The Potential and Precariousness of Partnership: The Case of the Kaiser Permanente Labor Management Partnership

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In 1997, the Kaiser Foundation Health Care and Hospitals, the Permanente Medical Federation, and a coalition of unions signed a national agreement creating one of the most ambitious labor management partnerships in U.S. history, initially covering some 58,000 employees. Based on field research and archival data, this paper analyzes the first eight years of this partnership in light of three strategic challenges—initiating, governing, and sustaining partnership—and the organizational challenge of partnership in a highly decentralized organization.

Introduction

"Partnership" is a form of labor management relationship that affords workers and unions strong participation in a broad range of decisions from the top to the bottom of the organization. "Strong participation" means that workers and/or their representatives are active participants in decision making, as distinct from either being consulted or being informed after the fact. Partnership involves workers directly and via their union representatives in a broad range of decisions, specifically, strategic and

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workplace-level managerial decisions and not only decisions concerning terms and conditions of employment that are the normal province of collective bargaining. Partnership can thus be contrasted with most forms of "employee involvement," which allows participation only in workplace, operational issues, and usually only in consultative form; and it can be contrasted with "corporatist" structures where union leaders participate in top-level decision making but participation at lower levels is weak.

Labor management partnerships have a long and contentious history in industrial relations (Gershenfeld 1987; Harbison and Coleman 1951; Slichter 1941). Partnership activity has waxed and waned over the years, for example, growing throughout the 1980s and then declining in more recent years. Partnership is sometimes hailed as holding potential for mutual gains for the parties directly involved and for society (Deakin et al. 2002; Eaton, Rubinstein, and McKersie 2004; Geary and Roche 2006; Kochan and Osterman 1994; Preuss and Frost 2003; Stepp and Schneider 1997). It is sometimes criticized for either co-opting unions (Bacon and Blyton 2006; Parker and Slaughter 1988) or abdicating managerial responsibility.

The present paper is less normative and more analytic. We focus on three strategic challenges facing such partnerships: (1) initiation, (2) governance, and (3) sustainability. While prior research (reviewed below) offers important insight into these *strategic* challenges, it has typically treated the contending actors as homogeneous and monolithic; as a result, we know little about an equally difficult *organizational* challenge of initiating, governing, and sustaining a partnership in larger, more complex, decentralized organizations.

This paper explores these strategic and organizational challenges in the largest, most complex, and most comprehensive labor management partnership currently in existence—indeed, ever created—in North America. The case study covers the first eight years experience of Kaiser Permanente (KP)[1] and the Coalition of Kaiser Permanente Unions (CKPU). As of late 2006, the partnership covered 86,000 KP employees located in eight states and represented by over thirty different local unions and ten different national unions.[2]

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[1] As we explain later, Kaiser Permanente or KP is shorthand for another key partnership—that between the Kaiser Foundation Health Plans and Hospitals (HP/H), a nonprofit health service and insurance provider, and the eight Permanente Medical Groups (PMGs), representing the physicians who contract exclusively with Kaiser. For the sake of brevity we use KP throughout, except where the distinction among its components is relevant.

[2] One major union, the California Nurses Association (CNA) in Northern California, representing about 12,000 registered nurses, was not part of the partnership agreement, and had a separate collective bargaining agreement with KP. Several smaller and one sizable union initially did not initially join the partnership but signed on in recent years. The Hawaii region of KP also does not participate in the formal partnership.

Strategic and Organizational Challenges

Despite the wealth of case studies and related empirical analyses (Eaton and Rubinstein 2006; Eaton, Rubinstein, and McKersie 2004; Gershenfeld 1987; Hammer and Stern 1986; Heckscher and Schurman 1997; Preuss and Frost 2003; Stepp and Schneider 1997; Walton, Cutcher-Gershenfeld, and McKersie 1994), a robust theory of labor management partnerships has yet to be articulated. This literature does, however, offer important starting points for understanding the challenges referred to above.

Initiation. Prior research suggests four sets of factors that help explain how partnerships arise: environmental pressure, interdependence, legitimacy, and shared vision among top leaders.

The formation of partnerships resembles other organizational change process in important respects, and Lewin's (1947) change model—unfreezing, change, refreezing—has thus proven useful. Kochan and Dyer (1976) used a modified Lewinian model to argue that both parties must be dissatisfied with the status quo to take on the risks of such radical change. That is, both parties must be convinced that traditional collective bargaining is not sufficient for addressing their separate or joint objectives and that some alternative is needed. Some argue that crisis is a crucial motivating factor, as was the case with the formation of numerous production and safety and health committees during World War II (Dale 1949). Walton (1987) argues that moderate levels of pressure and stress are more likely to lead to joint initiatives than either the absence of pressure or extreme crises. His view is consistent with social-psychology findings that extreme crisis produces a threat-rigidity syndrome that reduces the probability of innovation (Staw, Sanderlands, and Dutton 1981). Thus while there is no agreement on the precise degree of pressure or threat that best predicts the formation of a partnership, some significant threat or sense of urgency is viewed as a necessary (but not sufficient) condition to motivate individuals and organizations to change the status quo.

Walton, Cutcher-Gershenfeld, and McKersie (1994) add a second condition: neither party has the option of escaping from the relationship rather than dealing with its pressures. In practice, this means that the union must be sufficiently powerful to make it costly or impossible for the employer to achieve its objectives by abandoning or terminating the union–management relationship or by working around the union in some other way. The classic example of the latter was General Motors' "southern strategy," which was initiated in the early 1970s and abandoned soon afterwards when the United Auto Workers made it clear that going nonunion in even just one or two new plants would jeopardize existing relationships and initiatives in

all its other unionized plants (Katz 1985). A strong union position that cuts off the option of escape is thus a second necessary condition for the initiation of a union–management partnership. (The labor management relation is not symmetrical in this regard: neither workers nor unions have an escape option.)

Neo-institutional theory (e.g., Scott 1995) sensitizes us to a third factor—the role of symbolic/cultural legitimacy in enabling the diffusion and adoption of innovations such as partnership. Clearly, partnership has appeared as a more or less plausible option depending on the period and the region. Coercive, mimetic, and normative forces can work to facilitate or impede the emergence of partnership (DiMaggio and Powell 1983). Social networks among individuals, firms, and unions can facilitate or undermine this legitimation.

The conditions just discussed are precursors, but they are not determinative. Such a dramatic break with the past also requires individual leaders who envision benefits from working together and who are willing and able to absorb the significant political risks and overcome ideologic resistance to initiating a joint program with their labor or management counterparts. A shared vision, or at least compatible visions, among top leaders and within the dominant coalitions of both organizations is thus critical. Consider, for example, why Saturn and several smaller-scale partnership initiatives emerged out of the vast GM system in the early 1980s. In the face of considerable political opposition within both GM and the UAW, the strong pressures from Japanese competition was matched by the pairing of two powerful advocates of labor management innovation and partnership within GM and the UAW, Alfred Warren and Donald Ephlin, respectively (Rubinstein and Kochan 2001). Warren and Ephlin became the initial champions for Saturn (O'Toole 1996). The key role of such leadership is clear in the literature as far back as the Protocols of Peace promoted by Sidney Hillman in 1911 (Fraser 1991; Gershenfeld 1987), and in accounts of the role that former United Steelworkers of America President Lynn Williams played in championing and negotiating partnership agreements in the steel industry in 1994 (Rubinstein 2003).

Governance. Previous research suggests that partnerships, once initiated, face a number of governance challenges. The key ones seem to be the propagation of new structures across the organization, overcoming inevitable resistance from powerful middle-level managers and union officials, and assuring investment in personnel and skills.

Implementing and sustaining partnership requires significant transformations in organizational structures and interaction processes. Changes are needed from the top to the lower levels, and changes are needed in the range

of decisions in which unions and workers will participate. Sustaining partnerships thus requires making changes at the workplace, collective bargaining, and strategic levels of the parties' relationship (Kochan, Katz, and McKersie 1994). Simply introducing workplace-level experiments or participation programs while collective bargaining continues to function in its traditional form and contractual issues remain off-limits to partnership influence will ultimately frustrate efforts to introduce change. Alternatively, maintaining the traditional New Deal principle that management manages strategic issues free of worker or union involvement will lead to decisions that are perceived as inconsistent with partnership principles and make it impossible for union leaders to continue to support the partnership initiative.

There is abundant evidence that implementing these changes will meet with resistance from many mid-level and even other top-level management and labor leaders who do not share the vision (Cutcher-Gershenfeld, Kochan, and McKersie 1988; Heckscher and Schurman 1997; Rubinstein and Kochan 2001). The structural changes associated with partnership require significant changes in the roles and leadership styles of labor and management leaders at all levels of the organization, which in turn requires investments in training for new skills and capabilities (Cutcher-Gershenfeld, Wever, and McKersie 1988; Rubinstein 2003). Labor relations professionals, operating managers, and unions stewards and local officers all need to develop skills in problem solving, managing change, and leading teams, skills that heretofore were not part of the repertoire of arms-length labor management relationships (Eaton, Rubinstein, and McKersie 2004; Heckscher and Schurman 1997; Schurman and Eaton 1996).

Sustainability. The empirical reality is that most labor management partnerships are of limited duration, at least compared to the length of most collective bargaining relationships. What accounts for this? The research highlights two sets of factors that we can group under the headings of tangible results and pivotal events.

Achieving tangible, valued, substantive results from partnerships is a necessary condition for sustainability. The partnership has to deliver in tangible ways on its promise of doing better on critical concerns than the parties could do through traditional collective bargaining. It is not sufficient to simply improve interpersonal and interorganizational relationships; substantive gains must be clear, tangible, and of high priority to each of the key interests involved. The early quality of working life and quality circle initiatives in the automobile and other industries illustrate this lesson. The evidence from these employee participation efforts was quite consistent that employee participation improved workplace climate and job satisfaction;

yet few of the early efforts proved to be sustainable (Drago 1988; Freeman and Rogers 1999; Goodman 1980). One reason is that as stand-alone initiatives, they did not generate substantial enough bottom-line improvements in productivity, quality, or other performance outcomes of concern to management (Katz, Kochan, and Gobeille 1983). The attitudinal improvements achieved were not enough to sustain management interest, nor to motivate the parties to work through the stumbling blocks that arose. The same would likely be true if joint efforts produced economic gains to management but not to union members.

Tangible results are necessary but not sufficient for sustainability. Stumbling blocks inevitably arise in partnerships, and sustainability depends on the partners' ability to "fail forward" (Leonard and Swap 1999). In his case study of the first decade of the partnership at the Xerox Corporation, Cutcher-Gershenfeld elaborated on this point by showing that these efforts periodically confront what he called "pivotal events." Pivotal events are crisis situations or situations where a problem emerges that if not addressed successfully will threaten the continuity of the partnership. If these challenges are resolved successfully, the experience tends to strengthen the commitment of the parties to the partnership and often expands its scope. Such events can take different forms, including a change in business conditions that threatens a layoff, the turnover of key partnership champions, a decision to outsource work, or the emergence of a conflict in another part of the labor management relationship that then holds the partnership effort hostage (i.e., leads one or both of the parties to withdraw participation until the conflict is satisfactorily resolved). To the extent that pivotal events challenging the parties continue to arise and require negotiation and adjustment to unanticipated problems, the parties' negotiating capacities become another important determinant of the sustainability of labor management partnership.

A particularly common form of pivotal event is leadership change. Prior studies of partnerships have shown they are especially susceptible to leadership transitions (Rubinstein and Kochan 2001). This reflects the deep-seated hostility toward unions embedded in American management ideology and the long-standing reluctance of American union leaders to engage in management decision making. Until partnership becomes more institutionalized as a practice, it will be vulnerable to leadership succession in management and labor organizations.

Scale and Complexity. The strategic challenges of initiating, governing, and sustaining partnerships are complicated by an organizational challenge when the organizations involved are large, complex, and decentralized. However, research to date has largely abstracted from this organizational

challenge and thus presents us with over-simplified accounts. What is required to initiate, govern, and sustain a partnership in a large, complex, decentralized organization that is characterized by multiple centers of power?

These practical challenges created by decentralization have been only tangentially addressed in prior research. For example, Rubinstein (2003) studied the steel industry partnership and explored the challenges created by a decentralized union structure and the multiplicity of individual companies involved. Rubinstein and Kochan's (2001) study of Saturn documented the hurdles facing the horizontal diffusion of partnership ideas to other divisions of GM and other parts of the UAW. Others have studied partnerships and participative efforts in specific locations and work sites and their failure to diffuse upward or laterally across settings (e.g., Walton's [1980] study of the Topeka pet food plant). None of these, however, focus on the challenges created by the complexity of the management structure once a partnership agreement is reached at the peak levels. The KP partnership provides a valuable opportunity to explore this important set of under-studied issues.

Context

As noted in the introduction to this symposium, KP had a long history of working with unions dating back to its founding in the 1930s. Over the years it gradually evolved from a construction company and a steel producer to a healthcare insurer and provider. By the time of our study, some fifty years later, KP was America's leading not-for-profit health maintenance organization (HMO) and hospital and healthcare delivery system, and was the second largest integrated health organization in the United States (following the Veteran's Administration). In 2005, nationwide KP served 8.6 million members across eight states and the District of Columbia. Fully 80 percent of its operations were still in California, where it began.

In 1997, Kaiser Foundation Health Plans and Hospitals and the Permanente Medical Groups (which together we will call simply KP) and the CKPU created the partnership by signing a national partnership agreement. Creation of the partnership was in itself an historic achievement since it represented the most ambitious partnership in place in the United States at the time of writing and one of the most comprehensive and complex in the history of U.S. labor relations. Figure 1 outlines the goals the parties stated for the partnership.

The partnership, however, also represented a radical organizational change by challenging the values, norms, and practices long associated with

FIGURE 1

KAISER PERMANENTE NATIONAL LABOR MANAGEMENT PARTNERSHIP GOALS

- Improve the quality of health care for Kaiser Permanente members and the communities we serve.
- Assist Kaiser Permanente in achieving and maintaining market leading competitive performance.
- Make Kaiser Permanente a better place to work.
- Expand Kaiser Permanente's membership in current and new markets, including designation as a provider of choice for all labor organizations in the areas we serve.
- Provide Kaiser Permanente employees with the maximum possible employment and income security within Kaiser Permanente and/or the health care field.
- Involve employees and their unions in decisions.
- Consult on public policy issues and jointly advocate when possible and appropriate.

KP's "administrative heritage" of decentralization (Bartlett and Ghoshal 1995). Each KP region was a separate cost center, and insurance rates were community based, varying in response to market and competitive conditions. Within the regions, each medical center had considerable autonomy from the regional office. As a result, KP's central "program office" executives and staff could seldom compel uniform compliance to top-down ideas or initiatives. Moreover, both the uncertain and complex nature of medical care delivery and the desire of physicians to guard their individual and collective autonomy reinforced this tradition of decentralization. This was matched by an equally decentralized union structure with multiple local and national unions representing KP employees across its different locations.

Research Methods

Our research team was invited in 2001 by three lead players in the KP partnership to provide an outside perspective on the partnership as well as to document this unusual relationship and to assist the parties in developing metrics to assess their success, strengths, and weaknesses. In this role of invited researchers, with an agreement that facts but not interpretations were subject to correction by the organizations, the team members observed multiple meetings of various groups, committees, subgroups, and project teams between June 2001 and January 2006 (when our analysis for this paper ends). Over this time period, we conducted over 300 interviews with key players in the development of the partnership, including the former and current CEOs at KP; physicians and directors of various medical groups,

top- and middle-level managers, facilitators, and mediators; national and local union leaders and coalition staff; front-line employees and physicians; and staff of the Office of Labor Management Partnership (OLMP), which is charged with providing administration and support for partnership activities. Most of the interviews were in person and averaged forty-five to sixty minutes. A few were held by telephone or in group sessions. We carried out a set of more detailed case studies of change efforts in specific sites and/or projects, both more and less successful. We also reviewed the large volume of documents the parties have collected to record their work and experience to date and the results of the People Pulse surveys (KP's internal employee survey). We attended numerous meetings of the CKPU and of partnership leaders and staff at the national, regional, service area, and facility levels. One of us joined the partnership committee that was assigned the task of developing performance metrics. We had the opportunity to triangulate and thus buttress our conclusions by conversation with dozens of partnership participants at many levels within and outside KP.

We now turn to analysis of how these parties addressed the three strategic challenges of initiating, governing, and sustaining their partnership. Under each of these headings, we will identify the nature of the corresponding organizational challenges.

Initiation

As discussed above, prior research identifies several key factors explaining the initiation of partnerships. The experience at KP confirms these factors' importance; but we also found that in a complex, decentralized organization, these factors need to be present at lower levels of the organizational hierarchy too.

The KP labor management partnership was formed under the pressure of looming crisis. Until the 1980s, the economics of the healthcare industry allowed KP to pass on the costs of improvements in its labor contracts to its customers. In the late 1980s and early 1990s, KP began experiencing severe competitive challenges, particularly from for-profit healthcare providers aggressively seeking to increase their market share. KP also decided to pursue an expansion strategy around the country, including in predominantly nonunion areas such as Georgia and North Carolina. Under these two pressures combined, KP posted some $900 million in losses between 1995 and 1997. KP management responded by pursuing a new, tougher labor relations strategy; this in turn led to a series of layoffs, strikes, collective bargaining concessions, and an increasingly demoralized workforce.

In 1995, the dire prospects prompted the unions to act. The largest single national union at KP, the Service Employees International Union (SEIU), convened its KP locals to discuss strategy and then, along with several other unions representing KP employees, asked the Industrial Union Department (IUD) at the AFL-CIO to call a meeting of all the unions representing workers at KP. Peter diCicco, then president of the IUD, described how the partnership got started:

> We knew from experience that we had to get all the unions on board with a clear strategy for how to deal with Kaiser. It became evident, given the negative attitude of the public toward strikes in health care, we had to consider other options—and so we began looking at other means to achieve bargaining strength—corporate campaigns[3] and such.
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> But it became clear to us if we proceeded with the campaign, we would lose control of all this . . . and we would all lose. So I went to the international union presidents and told them these guys [Kaiser] are not the worst of employers we deal with, and we might do permanent damage to them and to our 75,000 union members if we mount an all-out corporate campaign or use the information we amassed for short-term advantage or leverage. Was there an alternative?
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> My background was in Lynn[4] where we had started a job enrichment process. And the AFL-CIO had developed a document outlining principles for labor management partnerships.[5] So we had some options. Perhaps we could use our bargaining strength at the table or offer the option of a partnership approach with Kaiser.
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> We had John Sweeney, who at that time was President of the SEIU [later to become President of the AFL-CIO], make an overture to David Lawrence, [then] KP's CEO and that started the process. It took Kaiser six months to consider the idea. The Board of Directors discussed it at length. Fortunately, the former chair of Northwest Natural Gas was on the board and he had a very positive experience with a labor management partnership in his company. After consulting with him and other board members, Lawrence came back to Sweeney and said, "Let's explore this idea."

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[3] A corporate campaign is a coordinated research and public disclosure initiative undertaken by unions to bring public attention to a company in an effort to change the company's labor relations practices.

[4] Peter diCicco led the International Union of Electrical Employees local representing employees at General Electric's plant in Lynn, Massachusetts.

[5] *AFL-CIO. The New American Workplace: A Labor Perspective*. Washington, DC: AFL-CIO, 1994.

Lawrence described how he came to support this idea:

> I was willing to try anything at that point because it was clear that the path we were on . . . was a dead end. We were going to be facing labor strife in every corner of our organization. We had 54 labor contracts, 36 unions. . . . At the same time we were in a fair amount of conflict between the Medical Groups and the Health Plan. What I saw was an organization that was starting to balkanize in very serious ways.

These comments suggest that the initiating conditions for partnership at KP were similar to those identified in the prior research discussed above. Management and labor leaders both recognized mounting pressure to act; the unions were powerful enough to eliminate the option of escaping from collective bargaining; the idea of partnership had acquired some legitimacy within the unions and through board-level social ties; and leaders on both sides were willing to explore a partnership strategy as an alternative.

Since unions were a well-established presence within KP for many years, the idea of a labor management partnership was perhaps less disconcerting to KP managers than it would have been to other managers elsewhere in the healthcare or other industries. We should note too that while the economic pressures bearing on KP were mounting, they were not yet threatening its survival. The unions were therefore in a stronger bargaining position than in situations where partnership appears a concession wrung from labor under threat of major job loss. This relative power balance conditioned the nature of the partnership that eventually emerged.

While this mix of factors succeeded in initiating the partnership at the national level, KP's decentralized structure meant that (1) the same mix was not always present throughout the lower-level units, and (2) these lower-level units could not be simply directed to adopt partnership principles. KP units were embedded in local social structures; local managers were part of local business communities; and these communities varied in their acceptance of the idea of partnership and, for that matter, unions. The 2000 partnership agreement committed management to card check and neutrality in union organizing; these practices did not seem so unusual in regions such as Northern California that had a long-standing strong union presence but this was not the case in all the regions. According to one senior executive, reflecting back on this earlier period:

> It was very, very tedious in one area that had been nonunion. There, everyone was taking a traditional position [regarding union organizing]—the President of the Medical Group even. . . . This is the south, and there were a lot of threats of customers to pull out of the plan if the union won—which was a real concern.

In some medical centers and departments we studied, KP's strategic and financial challenges felt remote and lacked urgency—regional and national leaders had not succeeded in making these challenges salient to these lower-level leaders—and as a result, partnership formation efforts were perfunctory. When managers in these settings came under pressure from their superiors to put into place partnership structures, these structures were largely ceremonial: little effort was made to engage union counterparts in real problem solving. In other areas, the sense of urgency was tangible, but management and workers did not see their fates as intertwined; this often happened where people felt that the financial pressures on KP would necessitate changes in health-plan product offerings but would not be resolved by changing practices and policies at their own levels. In yet other cases, people saw both urgency and interdependence, but there was not always acceptance of the vision of labor management partnership as the way forward. Physicians, an extremely powerful force with KP at all levels, were particularly reluctant to share their traditional power and authority or to engage in time-consuming partnership activities. The following three cases illustrate the difficulties of initiating partnership at the regional level.

Southern California. Through to early 2003, fully six years after the initiation of the partnership, joint efforts in Southern California had progressed only modestly. In the summer of 2003 a projected budget gap of up to $200 million led management leaders in the Southern California region to consider drastic steps to reduce labor costs. Some ideas on the drawing board such as margin relief would require negotiation with KP headquarters (the "Program Office"); others such as reducing sick days, delaying wage increases, or layoffs, would require labor concessions. In fall of 2003, key labor leaders were informed of the looming crisis in Southern California; but the initial contacts were difficult and tense because the labor leaders had learned about the initial plans: the fact that these plans had been formulated outside of the partnership process represented in their eyes a violation of partnership principles, and the plans themselves, if implemented, would represent violation of the employment security agreement and would, they asserted, mean the demise of the partnership in the region, if not for all of KP. This initial confrontation led national KP and union coalition leaders to intervene and to urge the regional leaders to work together using partnership (joint problem solving) principles to look for solutions to the crisis. Regional management and union leaders agreed to do so, and undertook an intense round of trust building and brainstorming. A small, top-level LMP team worked daily for over two weeks to identify savings for the 2004 budget. Through the intense work of this regional task force, trust was established, and savings of over $90 million were identified.

Napa/Solano Service Area. The Napa/Solano service area in Northern California had been running over budget for several years. In 2003, a projected decline in enrollment of almost five thousand members meant that if nothing changed their deficit would grow by an additional $5 million. As a result, the decision was made to launch a special project to attack the problem. This was to be conducted as a stand-alone activity, benefiting from the labor management partnership but not integrated with the governance of the partnership at Napa/Solano.

The plan agreed to by the partners set a target deficit reduction of $10 million by the end of the second year and called for the creation of departmental committees to generate specific ideas for achieving these savings. Three months into the program it became clear to the steering committee that the suggestions coming forward from the departmental committees were insufficient and that a new approach was needed. The parties recognized that they needed to shift from a soft, problem-solving strategy (that had urged the departmental committees to be imaginative) to a strategy that would be more directive and bottom-line oriented. So the steering committee decided to focus on savings that could be controlled from the top of the organization. Specifically, it was decided to freeze all hiring and to capture attrition as it developed. As a result of the actions at the top of the system they were able to close the gap and meet the $10 million target for deficit reduction.

Ohio Region. For the first five years of the partnership, most managers in the Ohio region assumed that partnership was, as one put it, "just another short-lived initiative from California" that would soon blow over. The year 2002 was the turning point. By mid-2002, it became apparent that there would be significant restructuring and downsizing needed to match the precipitous decline in membership over the preceding few years—from a peak of over 200,000 to about 145,000.

Managers began planning for restructuring, and in late 2002 the resulting ideas were disclosed to local union leaders at a regular partnership meeting. The immediate reaction was dismay. It was readily apparent that planning had been going on for some time and that labor had not been involved. One union leader commented ironically: "Looks like you've got a plan already—why would that be?" Regional managers acknowledged that they had made a mistake in not bringing the restructuring issue to the partnership group earlier. The potential of partnership quickly became apparent to all the parties as they began using it as a tool for confronting the financial crisis and the necessary restructuring.

Management, physician, and labor leaders set a target of achieving $24 million in cost reductions by 2006. They decided to focus on redesigning the

work of their ambulatory units. The Ambulatory Redesign Group (ARG) identified over 140 ideas ranging from small savings to very ambitious reorganization of departments. The package of proposals was forwarded to the top executives and health-plan officials in Ohio and to national LMP leaders. It took another six months and the involvement of a large number of physicians, local managers, and union representatives to work through these proposals. In the end, project proposals were approved that would save an estimated $21.2 million across sixteen departments. The parties were well on their way to achieving the target of $24 million by 2006.

Other examples of this type of successful partnership engagement in response to a crisis could be cited, including the negotiations that saved the Northern California Optical Laboratory from being closed, the opening of a new hospital under tight time and budget pressures at Baldwin Park in Southern California, and the negotiation of new language on employment security and neutrality in new organizing situations when the parties were confronted with crises on these issues.

These and other examples we studied showed that in an organization as decentralized as KP, partnership rarely took root at lower levels without the reproduction at the local level of the conditions that initiated the partnership at the national level. In other words, in a complex, decentralized organization such as this, initiation was not a one-time "big bang," but a struggle repeated many times over.

Governance

For the partnership to deliver on its promise, governance structures and processes needed to be established, and these had to be propagated down from the national to the regional and local levels. This proved difficult in an organization as decentralized as KP, not only because the optimal initiating conditions did not always obtain at the lower levels, but also because decentralization made it difficult for higher levels to hold lower ones accountable for partnership behaviors. These structural factors were exacerbated by the fuzziness of the partnership vision and various resource constraints. This section addresses these points in turn.

Partnership Governance Structures. The parties had built a number of joint governance structures at various levels; but creating an efficient, integrated, and coordinated set of governance structures in an organization as complex and decentralized as KP proved to be very difficult. The LMP structures therefore evolved and adapted in various ways and continued to vary across regions.

For example, Southern California had both a regional labor management partnership council and, at the next level down, Service Area councils; but the region was not working to put in place facility-based structures and was progressing relatively slowly toward using partnership approaches to strategic and operational management decision making. Progress toward partnership at the department level was even slower. Baldwin Park was one facility in this region that had created department-based teams throughout the medical center; but as of the end of 2005, few others had followed their example. In contrast, the Northwest region had disbanded its regional advisory council and instead had partnered all mid-level managers with stewards from their partner unions, and labor representatives participated in the regional medical operations leadership team. This integrative approach extended into at least some facilities in that region. For example, the labor partners of Sunnyside Medical Center's CEO were members of the hospital operations tracking team. Similar variations in structures and processes are found throughout the other KP regions.

The formation of departmental teams had made little progress in any of the regions. While there was widespread discourse about the need for rank-and-file engagement, up until the 2005 negotiations there was no clear consensus on the organizational vehicle for that engagement. One of the most important outcomes of the 2005 negotiations was a contractual commitment to implement department-based teams throughout the KP system. Whether this commitment could be translated into widespread practice, given the structural complexities facing such an effort, remained to be seen.

Power and Resistance. Decentralization empowered active resistance, which also slowed diffusion of partnership activities at lower levels. Partnership meant giving up unilateral power; but some physicians and managers did not like the idea and would not adopt this approach without being forced to do so. In the words of one regional LMP staff person:

> Executives at KP hospitals and regions are used to a lot of autonomy. . . . So the ethos around here is still, "Oh, it's just a memo from the Program office—put it in the trash can." . . . Hospital executives are judged on results in access, service, and quality, and left to their own devices in making the trade-offs required to get those results. But now, with LMP, we're trying to change their process—and they don't like the idea of anyone meddling in how they pursue their results.

At lower levels of the hierarchy, some managers had embraced partnership as a new way of doing things, albeit rather reluctantly, as described by this clinical department manager:

> When the department management team decided that we needed to do something more serious about patient access, I sat down with the staff and said, "Look, this isn't working, we've got to try something else. You're unhappy, and we're not meeting the standard. So I'm looking for a group of volunteers who want to work on this." Like a good manager, I went through their strengths and weaknesses, and I chose a group, carefully selecting the best people for the project.
>
> It wasn't long before Winnie [the senior labor representative] was in my office, saying, "No you don't! . . . That's not partnership. In partnership, you work with the team that labor hands you. Labor chooses some people and you choose some people and that's how we solve the problem." I was furious. The team that they handed me didn't have all the constituencies we needed. It didn't have all the strengths and knowledge-bases and personalities we would need in order to work effectively.
>
> In retrospect, I can see that Winnie was absolutely right. If the union chooses its own members for the task, then when the group comes up with a solution, the union can't protest and say, "The people on the project team were management shills, and one more time, management is pushing something down our throats."

Others still believed the partnership was a passing fad and would disappear, as had other "programs-of-the-month" before it. Some argued that the partnership was a giveaway to the unions—"appeasement"—trying to buy labor peace within KP and labor support in the legislative arena. And some argued that partnership might be a "nice" idea in principle, but that it could not work in practice because it slowed down decision making and consumed so much time in training and meetings.

Notwithstanding regional and local variation, physicians on the whole had not been active supporters of partnership. In several regions, in the words of one of our interviewees, "It is as if one leg of the three-legged stool is missing." The medical director of one region expressed his view of the costs and benefit to date of the partnership as follows:

> LMP is a costly venture; we've had labor peace, which is great. But it is costly to take people out of offices for training. We've hired more people in the LMP program office and have a big administrative overhead in the regions. So it raises the costs and we have to offset the costs by getting more efficiency—more productivity and higher courtesy [patient satisfaction] scores. We pay 20 percent above the community in wages and absenteeism is above the community average. We can't run a business this way.

Difficulties with sharing power were not the sole prerogative of management. Some union leaders did not want to decentralize power within their union; they therefore restricted participation on committees to people they felt they could trust—thus aggravating the "capacity" problem that we discuss below. Partnership approaches were also difficult for some stewards who were used to working in the old way.

Some employees too expressed skepticism concerning the partnership. From the employees' point of view, the partnership yielded contractual gains in 2000 and again in 2005 and had given some of them greater voice in day-to-day operations. The majority (as reported in the companion paper on the union coalition) reported increased satisfaction with their union and approved of the partnership. But given the modest proportion of departments that had established any partnership structures or activities, as of 2005 many employees had had no first-hand experience of these voice opportunities. And among those who had, some felt that this voice had been channeled into discussions about how to help achieve management's efforts to tighten up on budget expenditures, productivity, and attendance. To these skeptics, it felt as if partnership amounted to work intensification: their union was endorsing this intensification, and they did not see its rationale.

Blurred Vision. Some of the difficulties propagating partnership at KP arguably stemmed from the underlying vision itself. The partnership was conceptualized within KP (in training materials and in strategy discussions) as a way to improve performance (efficiency, flexibility, quality, etc.) by offering the workforce more security (of employment, income), voice (involvement in decision making), and rewards (pay for skill and for performance). The model saw this quid pro quo as resting on a foundation of shared strategic vision, business education, issue resolution systems, and interest-based bargaining.

The model had the great merit of identifying crucial prerequisites for employee commitment; but while security, voice, and rewards may be *necessary* conditions for high-performance organizations, they are hardly *sufficient*. To translate their commitment into effective performance, employees (and managers) also need the requisite competencies; they must be mobilized around shared performance goals; and their efforts must be appropriately coordinated and supported by organizational and technical systems. The stated vision did not have anything to say about these latter factors. The blurred nature of this vision became a significant impediment to the establishment of new governance structures down through the layers of the organization.

The 1997 partnership agreement listed as its first goal "Improve the quality of care"; but the partnership had not in fact been mobilized in any major campaigns around the quality of care. The main objectives of partnership

had been internal: safety, attendance, cost structure improvement, capacity, readiness. Such internal goals are rarely as effective in mobilizing collective effort as external goals such as improving care.

KP's budget crisis served as a mobilizing, external goal for some time and in some settings it partially obviated the need for any clearer link between changing behaviors and improving valued outcomes. However, over the period of our research, there was a noticeable shift in attitudes as financial reports turned brighter. A union representative with a long history of involvement in partnership projects characterized the issue in the following terms:

> To move ahead we need stronger sponsorship, and a clear, tight focus on [health care] outcomes that matter and that will create motivation. . . . The front line staff at KP care deeply about these outcomes—it's the management and union superstructures that can't keep that focus.

Accountability. Our data suggest that a key predictor of success or failure of partnership efforts was whether managers and union representatives further down their respective hierarchies were being held accountable for following partnership principles and behaviors. Such accountability was difficult to establish given KP's heritage of decentralization. It was all the more difficult when top management at KP did not give partnership the prominence such a radical change needed: while the CEO had listed the partnership as a top strategic priority in his initial message to executives upon taking office in 2002, as late as 2005 partnership did not figure in the list of his "top ten priorities" on his web page on the KP intranet. Similarly, it was not until after the 2005 negotiations that the progress of the partnership became a regular agenda item at KP board meetings.

Accountability for partnership progress was therefore more local in nature. Accountability was clearly a key factor contributing to the progress of partnership at Fresno. Mid-level managers at Fresno felt that they were under pressure to partner and that some managers who found they couldn't adapt had left voluntarily. Stewards confirmed this and noted that accountability for partnering extended to stewards:

> Some of the managers have stepped down and they're no longer working at Kaiser. And some of the stewards were encouraged very strongly to conform or to step away from it. . . . [Upper level management has] tried very hard to get all the managers on board with this.

Similarly, the Northwest regional president had made clear to managers in the region that partnership was not optional, and managers who did not embrace partnership had left the organization.

The same degree of accountability was not yet present in other settings we studied. For example, a key difficulty confronting the partnership's workplace safety (WPS) initiative in Southern California was its low visibility in the management control system. One manager involved in this initiative characterized the problem as follows:

> Overall, we see the biggest injury reductions when there's an action plan development by the LMP staff and good follow-through by point people who have real time-line accountability. . . . [But] even though upper management says that partnership activity is important and says they will hold administrators and supervisors accountable for their partnership behavior, in practice, there have been no reprimands on middle managers who don't perform in the LMP fashion—no real consequences for non-compliance.

Accountability was equally important—and problematic—in union structures. In several cases we studied, a labor management team worked very hard to develop a plan for improving some key goal, only to have their idea scuttled at the last moment when a union steward would not agree to the required changes in work processes and the local leadership was not able to reign in the steward. In other settings, union structures were more effective in holding stewards accountable for partnership activities. A chief steward described the process in this way:

> We had some shop stewards who were not participating, were not meeting the requirements of the [union's governing board]. They had an opportunity to come [to the board] and either reaffirm or give reasons for why they weren't attending meetings and giving good representation and they were either voted back in or asked to step down.

Given KP's tradition of decentralization, it was not surprising that the climate and history of relationships between union representatives, managers, and physicians varied considerably across locations and regions. This variation affected the success of the partnership and its rate of diffusion: good relations provided a strong platform for partnership projects, while adversarial or arms-length relations made partnership more difficult if not impossible. In these latter cases, the root causes of adversarial tensions had to be addressed before moving on to engage in other partnership initiatives. National and regional partnership leaders recognized this, and in 2004 a "readiness" program was initiated to identify these hot spots and assign highly skilled facilitators to work with the parties.

However, even where relations between mid-level managers and their union counterparts were cooperative, the nature of accountability in a partnership structure was difficult to ascertain. At the core of the partnership

vision was the idea of joint decision making; but exactly what it meant for managers and union partners to be jointly accountable had not been articulated. Proponents of partnership at KP argued that this was something that would be worked out as the partnership took shape; but this left many mid-level managers and union representatives in considerable confusion. An HR manager described in these terms the challenge as many skeptical managers saw it:

> I still see opposition to LMP. It's like, "This is a business. We're managers, or doctors. We should make the decisions—that's our job. We are accountable for performance, not the labor people. They don't share the pain if we miss our targets." I reply to them that LMP is here to stay whether you like it or not. . . . But in all honesty, I don't know that I have the answer . . . no one ever communicated a clear vision of where this bus is headed.

A pro-partnership department administrator described in these terms the difficulties she faced in understanding what accountability meant in a "new world order" of partnership:

> We don't quite know how the LMP fits in here yet. KP already had an unusually complex structure, and now, adding labor as a partner leaves us wondering: what is the responsibility of the traditional organization and what is the responsibility of this new add-on or is it, in fact, integrated? There's virtually no money flowing through the new world order, and my sense is that finances mean control—whatever people might put in speeches. The [LMP] council doesn't fund hardly anything. So as I see it, LMP partnership activities are not in fact governance activities, even though that's what we call them.

Resources. The shift to partnership can be stymied by lack of resources. Our research identified four key types of resources: training, "backfill" capacity, facilitation, and leadership skills at all levels. Here too, decentralization made it difficult to meet the challenges of partnership.

An enormous amount of training had been carried out since the partnership was created. Most of the training focused on educating managers and labor representatives on partnership principles and processes. Little of the training focused on basic business and/or healthcare service delivery. This reinforced the perception that the partnership was mainly a labor relations activity and not an integral part of KP's daily operations. Moreover, such a focus on the training did little to remedy the deficiencies in business and management skills that were apparent (albeit to different degrees) within the ranks of both union and management.

Given the training's focus, it was difficult to draw physicians into it. While a majority of employees, union stewards, and managers in all regions had

received the basic three-hour LMP Orientation training, less than 15 percent of KP physicians had done so. According to numerous interviews, the result was that most physicians were still impatient with the partnership processes and unclear about its intent. There was no accountability structure that ensured physicians received the training they needed.

Backfill capacity was a second key, scarce resource. Partnership activities, participative by design, stressed KP's staffing levels. Given all the forums and committees that the partnership had spawned and given the operating guideline adopted by the unions at KP that a formally designated union representative (usually a steward) from each of the local unions be present at all of these joint meetings, the need for backfill was considerable. In some instances the first hurdle was budget, finding the resources to pay for the replacement. The national LMP office created a fund to pay for both training and backfill; but the fund was limited and the disbursement process was complicated.[6] Beyond budget, backfill demands posed service quality challenges. A business agent described the problem this way:

> When a steward is participating, it is very difficult to backfill because patients feel uncomfortable interacting with [the steward's replacement] in the delivery of services. Then there's a pushback from colleagues who wonder why the steward was allowed to go to a meeting and ended up creating an extra workload for them.

Challenges also arose for the union representatives who left their work to participate in partnership activities. On returning to their work unit, they would often need to catch up on a backlog of work that could not be redistributed, as well as ensure that colleagues were briefed about the outcomes of their partnership activity.

These issues often created significant disconnects between stewards or other labor participants in partnership activities and their coworkers. For example, while participants in the joint staffing committees at Sunnyside Medical Center in the Northwest expressed great satisfaction with the process, their nonparticipating coworkers were not so sure. In a survey distributed in units involved in the joint staffing process, nonparticipants made the following suggestions on how to improve the process: "maybe regular meetings to better inform staff . . . of how the project is going;" "more

[6] As part of the 2000, five-year agreement, the parties negotiated a trust to pay for partnership-related expenses. In the first year of the contract, KP contributed $0.05 per hour per employee to the trust. This amount rose by $0.01 each year of that contract and was explicitly designated as a diversion of wages. KP also made separate and substantial contributions to the trust. The 2005 national contract provided for steady-state contributions of $0.09 per hour per employee. The trust funded the Office of Labor Management Partnership and the union Coalition's partnership-related costs.

people involved;" "more communication with everyone on what is going on." It should be added that these committee representatives felt they had made serious efforts to communicate back in their home units, and yet their peers were still unhappy. Given the sensitivity of this issue it is not surprising that significant attention was given to ways to solve the backfill problem in the 2005 negotiations.

A third key resource was facilitation. Restructuring Associates Inc. (RAI), the primary consultant for the LMP, initially provided facilitation assistance. With the institutionalization of the partnership, regional LMP staff groups developed their own facilitators. But as partnership activities started at lower levels of the organization, it soon became impossible to support all the partnership teams and committees with the kind of facilitation support they needed. In the words of one LMP staff person:

> LMP started out with a budget of $5–6M. Now we're up to $12M with the trust fund. But that's just a pittance considering the scale of this and how much facilitation is really needed. There was a naive assumption that creating partnership in the various sites would require only initial education and general encouragement. But they need as well lot of hands-on facilitation. Partnership requires real learning. Even when a group has been established and works well in partnership mode, turnover of people often means they need a new round of facilitation. Trying to create partnership processes at the department level requires massive facilitation investment.

The fourth resource constraint on partnership was leadership—the ability to effectively lead joint teams. Leadership skills typically require training and mentorship, and our research left us impressed by the subtle nature of the leadership skills required for partnership work. Middle managers and union stewards experience significant role conflict: They are under pressure to improve performance and be accountable for results and for engaging their union partners. Union stewards are held accountable for representing their members' interests and for engaging in joint problem solving with managers. Moreover, as partnership structures propagated down to lower levels, these leadership skills were needed by an exponentially larger number of people. This challenge was considerably multiplied by the decentralization of KP.

Consider the case of Baldwin Park Medical Center: there were approximately thirty-eight chartered department-based teams (DBTs), with membership in each ranging from three to over twenty (more than 350 members in all). These teams met at least monthly (some biweekly), in meetings scheduled from an hour to a half day. This amounted to an investment in DBT meetings each year of thousands of person-hours. And this total does

not include the substantial time spent in meetings of the top-level Baldwin Park LMP steering committee, various standing committees (on workplace safety for example), the many team projects undertaken in various parts of the medical center (for example, on attendance, dress code, and service improvement), in partnership activities at the service area and region levels, and in a host of other meetings to prepare for or report back on these meetings. Skilled team and meeting leadership were critical to deriving value from this investment. We observed a number of situations where brainstorming and other integrative bargaining and problem-solving processes were effectively led by DBT chairs; but there were others where the deficit of leadership capacity was clearly a handicap.

Arguably, building such lower-level leadership capacity is a high-yield investment for any organization; but without it, partnership simply cannot function. Moreover, it enormously strengthens the capability of the organization to take on more novel and demanding challenges. It also represents an opportunity for large numbers of employees to realize their human potential. Beyond that, it is a way for the union to build its own base's organizational capabilities. But we should be mindful of the massive scale of the investment required, especially in an organization as decentralized as KP.

Sustainability

Prior research suggests that partnerships cannot be sustained unless the parties derive concrete benefits from it and survive pivotal events. As our overview of KP's partnership outcomes suggested, the record at KP on these dimensions was mixed. KP's decentralized structure multiplied the challenges to sustainability on both these dimensions.

Concrete Results. The most tangible achievements of the partnership had come in confronting and addressing problems and crises, extending the use of partnership principles and problem-solving processes in the negotiation of two national labor agreements, and engaging top KP and union leaders in some strategic decisions that would have been off-limits in most traditional labor management relationships. A significant number of projects addressed specific work site problems and produced significant budget and cost savings and also preserved and expanded employment. Other achievements included use of partnership principles and processes to open Southern California's Baldwin Park Medical Center in record time, and to restructure and dramatically improve the performance of the optical laboratory in

Northern California. Employees also realized significant gains, including stronger employment security guarantees, improved satisfaction with their jobs and their unions, and wage and benefit improvements through both negotiated increases and performance-sharing results. By early 2006, nearly 40 percent of employees had participated in partnership activities. All the parties benefited from a decade of labor peace, grievance rates declining over this period from fifteen to five per one thousand employees, and the majority of union members indicated they preferred the partnership to more traditional arms-length representation.

On the other hand, as of 2005 several of KP's key internal and external performance challenges had not been addressed. Attendance remained a source of contention and operational difficulty. Safety had improved only marginally. Joint marketing efforts had yielded little fruit. KP had made only modest headway in propagating partnership down to lower levels of the organization.

Perhaps the major achievement of the partnership was simply to show that partnership on such a massive scale was possible: the partnership had survived for nearly a decade, and it had advanced rather than atrophied over that period. This survival had itself yielded important benefits: the experience of working in partnership mode had built up social capital and trust among many of the leaders and participants in partnership activities.

Pivotal Events. Sustaining a high level of support is not something that can be taken for granted in any partnership, regardless of the tangible results achieved. Indeed, pivotal events tend to arise from time to time in any partnership, and the KP partnership was no exception. What was exceptional was the multiplication of the number of such pivotal events due to KP's decentralization.

At the national level, one pivotal event occurred in 2002. Following a series of management leadership changes, top KP executives, physicians, and leaders of the CKPU came together for a frank "reexamination of the future envisioned under the labor management partnership." This series of meetings proved to be pivotal in the sense we are using the term: out of them came a reaffirmation of the original partnership vision and an implementation plan for moving forward.[7]

Figure 2 lists ten pivotal events that senior leaders at KP and the CKPU encountered in the first decade of their partnership. Like the 2002 summit

[7] Kaiser Permanente Labor Management Partnership. "Labor Management Partnership Vision: Reaffirmation & Understandings," August 21 and November 6, 2002.

FIGURE 2

Pivotal Events in the Life of the Partnership to Date

PIVOTAL EVENT	HOW IT WAS HANDLED
Signing of initial Partnership agreement, 1997	After considering but rejecting escalating pressures on KP through a corporate campaign and intense debate within the KP Board of Directors, both parties chose to try an alternative "partnership" approach.
Negotiating of Employment Security Agreement, 1999	After a crisis in one region that led to a restructuring, the parties agreed to new language safeguarding employment security.
Closing/restructuring of Northern California Optical Laboratory	The parties turned a "closure negotiations" into a joint problem-solving effort to restructure and turnaround the laboratory. It is now viewed as one of the signal achievements of the partnership in its early years.
Negotiation of 2000 National Contract	After tense negotiations over whether to engage in national bargaining, the parties fashioned an interest-based process that we judged to be "an historical achievement" in U.S. labor relations.
Leadership Transition: KP CEO, 2001	Shortly after his appointment as the new KP CEO, George Halvorson issued a strategy/vision memo reaffirming support for the partnership, describing it as one of his key strategic priorities. He then re-hired Leslie Margolin, the management leader of the partnership who had resigned as the Senior Vice President for Operations.
Responses to Southern California and other regional budget crises 2003–04	After management in several regions considered unilateral budget and staffing cuts, joint task forces were created and identified major savings without layoffs.
California Nurses Association/Southern California Nurses dispute, 2004	A major inter-union conflict over union organizing and raiding of units was resolved through intensive negotiation and mediation by the Secretary Treasurer of the AFL-CIO.
Negotiation of 2005 National Contract in midst of AFL-CIO split	Another national agreement was successfully negotiated at the same time several national unions participating in the Coalition of Kaiser Permanente Unions split from the AFL-CIO.
Leadership Transitions in 2006: CKPU Executive Director and KP COO	Both Leslie Margolin and Peter diCicco, the two strongest leaders of the partnership in KP management and the union coalition leave their organizations. The leadership transition will once again test the sustainability of the partnership.

meeting, each of them could have weakened or destroyed the partnership if not addressed successfully. Some of these have already been discussed. Some were anticipated and consciously planned, such as the negotiation of the two national contracts; more often than not, however, these pivotal events arose unpredictably, as part of the normal types of challenges that arise in the evolution of any complex organization or relationship. The common feature of these events was that they required intense focus, skilled negotiations, and application of the principles of partnership. Successfully resolved, each one served to strengthen the commitment of management and union leaders involved in the partnership. But one

could easily have envisioned an alternative outcome—the end of the partnership.

As of early 2006, it was foreseeable that other pivotal events would challenge the sustainability of the partnership. As is discussed more fully in the accompanying paper on the 2005 negotiations, many within the management, union, and physician organizations seemed ready to judge the success or failure of these negotiations on the basis of how quickly and effectively the commitments made in the agreement to improve performance were achieved. There was a widely shared expectation that if these results were slow to materialize, support for the partnership would erode quickly. At the same time, another set of critical leadership transitions was occurring: in early 2006, both Leslie Margolin and Peter diCicco, the two most senior and important champions, and by most accounts the most effective leaders of the partnership, left. The leadership capability of this partnership was about to be tested once again.

One of the striking features of the KP partnership was the extent to which crises could erupt in any of many locations, threatening the whole edifice: due to KP's decentralized structure, pivotal events were distributed across the organizational hierarchy, not only concentrated at the top. In one case we studied, partnership at one of the major medical centers was severely challenged when the local union and management leaders were unable to resolve an impasse created by the confrontation of some highly adversarial stewards and autocratic department managers. The regional partnership co-chairs dispatched top-level facilitators to help resolve the impasse; but these facilitators quit the process when the parties proved unable to engage in serious dialogue. Eventually, this crisis was resolved when the regional co-chairs got personally involved. In other cases, we observed how similar impasses at the local level could chill relations at higher levels when one party appeared to the other to be unwilling to live up to their partnership responsibilities. Such crises were multiplied by the size and complexity of KP and by the number of different unions involved.

Conclusions

Our analysis of the KP case confirms many of the lessons of prior research. Partnership has the best chance of success when: (1) those involved are driven by a crisis or sense of urgency; (2) they share or develop through joint discussion a clear definition of the problem and vision of the goals they are trying to achieve; (3) they are held accountable for using

partnership principles; and (4) they possess or develop the skills and other resources they need to be successful (time, facilitation, and budgets); and (5) their partnership activities respect the separate needs of the parties but are focused on the common need to make improvements in the organization's core tasks.

Much of the prior research on partnerships has viewed the contending parties as monolithic entities, and thus underestimated the organizational challenges of partnership in organizations that are larger and more complex and therefore more decentralized. KP is a rather extreme case, but by virtue of being extreme, it makes visible problems common to the broader universe of organizations. We found that decentralization meant that (1) partnership at lower levels needed much the same initiating conditions as at the peak level; (2) governance was greatly complicated by the lack of authority mechanisms for assuring accountability; and (3) sustainability was more difficult to achieve because of the multiplicity of potential crisis points.

The KP case highlights the potential value of partnership for addressing contemporary organizational and workforce issues; but it also highlights the precariousness of partnerships in the U.S. industrial relations system. Pivotal events, strong champions, and effective leadership support play crucial roles in the trajectory of partnership efforts at KP as in other organizations. The contrast is striking between this finding and the experience of collective bargaining as an institution: Accounts of collective bargaining arrangements rarely attribute such centrality to pivotal events or leadership choices. Whence the difference?

We see several interrelated factors that make partnership a distinctively precarious accomplishment. First, the introduction of partnership represents a considerable shift in the distribution of power in both management and labor organizations. The costs of change are high, and the risks considerable. Second, while the performance pay-off to this redistribution may be clear enough in the face of crisis (at least given other conditions noted in our discussion), once out of the crisis zone, the pay-off is ambiguous in the short-term and uncertain in the long-term, and as a result, management commitment to partnership tends to decline. Third, while some lower-level managers may find partnership congenial and while local innovations may generate impressive partnership arrangements and results, these innovations cannot diffuse spontaneously across the organization or up the hierarchy given the ambiguous pay-off and the high costs of change.

Partnership must therefore be driven from the top leadership down into the organization. This policy deployment encounters obstacles where there

is weak coupling of the various subunits. Horizontally, coupling may be weak among more or less autonomous components of the management structure, and among the various unions in a coalition. Vertically, coupling may be weak between the top and lower levels in both the management and the union structures. Where these couplings are weak, partnership is precarious: Once the period of crisis is past, the alternative to partnership—reversion to traditional collective bargaining and to the conventional division of responsibilities—is always available for those who would defect from the new partnership game.

The result is that partnerships are unlikely to proliferate without strong buttressing elements from the external environment. The perspicacity and perseverance of enlightened management and union leaders working towards partnerships in specific organizations will likely not suffice to make partnerships a widespread and sustainable phenomenon in U.S. industrial relations (for similar observations in the UK see Deakin, Hobbs, Konzelmann, and Wilkinson 2002 and Geary and Roche 2006). This is especially true if the labor movement remains as limited in scope and power as it is today, since the option of escaping from union status is available to so many employers. Changes in law and public policy may prove necessary to shift us from a lower-performing equilibrium to the higher-performing one prefigured by KP's partnership.

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