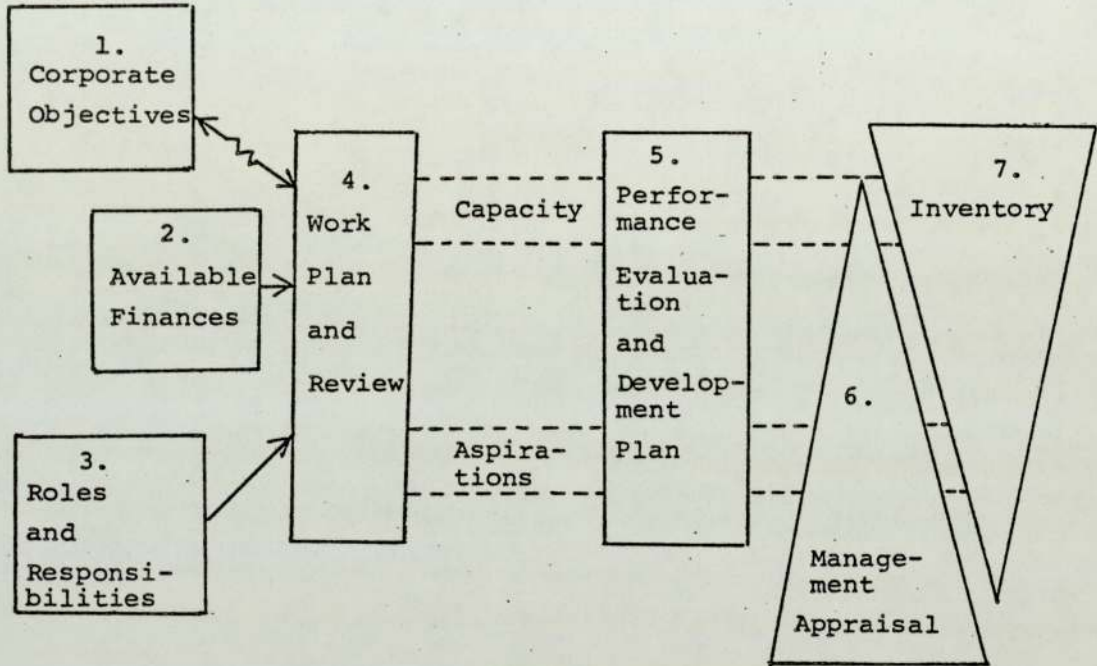
The seven inputs in the model are:

1.   The corporate objectives, as enunciated
by the C.E.O., and negotiated through the Branch heads
to a WP&R session with a manager.

2.   The financial and budget constraints.

3.   The manager's roles and responsibilities,
or what he is paid to do.

4.   In the Work Planning session, the subordinate and his manager negotiated innovative objectives for the year, and a brief work plan, outlining the essential steps was agreed upon. Progress was reviewed two to three times formally during the year.

5.   Once annually, the manager and his boss reviewed his progress against objectives. Since this review was intended for developmental reasons, no mention of salary or rating was made. At the conclusion of the performance review discussions - typically, more than one meeting took place - both the manager and the subordinate had an appreciation of the subordinate's capacities and his aspirations. A plan to develop his capacities for his present, and possible future positions was agreed upon and documented.

6.   The management appraisal portion involved a group of peer-managers, discussing, in a group meeting, the potential of their subordinates, and arriving at a consensus. As most managers in a Branch had dealings with the subordinates of their colleagues, it was an effective way of overcoming biases for or against a particular employee. As a peer group, the managers were in a position to comment insightfully on the evaluations presented by the immediate supervisor. The information regarding which employees were ready for promotion or which ones needed more development was kept by the Manpower Planning specialist for

consideration when vacancies occured.

       7.   Other tombstone data, as well as work experiences, were placed in the computer's inventory for retrieval, as required.

Reward System

      The performance review provided the manager with a basis for a salary rating, which was usually discussed with the employee several months after the performance review. A five-point scale was used to rate employees in the following categories:

      0.   Did not meet job requirements

      This rating indicated that significant additional training and/or development was required, as the objectives in major areas responsibility had not been met. An employee in this category would not get a salary increase.

      1.   Met minimum job requirements

      This rating showed additional training and/or development was required, as the objectives had only been met or assigned in some major area of responsibility. An employee in this category would usually get the basic salary uplift, which was generally equivalent to the cost-of-living increase.

      2.   Met job requirements

      This rating signified additional

training and/or development was necessary, but only to meet changing job requirements. Performance was fully satisfactory, and objectives had been met and assigned in most major areas of responsibility. The salary increase would be the basic uplift portion, plus a performance increase.

3.   Exceeded normal job requirements

This rating indicated the employee's performance was well above expectations in certain areas. The salary increase would be the basic portion and a larger performance increase.

4.   Consistently exceeded job requirements to a high degree of excellence

This rating attested that the employee's performance was significantly above the expected level. The salary increase would be the basic portion, plus the largest performance increase available.

As part of the concept of rewarding for performance, a modest Branch bonus programme was put into effect. The C.E.O. would rate the Branches, and, depending on their contribution to the company's objectives, would allot bonus money to each Branch. The money was disbursed by the Vice-Presidents, Directors and Managers within the Branches, in accordance with corporate compensation guidelines. It was divided among those rated 3 and 4, although a certain amount of discretion was permitted, and, in

some cases, those rated 2, or even 1 were awarded bonus money. There were a number of requests to distribute the money evenly among all Branch members, but this idea was strongly discouraged.

In Chapter 5, mention was made of the introduction of a Branch bonus system. The Branches were rated on the basis of their contribution by the C.E.O. and President, usually in the first quarter of the following year. These ratings were approved by a Compensation Committee made up of Board members. Their recommendations were then discussed and approved in a full Board meeting.

The chart, of Summary Branch/Region Performance Awards - 1972, 1973, 1974 (See Pages 389, 390)[32] shows the Branch ratings for those years. This chart will again be referred to in the concluding chapter. The point it raises is whether this is a wise tactic to use and/or publish in a politically oriented organization undergoing change.

In March of 1975, approximately 150 managers were surveyed anonymously, regarding their reaction to the Reward System. The general reaction was, 'We've got it - let's not fiddle around with it.'

At the same time, an examination was made of the distribution curves of the salary ratings on a corporate-wide basis. While there was some variation between the Branches, because some were slightly more liberal than others, the general distribution of the curve was almost normal.[33]

CHART 6.8

SUMMARY BRANCH/REGION
PERFORMANCE AWARDS
1972, 1973, 1974

BRANCH/REGION	1972 %	1972 (RANKING)	1973 %	1973 (RANKING)	1974 %	1974 (RANKING)
Chairman	1.1	(11)	1.0	(7)	---	----
President	1.1	(11)	1.0	(7)	1.4	(15)
Secretary	Incl. in Chairman		Inc. in Pres.		1.4	(15)
General Counsel	Incl. in Chairman		1.0	(7)	1.9	(8)
Finance	1.3	(4)	1.5	(3)	1.3	(18)
Personnel & Organization Development	1.3	(4)	1.3	(5)	2.6	(1)
Computer & Systems Services	1.2	(7)	1.0	(7)	2.0	(6)
Public Affairs	---	----	1.0	(7)	1.6	(11)
Public Relations	0.6	(18)	Combined under Public Affairs			
Government & Industrial Affairs	1.1	(11)				
Flight Safety	---	----	1.0	(7)	1.5	(14)
Maintenance	0.4	(19)	0.3	(20)	2.0	(6)
Purchasing & Facilities	1.2	(7)	0.9	(15)	1.1	(19)
Flight Operations	1.1	(11)	1.6	(1)	2.1	(5)

	1972		1973		1974	
BRANCH/REGION	%	(RANKING)	%	(RANKING)	%	(RANKING)
Transportation Services	---	----	0.7	(18)	1.8	(9)
Customer Service Support	0.9	(17)	Combined under Transp. Services			
In-Flight Service	1.2	(7)	1.0	(7)	2.6	(1)
European Region	1.2	(7)	1.2	(6)	1.5	(12)
Eastern Region	1.4	(1)	1.5	(3)	1.7	(10)
Central & Southern Region	1.4	(1)	0.8	(17)	2.3	(4)
Western Region	1.3	(4)	0.9	(15)	1.5	(13)
Marketing	1.4	(1)	1.6	(1)	1.4	(15)
Payload & Operations Control	1.1	(11)	1.0	(7)	Combined under	
Operational Planning	1.1	(11)	0.5	(19)	Marketing	
Corporate Planning	Included under Chairman				2.5	(3)

NOTES: Year 1972   Minimum award   0.4%
　　　　　　　　　　　　Maximum award   1.4%
　　　　　　　　　　　　Average award   1.0%

　　　　　　　Year 1973   Minimum award   0.3%
　　　　　　　　　　　　Maximum award   1.6%
　　　　　　　　　　　　Average award   0.9%

　　　　　　　Year 1974   Minimum award   1.1%
　　　　　　　　　　　　Maximum award   2.6%
　　　　　　　　　　　　Average award   1.9%

CHART 7

-390-

This was contrary to most corporations, where such curves are usually strongly skewed to the right.[34]

To summarize these two Strategies - No. 4 - Performance Review and Reward System, and No. 5 - Career Development Plans - the Reward System was working well, and, although significant progress was made in implementing Performance Review and Career Development Plans, more work was needed.

A survey of 150 managers was conducted in March of 1976, and the findings are presented in Chart 8 (See Page 392).[35]

The findings indicated that, while more and more managers were sitting down with their subordinates and discussing performance, both managers and subordinates were concerned with, and requested more information from the company regarding future career opportunities and developmental possibilities. Obviously, more work was required in this area.

Strategy No. 6 - Improving Relations with Unionized People

This strategy, developed with the union, was based on management being firm, direct and consistent on a long-term basis, and on treating union representatives as mature professionals. It worked well, with one major exception - the newest, and one of the smallest locals - the clerical workers at the Winnipeg accounting office, organized by the Passenger Agents (CALEA).

CHART 6.9

1. There was adequate discussion with my boss of work accomplishments during the year:
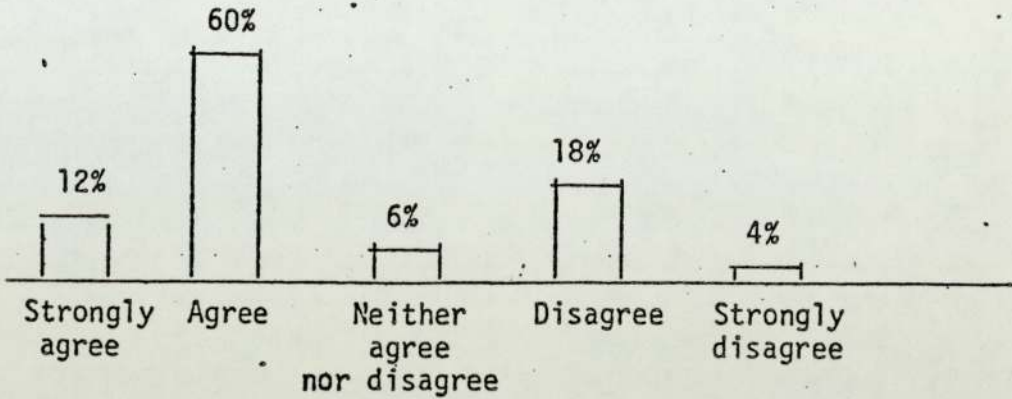
FIGURF- 1.

2. Strengths and weaknesses related to work accomplishments were discussed:
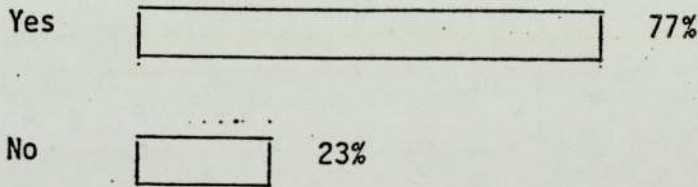
FIGURE 2

3. My personal aspirations and career interests were discussed with my boss:
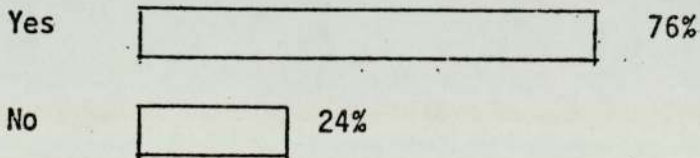
FIGURE 3

4. The review provided me with good opportunity to discuss possible career paths and future positions:
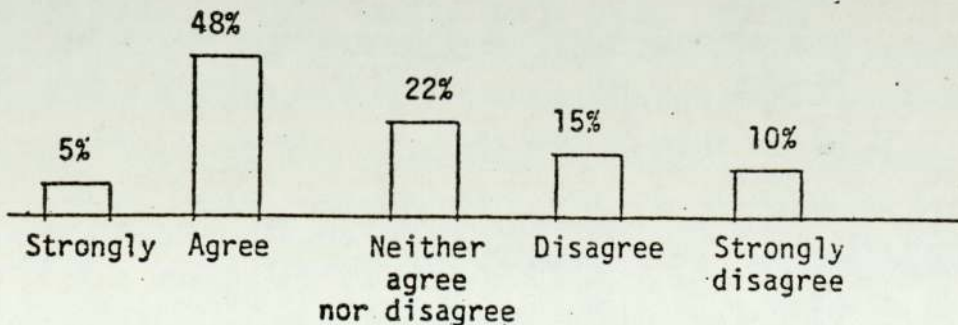
Starting with the mechanics, then the pilots, and finally, the passenger agents, the executive of these unions - three of the four largest ones - were invited to a one-day off-site conference, chaired by the Vice-President of P&OD. A presentation of the results of the management survey was made, and each of the six directors - Labour Relations, Compensation, Organization Planning, Organization Development, Manpower Planning, and Communications - made a presentation on the activities their Divisions were carrying out related to the action plans. The discussions were informal, quite open, and led to job redesign projects. Fifteen of these were eventually carried out.

The general approach was based on the Emery and Trist[36] socio-technical system, rather than the Herzberg[37] job enrichment concept. The former places greater emphasis on the marriage of both the social and technical aspects of work, as well as a greater involvement of the workers in recommending and implementing innovative approaches to the work being carried out. The author described the projects and approach used in two articles.[38]

Each project was regarded as a demonstration project, and as being unique in itself. From the point of view of organization health, this intervention was most helpful. For example, a more open relationship, oriented to problem-solving, was

built with the I.A.M.A.W. Six projects were carried out involving I.A.M.A.W. members.

Since 1962, every time the company and this union had negotiated an agreement, there was some type of disruption - a full strike, a rotating strike, a slow-down, or a work stoppage. In March of 1975, without assistance from a third party - a mediator or conciliator - and prior to the expiration of the old contract, a new one was signed without any form of disruption. The President of the I.A.M.A.W., who became very supportive to management, stated: "We see what you people are trying to do and we think you are on the right track".[39]

The I.A.M.A.W. President also stated that there were four essential criteria for job redesign projects to be successful. First, an organization development consultant must be available. Second, objective attitude measurements should be made before and after the projects. Third, objective productivity data should be kept on the same basis, and last, the workers must be involved.

Typical of North American unions, the I.A.M.A.W. did not ask for co-management as a form of management, as it is practiced today in such countries as Sweden and Germany. However, they were convinced that the workers could help make the company more productive. These people were knowledgeable, skilled, and closest to getting the work done. The actual words of the addendum to the March, 1975 agreement were:

The Company and the Union recognize
that in order to achieve the
necessary efficiency and economy of
operations there is a constant need
to derive the full benefit of
changes in technology and achieve
maximum utilization of manpower.

It is incumbent upon both parties
to cooperate fully in achieving
this objective. This can best be
realized through detailed
discussions and mutual
consideration of all factors
involved including the need to
avoid inflexible lines of work
jurisdiction, outmoded procedures
and inefficiencies with their
inherent increase in costs.[40]

Further, the letter of understanding

stated:

In recognition of the above, it is
essential that employees be
afforded the opportunity to present
their views with respect to methods
of achieving efficiency and economy
of operation. It is also agreed
that the 'continuation of
employment under conditions of
reasonable hours, compensation and
working conditions' must also be
considered as an integral part of
the overall objective when arriving
at a satisfactory arrangement to
cover the work requirements.[41]

It would be too simplistic to think the

union and the airline were going to live happily ever

after. However, a significant improvement in the

approach to problems had been achieved, and job

redesign projects helped to foster a greater degree of

mutual confidence.

Union relations was the one area where, as a Vice-President, the P&OD Branch was criticized by the C.E.O., although, in the final analysis, as Tennant stated in December, 1975, one of the important accomplishments during Pratte's stewardship was, "An improvement in union relationships, especially with the pilot's association and also with the I.A.M.A.W."

Disagreements between the C.E.O. and myself, whether on labour relations or other matters, were frank and open. He maintained, from the point the five year contract was signed, that he wanted to continue, in part, a consultant/client relationship - a frank and critical approach. The relationship was typical of the 'man to man' relations Greenwood speaks of as being present at General Electric.

While always mindful of the C.E.O.'s position, I found that if the matter under consideration was a major issue, it could be discussed as equals. This occurred on three occasions. One of these involved an exchange of letters which are included in Appendix 6.9. It was a misunderstanding. The Labour Relations Division was being held responsible for a management right which had been bargained away 12 years earlier. The matter was clarified at a meeting with the C.E.O.

The aspect is that the point provides an example of a type of client/consultant relationship which not all consultants would feel comfortable with but which, in this case, was frank, open, and led to mutual respect.

Strategy No. 7 - Resident Consultants in Branches

The expansion of the corporate OD Division to provide a part-time resident consultant in small Branches and a full-time one in larger Branches was an important strategy to introduce planned change. There were no serious problems with the OD Division, considering the magnitude of their mandate, other than the difficulty of recruiting people at the required level.

John Humble refers to this role as an "Adviser", and states:

> The adviser may be a consultant from outside the company and often is at higher levels of management. An adviser from within the company may be seconded to this work for a short period to launch the programme and as part of his own personal development. The quality of man is important in successfully filling the role and he must normally be equal in formal status to the senior manager during any manager/subordinate discussion.[42]

When the programme was launched on a company-wide basis, a Director of Organization Development was recruited, who was at ease in working with chief executive officers; he was able, through off-site training seminars, to build most, but not all, of the organization development consultants into an effective team.

There were also three strong Personnel Directors in large Branches, who had spent time, since November of 1971, in the corporate Personnel Branch, and

'owned' the strategies being introduced across the
airline. Marion Kellog's involvement with each of the
Branch heads and their senior managers also helped in
establishing the effective use of lesser qualified
consultants. However, as previously mentioned, the
demand for organization development consultants was
great, and the turnover higher than was desirable, and
it became more difficult to recruit replacement
consultants with the required level of experience and
expertise.

The consultants were heavily involved in
introducing WP&R, approximately 10% of their time was
allotted to leading sessions of PMDP, and they also
assisted in the job redesign projects. As the
programmes progressed successfully, an increasing
number of requests were received for consultant inputs
into job redesign and general management projects.

The following 'force field' analysis
shows some of the strengths and weaknesses of the OD
Division (See Page 399). It is the result of
discussions between the author and two senior
organization development consultants.

CHART 6.10

FORCED FIELD ANALYSIS	
PRO	CON
1. They provided a force for integration between Regions/Branches, reducing rivalry.	1. A seasoned consultant was necessary to maintain objectivity when dealing with problems between Regions/Branches.
2. They were able to effectively influence Branch and Region heads where the Director of Personnel and Administration employed in the Branch could not.	2. If not handled delicately, this could cause antagonism.
3. They effectively assisted in the implementation of objective-setting at all levels of the airline.	3. There was danger that in the process, they usurped or were seen as usurping management's role. Some senior executives felt the Division had too much power, despite all efforts to keep a low profile.
4. There was heavy reliance on the individual consultant's own abilities to achieve success.	4. The consultant is a 'one-man gang' frequently thousands of miles from home base with limited assistance from his boss, and frequently makes critical on-site decisions.
5. In two and one-half years, a number of the OD Division consultants were promoted, three became General Managers, several became Directors, and one left the airline to become President of a private consulting firm.	5. Because of the high mobility, of the 10 consultants assigned in December of 1975, six were truly seasoned, the others were learning the new role, thereby limiting the assignments that could be given them, and, subsequently, lessening the Division's flexibility.

6.8.1.   Organization Effectiveness

During the period, there was also a dramatic improvement in the quality of service levels.

1.   On-time Performance, working against the system-wide objective of attempting to attain 80% of flight departures within five minutes of the timetable, achieved:

October, 1973	July, 1974	July, 1975
71%	76%	85%

In 1972, Air Canada's on-time performance was the second worst in North America , and, in 1975, it was second best.

2.   Baggage Delivery, working against the system-wide objective that 90% of the flights deliver passenger baggage within the standard time established by the airport.

October, 1973	July, 1974	July, 1975
75%	83%	87%

3.   Airport Check-In Wait Time, working against the system-wide objective of checking in 90% of passengers within five minutes, achieved:

October, 1973	July, 1974	July, 1975
81%	83%	89%

4.   Telephone Answering Service, working against the objective of answering 80% of calls within 20 seconds of the first ring:

October, 1973	July, 1974	July, 1975
72%	75%	80%

5. Available ton miles (ATM) per employee is one of the frequently used measures of productivity employed in the airline industry. It is the capacity of the airline to fly a certain number of tons per employee.

ATM - Productivity Improvement - 1974 vs. 1975

	1974	1975	Change
Average ATM's (millions)	234.8	256.3	+ 9.2%
Average No. of employees	21623	21293	- 1.5%
Average ATM's/employee	10859	12037	+10.8%

When reviewing all five measures together, there was a considerable improvement in the service provided, with less employees and more airplanes flying. Although the data does not show this, there was also an increase in revenue passengers and freight carried in 1975 over 1974.

While Air Canada was generally more efficient than comparable European airlines - for instance, the Air Canada available ton miles per employee were 43% higher than the Scandinavian Airlines System - they were 27% lower than the average United States trunk carrier.[43]

It is interesting to note, however, that, despite more difficult flying conditions, more sales outlets, etc., Air Canada was closing the gap, as illustrated from the following data.[44]

The first Chart - System Trunks - Average Labour Cost Per Employee Note - Calendar Years 1974 - 1973 (See Page 403) - illustrates the average labour cost per employee for the calendar years 1974 vs. 1973, showing an increase of 10% for the 11 United States carriers against an increase of 9.4% for Air Canada.

The second Chart - Industry Unit Cost and Employee Productivity Forecast - 1975 (See Page 404) - forecasts, in the month of September of 1975, the year's productivity improvements compared to United States carriers.[45]

These measures lend credibility to Pratte's statement in his letter of resignation:

> Over the last two years or so, the airline's performance in all facets of its operation has improved dramatically... By all objective standards, Air Canada is now a more professionally managed, profit and customer oriented airline than ever in its history.[46]

Pratte felt the change programme provided a system whereby the executive team could identify and manage potential performance improvements. This, of course, does not demonstrate cause and effect which was a good argument for reapplying the system wide survey to determine if participants perceived a difference in management style.

SYSTEM   TRUNKS

AVERAGE LABOUR COST PER EMPLOYEE NOTE

CALENDAR YEARS   -   1974 - 1973

Carriers	Calendar Year 1974	Calendar Year 1973	Percent Change
American	$20,128	$18,937	6.3
Braniff	17,713	16,632	6.5
Continental	17,818	17,264	3.2
Delta	19,363	17,556	10.3
Eastern	18,972	17,820	6.5
National	18,730	17,343	8.0
Northwest	19,418	17,786	9.2
Pan American	19,996	18,047	10.8
Trans World	19,327	16,180	19.4
United	19,090	17,271	10.5
Western	19,373	17,467	10.9
System Trunks	$19,305	$17,554	10.0%
Air Canada	15,930	14,561	9.4%

CHART 6.11   -403-

INDUSTRY UNIT COST AND EMPLOYEE PRODUCTIVITY FORECAST - 1975

	A/C	AAL	DELTA	EAL	NW	TWA	UAL
Operating cost per ATM ¢	33.23	30.51	32.24	38.08	21.48	27.45	29.77
% change over 1974	5.9	11.2	6.5	5.5	8.9	10.2	6.7
ATM's/Employee (000)	144	168	144.8	123.2	311.6	195.6	154.4
% change over 1974	10.2	3.2	5.1	6.2	3.4	4.6	4.9

CHART 6.12

6.9.   <u>Mark IV - Reapplication - 1976</u>

6.9.1.   <u>Planning, Application and Changes</u>

In the fall of 1975, plans were
established for a post-measurement of the climate to
determine the effect of the two principal strategies -
WP&R and PMDP.   At that point in time, Air Canada was
under an unprecedented attack by both the press and
members of the Opposition Conservative Party.

In private conversation, the C.E.O.
indicated that it might be in the best interest of the
organization if he resigned. At that time, he had an
offer to take over the presidency of one of the larger
Canadian banks.

The author was also about to begin the
final year of his five-year contract. Realizing that
there could be a new C.E.O. appointed, who could
readily decide that a post-measurement of the climate
would be non-productive, he undertook to get a
commitment from his fellow Vice-Presidents on the logic
of determining how effective the change strategies had
been. This was accomplished by visiting each
Vice-President, as part of the establishment of the
P&OD Branch goals for 1976. All, without exception,
as part of a typically two-hour long conversation,
stated a need to examine the progress made by
conducting another survey. The replication of the
survey was negotiated with the C.E.O. as part of the
1976 objectives.

Pratte resigned on November 26, 1975, and in the three months that the organization was without a new C.E.O., work on preparing the survey - including letting the contract to IBR - took place.

In March of 1976, a reapplication of the survey was made. The author was involved in the design of the reapplication, but had limited involvement in the analysis, and, since he left the airline in June of 1976, had no involvement in the final report, which was presented in August of 1976.

The following sections will examine some of the changes made in the Mark IV instrument,[47] shown in Appendix 6.11,the findings presented to management,[48] as well as some of the findings in the Technical Report.[49]

The survey took place in March of 1976, and was administered to 585 managers and individual contributors. These managers represented 96% of the 610 selected, and 40% - or 233 - had participated in the 1972 survey. The remaining 352 were selected on a stratified random sample basis, which ensured that the total sample was in direct proportion to the number they represented as a percentage of the total management force. Due to internal transfers, the incumbent/supervisor relationships which had been part of the 1972 survey was not included in the 1976 survey, nor was an attempt made to have no less than 37 members of each Branch.

Chart 6.13, Sample Composition by
Branch (See Page 408)[50] - shows the total sample by
Branch, as well as the common sample for 1972 and 1976.

The changes incorporated into the Mark
IV instrument were as follows:

1. Course Needs

An additional section asked participants
to prioritize their personal training needs. They were
asked to:

> . . . select in order of perference
> five courses you feel would do most
> to improving your current job
> performance. . . ,[51]

from:

a. a list of 26 technical knowledge and skills
courses; and,

b. a list of 19 people management skills courses.

The objective of the addition of this
section was to get more specific management inputs on
possible courses which could be instituted once the
PMDP programme was completed.

CHART 6.13

SAMPLE COMPOSITION BY BRANCH

Branch	Total Sample				Common Sample	
	1972		1976		1972 & 1976	
	N	%	N	%	N	%
Computer & System Service	41	8	49	8	19	8
Finance	35	6	35	6	10	4
Flight Operations	36	7	35	6	13	6
Transportation Services	44	8	26	4	7	3
Corporate			25	4	5	2
In-Flight Service	32	6	34	6	17	7
Marketing	32	6	33	6	13	6
Maintenance	98	18	108	18	49	21
Personnel	0	0	23	4	0	0
Purchasing & Facilities	37	7	41	7	21	9
Central Region	39	7	40	7	21	9
Eastern Region	41	8	33	6	14	6
European Region	30	6	30	5	8	3
Western Region	34	6	37	6	19	8
U.S.A.	37	7	36	6	17	7
TOTAL	536	100	585	99	233	99

2.   Climate Scaling

In 1972, as well as in 1976,
participants were asked to state, on a five-point
scale, whether they:

CHART 6.14

| Strongly Agree | Agree | Neither Agree Nor Disagree | Disagree | Strongly Disagree |
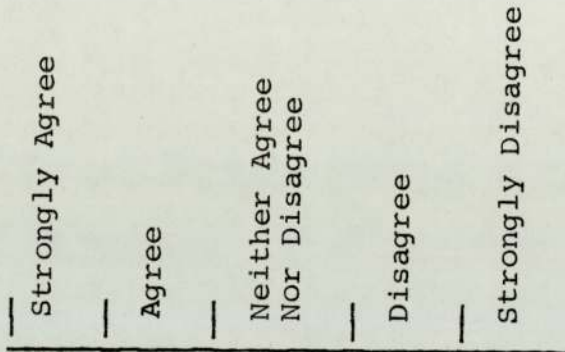
on each of the 102 climate items. In 1976, they were
asked to make a second judgment:

> . . . indicate if any change has
> occurred in your work environment
> since January 1973 or since your
> date of employment if later than
> January 1973[52]

under the following choices:

| Improved | No Change | Worsened |

The objective was to learn how the respondents viewed the 1976 climate. To do this, it was felt necessary to provide an additional rating scale, which could break the participants' established pattern, if one existed, of responding, and also, give them the opportunity to express their views on the change or lack of change in the climate within the preceeding three years.

3.   Life Space

A set of questions about the respondent's perception of his whole life was developed, and included in the questionnaire. IBR had noted that, during the last several years, the repeated application of this survey with other clients, had shown a small, but continual downward trend in levels of satisfaction. While they felt that this could have occurred for several reasons, they asked to have four questions included, relevant to the respondent's perception of his whole life environment, in relation to his perception of the climate.

6.9.2.   Presentation of the Results to
Management

The analysis, allowing for the additions to the questionnaire, generally followed the 1973 pattern; that is, in the analysis of the climate, the 17 clusters were again reduced into the same 10 factors.

The author appreciates this is now contentious issue, and, as a member of the steering committee, was partly responsible for the design of the 1976 analysis. The dominant rationale was that the 10 factors had been published extensively throughout the organization; they had also been discussed in depth, not only with the managers, but also with the union executives. For three years, there had been a 4' by 6' wall chart of the 1972 factors in the author's office, which has been a memory jogger in a number of planning sessions. If a different set of factors were presented to members of the organization, it could be perceived as an attempt to hide the results by changing the terms as they knew them.

Chart 6.15 - Management Training Needs and Climate Survey - Organization Climate - 1972 - 1976 Comparison (See Page 412)[53] - shows a comparison of 1972 and 1976 findings.

The method of presentation of the results to management was completely different to the 1972 survey approach. Two organization development specialists went out to the various Branches and Regions, and presented the results. Branch heads were asked to consider the implications to their Branch and the airline, and submit their recommendations in writing. By November 4, 1976, five Branches had submitted a report.

The most comprehensive was the submission by the Vice-President, Central Region.

ORGANIZATION CLIMATE

1972 - 1976 COMPARISON

1976

1972

CHART 6.15

(* this refers to the percent of satisfaction/dissatisfaction) * % FREQUENCY

80

60

62

64

53   55   57 57   60

51   52   59   54   45 46

52   37 37   43 43

40   35   37

20

0

INTERPERSONAL RELATIONS

ORGANIZATION CHANGE/COMPANY IDENTIFICATION

ADMINISTRATIVE EFFICIENCY

PAY AND BENEFITS

WORKING CONDITIONS

INDIVIDUAL RESPONSIBILITY

WORK STANDARDS

INTERBRANCHES COOPERATION

DOWNWARD COMMUNICATION

RISK TAKING
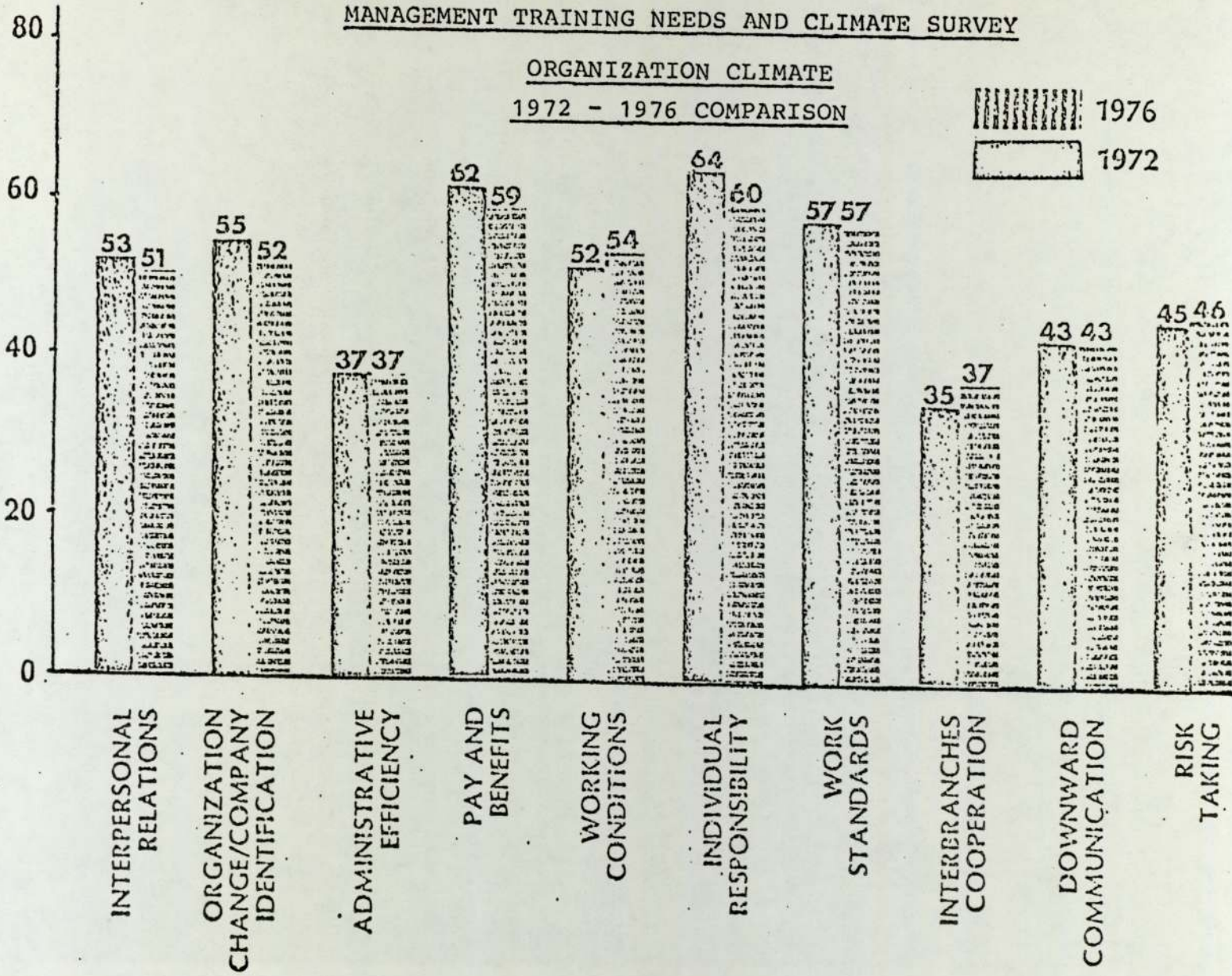
He perceived the need for strong
leadership by the P&OD Branch to plan:

> . . . the kind of changes required
> in people management processes and
> methods in the corporation. . . .
> How to gain understanding, support
> and ownership of the plan on the
> part of the key line managers
> should be an integral part of
> their recommendations.[54]

Particular emphasis was recommended on
integrating objectives.

In summary, many of the recommendations
and those of the other Branch heads emphasized
organization development activities - particularly
WP&R - with less emphasis on training activities.

A report[55] of the results was presented
to management.

The major findings are shown on the
following pages (414 - 419), and, as there were a
number of interpretive and administrative errors,
they are not summarized, and the inconsistencies
will be discussed.

1. ORGANIZATION CLIMATE - MAJOR FINDINGS

   A. 1976 Results - (560 participants)

      1. The three areas of greatest concern -

         a) Administrative Efficiency; (.37) the degree to which management feel that the administrative routines, processes and procedures as well as the organization structure are supportive of getting their jobs done in a timely and efficient manner.

         b) Inter-branch Cooperation; (.36) the degree to which management see the Branches pulling together in cooperative endeavours towards a common goal; the degree of teamwork they think exists across Branch boundaries

         c) Downward Communications; (.41) the degree to which management feel they are being kept informed on important issues; what is going on, what is planned within the Branch/Region and/or Company

      2. The three areas most favorable are:

         a) Pay and Benefits; (.60) the degree of satisfaction expressed by management towards their salary and employee benefits

         b) Maintenance of High Work Standards; (.56) A measure of the degree to which participants feel that the company establishes and maintains high quality work standards and that second rate work is not accepted

         c) Encouragement of Individual Responsibility; (.61) the extent to which managers are encouraged to assume responsibility for their own work and need not depend on supervisors for day to day guidance and direction.

      3. Comparing individual Branch/Region results to that on a Company basis reveals significant variability on most factors.

   REFERENCE:

   Appendix V   -   1976 Results (Graph)
        "   VI   -   1976 Branch/Region Comparison
                       Pages 1-10

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B. Comparison 1972 - 1976 (270 Participants)

- The organization climate of Air Canada showed slight declines on 4 of 10 factors between 1972 and 1976 although on a Branch/Region basis there were substantial shifts on certain factors.

- Two factors, Working Conditions (.52 - .54) and Inter-Branch Cooperation (.35 - .37) showed slight improvements between 1972 and 1976.

- Although rated still quite positive, two factors which from a statistical point of view showed significant declines between 1972 and 1976 were:

  1) Organization Change and Company Identification; (.55- .52) the measure of how management feel about the recent changes which have taken place in the airline (up to December 1975), the way these changes have been carried out and employees' perceptions as to how their careers may have been affected; a measure of how closely management employees identify with the Company and the direction it is taking

  2) Encouragement of Individual Responsibility; (.64-.60) the extent to which managers are encouraged to assume responsibility for their own work and need not be dependent on superiors for day to day guidance and direction.

- Participants indicated during the discussions that they attributed the decline in Company Identification to -

  a) the unprecedented attacks in the media and House of Commons

  b) the Estey Inquiry into the Financial and Business Affairs of the Company

  c) uncertainty and internal pressures generated in response to declining economic conditions, and

  d) two successive years of being in a deficit position.

REFERENCE:

Appendix VII - 1972-1976 Comparison (Graph)

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B. Comparison 1972 - 1976 (270 participants)

* Participants perceived the actions initiated in response to declining economic conditions to have affected the <u>Encouragement of Individual Responsibility and Communications Down</u>. They saw greater constraints and controls being imposed which have negatively affected their perceptions of responsibility & accountability

* Comparing individual Branch/Region results between 1972 and 1976 reveals substantial variability on factors related to:

    1. Pay and Benefits

    2. Maintenance of High Work Standards

    3. Management's Willingness to take risks

<u>REFERENCE</u>:

Appendix VIII - 1972/1976 Branch/Region results.
              (Pages 1- 5)

PROGRAM EVALUATION - MAJOR FINDINGS

- Participants in the survey see Work Planning and Review and PMDP as valuable and potentially useful management tools although they have been less successful in applying the principles.

- Participants in some Branches/Regions have experienced greater difficulty applying the principles than others

- Generally speaking, those participants who were able to successfully apply the principles of WP&R and PMDP saw:

  1. Improvements in Communications down

  2. Better understanding of their role

  3. A greater sense of contributing to and achieving unit objectives

  4. General improvements in their work environment.

- There is however, a particular problem applying the principles of PMDP and PW&R at the 1st line operating positions, which is attributable in part to the roles and general work environment at that level:

  - The prevailing conditions at the 1st line supervisory level results in a "day of operations" orientation and "fire fighting" behavior which precludes them from getting involved in managing as it is taught on PMDP

  - Other factors contributing to the situation are age, education level and the amount of time spent in present position. The older a person is, the lower the education level, and the longer a person has spent in their current position, the less they are able to apply to the principles of PMDP and PW&R

  REFERENCE: Appendix XV: Program Evaluation-Company
                              (Learned/Applied/Potential)
              Appendix XVI: Program Evaluation - PMDP
                              Branch/Region.
              Appendix XVII: Program Evaluation - WP&R
                              Branch/Region.

AREAS FOR FURTHER EXAMINATION AND POSSIBLE ACTION

A. Organization Climate

In 4 of the 10 areas covered, the employees' perceptions and the resulting conclusions suggest a need for additional consideration and possible action. These areas are:

*   Inter-Branch Cooperation
*   Administrative Efficiency
*   Communications Down
*   Risk-taking

Generally speaking, the information on how our employees perceive things in these and other areas is most striking when viewed across the Corporation as a whole and is of prime interest in the development of Personnel plans and programs. It should, however, be provided to individual Branch and Region Heads for their information and such local action as they may deem appropriate.

B. Management Training & Development

Corporate Personnel will use the information provided by employees as a key input in:

*   Improvement of current T&D programs
*   Development of new programs, particularly for first line Supervisors
*   Tieing programs more closely to actual needs of individuals and groups

This information, including perceptions of their own subordinates, should be relayed to individual Branch and Region Heads for their consideration and possible action. This should include the data on problems in applying what is learned in training programs.

PROGRAM EVALUATION - CONCLUSIONS

- Generally speaking participants in the survey expressed satisfaction with the learning experience and the potential usefulness of the methods and techniques taught in PMDP and WP&R workshops, although they were less satisfied with the effective transfer of the acquired skills and knowledge in the actual work situation

- Middle management and analyst/specialists in the majority of Branches/Regions are more successful applying the principles of WP&R and PMDP on the job than 1st line supervisors. It is apparent from discussions held with supervisors participating in the survey that they feel they don't have the time/opportunity nor do their current roles require them to apply the principles on the job

- At the lower levels in management age, level of education and length of time spent in present position has a strong influence on the extent of the application of the principles of PMDP and WP&R.

6.9.3   Conclusions on the Report

As mentioned above, there were a number of inconsistencies in the Technical Report,[56] and the presentation of results to management. There are also smaller inconsistencies in the data in the text of the presentation and the data in the Appendix. Also, in reading the findings - for instance, on the correlation with WP&R vs. PMDP - in the Technical Report, it is difficult to understand the basis of presenting some of the findings to management.

The following will briefly illustrate the above:

In the Technical Report,[57] the size of the sample common to 1972 and 1976 was 233, while, in the presentation to management,[58] the same sample was shown as 270. Further, in the Technical Report, the 1976 total sample was shown as 585, while in the presentation to management, it was shown as 570.

On the factor relating to Downward Communication, the text percentage[59] was given as 41%, while in the Appendix,[60] the percentage was given as 43%. A similar error occurred in the reporting of the percentage of the Inter-Branch Cooperation Factor.

In the presentation report to management dealing with programme evaluation, there are nine references to PMDP, and eight to WP&R. In eight of these specific references PMDP and WP&R are mentioned simultaneously - e.g.:

> . . . at the lower levels in
> management age, level of education
> and length of time in present
> position has a strong influence on
> the extent of the application of
> principles of P.M.D.P. & WP&R.[61]

Yet, in the Technical Report:

> . . . the evaluation of WP&R showed
> the same relations as did P.M.D.P.
> except education did not affect
> applications of the concepts.
> This probably reflects the more
> applied nature of WP&R as opposed
> to the theoretical nature of
> P.M.D.P.[62]

In the author's view, the impression given in the presentation to management, by grouping WP&R and PMDP together, is misleading.

Another example of the differences in effectiveness between the two strategies is illustrated in the Technical Report by the following quote:

> P.M.D.P. had an effect on three
> questions, WP&R affected 15
> (showing a pattern which will be
> more evident in the analysis of
> the organizational climate data)[63].

To examine the internal consistency of the factors developed in the 1972 analysis and re-used in the 1976 analysis, a coefficient alpha test was used. Coefficient alpha tests the internal consistency of each factor using the average correlation of items in the factor being examined and the number of items in the factor. The usual cut-off point is .7 since it is felt that a coefficient alpha of .7 and higher indicates that the items are fairly tightly clustered (the lowest acceptable level is .5). The following shows the results of the analysis.

CHART 6.16

Coefficient Alpha for 1972 and 1976 Factors

	Factor	No. of Items	1972	1976
1.	Interpersonal Relations	23	0.27	0.29
2.	Organization Change	18	0.78	0.81
3.	Organization Administrative Effeciency	9	0.62	0.65
4.	Pay and Benefits	4	0.73	0.76
5.	Working Conditions	2	Not applicable	
6.	Encouragement of Individual Responsibility	4	0.10	0.10
7.	Work Standards	5	0.14	0.11
8.	Inter-Branch Cooperation	6	0.37	0.36
9.	Downward Communications	3	0.32	0.39
10.	Management's Risk-Taking	4	0.08	0.18

As can be seen by the above Table, only factors 2, 3, and 4 meet the minimum acceptable level of .5 and only factors 2 and 4 have respectable coefficient alpha factors. Therefore, it appears that, based on the test of coefficient alpha, seven of the ten factors utilized to communicate the results of the 1972 and 1976 surveys to management had no statistical basis. This is of particular concern when one considers that in obtaining the ten factors, 24 of the original 102 items were eliminated, which represented a considerable loss of potentially useful information.

In view of the above inconsistencies,
and the importance of these strategies to the thesis
hypotheses, it was decided to transfer the data from
the IBR computer to the Aston computer, and reanalyze
the data. Since there were over 500,000 pieces of
prime input, it was necessary to use the CDC 7600
system at Manchester University for storage and
analysis purposes, with the processing being conducted
via the Aston computer.

In the following chapter, the data from
the analysis conducted at Aston - particularly the
233 participants of both the 1972 and 1976 surveys -
will be discussed.

6.10.   Summary

In this chapter, the selection and the
history of the climate instrument, as well as its
application and feedback to management, leading to the
two-phased involvement in planning the strategies
chosen, has been reviewed. An account of some of the
external influences and their disruptive impact on the
organization, leading to the resignation of the C.E.O.,
is given. Next, the progress made in each of the
strategies from 1973 to 1975 is described, as well as
the airline's improvement in quality of service, and an
overall indication of the improvement in organization
efficiency. Finally, the reapplication of the climate

instrument and the limitations of the analysis

feedback to management are discussed, which led to

the decision to re-analyze both the 1972 and 1976

applications of the climate survey. This re-analysis

is the subject of the next chapter.

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PART IV
EVALUATION OF CHANGE

CHAPTER 7:
STATISTICAL METHODOLOGY
AND CONCLUSIONS

Table of Contents - Continued/

EVALUATION OF CHANGE:

CHAPTER 7:

STATISTICAL METHODOLOGY AND CONCLUSIONS

7.1.   Introduction

In Chapter I there was discussion of the
need for the documentation of case studies from which
strategic theory on planned change can be developed.
In Chapter 2, reference was made to the rarity of
sequential measures in macrochange studies, as well as
the problem of criterion measures. In Chapter 2, there
was also a discussion on the use of climate surveys for
diagnostic purposes. In Chapter 6, some of the
findings were reviewed from the past analysis conducted
in 1976 by Air Canada and Texas Christian University,
and the inconsistencies found in the original
conclusions and those reported to Air Canada management
were discussed.

In this chapter, an examination of the data from a different perspective will be made. The following questions will be studied:

1. What were the changes that the measurements were trying to evaluate?

2. Can the data be examined in a manner which will determine if the objectives were reasonably met? In effect, did change take place, and, if so, was it in the direction expected?

3. Finally, can certain generalizations be made relevant to the conclusions, and, in particular, on the dual use of such criterion measures in future studies?

7.1.1. The Objectives of the Change Programme

The McKinsey consultants originally recommended the hiring of a resident change agent to fill the position which became known as Director of Organization Planning and Development in the Personnel Branch. The purpose of this position was to assist the organization in developing a participative style of management which would make the structure by providing 'the mortar between the bricks'.

The Air Canada senior executives who hired the author to fill this position, perceived the need for a change programme which would attain greater

organization effectiveness by delegating more decision-making authority and responsibility to subordinates. When the seven strategies were agreed upon and requested by Air Canada's senior executives in July of 1972, it is questionable whether the degree of change anticipated was fully appreciated.

7.1.2. Sharing in Decision-Making

If the executives in an organization decide it would be beneficial to introduce a more participative style of management than the one that is currently being used, they are urging managers at a lower level to play a greater role in making critical decisions.

In adopting the two major programmes of Professional Management Development Programme (PMDP) and Work Plan and Review (WP&R) to bring about this participative management style, Air Canada's executive management decided to delegate responsibility to lower levels in the organization. Previous attempts had been made in Air Canada to bring this about by edict. It was one of the common messages the four senior executives carried throughout the system in May of 1970. The C.E.O. had been disappointed with the results, and stated: "Our managers will not accept responsibility".[1]

However, the two major strategies, PMDP and WP&R, showed lower levels of management how to accept responsibility and authority, how to negotiate

with their bosses, and how to limit paperwork, etc.
Prior to completing the analysis, the author
speculated on what sort of changes in perception
of the organization, if any, would occur to those
exposed to the programmes.

7.1.3. Predicting Change

From the C.G.E. experience, the author
felt it would take from five to 10 years for the
concepts to reach a critical mass stage, at which point,
the more participative way of managing would have
become self-perpetuating. However, due to the
resignation of the highly supportive C.E.O. in
December of 1975, and the airline's reputation for
never having completed a system-wide management
programme, the author was skeptical that such a
programme would continue to a critical mass stage.

At the point of the second measurement
in January of 1976, the programme did not appear to
have reached the critical mass stage. However, based on
the Kay, Meyer, French[2] G.E. research on Performance
Reviews, productivity and attitude changes were
recorded within a 13-week period. Further, the
research the author carried out in the Government of
Canada, where WP&R had been introduced, showed a number
of perceptions of change six months after introducing
such a programme. Therefore, it was felt that some
climate change would have taken place between 1972
and 1976.

What the actual changes would be was speculative, but the author's expectations were that the difference between 1972 and 1976 perceptions would be in the following directions:

1.   Those exposed to WP&R would see an improvement in the efficiency of work, communications up, and management decision-making and risk-taking;

2.   Those exposed to PMDP only would see an improvement in clarity of organization lines, management decision-making, opportunities for growth, and recent changes;

3.   Those who had not been exposed to either programme would see limited, if any, improvement in the above areas, and, due to the intense external attack on Air Canada, would see a decline in the interpersonal environment, the airline's image, as well as the working conditions;

4.   It was also theorized that, since PMDP and WP&R were designed to reinforce each other, there could be some type of synergetic effect on those exposed to both programmes.

7.2.   The Analysis

The analysis was conducted in three phases:

Phase I: -

A preliminary analysis and evaluation of the 1976 data
for the 102 climate items. As this phase of the
analysis was largely exploratory, it will not be
reported in detail.

Phase II: -

A general analysis and evaluation of the differences of
the 102 climate items between 1976 and 1972 for the 233
participants common to both surveys.

Phase III: -

A general analysis and evaluation of the difference
between the 1976 and 1972 climate items for the 233
participants common to both surveys, comparing the
perceptions of one control group and seven
quasi-experimental groups.

7.2.1.   Phase I

The preliminary analysis involved
scanning the 1976 data (n = 585), to determine the
extent to which the data seemed pertinent. More
specifically, did participants exposed to either PMDP
or WP&R have a different mean response than those who
had not been exposed to these variables. The main
interest at that point in time was to determine how
many, if any, of the individual climate items showed
significant differences between the groups, and at what
statistical level of confidence (LOC).

Of the total 1976 sample of 585, the data of some participants was excluded, because it was incomplete. Some of the respondents had completed the PMDP programme (n = 270), some had partially completed it (n = 141), and some had not taken any of the modules (n = 172). Other respondents had either taken part in WP&R (n = 231), or had not (n = 323).

The Chart of Page 439 shows the number of climate scores differentiated, according to the exposure of these two main strategies in the change programme, using different levels of statistical confidence as criteria.

There was significant difference according to exposure to PMDP on only one item at the .05 level of confidence and 17 at the .10 level of confidence. For WP&R there was significant difference on 12 items at the .01 level of confidence, 39 at the .05 level of confidence and 50 at the .10 level of confidence. That is, 101 of the 102 climate items were sensitive to WP&R.

The findings of this preliminary analysis supported the notion that there was a differentiation in the participants' perceptions, depending on the interventions to which they had been exposed. Based on this preliminary information, it was decided to conduct further in-depth analysis.

CHART 7.1

NUMBER OF CLIMATE ITEMS
FOR WHICH MEAN SCORES DIFFERED
ACCORDING TO EXPOSURE
TO PMDP OR WP&R
EMPLOYING THREE CRITERION LEVELS
OF STATISTICAL CONFIDENCE

INDEPENDENT VARIABLES	TYPE OF TEST	LEVELS OF CONFIDENCE		
		.01	.05	.1o
PMDP	Analysis of Variance	0	1	17
WP&R	T-test	12	39	50

7.2.2   Phase II

The objective of the next phase of the
analysis was to determine if a further examination of
the data could support or reject the hypothesis that
planned change could not be introduced successfully
into a semi-public organization. This would be done
by determining statistically whether or not exposure
to a programme of planned change was associated with
a change in the participants' view of the organization's
climate.

The questionnaire - as can be seen by
the extraction on Page 441 (for the complete 1972
and 1976 Mark IV questionnaires, See Appendices,
Chapter 6) - is so constructed that the 1972 and 1976
questions and modes of scoring are exactly the same.

A rating scale of 1 to 5 was applied to
each one of the 102 climate items - 1 for Strongly
Agree, and 5 for Strongly Disagree. Therefore, as the
example question is "positively" stated, a lower score
in 1976 than in 1972 indicates an improvement in
perception of the organization in respect of clarity
of reporting relationships.

Two approaches were considered; each had
a major advantage and disadvantage. The issue was
whether the maximum insight would be gained by
comparing all the 1972 sample of 536 to all the 1976
sample of 585. This would have enabled not only
sequential comparison of a large number of Air Canada
managers at two points in time, but also, would have

CHART 7.2

MANAGEMENT TRAINING NEEDS AND CLIMATE SURVEY

<u>Reaction to Work Environment</u>

In my opinion:

ANSWER EACH STATEMENT WITH REFERENCE TO
<u>YOUR BRANCH</u> UNLESS OTHERWISE SPECIFIED.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1. The organization lines (who is responsible for what, who reports to whom) are sufficiently clear to me. 1.					

provided sufficient numbers to examine the extent of change in the differentiated Branches and Regions.

The disadvantage was that, of a total of 1121 participants in 1972 and 1976, only 233 participants would have been common to both studies. Consequently, the number of uncontrolled effects which could result in differences in responses would be increased.

Another alternative was to analyze the 233 common participants, and thereby, limit many uncontrolled variables - the disadvantage being that there would not remain sufficient numbers to examine the changes within and between the Branches.

The latter approach was chosen as offering the most precise "before-and-after" comparison of whether exposure to the change programme elements was associated with different perceptions of the organization, particularly with respect to items which the change programme was intended to affect.

When the analysis began, it was found that the responses to a large number of climate items changed significantly. The Charts on Pages 443 to 449 shows the changes in perception, between 1972 and 1976, by question, whether the change was "positive" or "negative", the T statistic, and the level of statistical confidence. Column 1 gives an indication of the subject matter of the item; column 2 shows the mean change; column 3 gives the standard deviation of the mean change; column 4 gives the level of statistical confidence (LOC) for a Two Tail T-Test.

CHART 7.3

CLIMATE CHANGE FROM 1972 TO 1976
FOR   233 COMMON PARTICIPANTS
(MARK IV A 1972   —   MARK IV B 1976)

Item Number	Subject Matter	* Mean Change	S.D.	Value of T	Level of Confidence (LOC)
1.	Clarity of organization lines	+ 0.15	1.97	1.59	.10
2.	Individual's work responsibility	+ 0.12	1.77	1.43	.10
3.	Risk-taking	+ 0.02	1.98	0.24	—
4.	Promotion on performance	− 0.18	1.95	1.93	.05
5.	Number of levels	− 0.19	1.35	2.43	.01
6.	Spirit of help & cooperation	− 0.06	1.35	0.79	—
7.	Frank and critical outspokenness	− 0.14	1.54	1.70	.05
8.	Red tape	− 0.12	1.37	1.52	.10
9.	Management by "crisis"	− 0.08	1.61	1.25	—
10.	Approachability of higher management	− 0.21	1.97	2.30	.01
11.	Standards of work	− 0.11	1.48	1.41	.10
12.	Communication of objectives and major problems by higher management	+ 0.06	2.18	0.58	—
13.	Advancement opportunities	− 0.03	1.47	0.33	—

* The sign preceding the mean change indicates whether or not, on average, the paticipants perceived the climate in a more positive manner in 1976 than in 1972, based on the question being examined (a + sign), or in a more negative manner (a − sign).

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Item Number	Subject Matter	Mean Change	S.D.	Value of T	Level of Confidence (LOC)
14.	Adequacy of pay	− 0.03	1.52	0.32	−
15.	Branch conflict settled "upstairs"	+ 0.14	1.24	1.85	.05
16.	As a place to work	− 0.12	1.13	1.68	.05
17.	Recent changes	+ 0.17	1.84	1.84	.05
18.	Clarity of decision authority	− 0.22	1.80	2.45	.05
19.	Confidence in individual judgement	− 0.24	1.52	2.99	.01
20.	Time for decision-making	+ 0.13	1.67	1.53	.10
21.	Performance rewards	+ 0.16	1.53	1.97	.05
22.	Organization and its effect on getting job done	− 0.10	1.35	1.36	.10
23.	Relationship between management and employees	− 0.24	1.36	3.15	.01
24.	Upward openness	− 0.17	1.70	1.96	.05
25.	Time on administrative forms	− 0.06	1.44	0.71	−
26.	Reputation for decision by top management	− 0.38	1.00	5.84	.01
27.	Knowledge of employee needs	− 0.24	1.60	2.85	.01
28.	Individual standards of work	− 0.14	1.00	2.11	.05
29.	Establishing and reviewing work objectives	+ 0.20	1.50	2.52	.01

Item Number	Subject Matter	Mean Change	S.D.	Value of T	Level of Confidence (LOC)
30.	Training and self-development opportunities	+ 0.30	1.61	3.50	.01
31.	Salary abreast of cost of living	- 0.11	2.02	1.20	-
32.	Branch cohesiveness	+ 0.22	1.27	2.92	.01
33.	Employees' pride in company	- 0.13	1.37	1.74	.05
34.	Keeping up with changes	+ 0.24	1.45	3.05	.01
35.	Job definition and relationship	+ 0.30	1.55	3.69	.01
36.	Individual autonomy	- 0.26	1.16	3.61	.01
37.	Career progress related to risk-taking	+ 0.10	1.51	1.18	-
38.	Career progress related to favoritism	- 0.12	1.26	1.63	.10
39.	Efficiency of job structure	+ 0.13	1.21	0.18	-
40.	Atmosphere friendly	- 0.08	0.85	1.29	.10
41.	Appropriateness of expressing disagreement or displeasure	- 0.21	1.36	2.75	.01
42.	Time requires to follow procedures	+ 0.06	0.98	0.93	-
43.	Time required for higher management decisions	+ 0.03	1.42	0.33	-

Item Number	Subject Matter	Mean Change	S.D.	Value of T	Level of Confidence (LOC)
44.	Listeners for good suggestions	− 0.01	0.87	0.14	−
45.	Compromises on work standards	− 0.09	1.19	1.21	−
46.	Performance reviews	+ 0.04	1.44	0.49	−
47.	Career opportunities	− 0.22	1.34	2.85	.01
48.	Physical working conditions	+ 0.11	1.58	1.31	.10
49.	Branch integration	+ 0.05	1.27	0.70	−
50.	Employee pride in company	− 0.27	1.46	3.37	.01
51.	A good place to work	+ 0.28	1.26	3.80	.01
52.	Clarity of Branch responsibilities and authorities	+ 0.04	1.32	0.52	−
53.	Policy of individual responsibility	− 0.06	1.14	0.87	−
54.	Risk-taking leading to success	− 0.10	1.06	1.49	.10
55.	Employee performance feedback	+ 0.21	1.52	2.58	.01
56.	Effectiveness of company organization	+ 0.12	1.22	1.64	.10
57.	Treatment of subordinates (respect and dignity)	− 0.17	1.39	2.19	.05
58.	Expressing difference of opinion in problem-solving	− 0.04	1.41	0.50	−
59.	Project-related paperwork	+ 0.04	1.17	0.06	−

Item Number	Subject Matter	Mean Change	S.D.	Value of T	Level of Confidence (LOC)
60.	Stability of decision-making	+ 0.09	1.44	1.10	–
61.	Expression of frustrations and resentment	+ 0.04	1.47	0.54	–
62.	Crisis examination of work quality	+ 0.09	1.47	1.09	–
63.	Degree of higher management "secretiveness"	+ 0.03	1.33	0.40	–
64.	Opportunities for training and advancement	+ 0.46	1.53	5.65	.01
65.	Competitive benefits	– 0.09	0.87	1.54	.10
66.	Inter-branch cooperation	+ 0.7	0.98	1.13	–
67.	Company's reputation attracting qualified personnel	– 0.40	1.00	6.10	.01
68.	Implementation of company changes	+ 0.32	1.37	4.17	.01
69.	Clarity of work supervision	+ 0.16	1.47	2.05	.05
70.	Initiative in crisis	+ 0.02	1.42	0.22	–
71.	Higher management risk-taking	– 0.28	1.17	1.09	–
72.	Rewards and criticism vs. threats and criticism	+ 0.06	1.80	0.64	–
73.	Supervisory span of control	+ 0.07	1.17	0.97	–

Item Number	Subject Matter	Mean Change	S.D.	Value of T	Level of Confidence (LOC)
74.	Environmental interpersonal relations	+ 0.01	0.86	0.14	-
75.	Interpersonal relations in disagreements	+ 0.09	1.06	1.40	.10
76.	Decision-making taking	+ 0.08	1.31	1.09	-
77.	Management procrastination	+ 0.13	1.44	1.59	.10
78.	Communicating bad news upward	+ 0.01	1.29	0.17	-
79.	Reviews based on "nice guy"	- 0.04	1.26	0.47	-
80.	Grapevine as prime information source	- 0.06	1.37	0.79	-
81.	Future opportunities	- 0.09	1.27	1.22	-
82.	Management concern for working facilities	+ 0.07	1.45	0.82	-
83.	Branch goals vs. company goals	- 0.09	1.49	1.08	-
84.	Employee pride in telling people where they work	- 0.32	1.04	4.78	.01
85.	Pace of change	+ 0.36	1.19	5.07	.01
86.	Clarity of job responsibility	+ 0.6	1.51	0.70	-
87.	Degree of decentralization	- 0.11	0.96	1.75	.05
88.	Risk-taking on new ideas	+ 0.14	1.22	1.91	.05

Item Number	Subject Matter	Mean Change	S.D.	Value of T	Level of Confidence (LOC)
89.	Recognition for good work	+ 0.06	1.18	0.79	-
90.	Degree of authority and responsibility	+ 0.02	1.52	0.27	-
91.	Working climate relaxes	+ 0.12	1.33	1.60	.10
92.	Expression of opinion on decision or problems	+ 0.04	1.02	0.65	-
93.	Level of trivial tasks	+ 0.22	0.99	3.37	.01
94.	Pace of required decisions	+ 0.18	1.23	2.43	.05
95.	Communication upwards	- 0.03	1.61	0.31	-
96.	Emphasis on work quality vs. quantity	+ 0.09	1.53	1.29	.10
97.	Seeking management style feedback	+ 0.03	0.87	0.49	-
98.	Preferential hiring from within	- 0.37	1.65	4.40	.01
99.	Reputation for paying well	- 0.19	0.95	2.96	.01
100.	Interbranch coordination time	+ 0.10	0.85	1.58	.10
101.	Employees' view of external company opinion	- 0.17	0.94	2.65	.01
102.	Changes necessary for company survival	- 0.16	1.13	2.23	.05

In the examination of the
above-mentioned charts, it was found that,
of the 102 items, 54 changed in a positive
direction, and 48 in a negative direction.
Fifty-nine of the items showed a significant
mean response change at the .10 level of
confidence, or better; 17 at the .10
confidence level; 17 at the .05 level; and
25 at the .01 level.

The positive-negative relationship
change is broken down and is presented in the
Chart on Page 451.

1.   Change by Types of Questions

Phase II does not break the 233
participants into identifiable groups, based on
their exposure to PMDP and/or WP&R, and therefore,
offers limited insight into the impact of the two
independent variables on the participants'
perceptions of change. However, it is interesting
to note certain general categories of change
that occurred at a .05 level of confidence or
better:

1.   Questions which related to the
company's external image (16, 33, 67, 84, and
101), all showed a negative mean response
change.

CHART 7.4

	DIRECTION OF MEAN RESPONSE CHANGE			
Level of Confidence	Number of Items	+	−	% +
.10	17	10	7	58.8
.05	17	6	11	35.3
.01	25	11	14	44.0

2.   The changes that had occured over the
previous three years were seen as moving the company
in the right direction (17), being better understood
(34), being carried out in a smoother and more
orderly fashion (68), being less disruptive (85),
and in making Air Canada a better company to work
for (51).

3.   The delegation of responsibility was
seen as moving in a negative direction (19, 36, and 87),
as was the relationship between management and
employees (10, 23, and 57), and frankness and
outspokenness (7 and 24).

4.   Conversely, people were seen as being
well-rewarded for performance (21), and more likely to
hear about their successes, rather than only their
mistakes (55). Branches were perceived as being able
to work more cohesively together (15 and 32), and
supervisors were more likely to meet with subordinates
to jointly establish and review objectives (29).

5. In a number of areas, there seemed to be
a conflict of direction. For instance, while
participants felt that the authority people had to make
decisions was less clear (18), they also felt that the
jobs were more clearly defined, and logically related
(35), and, while participants reacted positively to the
opportunities for training and advancement (30 and 64),
they felt that career opportunities had deteriorated
(47 and 98).

2.   Phase II Conclusions

As can be seen by this analysis, 54 of
the 102 items - that is, 53% - showed a positive
mean change. However, of the 42 items showing a
significant change at the .05 level of confidence, or
better, only 17 items or 40.5% are in a positive
direction.

Participants answered questions which
referred to outsiders' views of the company more
negatively in 1976 than in 1972 at high levels of
confidence. General questions relating to a
supportive and warm atmosphere were also answered more
negatively. However, a number of questions which related
directly to the macrochange programme such as objective-
setting, communicating problems, being rewarded for good
performance, Branch cohesiveness, and reviewing
objectives were seen in a more positive manner.

It is also interesting to note that a
number of the Phase II items seemed to contradict each
other. This aspect is of considerable importance, and
will be reviewed in greater depth later in this and the
concluding chapter.

7.2.3.   Phase III

1.   Exposure to the Change Program and
        Changes in Climate Items

The analysis to this point could be
described as exploratory, and was intended to foster

familiarity with the data, and to marshall basic
information to identify a suitable avenue of analysis.
The approach subsequently used could be described as
quasi-experimental. Quasi-experimental research
typically involves applied settings, where it is not
possible to control all relevant variables, but only
some of them.*

2.   Methodology

The methodology involved using a
"control" group, five quasi-experimental, and two
composite quasi-experimental groups as independent
categories. Henceforth, for the sake of convenience,
the quasi-experimental groups will be referred to as
"experimental" groups. The difference between the
participants' ratings of the 102 items in the 1972 and
1976 surveys was used as the set of dependent
variables. An attempt to limit uncontrolled effects
was made by confining the analysis to the 233
participants common to both surveys.**

The eight experimental groups were made
up as follows.

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*The term, "quasi-experimental" was first
introduced into the literature by D. T. Campbell
and J. T. Stanley. 3

**In the case of four respondents, information
on their participation in PMDP and/or WP&R was
insufficient for their inclusion in the analysis.
The total n, therefore, is 227.

The first six groupings were used to compare five experimental groups with the control group, and to determine whether complete exposure to PMDP was differently associated with changes in climate than was partial exposure to PMDP, with respect to the control group, and, similarly, with respect to exposure to WP&R.

The last two groups (Experimental Groups VI and VII) were composite groups, which, together with Group V, enable a distinction to be made between those who had exposure to any or one programme (PMDP), but not to the other (WP&R), or to both programmes (See Chart - Page 456).

A summary of the biographical data for the eight groups was established, based on the following variables - age; marital status; sex; years of education; number of degrees; salary group; number of years in present position, in management, and with Air Canada; number of employees supervised.

A Profile for the 233 participants, based on the averages of seven characteristics, is presented in the Chart on Page 457 .

Most of the participants were married and male; only 46 had degrees, and these averaged 1.72 each.

CHART 7.5

	DESCRIPTION OF GROUPS		
Group Number	Title	n	Description
1	"Control" Group (CG)	44	had no direct exposure to either PMDP, complete or partial, or WP&R
2	"Experimental" Group I (EI)	56	had PMDP complete and WP&R
3	"Experimental" Group II (EII)	41	had PMDP complete, and no WP&R
4	"Experimental" Group III (EIII)	19	had PMDP partial and WP&R
5	"Experimental" Group IV (EIV)	39	had PMDP partial, and no WP&R
6	"Experimental" Group V (EV)	28	had no PMDP, but had WP&R
7	"Experimental" Group VI (EVI)	75	had complete, partial PMDP, and WP&R
8	"Experimental" Group VII (EVII)	80	had complete or partial PMDP, but no WP&R

CHART 7.6

PARTICIPANT PROFILES

AVERAGE OF   233 PARTICIPANTS

Item	Average
Age	43.63
Years of Education	13.04
Salary Group *	74.55
Time in Present Position	4.91
Time in Management	52.20
Time in Air Canada	261.46
Number of Employees Supervised	28.18

* Salary groupings are divided into the general categories of:
  levels 70 - 73, first line managers;
  levels 74 - 77, middle managers;
  levels 78 - 84, senior managers.

The Two Tail T-Test was applied to determine if there were differences between the profiles of the control group and each of the seven experimental groups. Of the 70 comparisons made (seven groups x 10 items), there were significant differences at the .10 level of confidence on four of these comparisons. As WP&R was introduced from the top of the management hierarchy down, the author expected a greater distinctiveness in the profiles of those experimental groups that contained the WP&R variable, in terms of experience and management level.

The statistical differences at the .10 level of confidence and above were:

1.   The control group with an average mean salary groups of 73.97 differed from EI and EVI, with average means of 75.51 and 75.15 at .003 and .02 levels of confidence, respectively.

2.   The control group with an average mean time in their present position of 5.30 years differed from EV with an average mean of 3.36 years at a .08 level of statistical confidence.

3.   The control group with an average mean time in a management position of 10.42 years differed from EI with an average time of 14.34 years at an .007 level of confidence.

Considering the number of elements compared (70), and the number of items on which the control group differed significantly from one of the

experimental groups (four), it is evident that
the experimental groups did not differ from the
control group, and that the sample was
well-balanced and homogeneous across the eight
groups - certainly, more so than the author
expected, in view of the way the WP&R variable had
been introduced.

Each of the seven experimental
groups was compared against the control group,
using a Two Tail T-Test.

A Two Tail T-Test was chosen over a
One Tail T-Test for two reasons:

1.   it had been noticed that, in Phase
       II, the mean responses were in
       both the positive and negative
       direction; and,

2.   a Two Tail T-Test offered more
       stringent cut-off points.

It was subsequently decided to
present the questions which loaded at the .05
level of confidence, or better, by item, so that
the experimental (EI - EVII) groups could be compared
against the control group at one time.

In this way, an overview of the
climate items was obtained from which conclusions
were drawn.

The following are the 30 items in which at least one E group loaded at a .05 or higher level of confidence. Of the 714 comparisons, 59, or 8.3 percent, loaded at a .05 or higher level of confidence.

The direction of change will be indicated as positive or negative in the third column.

A positive direction of change indicates that the participants in the experimental group perceived the climate in a more positive manner in 1976 than in 1972, based on the item being tested, than did the participants in the control group.

A negative direction of change indicates that the participants in the experimental group perceived the climate in a more negative manner in 1976 than in 1972, based on the item being tested, than did the participants in the control group.

CHART 7.7

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

Direction of Change

2. Individuals are expected to be responsible for their own
work; supervision is mainly a matter of providing help and
guidance where needed.

Negative

Results

CG (n=42) no PMDP no WP&R	EI (n=53) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=38) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=72) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.50	.20	.28	.00	.08	.00	.14	-.10	.04	-.07	.07	.15	.17	-.05	.03

Discussion

The control group tended to agree more strongly with the statement in 1976 than in 1972 (mean
change = .50). Experimental Group IV, PMDP partial, and EVII, PMDP complete and partial,
tended to disagree slightly (mean change = -.10 and -.05, respectively). The difference in
perception between the control group and EIV and EVII loaded at the .04 and .03 levels of
confidence, respectively.

Interpretation

Participants who had been exposed to neither strategy (PMDP or WP&R) saw a large increase in
individual responsibility. Conversely, those exposed to PMDP saw a minor deterioration in this
area, and therefore, the difference between the experimental groups EIV and EVII and the control
group was significant. It is also of interest to note that, of the experimental groups, those
exposed to both PMDP and to WP&R combined (EI and EVI) had the most positive reaction to the
question. This may be an example of the synergetic effect previously referred to of being
exposed to the two mutually reinforcing strategies. It should be noted that the most favourable
change in attitudes occurred in the control group - i.e., those with no exposure to the
change programmes.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

3. Risk-taking is generally discouraged.

Direction of Change

Negative

Results

CG (n=42) no PMDP no WP&R		EI (n=53) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=38) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=72) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R
Mean		Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.57		.00	.09	.27	.006	.26	.05	.00	.05	.25	.03	.07	.04	.14	.009

Discussion

The control group tended to disagree more strongly with this negatively stated climate item in 1976 than in 1972 (mean change = -.57). All the experimental groups loaded at confidence levels ranging from .09 to .009, compared to the control group. However, their mean response change ranged from a minor one, EI = .00, EIV = .00, EVI = .07, to considerable, EII = .27, EIII = .25, EVII = .14.

Interpretation

The findings on this item were contrary to what had been expected by the author. The control group saw risk-taking as being encouraged, whereas, in comparison, all those exposed to the experimental programme saw risk-taking as being discouraged. While both PMDP and WP&R emphasized innovation, since the plans were documented and discussed with one's superior, it could be that the participants felt that, through this discussion, the risk-taking had been removed.

The mean responses for the eight groups varied from -.57 to +.27. In Phase II, it was found that the mean response change for the 233 participants was .02. This points out the type of information that was not exposed in Phase II, where all 233 participants were studied as one group.

Climate Item   Direction of Change

14. The pay is adequate in relation to what other companies   Positive
     are paying.

Results

CG (n=44) no PMDP no WP&R	EI (n=55) PMDP comp. WP&R		EII (n=40) PMDP comp. no WP&R		EIII (n=17) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=72) PMDP comp. PMDP part. WP&R		EVIII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.18	.18	.16	.18	.16	.71	.01	-.44	.33	-.36	.54	.31	.04	.13	.80

Discussion

The control group disagreed more in 1976 than in 1972. Experimental Groups EIII and EVI agreed with the statement more in 1976 than 1972 (positive change in mean responses of .71 and .31). The difference between EIII and EVI and the control group was significant at the .01 and .04 levels of confidence, respectively. It should be noted that EIV, PMDP partial and no WP&R, and EV, no PMDP, WP&R, had mean response changes of -.44 and -.36, respectively.

Interpretation

The control group was more critical of the adequacy of pay relative to what other companies were paying than the groups that had been exposed to both PMDP and WP&R together (Experimental Groups EIII and EVI). However, when examined separately, those exposed to either PMDP partially and no WP&R, or no PMDP and WP&R disagree even more strongly than the control group. The findings on this item present further confirmation of the synergetic effect, since exposure to one of the two strategies appears to have had a negative effect on the participants' view of the climate, while exposure to both the strategies appears to have had a positive effect.

PMDP taught the theory of participative management, including the notion of pay being relative to performance. WP&R taught the practice of setting objectives. Being exposed to both programmes could have increased the general awareness of how the participants had earned their salaries by meeting their objectives.

SUMMARY OF FINDINGS BY CLIMATE ITEM

<table>
<tr><td>Climate Item</td><td>Direction of Change</td></tr>
</table>

Climate Item — 16. Employees generally think Air Canada is a good place to work.

Direction of Change — Positive

Results

CG (n=44) no PMDP no WP&R	EI (n=55) PMDP comp. WP&R		EII (n=40) PMDP comp. no WP&R		EIII (n=18) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=73) PMDP comp. PMDP part. WP&R		EVII (n=79 PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.34	-.97	.26	-.03	.23	.17	.03	-.13	.37	-.07	.35	-.01	.12	-.08	.21

Discussion

The control group tended to disagree more strongly in 1976 than in 1972 (mean change = -.34). Conversely, Experimental Group EIII, exposure to PMDP partial and WP&R, saw a considerable improvement with a mean positive change of .17, which was significantly different from the change in the control group at the level of confidence of .03.

Interpretation

In view of the small number of respondents (n = 18 in Experimental Group EIII), care should be taken not to overgeneralize from this finding. However, in view of the fact that the mean changes for all other experimental groups, ranging from -.01 to -.13 are considerably less than the control group's -.34, the observation could be made that those exposed to the independent variables tended to see the climate more positively than those who did not have the same exposure.

Climate Item   Direction of Change

21. People are rewarded well for excellent performance.   Positive

Results

CG (n=43) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=38) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.21	.34	.04	.10	.25	.42	.06	-.16	.85	.61	.006	.36	.02	-.03	.42

Discussion

The control group tended to perceive individuals being rewarded less well (mean change = -.21) than the experimental groups in 1976 compared to 1972. The most positive change was in comparison to EV, where the mean change of .61 loaded at .006 level of confidence. Two other groups, EI and EVI, loaded at .04 and .02, respectively.

Interpretation

It can be noted that incumbents who had participated only in PMDP, complete or partial (Experimental Groups EII, EIV and EVII), saw limited change in the climate with mean changes of .10, -.16, and -.03, respectively, yet, in all experimental groups where the participants had been exposed to PMDP, complete or partial, as well as WP&R (EI, EIII and EVI), there tended to be a major positive change in perception, as compared to the control group at the .04, .06, and .02 levels of confidence, respectively.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

Direction of Change

26. Top management in Air Canada has a reputation for prompt and
    wise decisions..

Positive

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.80	-.30	.02	-.24	.02	-.11	.02	-.49	.17	-.18	.02	-.25	.005	-.36	.02

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Discussion

The control group showed a mean response change of -.80 in 1976, compared to 1972 (this is the largest mean response change of any group to any item). While all the experimental groups showed a negative mean response, all are less than the control group, ranging from -.11 to -.49. Six of the seven had levels of confidence at .02 or below. EVI, PMDP complete and partial, and WP&R, had the highest confidence level at .005 with a mean change of -.25.

Interpretation

The question refers to the image of top management. In view of the external attack on Air Canada, it is not surprising to find that all eight groups saw deterioration in top management's reputation for decision-making. What is of interest on this item is the marked tendency of the participants who had been exposed to the independent variables to see the climate less negatively than the control group.

<u>SUMMARY OF FINDINGS BY CLIMATE ITEM</u>

<u>Climate Item</u>   <u>Direction of Change</u>

27. Higher management keeps well-informed about the needs and   Positive
     problems of employees.

<u>Results</u>

CG (n=44) no PMDP no WP&R	EI (n=55) PMDP comp. WP&R	EII (n=41) PMDP comp. no WP&R	EIII (n=19) PMDP part. WP&R	EIV (n=39) PMDP part. no WP&R	EV (n=28) no PMDP WP&R	EVI (n=74) PMDP comp. PMDP part. WP&R	EVII (n=80) PMDP comp. PMDP part. no WP&R

Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.27	-.27	1.	-.32	.86	-.63	.30	.31	.02	-.57	.36	-.36	.12	-.01	.22

<u>Discussion</u>

The control group had a more negative perception (mean change = -.27) than Experimental Group
EIV, which had a positive perception (mean change = .31). This was significant at the .02 level
of confidence. However, other experimental groups showed a variety of mean changes, ranging
from -.63 to -.01, none of which was significant at the .05 confidence level, or better.

<u>Interpretation</u>

While Experimental Group EIV did show a positive reaction to this question as compared to the
control group at a .02 level of confidence, one cannot ignore the fact that five other groups,
EI, EII, EIII, EV and EVI, had negative mean changes equal to or greater than the control group.
While it is difficult to generalize from the data, indications are that participants exposed to
PMDP, complete or partial, tended to perceive this question more positively, while those
exposed to WP&R solely (EV) or with PMDP (EIII and EVI) more negatively than the control group.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

Direction of Change

28. Every employee is expected to meet high standard in his performance.

Negative

<u>Results</u>

CG (n=42) no PMDP no WP&R		EI (n=56) PMDP comp. WP&R			EII (n=41) PMDP comp. no WP&R			EIII (n=19) PMDP part. WP&R			EIV (n=39) PMDP part. no WP&R			EV (n=28) no PMDP WP&R			EVI (n=75) PMDP comp. PMDP part. WP&R			EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC	
.07		.09	.20		-.39	.03		-.32	.19		-.41	.05		.07	1.0		-.01	.64		-.40	.02	

<u>Discussion</u>

The control group tended to perceive the standards of work as slightly improved (mean change = .07). Experimental Groups EII, EIV and EVII tended to perceive the situation much more negatively (mean changes = -.39, -.41, and -.40, respectively) in 1976 than 1972, compared to the control group. EV saw the same positive change as the control group, and EI and EVI saw a comparable change (mean change = .09 and -.01, respectively).

<u>Interpretation</u>

Participants exposed to some form of PMDP and not WP&R tended to perceive the climate much more negatively than the control group. Three of the four experimental groups in which participants have been exposed to WP&R showed the same or a slightly more positive perception of the climate as the control group.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item	Direction of Change

30. The policy of promotion from within is supported by sufficient opportunities for training and self-development.   Positive

Results

CG (n≈42) no PMDP no WP&R	EI (n=55) PMDP comp. WP&R	EII (n=40) PMDP comp. no WP&R	EIII (n=18) PMDP part. WP&R	EIV (n=39) PMDP part. no WP&R	EV (n=28) no PMDP WP&R	EVI (n=73) PMDP comp. PMDP part. WP&R	EVII (n=79) PMDP comp. PMDP part. no WP&R

Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.00	.38	.16	.68	.01	.17	.63	.05	.85	.36	.26	.33	.19	.37	.12

Discussion

The control group perceived no change in 1976, compared to 1972. Experimental Group EII (PMDP complete and no WP&R) tended to see considerable improvement, with a mean change of .68, which is significantly different from the mean change in the control group, at the .01 level of confidence.

Interpretation

Although all experimental groups showed a positive mean change, the confidence level is only significant when complete PMDP is isolated. This is not surprising, since PMDP was a demonstration of a training and self-development opportunity.

<u>Climate Item</u>

<u>Direction of Change</u>

31. The salary policy is designed to keep abreast of changes in
     the cost of living.

Positive

<u>Results</u>

CG (n-43) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.40	-.34	.86	.17	.05	.74	.008	-.51	.72	.21	.09	-.07	.27	-.16	.37

<u>Discussion</u>

The control group tended to see the salary/cost of living relationship as deteriorating in 1976
compared to 1972 (mean change = -.40). Experimental Groups EII and EIII had a positive
perception (mean change = .17 and .74, respectively), at .05 and .008 levels of confidence when
compared to the control group.

<u>Interpretation</u>

All the experimental groups tended to perceive the salary/cost of living relationship more
positively than the control group, although only two, EII and EIII, significantly so.
From this, it could be generalized that exposure to the independent variables tended to result
in a positive change in the participants' perception of this climate item.

Climate Item	Direction of Change

37. The prevailing attitude is that you must take risks if you   Negative
     aspire to big rewards; people who are cautious don't succeed.

Results

CG (n=43) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R	EII (n=41) PMDP comp. no WP&R	EIII (n=19) PMDP part. WP&R	EIV (n=39) PMDP part. no WP&R	EV (n=28) no PMDP WP&R	EVI (n=75) PMDP comp. PMDP part. WP&R	EVII (n=80) PMDP comp. PMDP part. no WP&R

Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.26	.16	.77	-.32	.04	0.05	.41	.33	.73	.14	.78	.11	.58	.00	.33

Discussion

The control group tended to show a more positive reaction to this item in 1976 than in 1972
(mean change = .26). Experimental Group EII had a negative reaction (mean change = -.32) at a
.04 level of confidence when compared to the control group.

Interpretation

While Experimental Group EII showed a significantly more negative perception of the climate
than the control group, four of the other experimental groups showed a positive mean change
but not at significant levels. It is difficult to identify any consistent patterns related
to the independent variables on this question.

SUMMARY OF FINDINGS BY CLIMATE ITEM

<table>
<tr><td>Climate Item</td><td>Direction of Change</td></tr>
<tr><td>39. Much time is wasted because of the way jobs are constructed.</td><td>Positive</td></tr>
</table>

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R	EII (n=41) PMDP comp. no WP&R	EIII (n=19) PMDP part. WP&R	EIV (n=39) PMDP part. no WP&R	EV (n=28) no PMDP WP&R	EVI (n=75) PMDP comp. PMDP part. WP&R	EVII (n=80) PMDP comp. PMDP part. no WP&R

Mean .09	Mean -.02	LOC .64	Mean .20	LOC .68	Mean -.11	LOC .50	Mean .08	LOC .95	Mean -.43	LOC .05	Mean -.04	LOC .54	Mean .14	LOC .82

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Discussion

The control group showed a small positive reaction in 1976, compared to 1972 (mean change = .09) to this negatively phrased question. Experimental Group EV tended to have a major negative reaction (mean change = -.43) at the .05 level of confidence when compared to the control group. Three other experimental groups, EII, EIV and EVII, like the control group, had positive changes of perception (mean changes = .20, .08, and .14, respectively), but not at significant levels.

Interpretation

The control group and those exposed to PMDP, but not those exposed to WP&R, reacted more negatively to the efficiency of the organization structure in 1976 than in 1972. Those exposed to WP&R alone reacted more positively, and the three experimental groups who were exposed to both PMDP and WP&R showed a slightly more positive perception in 1976. It would appear that those who have been exposed to an applied participative management approach (and were presumably using the approach) were less critical of the organization structure than those who had been exposed to an abstract management development programme (PMDP) or the control group, who had been exposed to neither.

Climate Item

Direction of Change

40. A friendly atmosphere prevails among most of the people.

Negative

Results

CG (n=43) no PMDP no WP&R		EI (n=55) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=74) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean		Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.12		-.13	.17	-.05	.40	-.37	.04	-.13	.26	-.11	.28	-.19	.07	-.09	.27

Discussion

The control group tended to perceive the climate as slightly more friendly in 1976 than in 1972 (mean change = .12). Experimental Group EIII tended to perceive the atmosphere as less friendly (mean change = -.37) than the control group at .04 confidence level.

Interpretation

While exposure to neither change strategy resulted in a slight positive change in how friendliness was perceived, exposure to either change programme tended to result in a more negative perception. This could be because those not exposed to the change programmes saw friendliness as being cozy and complacent, and the change programmes were designed to combat complacency by setting objectives and having people evaluated in terms of these objectives in a 'business-like', rather than a 'club-like' manner.

Climate Item   Direction of Change

43. Higher management often takes too long to decide on what   Positive
     must be done to correct immediate problems.

Results

CG (n=42) no PMDP no WP&R	EI (n=55) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=38) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=74) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.25	-.02	.20	-.07	.28	.00	.37	-.03	.25	-.32	.02	-.01	.17	-.05	.18

Discussion

The control group tended to agree more in 1976 than 1972 (mean change = .25) with this
negatively worded question. Those exposed to the WP&R concepts tended to disagree with the
control group (mean change = -.32) at a .02 confidence level.

Interpretation

Employees exposed to WP&R expressed a positive reaction towards time required for higher
management decision-making. The control group expressed a negative reaction. Those exposed to
either PMDP alone or PMDP and WP&R expressed almost no change in perception.

<u>Climate Item</u>   <u>Direction of Change</u>

52. Higher management have spent too little time clarifying   Positive
     responsibilities and lines of authority across Branches.

<u>Results</u>

CG (n=42) no PMDP no WP&R	EI (n=53) PMDP comp. WP&R	EII (n=41) PMDP comp. no WP&R	EIII (n=19) PMDP part. WP&R	EIV (n=38) PMDP part. no WP&R	EV (n=28) no PMDP WP&R	EVI (n=72) PMDP comp. PMDP part. WP&R	EVII (n=79) PMDP comp. PMDP part. no WP&R

Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.26	−.18	.07	−.08	.22	−.26	.07	.00	.30	−.14	.12	−.20	.04	−.04	.19

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<u>Discussion</u>

The control group tended to agree more positively in 1976 than in 1972 (mean change = .26) with
this negatively worded question. Experimental Group EVI disagreed with the question (mean
change = −.20) at the .04 confidence level, when compared to the control group. Five of the
six remaining groups also had a lower mean change ranging from −.04 to −.26

<u>Interpretation</u>

The control group perceived a deterioration in the time higher management spent in clarifying
Branch responsibilities and authorities. Conversely, those in Experimental Group EVI, who had
been exposed to PMDP and WP&R, perceived a considerable improvement. Six of the seven
experimental groups tended to see some improvement on this climate item. There is some
evidence here that PMDP and WP&R reinforce each other.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

Direction of Change

53. The policy is that everyone is expected to take responsibility for what he does and how he does it.

Negative

Results

CG (n=43) no PMDP no WP&R		EI (n=55) PMDP comp. WP&R			EII (n=41) PMDP comp. no WP&R			EIII (n=19) PMDP part. WP&R			EIV (n=38) PMDP part. no WP&R			EV (n=26) no PMDP WP&R			EVI (n=74) PMDP comp. PMDP part. WP&R			EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC
.16		-.16	.11		-.10	.29		-.05	.35		-.23	.04		.08	.72		-.14	.10		-.16	.07

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Discussion

The control group tended to perceive this item in a moderately more positive manner in 1976 than in 1972 (mean change = .16). Experimental Group EIV (PMDP partial) saw it in a considerably more negative manner (mean change = -.23) at a .04 confidence level, when compared to the control group. All the other experimental groups, except EV, saw a deterioration on this item ranging from a mean change of -.05 to -.16. EV had a small positive change of .08.

Interpretation

Participants exposed to PMDP partial tended to see the policy of individual responsibility less favourably. The control group, and to a certain extent, the WP&R only group, EV, tended to see this item more positively. It is surprising that exposure to PMDP and WP&R did not give rise to stronger positive evaluation on this item.

Climate Item	Direction of Change
58. Strong differences of opinion are frequently expressed and encouraged in problem-solving meeting.	Negative

Results

CG (n=42) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=18) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=25) no PMDP WP&R		EVI (n=74) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.26	.11	.53	-.49	.006	.11	.56	-.31	.02	-.04	.35	.11	.49	-.40	.003

Discussion

The control group tended to see encouragement to expressing strong differences of opinion in problem-solving meetings more positively in 1976 than 1972 (mean average = .26). Experimental Groups EII, EIV and EVII tended to see it much more negatively (mean differences of -.49, -.31, and -.40, respectively) at .006, .02, and .003 levels of confidence, respectively, when compared to the control group. Participants who tended to see only minor changes were EI, EIII, EV and EVI with mean changes of .11, .11, -.04, and .11, respectively.

Interpretation

It is difficult to generalize on the above findings; it could be that in the PMDP session, considerable expression of differences of opinion are encouraged. It could also be speculated that, on returning to the work situation, this type of management philosophizing discussed during the PMDP sessions was discouraged and was missed. On the other hand, the control group, or those exposed to WP&R alone or with PMDP, tended not to see the situation so negatively. What was unexpected was that, at a time when participative management was actively being introduced to the corporation, those who were studying its use in theory reacted so negatively to one of the basic tenets of participative management.

However, this is consistent with Sykes' [4] study of supervisory training, that, when supervisors got back to the work situation after supervisory training, they were disappointed to find no change.in the way they were managed.

<u>SUMMARY OF FINDINGS BY CLIMATE ITEM</u>

<u>Climate Item</u>   <u>Direction of Change</u>

67. Air Canada's reputation has been instrumental in attracting   Positive
    many well-qualified employees.

<u>Results</u>

CG (n=42) no PMDP no WP&R	EI (n=53) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=38) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=72) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.45	-.50	.82	.00	.04	-.26	.49	-.69	.30	-.39	.81	-.44	.94	-.34	.57

<u>Discussion</u>

The control group showed a negative perception (mean change = -.45) in 1976 over 1972, compared to one group, EII (mean change = .00), which was significant at a confidence level of .04. Three of the other experimental groups had average mean changes that were greater than the control group, and three were less.

<u>Interpretation</u>

Other than the one group, PMDP complete and no WP&R, who saw no change in 1976 compared to 1972, there is no consistent pattern. However, in accordance with the criteria, this item is classified as positive.

All eight groups had a non-positive mean response to this item. This is an issue which might not be closely linked with the change programmes, but rather, to the external attack on Air Canada.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

Direction of Change

68. The changes occurring within the company are being carried out in a smooth and orderly fashion.

Positive

Results

CG (n=43) no PMDP no WP&R		EI (n=56) PMDP comp. WP&R		EII (n=40) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=38) PMDP part. no WP&R		EV (n=27) no PMDP WP&R		EVI (n=72) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean		Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.05		.13	.74	.43	.11	.53	.07	.62	.03	.33	.30	.23	.41	.52	.03

Discussion

The control group tended to perceive a minor positive change in 1976 over 1972 (mean = .05). Two experimental groups, EIV and EVII, saw positive changes compared to the control group (mean = .62 and .52, respectively at the .03 confidence level). All the other experimental groups had a positive mean change greater than the control group, ranging from .13 to .53.

Interpretation

Participants exposed to the independent variables, particularly PMDP partial and complete on its own, saw a significant improvement, as compared to the control group in the way changes were being carried out within the company.

Climate Item

Direction of Change

69. On some of my work assignments, I was never sure who was the boss.

Negative

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=27) no PMDP WP&R		EVI (n=72) PDMP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.50	-.23	.28	-.12	.20	-.21	.41	.21	.01	-.04	.14	-.23	.23	.04	.03

Discussion

The control group tended to disagree more strongly with this negatively worded question in 1976 than in 1972 (mean change = -.50. Experimental Groups EIV and EVII tended to agree (mean changes = .21 and .04, respectively) at the .01 and .03 levels of confidence, compared to the control group. All other experimental groups had negative mean changes, none of them significant.

Interpretation

Members of the control group perceived the greatest positive change of all groups. Two groups which had been exposed to PMDP complete and partial had a significantly negative view when compared to the control group. The remaining experimental groups tended to have modest positive reactions.

<u>SUMMARY OF FINDINGS BY CLIMATE ITEM</u>

<u>Climate Item</u>   <u>Direction of Change</u>

70. When urgent problems or deviations from standard occur,   Negative
     employees are generally expected to take immediate
     corrective action, and to report the results to their
     supervisor after the fact.

<u>Results</u>

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=40) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
<u>Mean</u> .36	<u>Mean</u> -.11	<u>LOC</u> .08	<u>Mean</u> -.43	<u>LOC</u> .007	<u>Mean</u> .11	<u>LOC</u> .37	<u>Mean</u> .21	<u>LOC</u> .55	<u>Mean</u> .07	<u>LOC</u> .38	<u>Mean</u> -.05	<u>LOC</u> .08	<u>Mean</u> -.11	<u>LOC</u> .06

<u>Discussion</u>

The control group tended to perceive initiative in crises more positively in 1976 than in 1972
(mean change = .36). Experimental Group EII perceived it negatively, with a mean change of
-.43 at the .007 level of confidence, compared to the control group.

<u>Interpretation</u>

Participants exposed to PMDP complete perceived a significantly high level of negative reaction
to initiative in crises. The control group's reaction was quite positive, and the overall
effect of WP&R seems to have had a minor positive influence.

Climate Item   Direction of Change

71. Higher management is unwilling to take risks, even on a   Negative
     good idea.

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.16	.16	.15	.34	.04	.00	.61	-.13	.89	.21	.17	.12	.18	.11	.18

Discussion

The control group disagreed more strongly with this negatively worded item in 1976 than in 1972
(mean change = -.16). Experimental group EII agreed with the statement more (mean change = .34)
at a .04 level of confidence compared to the control group.

Interpretation

Participants who had been exposed to PMDP complete and no WP&R tended to have a significantly
more negative view than the control group of higher management's willingness to take risks.
The control group tended to see a modest improvement in this area.

<u>Climate Item</u>   <u>Direction of Change</u>

73. In many cases, supervisors are required to direct too large   Negative
     a number of surordinates.

<u>Results</u>

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
<u>Mean</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>
-.45	.07	.02	-.15	.20	.11	.05	-.10	.09	.29	.002	.08	.01	-.13	.10

<u>Discussion</u>

The control group perceived this item more positively, disagreeing with this negatively worded question, in 1976 than 1972 (mean change = -.45). The experimental groups were consistently more negative. EV tended to agree most with the question (mean change = .29) at a .002 confidence level, compared to the control group. EI, EIII and EVI also loaded more negatively (mean changes = .07, .11, and .08, respectively) at levels of confidence of .02, .05, and .01, respectively.

<u>Interpretation</u>

Those participants exposed to WP&R alone or with PMDP complete and partial tended to be more critical of the span of control in 1976 than in 1972. Those exposed to PMDP complete or partial tended to be somewhat positive and the control group saw a major improvement. This could be a result of the fact that participative management encourages greater dialogue between managers and subordinates.

<table>
<tr><th>Climate Item</th><th>Direction of Change</th></tr>
</table>

<u>Climate Item</u>	<u>Direction of Change</u>

75. When employees begin to strongly disagree, they usually find some way to change the subject to avoid facing their differences.   Positive

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.14	-.27	.08	-.29	.06	-.32	.16	.21	.75	-.11	.35	-.28	.05	-.05	.36

Discussion

The control group tended to perceive this negatively worded item more positively in 1976 than in 1972 (mean change = .14). Experimental Group EVI disagreed (mean change = -.28) at the .05 confidence level, compared to the control group. Five of the six remaining groups tended to also disagree with this statement with mean changes ranging from -.05 to -.32.

Interpretation

There is some evidence that employees exposed to the two programmes felt more comfortable in facing differences when they strongly disagreed on a point.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

Direction of Change

78. Subordinates rarely communicate "bad news" to their management;   Positive
    supervisors rely primarily on control procedures/reports for
    information about problems and deviations from standard.

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=40) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.34	-.07	.08	.10	.38	-.21	.11	-.05	.13	-.25	.05	-.11	.05	.03	.16

Discussion

The control group agreed more with this negatively worded question in 1976 than in 1972 (mean change = .34). Experimental Groups EV and EVI disagreed, with mean changes of -.25 and -.11, respectively, at confidence levels of .05 and .05, respectively, compared to the control group. Three of the experimental groups also had minor negative reactions to this item.

Interpretation

Participants who were exposed to neither change programme felt less at ease in communicating bad news upwards in 1976 than in 1972. Those exposed to WP&R alone or with PMDP complete or partial tended to be more at ease in communicating bad news upwards in 1976 than in 1972.

Climate Item	Direction of Change

81. Most employees see a good future for themselves within   Positive
     the company.

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=38) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=79) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
-.39	.07	.03	.05	.07	-.21	.56	-.08	.25	-.32	.82	.00	.06	.01	.09

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Discussion

The control group tended to disagree more strongly in 1976 than in 1972 (mean change = -.39).
Experimental Group EI perceived a small positive mean change at .03 level of confidence.
EII, EVI and EVII supported this trend with mean changes of .05, .00, and .01, respectively,
with confidence levels of .07, .06, and .09, respectively, compared to the control group.
Those exposed to WP&R and no PMDP tended to show a major negative mean change of -.32.

Interpretation

It would appear that those exposed to both PMDP and WP&R combined perceived that most employees
saw a good future for themselves within the company at about the same level in 1976 and 1972,
whereas those who had been exposed to neither independent variable or WP&R only saw a
considerable deterioration in this area.

It is noted that the participants were not reflecting on their own careers, but on those of
other employees, at a time when Air Canada was undergoing an intense attack.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

82. Higher management pays too little attention to the needs of employees for adequate working facilities (offices, cafeterias, lounges, parking, etc.).

Direction of Change

Positive

Results

CG (n=44) no PMDP no WP&R	EI (n=56) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=28) no PMDP WP&R		EVI (n=75) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.14	-.21	.14	.15	.97	-.58	.01	.05	.73	-.32	.09	-.31	.04	.10	.87

Discussion

The control group tended to agree more with this negatively stated item in 1976 than 1972 (mean change = .14), as did Experimental Groups EII, EIV and EVII, with respective mean changes of .15, .05, and .10. Conversely, EIII and EVI disagree with the question with respective mean changes of -.58 and -.31 at .01 and .04 levels of confidence, compared to the control group. Groups EI and EV also had considerable/major negative mean changes at -.21 and -.32, but not at or below the .05 level of confidence agreed upon.

Interpretation

Participants who had been exposed to neither independent variable, the control group, or to either PMDP complete or partial, tended to see higher management as having less concern for working facilities. Employees exposed to PMDP complete or partial and WP&R, or WP&R alone, tended to see higher management as considerably more concerned with working conditions in 1976 compared to 1972.

Climate Item	Direction of Change

86. People generally know what responsibilities they are held accountable for in their jobs.

Direction of Change: Negative

Results

CG (n=44)	EI (n=56)	EII (n=41)	EIII (n=19)	EIV (n=38)	EV (n=27)	EVI (n=75)	EVII (n=79)
no PMDP	PMDP comp.	PMDP comp.	PMDP part.	PMDP part.	no PMDP	PMDP comp.	PMDP comp.
no WP&R	WP&R	no WP&R	WP&R	no WP&R	WP&R	PMDP part.	PMDP part.
						WP&R	no WP&R

Mean	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC	Mean	LOC
.32	-.09	.14	-.07	.18	.26	.87	-.18	.04	.33	.96	.00	.20	-.13	.05

Discussion

The control group tended to agree more strongly with the statement in 1976 than in 1972 (mean change = .32), as did Experimental Groups EIII and EV (mean changes = .26 and .33). Experimental Groups EIV and EVII tended to disagree (mean response = -.18 and -.13) at .04 and .05 levels of confidence.

Interpretation

This item reflects the negative reaction to accountability of those who had been exposed to PMDP only. While those exposed to WP&R only saw accountability as positively as did the control group, two other groups, exposed to both WP&R and PMDP saw it more positively than those exposed to PMDP alone. The overall impression is that, as an instrument of change, PMDP did not promote feelings of accountability among the participants. Transfer did not take place as the opportunity to utilize the abstract concepts into day to day situations did not take place.

SUMMARY OF FINDINGS BY CLIMATE ITEM

<u>Climate Item</u>   <u>Direction of Change</u>

93. Almost every job involves a large number of trivial tasks.   Positive.

<u>Results</u>

CG (n=42) no PMDP no WP&R	EI (n=55) PMDP comp. WP&R		EII (n=41) PMDP comp. no WP&R		EIII (n=19) PMDP part. WP&R		EIV (n=39) PMDP part. no WP&R		EV (n=27) no PMDP WP&R		EVI (n=74) PMDP comp. PMDP part. WP&R		EVII (n=80) PMDP comp. PMDP part. no WP&R	
<u>Mean</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>	<u>Mean</u>	<u>LOC</u>
-.11	-.35	.20	.02	.51	-.32	.47	-.15	.84	-.52	.04	-.34	.16	-.16	.78

<u>Discussion</u>

The control group tended to see some improvement in the level of trivial tasks in 1976, compared to 1972 (mean change = -.11) - i.e., by decreasing their agreement with this negatively worded item. Experimental Group EV saw the largest mean change, -.52, at a .04 level of confidence, compared to the control group. In comparing mean changes of EI with EII, EIII with EIV, EVI with EVII, there is a consistent pattern in which EI, EIII and EVI mean changes are less than EII, EIV and EVII (respective mean changes were -.35, -.32, -.34 vs. .02, -.15, and -.06).

<u>Interpretation</u>

While management in general tended to see less involvement in trivial tasks, those exposed to WP&R tended to see a major improvement. There was also a consistent pattern of improved perception of those who were exposed to both WP&R and PMDP, when compared to those exposed only to some form of PMDP. The conclusion reached is that employees exposed to WP&R saw less involvement in trivial tasks.

SUMMARY OF FINDINGS BY CLIMATE ITEM

Climate Item

99. The company has a reputation for paying its employees well.

Direction of Change

Positive.

Results

CG (n=44) no PMDP no WP&R		EI (n=56) PMDP comp. WP&R			EII (n=41) PMDP comp. no WP&R			EIII (n=19) PMDP part. WP&R			EIV (n=39) PMDP part. no WP&R			EV (n=27) no PMDP WP&R			EVI (n=75) PMDP comp. PMDP part. WP&R			EVII (n=60) PMDP comp. PMDP part. no WP&R	
Mean		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC		Mean	LOC	
-.50		.11	.001		-.20	.11		.05	.04		-.36	.47		-.26	.33		.09	.001		-.28	.17	

Discussion

The control group saw a mean deterioration of -.50 in 1976 compared to 1972. Experimental Groups EI, EIII and EVI had small positive reactions (mean change = .11, .05, and .09, respectively) at levels of confidence of .001, .04, and .001, compared to the control group. EII, EIV, EV and EVII saw considerable negative mean changes of -.20, -.36, -.26, and -.28, but not at the .05 or better level of confidence.

Interpretation

Participants in the control group who had not been exposed to either programme had a negative perception of the company's reputation for paying its employees in 1976 compared to 1972. Participants exposed to any combination of PMDP and not WP&R, or WP&R only, saw considerable deterioration on this item. Employees exposed to both PMDP and WP&R saw a small improvement, but at high levels of statistical confidence when compared with the control group. This again illustrates how the two independent variables tend to reinforce themselves, and have a synergetic effect.

3.   Conclusion

   1. Phase III Compared to Phase II

A review of the 102 items showed 30 of
them discriminating between at least one experimental
group and the control group at a level of statistical
confidence of 0.05 or better. In total, there were 59
such items of significant difference between an
experimental group and the control group.

Of the 30 individual items, 19
differentiated in such a way that exposure to one or
both of the change programmes was associated with more
positive feelings about the organization than the
control group. Eleven items discriminated in the
reverse manner. These findings agree with the Phase
II analyses, where 42 items loaded at the .05 level of
confidence or better.

When, in Phase II of the analysis, a
comparison was made of 1972-76 differences in climate,
for the whole undifferentiated sample, of items
differentiating at the 0.05 level of confidence or
better, it was found that 17, or 41.0% loaded
positively, and 25, or 59.0% loaded negatively. This
compares to the Phase III items, where 18, or 60.0%
loaded positively, and 12, or 40.0% loaded
negatively.

It can, therefore, be appreciated that,
by introducing the seven experimental groups that had
been exposed to part or all of the two programmes,

treated as independent variables - PMDP and WP&R -
and comparing them to the control group that had been
introduced to neither, there is a tendency to obtain
different information in the Phase III analysis than
when a comparison is made of the total sample's
perception in 1972 and 1976. Since the objective is to
obtain an appreciation of the effects of various
aspects of the intervention included in the introduction
of macrochange, the quasi-experimental approach
provides a different, and perhaps, more useful
insight into the consequences of the change process.

7.3.   Trends in Findings by Experimental Groups

    7.3.1.   Experimental Group I

                In comparing the differences in 1972 and
1976 climate scores for EI with the control group, it
was found that this group, which was exposed to both
PMDP complete and WP&R, differentiated on five items
from the control group. In four cases, EI's mean
scores were more favourable than the control group; for
one item, responses tended to be less favourable.

                EI group members tended to see the
organization as rewarding people better for excellent
performance (21); they perceived top management as
having a reputation for making prompt and wise
decisions (26); they believed that most employees saw a

better future for themselves within Air Canada (81);
they felt that the company had a better reputation of
paying its employees well (99).

On the negative side, they felt that,
in many cases, supervisors were required to direct too
large a number of subordinates.

7.3.2.   Experimental Group II

In comparing this group with the control
group, it was found that this group, which had been
exposed to PMDP complete and no WP&R, differed on 10
items from the control group - four positively, and
six negatively.

On the positive side, they saw an
improvement in top management's reputation for prompt
and wise decisions (26).   They were the only
experimental group to see an improvement in the policy
of promotion being supported by sufficient opportunities
for training and self-development (30).   They also
felt that the salary policy was better designed to keep
up with the cost of living (31).   They were also the
only experimental group to see an improvement in
Air Canada's reputation as being instrumental in
attracting many qualified employees (67).

On the negative side, they saw
risk-taking as being more discouraged (3,37), and a
lowering of expected standards of employee performance
(28).   They saw strong expressions of opinions in

problem-solving sessions as being less encouraged (58).
They were also the only group to see employees as being
less encouraged to take the initiative when urgent
problems occurred (70).   In addition, they were also
the only group to see higher management less willing to
take risks on a good idea (71).

In general, the EII group tended to
perceive the external impression of people looking in
at Air Canada more positively than did the control
group, as it affected management decision-making and
attracting new employees. They also saw pay and
development opportunities more positively. Conversely,
they saw risk-taking more negatively, as well as
employee performance standards and expressions of
strong opinions when problem-solving.

7.3.3.   Experimental Group III

This group involved those who had been
exposed to PMDP partial and WP&R.   Had it not provided
a counterpart to EIV, which involved PMDP partial and
no WP&R, it would not have been included in this
summary, due to the small sample size of 19.

Group EIII differed from the control
group on 10 items. Seven of the items are common to
EVI - a composite group, that contains PMDP complete,
partial and WP&R - and four to EI, which contained
PMDP complete and WP&R. Those unique to EIII will be
noted.

EIII participants saw the following
seven items more positively than did the control group.
Of the six items related to pay, they saw an improvement
in four (14; 31; 82; 99).   They were the only
experimental group to see as many items on pay
positively. Item 21, which dealt with the fairness of
the reward system, was also seen positively. They were
the only group to see a considerable improvement in the
employees' thoughts on Air Canada as a good place to
work (16).   While they saw a small deterioration in
top management's reputation for prompt and wise
decisions, this was a favourable reaction, when
compared to the control group, who saw a major
negative change in this area.

On the negative side was a major
deterioration of the degree of prevailing friendly
atmosphere (40).   EIII was unique on this item.
They also were more critical of the supervisors' span
of control, perceiving that supervisors were required
to direct too large a number of subordinates (73).

7.3.4.   Experimental Group IV

Participants in group EIV had been
exposed to PMDP partial and no WP&R (n = 39).   When
compared to the control group, they differed significantly
on nine items - two positive, and seven negative.
This positive-negative ratio compares to their
counterpart EIII, who, when compared to the control

group, loaded on 10 items - seven positive, and three negative.

EIV saw two items more positively than did the control group. On the first, "Higher management keeps well-informed about the needs and problems of employees" (27), EIV was the only experimental group to differ significantly from the control group on this item. The second item which this group saw more positively in 1976 than in 1972 dealt with whether or not the changes occurring in Air Canada were being brought about in a smooth and orderly fashion.

However, as previously mentioned most (7) of the changes in perception at the .05 level or above were negative, relative to the control group. The EIV group saw individual responsibility as being curtailed (2; 53), as well as risk-taking being discouraged. Clarity of the organization was seen to have deteriorated (69; 86). At a time when negotiations between a boss and a subordinate were being encouraged through a major strategy, the group EIV participants, who had not been exposed to WP&R, perceived the expression of strong differences of opinion more negatively in 1976 than in 1972 (58). During this same period, when most standards of performance, such as on time performance, baggage delivery, available seats per mile were improving in the airline, members of group EIV saw a major deterioration in work standards.

Group EIV tends to establish that, while those exposed to PMDP partial were learning about management, including a form of applied participative management called WP&R being introduced into the organization, in comparison to others who received the same training and were exposed to WP&R as well, they saw the organization much more negatively, and, in response to questions relating to activities being undertaken, such as WP&R, seemed unaware of the purpose of such programmes.

7.3.5.   Experimental Group VI

EVI is a composite group, with a sample size of 75 participants made up of people who had completed PMDP, were in the process of completing it, and those who had also been exposed to WP&R.   Compared to the control group, EVI 1976 versus 1972 responses differed from the control group on 10 items. Eight were positive, and two negative. From the above, it was learned that EVI participants saw the organization as rewarding people better and fairly for excellent performance (14; 21; 82; 99); they also saw an improvement in management decision-making, facing differences and communications of bad news upwards, as well as a good future for themselves within the company (26; 75; 78; 81).

On the negative side, compared to the control group, they saw risk-taking as generally

discouraged (3), and the supervisory span of control as being too large (73).

A consistency can be noted as to how EI, EIII, and EVI compare to the control group. This is not surprising, since EVI is a composite group, made up of EI and EIII.

7.3.6. Experimental Group VII

EVII is the other composite group, with a sample size of 80 participants who had completed PMDP or were in the process of completing it, but who had not been exposed to WP&R. Compared to the control group, EVII 1976 versus 1972 respondents differed significantly on eight items - three positively, and five negatively. From the above, it was learned that the three positive items were an improved perception of management decision-making (26), of the way changes were being carried out in a smooth and orderly fashion (68), and job responsibility had been clarified (86). On the negative side, EVII participants saw a deterioration in individual responsibility (2), risk-taking (3), and work standards (28). They felt that people were not encouraged to express strong opinions in problem-solving sessions (58), and that organization responsibilities had become less clear (69).

7.3.7.   Experimental Group V

This group had been exposed to WP&R only. Compared to the control group, the participants differed significantly on nine items - seven positively, and two negatively. Compared to the composite groups, EV resembles the profile for EVI more than EVII, having five items in common with EVI, and two in common with EVII. When all are compared to the control group, EV also has four items which are unique to it (39, 43, 52 and 93).

On the positive side, they saw sufficient time being spent by higher management on clarifying responsibilities and lines of authority across Branches (52). They also saw an improvement in the way jobs were constructed (39), and the number of trivial tasks involved in jobs (93). They perceived top management's reputation for prompt and wise decisions more positively (26), as well as the time they took to make decisions (43). They also saw an improvement in the reward system (21), as well as the frequency of communicating bad news upwards (78).

On the negative side, encouragement towards risk-taking was seen as lessening (3). This question will be dealt with more fully in a later section on trends in individual items. EV also saw a deterioration in the supervisors' span of control (73).

In general, there are no unexpected items in EV, other than the risk-taking, which, as stated above, will be dealt with later.

7.3.8.   The Control Group

It is also of considerable interest to
examine the perceptions of change for the control
group, as compared to all other experimental groups.
For the 30 items on which the control group
differentiated from one of the other groups, 11 are
positive, and 19 negative.

On the positive side, the control group
saw an improvement in individual responsibility (2; 53;
70), and risk-taking (3; 37; 71), relative to the other
groups. They also perceived an improvement in work
standards (28). Supervisors were not seen as having
too many employees to supervise (73), and the clarity of
responsibility and authority was seen as having
improved (69), as had the warmth, friendliness and
openness of the environment (40; 58). However, these
last two areas were also seen negatively on related
questions, as will be seen with the next items.

On the negative change in perceptions,
there are a few contradictions, as may be expected when
dealing with so many items (30). For instance, while
there was a negative deterioration in comparison to the
experimental groups on employees who strongly disagree
avoiding facing each other (75), there had been an
improvement, as noted above, on how people expressed
strong feelings in problem-solving situations (58).

Relative to the other groups, the
control group saw deterioration on six items relating

to pay and working conditions (14; 21; 31; 75; 82; 99).
They were also critical of opportunities for growth
(30; 81), as well as the potential for upward
communications (27; 78), and higher management's
decision-making capacity (26; 43).   Air Canada's
external image was seen as having deteriorated (16; 67).
They also perceived a lack of clarity of job
responsibility (86).   Finally, the way jobs were
structured and the amount of trivia (39; 52), as well
as the way changes within the company were being
undertaken were seen as having deteriorated.

7.4.   Trends in Findings by Items

7.4.1.   The Synergetic Effect

        In the summary of findings, it was found
that 30 items differentiated a total of 62 times.   The
62 differentiations were then broken down into:
A.   those who had been exposed to some form of PMDP
      training only (EII, IV and VII);
B.   those who had been exposed to WP&R only (EV); and,
C.   those who had been exposed to both some form of
      PMDP and WP&R (EI, III and VI).

        Of those who fall into the first
category - PMDP only - we find that they differed
significantly from the control group 26 times - eight
(31%) positively, and 18 (69%) negatively.

Of those who fall into the second category - WP&R - they differed significantly from the control group nine times - seven (78%) positive, and two (22%) negative.

Finally, of those who fall into the third category - PMDP and WP&R - they differed significantly from the control group 25 times - 19 (76%) positive, and six (24%) negative.

This pattern of PMDP alone loading negatively and the PMDP plus WP&R loading positively is consistent throughout all experimental groups where they are compared, as illustrated by the Chart on Page 503 .

In the three comparisons in the above-mentioned Chart, the essential difference is either the inclusion or exclusion of WP&R.   In all cases, PMDP alone has resulted in more negative than positive perceptions of the climate change. Yet, when participants were exposed to both WP&R and PMDP, the situation was reversed, and there is a greater number of positive than negative changes. Since the effect of adding WP&R, EV, with PMDP groups EII, IV and VII, is still less than those exposed to both strategies, this has been referred to as a synergetic effect (the sum of the parts is greater than the individual parts which make it up).

Because PMDP and WP&R had been designed to reinforce each other, the overall synergetic effect was not too surprising. What was surprising was the extent

CHART 7.8

COMPARISON OF ITEM LOADING POSITIVE/NEGATIVE RELATIONSHIP

BY INVOLVEMENT IN PMDP ALONE AND WITH WP&R

GROUP	EI	EII	EIII	EIV	EVI	EVII
PMDP	✓	✓	✓	✓	✓	✓
WP&R	✓		✓		✓	
POSITIVE/	4+	4+	7+	2+	8+	2+
NEGATIVE	1-	6-	3-	7-	2-	6-

to which people exposed to training only changed their perceptions of the climate compared to those who had no exposure to any programme.

Sykes' work [5] in this area has shown, as early as 1962, that supervisors exposed to management training who could not apply the concepts became dissatisfied with the company, and that many of the seemingly more capable ones left the organization. Yet, PMDP at Air Canada, with the exception of one Branch - Maintenance (who felt they had been exposed to more sophisticated previous training than was being offered in one part of the programme - the organization module) - was seen as positive. In May of 1976, the new President, Claude Taylor, after a series of system-wide visits, stated: "The one thing I have heard consistently good reports on is PMDP".[6]

1. A Rationale

In the author's view, what tends to occur in this type of change is that people,who are exposed to abstract thoughts on management which are held up as an ideal, when they return to the work place and find that they cannot be applied or are inconsistent, become more critical of their environment. For instance, when comparing EII, EIV and EVII to the control group, on Item 28, which relates to standards of work, the control group sees a minor positive change (mean = .07), and the three PMDP groups see a major negative change (mean = -.39, -.41, and -.40, respectively).

All of the other three experimental groups, which
contain both PMDP and WP&R, have a less negative
change, and two - EI and VI - as well as EV, tend
to have mean changes close to the control group
(mean change = .9, -.01, and .07, respectively).

Miller, in 1962,[7] found a somewhat
comparable synergetic effect in his quality improvement
programme research conducted at G.E. in Louisville,
Kentucky. Employees exposed to company information
programmes only showed a negative attitude change and
an increase in scrapped parts. Employees exposed to
coaching by the foremen had the same negative attitude
change and an increase in scrapped parts. Employees
exposed to both programmes had a positive attitude
change, as well as a decrease in scrapped parts.

The implications of the above findings,
as well as Sykes'[8] and Miller's[9] work, are useful to
both management and practitioners. It has been the
author's view that management frequently sees the
solution to serious problems in training (usually at
lower levels), or in communication programmes. Unless
the employees can see a direct transfer into their work
situation, which is practised by all levels of the
organization, they become more critical of the
organization and of management, and can, as Miller has
indicated, become less productive.

7.4.2.   Removing the Risk from Risk-Taking

One of the major objectives of PMDP, and the principle objective of WP&R was to delegate to lower levels in the organization. To do this effectively, managers at the lower levels had to take risks they had not previously taken. This is what senior management and the McKinsey consultants had wanted, and those who had taken PMDP had been exposed to it, in theory, and those who had taken WP&R had been exposed to it in practice.

Yet, to the question (3), "Risk-taking is generally discouraged", only the control group saw a major improvement in 1976 compared to 1972, and all the seven experimental groups saw no change or considerable deterioration. While the Management and Professional personnel were, in effect, involved in new, 'riskier' objectives, they did not see the situation as involving risk, and, in fact, felt that risk-taking was to be discouraged. It is, of course, recognized that the airline industry is one in which certain Branches, such as Maintenance, do not accept risk-taking.

One of the advantages of the experimental design is that, since the same subjects' perceptions are dealt with at two sequential points in time, the Branch variable is limited. A subject would have to move from a technical Branch, like Flight Operations, Maintenance, etc., to a staff Branch, like Marketing, Finance, etc., and presumably spend a number of years

before his attitudes would likely change. Such a
transfer could feasibly occur, but was unlikely.

After discussion with former
organization development practitioners, who not only
assisted in putting the concept in place, but also
taught PMDP, the explanation the author believes is as
follows. Both PMDP and WP&R were introduced into
Air Canada for two prime reasons - to develop
managers, and to manage the organization effectively.
In both strategies, the emphasis was placed on
establishing a few (three to six) innovative, but
realistic objectives after negotiations between the
manager and subordinates.

A simple diagram was used to describe
the areas a typical manager or professional employee
spends his time:

CHART 7.9

Objectives
Established → - INNOVATIVE OBJECTIVES
from here

- PROBLEM SOLVING

- ROUTINE
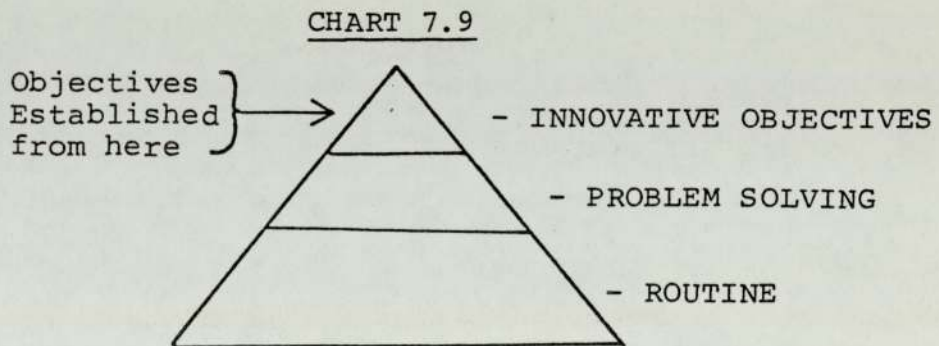
While the objective-setting process
emphasized minimizing paperwork, the typical one
averaged about 100 words. It described what the
objective was in specific terms and the basic
steps, resources and time factor to complete the
objective.

Managers were also urged to ensure that their subordinates were not permitted to overextend themselves* by taking on too demanding objectives, and that there be at least one key success objective. A key success objective is defined as a critical objective, which while demanding, could definitely be accomplished by a particular subordinate.

Even though the managers were accepting new, innovative challenges, due to the method of introduction and the dynamics that took place (negotiation and documentation) a work contract was established. This diffused the risk taking. Had the objectives been established three years earlier, without the roll down, a higher risk factor might have been perceived.

Conversely, the control group, having been exposed to neither WP&R and/or PMDP, were not required to document their objectives, and negotiate with their boss, and the main change they saw in the management style was when the annual performance review took place. The performance review system had been designed to measure accomplishments in terms of objective-setting. Managers who had not documented objectives with subordinates were urged to talk in terms of whatever general discussions they had had in this area. This rather casual approach to objectives,

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* While the source was not emphasized, it will be remembered from Chapter 2, that Meyers' research in G.E. had shown that while managers responded positively to normal and challenging objectives and improved their performance, when they saw objectives as impossible, even if they had agreed previously to them, their performance deteriorated.11

could establish in the control group's view, the
impression that risk-taking was being encouraged.

In conclusion, while the managers were
concentrating on the innovative aspects of work, the
process of establishing objectives was such that
risk-taking was not seen as part of the process.
Conversely, the control group, whose annual performance
review was conducted somewhat casually, according to a
system designed to measure attainment, and who had not
had to go through the discipline of planning,
organizing, integrating and measuring such attainment,
felt that risk-taking was being encouraged more in 1976
than in 1972.

7.4.3.   Sharing in Decision-Making

There are five items in the questionnaire
that deal with power-sharing (2, 19, 36, 53 and 70).
By sharing in decision-making is meant the delegation
of responsibility to individuals. Three of these
differed significantly above the .05 level - 2, 53
and 70.   Like the question of risk-taking, and most
probably for the same reasons, there is a tendency for
those exposed to PMDP, when compared to the control
group, to be more critical of the degree of
delegation of responsibility.

As can be seen from the Chart on
Page 510, the control group consistently saw an
improvement in delegation in 1976 versus 1972.

CHART 7.10

	POWER SHARING						
	PMDP (NO WP&R) COMPARED TO THE CONTROL GROUP						
Item Number	CG	EII		EIV		EVII	
	Mean	Mean	LOC	Mean	LOC	Mean	LOC
2	.50	.20	.28	-.10	.04	-.05	.03
53	.16	-.10	.29	-.23	.04	-.16	.07
70	.36	-.43	.007	.21	.55	-.11	.06

Conversely, those who had been exposed to PMDP without WP&R tended to see the situation significantly more negatively in 1976 than in 1972. None of the four experimental groups involving WP&R loaded at .05 level of confidence or better (See Pages 461,476, and 481).

The conclusion reached was that training (PMDP) without an opportunity to apply (WP&R) resulted in people seeing sharing in decision-making in Air Canada as deteriorating. However, employees who had been exposed to neither strategy, but who had been reviewed by an objective-based performance review system, consistently saw an improvement in delegation.

7.5.   Overview of Findings

In concluding this chapter, a brief overview of generalizations is presented:

-     Significant change did take place, which was uncovered by changing the methodology of examining the data to a quasi-experimental design. Insights useful to management practitioners and academics were uncovered.

-     When each item is examined, using the total sample (n = 233), the view of the climate obtained is typically different from the view of the climate obtained when the sample is broken down into control and quasi-experimental groups.

- As might be expected, Management and Professional employees who were not exposed to two major change programmes at a time when the organization was undergoing a major external attack tended to see the organization as having changed negatively.

- At this same point in time, Management and Professional employees who fully or partially completed a system-wide training programme, based on the organization's new style of participative management, saw the organization negatively to a surprising extent.

- Management and Professional employees who participated in WP&R workshops designed to apply the organization's new participative management style tended to see the organization's change in climate positively.

- Management and Professional employees who participated in both programmes - PMDP and WP&R - saw the organization's climate positively in what has been called a synergetic effect, although, in both this group and the WP&R group, unanticipated results did occur.

- Perhaps the most unanticipated single trends were the synergetic effect referred to above, as well as the reaction to risk-taking.

Although more research will be required

prior to coming to definitive conclusions, it would appear that the work contract which evolves between a man and a manager in negotiated participative management removes the risk from risk-taking situations; that is, innovative work objectives are no longer perceived as having a high risk.

In the concluding chapter, the implications of the preceding findings will be discussed within the context of the change programme.

NOTES

1. Discussion with Pratte, Y., Air Canada, Montreal, October, 1971.

2. Kay, E., Meyer, H., and French, J. "Split Roles in Performance Appraisals", Harvard Business Review, Vol. 43, No. 1, 1965; pp. 123 - 129.

3. Campbell, D.T., and Stanley, J.C. Experimental and Quasi-Experimental Design for Research (Chicago: Rand McNalley, 1966).

4. Sykes, A.J.M. "The effect of a supervisory training course in changing supervisors' perceptions and expectations of the role of management", Human Relations, August,1962, Vol. 15, No. 3; pp.227 - 243.

5. Ibid.

6. Taylor, C. Presentation to Management, Air Canada, Montreal; May, 1976.

7. Miller, L. An Evaluation of Two Procedures Designed to Improve Employee Attitudes and Performance (Crotonville, New York: General Electric, 1964).

8. Sykes, op. cit.

9. Miller, op.cit.

PART 1V

EVALUATION OF CHANGE

CHAPTER 8:

DISCUSSION AND CONCLUSIONS

Table of Contents - Continued/

PART IV

EVALUATION OF CHANGE

CHAPTER 8:

DISCUSSION AND CONCLUSIONS

The nature of a case study involving
planned macrochange is ongoing, which makes it
particularly difficult, at a specific point in time to
determine which - if any - of the strategies or
interventions have reached a critical mass stage, and
to draw meaningful conclusions.

It will be recalled (Page 59) that
Smiddy felt that the macrochange programme at General
Electric (G.E.) was realized some 10 years after it was
introduced. Greenwood[1], writing in 1974, stated, albeit
incorrectly in the author's view, as has been argued ,
that the change programme in G.E. only reached the
general manager level - some 200 out of 400,000
positions.

This illustrates the difficulty of attempting to assess the success or failure of change programmes. It further illustrates the differences in perception of those recounting the situation - which seems to depend, to some extent, on their vantage point.

The concluding chapter consists of seven sections divided into three parts and in each section a review of the findings and their implications will be discussed. The divisions are as follows:

Part I will deal with the question of what evidence was found that any change did take place? This will be answered in two sections; the post evaluation of the seven change strategies (8.1.) and the methodological issues in the analysis of climate measurements and problems in communicating results in a quasi-experimental research design (8.2.).

Part II will consist of a discussion of the problems of introducing change in a semi-public organization. This part will be covered in three sections; difficulties related to the semi-public status (8.3.), the time consuming nature of change in large organizations (8.4.), and the effects of biculturalism (8.5).

Part III will be a consideration of future applications and research on this subject. It

will be covered in two sections; what was learned,
and the implications for practitioners comtemplating
planned macrochange (8.6) and, some suggestions for
future social science research on the question of
organizational change, including the type of research
undertaken as well as specific issues that might be
addressed (8.7).

Part I   What Evidence Was There That Any Change
             Did Take Place?

8.1   Post Evaluation of the Seven Change
             Strategies

          Prior to completing this last chapter,
it was decided to conduct a number of post evaluation
interviews. Conscious of the importance of the time
element in implementing macrochange, it was recognized
that the climate surveys covered the period from
December of 1972 to March of 1976. By conducting
interviews after the March of 1976 climate evaluation
there is cognizance of a further four year time span.

          There are four other advantages to these
post evaluation interviews. First, they enabled the
securing of qualitative opinion of what change had
taken place as well as the participants' view of how
the change had been introduced. Second, while the

climate survey evaluation had provided an overview

of people who were reasonably representative of

management by the pyramidal nature of the

organization, it was weighted in favour of the

lower levels. Third, the post evaluation interviews

allowed for an overview of the more senior and

executive managers who had been involved. Finally,

these interviews provided a limited validation of

what has been described in the thesis.

        The interviews involved 28 present or

former Air Canada employees,* with one exception.**

Most of the interview took place from January to

May of 1980. Wherever possible, those interviewed

were people whose service spanned at least part of

the McGregor era, as well as that of Pratte and

Taylor. Therefore, in this way, many had a

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    *To protect the specifically requested
anonimity of some of the participants, no further
information will be given regarding the participants.
Where isssues are not considered politically
sensitive, or where careers cannot be affected some
names have been given.

    **The one exception was Roger Charron, a
political scientist by education, and a management
consultant with experience in both the Federal and
Québec Provincial Governments. He had been considered
for the 1970 position of Director of OP&D, and has a
long-term interest in Air Canada. As a French Canadian
Nationalist, he was asked to critique the bicultural
aspects of the thesis.

comprehensive overview of the airline and the extent to which change had taken place. Two types of interviews were undertaken.

In the first type, the eight strategies contemplated in 1973 (Pages 361 - 364), and the progress of the seven strategies which were implemented (Pages 374 - 399) were reviewed ; comments were made on the accuracy of the description, and the degree to which they felt progress had been made by 1976. They were then asked to comment on related activities from 1976 to 1980. Specific areas of interest to the author were questioned at the end of the interview. These interviews were from two to five hours in length.

The second type of interview consisted of a series of discussions with senior managers or consultants who had retired, resigned, or were still with the company. Some reviewed the thesis, chapter by chapter, while others read parts of it. These interviews took from 10 to 20 hours each, and were spaced over varying lengths of time - from several days to several months.

Some of both groups referred to file documents, and others verified or suggested corrections as to the numbers involved in particular strategies, dates, etc. All the suggestions relevant to accuracy have been incorporated. Apart from these

corrections, no one interviewed questioned the thesis as a valid description of the events that occurred in Air Canada.

While there was agreement that the thesis was an accurate description, some of those interviewed felt that the strategies were described too sparsely; others did not agree that certain strategies had been sufficiently well-planned. The most frequent criticism centered around the pace of introduction of the strategies.

The comments from the post evaluation interviews will be concentrated in this section but also incorporated throughout the chapter.

The format for the interviews involved explaining the purpose of the meetings and arranging the time and place.* At the interview itself, the interviewee read Pages 361 to 364 leading to the 1973 strategies, and continued to read the first strategy. Comments were made on the accuracy of the statement. Then, the 1976 status was reviewed, and further comments were made.

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*While most interviews were arranged formally, a few occurred on a more casual basis - meeting people at conferences or at an airport, waiting for flights, etc.

The interviewee then related his views
on what had occurred in the intervening years –
whether progress had been continuous, whether major
problems had occurred, etc. By-products of the
original strategies – frequently unanticipated –
were described, including new innovative programmes.

The process was then repeated for the
second strategy, including a description of 1972,
the status in 1976, and the situation in 1980.
Originally, a rating scale was utilized, in an attempt
to obtain objective data on the progress, but, after
two interviews, this was discontinued, as it tended
to interfere with the natural flow of the interviewees'
reflections.

The term "interview" may be misleading.
It was more of a reflective soliloquy. Typically, 80
percent of the discussion originated from the
participants, with the author asking for clarification
or illlustrations, where necessary.

The participants divided their
observations into the stewardships of the three Chief
Executive Officers. For example, "in McGregor's time,
it was more. . . , Pratte emphasized. . . , Taylor
operates by. . . ."

On occasion, there was a tendency for
some participants to personalize the strategies as

belonging to the author: "Your contribution was. . . ,
I disagree with the approach you used. . . because
when you did such and such this happened. . . ."

The interviews usually concluded with
specific questions from the author; for example -
If you were invited to McGill University to address a
post-graduate class studying change, or a group of
practicing consultants, what would you tell them about
the Air Canada experience? What have you learned about
change in a semi-public corporation that could help
other organizations?

The following are the results of the
interviews. The strategies are reviewed individually,
beginning with an overall summary, followed by the
post evaluation interviews which lead to the conclusions.
Each intervention will conclude with perceived future
emphasis.

Strategy No. 1 - The Objective-Setting Programme

In 1980, WP&R is seen as having been
institutionalized. "It is the way Air Canada is
managed."[2]

However, it is also seen - more than
any other strategy - as having gone through a

critical period in 1976 and 1977, primarily because
it did not fit the new C.E.O's management style,
because he had other priorities. The matter was
aggravated because the new Vice-President of Personnel
also had other priorities. His prime interest was to
build up the labour relations area, and to do this, he
cut back the number of organization development
consultants.

The first set of quotes was typical of a
number of people who felt that, in 1976 and 1977, WP&R
had lost some momentum; others felt that it maintained
its momentum, but lost some of its forward thrust.

> In 1977 we could have drifted away
> from WP&R but too many managers
> found it useful. Even new work
> habits, once people became familiar
> and comfortable with them, are hard
> to change.

> There was a dip of a socio-psychological
> origin where under the extreme
> pressure of the attack and the
> resignation of Pratte, managers
> relaxed. Some people waited and
> wondered if the new C.E.O. saw the
> importance of WP&R.

> It survived because a lot of
> managers had enough experience to
> say this is the way I want to
> manage. For a period it was
> sustained by self-motivation
> and drive. 3

As previously mentioned, the reasons for
the change are seen as originating from the management
style of a new C.E.O., and the different emphasis by
the new Vice-President of Personnel.

I don't think Claude Taylor was
ever truly converted to the WP&R
approach. Sure, he and his people
went through the workshop with
Marion (Kellogg) and because his
boss used it, he had to,to a
certain extent, but I don't
believe that he felt that it
really applied to a shop like his,
Industry, Government, Public
Affairs which was frequently
reacting to short-term issues.

Claude is a political person.
Next to René Lévesque, I think he
is the most politically sensitive
person I know of. He tuned in to
the internal and external
pressures and felt he should spend
a lot of time in the field like
Carlson did when he took over the
Presidency of United (Airlines).
He felt there was a need to
rebuild the Air Canada Family.

There is a feeling in Air Canada
that the airline runs itself,
because people will do what is
expected of them. This is only
true to a certain point. I think
Claude found out that it didn't
run well unless the C.E.O. gave it
a good boot now and then.

Charlie's (Eyre) thing was labour
relations. He denuded the O.D.
group to get positions for
labour relations.

Charlie hated paper work; he may
have seen WP&R as paper work. 4

It is of note that others felt that

Charlie Eyre was pro-WP&R, and that he felt it was

going well and had reached a critical mass stage.

Charlie did realize the value of
WP&R, but he felt it was moving
forward well. It's like a heavy

wheel; once you get it rolling, it
takes a lot less energy to
maintain and a lot of energy to
stop it.

He explained the situation to the
Directors; perhaps he should have
explained it to the whole Branch.
Group communication was not one
of his strong points.

The 1976 objectives had been set
before Pratte's resignation. The
drop off came in setting the 1977
objectives. These were done more
casually.

There were a number of people around
here mumbling about the lack of
direction from the C.E.O.

Senior long service executives
approached Claude about their
dissatisfaction with the lack of
direction. Typical of him, he
adjusted; he is a survivor and he
started to rely more on the WP&R
approach.

Claude is becoming more demanding
and he has raised the standards.
Last year, he sent one of the
senior V.P.s back to redo his
objectives on the basis that he
felt he wasn't prepared.

He recognized that he needs help.
Left on his own, he doesn't follow
through systematically on the
recycling of objectives throughout
the year. It is now his executive
assistant's responsibility to
schedule the reviews. Because of
this, he most probably utilizes
the WP&R concept better than
Pratte. 5

      Finally:

He has no other choice but to use
WP&R. Pratte and people like
Dave Tennant made a number of

> difficult but very sound decisions
> which have influenced productivity
> improvements right into the 1980's
> I am referring to the hiring of a
> new Vice-President of Maintenance,
> Lyle (Raverty) who later replaced
> Dave (Tennant) as Senior
> Vice-President - Technical Operations. 6

Pratte - who had been highly critical
of the high cost of the Maintenance Branch and the
lack of progress made by the previous incumbent,
insisted that Tennant take action. Tennant chose well
in hiring Raverty from North West Orient, an American
airline with one of the lowest maintenance costs.

Raverty - who was hired effective
May 1, 1974 - made an almost immediate impact, as
can be seen from the Branch Performance Awards (Page
389). Maintenance went from a ranking of twentieth in
1973 to a ranking of sixth in 1974.

The point here is that Raverty continued
right into 1980 to make considerable savings. Bill
Israel, who had also been hired from United Airlines
to the critical new scheduling portfolio during Pratte's
stewardship, also continued to make savings into the
eighties:

> Bill Israel's contribution is
> almost incredible. He got the
> regional V.P.s to improve the
> turnaround time at the airports.
> This, plus his rescheduling
> activities, has given us among
> the highest airplane utilization
> in the industry. We are getting

up to six hours utilization from
the 747's. You are talking about
savings of 65 - 70 million dollars
annually. This sort of saving,
which was the result of Pratte's
planning is drying up. Claude's
going to have to find replacement
strategies for the 1980's. There
are millions out there, and the
managers know where the
improvements are. Everything
points to the continued use of
WP&R. 7

There were a number of interviews
concerning the pace of introducing WP&R by the
long-service Air Canada people. A personnel
specialist noted:

Many of Air Canada's management
were not used to moving at that
pace. You pushed too hard. 8

A senior line manager commented:

There were so many changes going
on at the same time. So, if you
think in terms of the other
programmes, some of the managers
found it very difficult to keep
up. 9

However, a personnel specialist and
a senior line manager - who had both worked in the
private sector - felt that the pace was about right:

It's taken eight years and we are
only covering about 75% of the
managers. The saving grace is that
with WP&R introduced, from the
C.E.O. down, you start getting
improvements from 'day one'. As a
consultant, you can imagine telling
a C.E.O. in a private company that
you are going to introduce a
programme that could take 10 years
to reach a critical mass stage.
Few of them would accept such a
time span. 10

The current status of WP&R is that it appears to have reached a critical mass stage. Some of the observations of the line managers provide more insight to the dilemma which arose in the Aston Phase III analysis on item 3 - Risk taking is generally discouraged (Page 462).

It had been predicted by the author that, through the participative approach of WP&R, with its emphasis on innovative objectives, participants in WP&R and PMDP(EV and EVI), at least, would have supported this prediction, with the other experimental groups being more neutral.

As was shown in the Aston analysis, just the opposite occurred. The control group's perceptions - those with exposure to neither intervention - saw a marked improvement, with a mean positive change in favour of risk-taking of .57 on the rating scale of one to five (page 462). The plausible rationale offered by the author was that exposure to either intervention had taken the risk out of risk-taking.

Linder, as Director of Organization Planning (OP), had helped introduce the concept of WP&R, and had been part of the P&OD Branch when PMDP was being developed. He came from the Operations Research Division to the OP job, left to become Director of Corporate Planning, and had asked and

received a transfer to the position of General Manager

at Heathrow Airport in London. Later, he became

Vice-President of the Maritime Region, and finally,

Vice-President of Personnel. He was in a unique

position, because of the mobility of his carreer, to

comment on WP&R.

In a post-evaluation interview, he gave

his opinion of why the control group reacted so

positively to risk-taking:

> When I went to London, I found
> that all the managers reporting
> to me had been exposed to WP&R,
> but few, if any, of the first line
> supervisors had. 11

This is consistent with the top-down

introduction of the WP&R intervention (Page 285).

It is also supported by the differentiation between

the control group's and the EV and EVI group's salary

level (Page 458; Point 1).

It was found that, although the sample

was generally well-balanced and homogeneous across the

eight groups, the control group - with an average

mean salary group of 73.97 - did differ significantly

from those exposed to WP&R alone, EV at 75.51, and EVI

 - a composite group exposed to both PMDP complete

and partial - and WP&R at 75.15.

The point that the control group tended

to be lower in the hierarchy is further supported when

this item in the participant's profiles (Page 457) is

considered. The average salary level for the control
group was lower than both EV (WP&R only) and EVI
(PMDP complete and partial and WP&R).

It was Linder's contention that these
first line supervisors reaped some of the benefits
of the new management process without having to go
through the discipline of documenting work plans,
action points, criteria of accomplishments, etc.

> While the first line of
> people set objectives, it
> was less formal than the
> procedures for middle and
> senior members. They were
> production objectives,
> frequently shared among two
> or three shift supervisors.
> It seemed to them that the
> objectives were fairly ambitious.
> For instance, the objective to
> improve aircraft turnaround
> time by 15 minutes. It was,
> however, the middle manager who
> received the objective from a
> senior manager - who formulated
> the strategy, documented and
> negotiated it, and, if necessary,
> repeated the process until both
> the senior and middle managers
> were satisfied. To the middle
> manager, the process seemed
> rather bureaucratic. In fact,
> compared to the relatively
> informal way first line
> supervisor's objectives were
> set, it was undoubtedly more
> bureaucratic. 12

Linder believed that, for these
reasons, it was likely that the supervisors
perceived a higher encouragement of risk-taking
than did the middle and/or senior managers and, that,

in turn, this may have influenced the higher score
given to encouragement of risk-taking over the years
1972 to 1976 by the control group.

Linder's explanation is consistent with,
but goes beyond that offered on Page 462. Another
explanation could be that the findings were spurious.
However, this is difficult to support when the
consistency of the findings are examined. All seven
experimental groups differentiated with the control
group at a level of confidence ranging from .09 to
.006.

While those interviewed, without
exception, saw a continued emphasis of WP&R at the
top level of the hierarchy, others felt that there
was more work to be done at the first line level.

> We really didn't do that good a
> job of introducing the concept to
> the first line supervisors. The
> work triangle (Page 211) confused
> many. 13

It is difficult for a first line
supervisor to think in terms of innovative objectives.
Somehow, he thinks that innovative objectives are for
his supervisor or senior management. This is
inconsistent with the G.E. findings, where objectives
were delegated to first line foremen (Page 213).

However, Derek Wood - Production
Direction, Confectionary Division, Cadbury Schweppes
Ltd. - in a presentation at a course at Brunel

University,[14] supported the Air Canada experience.
In his present Division,Bournville, Wood had
developed a form of production team management,
and his presentation at Brunel University included
the application of the concept more widely in his
present group. It was his experience that first
line supervisors thought in terms of "routine
production standards." He believed that this was
essentially due to the fact that they had been
promoted from a specific skill area, and their
expertise was limited to a particular area.

There are two major differences in the
Air Canada and Cadbury Schweppes situations, compared
to the G.E. approach of delegation to the first line
supervisors. First, Cordiner, who was responsible
for the macrochange programme at G.E., placed
considerable emphasis on delegation to the area closest
to the point where the decision was made. Second, the
structure and information systems were so designed
that a variety of business problems, markets,
financial issues, budgets, personnel policies, as well
as extensive management development opportunities
(See Appendix 4.5) were available to the first line
foremen.

In G.E., foremen are treated as managers
- in Air Canada, they are treated as supervisors,

not far removed from charge hands. Unfortunately,
the airline technology - with its emphasis on
centralized decision-making does not readily lend
itself to the concept of autonomous units.
Delegation to the first line is being done through
WP&R.

While slow but steady evolution is
apparent, no corporate-wide objective to accomplish
this was apparently considered desirable when the
post evaluation interviews were conducted. The
desirability of further delegation - in view of
the changes required to implement such an approach -
could only be determined after further diagnosis.

However, the WP&R approach has been
successfully implemented. While delegation is not
as complete as it could be, the strategy is considered
useful, and is presented as the way Air Canada is
managed.

Strategy No. 2 - System-Wide Education
Programme - PMDP

Unlike the other major strategy -
WP&R - PMDP has been a far less controversial
strategy.

Comments during the post-evaluation
interviews were usually brief, and, generally,
positive. This is not to say that there were not some
who were critical of certain aspects of the system-wide
education programme. The people interviewed saw PMDP
as making a major contribution in bringing about
integration through providing a better understanding
of the differentiated Branches and a common vocabulary.
Some of the comments were:

> PMDP was probably the most
> successful strategy - it was
> global team building.

> For many people, it involved the
> first time they had an opportunity
> of working through common problems
> with people from other Branches.

> There was a difference in
> acceptance from the soft and hard
> Branches. Pilots are trained to
> do something over and over again,
> They had the least in common with
> the vocabulary. Removing the
> structure of their world was like
> opening Pandora's box; it was, and
> still is threatening.

> There was jealousy from some of
> the other Branches. Maintenance,
> for instance, had their own
> management training programme.

As 'Fortress Maintenance', they
particularly resisted the training
people and some of their senior
supporters. A corporate
programme, even it it had been
successfully applied in other
Branches (reference to the pilot
projects) had limited acceptance.
There was a bit of the same
reaction to WP&R in Computer and
System Services (C&SS) Branch.
They had their own approach to
objective-setting, and did not
at first want to learn the WP&R
approach. However, they finally
did, and today, the company is
better off because we have common
denominators in both PMDP and
WP&R.

Initial acceptance was somewhat
limited. Branches had quotas,
and they filled them with their
least capable managers. More
recently, they send their high
potentials. Ambitious people
ask to be sent on it. 15

There were three critical periods in the

implementation of the PMDP strategy; all occurred

during Pratte's stewardship.

The first occurred when the author joined

the airline in November of 1971. There were pressures

to introduce a training programme. It was seen as

part of the total approach to management in Air Canada

(Page 328). However, after the Nassau meeting of

December of 1971, it was recognized that any system-

wide change strategies would have been very difficult

- if not impossible - to introduce. Had the author

not resisted the strong pressures to implement such a

strategy, the strategy would very probably have
failed.

This type of resistance to pressure to
introduce inappropriate change is perhaps easier for
the resident consultant. An external consultant -
following a major study, such as the McKinsey study -
hired to introduce such a strategy might not have
become aware of the existing problems - and, even if
he had, could have been criticized by his consulting
firm, if he refused to undertake a very lucrative
contract.

The second critical period occurred
approximately one year after the June 1, 1973 meetings.
PMDP was written up; the four modules were given to
120 managers.

The comments received by the senior
executives from the participants were positive. They
were interested in a presentation on the contents and
methods of presentation, etc.

The person making the presentation had
developed the programme and had an excellent
competency in preparing courses, and was a firm
believer in a non-directive approach. PMDP was 30
percent lecture, 50 percent task time, and 20 percent
group presentation or feedback.

A presentation was arranged for the

Executive Committee. For approximately 45 minutes, a dry pedantic lecture was delivered, which was very poorly received. Pratte commented at the time, that he came with a bias for PMDP but, by the end of the presentation, hated it.

In view of the projected cost and time to be spent by the managers away from the job - approximately four periods of two and one-half days over one year away from the work site - the G.E. Professional Business Management approach was considered but rejected in Air Canada.

In G.E. and Air Canada, it required approximately the same number of hours (80) for participation amd assignment preparation. However, at G.E., it was taught over 18 weeks, on site, usually from four to six P.M. (one hour of the company's time and one hour of the participants' time). Further, the assignments were done outside the class. Subsequently, transportation, hotel and meal costs were non-existent. Instruction time was minimal, and the cost of the managers being away from work was the equivalent to 20, as compared to 80 hours in Air Canada.

Fortunately, the positive comments of the participants overcame the resistance built up during the presentation, and support was given to continue the programme.

Unfortunately, this led to the third critical period. By 1974, Pratte - supported by some of the other executives - saw the potential for PMDP. He fully appreciated why the managers had not accepted the delegation offered in the "Road Show of the Four Horsemen" (Page 251), following the McKinsey recommended reorganization of May of 1970. By this time, he could see the value of WP&R as a practical process to getting work done, and it was obvious to him that PMDP reinforced WP&R. Impatient with the lack of management expertise, and having heard so many positive comments from the participants in the pilot courses, he wanted to blitz the total 3,300 management professional group.

As the director responsible at the time stated in the post evaluation interviews:

> It was a critical point. . . .
> Pratte wanted the whole job done
> in one year, and would have
> settled for two. We negotiated
> three, and it took six. I'm
> convinced that, had we tried to
> do it in a shorter period of time,
> the resistance would have been so
> great that the programme, like
> most other Air Canada management
> programmes, would have been
> dropped. 16

During Taylor's stewardship, there has never been a critical period in PMDP. Although he was the only Vice-President who did not attend the

two-day presentation to the Vice-Presidents in September of 1975, he supported the programme completely. This started with his comment of May of 1976 (Page 371) - "I have heard nothing but positive comments on PMDP." [17]

Currently, the detractors are limited, and tend to be more underground than openly critical.

One senior Vice-President refers to it as PM-BS, but - as the person making the observation said - "he would never dare make the comment in front of Taylor".[18]

Another interviewee, at the end of a discussion on this strategy, observed:

> I can readily see the point where
> PMDP for every employee could
> become a future intervention. [19]

It will be recalled that, in the Aston Phase III analysis, participants who had been exposed to PMDP alone (no WP&R) tended to see the climate more negatively in 1976 than in 1972, when compared to the control group.

The comments on PMDP, during the interviews, were so positive, that the author mentioned some of the negative Aston Phase III findings to the senior manager in the Personnel Branch. The thought that PMDP could have had such a negative effect was received with surprise. It took several minutes for the recipient to absorb and accept the findings.

The reactions were along these lines -
since the Vice-President of Maintenance was about to
retire, and, since it was the Branch where WP&R was
very likely least utilized, attention should be given
to ensure that his replacement be someone who
encourages its use, and specific objectives covering
the diffusion over the next three years should be
established.

Another interviewee, who has the
responsibility for management training, was encouraged
by the fact that recent changes to PMDP introduced
family training, which would avoid the tendency of
participants having to go back to an environment where
the principles were not used. It would, of course,
nullify the integrating force of bringing people from
different Branches together.

The most penetrating comments were from
Tom Dyce, a former organization development consultant,
and PMDP course leader, who also lectures on a part-
time basis at McGill University on Organization
Behaviour:

> It's very interesting, and when
> you think about it, very logical.
> PMDP was a successful education
> process, it was not a training
> process, although it became more
> so when we included WP&R in the
> course. The participants must
> have asked themselves, "Will I
> have the opportunity to apply

these concepts?" If they were
going back to an environment
that had been exposed or was
about to be exposed to WP&R, the
chances were yes, they would.
If one considers where a large
number of the revolutionaries
came from in the 1960's, they
were the sociology and political
science students who, having been
exposed to University programmes,
looked around them, saw a major
gap, and arose in an attempt to
bridge the gap between reality
and their new perception of what
reality should be like. The same
is happening in countries like
Iran. The students learn, compare
and react in a revolutionary manner.
The same thing happened in Air Canada.
The managers learned, and if they
couldn't apply, perceived the
climate more negatively, as compared
to those (control group) who had
not been exposed to the learning.
Whereas those who had been exposed
to both interventions learned, could
apply, and, therefore saw the climate
more positively than the control
group. 20

Contrary to WP&R, there were no
negative comments on the pace of introduction or the
amount of time taken by PMDP. This is interesting,
since, in terms of participants' time, exposure to the
PMDP modules is more time-consuming than exposure to
the WP&R family workshops and the follow-through of
planning, objective-setting and recycling. Further,
as noted by the IBR analysts, PMDP was a more abstract
experience, and, consequently, is not as directly
transferable into the work situation.

However, PMDP is far less time-consuming
in terms of manager's time on the job. He can approve
a subordinate attending, arrange for a replacement, if
required, and spend two to 30 minutes discussing the
programme on his return from each of the modules.

Most of the people the author interviewed
stated that, on return to the work site, the exchange
relevant to the course was brief, cordial, and
superficial. WP&R, to the contrary, required a good
deal of the manager's time. Work priorities have to
be determined and communicated to each staff member.
Objectives have to be selected, plans established,
and criteria of accomplishment determined.

All of the above have to be negotiated
in terms of successful objectives. Recycling meetings
have to he held, as well as the more meaningful, but
time-consuming performance reviews. As one Senior
Vice-President said:

> . . . it was positive, it was
> productive, but there was so much
> of it. In the meantime, the
> airline had to be run; the pressure
> does not stop. It was just too
> much, and it could have jeopardized
> other programmes. 21

The remaining strategies will be dealt
with more briefly, and in the order they were presented
in Chapter 6.

Strategy No. 3 - Clarification of Roles and Responsibilities

This strategy involved the establishment of a separate Organization Planning (OP) Division, whose mandate was to bring greater emphasis on clarifying the roles and responsibilites of Branches and Divisions.

Typical of the Report to Management [22], the progress, by 1976, in this area, was lost by being included as part of a factor termed "Administrative Efficiency (Page 414). Conversely, the Aston Phase II analysis demonstrated that the 233 participants showed improved perception of how Branches worked more cohesively - items 15 and 32 (Page 444) - and how jobs were related and defined - item 35 (Page 445).

One can conclude that the problem identified in the 1972 survey was well on the way to being solved. However - as will be seen in the following account - the evolution of this division has led it in a direction which could result in the creation of another 'Company within the Company'.

Originally, this activity had been set up - in 1971 - as part of the Organization Planning and Development Division (Page 258), with the author as the founding Director. In 1973, it had been felt

that, by recruiting a strong OP director, the clarity
of the roles and responsibilities which was hindering
the organization's integration would be expedited.

A form of instrumentation called RADA -
Roles, Accountability, Decision-Making Authority   -
was utilized; working with Branches as families,
participants determined their actual responsibilities
and authorities (Page 379). By late 1974, the
organization structure had been generally clarified,
which lessened the OP division's workload.

As a by-product of the RADA activity,
it was found that Personnel and Organization
Development (P&OD) Branch was not fulfilling the
responsibilities for integrating the Personnel
function on a company-wide basis. A new division was
established, combining Integration with Manpower
Development, and, instead of returning OP to OD, OP
was combined with Manpower Planning. Unfortunately,
in this new portfolio, an increasing number of
management and people problems were resolved by
restructuring (Page 381).

This led the author to return the OP
responsibilities to their original place as part of
the OD division. However, soon after Charlie Eyre
took over his responsibilities as Vice-President of
Personnel, he returned the OP activities to the

Manpower Planning, where it was when the post-
evaluative interviews took place.

Many of the middle-level line managers
had limited - if any - exposure to organization
planning, and had few comments to make. Senior line
managers had more to contribute, and the former
Vice-President of the Eastern Region's comments are
included.

Most of the observations come from
personnel specialists, both within and without the
company. Some of these observations - particularly
the first one - may seem facetious, but, knowing they
are unconventional, they were offered in all
seriousness.

> Air Canada does not believe in
> organization planning. It is
> totally foreign to the culture.
> You have to realize that the
> airline runs itself. People have
> been trained to do their jobs;
> they carry them out almost
> automatically. Consequently,
> organization structure changes are
> done by consensus and compromise.
> To carry it out, you do not need
> organization planning expertise,
> you need interpersonal skills. 23

Charlie Eyre, former Vice-President of
Personnel stated:

> There is a natural marriage of
> Manpower Planning and Organization
> Planning (OP). The reason it did
> not work for you when you were
> Vice-President was because of the

personality of the Director.
He was a loner, he abused the
power that went with the
position. He was very difficult
to manage, and just would not
work with the other Directors.
Once he was transferred out of
the job, his replacement, who had
Organization Development (OD)
experience, worked closely with
the OD consultants,
and both divisions worked
cohesively. 24

Others were more critical:

OP is a disaster. To overcome
people problems, activities are
set up which can't be managed.
Setting up a senior Vice-President
in Ontario with only a secretary
reporting to him does not make sense *
(See Chart on Page 550) 25. I am not
sure why it was done; he is a pretty
influential person, he is well-
connected politically. He would
make a bad enemy. Taylor, conscious
of the problems senior executives
who left Air Canada caused Pratte,
most probably did not want potential
detractors where he could not
control them. 26

Pierre Jeanniot, the senior executive

who took over as Vice-President of the Eastern Region

in April of 1976, relates his experience in this area:

When I took over the Eastern Region
I found out in about three months'
time I could not manage it effectively.

---

*The incumbent in the new position was the
former Vice-President of the Central Region; his
former position continued with the same responsibilities.

CHART 8.1

-550-

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                    ┌─────────────────────┐   ┌─────────────────────┐
                    │ PRESIDENT & CHIEF   │   │ EXECUTIVE ASSISTANT │
                    │ EXECUTIVE OFFICER   │───│ TO THE PRESIDENT    │
                    │ CLAUDE I. TAYLOR    │   │ M. DE WILDE         │
                    └─────────────────────┘   └─────────────────────┘
```

PRESIDENT & CHIEF EXECUTIVE OFFICER — CLAUDE I. TAYLOR

EXECUTIVE ASSISTANT TO THE PRESIDENT — M. DE WILDE

DIRECTOR, GOVERNMENT AFFAIRS — A.J. GAUTHIER

SECRETARY OF THE COMPANY — R.J. LAFRENIERE

VICE PRESIDENT FINANCE — W.J. REID
- **TREASURER** — A.A. SAINT-DENIS
- **CONTROLLER** — W.J. BROOKS

VICE PRESIDENT PERSONNEL — R.H. LIEDER

SENIOR VICE PRESIDENT CORPORATE AFFAIRS — R.T. VAUGHAN
- **VICE PRESIDENT COMPUTER & SYSTEMS SERVICES** — A. BODNARCHUK
- **VICE PRESIDENT PUBLIC AFFAIRS** — M.E. FOURNIER
- **VICE PRESIDENT LAW** — I.E. MCPHERSON

SENIOR VICE PRESIDENT ONTARIO — J.M. CALLEN

SENIOR VICE PRESIDENT MARKETING & PLANNING — P.J. JEANNIOT
- **VICE PRESIDENT CARGO** — B.A. GILLIES
- **VICE PRESIDENT PASSENGER PLANNING & MARKETING** — G. CHIASSON
- **VICE PRESIDENT FLEET CAPACITY PLNG.** — C.H. GLENN
- **VICE PRESIDENT SUBSIDIARY & ASSOC. COMPANIES** — J.E. DOUVILLE

VICE PRESIDENT BUSINESS PLANNING — H.J.G. WHITTON

SENIOR VICE PRESIDENT SALES & SERVICE — J.W. MCGILL
- **VICE PRESIDENT WESTERN REGION** — H.D. LAING
- **VICE PRESIDENT CENTRAL REGION** — J.R. MCMURTRY
- **VICE PRESIDENT EASTERN REGION** — G.G. GAUVREAU
- **VICE PRESIDENT ATLANTIC CANADA REGION** — J.E. WHITELAW
- **VICE PRESIDENT U.S. & SOUTHERN REGION** — J.P. LABRIE
- **VICE PRESIDENT EUROPEAN REGION** — D. BRYCE-BUCHANAN
- **VICE PRESIDENT IN-FLIGHT SERVICE** — H.H. KANTOR

SENIOR VICE PRESIDENT TECHNICAL OPERATIONS — L.M. RAVERTY
- **VICE PRESIDENT PURCHASING & SUPPLY** — B.R. AUBIN
- **VICE PRESIDENT FLIGHT OPERATIONS** — C.H. SIMPSON
- **VICE PRESIDENT MAINTENANCE** — A.D. BONE

I had 11 People reporting directly
to me, and three on dotted lines.
I did not feel I could do justice to
approximately 280 million in revenues,
60 million expenses, and 2500 people,
and decided to reorganize. I received
help from the Director of Manpower
and Organization Planning, but it was
more tactical than strategic. The
longest part was getting acceptance
from the other Regional Vice-
Presidents. We wanted to make sure
we did not upset their organizations
by creating difficult precendents.
I ended up with what I wanted, the
region had three General Managers
and I was able to move out of the
day-to-day pressures to more
involvement in strategic planning. 27

An organization development consultant commented:

There is no professional expertise
in OP. It is short-term oriented.
Much of it is delegated to the line
managers. It is very soft; they
are courting disaster. 28

The Director, Jim Tennant (together with
the present Vice-President of Personnel) recognizes
that OP could be placed back with OD, but feels it is
more beneficial where it is:

We now spend more time on the
processes that go with a structure
change. If you can't predefine the
process, you run the risk of
duplicating it. We are trying to
avoid any more 'Black Fridays';
however, if we are not careful,
and don't watch the pace of change,
we will have 'Grey Thursdays'. . .
People see the future, start
jockeying for position. . . . it
can cause confusion and result in
multiple moves. Marketing has had
five reorganizations since 1972.

> . . . you can be flexible, do
> things that are not ideal,
> providing you do them with your
> eyes open. 29

The evolution of the OP Division has, in some ways, reverted to the McGregor approach of an evolving organization (Page 97) where people took precedence over structure. - witness the creation of the Senior Vice-President's job. Supporting this was another comment:

> Your know the undoing of Yves
> (Pratte) was the restructuring
> (May, 1970). It was so foreign
> to the culture of Air Canada that
> the long-service managers never
> got over it. It was the first
> impression he made on the
> organization. You just do not
> get a second chance to make a
> good first impression. 30

As a practitioner, the author finds the type of organization changes difficult to accept. It certainly does not fit Clark's [31] concepts of valid knowledge, nor the principles on organization structure and design enunciated by Dalton, Lawrence and Lorsch [32] and Chandler [33] but they may be more effective than realized, and, perhaps, illustrate a major type of difference in managing in a semi-public organization.

In the public sector, the bureaucracy would not permit it. There, to justify a new postiton - particularly at the senior level - one must meet

rigorous standards, with points allotted for a
variety of activities. Finally, it has to be
defensible within the bureaucracy, and, if it should
become an issue, in the House of Commons, to Members
of the Opposition and/or the press.

In the private sector, such positions are
usually avoided, and would have to be justified,
partly on an economic basis, but mostly on the logic of
the position, and the confusion and difficulties it
might cause.

In a semi-public Crown Corporation, the
power to make such decisions rests within the
organization and its Board of Directors. While many
might find this type if structure seemingly
dysfunctional, it should be remembered that this
approach worked well for McGregor, and that the
professional organization planning recommendations of
the McKinsey consultants were devastating for Pratte.
A return to the pre-McKinsey approach by Taylor may be
in the best balanced interest of the organization.

In summary, the creation of a separate OP
Division worked well, and facilitated the clarification
of roles and responsibilites within Air Canada. The
amalgamation of Manpower Planning and OP, while less
conventional, is considered desirable by most Air Canada
managers, but is of concern to some, who feel that the

lack of emphasis on professional organization
planning principles could result in an unmanageable
organization structure.

<u>Strategies No. 4 and 5</u> - <u>Performance Review</u>
<u>and Reward System</u>
<u>and Career</u>
<u>Development Plans</u>

It will be recalled that these
strategies were designed so that all management would
be encouraged to develop a management-by-results
approach. Further, having gained insights into the
staff members' capacities and aspirations, meaningful
career develpement plans would be introduced in phases
to develop the current and next generation of managers
(See input 5 and 6 of the Management Accountability
Model; Page 384).

There are five survey items (21;29;55;30;
64;) in the Aston Phase II analysis which are relevant
to assessing the contribution of strategies 4 and 5.
The first three items are representative of the
Performance Review and Reward System and are quoted
in full:

21. People are rewarded well for
excellent performance. 34

The procedure described by this item was
seen to take place more frequently in 1976 and the
changes in respondant's scores were significant at the

.05 level of confidence (Page 444).

>29. Supervisors periodically meet with subordinates to jointly establish work objectives and to review progress against objectives. 35

The procedure described by this item was seen to take

place more frequently in 1976 and the changes in

respondant's scores were significant at the .01 level of

confidence (Page 444).

>55. Employees are almost certain to hear about their mistakes and seldom about their successes. 36

The third item deals with the somewhat negative

management-by-objectives approach which was common

in Air Canada. The procedures described by this

negatively worded item were seen to improve in 1976

as responant's scores were significant at the .01 level of

confidence (Page 446).

Two other items, relating to strategy 5,

opportunities for training and self-development and

advancement, are presented below.

>30. The policy of promotion from within is supported by sufficient opportunities for training and self-development. 37

>64. In Air Canada there are plenty of opportunities for training and advancement for those who want them. 38

The philosophy and procedures described by

these two items were seen to take place more frequently

in 1976 and the change in responent's scores were

significant at the .01 level of confidence (Pages 445 and 447).

A third related item differentiated negatively.

47. The career opportunities are
very good within Air Canada.   39

This item, which showed a negative differentiation at a .01 level of confidence in 1976, could have been due to the contraction of airline staff over the two years prior to the 1976 survey.

The conclusion that can be reached is that the results of the Aston Phase II analysis tend to negate the null hypothesis relevant to the impossibility of introducing change successfully into a semi-public organization. Perceived change did take place, and it was primarily in a positive direction.

The material supplied during the post evaluation interviews helped to determine the extent to which these conclusions were supported in 1980.

There was a good deal of discussion and some disagreement on these two strategies, 4 - Performance Review and Reward System and, 5 - Career Development Plan. In fact, there was more discussion of these two strategies than any other with the exception of strategy 7 - Consultants in Branches. Those interviewed agreed with the accuracy of the documentation on Pages 362 and 382 to 391, inclusive; however, some felt that the account

did not do justice to the very complex issues involved - "the account was accurate, but it was too sparse". [40]

The general impression given was that the model on Page 384 was useful, but it did not emphasize how critical WP&R was to being able to establish:

1. a sound reward system; and,

2. a realistic manpower developmnet programme.

Most supported an individual bonus payment, but, paradoxically, long-service Air Canada managers tended to be against a Branch bonus scheme.

From the author's point of view, a noteworthy element is the way that, in 1980, the original strategy 4 objective of paying for performance is taken for granted, and the people are now more interested in the fine-tuning aspects of the two strategies, such as the bonus systems.

> The 100 - 150 (people) who were not picked up after the 1970 re-organization and had to leave the company had no idea that they were considered marginal by their bosses and colleagues. There wasn't a realistic appraisal system; now there is, and Air Canada could not have that sort of experience again.
>
> We made some changes to the grading mechanics. There used to be five categories, and we have reduced it to four (Appendix 8.1). It works better.

The philosophy behind Strategy 4
is working 100%. People are
measured on performance, and told
where they stand. (pause) No,
that isn't so. It's not working
well at the Executive level.
We've got problems there; there is
more work to do.

The individual bonus system was a
break-through. While the bonuses
are small and somewhat symbolic,
it ties pay with performance.
People are really interested!
There is still the problem of
living with the ratings, managers
argue about them, but its worth it.
It's a symbol of entrepreneurship.

In McGregor's day, there wasn't
a meaningful performance review
system in place. Now, there is,
but I don't think it's being
applied at the top.

Vice-Presidents think that, if you
are a Vice-President, you have to
work so hard, you deserve a 3
(rating). The lowest rating last
year was a -2. It isn't realistic;
some are in deep trouble. 41

Jim Tennant, who has responsibility for

the human resources planning (See Page 560 [42]), stated

Unfortunately, some people look at
their annual ratings as their
personal worth. You may be a 3 in
your last position, and be doing
very well in your new position
which was a promotion, where you
are rated a 1 . People come in
and say, why am I a 1 , I have
never been rated anything but a
2 or 3 before? The answer is
simple. They were masters at
their old jobs, now they are
learning a new one. It's hard for
them to accept. We are making

progress, but we have more work
to do in this area.   43

The need for management skill and
ability is clearly recognized, and the organization
is planning more seminars for managers in this area.

It was previously questioned whether the
Branch Performance Awards were a wise tactic for use
in a semi-public organization (Page 474).   The
long-service Air Canada Managers, without exception,
were critical of the approach.

> I do not agree with the Branch
> ratings. Air Canada is too
> political. If a Branch Head
> doesn't like his leader, he can
> end run him. Look at what
> happened to Yves (Pratte).
> Further, it complicates
> integration. The ratings become
> known and people can have hidden
> agendas to undermine those
> Branches who are rated higher.
>
> McGregor's legacy is still with
> us.   Anyone who knew G.R.
> (McGregor) knew that his policy
> was to divide and conquer. Senior
> Branch Heads were continually
> trying to get ahead of each other.
> If Sadler wanted something
> (Vice-President of Administration),
> Tennant (Vice-President of
> Operations) would be against it,
> and vice versa. The heritage is
> still with us.
>
> Yves (Pratte) did a lot for
> integration in the way he used
> WP&R, and the Branch Performance
> Awards may have been fair, but
> they were too dangerous. Claude
> (Taylor) has removed them, and

CHART 8.2

-560-

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                              ┌─────────────────────┐
                              │  VICE PRESIDENT     │
                              │  PERSONNEL          │
                              └─────────────────────┘
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┌─────────────────────┐   ┌─────────────────────┐   ┌─────────────────────┐   ┌─────────────────────┐
│ DIRECTOR   │   │ SENIOR DIRECTOR   │   │ DIRECTOR COMPENSATION│   │ DIRECTOR   │
│ MANAGEMENT &   │   │ LABOUR RELATIONS.   │   │ & BENEFITS   │   │ ORGANIZATION &   │
│ ORGANIZATION   │   │   │   │   │   │ HUMAN RESOURCES   │
│ DEVELOPMENT   │   │   │   │   │   │ PLANNING   │
└─────────────────────┘   └─────────────────────┘   └─────────────────────┘   └─────────────────────┘

┌─────────────────────┐   ┌─────────────────┐ ┌─────────────────────┐ ┌─────────────────────┐   ┌─────────────────────┐   ┌─────────────────────┐
│ SR. MANAGER   │   │ LABOUR RELATIONS│ │ DIRECTOR LABOUR   │ │ LABOUR RELATIONS   │   │ SENIOR MANAGER   │   │ SENIOR MANAGER   │
│ MANAGEMENT & ORG.   │   │ CONSULTANT   │ │ RELATIONS CUSTOMER │ │ DIRECTOR - ARBIT./ │   │ COMPENSATION   │   │ HUMAN RESOURCES   │
│ DEVELOPMENT   │   │   │ │ SERVICE PERSONNEL   │ │ LEGISLATION   │   │   │   │ PLANNING   │
└─────────────────────┘   └─────────────────┘ └─────────────────────┘ └─────────────────────┘   └─────────────────────┘   └─────────────────────┘

┌─────────────────────┐   ┌─────────────────────┐ ┌─────────────────────┐
│ DIRECTOR,   │   │ DIRECTOR LABOUR   │ │ DIRECTOR LABOUR   │
│ EMPLOYEE   │   │ RELATIONS PLANNING │ │ RELATIONS TECH.   │
│ COMMUNICATIONS   │   │ & SUPPORT   │ │ PERSONNEL   │
└─────────────────────┘   └─────────────────────┘ └─────────────────────┘

> Awards are the same for all
> Branches. He works hard at
> cohesiveness at that level. In
> a Crown Corporation you have
> to. 44

The criticism of the fifth strategy,

Career Planning, as previously mentioned was that the

account was too sparse to provide the reader with a

reasonable appreciation of what went on. This criticism

is justified, and in large part, is due to the case

study method utilized in this thesis. The extensive

time span amd scope of the activities frequently does

not allow an in-depth look at each area of potential

interest.

> Many companies in North America
> have introduced some form of
> participative management. While
> the research indicates only 35%
> are successful, we know a lot
> about how to go about introducing
> these concepts. People like
> Drucker, Odiorne, McConky,
> Barrett and Humble have documented
> how to go about it. We know a lot
> more about that sort of intervention.
> Manpower planning strategies are
> newer; we have not come to grips with
> it yet - it's a more current issue.
> I would like to have seen your thesis
> devote a chapter to what has been done
> at Air Canada. We are among the
> leaders in the field, and we are
> still searching. 45

Jim Tennant (human resource development)

sees the main challenge as first, establishing

corporate and individual objectives, and finally,

individual career plans. In a 1974 Symposium on

Corporate Manpower Planning in Canada [46] - held by

the Conference Board in Canada, he stated his views

on this point, which he reiterated in the interview:

> Recently, we had a visit from C.P.
> Ltd. (Candian Pacific Limited,one
> of Canada's largest private
> corporations). Their manpower
> planners, like most others who
> come over, asked, how do you go
> through such and such an exercise?
> It's easy to describe the tactic,
> but how do you tell them without
> sounding condescending, that you
> have to do a lot of work relevant
> to Corporate Planning and WP&R;
> then, five to 10 years later, the
> circle is complete, and you are
> getting sound information for
> Human Resource Planning from all
> levels of Management within the
> company. Strategy 5 is a
> success; it needs more work, mind
> you, but it could not have
> happened unless strategies 1,2,3
> and 4 had been in place, plus a
> lot of other related strategies in
> other Branches. [47]

The President and C.E.O., Taylor shows

considerable interest, and states that Manpower

Planning is one of his five major priorities. His

interest and contribution in this area was recognized,

even by his detractors, who felt strongly about him.

On reading strategy 5, one commented:

> I was never a supporter of
> Taylor. . . . For a number of
> years, it used to gall me to see
> him getting credit for difficult
> decisions I saw Pratte make. Also,
> I do not know to what extent he
> was part of Pratte's undoing, but
> I have my suspicions. He has

always been competent in whatever
he undertook, but our P.R. (Public
Relations) in Pratte's era were so
bad when Taylor had responsibility
for them, and they became so good
when he became President. More
recently, I have to say I have
been more impressed. He seems to
be shedding some of the Mr.Nice
Guy image and making some hard
decisions. You have to give him
credit in Manpower Planning. He
really takes an interest. He gets
the ratings and wants to know what
is happening to each of the people
in the Unsatisfactory or Exceeds
Job Requirements categories. 48

Ten years ago, the McKinsey consultants

wrote:

Many important personnel functions,
particularly those involving
management of human resources, are
not now carried out anywhere in the
organization. Managers are viewed
as belonging to their own divisions,
vacancies are filled by each division
with no consultation of others, and the
corporate personnel group have little
say in planning their careers or
development. 49

This suggests that Air Canada has made

considerable progress in the field of performance

evaluation, reward system and career development.

Yves Pratte supported such activities,

but he was not actively involved. Maurice D'Amours,

a former executive of Bell Canada - was highly involved

and made a substantial contribution in the earlier

phases of the strategies. The quality of information

available has improved further since D'Amours' early

involvement.

In May of 1980, the President and C.E.O.,
Claude Taylor was extremely interested, and
participated actively in the application of the
current strategies. *

In the author's view, the strategies
have not only reached a critical mass stage, but have
surpassed the level of contribution envisaged when the
programmes were originally formulated.

Strategy No. 6 - Improving Relations with Unionized People

The objective of this strategy was to
improve relations with unionized people through the
mechanism of job redesign projects (Page 363). The
projects were seen as ongoing.

On Pages 391 to 396, mention was made of
the progress made with the I.A.M.A.W. The six projects

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* In the interviews there were a number of
Taylor detractors among present and past employees.
Comments centered on his alleged involvement in the
demise of Pratte, issues relating to the 1978 pilots'
strike and the seeming emphasis on a public relations
image rather than substance. However, a larger
proportion of those interviewed saw his stewardship
positively. One organization development consultant
stated that in some areas of the company, long service
managers, particularly with a customer service
background, regarded the new C.E.O. somewhat as a
folk hero.

completed (Page 394) with the union contributed
to successfully negotiating the March of 1975 union
agreement with the I.A.M.A.W. before the expiry date
of the previous agreement, without third party
intervention, and without any disruptive show of
force - the first time in over 10 years.

The section was concluded with reference
to an innovative letter of understanding, which
established how the union and the airline would
cooperate in future endeavours.

One of the last activities the author
undertook as Vice-President of P&OD was to meet
privately with the Chairman of the Passenger Agents
Union, CALEA, on three occasions in a hotel room,
complete with flip charts illustrating projects, etc.
- to try to gain his informal commitment that CALEA
would give passive support to job redesign projects among
the passenger agents.

When the author left in June of 1976,
the first of these projects was being planned. Shortly
afterwards, the second of two articles on job redesign
was published. [50]

As unionized personnel were not
participants in the 1972 and 1976 surveys, data from
this source is not available. However, it was common
practice in most of the job redesign projects to use

pre- and post-measurement questionnaires.   51

The following illustrates typical
employees' reactions. The work involved removing,
repairing and replacing DC8 aircraft windows. The
base line represents attitudes to work before the
project began. The first bar in the chart illustrates
changes after six months, and the adjacent bar,
changes after 12 months. [52]

CHART 8.3

Chart III - COMPARISON OF BEFORE & AFTER QUESTIONNAIRE SCORES
(30 QUESTIONS)
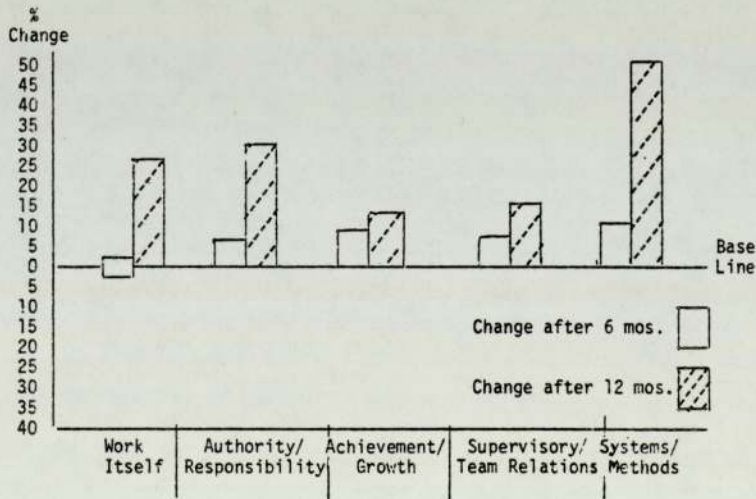
Obviously, the participating employees
regarded the categories of Work Itself,
Authority/Responsibility, Achievement/Growth,
Supervisory/Team Relations, and Systems/Methods more
positively.

In all the projects carried out, there
was improvement in the quality of the product or the
service offered. In most, but not all, there was also
an improvement in productivity, which is illustrated in
the chart below. [53]

CHART 8.4

Chart 1 - PRODUCTIVITY
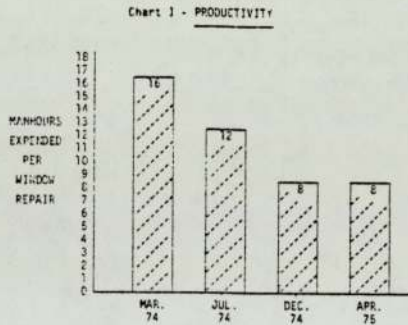
It seemed that this strategy was well on
the way to a critical mass stage in 1976. However, a
number of occurences took place which negatively
affected this strategy. In chronological order they
are:

-   Fleetham, Director of Personnel in
    Maintenance, when Pratte left,
    decided to return to Canadian General
    Electric.

- The Passenger Agent project was launched in Toronto on a much larger scale than any project previously attempted. Because it was considered disruptive to work schedules, it was not completed.

- The new Vice-President of Personnel reduced the number of organization development consultants necessary to carry out such projects.

- The CALEA Union lost its certification as the union representing the Winnipeg Finance Division, and was replaced by the I.A.M.A.W. Subsequently, job redesign projects commenced in Winnipeg.

- The pilots union had a work stoppage and a strike for the first time.

- The I.A.M.A.W. had a work stoppage during negotiations.

- After considerable work with the managers involved, the project with the passenger agents in Toronto was started again, and is considered to be progressing well.

- The Winnipeg Finance project
continues, has had considerable
publicity, and is considered an
ongoing success.

Activity in the area of job redesign
projects has decreased, and there are currently only
two ongoing projects - the Winnipeg Finance
Division and the Toronto passenger agents - although
there is evidence that other projects are about to
begin.

Some of the post-evaluation comments
were:

> In recent years, there has been a
> few successes; probably there have
> been more failures than successes.
> The failure of one in particular,
> the Toronto passenger agents,
> caused such a furor that we decided
> not to start any new ones until we
> sorted it out at the senior level.
> Winnipeg was sustained because of
> the General Managers' interest.
> It's the only really bright spot
> right now.   54

A former Eastern Region Vice-President
felt the job redesign concept was well received:

> The climate was good with the
> unions. The trouble with Toronto
> is there was no control. The
> project ran away with itself.
> Employees called meetings when
> they wanted to; you can't do this
> and run a business. We did not
> have that problem because ground
> rules were established and

respected. We emphasized customer
contact. It's a difficult
situation when the phones are
busy and the red lights are on.
The passenger agent can't sell;
he has to service. Nevertheless,
the passenger agents liked the
project, liked being involved, and
both sales and service improved. 55

While no one questioned the accuracy or
intent of the statements made in Chapter 6, Lackman -
Director of Management and Organization Development -
was critical of the way in which the original projects
were introduced, using the Toronto project as an
illustration:

You (the author) didn't have top
management commitment; when things
got rough, the Vice-President of
the Region bailed out. While we
didn't have the most business
oriented consultant on the
project, if we had had the
Vice-President's support, it could
have worked. At least, it
wouldn't have been considered a
failure. We've spent two years
repairing the damage in Toronto.
The union is pushing for another
project, but I am going to wait
until we get the support from the
top. I have heard senior
executives around here say Toronto
was a failure. One Vice-President
referred to it as, "the funny
thing you were doing in Toronto.
It caused a lot of problems.
People couldn't get their jobs
done." When I have finished, I
will have the Board aware of what
we are doing. That sort of
statement won't be made again. I
want the same sort of principles
that we worked out with the 25
Senior Executives (Page 571) 56
Then we will start new projects. 57

PROFESSIONALISM
TEAMWORK
INTEGRITY
CANDOR
EQUALITY
ADAPTABILITY

These six basic principles were fashioned
by the twenty-five members
of the executive management team
at a recent seminar.
They are intended to set the course and
tone for operating Air Canada
in the 1980's.
More than a statement of good
intentions, they represent a commitment
by management of the way we must
conduct ourselves to meet
the challenges ahead.

AIR CANADA

AIR CANADA
Principes d'exploitation
pour les années 1980

Fournir un service essentiel pour le Canada, c'est-à-dire un
transport aérien sûr, efficace et concurrentiel, tout en
réalisant un profit suffisant pour prospérer à titre d'entre-
prise commerciale d'une part, et répondre à nos aspirations
en tant qu'employés et à nos obligations en tant que citoyens
d'une nation multiple d'autre part, tel est l'objectif que
s'est unanimement fixé la direction d'Air Canada.

Animée par la volonté de le réaliser pleinement, elle fait
siens les principes suivants:

1 Attitude professionnelle:
Gérer toutes les affaires de l'entreprise conformément
aux normes suivantes, mesures de la fierté que tire
la direction de son but commun: excellence technique,
service à la clientèle novateur et adapté à la demande,
commercialisation dynamique et diversifiée.

2 Esprit d'équipe:
Reconnaître que les efforts individuels donnent collec-
tivement sa force à la Compagnie en tant qu'entité et
que le défi et la gratification que comportent les
responsabilités personnelles ne prennent leur pleine
valeur qu'assortis du devoir de participer à la réalisa-
tion des objectifs de l'entreprise.

3 Intégrité:
Entretenir des relations justes et honnêtes où chacun
est suffisamment sûr des capacités, des motifs et
des intentions de l'autre pour lui accorder sa confiance;
être prêt à écouter autrui et à accepter les désaccords
sur les questions importantes, et faire preuve d'une
maturité suffisante pour résoudre les conflits et
s'épauler dans ses décisions.

4 Disponibilité:
Communiquer et s'entretenir avec les autres de façon
ouverte, attentive et opportune, non pas uniquement
pour échanger des renseignements mais aussi avec
l'intention bien arrêtée de recueillir l'opinion et les
conseils des intéressés et d'en tenir compte.

5 Égalité:
Avoir à cœur l'intérêt de tous les employés, respecter
la valeur du rôle que chacun joue dans la poursuite
de l'objectif commun, considérer leurs représentants
comme des membres de l'équipe et admettre que
les aspirations à un travail valorisant et gratifiant sont
universelles et légitimes.

6 Adaptabilité:
S'adapter aux changements désormais inéluctables
et prendre pour ce faire des mesures qui tiendront
compte des préoccupations qu'ils risquent de susciter
et qui faciliteront leur acceptation.

This was a sound point and was one of the seven conditions for success outlined in a job redesign article concerning management involvement.[58]

Part of the problem in the Toronto project may have been the turnover of executives who were involved. Pratte - an experienced labour lawyer - was highly supportive of the job redesign concept while Taylor, his replacement, had no experience in this area and, consequently, was less supportive.

The author had approximately 20 years of experience, introducing various forms of employee participation. Charlie Eyre, his successor, was a highly professional, traditional labour relations specialist. That is, the two executives involved in supporting and introducing the concept were replaced by two executives who had no experience in initiating or supporting job redesign.

Lackman is correct in that there is a need to re-establish executive management support, and, in this respect, his present strategy seems correct. However, also of concern is the question of whether those in the Personnel Branch are reverting to the approach referred to on Page 276 - to design fail-proof systems parallel to the airline's technical system. In effect, not to show the tolerance for ambiguity which is required in so many social science systems.

Lackman also made the point that, while Toronto might have been considered a failure - "It has brought us three years of labour peace with what used to be our most difficult union." [59]

Senior Vice-President John McGill disagrees with the importance of executive management approval:

> Right now, I could not be happier
> with the progress of the Toronto
> project. The problem was that the
> managers involved didn't know what
> was going on. It was imposed; the
> consultant was not practical, but
> full of theories. It was
> difficult for managers to say
> no - it was like motherhood.
> Job redesign projects must be
> owned by managers and the
> employees. The local unions must
> know what is going on. You must
> have the commitment of the boss
> and a few key people (organization
> development consultants) who know
> the business. Out of the ashes of
> Toronto came one of the best
> projects I have seen, but there is
> no transfer. If we do another -
> for instance, in Calgary - we
> will have to start from the
> beginning again. [60]

While the Labour Relations Division has no responsibility for introducing job redesign, some of those interviewed were critical of their lack of involvement. Labour Relations in Air Canada are considered by some as being too traditional. The negotiated letter of intent was a major breakthrough in Canadian industry, but it slipped through the organization's fingers.

One experience labour relations specialist stated: "I don't believe they really appreciated what they had." [61]

Interestingly, there has been another breakthrough for the organization in Management/Labour/Employee/Relations. Tom Dyce, a former organization development consultant, who is currently responsible for employee counselling, particularly in the addiction area has been successful in negotiating, over a two-year period, a commitment between the heads of all unions, and the senior executives - including the President and C.E.O. - to work together in trying to deal with addiction or potentially addictive problems as early as possible, and to support, on a confidential basis, any remedical action taken.

In summary, the job redesign strategy, after a number of successes, lost considerable momentum from 1976 to 1980 due to the reduction of available qualified organization development consultants and the failure of one highly visible project.

It is felt by one senior personnel manager in Air Canada that this was due, in part, to the inappropriate preparation of obtaining the commitment of the executive group. It could also be argued that there may be a tendency for the Personnel Branch to

return to seeking a level of certainty which is difficult to obtain in planned change interventions.

However, the Toronto project, after two years of careful nuturing, is now seen as highly successful. There are definite indications that Air Canada management perceives the potential of this strategy and efforts are being made to recruit competent organization development consultants to assist in carrying out projects.

Strategy No. 7 - Resident Consultants in Branches

Strategy no. 7 - WP&R - was implemented by providing full - or part-time organization development consultants to implement the concepts in the Branches. It involved a critical diffusion of one of the major strategies throughout the organization. As it was heavily dependent on resources ranging from seven to 12 people, new to the P&OD Branch, it was the least predictable to implement.

Consultants were usually assigned when Marion Kellog presented the workshop on WP&R. They worked closely with the Director of OP&D, and one of the senior consultants was a member of the 'Troika' (Page 363) who advised the C.E.O. The 'Troika' consisted of the Director of Corporate Planning, the Comptroller,and a senior organization development

consultant. The use of consultants in this way was of prime importance to the success of the strategy.

When preparing the 1975 objectives, Dave Tennant - Senior Vice President of Operations - made one of his reflective pronouncements in an Executive Committee meeting to the effect that the OP&D Branch was too strong. As observed earlier (Page 270), Tennant was the type of person whose opinions a consultant is wise to heed. The senior consultant - who was a member of the 'Troika' - and the author came to realize that the problem of the OP&D Branch being too strong centered around two areas.

First, there was an imbalance of the allotment of resources. In the two major operations - Customer Sales and Technical Operations - there were far more consultants servicing Customer Sales than Technical Services.

A consultant was assigned to each of the Regional Vice-Presidents of Customer Sales. Maurice D'Amours, the Senior Vice-President of Customer Sales, was new to the job, which was implemented as part of the McKinsey recommendations. Consequently, a senior organization development consultant worked closely with D'Amours.

In Technical Services, the functions were the traditional buying, flying and maintaining of aircraft. Fleetham, the Senior Personnel Director -

had some 25 years experience in objective

setting - was in charge of the largest Branch -

Maintenance - and was capable of operating without

OP&D Branch assistance. Two other consultants covered

Flight Operations and Purchasing.

No one had felt it was necessary to work

with Tennant, who knew the operations portfolio well,

and seemed to have most of the operations problems

under control. However, both Senior Vice-Presidents -

D'Amours and Tennant - worked in the executive

offices, 75 feet from each other, and the latter was

extremely aware that he was not getting the service the

former was, as a stream of organization development

consultants were continually in and out of the

Customer Sales offices.

Second, to the uninitiated, it could have

seemed that the organization development consultants -

because of their unusual role of being deeply

involved in advising the C.E.O., in conjunction with

Corporate Planning and the Comptroller's office -

were actually making critical decisions, rather than

helping to install a process designed to help managers

work more effectively.

Tennant's observation stuck. Despite

previous efforts to appear as a low-profile change

group, the organization development consultants were

seen - and continued to be seen - as too strong,

until the new Vice-President of Personnel was
appointed in 1976, and placed more emphasis on
traditional personnel activities, such as Labour
Relations, and less on organization development.

In 1980, the Organization Development
function is seen as being a helpful, but limited
resource, and there is difficulty identifying and
recruiting the right calibre of people to rebuild the
organization development group.

The line managers interviewed supported
the need for competent consultants:

> There is no doubt that the quality
> of the OD consultant is very
> important. 62

A personnel specialist observed:

> We had too many lightweights in
> OD - some put personal ambition
> over the company; you need people
> like Fleetham. He was the only
> outsider I ever saw go into
> Maintenance and be accepted -
> they still speak highly of him. 63

Another personnel specialist with line
experience, said:

> You (the author) pushed too hard;
> some of the consultants were
> covering several Branches; you
> should have moved slower, selected
> and obtained better people. The
> quality was too uneven. When I
> was in the Western Region, we used
> to refer to the OD consultant as
> the parish priest with the word
> from 'on high'. Actually, the
> consultant was an essential part

of the process. He knew the
airline, he had a good grasp of
the regions, and he could advise.
I think the concept worked well. 64

A former organization development

consultant stated:

It's a different ballgame now.
the 'Troika' is disbanded. Taylor
does not have the type of diverse
information coming to him that
Pratte had. I realize that it
was a self-destruct group, but a
good OD consultant knew how much
the client Branch could take.
He could advise when to push, and
when to back off. Taylor also has
the tendency to make unilateral
decisions. He listens, then makes
up his mind; there is no recourse.
The Executive Committee has been
disbanded. His eight senior
V.P.'s meet monthly; no minutes
are kept. If the going gets
tough, which I think it will in
the eighties, he's going to have
to hold more frequent meetings,
and they are going to have to be
more disciplined. 65

Finally, Lackman - Director of

Integration and Organization Development - stated

that, while he has the mandate to hire two new

consultants, he is having trouble getting them:

If I can't get the calibre of
people I want, I'm not going to
hire anyone. A lightweight in OD
can cause more trouble than he is
worth. 66

Part of the approach used at Air Canada

involved augmenting the organization development staff

by bringing in line managers and hiring people from

outside. This worked reasonably well, but it did
present some serious problems.

In view of its importance, this aspect
of staffing a change programme will be discussed more
fully in a later section (8.6), the implication for
practitioners contemplating macrochange.

John McGill - who replaced Maurice
D'Amours as Senior Vice-President of Customer Sales
 - made the following comments, relevant to the
questions of the pace of introduction, and the
perceived ownership for the programme, the client or the
consultant:

> It was a very visible personnel
> programme supported by the C.E.O.
> and senior executives. If you
> expected to keep a low profile,
> you didn't. It couldn't have been
> otherwise; someone had to drive
> it. There were two things unique
> about the programme which helped
> make it successful. First, it was
> the first time that Air Canada
> started anything comparable from
> the top down, involving all
> Branches. The largest previous
> effort had been the Schleh
> management-by-results approach,
> and it was mostly in Sales. The
> second was that the Schleh
> programme, which came from the 3M
> Company, was seen as being pushed
> into place. Managers did not feel
> comfortable, resisted, and it
> fizzled. Your change programme
> had a lot of Air Canada management
> input in the design of the
> strategies. It was sensitive to
> where the managers were. Most
> were comfortable with it. The
> pace was about right. The closest
> you (the author and OD
> consultants) came to a low profile

> was that you designed and
> implemented an approach that was
> sensitive to the managers'
> capacity to absorb. They accepted
> and utilized the concept.
> Company-wide, we are a bit spotty,
> but I would accept that, starting
> from the top down where it's 100%
> that, all in all, 75% of our
> people (management and professionals)
> are using the approach. 67

8.1.1   Summary of Post-Evaluation Interviews

A brief summary of the Post-Evaluation Interviews is presented below.

Strategy No. 1: - The Objective Setting Programme

WP&R is now institutionalized; it is the way Air Canada is managed. Criticism was made to the effect that the strategy was introduced too vigorously.

Strategy No. 2: - System-Wide Education Programme

PMDP is apparently universally well thought of, and has been taken by over 90 percent of the Management and Professional work force. It has been modified from the original version, with greater emphasis on WP&R for new managers.

Strategy No. 3: - Clarification of Roles and Responsibities

Organization Planning continues as part of the Manpower Planning Division. Air Canada's

approach to organization planning is based on concensus
and taking care of long-service managers' Criticism
was made, relevant to the fact that the change agent was
not personally involved in the integration portfolio
introduced in 1974.

Strategy No. 4: - Performance Review and Reward System
                The payment for performance has
advanced well, with minor changes to rating scales.
There is a correlation of, perhaps, unrealistically
high ratings with the higher levels of management.
The individual employee bonuses are well-received,
and it is generally felt that Branch bonus awards are
not an appropriate strategy for semi-public
organizations undergoing macrochange.

Strategy No. 5: - Career Development Plans
                The career planning activities have
continued vigorously. Criticism was made that the
thesis does not adequately convey the extent of the
career planning strategies introduced. Career planning
involves the President and C.E.O. extensively, and even
his internal detractors admire his involvement in this
area. Partly as a result of his involvement in career
planning, the level of effectiveness envisaged in 1973
has been surpassed. The Director of the Division
believes the quality of Manpower Planning activities

directly relates to the information emanating from the WP&R approach.

Strategy No. 6: - Improving Relations with Unionized People

There has been a severe deterioration in the job redesign projects, although a failed project is credited with providing three years of industrial peace with the most difficult union - the Passenger Agents. Strikes occurred with two of the more powerful unions - the Mechanics and the Pilots - but they are not seen by most as being directly related to the decline of job redesign projects.

Strategy No. 7: - Resident Consultants in Branches

The strategy of diffusing the main Intervention WP&R implementing a new management system was assisted greatly by having organization development consultants assigned to Branches. The selection, training and retention of these consultants from either the line managers or external experienced people continues to be a difficult and frustrating activity for the Director responsible.

Strategy No. 8: - <u>Non-directive Communication Sessions</u>

The eighth Strategy - which involved non-directive communication - was not implemented in 1973, nor was progress reviewed in the post-evaluation interviews. However, comments received indicate that some progress is beginning to be made on non-directive, internal communication.

8.2. <u>Methodological Issues in the Analysis of</u>
<u>Climate Measures and the Problems in</u>
<u>Communicating Results in a Quasi-Experimental</u>
<u>Research Design</u>

This is the second area of inquiry which is of prime importance in Part I, given the purpose of supporting or rejecting the null hypothesis that lasting planned macrochange cannot be introduced into a semi-public organization (Page 5).

The first area of interest is whether the macrochange programme did <u>effect a company-wide</u> <u>change</u> in managers' perceptions between December of 1972 and March of 1976. This will be accomplished by reviewing the findings of the Aston Phase II analysis in relationship to that of the Institute of Behavioral Research (IBR), Texas Christian University, and the Air Canada Report to Management. [68]

The second area of interest is the
problem of communicating the results of a
quasi-experimental research design and the effects of
the principal strategies, Work Planning and Review
(WP&R), and the Professional Management Development
Programme (PMDP), when examined separately and
together against a control group. This will be
accomplished by reviewing the Aston Phase III findings
in the context of the IBR and Air Canada Reports.[69]

8.2.1.   The Analytical Methodology

There are three important differences
in the Aston and IBR analyses which will be examined.
They are:

1.   the sample used, and its effect of
limiting uncontrolled variables;

2.   the effect of examining factors, as compared
to items; and,

3.   the effect of examining clusters, as
compared to items.

1.   The Sample and Uncontrolled
Variables

The samples were analyzed in different
ways and for different purposes. The objective of the
IBR sampling in both 1972 and 1976 was to obtain

findings both company-wide and by Branches.
Consequently, to maintain sufficient numbers for Branch
comparisons, it was necessary to add 353 new
participants in 1976. As a result, only 233 participants
were common to both surveys.

In the Aston Phase II analysis, the
decision was made - in the interest of limiting
uncontrolled variables, and at the cost of not having
sufficient data to enable comparisons between Branches
(Page 442) - to limit the analysis to the 233
participants common to both surveys. Examples of two
of the uncontrolled variables follow.

First, in the 1972 survey, six percent,
or 32 of the 536 management and professional
participants had less than one year's service; in 1976
28 percent, or 164 of the 585 had less than one year's
service. Clearly, the distribution of experience in the
two samples was different.

Second, in 1972, six percent, or 32
participants in the sample were females. In 1976 -
consistent with a low-profile equal opportunity
programme - the number of female managers had increased.[*]

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[*]Records show the actual increase was from 5.9
percent to 8.4 percent.   70

Consequently, the 1976 sample included 12 percent, or 75 female managers.

The problem of new and/or female Management and Professional people could have affected perceptions of the organization. By utilizing the 233 participants who had been part of both surveys, these types of uncontrolled variables were eliminated in the Aston analysis.

2.   Factors as Compared to Items

The second important difference in the IBR and Aston Analyses was the former's use of factors when comparing the 1972 and 1976 surveys. These factors were determined by applying principal component analysis - a form of factor analysis.

The purpose of this component analysis is described in Volume I of the 1976 Technical Report as:

> . . . a procedure designed to
> reduce the information into the
> smallest number of dimensions
> possible . . . the climate clusters
> were reduced from 18 to 10 and
> retained the same amount of
> information. 71

In the Aston Analysis, the 1972 and 1976 comparisons were made item-by-item.

Of the 10 factors compared in the IBR analysis, and discussed in the Report to Management,[72]

four showed a negative change, three showed no change and three showed a positive change. These findings are clearly presented in the bar chart on Page 412.

The results of the Aston Phase II analysis are reviewed on Pages 443 to 449. The analysis shows a total of 60 of the 102 items, which differentiated at a level of .10 and above.

Even if the comparisons are limited to those items which differentiate at the .01 level or above, the reader has to cope with 26 items, compared to 10 factors in the IBR analysis. One observation is that the Aston Analysis makes the communication of results - particularly to managers - a more complex task. The criteria of analysis, however, should not be based primarily on the complexity of communicating the results, but rather, on the accuracy and pertinance of the change observed.

One way to determaine the comparative accuracy of the two methods of analysis is to re-examine the product of the IBR analysis - factors - with the product of the Aston analysis - by items.

In the IBR Technical Report,[73] it was stated that a scaling analysis of the 1972 and 1976 data was performed, employing the correlations of the items to the total for the factor, and found:

> . . . all of the correlations were
> statistically significant (P $<$.01),

only two correlations were less
than .30 and the vast majority
were greater than .40.

A visual check of the factors utilized
in the coefficient Alpha for 1972 and 1976 would tend
to support the IBR observations that the factors were
stable. However - as was found in the Alpha test
(Page 422) - the internal consistency of the factors
was not acceptable.

Factor 2 was chosen for item-by item
examination to determine what effect items within a
factor had on each other. It was identified in 1972
as Organization Change, and, in 1976, as Change and
Company Identification. It was the first of the two
factors, which, while still positive, showed a decline
between 1972 and 1976 which was shown statistically to
be unlikely to have occurred by chance.

This factor was made up of 18 items.
It was also one of the two factors which had an
acceptable coefficient Alpha of 0.78447 in 1972, and
0.81424 in 1976 (Page 422). Nine of the 18 items
differentiated at the .01 or above level of
significance in the Aston Phase II analysis.

A further examination showed that five
of the questions relate to Air Canada's image (26, 50,
67, 84 and 101). In view of the attack on the airline,
it is not surprising that all five have a negative

mean change, and participants showed deterioration of their perceptions of the 1976 climate.

The remaining four questions all relate to changes in the organization (34, 51, 68 and 85). For an academic, or a practitioner interested in planned macrochange, they are of critical importance, referring as they do to: being able to keep up with change (34); that change was occurring in a smooth or orderly fashion (68); that change was not disrupting work (85); and - perhaps the most important item - that Air Canada was continually becoming a better company to work for (51); All four items demonstrated a positive change (that is, for the better) at the .01 level of confidence.

There was a mixture in this factor of two different types of items dealing with the airline's image - which was affected, in part, by the attack on Air Canada, and also by the recent changes at Air Canada. The latter were, essentially, the result of the planned macrochange programme. The result was that a misleading picture of the change in climate was provided. The conclusion here is that sophisticated, machine-based analysis using factors may be misleading.

A further point on the comparison of the IBR factors and the Aston Phase II analysis is the amount of significant information which was lost in the IBR analysis. In that analysis, by reducing the number

of items from 102 to 74 by principal component
analysis, seven of the 28 items deleted showed a mean
differentiation of .01 or higher. These were items 18,
29, 30, 34, 35, 47 and 94.

In the Aston Phase II analysis, a
comparison of the items that differentiated among the
1972 and 1976 participants showed that, for 74 items
which made up the IBR factors, 19 differentiated at
.01 or higher (that is, 25.7%). It is interesting
to note that among the 28 items which the IBR research
deleted, seven differentiated significantly from 1972
to 1976 at the .01 level of confidence or higher
(that is .25%). The percentage of items included in
the IBR factors which showed significant differences
from 1972 to 1976 was virtually identical to the
percentage of items excluded from the IBR factors
which showed significant differences from 1972 to 1976.

3. Climate Clusters as Compared to Items

Having examined some of the limitations
of factors, the following is a discussion of
information obtainable from clusters in relation to
items.

Of the nine items which differentiated
at the .01 level of confidence or above, eight fell
into two clusters - Company Image, and Recent Changes.

Noting that the four items which fell into each
cluster were consistently either positive or negative,
an examination was made to determine if the other
items which were part of other clusters were as
consistent. Of the four other clusters which had more
than one item which differed significantly in 1972 and
1976 all three had items within them which showed changes
in climate perception which were in both a positive
and negative direction.

An examination of cluster number 1 -
Clarity of Organization Structures - illustrates the
difficulty. The two items differed significantly from
1972 to 1976 at .01 or above. Item 18 - it is not
clear who has the authority to make a decision - had
a mean negative change between 1972 and 1976, showing
a perceived deterioration of -0.22 on the one to five
rating scale. Item 35 - jobs are clearly defined
and logically related - had a mean positive change,
showing a perceived improvement of 0.30. If these two
items were added together, the resultant average, circa
0.08, would not differentiate, even at the .10 level of
confidence.

Those who designed the questionnaire
obviously perceived these two questions as related.
From their point of view each item was measuring an
aspect of a cluster and, therefore, the cluster becomes
a better unit of analysis. [74]

Further, while item 35 - jobs are
clearly defined and logically related - tends to be
a factual and observable issue, item 18 - authority to
make decisions - is more obtuse, difficult to verify,
and can differ from technology to technology.

For instance, decision-making authority
in a decentralized, autonomous business unit such as
G.E. - with seven levels between the chief executive
officer and the blue-collar worker - is far clearer
than in a highly centralized, less autonomous Branch
in Air Canada, with 10 to 14 levels between the chief
executive officer and a blue - or white-collar worker.

Issues such as capital equipment and
decisions relevant to its utilization, in G. E., are
clearly the responsibility of a business unit. In a
airline, capital equipment and decisions relevant to
utilization are, in a single day affected by a number of
Branches.

If there are such substantive differences
between the meaning which respondents have to give to
items, the utility of combining such items to form
clusters for purposes of diagnosing and/or assessing
change seems, at least, questionable.

8.2.2.   Summary on the Analytical Methodology

The implications of the above are as follows.
The IBR analysis, based on clusters and factors utilizing

all 1,121 participants, was markedly different from
the Aston analysis which was based on individual
climate questions, and only those members common to
both 1972 and 1976 surveys. Those items which
differentiate in the Aston analysis are not consistent
with the IBR factors and clusters. The latter tended
to cancel each other. The items eliminated in the
principal component analysis - when compared to
those retained - differed significantly from 1972 to
1976 at the same percentage ratio.

The general conclusions are that the
results of a machine-based analysis, such as principal
component analysis, while easy to communicate, may
produce incomplete and/or distorted views of the
results. One is tempted to postulate that the value of
the climate survey in a planned macrochange programme
seems to be negatively related to the level of
statistical sophistication employed.

8.2.3.   Communicating the Results in a
          Quasi-Experimental Reserve Design

This section on methodological issues
examines the problems related to presenting social
science findings in such a way as to influence policy.
In the Aston Phase III analysis, it was
established that the quasi-experimental design revealed
that significant change did take place, thereby

providing insight useful to management, practitioners
and academics (Page 511). It has also been shown
earlier in this thesis, that some of the important
findings in the IBR Technical Report [75] were not
presented to Air Canada management.

On Page 410, reference was made to the
manner in which PMDP and WP&R were mentioned
simultaneously in the Report to Management,[76] giving
the incorrect impression that both strategies were
equally important. This was contrary to the Technical
Report,[77] which clearly differentiated between the
two - "PMDP had an effect on three questions, WP&R
affected 15" Page 421).

In a discussion with an Air Canada
organization development consultant involved in
preparing the Report to Management in November [78] of
1977, the author asked why the interventions were
grouped together in the presentation. The consultant
stated:

> We knew that WP&R was a more
> powerful intervention but we had
> two problems. First, WP&R had
> become a 'no no around here *

_____

*This was the consultant's view, as was shown
in the post-evaluation interviews; it was shared by
some, and strongly contested by others.

(Air Canada) while PMDP, which was
seen as training, was 'in'. We
felt if we wanted to continue to
emphasize WP&R we had to bootleg
it, so we put them (WP&R and PMDP)
together. Second, we had no way
of communicating the differences
in terms that would be meaningful
to management and we would have had
to make a very strong case to
overcome the emphasis on training
and a move back toward WP&R and
organization development types of
activity. In fact, at that point
in time, it was probably
impossible. As part of this
back up strategy, we decided to
take much of the material from the
WP&R workshops and include it in
the PMDP planning modules. When
there were requests for WP&R we
tried to provide family training.[79]

This statement is supported by the

following extract in the Air Canada Calendar of

Management Development Programme:

A.2   PLANNING COURSE   (3 DAYS)

Note: The Planning module has
been modified to include more WP&R
and work related individual tasks.

Target Group   -   Any Manager,
Analyst/Specialist or Supervisor
actively involved in the Air Canada
Work Planning and Review system of
management in either a project-
oriented format, or in a production
or on-going work flow format.

Content

1.   Developing inputs to Planning
2.   Understanding the Work Triangle
3.   Identifying, Stating and
     Prioritizing Possible
     Objectives
4.   Developing Major Action Steps

5. Completing the Work Plan Form
6. Developing Performance
   Standards
7. Conducting Review/Recycle
   Meetings

Summary - Teaches the complete
WP&R process using participant work
situations as a focus for
developing objectives and work
plans. 80

The consultant continued:

We had to look at the situation
pragmatically. We were not
interested in publishing. We all
knew in our guts that an
organization development approach
based on WP&R was stronger than
training, but we did not want to
and were not able to prove it
by emphasizing what had been done -
that's for historians. We wanted
to build on what had been accomplished
in terms of current problems. The
report to management on the 1976
survey was written and presented
to show that both WP&R and PMDP
were positively viewed by
participants and to emphasize the
problems and opportunities in the
company and in the individual
Branches. It was a good strategy.
WP&R is at least holding its own. 81

Whether the above strategy was the

wisest under the circumstances could be debated.

However, the consultant's views do highlight the major

problem, that, if a change agent expects to effect

formal or informal policy, he must be able to

communicate the results of the findings of his research

succinctly. In these terms, the IBR research methodology

did not address the problem of isolating the effects of the two strategies.

The Aston Phase III research provided more information (Pages 491 - 513), but it would have been difficult to communicate the results to management. There is just too much information. Managers - with their day-to-day pressures - would probably not have taken the time to sit through it.

In view of the above, the following type of summary was prepared to meet the criteria of reporting the results objectively, in terms which could be useful to practitioners, which they, in turn, could communicate to executive management for commitment to a strategy.

All the material on Pages 491 to 513 is pertinent, and would have to be fully understood by the practitioner making the presentation - including the consistency of results, and the level of statistical confidence. However, emphasis would have to be in three to four areas, encouraging questions to clarify during the presentation, followed by a brief discussion, and the opportunity for the managers to work in sub-groups with the resident consultant and/or researchers available as resource people.

This could lead to the documentation of the sub-groups' recommendations, meeting of a plenary session, reports back from the sub-groups, the chief

executive's summary (aided by a resident consultant),
and further discussion, resulting in the formation of
policy based on sub-group recommendation.

In summary, the presentation would
include an introduction, describing the recommendations
of the Air Canada managers who worked on the McKinsey
study, and the problems encountered immediately after
the study.

Next, the recommendations of managers
after the 1972 survey would be presented, with
reference to early 1971 and 1973 pilot projects in the
Branches.

This would be followed by the major
findings from the Aston Phase II analysis.

Reference could be made to Sykes' [82] and
Miller's [83] work (Page 505), and a new visual could be
prepared, which would give information about
experimental groups EVII, EV and EVI. Since the
information from EI (PMDP complete and WP&R) and EIII
(PMDP partial and WP&R) is contained in EVI (PMDP
complete and partial and WP&R) EI and EIII could be
eliminated, without any serious loss of information.

The same could be done for EII (PMDP
complete and no WP&R) and EIV (PMDP partial and no
WP&R) since the data is in EVII (PMDP complete and
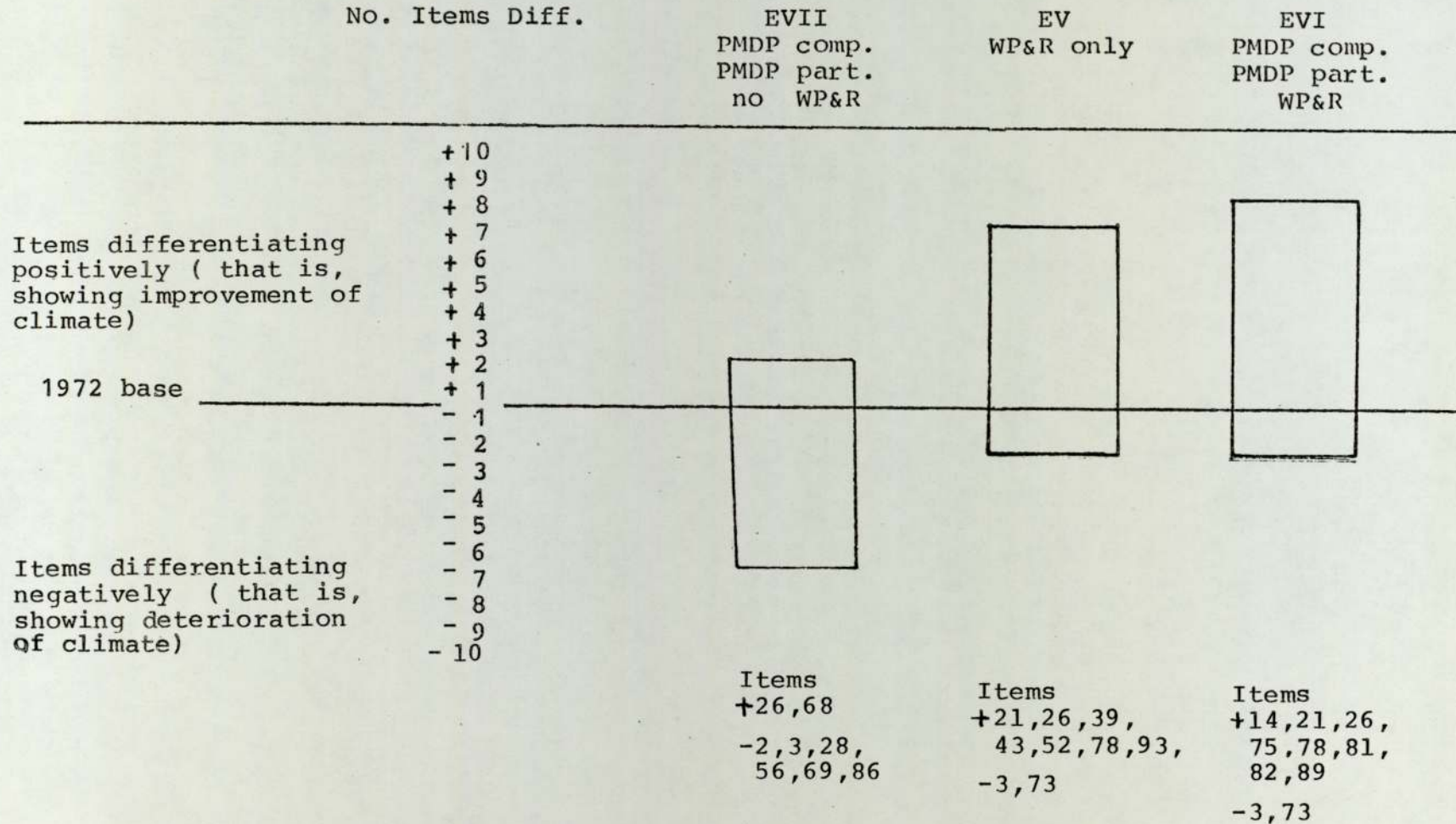partial and no WP&R). Again, no information would be
lost.

By adding EV (WP&R only) the potential
negative effect of EVII (PMDP complete and partial and
no WP&R) can be compared to EV (WP&R only) and EVI
(PMDP complete and partial and WP&R) (See Chart on Page
601).

The above-mentioned chart clearly shows
the limitation of training alone (EVII), and - even
though this training was generally highly regarded
(See quote from Taylor; Page 371) - it is characterized
by the predominant deterioration in perceptions between
1972 and 1976. Those exposed to the family workshops,
however, of EV (WP&R only) showed a predominant
positive change in perception, as did those exposed to
both strategies, EVI (PMDP complete and partial and
WP&R).

In hindsight, had this type of information
been available to a meeting of all Vice-Presidents, and
had Pratte remained as C.E.O., their recommendations
would probably have supported continued organization
development activities, with emphasis on WP&R as a
major strategy. However, this was not the case.

There was a new President and C.E.O., and
a new Vice-President of Personnel, both of whom had
different priorities to their predecessors. Clearly,
the major strategy - WP&R - was in serious jeopardy
despite having been recommended by Willis [84] (Page 100),
the managers who participated in the McKinsey study

CHANGED PERCEPTION BY ITEMS FROM THE CONTROL GROUP
OF M&P PEOPLE (n 233) IN 1972 vs. 1976 BY STRATEGY

No. Items Diff.	EVII PMDP comp. PMDP part. no WP&R	EV WP&R only	EVI PMDP comp. PMDP part. WP&R

Items differentiating
positively (that is,
showing improvement of
climate)

1972 base

Items differentiating
negatively (that is,
showing deterioration
of climate)

+10
+ 9
+ 8
+ 7
+ 6
+ 5
+ 4
+ 3
+ 2
+ 1
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

| Items
+26,68

-2,3,28,
56,69,86 | Items
+21,26,39,
43,52,78,93,

-3,73 | Items
+14,21,26,
75,78,81,
82,89

-3,73 |

Level of Confidence varied from P = .05 to .001

(Page 131), the line managers who had been involved in the early Pilot projects (Page 360), and by the June of 1973 meeting of the committee of management (Page 359). The dynamics of this critical stage have been reviewed in the section covering the post evaluation interviews.

The following is a summary on communicating the results of a quasi-experimental research design. It has been shown that the analysis based on factors and components, while easy to communicate, was misleading. Conversely, the analysis based on items was more accurate but difficult to communicate. It has also been shown that by using a quasi-experimental approach it was possible to differentiate between the effectiveness of the two major strategies. It was also possible, using bar charts, to show visually the relative effectiveness of the strategies in terms management could understand. This information could have been used as the basis of discussion and action planning resulting in a 1976 decision to continue the emphasis on WP&R rather than concentrating on PMDP.

Part I - Conclusions - What Evidence was There That Any Change Did Take Place?

Sections 8.1 and 8.2 started by asking what evidence was there that change had occurred and what evidence was there that it was due to the change programmes?

All the evidence shows that change did
take place and it is possible to discern links between
change and particular strategies but the author is not
able to put precise weights on the importance of
phenomena and not usually able to trace a cause and
effect relationship in detail. Nevertheless, the
survey evidence and the information from the post
evaluation interviews seem to consistently substantiate
the influence of the change programme, in addition, some
examples were given of how the strategies influenced
events. Another indication of the continuing influence
is the fact that six of the seven main strategies
are continuing to this day.

Finally, it can be concluded that the
"null hypothesis" that change is not possible in a
semi-public organization is not supported.

The next part of this chapter indicates
that there are particular difficulties in introducing
change to a semi-public organization such as Air Canada.

Part II - The Difficulty of Introducing
Change into a Semi-Public
Organization

8.3   Difficulties Related to the Semi-Public
Status

In this section, some of the differences
in managing a semi-public, as compared to a public

and/or private organization, will be examined.

The discussion will include some of the advantages and disadvantages of being established by legislation, some potential union strategies, the manipulation of and by the press, and "the crash landing" of a recent political appointee to Air Canada, who attempted to influence long-term policies. Finally, the power of the press to bring about certain aspects of problems which they claim exist in the organization will be examined.

Semi-public organizations are ensconsed by legislation. Corporations like Air Canada were established in this role, because usually at the time they were founded, the services offered were not sufficiently commercial to attract private investment. Subsequently, there is more financial security than one is likely to find in the private sector. For years, Air Canada was financed at favourable interest rates.

After the Pratte/Baldwin era, Air Canada was expected to promote its own financing. This is done largely in an innovative* and expeditous manner

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*The planes are selected by Air Canada Executives, a financier outside the airline purchases them and the organization rents them over a long period of time.

However, should it run into a disasterous series of years - unlike other Canadian or American privately-owned airlines - the Government would be prepared to support Air Canada's financial needs. Therefore, a semi-public organization can offer more employment stability.

Being the dominant airline in Canada, it tends, as one Vice-president noted:

> . . . to be the only game in town. There is nowhere else for the expertise to go. Consequently, the turnover is low. 85

The employees normally take pride in providing an essential service. This clarity of purpose is frequently more difficult to identify in the public sector, and not all products produced in the private sector instill in the employees a sense of pride and purpose. Conversely, the lack of emphasis on the competitive aspects of producing the service can - but do not necessarily - lead to complacency and the acceptance of inefficient methods.

Union executives are political people, elected for a period of time to secure benefits and protect their members. In the semi-public organization, they have more leverage than in the private sector - and, very probably more than in the public sector -

primarily, because, in the private sector, management
cannot be influenced or intimidated to the same extent.
In the public sector, it is frequently difficult to
identify where the responsibility lies.

Consequently, in the semi-public sector,
it can be more profitable for unions to bypass
management and go directly to the politicians, feeding
the press along the way with tidbits of information.

A more sophisticated approach is to align
oneself with the Opposition, although this can be
particularly dangerous to the elected union leaders
if the union members become aware of the alliance, and
feel it as not being in their best interest.

An example of such a strategy was CALEA's
involvement in parliamentary hearings. They sat
behind the Opposition, feeding them questions meant to
be embarrassing to Air Canada's management.

Conversely, in another situation, when
McGregor, in a parliamentary hearing, ran into the
problem of the Caravelle, and was accused of being
anti-French, the I.A.M.A.W. made a public declaration,
supporting his stewardship.

A former Director of Labour Relations
maintained that, when Pratte and Air Canada were
under attack, he could get all four of the large
Air Canada unions to declare that they
supported his stewardship.[86]

A Vice-President who had worked in the
private sector, reflecting on the change in the
semi-public sector, stated:

> The ruts are deeper. People
> cannot be changed as quickly.
> There isn't the sense of
> urgency, that, for instance,
> a merger brings about. A
> management-by-results
> programme (in the semi-public
> sector) is a very powerful
> tool to induce change. You
> can get the people to
> understand the issues and
> their part in resolving the
> problems. It turns them on. 87

In the semi-public sector, there is
greater freedom to manipulate the press. The late
Clyde Baxter, one of the deans of the Canadian press, wrote
for a respected - albeit conservative - weekly
newspaper, the Financial Post. He was a close personal
friend of Dor MacLeod, who eventually became Air Canada's
Vice-President of Public Relations. During the attack
on Air Canada MacLeod, who worked for Taylor, could
directly influence what Baxter wrote - although he could
not influence editorial policy.

When the attack was in full force, and the
possibility of Pratte's resignation was contemplated,
Baxter stated that Taylor was the logical successor
to Pratte.[88] This led one Personnel Director to
remark:

> It's incredible - the man
> nominated himself. 89

In the private sector, this could not
happen, because the choice would in most cases be
made on the basis of the candidate's performance
record. It is especially interesting, when it is
recalled that Taylor's public relations portfolio was
in poor shape (Page 389).

In the Federal Government, the corporate
offices of the Departments are located in Ottawa, and,
if relations like the MacLeod-Baxter one do exist,
they would be recognized and accepted. However,
recommendations through a reporter, relevant to
nominating someone within a Ministry would be regarded
with scepticism, and would probably have little impact
on the final choice.

This leads to one of the demoralizing
aspects of working in a Crown Corporation. The fact is
that the Government can, and does 'parachute in'
Presidents, C.E.O.'s and members of the Board of
Directors who do not know the industry. Further,
there is a suspicion that their positions are a reward
for faithful party service.

The most recent example of this -
which serves to illustrate some of the problems of
introducing or sustaining change in semi-public
institutions is as follows.

Bryce Mackasey was recently appointed as
Chairman of the Board of Air Canada. Mackasey, a former

Cabinet Minister, and defeated Liberal candidate, was
an unpopular choice, and literally thrust into the
position, without any prior approval by the airline
executives.

Mackasey and Taylor clashed, leading
Kendal Windeyer - air transport critic to the
Montreal Gazette[90] - to write a column, in which he
referred to "guerilla warfare" in the Air Canada
executive suite. He described Taylor as "low key,
a facet which sometimes hides the fact that he is
also devastatingly competent, and awesome in conflict".
Mackasey was described as "ebullient, gregarious and
sometimes tends to shoot from the hip". He became
involved in two contentious policy issues.

First, Mackasey wanted to submit
aircraft selection decisions to the Federal Cabinet
for final approval, on the basis of how much business
the contracts would bring to Canadian industry. This
is a long-standing issue in the airline and was resisted
on the basis that it would involve political influence
in a commercial matter.

The second issue involved the pace at
which Mackasey - who speaks French and English
fluently - felt that Air Canada was becoming bilingual.
He felt it was unacceptably low. Windeyer described
Taylor as:

. . .steadfastly unilingual -

who is not known for promoting the
Federal Government's policy on
bilingualism. 91

Four tactics were used to resist Mackasey.
The first was to strip the Chairman's position "of every
vestige of real executive power" before he arrived.[92]
"In fact" - said the Director who leaked the story -
"the only responsibility he will have when we are
finished, is hiring and firing his own secretary".[93]

Second, his expense account was refused
on a technicality, and the news was quickly leaked to
a Toronto newspaper.

Third, alleged misuse of his pass quota
also leaked to the press; however, Mackasey was able
to defend himself, and explain that he had
meticulously followed Air Canada policy.

Finally he was almost completely ignored
by senior executives and managers - partly
because of their loyalty to Taylor, and partly for
fear of reprisal or being ostracized themselves.

In the post-evaluation interviews,
a number of spontaneous comments were made to the
effect that, while no one approved of Mackasey's
appointment, the way he was treated was considered
disgraceful:

> I felt sorry for him; you saw him
> sitting in the cafeteria alone -
> no one would go up and talk to
> him. I wanted to, but I knew it

would be frowned on, so I didn't.

I knew him when he was Minister of
Labour, and he called me up to his
office for a meeting. He wanted
information. I couldn't refuse to
go. It was awkward for me. I was
one of the few people who he had
access to, and everyone was
avoiding him like the plague. 94

The most devastating strategy is one
which Air Canada has honed to a fine edge - the leak
to the press. Windeyer - referring to the
allegations made against Mackasey - stated:

True or untrue, each one of them
found its way into print
somewhere. 95

A few months after his appointment,
the Conservatives won a national election, and Taylor -
whose stewardship had been approved and supported by
that party - won the final round. Mackasey was
fired. One final comment he made was:

The politics in this company
make the Cabinet look like a
kindergarten. 96

One should be cautious before
criticizing the executives in a semi-public organization
for behaving in such a manner. The parachuting in of
an executive - unfamiliar to the mores and the
technology - can be devastating. For example, those
interviewed in the post evaluation interviews considered
that Baldwin was not an effective President. On the
other hand, they agreed that Pratte became a very

competent C.E.O. but only after taking years to learn the business, and making at least one serious mistake in the process. In a few months, Mackasey tried to influence fleet selection - a prerogative Air Canada had felt the need to protect since its foundation in 1937.

Warwick[97] in his documentation of the failure of the macrochange programme in the United States State Department - places the blame directly on a change of Chief Executive. He quotes Argyris' letter to Dean Rusk, in which he wrote:

> The program that Bill Crockett began (Acoral), with careful nurturing, could become the finest example of genuine change in a large Governmental organization, initiated, guided and successfully executed by members within the system.

Warwick[98] comments further, that, when Crockett left, and was replaced by Rimestad, that he (Warwick) made two observations about why the programme failed.

First, as a traditional bureaucrat, Rimestad was convinced that a good manager does not need surveys to know what is going on in his own shop.

Second, he undoubtedly regarded the Michigan study as part of the larger Crockett legacy he planned to scuttle.

If programmes can be cut off so effectively when a replacement comes from within the organization

the trepidation a change agent and management feels
is probably justified when an executive with power
is brought from outside into a semi-public
organization.

Air Canada management, to protect its
values generally resists such intrusions, and has
demonstrated a strong capability in handling these
situations.

It is perhaps unfortunate, but realistic
to recognize that the C.E.O. - to effectively lead
the organization - must be able to muster top team
loyalty, have general support from the rank and file,
ideally be the choice of the party in power, be
accepted as an ally by the Opposition, be able to
manipulate the press, and run an airline which makes a
profit and provides an acceptable service.

Such business-oriented, Machiavellian
executives who know the airline technology, are rare,
and the party in power would have to think twice before
removing one - irrespective of his involvement in
policies which they would not consider completely
supportive.

The next portion of this section is a
review of the alleged power of the press to influence
opinion - in this case, opinion within the
organization.

It has been shown that, in the later years of

Pratte's stewardship, his management of the airline, by any standard, was excellent. Further, the type of management, which the Air Canada task forces, working with the McKinsey consultants recommended, had been or was being instituted.

While these planned change activities were ongoing, the Opposition and the news media were alleging mismanagement, misconduct, and poor morale supported through the leaks of confidential information (Page 154). The mismanagement and the misconduct charges were clearly refuted by the Estey Commission[99]. The alleged poor morale had a more factual basis. The point at issue is the extent to which discontent can be widespread enough to cause confidential information to be leaked.

What is noteworthy is that, as part of the post evaluation interviews, the person responsible for leaking the information (Mr.X) was identified through a third party - another former Air Canada manager. The identity was not unexpected, as he was rumoured to have been responsible.

The conversation with the former Air Canada manager was as follows:

> I see Mr. X from time to time
> He has told me that he was
> responsible for the leaks,
> He told me that Pratte would not
> tell him where he stood, so when
> he was approached to provide

> confidential information, he
> agreed. He reasoned that, if
> there was a change at the top
> management, he would be more
> likely to survive. He did it
> to protect himself and his
> family. It did not have the
> long-term effect he wanted,
> because later, he was. . . .[100]

There were an estimated 350 articles on
Air Canada published in the English press during the
period of the attack. Approximately 80 percent were
critical.

They were based - as previously stated
(Page 366) - on a well-orchestrated attack. The
attack was unjust, but it clearly did succeed in
lowering Air Canada managers' perception of the
organization; however, as far as the change programme
was concerned, it did not succeed. Air Canada was seen
as a better place to work, and as moving in the right
direction.

Nevertheless, the media was partially
successful in lowering morale. In effect, they created
part of the atmosphere which they claimed existed.

It is, of course, interesting to speculate
to what extent the media were manipulated. Did they
know that the 10 pounds of information they received
(Page 154) in a plain brown wrapper was the product of
the 'poor morale' of one senior person whose performance
was considered marginal by the C.E.O.?

It is the author's view that these largely false impressions given by the media would be far less likely to occur in either the public or private sectors.

To conclude this section, a chart was prepared to indicate some of the differences of managing in the private, semi-public and public (Federal) sectors of Canada.

<u>Some Factors Which Could Effect</u>   CHART 8.5
<u>Planned Change in the Private</u>,
<u>Semi-Public and Public Sectors</u>

Category	Private	Semi-Public	Public
1.Product Identity	Often	Often	Less often
2.Financing	Completely Self-reliant	Self-reliant with Government assurances	Government guaranteed
3.Employment Security	Related to organization effectiveness, cut-backs common	Related to organization effectiveness, cut-backs uncommon	Not related to organization effectiveness, cut-backs extremely uncommon
4.Union Leverage	Low	Highest	High
5.Visibility of Executive Management	High,but not an effective target	High,a vulnerable target	Low, a less vulnerable target
6.By-passing the C.E.O. by Executive Management	Limited effect	Can be effective	Limited effect
7.Bureaucratic Practices	Least deeply ingrained	Less deeply ingrained	Deeply ingrained
8.Media Impact	Limited	Highly susceptible	Less susceptible

These eight categories illustrate some
of the difficulties of introducing change in the three
sectors. The author's conclusion is that change is
more readily accomplished in the private than in the
semi-public or public sectors. In general, semi-public
C.E.O.'s are more vulnerable than those in the private
sector for the following reasons.

While they are,in part,measured on
commercial criteria, they are handicapped by social
expectations (for example, flying uneconomical routes
in Air Canada). They are accountable to the nation,
members of the Cabinet, the Opposition, the media, etc.
- not to a group of shareholders who usually deal
with performance problems discreetly.

There is a tendency in semi-public
organizations to bring in people who are political
appointees. They are usually not experienced managers
with knowledge of the technology. Even when the
Government wants to appoint experienced, professional
managers, the candidates are frequently reluctant to
expose themselves to the hazards of working in a fish-
bowl atmosphere. They tend to be wary of the possibility
of being judged on complex issues (by the media and
politicians) who have only a superficial appreciation of
the situation. In addition, they are usually aware that
they may be victimized by false information which
may be embarrasing and even damaging.

8.4   The Time Consuming Nature of Change
in Large Organizations

One of the principle questions this thesis
attempts to address is whether it is possible to implement
and maintain macrochange in a large semi-public
organization like Air Canada (Page 4). Consequently,
it was felt that a note on some of the difficulties
pertaining to the effects of size should be included.

Most of society's large organizations
evolved at a time when the body of organization
knowledge was limited. As organizations grew in size
change was usually introduced to one part of the
organization in a pragmatic manner with limited attention
to possible consequences in other areas. People tried
to adjust but as Petronius Arbiter (Page 382) noted, it
was at the expense of creating "confusion, inefficiency
and demoralization".[101] Chandler[102] (Page 51) in his
work observed that it is usually after a period of growth
which makes the organization difficult to manage that
the senior executive considers changing his daily routine
and his position of power. The General Electric
macrochange programme was the result of growth reaching
a point where the organizations's resources could no
longer be managed effectively by one strong C.E.O.
Delegation became essential.

Students of organization behaviour and
theory generally have observed the tendency for larger

size to be accompanied by complexity in the total
system of roles and relations and to be accompanied
by a bureaucratic form of management. This is
consistent with Child's findings that size together
with technology, location and environmental variables
predict complexity. Size, however, remains a major
predictor of decentralization.[103]

One of the main objectives of Cordiner's
programme was to decentralize by creating a large
number of autonomous units. However, the time to
plan the change programme - seven years - as well
as the time to implement it - 10 years - indicates
the enormity of the task in large, complex organizations.

Forrester,[104] in his work, states that
complex systems are counter-intuitive and that experience
with simple systems could hardly be better designed to
mislead the unwary when they move from one to the other
(Page 18).

Pratte was appointed as Air Canada's C.E.O.
when it had been in operation for 30 years. It was
generally accepted that change was required (Page 143),
but as John McGill,[105] Senior Vice-President, noted, the
turnover was low and the work habits, procedures, etc.,
although sometimes dysfunctional, were firmly established.
"The ruts are deeper" (Page 607). He might well have
added that, when an organization is experiencing
sufficient dysfunction, mangers tend to look for change

that is likely to maintain the current management
style through a myriad of complex bureaucratic
systems, both formal and informal. The logic behind
the original establishment of such systems has
frequently been forgotten. What is remembered
frequently with pride - is that "it is the way we
do things around here". Rigidity is likely to be
emphasized if, as ·in the Air Canada situation, there
has been a long period of the same leadership.

To unfreeze patterns of management of
this type, even if the organization is sympathetic to
the notion of change, is a formidable challenge. In
this thesis it has been maintained that the change agent,
without access to the organization mores, is in an
almost untenable position. When the mores are understood
he may be able, with sufficient time and sensitivity
to the human as well as the operational factors, to
help develop strategies which can permeate the
complexities found in large organizations.

It seems that what has to be recognized
by change agents is that it takes time and that, once
started, there is a responsibility to stay with the
programme until it is completed. You can't "open the
patient up" and then decide, for personal or financial
reasons, you are needed elsewhere. One of the principal
reasons for failure in the State Department's programme
was that, after approximately two years, the change
agent and the executive who introduced the programme
left.[106]

In the author's view, it is the
responsibility of both the C.E.O. and the change
agent to stay with the programme until they are
convinced that it has either failed or has reached a
critical mass stage. In large semi-public
organizations this could involve a commitment of five
to 10 years for the C.E.O. and four to five years for
the change agent.

8.5   The Effects of Biculturalism

One of the unique aspects addressed in
this thesis - admittedly, not in an exhaustive, or
even extensive way, but rather, as an important, but
peripheral issue - is the effect, if any, of
biculturalism in introducing planned macrochange to a
semi-public organization. The effects of biculturalism
on macrochange are difficult to determine, and to
relate with any acceptable degree of certainly.

The question of the relationship of the
two founding cultures in Canada - French and English
 - is an historical issue, which has a multitude of
variables based partly on fact, partly on myth, and
not clearly understood. There is little question,
however, that the average Canadian - whether French,
English, or other - feels strongly about issues
related to biculturalism.

If discrimination against English or

French Canadians exists in a Canadian semi-public
organization, particularly at the executive level,
it is almost never overt.

Further, as one of the purposes of the
thesis is to examine the null hypothesis that
macrochange cannot be introduced in a semi-public
organization like Air Canada, if bicultural issues
are an important dimension, cause and effect would
have to be established. That is, such problems
would have to create a sufficient impact to directly
affect the change programme in either a positive or
a negative direction.

It could be suggested that the events
affecting French-Candians within the airline had
sufficient impact to be considered one of a large
number of perceived injustices that heightened the
feeling among some French-Canadians that the only
solution to the bicultural problem would be to
separate from Canada. It does not, however,
necessarily follow that the events had a direct,
negative impact on the introduction of a planned
macrochange programme (Page 5). Nor can it be
substantiated that a bicultural organization presents
special problems in relation to the introduction of
such programmes (Page 9).

Pratte was chosen to be Chairman and

C.E.O. of one of the largest Canadian organizations, partly because he was a well-respected French-Canadian.

In Canada, in 1968, the so-called "French Power " was a major innovation. The bilingual and bicultural programmes started by the late Prime Minister Lester Pearson were in force and, generally accepted. While there is no question the acceptance was by no means universal, a positive attitude appeared to exist. As one of the participants in the post-evaluation interviews stated:

> When Pratte was chosen Chairman,
> French-Canadian bashing was not
> an accepted Canadian pastime. [107]

However, by 1974, a backlash against such programmes occurred in Canada, and attacking a French-Canadian became more politically acceptable and, the English media accentuated it as a contentious and, consequently, newsworthy issue.

Principals in the attack on Air Canada - like Douglas Fisher - were accused of being anti-French, and he subsequently defended himself in his column. Jean Marchand - who was the Transport Minister when the attack on Air Canada was at its height - was interviewed on television by Fisher in February of 1978, Marchand accused Fisher of being anti-French. As might be expected, Fisher denied the allegation. [108]

Claude Ryan,[*] editor of <u>Le Devoir</u>,[109]
wrote: "Une Compagne Que Sent le Racisme",[**] in
which he stated that the attack seemed to be personal.
The C.E.O., as an individual, stood in a class far
above his detractors in the airline. In an underhanded
way, they provided information, and misinformation,
to those outside the airline, who - complacently and
willingly - took up the anti-Pratte cause.

Clyve Baxter, writing in the <u>Financial</u>
<u>Post</u>, skillfully brought forward the question of a bias
by Pratte for French-Canadians:

> Put it another way, and this
> uncomfortable question arises:
> is it one more unfair advance of the
> French-Canadian executives in the
> airline over the others? [110]

Douglas Fullerton - who wrote a full-page
account in the <u>Montreal Gazette</u> (Page574) [111] at the
time of Pratte's resignation - in his conclusion,

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[*] Ryan later became leader of the Quebec Liberal
Party, and, with Trudeau's support, successfully led
the pro-Federalist forces to victory in the May 20,
1980 referendum

[**] A campaign which smacks of racism.

showed a picture of Elmer MacKay, with the sub-caption,
'personal attack'. He also accused certain Members of
Parliament of:

> Presenting a grotesquely unfair
> picture of Air Canada and
> Pratte's management of the
> company, which will do serious
> long-term damage to both the
> airline and to French-English
> relations in this country.

Roger Charron - a Quebec Nationalist
(pro-separation) - a consultant with a political
science background, who has worked for both the
Federal and Quebec Provincial Governments, on reading
parts of the thesis, stated:

> The attack on Pratte helped the
> Nationalist cause. People like
> MacKay, Fisher, and those who
> helped them internally are one
> day going to be recognized as the
> fathers of separation. They
> helped enormously. Remember that
> it was the Provincial election 11
> months later that the
> Parti-Québecois * won. I am not
> saying that it was caused by the
> attack on Pratte, Menard and
> yourself, but if definitely
> helped. 112

Charron asked the author if the McGregor
Memoirs [113] answered the 1973 <u>Paris Match</u> [114]
(Page 110) allegation of why he had no French-Canadian
Directors reporting to him. As Charron expected, the

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*Quebec Nationalist (separatist) Party.

Memoirs did not.

He also observed that, when McGregor was
C.E.O., he had no French-Canadians reporting directly
to him. When Pratte was C.E.O., approximately
one-half of the eight reporting to him were French-
Canadians, but Taylor has none. This is slightly
incorrect, as, at the time of the post-evaluation
interviews, there was one person who could be classed
as a French-Canadian reporting to Taylor. To Charron,
it clearly demonstrated that French-Canadians are not
given equal opportunities in the executive suites of
Crown Corporations.

The possibility of racism is a sensitive
topic among Air Canada management. Most of the managers
did not feel comfortable discussing it, and almost all
of those who did emphasized that they did not want to
be quoted.

Comments ranged from:

You're not going to get into that![115]

to:

Yes, I know there were a lot of
comments at the time, particularly
in the French press, but I don't
think that any anti-French
feelings affected the change
programme.[116]

Fleetham[*] - as the former Director of
Personnel in the Maintenance Branch - was more
direct in his comments:

> There is no question that the
> 'Buffalo Court'[**] was anti-French.
> They still resented having the
> base transferred from Winnipeg
> . . . it was an emotional thing.
> When Pratte resigned, there was a
> national problem concerning the
> use of French in the communication
> of the plane to the tower (pilot
> to air traffic controller). The
> announcement of his resignation
> came when my wife and I were
> returning from a trip. There were
> a number of dead-heading cockpit
> crew in the first class lounge.
> The bigotry of their remarks
> against Pratte were offensive.
> Bette (his wife) and I discussed
> the matter, and we despaired for
> our country. It just did not seem
> possible that we could keep the two
> cultures functioning with that sort
> of emotional undercurrent.[117]

Fleetham had been hired with the
understanding that he would be the leading candidate
for the author's replacement at the end of his contract.

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[*]Fleetham, while with the Government of Canada,
had been exposed to the Federal Government's
bilingual programme, and was sympathetic to the aims
of making Federal services, including Crown Corporations
bilingual.

[**]'Buffalo Court' - a term used to describe
people who come from Winnipeg, Manitoba, where the
provincial symbol is the bison. Many of the managers
of the maintenance base had been transferred from
Winnipeg.

Canadian General Electric had tried on two occasions to lure him back, but he was deeply committed to the change programme, and he stayed with Air Canada.

However, when Pratte resigned, and C.G.E. made another offer, he accepted. One of the reasons he gave was "the offer was too good to refuse", but he also stated:

> Pratte was my sort of man and I
> could have worked for him. . .
> the chemistry was right. . .
> I do not know Taylor well, but
> I don't think we would be on the
> same wave length.[118]

On reading the complete thesis, he commented:

> Pratte was crucified; not
> internally, but externally . . .
> much of it was racist, but I don't
> think it affected the change
> programme. The strategies were
> well-planned, were sound, and what
> the business needed. . . .People,
> in general, accepted them. It is
> debatable to what extent they were
> identified with Pratte, although
> it was known that he was one of
> the driving forces behind them.
> In the final analysis, they were
> probably accepted because they
> were timely and useful. [119]

Today, the issue is still alive; almost five years after Pratte's resignation, the French Press is still bringing the matter forward.

When Pratte was recently appointed to the Board of Directors of Domtar, the concluding paragraph

of the article in La Presse read:[120]

> M.Pratte quitta Air Canada au
> moment où une commission fédérale
> enquêtait sur certaines pratiques
> de la société de la Couronne. Le
> rapport d'enquête disculpa
> complètement M.Pratte et
> plusieurs ont suggéré que
> celui-ci avait été victime du
> ressentiment anglohpone contre le
> "french power".*

In summary, the above and other points made in the thesis on biculturalism could lead the reader to accept that the attack on Pratte's stewardship did have a racist base. While it undoubtedly helped fuel the cause of Nationalism (separatism) in Quebec, there is no evidence to support a hypothesis that it hindered the macrochange programme.

It can be postulated that there is a double standard for French-Canadians, who are generally recent arrivals to the executive suite of Canadian corporations. If they come from outside,

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*Mr.Pratte resigned from Air Canada when a Federal commission was investigating certain practices of the Crown Corporation. The report exonerated Mr.Pratte completely, and many suggested that he had been a victim of anglophone resentment to "french power".

they must - like English-Canadians - win
acceptance. However, if they come from outside, and
are appointed to a C.E.O. post - unlike the
English-Canadian - they must also win acceptance
from the English press.

Part III   Future Applications and Research

8.6   What Was Learned and the
           Implications for Practitioners

          Assuming the organization has chosen
well and has selected a consultant who has the
experience required for introducing macrochange, the
success of the joint endeavour will depend - to a
large extent - on, first, the access he has to the
organization's mores and mainstream activities, and,
second, having the resources required to diffuse the
strategies.

8.6.1.   Potential Resources for the Change Agent

          On reflection of what was learned, there
appear to be several categories of people who can be
extremely helpful to the change agent. In Air Canada,
they were as follows:

          1.   Tennant was an important ally, and,
through his auspices, access to understanding the

technology was possible upon entry into the airline.
Further, he was a long-service, well-respected senior
employee, who had considerable 'clout' within the
company. I was his choice for Director of the
Organization Planning and Development (OP&D) Division.
Consequently, my position was a favourable one, and
his influence and support throughout my tenure in
that position cannot be underestimated.

    Reporting to the Vice-President of
Personnel, rather than being the Vice-President of
Personnel had some advantages. There were many less
pressing issues demanding involvement, which provided
more time for the critical period of acclimatization
to the culture.

    2. Ellen and Whitelaw - two long-service
Air Canada people, who reported to me in the OP&D
position - were able to explain much of the history,
and many of the mores of the airline.

    Since we worked together, and they were
involved in all the planning meetings (for example -
Nassau, 1971), I could test ideas which they could
evaluate in the light of past experience in the
airline. Many mistakes and the unproductive use of
available human energy was probably avoided because
they knew the politics of the company so well.

    Clearly, the importance of developing
acute'listening skills' is a critical aspect when

contemplating change. As Forrester stated:

> Complex systems . . .are
> counter-intuitive; that is, not
> behaving as one might expect them
> to. . . .[121]

Without the assistance of long-service, knowledgeable people to assist, a change agent may be undertaking difficult - and, sometimes, impossible - tasks. That is not to say that he will always accept their advice, but decisions and action plans are more likely to be successful if their views of the problems and the possible consequences are given full consideration.

3.   There is also probably a need for people with expertise that does not exist in the company. In the Air Canada situation, there was a need for expertise in business planning. Valois - who, with Linder, helped design the network of Branch involvement in the objective-setting process and Jort as a senior organization development consultant who was part of the 'Troika', illustrate the type of resource people needed.

The latter tactic involving the 'Troika' was seen as 'self-destructing', once it had been accomplished. However, there is evidence from some of the post-evaluation interviews that the current C.E.O. could use this sort of expertise and support.

Should there be a return to this type of strategy, it will either have to be developed in the

organization, or it will be necessary to hire people who have such 'entrepreneurial' skills from the private sector.

4.   Verrier and Fleetham (Page 309) were recruited from outside the company, and, after a relatively short induction period in the P&OD Branch, were transferred to senior personnel positions in other large Branches.

They were accustomed to being responsible for their own departments, and were experienced managers, who - although committed to the strategies - would not have accepted positions as senior consultants in the OP&D Division. However, they were effective assets to the programme and carried out their activities with the same approach as the consultants assigned to Branches.

5.   Another category of person who is very helpful to a change programme is the individual with line management experience.

The policy of recruiting credible line people for a change programme was a common one in General Electric. It began in the 1950 reorganization, when Cordiner set up the Corporate Consulting Offices. He recruited the best operational people he could find in the field, and brought them to New York. From that base, they were available as consultants to the

business units within the company.

In the Federal Government, the Personnel Consulting Division often had more line managers on project teams than they had consultants. Experienced line managers brought into the Personnel function have definite advantages, although care must be taken in their selection and training. They must be seen as having been successful as line managers who have introduced change.

Most companies have, at some point or another, placed marginal people in the Personnel function. In fact, it was not uncommon some 20 years ago, to hear people joke: "Oh yes, we put all our misfits into the personnel jobs." To some extent, this stigma still remains. Therefore, while the competent line manager has immediate legitimacy, he can be seen as someone 'passing through' for career development purposes. If the client manager does not like the advice and counsel the consultant gives, he can decide to outwait the tenure of the consultant.

While line managers recruited usually have strong interpersonal skills, they generally require training in non-directive, consulting skills. Further, a "buddy system" can be particularly important in the early months of the new position which presents many new concepts to be digested and understood by the average line manager. Having an experienced personnel

specialist to discuss strategies and ideas with, can help the line manager - a novice in personnel - to avoid pitfalls and pratfalls.

Line managers bring a particularly useful set of skills to the personnel function. First, they tend to be team people, communicate well, and have developed problem-solving and integration skills. Second, they have hands on experience with the technology. Third, they are usually perceived as being practical people. Fourth, they usually have the capacity to project themselves into the client's position at all levels, and, frequently, can look at a problem with the C.E.O.'s viewpoint in mind.

The greatest single problem the author found in using line managers, has been their mobility. Humble has noted (Page 397) that it provides a good developmental experience.[122]

Linder is a good example from Air Canada. He spent one year in the P&OD Branch, and, after a number of assignments in other areas (Page 309), returned as the Vice-President of the Personnel Branch. Another example is Jim Tennant, who spent two years in the OP&D Branch, and, after a regional assignment in Economics and Planning, returned as a Director in the Personnel Branch.

In North America, the Personnel function is becoming the highest paid function in many

organizations, and this will, very probably, facilitate the transfer of capable line people for macrochange programmes in the future.

8.6.2.   The Pace of Change Versus
        the Press for Change

The pace of change is a vital consideration in the implementation of a macrochange programme. Senior executives frequently have a sense of urgency which can be dysfunctional.

In the Air Canada situation, both (Dave) Tennant and Pratte pressed to accelerate the various change programmes - particularly when I first joined the company.

In the Winnipeg finance situation - when difficult, prolonged union negotiations were going on - the Vice-President of Finance was convinced that job redesign projects would help promote employee involvement in their work. He was, of course, right - as General Manager Dale Atkinson clearly demonstrated, by successfully carrying out such projects approximately two years later. However, had the P&OD Branch not resisted the fairly continuous executive press for accelerated change, I believe that the macrochange programme at Air Canada - as well as the Winnipeg projects - would have failed.

The practitioner is wise to study

Greenwood's [123] account of Cordiner's G.E. programme,
in which seven years were taken to research, diagnose
and implement the programme.

Many of the critical issues do not surface
until the change agent has worked with the organization
for some time (Page 257). One of the advantages of
hiring a resident consultant with a contract is that
he does not feel the necessity to give in to pressure
for change.

An outside consultant, in most cases,
is measured by his bookings, and few would tell the
client, after two to three weeks, that the organization
is not ready to undertake a major project once the
contract has been signed.

Paradoxically, the most frequent criticism
from the post-evaluation interviews was related to
the pace of change:

> You tried to do too much too
> quickly . . . . . You. . . .
> can't introduce change that
> quickly and maintain a long-
> term career with the organization.
> People will resist, and you will
> sacrifice yourself. It's okay if
> you have a good contract and don't
> care about long-term employment,
> but I would defy anyone to push
> change that hard and maintain
> acceptance. It scares too many
> people. [124]

An in-depth diagnosis helps control the
pace of change as it tends to show executive management

the extent of employee expectations.

If it were not for the expectations created in applying a Mark III problem oriented confrontation diagnosis - and the resources required to fulfill the expectations - the ideal, from a consultant's point of view, would be to utilize that instrument for in-depth sounding of two to three areas of the organization, and a Mark IV climate survey for a broader diagnosis. The former could provide useful information for organization development consultants, and the immediate client's use, and the latter, for senior executives' workshops from which strategies could evolve.

The observation of McGill may be of interest to the practitioner who sees reaching a critical mass stage as the ultimate professional goal:

> It takes time; it takes
> patience; it takes insight and
> the long way around is frequently
> the shortest way there. [125]

8.6.3.   Loss of Innocence

This might be an overly dramatic phrase to explain something which was learned in Air Canada that I regard as important. For years, I had certain assumptions about the way people were likely to behave

in organizations. I was not unaware of political
infighting, jockeying for position, and all the other
various methods people may use in order to gain
support for their ideas and/or further their careers.
These impressions were based largely on the General
Electric style of what Greenwood referred to an
"man-to-man relations" - which was the paramount
style at Canadian General Electric.[126]

However, the level of political activity
in Air Canada was unprecedented in my experience. It
was interesting that people could sit across from one
another in executive meetings, and advise the C.E.O.
to take actions in a direction that they knew were
not in his, or Air Canada's best interest. As one
senior executive stated of a colleague:

> . . .you can't trust him; he'll
> screw you, and before you know he
> is doing it, it will be done. [127]

What this implies for the practitioner
is not easy to enunciate. It would be unfortunate if
consultants were to be overly cautious for fear of
someone undermining agreed upon strategies, - on the
other hand, it could be unfortunate, if they are not
fully aware that, when the stakes are perceived as
being high - or egos have been crushed - that
people are capable of behaving in devious ways.

There does not seem to be any one answer

of how to avoid the negative aspects of power in
semi-public corporations; however, it is prudent to
try and maintain ongoing relations with most of the
power groups.

Another noteworthy aspect of Air Canada
is that, unlike the Federal Government, the long-term
managers, who spend most of their careers in the
airline, seem to be unaware of the extent to which
they are politically oriented to not only the present,
but also the future seats of power.

8.7   Some Suggestions for Future Social
           Science Research on the Question of
           Organizational Change - Including the
           Type of Research Undertaken and Specific
           Issues that Might be Addressed.

While the research carried out in this
thesis may be of interest to both practitioners and
academics, it cannot, as a single case study, be used
as the basis for formulating theory related to planned
organizational change.

It was helpful for the author to have
experienced the G.E. change programme and to have
Greenwood's account for comparative purposes with the
Air Canada case study. Nonetheless, there was an
obvious lack of theory on which to base macrochange
programmes. The insight, the knowledge, and the data
available is too nebulous to establish theory on how

change takes place. Further, this thesis has only established that it was feasible to introduce a successful change programme in a semi-private organization with a particular contextural background operating in a particular environment during a specific period of time.

What social scientists studying organizations seem to require are more case studies which provide detailed documentation of the situations. As Pettigrew[128] observed, there is a need to understand how things become rather than how they are. This indicates a need to undertake more longitudinal studies into the process of organization change and development. In order to do this access to the decision-making processes is required. This was accomplished by individuals like Cordiner of G.E;, Sloan of General Motors, and Brown of Glacier Metal who documented their experiences with introducing change programmes.

Another approach could be for the insider, who is part of the executive decision-making process, to document the experience for research purposes. There are, however, serious risks and limitations to this approach. The author comes close to being in this category although he was on a long term five year contract and it was understood that he would leave to complete a doctoral programme when the contract terminated.

Consequently, he was not regarded as a long-term
employee although he has continuing life-long pension
rights. Nevertheless, in this situation there were
risks and limitations which are discussed below.

If one is hired as the principle change
agent to plan and implement a change programme, it
may fail. For instance, had the change programme
been introduced in November 1971 when the author first
joined the company, it seems fairly certain it would
have failed. Had the Mark III (confrontation instrument)
been used rather than the Mark IV (survey instrument),
success would probably have been jeopardized. Had the
organization development consultants not been able to
build the chain of information links throughout the
organization that emphazized individual coaching of
success objectives with their client managers,the
programme could have failed. In short, there are a
multitude of reasons for potential failure which make
the prospect for someone who wants to complete doctoral
research a possibly risky undertaking.

Another limitation in obtaining case
studies from internal people is the question of
objectivity. Can someone who is employed to carry out
a programme be objective in the sense of not relying
entirely on his own, perhaps biased or unrealistic,
perceptions? In the Air Canada case, this was one of
the reasons why emphasis was placed on the use of surveys.

Through their utilization, both the managers
and the change agent had data deriving from more than
their own perceptions from which to plan and to
implement action. One advantage of a continuing
relationship with the organization, particularly with
a longitudinal study, is the access to management at all
levels for post-evaluation interviews. Without this
access, 10 years after the re-organization and nine
years after the change programme began, an important
opportunity to learn more about the change, its degree
of permanance and its effectiveness would have been lost.
Therefore, while the arrangement of hiring an experienced
change agent able to fill a senior executive position
interested in a doctoral thesis worked well in this
situation, it is not likely to become a frequent
occurrence.

Due to the risks involved the best way to
obtain objective case studies may be through the outsider
collaborating with a former insider as in the case of
Warwick's[129] study, or with present and past insiders
as is the case of Greenwood's[130] study. In such cases
emphasis should be placed on respecting internal matters
of a sensitive nature, such as salary information.
Argyris[131] mentions that the researcher must create a
relationship of trust and openness with his research
clients to avoid the unintended consequences of rigorous

research.   Payne and Pugh state:

> The researcher needs to swap data
> explanations with his subject so
> that interpretations are more
> realistic. Idiosyncratic and time-
> consuming work of this kind makes
> comparative research on a large
> scale presently impossible. When
> thousands of such detailed cases
> exist, then we may again attempt
> comparative research.[132]

This thesis is an attempt to meet the
Payne and Pugh criteria which seems to present a
formula for overcoming the limitations enunciated by
Filley and House[133](Page 49). While case studies are
idiosyncratic and time-consuming the objective should
be to gather hundreds (in the author's view, thousands,
as suggested by Payne and Pugh, seems overly ambitious
at this point in time). From this quantity it should
be possible to generalize more effectively on the
process of change. In concluding the efficacy of case
studies, it seems that the more sensitive the researchers
are to the particular context in which the study is
located, the more they are likely to contribute to a
contingent framework from which meaningful comparisons
can be made.

8.7. 1.   Action Research in the Public Service

Can a macrochange programme be successfully
introduced in the Federal Public Services? To what
extent is it reasonable to expect change when power is

diffused to so many areas such as the Control Agencies, the Cabinet, the House of Commons, etc? Can a meaningful pilot project be conducted in a Ministry, when so much power sharing exists?

The Canadian Federal Public Service represents the largest management challenge in Canada. J.J.Macdonald,[134] retiring Auditor General, in his April, 1980 report to Parliament, described the 355,000 strong Federal Government as riddled with waste and mismanagement. A survey of work habits of 50,000 employees in 1979 showed them operating at 60 percent efficiency, compared to a 90 percent standard in the private sector.

It has been shown that an organization the size of General Electric (approximately 400,000 employees) and that a smaller but semi-public organization can introduce a change in management style which promotes employee satisfaction and organization efficiency. The next challenge may well be to move back the frontiers by introducing change successfully in the public sector; the efforts to date seem to have been crowned with failure.

The 1962 Glassco Commission[135] for the Canadian Public Service has been at best a limited, partial success. The Kates, Peat, Marwick, Mitchell Blueprint for Change [136] in the Post Office was only a partial success. Yet an independent study by Betts

and Jelking[137] of 37 studies conducted in 18 different
Ministries by the Personnel Consulting Division of the
Bureau of Management Consulting Services, showed that
60 percent of the recommendations were implemented
by the clients. It is obviously possible to move
pieces of this large bureaucracy but it has not as yet
been demonstrated that a large public bureaucracy can
be moved as a whole.

The impression given by referring to the
Chart on Page 616 which showed some of the factors
which could affect the introduction to change in the
public sector compared to the private and semi-private
sectors, is not encouraging. The financial security
and the lack of executive identity are major limitations.
If the environment is overly stable how can a sense of
urgency occur? How does a change programme function
if there is not a Cordiner or a Pratte to be seen as
its leader? When it is difficult for the employees to
identify the product or service and their contribution
to its realization, and if the system and work habits
are deeply ingrained, the difficulties of introducing
change is indeed a major challenge. Most managers in
the public service might consider it an impossible
undertaking.

However, in 1970 Air Canada was seen as an
organization where many of the popular change programmes
had been attempted but a system-wide programme was never

completed. Experienced change agents who were offered
the Organization and Planning Development portfolio
refused, considering a planned change programme in
the airline as an exercise in futility. Yet in this
thesis the pessimistic null hypothesis that macrochange
could not be introduced into a semi-public organization
has not been supported. It seems feasible that a group
of experienced change agents,with imagination,
flexibility, and sufficient time and support could
overcome the far greater challenge of introducing change
in the public sector. There is no question that the
societal need is great and the challenge enormous.

8.7.2.   Some Specific Issues Within the
          Field of Planned Change Where Future
          Research Could be Directed.

          The material in this thesis has raised a
number of specific questions in the author's mind where
future research would be useful in adding to the present
body of knowledge. These areas will be referred to
briefly under the following headings; are certain
strategies more "culture fair"?, the effect of management
cutbacks during a change programme, the consultant's
change of role, pace and tenure in macrochange, and the
evaluation of macrochange.

1. Are Certain Strategies More "Culture Fair"?
          It was noted (Page 421) that the application

of the PMDP strategy had a strong relationship to education, whereas education did not affect the application of the WP&R strategy. It was stated in the IBR Technical Report [138] but not previously mentioned in this thesis-that the life space questions (Page 410) in the 1976 survey showed a statistically significant correlation at the .01 level of confidence between those who perceived their lives as successful and those who had the ability to apply WP&R.

Further, in a planned change programme new approaches to work are introduced. A popular but unsubstantiated view is that older managers have the greatest difficulty in adjusting to new work methods. Again the IBR Technical Report [139] provides information that the opposite is true. It was found that self perceived success in life is related positively to chronological age.* These preliminary findings that self perceived success in life relates to being able to apply WP&R and, that neither education or age is a barrier to doing so, are interesting and could bear further investigation. It may be that certain strategies are more"culture fair" and, therefore, more suitable for planned change in areas such as the public sector where discrimination can be alleged.

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*The report also pointed out that this could have been affected by the positive relationship of level with tenure in management.

2. The Effect of Management Cut-Backs During a
          Change Programme.

It has been noted several times (Page 142,
552 and 557) that the removal of what finally amounted
to 100 people was the main cause of resistance to
Pratte's stewardship. Most - but not all - of the
managers who discussed this issue in the post-evaluation
interviews felt that it had not been necessary to
remove the 100 employees. However, most - but not all
  - agreed that it had been necessary to remove the
senior executives; otherwise change would not have taken
place.

Such views, while strongly felt, are
obviously stated after the fact, when the programme
is considered to be a success. Although cutbacks of
managers during a change programme are outside the
author's experience, it could be that, had the difficult
decision to remove the surplus managers not been taken,
the change programme might have failed. There is really
no definitive information available to change agents at
this point in time. All that can be concluded from this
thesis is that 100 people were removed and the programme
succeeded.

It is of interest that, in 1978, 360
managers accepted early retirement and there was not a
ripple throughout the airline and barely a mention in
the press. On the other hand, in the United States

State Department, 113 people were removed and the programme failed.[140] In the Canadian Post Office, managers were not removed and the change programme failed. In General Electric, during the macrochange programme, there were no wholesale lay-offs or resignations; in fact, there was a need for more managers immediately after the reorganization and the change programme succeeded.

A strategy utilized by certain consultants is to take out one level of management and it is not uncommon to hear they have earned the reputation of paying for a study by this maneuver. It is, of course, not possible to judge how successful this approach is in achieving the desired results.

The question of reducing staff when introducing change requires more rigorous examination. It may be more productive - in a semi-public and public organizations - not to lay-off managers who expect continuing employment security.

3. <u>The Consultant's Change of Role, Pace and Tenure During Macrochange.</u>

A number of helpful insights have been made by Harrison,[141] Dale [142] and others regarding the role and power of the consultant/change agent in planned change programmes. Harrison has examined the depth of organizational interventions, the

required level of change agent competence and the
likely client dependence. Dale, in his study of
third parties and their power described three roles,

- Expert, Advisor and Trainer. All three roles
can be used in either a process or content manner
thereby establishing six types of roles.

What has not been researched is the
collaborative role relationships during a macrochange
programme. It would be expected that, due to the
time involved - five to 10 years - there is likely
to be a cycle affecting the pace of change causing
the consultant's role to change, perhaps a number of
times during the period. Further, in view of a
predictable client dependence on the change agent,
there may be an ethical question relevant to once
having committed himself and the organization to change,
that, despite personal and economical reasons (unless
the client is in full agreement) the consultant should
not leave the organization, for five years, or until
the project is complete.

In a cursory examination of the three
public sector programmes mentioned - the Canadian
Public Service Glassco Commission,[143] the Canadian Post
Office Blueprint for Change[144] and the United States
State Department reforms[145] - all have failed/or were,
at very best, a partial success. It is of note that none
had a continuing change agent associated with the

programmes. On the other hand, both the General
Electric and the Air Canada programmes and long term
change agents and both reached a critical mass stage.

Research in the area of the consultant's
change of role, pace and tenure could be of critical
importance and would be particularly helpful if
macrochange programmes are to be undertaken and
accomplished more successfully.

4. The Evaluation of Macrochange

It has been noted in this thesis that
instruments such as the Mark III confrontation approach
used alone have limited value in yielding information
that is useful for a macrochange programme, and that
survey instruments such as the Mark IV survey
instrument provide a more general impression, on an
organization-wide basis, of the climate and the
perceived problems. It has also been shown that, in
the Air Canada situation, the use of factors and clusters
was misleading when evaluating change whereas the use
of individual items proved to be a better method of
analysis.

Climate instruments have the reputation
of providing soft or gross data. It could be that the
use of a sophisticated, psychometric method of analysis
produces these impressions. In this thesis it has been
demonstrated that the use of climate items, in

conjunction with post-evaluation interviews, may be
a method that can, to some extent, ameliorate, if
not entirely overcome, the difficulties of documenting
research that spans a number of years. There seems to
be no question that this area of research requires a
great deal of attention if a better understanding of
organizations undergoing change are to be gained.

Finally this thesis began with a null
hypothesis that planned change could not be successfully
introduced into a semi-public organization. It is
encouraging that the null hypothesis was rejected
(Page 603); however, this outcome should be
tempered by the caveat that there are still a multitude
of problems which require a wide variety of serious
research if useful answers are to be provided to clients,
practitioners, and academics. This seems to be
particularly important in an era which is characterized
by a rapid and unprecedented rate of change in almost
all areas of work in life.

NOTES

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