

# Why Scanlon Matters

UNDERSTANDING EPIC LEADERSHIP PRINCIPLES



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# **Why Scanlon Matters**

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## **UNDERSTANDING EPIC LEADERSHIP PRINCIPLES**

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## Table of Contents

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<b>1. Why Scanlon Matters: Yesterday and Today .....</b>	<b>4</b>
Warren Bennis, Douglas McGregor, Max DePree, George P. Schultz, Ken Blanchard, James O'Toole & Edward Lawler, Carl Frost, Joseph Scanlon, John Schuster, Larry Spears, Robert Doyle, Hugh DePree, Randy Pennington, Robert Rosen, Terry VandeWater, Ray DuPont, Chris Hegarty, Rensis Likert, <i>Time</i> magazine, <i>Life</i> magazine, John Donnelly	
<b>2. Joe Scanlon's Inspired Vision (Foreword) .....</b>	<b>7</b>
Warren Bennis	
<b>3. Why Scanlon Matters: EPIC Leadership Principles .....</b>	<b>9</b>
Paul Davis and Larry C. Spears	
<b>4. Those Without Vision Perish—A Call to Action (Afterword).....</b>	<b>16</b>
Max DePree	
<b>5. About the Scanlon Leadership Organization .....</b>	<b>18</b>

# 1 WHY SCANLON MATTERS

## Yesterday & Today

Those of us who knew Joe Scanlon realize how important he was in humanizing the workplace and helping create today's workplace of ideas. How sad that so few people even know his name. This essay should right that wrong by introducing a new generation to Joe Scanlon's inspired vision.

~ **Warren Bennis**, author, *On Leadership*

Joseph Scanlon was an Irish lad of humble origin who was a prizefighter and a cost accountant; later he went to work in a steel mill, became a local-union president, then research director of the United Steelworkers of America, and finally a lecturer at M.I.T. He was an innovator. I think time will show that he has had a remarkable impact on our society.

~ **Douglas McGregor**, author, *The Human Side of Enterprises*

The great strength of Scanlon is the potential unleashed by freeing an entire organization to do its best .... Can those of us who are committed to the elegant breadth of the Scanlon idea begin to consider ourselves the custodians of social innovation? Why not? Who better than the companies who believe deeply in the Scanlon idea to be the launching pad for the next wave of effective activists? Who is better equipped to marshal the organizational experience, integrity, hope, and confidence needed to produce a broad renewal in our social condition? Those without vision perish.

~ **Max DePree**, author, *Leadership is an Art*; retired Chairman, Herman Miller

Underlying Joseph Scanlon's efforts was a deep and fundamental belief in the worth of the human individual, in his capacity for growth and learning, in his ability to contribute significantly "with his head as well as his hands"

to the success of the company which employs him. Scanlon, unlike many who make similar professions, really respected human beings.

~ **George P. Schultz**, former United States Secretary of State

Many Company executives spend a great deal of time looking for the next new management concept, and very little time making the last one they learned, work. Such is the case with popular management concepts including participatory management, quality circles, and others that, in some companies, they are no longer considered hot enough to emphasize in training related programs. It is refreshing to find companies that are truly committed to programs for employee involvement, quality, and service over the long haul. And it is not surprising to find that such companies are more likely to be successful.

~ **Dr. Ken Blanchard**, author, of *The One Minute Manager*

Although profit sharing and employee stock ownership have long histories---and AT&T, General Foods, Xerox, and Honeywell experimented with employee decision making in the 1960's and 1970's labor organizer Joseph Scanlon first recognized the importance of pairing these two conditions in the 1950's.

~ **James O'Toole** and **Edward Lawler** authors of *The New American Workplace*

The Scanlon Plan is an innovative management process for total organization development. It consists of a set of assumptions about human motivation and behavior, general principles for the management of organizations based on those assumptions, and specific procedures for implementing these principles.

~ **Carl Frost**, author, *Changing Forever*

If the fundamentals of participation and partnership are properly developed, the incentive to produce at the highest possible degree of efficiency is constant.

~ **Joseph N. Scanlon**, originator of the Scanlon Plan

Thomas Jefferson and Joseph Scanlon knew that business could be a place for greatness. Let's make it so.

~ **John P. Schuster**, author, *The Power of Open Book Management*

The philosophy of servant-leadership is increasingly viewed as a solid foundation for many businesses and organizations. Some servant-led companies have taken it a step further and utilize the framework of the Scanlon EPIC principles (Equity, Participation, Identity, and Competence) as a particular expression of servant-leadership. In so doing, they are helping to create the "better, more caring world," that Robert K. Greenleaf urged all of us to seek.

~ **Larry C. Spears**, editor-author, *Insights on Leadership*; President & CEO, The Spears Center

A business that satisfies all partners will be able to attract a greater contribution from all partners. A management team that creates a culture where all the partners are actively looking for ways to serve one another may well discover the most powerful motivational force ever seen in business.

~ **Robert Doyle**, author of *Gain Management*

People need to be needed, want to be productive, need to be responsible, have the right to know, need and want to own the problem. The Scanlon Plan can answer such needs.

~ **Hugh DePree**, author, *Business as Unusual*; retired Chairman, Herman Miller

The purpose of the Frost/Scanlon principles is to transform the culture from an "us versus them" philosophy to one of partnerships committed to delivering results for all stakeholders.

~ **Randy G. Pennington**, author, *Results Rule: Build a Culture that Blows the Competition Away*

You must take these values, these philosophies, these Scanlon principles off the shelf and introduce them into day-to-day relationships and weave them into the fabric of the organization...It's the only way to build a long-term foundation for survival. If you want a corporation to survive a hundred-plus years, and to be strong, and be capable of renewing itself, you have to have the human element more deeply woven into the way you do business. Otherwise, it's like sand in the hand, and you'll never make it through the rough times.

~ **Robert H. Rosen** author *Leading People: Transforming Business from the Inside Out*

Organizations must deliberately work to keep their management principles and mechanisms aligned to protect their most important asset—integrity.

~ **Terry VandeWater** author of *Principle Based Participative Management*

If you really want to partner with your employees...one such model is the Scanlon Plan and it is one of the best-kept organizational secrets for successful employee involvement, through equity and responsibility sharing.

~ **Ray DuPont** author of *The Art of Partnering*

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The Scanlon Plan is one of the best-kept secrets in American Business. Every company using it properly has had dramatic, measurable improvements in productivity and profitability.

~ **Chris Hegarty**, author of *How to Manage your Boss*

All too often the Scanlon Plan—like all profit-sharing plans—is thought of only as a device for increasing the motivational forces arising from the economic needs of the members of the organization. As Scanlon emphasized however, the plan requires the development of an interaction influence system in which the ideas for developing better products and processes and for reducing costs and waste can flow readily, be assessed, improved and expeditiously applied. Such an interaction-influence system is appreciatively more characteristic of System 4 than any other management systems.

~ **Rensis Likert**, author, *The Human Organization*

The most sought after labor relations advisor in the U.S. today is Joe Scanlon, 56, onetime prizefighter, open-hearth tender, steel company cost accountant, union local president and now a lecturer in industrial relations at the Massachusetts Institute of Technology.

~ **Time Magazine** Monday September 26, 1955

“When Scanlon Plans are no longer news, we shall have licked the great problems of the industrial age, how to tame the machine for liberty and democracy.”

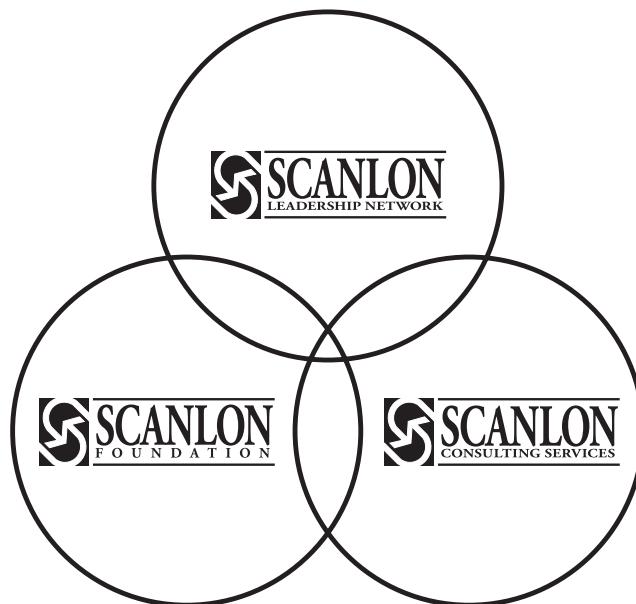
~ **Life Magazine** 1952

Does all this sound too good to be true?  
Does it presume mankind is better than it really is?

Does it demand a change of heart by many people?

Are we being presumptuous?  
Yes to all four of these questions.

~ **John Donnelly**, former CEO, Donnelly Corporation



## 2 FOREWORD by Warren Bennis Joe Scanlon's Inspired Vision

Joe Scanlon is the management guru time forgot. It is tragic that someone with so prescient a vision of the shared fate of workers and their leaders is now so little known, but it is not altogether surprising. Unlike today's tireless self-promoters, Joe Scanlon was an unpretentious man. I knew him when he was a lecturer at MIT in the 1940 and '50s. Like Kurt Lewin, with whom he had little in common but greatness, Scanlon had been brought to the university by my mentor, Douglas McGregor. Often called the father of organizational development, McGregor was what chaos theory describes as a "strange attractor." He had an unerring eye for original thinkers and understood that the most remarkable things could happen when truly creative individuals had adjoining offices. McGregor loved the idea of bringing dissimilar geniuses together and watching the sparks fly.

Remember what MIT was like in those days. Paul Samuelson, who would win the Nobel Prize in economics, was the dominant presence in a place where mathematics was True North. It was a given that MIT faculty had prestigious advanced degrees. Unlike his fellow faculty, Joe Scanlon was a union man, a prizefighter and former steelworker, who never went to college. Scanlon had acquired his wisdom in the streets, in steel plants, and in smoke-filled rooms where union representatives and management fought out the terms that would determine the fates of companies and the quality of workers' lives. At the university, I never saw Scanlon wear a tie. His uniform was a suit-jacket and a white shirt, open at the neck. When his lectures really began to smoke, the jacket would come off and he would roll up his sleeves.

Scanlon preached what was called the Scanlon Plan. It evolved over time, but its heart was an arrangement whereby labor and management collaborated on how to reduce

costs, boost productivity, and eliminate waste. The resultant savings were shared by company and workforce. It was a deceptively simple plan. The shared bonus that was its ostensible goal was the least of its rewards. In order to make the plan work, management had to share responsibility and information with workers. Employees had to become more productive, more resourceful, and more flexible. Perhaps most important, workers and managers had to sit down together and talk to each other. And because labor and management were working together toward a common goal, they inevitably began to see themselves, not as opponents, but as colleagues. Scanlon described his message this way: "What we are actually trying to say is simply this: That the average worker knows his own job better than anyone else, and that there are a great many things that he could do if he has a complete understanding of the necessary. Given this opportunity of expressing his intelligence and ingenuity, he becomes a more useful and more valuable citizen in any given community or in any industrial operation."

Scanlon had developed his plan during the Depression, at a time, almost unimaginable now in the United States, when loss of a job could mean a family's starving to death. In those terrible days, Scanlon had helped laid-off steelworkers feed themselves and their families by finding land to turn into gardens. During that era, labor and management were often at each other's throats, with government almost always backing management. Both sides sometimes resorted to violence. As a worker and the son of a worker, Scanlon was a passionate supporter of labor, but he did not hate management. His vision required mutual respect, a recognition that we are all in any community or corporate enterprise together and that what is good for one side will ultimately help the other. For me, as a young MIT faculty member from a working-

class family, Scanlon was a romantic figure. I admired the way the stocky, straight-talking Irish American had earned a place in an elite university while remaining true to his blue-collar legacy. Widely admired by his faculty colleagues and beloved by students, Scanlon refused to kowtow to either. His very presence was a reminder that something vital and important lay outside of the halls of academe. Lest his graduate students forget, each was required to spend a summer working as a foreman in a factory.

Like Doug McGregor, Scanlon died far too young, in 1956 at the age of 57. But his vision of a collegial workplace—even a collegial factory—had legs. First to be influenced were those who worked beside him at MIT. Freddy Lesieur was a machinist and a union man when he first met Scanlon. Lesieur followed him to MIT and continued to advance their shared ideas after Scanlon's death. Dr. Carl Frost was another who worked with Joe at MIT and then brought the ideas to Michigan State University. You can see the impact of Scanlon's ideas about the interdependence of leaders and followers in the theory of servant leadership promulgated by Robert Greenleaf, another protégé of Doug McGregor. And Scanlon's egalitarian beliefs surely had a role in shaping McGregor's Theory Y view of management. Like Scanlon, McGregor believed that those organizations most likely to thrive were those that loosed the human potential of all their members. Implicit in that view was recognition that an individual's life and work must be more fully integrated. McGregor wrote that human potential would be unleashed in organizations “only as we succeed in creating conditions that generate a meaningful life... Scanlon’s lasting contribution is his recognition... that one cannot successfully tackle this central task of management with gimmicks or procedures or programs. The real task of management

is to create conditions that result in genuine collaboration throughout the organization. To create such conditions is to create a way of life.” Although Scanlon's name is rarely heard today, his ideas are more widespread than ever. Donnelly, Herman Miller, Parker Pen, Atwood, Motorola, and a few other companies successfully implemented the formal Scanlon plan. But its underlying assumptions have become more and more common, despite the dramatic decline of the labor movement that Scanlon championed throughout his lifetime. When much of America's economy depended on manufacturing, management could choose to align itself more closely with its workforce or ignore Scanlon's wise advice. In today's idea-driven economy, the talent *is* the company: the workforce is understood to be its greatest asset. In firms such as Google, workers demand to be treated with respect or they simply go elsewhere. Scanlon's implicit recognition that workers are, above all, human beings with gifts and dreams and lives is no longer seen as revolutionary. But now as then, that recognition is the first step in unleashing the extraordinary power of creative collaboration required to succeed in today's fast-moving global economy.

Those of us who knew Joe Scanlon realize how important he was in humanizing the workplace and helping to create today's workplace of ideas. How sad that so few people even know his name. This essay, and the book from which it is adapted [*Scanlon EPIC Leadership*, The Scanlon Foundation, 2008], should right that wrong by introducing a new generation to Joe Scanlon's inspired vision.

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# 3 WHY SCANLON MATTERS

## EPIC Leadership Principles

*"The Scanlon Plan puts it all together--worthwhile employment, worthwhile goods and services, and worthwhile investments.*

**~Dr. Carl Frost**

### THREE MEN, TWO DREAMS, ONE WORLD

**S**canson Leadership, EPIC Principles, and Servant-Leadership are about the separate-but-related dreams of three men: Joe Scanlon, Carl Frost, and Robert K. Greenleaf. Joe Scanlon was a steelworker and labor union leader who dreamt that "together we can achieve the impossible." Carl Frost was a distinguished faculty member who developed further the four EPIC principles now associated with Scanlon organizations. Robert K. Greenleaf was a noted pioneer in management education at AT&T who later popularized the idea of servant-leadership, and who believed that "any great accomplishment must begin with a great dream." All three men believed that workplaces could be created where people want to come to work, where everyone contributes their ideas, where leaders serve their followers, and where customers, investors, management, and labor could all collaborate with creativity and passion.

Joe often wondered whether his ideas were like a pebble in a pond: that is, would the ripples soon die out? Far from it. They have not died out after seventy years. They have contributed to the creation of a mighty river of change with tributaries that now reach far from the source. Scholars at the Massachusetts Institute of Technology (MIT) and Michigan State University (MSU) contributed to the flow of ideas. Business leaders like John Donnelly, Seth Atwood, and D.J. DePree navigated their organizations on the river of change Joe helped to set in motion.

This publication is about how the dream helped to lead to advancements in labor management cooperation, gainsharing,

employee involvement, teamwork, servant leadership, lean systems, six-sigma and open-book management. It is about how the dream that started in the 1930's continues to both attract and challenge business leaders today.

It is also about servant-leadership, the underlying impulse that drives anyone who is passionate about Scanlon Principles. It is also about how the ideas of Robert Greenleaf, Warren Bennis, and Max DePree have deepened even further our understanding of Scanlon principles that are grounded in servant-leadership. It is about how the value of the leader can be seen in the strength of the followers. It is about how our beliefs and assumptions determine how we lead and the types of organizations we create.

It is about the reality of continual change and how the ability to adapt to change is the key to individual and organizational survival. It is about the four EPIC Principles for individual and organizational effectiveness developed by Dr. Carl Frost. It is about how the four EPIC Leadership Principles create high performance work cultures.

It is about how organizations like Adamson, Advanced Business Graphics, Atlantic Automotive, A. Raymond, Atwood, American Tape, Beth Israel Hospital, Bradford, Bridgestone-Firestone, Briggs & Stratton, Canon, Dana, Fairchild Burns, Ferro, Harley-Davidson, Hitachi Magnetics, Huron Signs, ITT, Kysor-Cadillac, Lapointe, Landscape Forms, Limerick Veterinary Hospital, Lorin, Magna-Donnelly, Martin-Marietta, Meier, Michigan Bell, Motorola, National Manufacturing, Neelon Castings, Nicholas Plastics, Pacific Cast Technologies, Parker Pen, Pohlman, Quality Container, Raynor, S & L Plastics, Sara Lee, Sears, SGS Tool Company, Sligh, Spring Engineering, Thermatron, Thomson-Shore, TG Fluid Systems, Trans-Matic, United Building Centers, US Vision,

Watermark Credit Union, Wescast, Westan, Westling, Wolverine Worldwide, Xaloy and countless other organizations dreamed the dream and, along the way, experimented with EPIC ideas.

Finally, it is about a proven roadmap and a plan designed to help the reader achieve the impossible—to create more democratic, more focused, more responsive, more efficient and more human workplaces.

### JOE SCANLON, CARL FROST, AND THE SCANLON-FROST IDEA

Joe Scanlon believed in a great dream. He worked tirelessly to bring that dream of cooperation into reality in workplaces. Many others were inspired by his dream, adding to it and constantly refining and testing various ways to create better workplaces that are more cooperative. People like Dr. Carl Frost and Fred Lesieur kept the dream alive, installing Scanlon Plans in organizations throughout North America, and conducting conferences and writing about their experiences. Dr. Frost took Joe Scanlon's ideas, refined, and distilled them into the four EPIC Leadership Principles (Equity, Participation, Identity, and Competence).

Joe Scanlon did not create all modern leadership practices. Nor did Joe arrive at his ideas alone. During his lifetime, he was influenced by Dr. Douglas McGregor and the countless clients where he tested his ideas. Later Scanlon practitioners embraced the ideas of great thinkers like Robert Greenleaf, and Peter Drucker and incorporated them into Scanlon Plans. Today the Scanlon Network strives to be the place "where the best ideas come together."

All of us owe a debt to the humble steelworker and the EPIC ideas he helped to set in motion. In a 1952 editorial in *Life Magazine*, they wrote this about Scanlon: "When Scanlon

Plans are no longer news, we shall have licked the great problems of the industrial age, how to tame the machine for liberty and democracy."

### ROBERT K. GREENLEAF AND THE SERVANT AS LEADER IDEA

The term *servant-leadership* was first coined in a 1970 essay by Robert K. Greenleaf (1904-1990), entitled *The Servant as Leader*. Greenleaf, a contemporary of Joe Scanlon, was born in Terre Haute, Indiana. He spent most of his organizational life in the field of management research, development, and education at AT&T. Following a forty-year career at AT&T, Greenleaf enjoyed a second career that lasted nearly twenty-five years, during which time he served as an influential consultant to a number of major institutions, including Ohio University, MIT, Ford Foundation, R. K. Mellon Foundation, the Mead Corporation, the American Foundation for Management Research, and Lilly Endowment Inc. In 1964 Greenleaf also founded the Center for Applied Ethics, which was renamed the Robert K. Greenleaf Center in 1985 and is now headquartered in Indiana.

As a lifelong student of how things get done in organizations, Greenleaf distilled his observations in a series of essays and books on the theme of "The Servant as Leader"—the objective of which was to stimulate thought and action for building a better, more caring society.

The idea of the servant as leader came partly out of Greenleaf's half century of experience in working to shape large institutions. However, the event that crystallized Greenleaf's thinking came in the 1960s, when he read Hermann Hesse's short novel *Journey to the East*—an account of a mythical journey by a group of people on a spiritual quest.

After reading this story, Greenleaf concluded that the central meaning of it was

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that the great leader is first experienced as a servant to others, and that this simple fact is central to his or her greatness. True leadership emerges from those whose primary motivation is a deep desire to help others.

Who is a servant-leader? Greenleaf said that the servant-leader is one who is servant-first. In "The Servant as Leader" he wrote, "It begins with the natural feeling that one wants to serve. Then conscious choice brings one to aspire to lead. The difference manifests itself in the care taken by the servant—first to make sure that other people's highest priority needs are being served. The best test is: Do those served grow as persons; do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And, what is the effect on the least privileged in society? Will they benefit, or at least not be further deprived?"

### THE SCANLON PLAN AND PRINCIPLES, AND WHY THEY MATTER

**Epic:** Webster's Dictionary (adj.) *Marking an important date in history; of very great size.*  
**Synonyms:** historic, momentous, epochal, fateful, enormous, immense, and monumental.  
**EPIC:** *The essence of Scanlon Leadership, which stands for Equity, Participation, Identity and Competence, and the source for the title of this essay.*

The Scanlon Plan and Principles attempt to create worthwhile organizations within a diverse economy. By ensuring accountability to key stakeholders (Equity), by allowing those most competent to influence decisions (Participation), by educating all employees to the reality of their organization (Identity), and by constant commitment to personal, professional, and organizational development (Competence), Scanlon organizations create competitive advantage for investors, customers, and employees.

The great Scanlon leader D.J. DePree wrote, "A company is rightly judged by its products and services but it must also face scrutiny as to its humanity."

Scanlon organizations have become the best places to work in their industries, valued members of their communities, and trailblazers in environmental stewardship.

In the process, The Scanlon Principles also develop individuals. People who are exposed to the EPIC Principles are more in tune to reality, less dependent, more able to work with others, more satisfied with their work and are more competent at work and at home.

While the ideas in this essay have their origins in the life and work of Joe Scanlon, they evolved after his death in the 1950's to include ideas from many others. We have continued to call the ideas "Scanlon" whether they originated from Joe Scanlon or from those who followed him.

In 2008, The Scanlon Foundation published *Scanlon EPIC Leadership*, the book from which this shorter publication has been adapted. That anthology contains in one place the writings of the original great Scanlon thinkers/practitioners, including Joe Scanlon, Douglas McGregor, Fred Lesieur, and Carl Frost. It also contains contributions from many of the succeeding generation of Scanlon thought-leaders like Max DePree, Dick Ruch, Dwane Baumgardner, Peter Scontrino, Terry VandeWater, and Richard Frost. It also contains separate chapters on Servant Leadership, Open-book Management, Lean Systems, Six-Sigma, and more. Each of these concepts represents a particular tradition associated with Scanlon.

### A SCANLON PRIMER

As Scanlon ideas have evolved over the past seventy years, a unique language has been created that is comfortable to Scanlon

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practitioners, but which may be confusing to those who are new to the ideas. We think it may be helpful to you, our reader, if we provide the following brief “Primer” on Scanlon thought and history—

- A “Scanlon Plan” is a written document that explains how Scanlon Principles are practiced in an organization. Each plan is unique to the organization that created it.
- The Scanlon Principles today are called the EPIC Principles. Historically, the Principles were first written as I.P.E.C. to reflect the importance of the “Identity” Principle. Identity, Participation and Equity were the first three Principles to be developed by Carl Frost based on his association with Joe Scanlon. The last Principle—Competency—did not appear in writings until the 1970’s. At first, it was called Managerial Competency, but over time, it evolved into Competency for all levels and functions.
- There are no universal definitions of the four Scanlon Principles. While the broad concepts imbedded in each Principle are clear to most Scanlon practitioners, there are many variations in how they are defined and interpreted.
- Scanlon Plans are generally created using an organizational change process called the “Scanlon Roadmap.” The Roadmap begins with a “mandate” for change developed by the top leadership inside of an organization. The Roadmap includes a series of steps that include secret ballot votes, and the creation of an ad-hoc or design team that creates the actual plan. Each organization following the roadmap determines the number of votes they will require and what level of approval is required to proceed. In Scanlon tradition,

the “vote” usually refers to the company wide vote taken to create a design team, or the vote to give the Scanlon Plan a trial period even though there are multiple votes.

- In the early Scanlon Plans, references were often made to Production Committees and Screening Committees. Today, Production Committees would most likely be described as work teams or departments. Screening Committees are representative groups that “screen” or review ideas from the various teams or departments. Today they would be described as continuous improvement teams, or cross-functional teams.
- The Scanlon conference, we believe, is one of the oldest continuing gatherings of business leaders in North America. It began at the Massachusetts Institute of Technology (MIT) in the 1940’s. Michigan State University (MSU) also hosted the conference for a number of years. Since the 1960’s the Scanlon Leadership Network has hosted the Scanlon Conference. The Scanlon conference includes delegates from various Scanlon organizations as well as guests. Conference delegates include front-line employees learning along with their top leaders. Together they listen to keynote speakers and attend workshops. They return from the conference with the expectation they will take what they have learned back into their organizations. The conference serves as a major renewal and organizational development tool in the Scanlon community.
- The Scanlon “Network” or “Association” or “members” refers to the nonprofit network of Scanlon organizations formed in the 1960’s to conduct Scanlon related research, to serve as a Scanlon information clearinghouse, to develop Scanlon related products and

services and to gather Scanlon best practices. The Network serves as the custodian of Scanlon related thought and practice. Network members are organizations, not individuals.

- The Scanlon Network created the Scanlon Foundation in 2002 to take Scanlon ideas to a larger audience, and to meet the charitable needs of the Scanlon movement. The Foundation has made possible the creation of this essay. Individuals who wish to keep the dream of “Joe the steelworker” alive are welcome to join the Foundation. Donations to the Foundation are tax deductible.
- When a Scanlon practitioner inquires, “What day is it?”, He has not lost his calendar. It is a type of Scanlon-speak shorthand, which means: Do you understand reality? Do you know who your customers are? Do you know who your competitors are? Do you know if you are making or losing money?
- When a Scanlon practitioner refers to the “Equity Triangle” or simply “the triangle,” they are referring to the major stakeholders in the organization who are often pictured on an equilateral triangle. Traditionally the triangle has included employees, customers, and investors. Some Scanlon organizations like Watermark (a nonprofit) have modified the stakeholders changing investors to “organization” and customers to “members.” Donnelly modified the triangle into a pentagon to include suppliers and community as key stakeholders. What is important is not the labels, or how many stakeholders identified, but the fact that Scanlon organizations strive to meet the needs of multiple stakeholders—not just stockholders.

- When a Scanlon Practitioner refers to “gainsharing,” “goalsharing,” “the bonus,” or “the ratio” they are referring to a group incentive system common in most Scanlon organizations. Each organization creates its own system often with the assistance of the Network or an approved Scanlon consultant.

### BETTER TOGETHER: SCANLON EPIC LEADERSHIP AND SERVANT-LEADERSHIP

Scanlon practitioners’ assumptions about human motivation are what Douglas McGregor later labeled “Theory Y.” We believe that people are self-motivated, and there is great creativity widely distributed in the human family. We believe given the right work environment people can routinely achieve the impossible. We strive to build systems and structures to create the right environment. Scanlon practitioners pioneered many methods and tools like employee involvement, teams, gainsharing, open-book management, labor management cooperation, lean systems, etc. based on Theory Y beliefs.

Some organizations have adopted Scanlon tools without a commitment to the underlying Scanlon beliefs. The great Scanlon Leader Max DePree wrote, *“Managers who have no beliefs but only understand methodology and quantification are modern day eunuchs.”* It takes a special type of leader to lead in the Scanlon way. Max DePree has also taught many of us that, *“the first responsibility of a leader is to define reality. The last is to say thank you. In between a leader must become a servant.”*

Scanlon leaders are servant-leaders. The Scanlon community and the servant-leadership community share much in common while maintaining their own unique identities. Servant-leadership is fundamentally a philosophy for life and work. It starts with each individual but also has important applications for organizations. The four Scanlon

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Principles (Equity, Participation, Identity, and Competence) serve as the philosophical core for the Scanlon Plan—a particular means for companies to implement those principles. The place where servant-leadership and Scanlon principles come together is at the beginning—inside the heart-and-mind of each individual seeker who begins by asking him or herself questions like: “What is my greater purpose?” and, “How can I better serve and lead others?” For some people and organizations, the answers to those questions have led them personally to servant-leadership and, corporately, to become Scanlon companies.

### **SCANLON ORGANIZATIONS ARE SERVANT-LEADERS**

Why are servant-leadership and Scanlon principles so important today? After all, in our fast-paced world there are not a whole lot of ideas from a half century ago that have worn their age very well. Over the past half-century, there has been an increasing level of dissatisfaction and resultant changes in the workplace. Decade after decade has brought forth a growing number of people inside organizations who expect more of their organizations in terms of caring and encouraging behaviors. While the uncaring models are still to be found, they are slowly going the way of the dinosaurs. In their places we find newer organizations that are flatter (not so pyramidal and hierarchical), and where decisions are more often made by teams than by a single individual.

We also find many more servant-leaders working inside large and small organizations today than ever before. Servant-leadership and Scanlon principles are helping to lead this social movement—a worldwide movement that is increasingly more in tune with contemporary organizations and rising expectations. These expectations are now much higher for

organizations when it comes to their customers, clients, communities—on both the serving side and the leading side of the equation. As such, organizations and companies that practice servant-leadership and/or Scanlon practices are increasingly found near at the top of their particular industries.

Together, servant-leadership and Scanlon ideas are a very natural fit. Some Scanlon companies have an explicit understanding of this and embrace servant-leadership as a philosophical foundation upon which their Scanlon Plan operates. Others may not call what they are doing servant-leadership or Scanlon Principles, but when you talk with them it is clear that they hold to those beliefs and practices. Two fine examples of servant-led Scanlon companies are Thomson-Shore and Landscape Forms, both based in Michigan.

In recent years, there has been a kind of cross-fertilization going on between the ideas of Greenleaf and Scanlon/Frost; and between the Scanlon Leadership Network and The Spears Center for Servant-Leadership. We are drawing energy and ideas from each other in a way that is exciting and full of promise.

How can servant-leadership be beneficial in both personal and professional areas of life? Part of the great appeal of servant-leadership is that it encourages people to be who they are, all the time. It also encourages others to be more accepting of their colleagues, family, etc. without feeling a need to change them. That can also be a powerful and healing product of servant-leadership and Scanlon Principles.

Both servant-leadership and Scanlon principles are about who we want to be in relation to others, and a deepening expression of the innate desire that many of us have to both serve and to lead others. There is no single way that companies have sought to implement servant-leadership. Servant-leadership and Scanlon Principles are taught

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and practiced in different ways in various organizations. Those companies that have also adopted the Scanlon Plan have found that there are reproducible learnings and results.

### FOLLOWING IN THE FOOTSTEPS OF OTHERS

The 20<sup>th</sup> Century produced a number of highly-principled business leaders who seemed to share deep concerns about the industrial age, and who sought to bring to bear their considerable personal insights and visions in order to point the way to those who followed.

Organizational leaders such as Joe Scanlon, Max DePree, Carl Frost, Warren Bennis, John Donnelly, Robert Greenleaf, and others have

gone on to make use of their experiences, and to write about them, with the goal of creating positive change within organizations and society. They and many others were innovators who felt called to align their organizational practices with their own spiritual or humanistic beliefs. We feel a deep sense of appreciation for these pioneers, and for the many men and women who now follow their example.

Those of us who are privileged to carry forward and to expand upon their work in the 21<sup>st</sup> century are also called to share the heart-and-soul of servant-leadership and Scanlon EPIC Principles. Working together, we help to widen the path for those who follow. Working together, we really can achieve the impossible.



## 4 AFTERWORD by Max DePree

### Those Without Vision Perish: A Call to Action

The Scanlon Plan now has a long history. Where organizations have implemented it in a sophisticated and responsible way, it has helped people by the thousands to grow and to develop their gifts through the opportunity to participate genuinely in meaningful work.

In a Scanlon operation, the inevitable tensions produced by innovation and change are calmed by good communications and an understanding of why things are the way they are. Instead of the demotivation of tight and limiting supervision, there is the freedom of personal responsibility and joy of new horizons in the work place. With this freedom comes the enabling dignity of authenticity as a legitimate and accountable member of the team. Over many decades and in many organizations in a variety of cultural settings (often within the same group), the results have been astonishing. Change becomes normal. New ideas and innovation become the standard. Continuing education and personal growth become routine. Organizations become more competitive, more profitable, and therefore more sustainable. Horizons, both personal and corporate, expand. A reservoir of accountability and good will sustains the group in difficult times. The practice of personal involvement spills over into our communities. In light of the condition of our society and an epidemic of errant and selfish leaders, I believe that the elegant breadth of the Scanlon idea deserves further thought. With a discouraging regularity—so much so that our senses almost become dulled—we learn of researchers doctoring results, of corporate leaders on trial, of sports figures cheating. Government “servants” confess to profiting from inside information. Our entertainment industry is awash in trash. People once thought to be models for the aspiring are becoming a

social fifth column, tearing down confidence and hope in our values. Are these failures even news any more? Or have we, like the prisoners in the old joke, weary of repeating ourselves, just given these tragedies numbers?

The great strength of Scanlon is the potential unleashed by freeing an entire organization to do its best, to become involved. A recent story from my friend Jill reminds me of the heart and spirit and potential of the Scanlon idea and of the enormous difference many folks, not necessarily top leaders, make in our world. Jill is a nurse and an administrator in a large health care center in southern California. She called the Red Cross and offered her services to help victims of hurricane Katrina. The mother of three grown children, she was told to pack her bags and report to Tyler, Texas, a city that had agreed to care for 1500 refugees and then had to figure out what to do. Volunteers appeared. Schools and churches, unions and business people checked in. Churches became dorms, and later families moved in with families. Pharmaceutical companies shipped in supplies and medicines. Clinics were established. Within two days after arrival, children were in schools. Communications and order were established, clothes and food and toys arrived. Work responsibilities were assigned to both volunteers and refugees. Daily rituals took hold. Lives were saved; families were reconnected; trauma was treated; health care was delivered.

What an inspiring picture repeated in many places in America of good will, love, energy, skill, and effectiveness. Why do I tell this story? Because I believe it gives us a new way to think about the elegant breadth and potential of the Scanlon idea. What happened in Tyler, Texas, you see, is an exciting example of social innovation.

In the free market system, we have demonstrated great ability in materials and process innovation, and that's good. We have a remarkable track record as custodians of the nuts and bolts side of the system, but a serious imbalance exists on the social side. Implicit in the Scanlon idea is custodianship of the whole of our life together. It must become a shared devotion.

How can the idea of custodianship—a venerable and powerful concept—help us with the growing awareness that our social condition is in need of the kind of care and ingenuity we bring to product and process?

Who will be our custodians? Is it reasonable to ask those who believe in the Scanlon idea to extend their commitments and their competence to the challenge of social innovation and moral obligation? Surely, the social segment of life is in great need of equity and participation, identity and competence.

For me, custodians should be the guardians of our most prized assets. We all are, for instance, the custodians of ideas. We are required to both propose and respect ideas, which often begin as something fragile, and to imagine their consequences.

We are the custodians of beauty. Three devils threaten us in the search for beauty in our society. One devil is a concern about money, which should be after all a normal and helpful constraint, and not allowed to become a debilitating preoccupation. The second devil is the shadow of utilitarianism, the idea that something only has to work. The third devil is laziness in the pursuit of becoming the best we can be. These devils often cause us to forfeit our advocacy of beauty.

As custodians we design the kind of community we intend to be. An important concept is that we share needs – the need to belong, to be valued, to be nurtured. We seek to be a learning community and a community

that shares its commitments. We honor priorities, realizing that true innovation depends on trust, thrives on constraints, and is seldom initially popular. Custodians live effectively with these ambiguities.

Custodians have the courage to be human. The quality of our relationships counts. Character counts. Our language is important, Forgiveness enables. Forty years ago a friend taught me, "Love recognizes the sanctity of another life and wishes for it nothing but good."

Can those of us who are committed to the elegant breadth of the Scanlon idea begin to consider ourselves the custodians of social innovation? Why not? Who better than the companies who believe deeply in the Scanlon idea to be the launching pad for the next wave of effective activists? Who is better equipped to marshal the organizational experience, integrity, hope, and confidence needed to produce a broad renewal in our social condition.

Those without vision perish.

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## 5 About the Scanlon Leadership Organization

### ABOUT THE SCANLON LEADERSHIP NETWORK

The Scanlon Leadership Network is “where the best ideas come together” to create worthwhile employment, goods, services, and investments. The nonprofit Network is composed of three interrelated organizations: the Scanlon Leadership Network, the Scanlon Foundation, and the Scanlon Consultancy.

The parent organization is the Scanlon Leadership Network. Founded in 1964 by Herman Miller and the Donnelly Corporation, members range from small family businesses to large multinational corporations. Called “the best kept secret in Business” by business writers, the Network has helped five organizations become among the top 50 places to work in America.

The Network provides integrated products and services designed to help create cultures of excellence. Network members share Scanlon related best practices and training programs. The Network’s unique focus on all levels of an organization supports top leaders and front-line employees through training programs, assessments and surveys, conferences, tours, workshops, and retreats. The Network maintains the world’s largest knowledge base of Scanlon Plans, and Scanlon related training programs. The Network seeks progressive organizations interested in joining the Network. The Scanlon Leadership Network website is [www.scanlonleader.org](http://www.scanlonleader.org).

### ABOUT THE SCANLON FOUNDATION

The Scanlon Foundation was created in 2002 to support the public mission of the Scanlon Leadership Network. The Foundation conducts Scanlon related research, develops Scanlon related books and publications, and seeks to raise public awareness of Scanlon

thought and practices. The Foundation offers individual memberships for those who wish to support its ongoing work and mission. Tax-deductible donations can be made to the Foundation. The Scanlon Foundation website is [www.scanlonfoundation.org](http://www.scanlonfoundation.org)

### ABOUT THE SCANLON CONSULTANCY

The Scanlon Consultancy provides consultants and coaches who work with leaders and organizations interested in practicing the Scanlon EPIC Principles. Scanlon Consultants/Coaches are screened and approved by the Network. They are experts in Scanlon, EPIC Leadership, Group Compensation Systems, Culture Change, Labor Management Cooperation, Lean Systems, Strategic Planning/Hoshin Policy Deployment, Suggestion Systems, and Assessment. The Scanlon Consultancy website is [www.scanlonleader.com](http://www.scanlonleader.com).

