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Innovative Business Communication and Its Effect on the Bottom Line

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INNOVATIVE BUSINESS COMMUNICATION AND ITS EFFECT ON THE BOTTOM LINE

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An Abstract Presented to the Faculty of the Graduate School of Lindenwood University in Partial Fulfillment of the Requirements for the Degree of Master of Science

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ABSTRACT

This thesis will examine a variety of business communication styles and show how various forms of communication can have an impact on a company's profitability.

Although a number of variables have been known to contribute to a company's bottom line – sales volume, cost of production, quality of products, etc. – only in the last ten to fifteen years have companies begun to look at the impact their business communication techniques have on productivity.

In these times of downsizing, rightsizing, and reengineering, it is more important than ever to maintain open lines of communication among all levels of employees. It is no longer enough to maintain good communication within your department or work group. It must go beyond those lines to other departments and other locations. A company must be able to operate as a finely tuned machine, with all departments and locations working together. There must be as much concern shown for the internal customer as there is for the external customer.

This paper looks at more than just how words are spoken and messages received. It delves into overall employee treatment and

employee development as forms of communication. Areas covered include empowering workers to identify problems and solutions; sharing more financial information to build a stronger team; using humor and fun to develop better morale; and various ways to instill a culture of ownership – even in companies without profit sharing plans.

Many companies with innovative ideas are mentioned in this thesis. Some are focused on more in depth due to their broad ranging communicative cultures. Clear examples are given to support the theory that companies that are committed to thoroughly implementing two-way communication systems throughout their work environment have happier employees. These employees are more productive and involved in problem solving and growth. Ultimately, these companies are more productive than the average company, and employees are the most challenged.

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DEDICATION

To my mom, Rita Kiefer, the person who taught me, by her example, to be open-minded and non-judgmental. These are the keys to good communication – to be able to understand as well as be understood.

And to my dear friend, Bobbi Linkemer, who encouraged me and complimented my abilities. Without her words of encouragement I would never have returned to school after so many years to complete my bachelor's degree and go on to get my masters.

Thank you mom and Bobbi. I love you both very much.

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CHAPTER I

INTRODUCTION

Communication 101

There is one skill that is required in all jobs, in all professions. Actually, it is required in all aspects of life. When an individual looks through the classified ads on Sunday, as so many do, there is one set of skills specified for almost every position advertised. Most ads say something to the effect of, "Must have excellent oral and written communication skills." Almost every ad, for a receptionist to a Vice President, for a secretary to a CEO includes this criterion in some form.

For the most part, people think they communicate quite well. They talk; they listen. What else is there? In fact, millions of people walk around in this country thinking they know how to communicate, when, in reality, they do not.

Communication is the exchange of ideas, messages, or information as by means of speech, signals, or writing. In other words, throughout people's lives they are continually communicating through their spoken words, written words, and non-verbal actions. Therefore, communication goes far beyond merely talking and listening.

If one analyzes the way people communicate in their personal lives, and carries that observation over into their professional life, a number of similarities will become evident.

Don't all people have disagreements with their spouses or significant others, their children, their parents, friends, and acquaintances? A father may tell his child to do something and find that the child completely missed the point. Or a husband who expresses his opinion to his wife observes that she seems to totally ignore his view and proceeds in a totally different direction from the one he suggested. He may feel as though his opinions are not valued or that his spouse doesn't care about his feelings.

These are all very common experiences in people's personal lives that can easily show up in the work place, where people interact with superiors, peers, and subordinates every day. The same types of miscommunication that occurs in someone's personal life can be seen in the workplace.

Miscommunication begins very early in life. Consider the mother who wonders why her children don't clean their rooms without being told to do so, and why, when they are told to clean their rooms, they don't do as good a job as this mother expected. It often takes parents a long time – sometimes years – to realize that if they expect their children to meet their expectations, they must clearly communicate those expectations to the children.

For instance, one child may feel that he has cleaned his room if he picks up the clothes that are strewn across the floor. It doesn't matter that his idea of "cleaning" is putting them on the floor of his closet and shutting the door. Out of sight, out of mind. He also fails to notice the clutter on the dresser, on the bed, and on the desk.

Another child might be more inclined to take everything off the floor and either throw it in the laundry or put it in a drawer. This child also deals with clutter by storing it out of sight.

It may appear that neither of these children know what a trash can is or how to use a dust rag or a vacuum cleaner. As far as they are concerned, a clean room means there is nothing on the floor.

Most parents eventually realize that they need to be very specific when they communicate with their children. Rather than asking her son to clean his room, a mother will get better results by breaking the job into pieces: pick up the dirty clothes and put them in the laundry; put clean clothes in the closet or dresser drawers; and clear away all the clutter on the floor, desk, or dresser.

If more tasks are required, the child needs further clear direction. If a parent expects furniture to be dusted and carpets vacuumed, those expectations must be clearly explained to the child. Clear and concise directions are the only way to ensure that one's message is getting through.

It is not just a matter of understanding *how* to tell others what is wanted from them; it is also a matter of understanding them and recognizing their positions, their needs, their wants, and their skill levels. In other words, communication is a give-and-take situation; and that is something most people have to learn.

Adults sometimes forget that children are not on the same intellectual level as they are; they do not know as much about life as adults do. Often, adults do not recognize that children have opinions of their own. When a parent realizes that what his children did when told to clean their rooms was, in fact, to clean their rooms to meet their own standards, not their parent's standards, that is the appropriate time to address the issue of clear communication.

Just as an employee doesn't generally come to work intending to do a poor job, but does a poor job because his or her boss's expectations have not been clearly communicated, so, too, children who do not know their parents' expectations will clean their rooms only to their own level of expectation. With guidance, clear communication, and patience, it does not take long to address this kind of issue and go forward in a positive manner.

This scenario can easily be observed in the work place. Every day people interact with co-workers, customers, clients, and management. How they present themselves is a form of communication. This doesn't mean just how they speak, but the image they project – the total package. Remember, perception is reality; and it is very difficult for most people to take an objective look at themselves and recognize how they come across to others. That ability is critical in order to be successful.

Consider a situation similar to the aforementioned scenarios involving children, parents, and how better communication can make an impact. Transfer the situation to the work place because similar scenarios are happening every day in offices across the country.

Communication in the Workplace – A Real Life Example

About two years ago, I was involved with a process in my company called an "Organization Review." I am the Human Resources Manager, and this was my first organization review. This process was designed to review departments for their structure and abilities. Each employee was rated by the department head on skill level, abilities, quality of work, and potential for growth. This evaluation was taking place during a time when business was not meeting corporate objectives, and there was talk of a reduction in force – a layoff.

In one large department, in particular, about ten employees were identified as possible candidates for layoff, based primarily on their overall job performance. In reviewing each person with the top management of the department, as well as with the Vice President of Human Resources, I suggested that we identify the specific areas of poor performance for each individual. I recommended that we talk with the manager of each of these employees and get to the specifics. I proposed that we then counsel the managers on how to address these areas with the employees – how to be specific and get to the core issues. I suggested we try to really communicate with all the employees as well as their managers.

I said that if we addressed each situation individually, helped facilitate clear communication about our areas of concern, and spelled out our expectations and what we considered acceptable performance, perhaps these employees would make the changes necessary to improve their performance levels to acceptable standards. After they laughed at me – and they did all laugh – they asked if I were willing to take on the responsibility of meeting with each manager and facilitating this process. I said yes, and the rest is history. Of those ten individuals, all but one are still employed by the company.

I immediately began to schedule meetings with each of the managers involved. We reviewed, in detail, each employee's performance and the areas of concern. I talked with the managers; I listened to their concerns; and I coached them on how to approach the employees in a firm, but non-threatening manner. It has been my experience that most managers don't want to confront performance issues. Similarly, most employees don't relish the prospect either. This is human nature. It is not an enjoyable task to have to tell someone he or she is not performing to the level you expect. But it is just like teaching children to clean their rooms. They don't know what you expect if they are never told.

In addition to coaching the managers, I sat in on some of their meetings with the employees. I did this on an "as-needed" basis. If the manager and I felt the employee would react negatively, or would become very defensive, I could be there to help ensure that communication stayed focused on the real issues and were clear and concise. For most meetings, I was not involved. In each meeting the manager was able to address the performance issues, provide a list of expectations, and establish a time frame for improvement. In the end, only one employee reached the point of being given a final warning. That means that, following review of his performance issues and areas for improvement, he was reviewed again at 30 and at 60 days, each time showing no signs of improved performance. Although we planned to terminate him for poor performance, he resigned to take a job with another company before we took action.

This is just one example of how communication can impact how a company is managed. In this case, ten individuals were identified as probable layoff candidates. If the company had not taken the time to clearly communicate the issues, these people would have been laid off, paid severance, and been forced to find new jobs. The company would have had to redistribute their workloads; make do with fewer employees than is practical; and, eventually, replace most of them. This would mean going through the hiring and training process, which is very costly and time consuming.

Instead, the company spent some time addressing the issues, developing action plans for improvement, and creating a win-win situation for the employees in question and the company. The employees are now performing at a higher level, their departments are running at close to peak performance, and the company is benefiting from their improved productivity. This is a clear example of how spending a little extra time on communicating well can go far beyond problem resolution and produce added benefits for the company.

Examples of Companies That Listen

From a broader perspective, most companies don't spend as much time communicating to their employee population as they should. Many companies claim to have an open-door policy, which means an employee can feel free to go to anyone in top management to discuss issues, concerns, or questions about how the business is run.

At Lincoln Electric, an open-door policy is strongly encouraged. Not only does management invite employees to meet with the president and chairman of the board, or any other executive of their choice, they also have an advisory board made up of twenty-nine employees from every geographic location in the corporate Cleveland area. There are staggered elections, and new members are brought in annually.

This board has been in existence for seventy-five years and continues to meet with the president and chairman every other week. The board's mission is to discuss any topic that can improve the company, bearing in mind two rules. All discussions must be based on fact, and all decisions must be based on what is best for the company. Minutes of the meetings are published in company newsletters and posted so that information is accessible to all employees. This enables employees to become well-educated and informed about what is going on within the company. This is an example of a true open-door policy taken to a higher level (Sabo-www…sabo).

On the other hand, a company cannot claim to have an open-door policy when the office behind the door is usually empty or the door is always closed. If management is inaccessible, the open-door policy might as well not exist. In fact, it doesn't exist. Professing to have an open-door policy will be perceived as a lie if managers don't provide opportunities for employees to be heard.

At Hallmark, managers know that if employees talk to them, they had better make time to listen. This is an important aspect of their company culture. Division heads walk through the factory and just talk to people. That sends an important message to the managers that they had better be in touch with their people. In order for such communication techniques to be successful, there must be buy-in from top management (Flynn-"Sending..." 52).

Thousands of women work for Mary Kay Cosmetics, and they all marvel at their founder's accessibility. Though Mary Kay herself is a millionaire many times over and some may think of someone in her role as being inaccessible, prior to suffering a stroke in 1996, she used to invite employees to her home for tea several times a year. It takes away the mystery when someone totally opens herself up like that, and employees can relate on a personal basis. The perception of Mary Kay is that she welcomes her employees' thoughts and ideas (Fisher 83).

Problems With Classic Communication Tools

Examples of healthy organizational communication include regular department meetings; all-employee communication meetings held with members of top management; company newsletters; informal lunches with the president, where randomly chosen individuals have an opportunity to talk freely about issues on their minds; company suggestion boxes; attitude surveys where employees' opinions are solicited on a wide range of company-related topics; contests between departments to foster higher productivity and better inter-departmental communications. All of these forums are effective communication tools, if they are used properly.

Many companies profess to have good communication because many of the above mentioned tools are in place. The important questions are: How do they conduct a communication meeting? Is there management buy-in to implementing an employee opinion survey? Are issues identified and action plans created to address these issues? Companies may mistakenly think they are practicing good communication because someone from management regularly stands in front of a group of employees and tells them "how the company is doing" – in other words, how current sales compare to the sales forecast.

The most important information a company can have is the kind it rarely gets, and that is frank and honest feedback from employees. Even in companies where two-way communication is encouraged, it will always be difficult for employees to come forward and share ideas if there is a risk of reprisal. It is very difficult to alleviate the fear that openness with management will appear as a negative on a future performance appraisal (Flynn-"Pillsbury's…" 56).

In addition to being able to convey a clear and concise message, the other half of good communication is being able to listen and really hear the message coming from the other side. Experience indicates that not only do companies in general do a poor job of communicating with their employees, but top management doesn't communicate within its own ranks. Good communication must be based on trust. Robert Levering, co-author of *The 100 Best Companies to Work For in America*, in a speech given at the Foundation for Enterprise Development Conference in September 1993 said,

> A great place to work does not equal any one set of policies and practices. A great place to work is one where you can trust the people you work with. This seems to me to really emphasize the key dimensions of a good workplace – the quality of the workplace equals the quality of the relationships within the workplace (Levering-www...levering).

Can we expect a company that professes to have an open-door policy, that conducts quarterly communication meetings between the president and employees, and has religiously conducted employee opinion surveys bi-annually for thirty years to have informed employees? One would think so. But this is not always the case. In early 1998, the president of U.S. Electrical Motors division of Emerson Electric told me that a corporate directive from Emerson Electric Headquarters was about to be issued that would put a hiring freeze on all divisions within the Emerson organization. That would affect more than 75,000 employees world-wide. It was being done as a result of the Asian financial crisis. Even though many of the company's divisions – U.S. Electrical Motors included – had little or no dealings with Asia, the rationale was to help control the impact of the Asian crisis on those divisions that were heavily involved in the Asian market.

I talked, at length, with the president about when we would be able to start filling openings and how that process would work. He explained it, based on the information he had, and said he was going to review this issue with the Vice Presidents at the staff meeting scheduled for that afternoon. I was surprised a couple of days later when a Director of Finance asked me to schedule some interviews for an opening she had for a general accountant. When I asked her if she knew about the hiring freeze, she said "no." I explained the situation, and she asked me to delay the interviews. I know that the president did communicate the hiring freeze to his staff, but the staff obviously failed to communicate it down through the ranks. Several middle-management people asked me about a company-wide hiring freeze because they had heard about it from employees in other divisions.

This was the second time I had encountered this lack of communication within top management ranks that had a direct impact on me and my job. The first time was several months earlier when I was meeting with the president of our division to review several Human Resources related issues. In discussing current job openings and company needs, he mentioned a hiring freeze within our division. He said something like, "As long as there is a freeze on hiring, I am not going to approve any new hiring requisitions." I asked him if, in fact, he had issued a hiring freeze for our division, shouldn't that be communicated to those who are involved in the hiring process? He said "yes," and that he had communicated it to his entire staff the week prior. I smiled, and then said, "That's good but shouldn't someone have told me, since I'm the Human Resources Manager and I am responsible for recruiting?" He threw his arms up in despair and then apologized for not advising me of this situation. I currently report directly to the president because we don't have a Vice President of Human Resources. This means Human Resources is not represented at his staff meetings, which consist of the President and all Vice Presidents. To me, this is a problem because I never know what management decisions are being made that will affect our department and the rest of the employee population. This is a clear example of good intentions gone awry. I know management means well, and it doesn't intentionally do a poor job of communicating. But, so far, I have been unsuccessful in my attempts to get management to listen to my concerns in this area.

There are many well-run companies out there, trying hard to maintain a good dialogue among all workers, including management. Some are doing a great job; a lot of them are doing all right; and most of them are falling short. If a company takes the time to install and implement effective communication tools, ultimately it will improve productivity, which means a better "bottom line." Many people can't seem to see the merit in spending time and money on intangibles because they don't see the impact it has on the bottom line. This is an area that can clearly have an impact on the profitability of any company. It is also an area that is, too often, ignored.

There are some companies known for being employee oriented and interested in sound communication and a good work environment. Hallmark Cards, Ben & Jerry's Homemade, Southwest Airlines, and Microsoft are a few that are often in the news, and usually with positive things written about them. People love to work for these companies; turnover is low; and profits are high.

At Hallmark, the general consensus is that the cozy, homey qualities found there provide the real force that pushed Hallmark to the $4 billion mark last year. The warm, friendly atmosphere within Hallmark attracts the best people; and, when they find out it is genuine, those same qualities keep employees "carefully snuggled deep in the folds of the company" (Flynn-"Sending…" 52). At Ben & Jerry's, employee involvement is considered essential to the company's success. Management recognizes that everyone in the company has a different perspective, and they value the diversity of employees' ideas. By allowing employees to be involved with the company, and not just working for it, Ben & Jerry's fosters a healthy attitude among its employees. Because of their involvement, employees feel valued, appreciated, and take more pride in their work (Greenwood-www…/cases/b&j2.txt.txt).

There are countless other examples. One of the sources for this paper is *The 100 Best Companies to Work for in America.* Two St. Louis-based companies, Anheuser-Busch and A.G. Edwards, are in this book. Another Missouri-based company, Springfield ReManufacturing, is also described. One of the things these companies have in common is they all make strong efforts to keep the communication lines open among all employees – from the management level on down, as well as from the lower ranks on up. These companies are talking to their employees and listening to them. They are building strong relationships based on trust, honesty, teamwork, and a desire to do a good job.

Unemployment is currently at a very low level, and finding qualified applicants for jobs is becoming increasingly more difficult. Companies are no longer guaranteed the ability to hire top-notch employees and have to really sell themselves. Although there are no guarantees anymore, "There are things an employer can provide that distinguish it from everyone else in the marketplace and make it a place you want to work" (Bencivenga-"Employers..." 93). The pages that follow provide a closer look at a number of companies and their approaches to keeping the communication lines open within their organizations. From these examples it will be apparent how fair treatment of employees, listening to employees, and honest communication with employees can lead to increased productivity and, ultimately, to higher profits.

CHAPTER II

REVIEW OF CURRENT COMMUNICATION TRENDS

Communication is Serious Business

In every organization, communication is the one element that binds people together. What one person says to another person can, ultimately, affect the entire organization. Although one may think that his or her words and actions are insignificant and carry little weight, this is seldom the case (Richmond 15). In the business environment, what one person says, or does not say, has a great deal of influence on others. Communication is not just words; it is also actions. People hear what others say, they see what others do; and seeing is believing.

It is imperative that communication be taken more seriously than it is in most organizations. Having a meeting, sending out a memo, or leaving a voice-mail message is not sufficient to "spread the word." Clear and concise communication takes more. Without management buy-in at all levels, communication does not filter down, up, or out; and without company-wide communication, the organization will fail (Harvey 52).

All companies want to be successful. To do so they must be able to hire, retain, and manage productive people; employ people who work as a team; and delegate, empower, and have confidence in the workforce (2). This is not an easy task. It takes a great deal of time, energy, and commitment. Unless a company makes communication a high priority –

as high a priority as production numbers – it will not be as successful or as profitable as it could be.

In general, companies that succeed and grow create an environment that fosters idea sharing and a high level of productivity. To achieve this, a company must do four things: 1) set clear paths to goals; 2) admit what they don't know; 3) encourage new ideas; and 4) break down walls between departments. A recent study surveyed nearly 10,000 employees at companies of all sizes and in several industries. These were the four areas that had an overwhelming impact on productivity and employee satisfaction.

Fast-growth companies establish an atmosphere where good people can do their best work. Growing companies do more than just clearly communicate the company's goals. They also ensure that all employees know how they must perform in order to help accomplish those goals. It is important for each employee to understand how his or her efforts affect the bottom line ("Study…" 1).

Managers sometimes don't admit when they don't know the answer. Although it is difficult for managers to say, "I don't know," they need to learn to say just that. Employees in fast-growth companies say they have far more trust and respect for managers who admit they do not know the answer, but say they will get it. Sometimes the answer can come from within the employee population. Growth-oriented companies have managers who listen to employees' ideas and are open to trying new things. Even though managers are often thought of as being experts, they need to be open to listening to employee ideas and helping employees identify and correct the flaws in their ideas.

Employees of growing companies agree that inter-departmental teamwork is desirable and that it facilitates higher levels of productivity. In order to accomplish this, *all* employees, not just managers, need to understand how their work meshes with that of other departments. No company operates without overlap of departments. While, managers generally understand the overlap, employees need to be educated and encouraged to team up with co-workers in other departments (2).

Empowerment is Information Sharing

In the real estate business, the most important principle is "location, location, location." In the proper management of an organization it should be, "communication, communication, communication." Without strong and effective communication systems in place, employee commitment to organizational success will never be achieved. In the changing environment we live in, it is more important than ever before for businesses to create a work environment that fosters open communication (Wild 95).

Dr. Edward Lawler, Director of the Center for Effective Organizations at the University of Southern California, spoke to the Foundation for Enterprise Development (F.E.D.) Conference in 1991. Speaking on the importance of instilling a sense of ownership among employees, Dr. Lawler said:

> To be effective in most global markets, organizations must be able to respond quickly with high quality products and at a very low cost. Just having a good quality product is not enough. Just having a low cost product is not enough. Just getting a new technology to market faster is not enough. You have to be able to perform well on all three of those dimensions. To do that, people throughout the organization, particularly people at the lower levels, need to be empowered to do more, care more, and know more about the business (www...lawler).

Lawler went on to explain what would be required: an involvement-oriented management style that would allow for broader communications, and a flatter organizational hierarchy that would push some of the power downward. But empowerment without information, knowledge, and rewards will not necessarily build a successful organization. Management has to recognize that, through empowerment, some of the most productive ideas will come from the rank and file who are closer to the products and the customers. Management's job is not to dictate but to harness the power below them and help facilitate moving good ideas from inception to implementation.

The first step to empowering employees is through sharing of information. It is not enough to merely show the broad picture of how the company is doing. Company performance must be conveyed in simple, open, honest language. For example, Connor Formed Metal Products publishes an employee newsletter that provides monthly and year-to-date profit and loss figures, and other financial information most companies only share with management. Information is power, and if employees are expected to be involved and to make good business decisions, they have to be well informed (Quarrey-www...quarrey).

There are four requirements for involving employees and motivating them to care about their organizations: information, knowledge, power, and rewards. If all four of these elements are not present throughout the company – from top management down to the lowest levels of the organization – people simply cannot be expected to care or to get involved the way they need to in order to optimize the performance of the business (Lawler-www...lawler).

In the participatory work environments that have become so prevalent in American business, the rigid carrot-and-stick approach has become obsolete. Employers can no longer expect that simple and gentle "carrot" approaches will ensure positive behaviors, nor that punitive "sticks" will prevent negative ones. To be more in sync with society and corporate America today, people need to develop a systems mind-set, instead of a linear one (Yandrick 98). Employees need to be involved in how the work is being done, as well as how to solve problems that may surface. This means empowerment. And for empowerment to work, employees have to make good decisions. The only way to ensure that they are making good decisions is to feed them a steady diet of truth about what is really going on within the company. Accurate feedback in the form of widespread sharing of information is essential for an organization to use the intelligence of it people (Anfuso 52).

Growth Through Communications

Positive strategies for dealing with problems lead to more positive outcomes. In top performing organizations, the vast majority of solutions come from the rank and file. But strategies for improvement must be delivered within a structure that sets parameters on worker conduct and job performance. Open communication is critical, but so is structure in order to avoid chaos. Open communication without a clear path for information flow can prove to be counterproductive. Employees should be given the pathways necessary to resolve problems blocking work improvement and personal fulfillment. This means having a clearly defined process for information flow – up, down, and out (Yandrick 100).

In addition, organizations must be willing to invest in people. Lawler states that, "Only if we build their knowledge and expertise are we going to be able to move decisions down, equity down, and power down." This leads to sharing of information. In this time of doing more with less, many companies are operating with a leaner workforce. None-the-less, they must make time to share information.

With modern technology there are means, in large and small organizations, for employees to find out how the business is doing, provide input about the direction the business is going, and comment on new policies. Technology even affords an opportunity to form virtual groups that can manage themselves over electronic hardware without the necessity of face-to-face contact. Thus, there is no excuse for lack of information sharing in any kind of organization, of any size, and no matter how spread out or confined to a small area (Lawler-www...lawler).

Two-way communication is important. It is vital during any change effort, not just as a way to elicit commitment from people, but to engage their best thinking about how to improve processes. Change is an on-going process today, and honesty is still the best policy. Sharing ideas as soon as possible, rather than waiting until everything is final, is critical to dispelling suspicions of secrecy and increasing the opportunity for all employees to influence the development of the process. No one wants to implement major changes and then find out from the workers that these changes won't work because the decision makers didn't have all the information they needed (Wild 97).

As the keynote speaker at the 1993 Foundation for Enterprise Development Conference, Dr. Robert Rosen, President of the consulting firm, Healthy Companies, related his management model to employee ownership. He referred to open communications as the most important dimension. Rosen stated:

> Many of the organizations we encounter suffer from structural arterial sclerosis – communication channels are not as open as they could be. There is a gap between what is said and what is heard. When we talk to leaders who create open environments within their organizations, the most important quality that we hear is credibility. It is our belief that you can not create an employee ownership culture unless the leaders are willing to step-up to the plate and create a credible, safe environment in which people can grow and develop. Honesty is vital to open communication (www…rosen).

Rosen feels employee involvement is also critical to creating a productive work environment.

> After communication channels are open, the challenge is, how do you share the vision, power, control, and make sure that everyone in the organization has the right tools to perform their job well? The tools in the new work place are recognition; skills; information; responsibility; and, most importantly, purpose. Often we give employees information and responsibility, but we don't link them to the big picture of the corporation (www…rosen).

Learn to Listen

Even the best managers cannot be expected to manage everyone well all the time. It is important to recognize that clear communication isn't something that just happens. It is something that has to be worked at every day. Speeches won't cut it; employees need real conversations with open dialogue. Managers must expect some miscommunication, and then they will have to search for better ways to facilitate open lines of communication. They should be encouraged to ask questions for which they do not know the answer. Then they should be ready to sit and listen to what employees have to say. Employees' ideas can have a big impact on the bottom line. Employees should be asked serve on boards and task forces. They should be involved in the design of policies that encourage strategic communication. A manager who is a good communicator will accept only 60 percent of the responsibility for the conversation, and will recognize the importance of listening to his or her employees (Stanford-www...mbj).

Robert Levering has observed a trend toward increased communication, particularly more two-way communication.

> We found that many companies now have more mechanisms for people lower down to talk to people higher up. For example, Tandem Computers in Silicon Valley has a town meeting with the CEO using a satellite downlink to connect forty Tandem sites throughout the country. Then there are companies who have set up breakfasts or brown bag lunches with the CEO. But I think what's really important is the fact that it's two-way communication; it isn't just one-way (Levering-www...levering)

Most *Fortune* 1000 companies still do not give basic financial information to most of their employees. Employees do not get an annual report; and they do not get invited to meetings that describe the economic performance of the organization, either at their local business unit level or at the corporate level.

Lawler says that, in terms of knowledge, most employees indicate they have not received any training in the last three years. Most have never had financial training. Most have never had access to any kind of on-line information system (Lawler-www…lawler). This indicates a far-reaching need to improve the communication throughout all organizations.

If the *Fortune* 1000 companies are not doing it, there are thousands of other companies also lacking in these same areas. Corporate relationships must be built among all levels of employees if companies are to continue to be profitable in today's highly competitive environment. Levering has identified three types of relationships: One is between employees and management, in which trust is absolutely key. The next one is between the employee and the job, where pride is the most important. The third is the relationship among employees, in which fun or enjoyment is so important.

Trust is a critical component of a great workplace. To foster trust, a company needs good communication, but it must be two-way communication. The company must also have a strong commitment to the communication process. What is important is not so much what is promised, but that the company deliver on its promises. And there is no substitute for actually caring about people. This is what Levering and Milton Moskowitz found when they visited company after company in researching their book on the 100 best companies. Time and again employee comments indicated they felt appreciated and that the company was interested in them.

According to Market Facts' Telenation, a Chicago-based independent research organization, failure to listen to employees is a nationwide problem. In a 1997 poll of 638 employees, more than 90 percent said they had good ideas on how their companies could run more successfully. Yet, more than 50 percent observed a lack of management interest and lack of a good means for sharing those ideas prevented them from communicating their ideas to management (Flynn-"Pillsbury…" 57).

It is apparent from widespread research among companies of all sizes that people need a better reason to get up in the morning besides money. Once people reach a certain level of material comfort, they care more about being interested in what they actually do all day. It is very important to people that they are challenged and enjoy the work they do. After all, the average employee spends a third of his or her life in the workplace (Fisher 80).

Dr. Robert Rosen, President of Healthy Companies, has stated that research is beginning to indicate that organizations that invest systemically and culturally in the human side of business are the ones that are becoming more successful in the market place. Rosen noted, "Each dimension represents a reciprocal relationship. This is not about only creating better work environments for people; it's about creating reciprocal partnerships between healthy, productive adults and healthier, productive work organizations" (Rosen-www…rosen).

In a recent study by Columbia University on the impact of a systemic approach to human resources on financial performance in the steel industry, the following findings emerged: Companies that produced greater amounts of steel were those that (1) implemented a full system of human resource practices, including group and team incentives; (2) in which high levels of management trust had developed; (3) where there was a high degree of effort and positive peer culture; and (4) where credible employment security commitments existed (Rosen-www…rosen).

It was determined that a one percent increase in up-time on the line produced $30,000 per month in operating income. Healthier steel lines were producing an increase of fifteen to twenty percentage points in up-time. If a company gets $30,000 per month more revenue for each percentage point, and they multiply that times twelve months, and then multiply that by twenty percentage points, it could result in several million dollars difference between companies that are using progressive systemic people management tools and those that aren't. That is a significant amount of increased profit for taking the time to care about and listen to employees (Rosen-www…rosen).

Other organizational and management approaches, such as Total Quality Management (TQM), have sought to improve employee motivation. These approaches generally use techniques such as empowerment and work teams, which place more power to make decisions about daily operations in the hands of the workers (Yandrick 97). Ninety-five percent of all employees are not only capable of contributing more to their corporate enterprise, they are willing and, very often, anxious to contribute more. Creating an employee-ownership culture requires sharing business information and decision making with all levels of employees (Gaffney-www...gaffney). Informed employees are no longer using the phrase, "It's not my job" and are more willing to take on any task to get the job done. This kind of thinking results in greater profitability (Stanford-www...mbj). Companies throughout the country are examining employees' need for lifetime employability and continuous development of skills. After years of downsizing, rightsizing, reengineering, and restructuring, employers and employees are coming to terms with each other in new and innovative ways, leading to what some are calling the new employment pact (Bencivenga-"Employers..." 92).

Competition in today's global marketplace is intense. Companies should be spending as much time on employee development as they do on increasing the bottom line. Rating employee performance and communicating strengths and weaknesses are essential. They are two of the best ways to improve productivity and performance. Ultimately, these two factors greatly affect the bottom line (Martinez 109).

CHAPTER III

REVIEW OF SOME CONCEPTS THAT WORK

Fair Treatment

Employees are often willing to give their all, but in return they want fair treatment and a sense of security. That means training to improve their skills for the next job; performance-based compensation that includes bonus plans, incentives, and stock options to give them a stake in the company's success; and portable benefit and retirement plans. In addition to these basics, companies need to consider increased job flexibility, telecommuting, and family-care issues. Typically, employers who want more productivity, innovation, and commitment from employees are finding they must do more than tell employees they will have a job as long as they help the company make money (Bencivenga-"Employers..." 91). In the evolving contract between workers and employees, one thing is certain. As we enter the next century, more now than ever before, employees must be treated as business partners, capable of taking in information and making smart choices. There is a huge need to educate workers on how their jobs can influence corporate profitability. A company that does this can find itself with a very potent workforce (PR Central 6).

Statistics show that workers improve corporate performance. The Gallup Organization surveyed 55,000 workers in an attempt to match employee attitudes with company results. The survey found that four attitudes, taken together, correlate strongly with higher profits. When workers 1) feel they are given the opportunity to do what they do best every day; 2) believe their opinions count; 3) sense that their fellow workers are committed to quality; and 4) make a direct connection between their work and the company's mission these attitudes will be reflected on the bottom line (Fisher 81).

These attitudes are certainly present at A.G. Edwards, a St. Louis-based stock brokerage firm included in the 100 Best Companies list. Sue Loncaric, an applications technical specialist in the IT Department, feels appreciated at A.G. Edwards. Observes Loncaric, "I am treated with respect; people listen to my ideas; I have proven myself; and they have trust in my abilities. My work is specialized. They have to rely on me, and they do." After more than eight years with A.G. Edwards, Loncaric says it would take a lot to make her consider leaving this company. The benefits are very good, but it is more than that. She truly feels she plays a valuable role in making this company successful.

Following a recent survey of all IT employees (600+), many changes were made. Task forces were created to address employee concerns; ergonomics specialists were brought in to evaluate work stations; a flex-time work schedule was instituted; management is investigating the possibility of telecommuting; and salaries were adjusted based on an increase in turnover. This sounds like a company that listens to its employees and is concerned with fair treatment (Loncaric).

Although suppliers to the auto makers have had to fight for continued business following increased competition in the last decade, Fel-Pro – a privately held, $390 million company that makes gaskets, sealants, and lubricants for cars – has stayed competitive without compromising on the way it treats employees. Although some key customers of Fel-Pro have asked for price cuts of as much as 20 percent over the next four years, the company has maintained an admirable record of being family and worker friendly. "It's more challenging to support the workplace we want to provide," says Co-President Dennis Kessler, a fourth generation, part owner of this 80-year-old company, located in Skokie, Illinois (Green-www…time).

This kind of thinking goes back to the 1950s when the company first invited worker participation (participative management). In the 1960s the company developed a 220-acre site for a recreation center, and in the 1970s a summer camp for employees' children. In the 1980s the company opened its own day-care center. Fel-Pro still provides an impressive display of benefits and worker-friendly programs, including flexible starting times, a profit sharing plan, and a culture that solicits ideas from all employees.

Working Mother magazine has put the company on its "best places to work" list for 10 years running. Says Editor-in-Chief Judsen Culbreth, "They have a broader perspective and are very involved not only with their employees but also with the community they work in and in child care issues across the country" (Green-www…time). Fel-Pro has retained a strong commitment to education – not just for its employees, but for their families, as well. It offers tuition reimbursement to all employees and pays bonuses to those who earn degrees. The company also chips in for tutoring of children with special needs, and college-bound children of employees get scholarships of $3,500 per year. Fel-Pro's return on its long-term investment in people has enabled the company to lower costs and increase market share (Green-www…time).

Surveys continue to support the premise that better treatment of employees can yield high returns. A recent study at Xerox showed that work alternatives, such as flexible scheduling, not only improve morale, but can also reduce absenteeism by as much as 30 percent. Another survey by the management consulting firm of Deloitte & Touche revealed that 84 percent of high-level executives see a link between profitability and the way companies treat workers. Seventy-one percent of these executives reported that their companies use work teams in decision making. The study found an overall incline toward balancing employee interests with those of the company's other stakeholders (Yandrick 99).

Innovative companies are trying to help employees maintain control of their lives in today's increasingly demanding work environment. Cutting-edge, alternative work arrangements are intended to give employees the flexibility they need to balance work and family responsibilities. It is important to note that even the best developed programs will not be successful unless company managers believe they will still be able to supervise their staffs and that these efforts will help the company meet its goals, improve productivity, and improve employee retention and increase customer satisfaction (Graham 108).

At the Chubb Group of Insurance Companies, a 1991 work-and-family needs analysis determined that, of 7,800 employees in this country, 60 percent were in dual-career families. About 50 percent had child- or elder-care responsibilities, and 20 percent anticipated having such responsibilities within the next three years. Almost one-third of employees who left the company thought their decision would help them balance their work and family lives. It costs 97 percent of salary to replace the average insurance industry employee. In the case of exempt employees, the average replacement cost is 150 percent of salary. On the basis of these data, it cost Chubb more than $3 million to replace the 50 exempt employees who left the company in 1992 and 1993 for child-care reasons (109).

In 1994, Chubb formed focus groups at 14 offices across the country. The company found that employees were looking for more flexibility. As a result, it introduced two more programs: paid time off (PTO) and a snowy-day child-care program. Most managers were very skeptical of the new, innovative programs. Both programs were developed as a result of employee responses to questions about the causes of missing time from work or being less productive. As each program was rolled out, Human Resources (HR) worked to help managers become more comfortable with its provisions. By giving employees options and managers the right tools, Chubb anticipates these new programs will achieve the objective of improving employee recruitment, retention, productivity, and ultimately, the company's bottom line (110).

It is not enough to merely implement worker-friendly programs. What Chubb discovered was that many employees perceived negative ramifications to requesting or using any type of flexible work arrangement. They felt they might be held back from promotions or assigned to undesirable projects if they took advantage of these programs. In response to this perception, HR developed a series of programs and tools to help managers and employees adjust to the flex-time arrangements. A guidebook for managing alternative work arrangements was designed to help managers analyze, manage, communicate, and monitor performance within the flexible work schedules (110).

Another avenue for fair treatment is the open-door policy prevalent in many companies. At Ben & Jerry's Homemade there is much more than an open-door policy. An open-mind policy is encouraged, and feedback is well received. Although the company surveys its employees and feeds back the results, it goes a step further by its encouraging company involvement on the part of all employees. At Ben & Jerry's, one key to keeping employees happy is the ability to respond to their needs. Obviously, management cannot be aware of employees' needs if it sets itself on a different level or if it doesn't listen to them. At Ben & Jerry's, there are many different quality-oriented groups that include employees across all levels. These process-involvement teams focus on everything from flavor selection at supermarkets to the design of the production facility (Greenwood-www...cases/b&j2.txt).

Springfield ReManufacturing Co. (SRC) listens to its employees and pays them for good ideas. Rewards are offered to employees whose ideas improve the company's operations. Rewards can be as high as $500 per idea. Although such programs are not uncommon in business, SRC's program works better than most. Thirty-two-year-old engine disassembler Freeman Tracy has turned in some 50 ideas that have earned him $7,500 and saved the company almost $2 million in production costs. Says Tracy, "Before, I wasn't in a thinking mood. But now I know I'm helping myself as well as the company" (Rhodes 64).

At Hallmark Cards, Dave Pylipow, Director of Employee Relations and Staffing, says that the most important thing to Hallmark is that Hallmark employees believe the company cares about them as people (Flynn-"Sending…" 52). Robert Levering has also identified an increased level of employee participation in his research. He tells of a visit to a John Deere plant, where he saw a welder stop welding and pull a cellular phone out of his pocket to make a call. When he asked the welder about it, he was told that this was part of their participation program. The welder had requested the portable phone because he found he wasted a good deal of time walking around to get information from people within the plant. It made sense to buy him a cellular phone so he could spend his time being more productive (Levering-www…levering.

<u>Employee Development</u>

It is not enough for businesses to focus on fair treatment alone. Education and development of employees are necessary to maintain a productive workforce that can adjust to and respond to an ever-changing business environment. According to Dr. Robert Rosen,

> Companies seek to operate in a state of movement towards high performance; and this achievement of high performance is typically measured by return on investment, market position, and financial strength. In the past ten to thirty years, U.S. companies have made great progress in terms of producing high quality products and deepening their understanding about the work process through strategic planning and total quality management. However, I would

> maintain that the next generation of innovation in this country is going to come in the field of human development. Because companies are utilizing output from the field of human development to assist them in identifying the kinds of people that will be productive in the future, high performance, healthy companies are looking for people who come to work with a healthy mind and body, with a core set of well articulated values and character development, and who understand the importance of growing across the lifetime (www...rosen).

Training and development are certainly receiving more visibility today than ever before. Pfizer, Inc., an international health-care company based in New York, has increased training, staff, and budgets for key revenue-producing departments. It has also instituted a new performance-based salary system that truly pays employees based on performance. Pfizer's Human Resources Department has shifted its emphasis to focus more on business strategy, partnering, and training. The training budget increased to keep up with all of the people. The company relies on shared services whenever possible and is in the process of outsourcing many of its administrative functions. Pfizer believes that administration is not a money maker, and other people can do those things better and less expensively. This frees up more employee time and resources to focus on growth and education of the workforce (Bencivenga-"Employers..." 96).

At UNUM Corp., a Portland, Maine firm that sells disability insurance, employees are provided with career counseling and training, as well as stock options that are redeemable if the company meets its goals. UNUM, which has 7,000 employees in the United States, has narrowed its business focus in recent years, eliminating some insurance products and jobs. To make this transition smooth and reduce employee anxiety, the company has focused on quick and effective communication of change. UNUM also has a career center to help employees develop new skills or long-term plans with the help of career counselors. The company provides the training, but employees own their career development. Anyone who wants to work at UNUM, accepts responsibility for keeping his or her skills current, understanding the business, and planning accordingly. In most organizations, employees don't have the opportunity to hone their skills. Ordinarily, when a company posts a job, the job opening exists now, which gives people with the requisite skills an advantage. By providing an opportunity for career counseling, UNUM offers employees a vision of what the future holds so that they can develop a course of action, a plan, and the skills necessary for the jobs of the future (93).

At Unisys, an information-management company based in Blue Bell, Pennsylvania, employee development is an integral part of company policy. The Unisys Human Resource staff works closely with the management team to meet strategic objectives and to understand the changing needs of the business, the kinds of skills required, and what employees need to achieve success. Employees have a keen interest in training and keeping themselves marketable. Unisys uses an intranet service and an internet site to keep employees informed of current company job openings and to project future jobs. The company feels its strong commitment to employee development is key to retaining a strong workforce (93).

Following passage of the Telecommunications Act of 1996, Jeannette Galvanek, Vice President of Human Resources at AT&T, proposed a way combat the lack of skilled employees for future needs and eliminate employees in jobs that would become outdated. She suggested bringing together a group of companies that shared common interests but were not competitive. The idea was to come up with new models for shared success by pooling employees with similar skills. Over time, that idea developed into the Talent Alliance, a private, not-for-profit coalition established in Morristown, New Jersey, by AT&T, DuPont, Johnson & Johnson, Unisys, NCR Corporation, and TRW.

In April, 1997, the Alliance launched the first phase of its program, which included four services: 1) an online database to match applicants from downsizing companies with available jobs at other member companies; 2) a "lease link" system that allows member companies to lease needed employees with special expertise from others in the Alliance; 3) a career growth center that offers counseling, as well as networking, interviewing, and negotiating skills; and 4) a research forum for job trends and workplace issues. The real issue faced by the Alliance is not to focus on jobs that are obsolete, but to make people employable for life. Therefore, the Alliance has made its first priority to focus on skills. Its mission is to give all employees the opportunity to develop or broaden their skills to meet the needs of a changing job market (97).

<u>Information Sharing</u>

One of the most interesting and innovative means of information sharing can be found at Pillsbury, where employees from all locations can dial a phone number, any hour of the day or night, and leave a message for management of up to four minutes. An outside service transcribes the messages, which eliminates the worry over voice or handwriting recognition, and sends them to Pillsbury executives. At a cost of only $3 per employee per year, Pillsbury considers this a bargain for unreserved comments from their employee population. The program also offers management a multitude of topics to share information on, identified by what the employees want to know. "In Touch," as the system is called, is a toll-free, third-party voicemail messaging system through which employees can send comments straight to the top without fear of reprisal. Many executives are nervous about the program. They don't know what they are going to hear from employees; but, if management is really interested in improving communications, they should want to know what is on employees' minds. They should welcome the opportunity to respond to employee questions and comments (Flynn-"Pillsbury's…" 57).

Although senior management was skeptical when the idea was first proposed, it found the biggest hurdle was getting employees to participate. Employees were bombarded with information about "In Touch." They received stickers, business cards, and magnets, all inviting them to "Direct your opinions straight to Pillsbury management." Although employees were skeptical, they were also intrigued by being able to voice concerns and ideas in a safe manner. "In Touch" was successful from the very beginning. Employees left messages about faulty work systems, ineffective supervisors, and new product ideas. This system is considered key to ensuring that senior management is not isolated from the rest of the company, and it has strengthened Pillsbury's commitment to two-way communication. The only concern, in the four years since the system was introduced, has been how to continue to make it be useful to the company and its employees, while not allowing it to become a depository for employee complaints (57).

According to Lou DeOcejo, Sr. Vice President of Human Resources at Pillsbury, "Getting this feedback wasn't fun the first time out, and sometimes it still isn't. But the system does just what we want it to do"(56). The system was introduced at a time when Pillsbury was experiencing a major change in senior management as the company was acquired by British-based conglomerate Grand Metropolitan. The new management team recognized a need for a new communications plan. An employee newspaper was introduced, as were CEO luncheons with employees, in an attempt to encourage employee interaction with top management. While it was easy for executives to speak at length and assume they were having "conversations," it was more difficult to get employees to risk sharing observations and opinions. The "In Touch" system has provided an opportunity to speak candidly and safely (56-57).

When employees call, a recorded voice suggests they consider whether they want to remain anonymous, whether they'd like to receive a personal phone call, and even if they want to address their message to a specific person. If an employee leaves a name and requests contact (about 27 percent do), someone *will* follow up, generally the line manager in whatever area the call concerns. If the caller simply leaves a complaint or a suggestion, the executives decide whether it is valid and deserves more research. If a call concerns a specific area or plant (the hot line suggests employees identify the area they are calling from) the executives will send the transcript to the head of that area also (59).

Letters from management answering questions and reporting changes made are sent to employees as a result of the hot line. Managers post responses on bulletin boards. Some big changes have been made as a result of the hot line. The more than 2,300 messages recorded since 1993 have resulted in at least 200 product and cost-saving ideas, ranging from recommendations for new pizza toppings to recycling of surplus plant paper into packaging material. Pillsbury has also streamlined the business expense reimbursement system and speeded up the process for calculating pension benefits. In *Pillsbury Today*, the company newsletter, questions and answers elicited by "In Touch" are printed each month. When an employee suggested returning the Pillsbury Doughboy to the Macy's Thanksgiving Day parade, the Director of Advertising was able to say that he would consider this idea. When a caller left a compliment for a computer-assistance person, the newsletter printed it, giving the computer assistance person some public recognition. An employee who asked for an ATM on the thirty first floor of headquarters received a response from the facilities administrator explaining that the ATM at that location would not generate enough business to justify its cost. About 99 percent of calls are about mundane, local matters that just need clearing up, e.g. the sales force isn't getting price lists on time, or a new delivery route isn't working. Thirty-six percent of calls concern benefits, 18 percent pertain to product and cost-savings ideas and 18 percent focus on organization and morale issues. Workplace and environment suggestions make up 12 percent of calls; and another 12 percent relate to policies and procedures. The remaining 4 percent are miscellaneous (59).

The success of "In Touch" has been attributed to its anonymity and its convenience. Although most employee suggestion systems aren't easy to use, this one is. DeOcejo admits the hot line will never replace frank, one-on-one frank conversations; but the hope is that employees will transfer the skill of talking candidly to in-person conversations and that managers will become better listeners and problem solvers for their workers. Employees are grateful for the opportunity to use this kind of information sharing. As one caller said, "It's things like this that make me work twice as hard … that re-motivate me." Pillsbury considers its hot line a major contributor to the company's success (58-59).

At United Airlines there are two major training programs in place to educate employees on the United culture. The first is a one-day session on employee ownership for field employees, which contains a review of strategic plans and discussion about improving customer service. The second is a four-day cultural leadership seminar for managers, which provides some basic tools for managing differently, becoming better listeners, and making it easier to include employees in the decision-making process. This seminar teaches managers a language common to all employees and, thus, facilitates information sharing (Bencivenga-"Employee-Owners…" 80).

At Continental Airlines, changes are also being made to encourage the exchange of information. Human Resources teamed up with

Corporate Communications to keep employees in the loop by introducing weekly CEO voice-mail messages, town-hall meetings, and daily news summaries of the airlines industry, including Continental progress reports. Prior to 1994, Continental shared as little as possible with employees. Since 1994, the company has changed its philosophy, and now shares as much as possible with employees (Flynn-Optimas 55).

While Ben & Jerry's is one company that excels in the area of communication, it is always striving to improve. Being a moderate-sized company of just under four hundred employees, its size allows for a great deal of interaction between employees and management. For most people walking in off the street, it would be difficult to distinguish between the two groups; and that is the kind of environment Ben & Jerry's strives for (Greenwood-www...cases/b&j2.txt).

Fun and Humor at Work

Some companies see themselves as so "lean and mean" they don't have time for fun at work. If that is the case, they might be missing out on a strategy that will lead to reduced costs and higher profits. Matt Weinstein is "Emperor" of Playfair, a humor consulting company in Berkeley, California. He says the job title keeps people from outranking him in meetings. He uses a situation that occurred at Bank of America to illustrate the importance of humor in the workplace. The bank made a

"Laugh-A-Day" challenge to each employee to make one person in the company laugh, once each day for the whole month of April, which is National Humor Month. Employees who met the challenge were given a book containing a compilation of the jokes and cartoons used by the winners. One stick-in-the-mud employee complained about using resources, such as time, copy machines, and paper in such a frivolous, non-productive way. Management responded by revealing that the highest percentage of workers' compensation costs was directly related to workplace stress. Bank of America did not institute this program just "for fun"; but because it was a sound business practice (Weinstein-www...weinstein).

While research supports the contention that laughter is good for people, there is little concrete evidence to show a direct relationship between productivity and fun at work. However, Weinstein tells another story about a line worker at an aircraft manufacturing company who approached his manager with a "fun" idea. The worker suggested that, on the first day of spring, the employees be allowed to go outside and stage a paper airplane flying contest. The manager didn't see any benefit in this idea and called it ridiculous. The insistent employee, after talking with co-workers, made a counterproposal. If the team met 150 percent of its production goal by 3:00 p.m. on Friday (the first day of Spring), the manager would give them an hour off for their contest. Of course, they met their quota; and the manager let them have their contest. Afterward, the manager's perspective was that if they could produce that well with an hour off, just think of how much more they could produce if they had worked the additional hour. Obviously, this manager did not see the correlation between fun and productivity. The next week, the courageous workers approached the manager with another proposal. If the team members made 150 percent of quota by 3:00 p.m. Friday, they wanted to play volleyball in the middle of the factory floor. Again, they made the quota and got their reward. The next week, the employee proposed the same deal; but this time, if the workers made the quota, the manager would take them all out for ice cream. By this point, the manager was finally beginning to understand that fun and productivity are not mutually exclusive but, rather, that they are complementary. This principle applies to many kinds of workplace merriment. What looks like "goofing off" might be a sign of someone relieving stress, reenergizing themselves, or simply being creative (Weinstein-www…weinstein).

Some types of workplace fun can even produce other company benefits. In an effort to promote interdepartmental teamwork and an opportunity to meet people outside of their own department, employees at U.S. Motors Division of Emerson Electric participated in an Easter egg hunt. The prizes were plastic eggs filled with candy, gift certificates to local restaurants, or baseball tickets. The object of the activity was to meet as many new people as possible who work outside of one's own department. In order to find an egg (almost 200 were given to employees at all levels), employees had to meet someone in another department and exchange names and titles, and talk about their job responsibilities. If one person didn't have any eggs, the other employee still had to secure the person's signature to add to his or her list of new acquaintances. The two grand prize winners, who each received $500 (the amount of the cash prize was not announced in advance), each met over 50 new people in the course of the four-day contest. In a company of about 270 employees, that equates to a lot of interdepartmental communication.

Weinstein says that to turn your company – even a big, stodgy, old corporation – into a fun place to work, the operative word most experts use is "permission." People do not generally need to be trained on how to have fun; they only need to be given permission to do it. The most effective way for executives to give permission is to model the behavior. As with most corporate initiatives, support from top management is crucial. However, in the case of humor, support from top management might take the form of the CEO dressing in a gorilla suit and hitting the Vice President of Marketing with a rubber chicken. The traditional phrase that managers must "walk the talk" takes on new meaning when executives are no longer just walking, but are dodging water balloons. The three best ways to create a fun environment, according to Weinstein, meet as many new people as possible who work outside of one's own department. In order to find an egg (almost 200 were given to employees at all levels), employees had to meet someone in another department and exchange names and titles, and talk about their job responsibilities. If one person didn't have any eggs, the other employee still had to secure the person's signature to add to his or her list of new acquaintances. The two grand prize winners, who each received $500 (the amount of the cash prize was not announced in advance), each met over 50 new people in the course of the four-day contest. In a company of about 270 employees, that equates to a lot of interdepartmental communication.

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There are many variations on the traditional "dress down" day. General Motors once had an ugly tie day, where workers wore the ugliest ties they owned. The neckwear was judged for hideousness by customers and suppliers. At the end of the day all the ties were cut up and made into a collage. The female workers, understandably upset and feeling left out, opted for an ugly shoe day a few weeks later. Again, at the end of the day the ugly shoes were confiscated in order to "rid the world of ugly shoes" (Weinstein-www...weinstein).

Ben & Jerry's is well known for being a "fun place to work." Three free pints of ice cream for every employee seems like a lot of fun; but the company does not stop there, feeling it needed to provide some relief and joy for their employees. In an effort to promote fun and relief from the daily work schedule, Ben & Jerry's provides dinner for employees cooked by management; order pizza for everyone; and even hired a masseuse to give free body massages to relieve stress during peek production periods.

Perhaps the most creative approach at Ben & Jerry's was the creation of the Joy Gang. The Joy Gang is an employee committee that meets a few times each month to help foster healthy employee morale – in other words fun. The Joy Gang was created in the summer of 1988. At an all-employee meeting Jerry proposed the formation of a group of people who would put more joy into every workday at the plant. The idea was unorthodox, and it took time for the employees to understand Jerry's plan for professional company-wide joy. As he scanned the mostly confused crew he said, "There was an incredible amount of discussion about this at the department-head meeting. Some people felt we have too much fun at work already." With that, the crowd broke into laughter; and hands of numerous employees were raised to volunteer. Jerry had demonstrated the effects of laughter and joy in the workplace. More and more companies are discovering that the punchline is not that far from the bottom line, and that, in order to get more out of their employees, they must make sure they are having a good time at work (Greenwood-www...cases/b&j2.txt).

At Rhino Foods, another small Vermont frozen novelty food company, they also have a fun committee. Their mission is simple: Dream up fun things for employees to do. For instance, after one company meeting, the workforce embarked on an ice cream sculpture competition. Teams were supplied with big blocks of ice cream and candy decorations, like rainbow-colored gummy worms, sprinkles, and chocolate drops. One team glopped together a sculpture of "Champ," the mythical serpent creature that is nearby Lake Champlain's answer to the Loch Ness monster. The fun committee will also put together projects to diffuse tension in the workplace. One year, Rhino was having huge ups and downs in production for a particular specialty product. After a series of trials, the employees finally made their goal – nine truckloads of the frozen novelty. For their persistence and hard work, the Director of Operations donned his hockey outfit – including gloves, face guard, and other protective gear, and headed outside. There, employees released a great deal of tension by wielding piles of leftover frosted cheesecake at him. At Rhino, it takes a lot of teamwork to keep up with the demands of increasing sales and the pressures of a growing company. The fun committee does a lot of little things that really make a difference (Flynn- "Nurturing..." 43).

At Springfield ReManufacturing they are no strangers to fun. On the afternoon that marked 100,000 hours without a recordable accident, the plant closed down for a beer bust. The theme song from *Rocky* played over the loudspeaker system, and members of the safety committee marched around handing out fire extinguishers. Forklift trucks were decorated with crepe paper and driven in a parade throughout the plant (Rhodes 65). On another occasion, a Plant Manager promised that he and the management team would dance through the plant in dresses if the staff worked 500,000 hours without a lost time accident. Employees enjoyed the performance so much they hit one million hours and asked to see an encore (Rubis 62).

Interim Services, a Ft. Lauderdale-based temporary staffing company, asked 1,006 high performers in U.S. companies what kind of workplace they would be most reluctant to leave. Overwhelmingly, 74 percent said one that promotes fun and closer work relationships with colleagues. Over and over again, people at the 100 Best Companies talk about how much fun they are having. "This is just a great bunch of people – very comfortable, very team-oriented. Just coming to work in the morning is fun," says Joyce Chung, Director of Business Development at Adope-systems in San Jose (Fisher 80). Part of the definition for having fun, according to Chung, is changing careers, from product marketing to scoping out potential venture-capital investments, without having to leave the company.

At Procter & Gamble, which has a policy of promoting from within, Vice President of Human Resources Carol Tuttle switched from brand management to advertising, and then to recruiting. She did a six-year stint in Venezuela and has been promoted seven times in 22 years. Tuttle says, "It's always challenging, always exciting and fun. I don't think I've ever been bored for even five minutes" (Fisher 80). At Sun Microsystems in Menlo Park, California, Ken Alvares, who runs worldwide Human Resources, says that, within the computer industry, it is pretty easy to get very good pay now; so the goal at Sun is to keep people so busy having fun every day that they don't even listen when the headhunters call. And they do call often. Sun's approach seems to be working. Sun's turnover, at 11.6 percent, is about two-third's lower than their competitors' (Fisher 80).

Weinstein insists there is a competitive advantage for companies whose employees are excited about coming to work. If they are answering the phone like they are happy to be there, that will definitely equate to a competitive advantage. In addition to benefits like productivity, stress reduction, creativity, trust, and better health, competitive advantage through customer service can have a major impact on the bottom line. Employees who enjoy their work influence the ways in which customers react to a company. The idea here is to distinguish the company as a fun place to work. People like doing business with people who like to do business (Weinstein-www...weinstein).

Profit Sharing and Employee Ownership

Robert Levering has identified a trend toward more sharing of the wealth, in particular, profit sharing in American companies. This is also apparent in the growing number of employee-owned companies. Levering points out that, "There are about 12 million employees covered by ESOPs (Employee Stock Ownership Plan) in employee-owned companies, and that contrasts with only about a quarter of a million ten years ago. About 30 of our 100 Best Companies have ESOPs, and several of these companies are actually 100 percent employee-owned" (Bencivenga-"Employee-Owners" 80). J. Michael Keeling, President of The ESOP Association in Washington, D.C. says the number of ESOPs has increased dramatically in the past 20 years, from about 2,000 plans in 1976 to an estimated 10,000 plans in 1996 (80). ESOPs are often praised as a form of empowerment for people who rarely get a direct stake in their future.

The true reason ESOPs are formed by U.S. businesses is that employee-owned companies tend to be well-managed, highly productive, fast-growing companies – a fact that has been substantiated by numerous studies. A recent survey by the *ESOP Association* determined that 60 percent of its member companies became more productive as a result of their ESOPs (National-www...article3.html). A study by the National Center for Employee Ownership was conducted to find out what excites employees about being owners. The study revealed that employees viewed stock very much the way investors viewed stock. Employees were more enthusiastic about ownership in companies with the greatest stock price growth and in which the company was making healthy contributions to the ESOP (Quarrey-www...quarrey)). Another study published in the September 1987 *Harvard Business Review* examined whether employee-owned companies outperform their competitors. The study found that, on average, ESOP companies improve their performance relative to their competitors by about one-to-two percent per year. Moreover, the ESOP companies that provide more significant opportunities for employees to participate in job-level decision making do even better. The top one-third of ESOP companies improve by 15-20 percent per year (Quarrey-www...quarrey).

In order to reap all of the benefits of an ownership culture, a company must be patient. This kind of environment does not develop overnight. In a speech on "Creating an Ownership Culture," Matt Ward told the Foundation for Enterprise Development Conference that "a company trying to instill an ownership culture must be ready to S-T-A-L-L, which means Share information; Teach employees new habits; Ask employees their opinion; Listen to employee answers; and Learn from employees and other companies" (Ward-www...ward).

Share: True participants need information to be effective. Sharing financial information in a format that is meaningful to the participant is crucial. If financial information has been confined to insiders on a need-to-know basis in the past, companies need to ask whether participation and an ownership culture is really their ultimate organizational goal. Operational information should also be shared with employees. It is often difficult to understand the domino effect one person's job has on other parts of an organization, or to see potential synergies without exposure to other parts of the business. Ward suggests the following steps: Share concerns about internal and external pressures on continuing company operations and the need to develop strategies for dealing with future challenges. Share company successes, especially any successes resulting from employee-participation efforts. Lastly, share the burdens of company setbacks and failures through feedback in a participative process as a means of learning from the failure (Ward-www...ward).

Teach: Participation is foreign to most employees. Teach them how to be heard, and create an environment that allows participatory comments to be heard without retribution. Management and line employees each need to become comfortable with opening up about their company and their role in it. The problem with sharing financial information for the first time is the manner in which it is often done. To nearly all non-finance professionals, traditional financial statements are just numbers on a page. Analysts and investors know that ratios and trendlines tell the story. Teach participants to know which ratios and trends affect the business, or their part of the business, and tell them why. Tell them what they can do to improve performance against those ratios and trendlines, and pay them for doing it (Ward-www...ward).

Ask: Encourage participation. A company's culture will dictate how drastic a change this concept is likely to be. Culture will also dictate how formal this process has to be. Companies with a high level of trust on the part of their workforce most likely have a high level of participation already. Companies characterized by suspicion and distrust will probably have to move towards participation in small, formalized steps, such as the creation of a committee or two to provide input on key processes (Ward-www...ward).

Listen: Commit to take action. Get managers out there listening to employees. Encourage and review the use of employee ideas. Read between the lines of employee responses, and be prepared to question previously accepted practices at the most fundamental levels. Management should not ask for input if it does not want to know what employees think. Unless management has completely decided that all areas are open for change, it must think through its level of commitment to the participation concept and the subjects for which it asks for employee input (Ward-www...ward).

Learn: Expect the unexpected. Tolerate some failures. Go out and talk to your employees, and learn who the leaders are and who the chronic complainers are. Learn what it will take to make them willing participants, and the battle is half won. If what the company wants is an egalitarian culture, then act egalitarian. Eliminate the trappings of greed at management levels. Take a long look at the executive compensation program. The more entitlements for those in the upper levels, the more difficult it will be to create an ownership culture (Ward-www...ward).

At Rhino Foods in Vermont, a system was developed to acknowledge employees' contributions to the company over time. A six-month profit sharing is distributed to people based on seniority. When the company turns a profit, the people with one year of service get a small amount. The people who participated in the growth of the company over a longer period of time get a lot more. It doesn't matter what the position or pay per hour; a long-term employee will always get more than a short term employee. Another pool of extra profits is distributed to individuals based on their performance. These programs keep employees tuned into the bottom line (Flynn-"Nurturing..." 42).

Every employee who participates in an ownership culture must have both the right and the obligation to help address the problems and opportunities of the enterprise. At Polaroid, it is simply unacceptable for an employee to avoid this responsibility by hiding behind a wall of cynicism or criticism. Polaroid employees have learned to expect an increased level of business information and an increased degree of participation in influencing Polaroid's future (Gaffney-www...gaffney).

In July, 1994, United Airlines' 55,000 employees, led by a coalition of unions, purchased 55 percent of company stock. Their objective was, and is, to develop a long-term plan for growth that improves performance, customer service for passengers and cargo shipping, and treatment of employees. Teams of 10-15 employees from all areas of the company try to solve general corporate problems, while local teams focus on specific profitability and performance issues. A local team in Los Angeles, for example, solved a problem involving lost baggage that resulted in a savings of $1 million to the company. The Human Resources Department is responsible for aligning the entire system in such areas as communications, compensation, succession planning and performance management. United's ESOP strategy has been successful so far. The stock more than doubled in value in two years, while employee grievances, sick-leave payments, and workers' compensation claims plummeted (Bencivenga-"Employee-Owners..." 79).

On the first Tuesday of each month, Stephen Sheppard, CEO and five Vice Presidents of Foldcraft Co. are found at St. Michael's Catholic Church in Kenyon, Minnesota, handing out cash to the company's owners. Dressed in referee outfits, complete with whistles and flags, the executives preside over a meeting of 230 employees who own the company through an employee stock ownership plan. As they do each month, the executives work the room for half of the hour-long meeting, while employees ask and answer questions about ownership, the finer points of the company's ESOP, and Foldcraft's overall performance. The questions and answers rate either a $1 or a $5 bill, while answers to a quiz at the end of the meeting are worth $50 or $100 (80).

The more than 89,000 employees at GTE have received guidelines for a wide-ranging employee stock option plan in its proxy statement. The GTE plan is a way to provide ownership and connect employee performance to company performance. At both Foldcraft and GTE, more is at work than corporate altruism. Since employees purchased Foldcraft in 1985, company stock has appreciated more than 20 percent. For GTE, the Federal Telecommunications Act of 1996 opened the door to intense competition in its industry. It is felt that increased employee involvement will be critical if the company is to remain dominant in their field. The key word in both programs is "ownership." More and more companies are shifting to internal cultures of ownership to sharpen performance, improve productivity and customer service, and become more profitable (83).

Founder, Chairman, and CEO of Science Applications International Corporation, Dr. J. Robert Beyster says, "I imagine people now regard me as either wise beyond my years or out of my mind for diluting my ownership position from 100 percent to 10 percent within the first year. For me, it was simply the right thing to do." In 1969, when the company was just getting off the ground, Beyster chose to share ownership of the company with those who made it successful. He wanted to attract smart, entrepreneurial people to his small company. He never would have predicted that this approach would result in growth to $2.2 billion in revenues and 22,000 employees (Beyster-www...beyster).

According to Beyster, the equity-sharing system was designed around a simple philosophy that those who build the company should own it in proportion to their contribution to its growth and success. This translates into a great many programs aimed at rewarding star performers at all levels within the corporation; a deferred compensation stock award for future leaders, prenegotiated stock option awards for achieving specific performance goals, employee stock purchases matched with stock options based on performance, and annual stock bonuses (Beyster-www…beyster).

As far back as 1956, Hallmark founder Joyce Hall also had an idea that was ahead of its time: encourage employees in their work by sharing the profits of the company with them. The profit-sharing program has remained an integral part of the Hallmark benefits package ever since, continually evolving to offer employees bigger and bigger stakes. Today, employees own one-third of the company (Flynn-"Sending…" 54).

Companies that allow their employees to share in the success of the business are rewarded in many ways. Generally, employees in these companies feel a stronger commitment to their own performance and the overall performance of the company. The key to ownership is not just dollars. No one says, "I'm a profit-sharer" – rather, they say, "I'm an owner" (Bencivenga-"Employee-Owners…" 83).

Open Book Management (OBM)

Open book management is, according to one consultant, "empowerment with teeth" (Morris-www…morris). Informed workers make for a powerful corporate team. Sandstrom Products, a $5.5 million maker of paints, coatings, lubricants and other chemical products, embraced open book management in 1992. In 1991, the company had a loss of $100,000. By 1993, profits reached almost $800,000. Sales stayed the same. No new product lines were introduced. No new customers signed up. Knowledgeable, involved, and committed workers had reduced production costs by almost $1 million (Morris-www…morris). Revealing the company's numbers and teaching employees how to interpret them is only a small step in implementing OBM. Ed Frazier, CEO of Liberty Sports, a major distributor of regional sports cable programming, believes the real goal is to create a culture that eliminates elitism, makes more people feel they are part of the big picture, and shows them how they fit in (Caruso-www.bestjobsusa.com).

According to Frazier, "We used to say we're a communications company that doesn't communicate internally." The educational aspect comes into play and pays off when open book companies hold their weekly and monthly meetings. Frazier explains that when they break into their meetings for an hour and a half each week, employees get a chance to look at the numbers. That gets everyone thinking about how numbers tie together. This kind of communication also gives everyone opportunities to compare notes, so different people can benchmark their expenses against those in comparable positions (Caruso-www.bestjobsusa.com).

According to Bo Burlingham, co-author with Jack Stack (CEO of Springfield ReManufacturing Co.), of *The Great Game of Business*, there are four characteristics of open book management. They include: 1) Sharing financial information, not just for show-and-tell, but to keep employees tracking the financial pulse of the company; 2) Teaching people how the business works so that every employee knows how to use the financial information and what he or she can do to make a difference; 3) Changing the fundamental relationships and mindsets within the company. As Burlingham puts it, "You must get rid of the us vs. them mentality; get rid of the job-by-description idea; and really create an environment where people act not like traditional employees, but like owners." 4) Having fun by practicing OBM is always a key indicator of how the company is doing (Burlingham-www...burlingham).

Burlingham credits Springfield ReManufacturing Co. (SRC) as being the pioneer in the practice of open book management. This is not a program that can be quickly implemented. Basically, it contains three phases.

Phase 1 – Introducing the concept: Scoreboards are used to post and keep track of certain key numbers a company is trying to improve. These could be any numbers that are important to the business; for example, profitability, revenue growth, or number of clients contacted per hour. Studies have shown that when a company starts posting a number, that number will improve by anywhere from 15-30 percent. Burlingham explains that this is because employees often don't know how important the number is until you tell them. Scoreboards are a good way to get people thinking about numbers without overwhelming them.

Phase 2 – Company-wide bonus plan: A number of elements should be included in the bonus plan. It should have a duration of one fiscal year; it should include everyone in the company; it should payouts once a quarter or more frequently; there should be one to three goals based on critical numbers; and it should have a rising bonus pool. One important element is frequent payouts to keep people interested and to encourage year-round activity, not just a flurry of activity at the end of the fiscal year to meet a goal. A rising bonus pool keeps the interest level up all year. Payouts may be, for example, 10 percent in the first quarter, 20 percent in the second quarter, 30 percent in the third quarter, and 40 percent in the fourth. If employees don't make the goal for one quarter, the bonus money is rolled into the second quarter.

Phase 3 – The Great Game of Business: Involving employees in the overall financials of the company is something that has meaning after employees have participated in influencing the specific numbers on a smaller scale. Meetings should be built around weekly scorecards to keep the numbers visible and to discuss results. By keeping the employee bonus plan tied to the scorecards, all employees know exactly where they stand at every weekly scoreboard meeting. A good game attacks a weakness that is visible in the company. A critical number quantifies a goal, specifies a time frame in which to achieve the goal, and defines the payoffs associated with achieving the goal. Additionally, games usually last less than a year, and are not necessarily company-wide. They can be limited to a division or department (Burlingham-www…burlingham).

There are strong numbers supporting the concept of open book management. A survey by accounting and management consulting giant Ernst & Young polled 4,000 senior managers and workers at America's 1,000 largest companies. The survey found that 59 percent of workers would be more motivated if they knew how their jobs helped the company make money, and 77 percent of managers agreed. Although 70 percent of workers said they knew whether their company's share price was up or down over the past three months, only 15 percent knew how much it costs to make one of their products or to offer their services. According to Ernst

& Young Director of Human Resources Consulting, Timothy Ridge, "That level of information is basic to any business decision; and workers want that kind of specific, job-related information so they can make the right choices for their company" (PR Central-www.prcentral.com).

According to the Ernst & Young findings, what is needed now is for corporations to find new ways to educate, motivate, and reward employees whose abilities and skills can be a tremendous resource. But corporations must act quickly because a fair number of employees are still concerned about layoffs. Innovative workplace practices are essential for achieving revenue and business growth in the global marketplace (PR Central-www.prcentral.com).

According to Burlingham, "Open book management is a journey, not a system. It is a constant learning experience. People think the big issue is opening the books; but, in reality, once you get past this, there are all kinds of things that you can do with open book management" (Burlingham-www...burlingham). OBM is often compared to any competitive game. Three factors must be in place for OBM to work: 1) Everyone must know the rules and what is expected of them; 2) Everyone must have enough information to make the moves and keep score; and 3) Everyone must have a stake in the outcome. OBM can take many forms, and companies practice it differently. Elements common to most forms are open financial records, empowerment, profit sharing or bonus programs, high involvement planning, side games, and weekly meeting processes. Designing forward-looking financials helps everyone see where the company is heading. A vision or mission is also critical to a true OBM company because it gives everyone the same interpretation of the company's direction.

Foldcraft, which designs and manufactures tables and seating for restaurants and cafeterias, used a leveraged ESOP to buy 49 percent of the company from its founder in 1985. The plan purchased the remaining 51 percent in 1992 and shifted to an ownership culture. Along with this step, management has opened the books to the company's employee owners, who review goals, sales, and expenses at the beginning of each month. Employees also receive weekly status reports and a three-month income statement that is built at the monthly staff meetings (Bencivenga-"Employee-Owners..." 80). Foldcraft's President, Chuck Mayhew, has developed his own educational curriculum. New employees all go through six hours of training covering such subjects as reading a balance sheet and understanding how numbers are related. The importance of this employee education is summed up in Mayhew's statement, "Two-hundred-fifty employees pulling in the same direction is a whole lot better than 15 managers pulling in the same direction" (Caruso-www.bestjobsusa.com).

In 1992, Pace Industries acquired a small plant in Monroe City, Missouri, that made die-cast metal parts. The plant was typical of the decline of American manufacturing: profits were dwindling and employee morale was evaporating. As one worker put it, "The only communication you got was when they came around on Friday and said you had to work Saturday and Sunday" (PR Central-www.prcentral.com).

In December, 1992, Pace appointed a manufacturing engineer named Andy Crowder as Plant Manager. Crowder did something management had never done before; he went out into the plant and started talking to employees. He told them their future was in their hands, and that they could have an impact on whether the plant made money. He shared financial data, first with his management team, and then, when it became apparent that the plant as a whole had to cut costs, with all employees. At the same time, he took his bonus (two percent of gross profits) and came up with a way to distribute it among everyone at the plant in exchange for their input.

He began meeting with groups of 30-40 employees to talk about his profit-based incentive plan and to show them how bonuses would be calculated. He promised to post numbers in the plant so that they could keep track of progress. After initial skepticism, and following the first small bonus check a month or so later, teams began meeting to discuss ways in which costs could be cut. One examined the timeclock requirement.

Employees punched in when they arrived, punched out when they took a break, punched back in at the end of the break, punched out for lunch, and so on. There were only three timeclocks in the plant, so employees sometimes spent several minutes walking back and forth. It was estimated that the cost of the timeclock system in man-hours was more than $130,000. The timeclock system was abandoned. Now, instead of employees complaining about a situation, they bring up the problem along with ideas for solutions. Slowly but steadily, profits at the plant have increased (PR Central-www.prcentral.com).

It is far easier to open the books than to teach people to understand the books. It is even harder to teach people how their individual performance connects to the big picture. Some companies have adopted ingenious teaching techniques. Foldcraft, uses the Toll House cookie recipe on the back of a bag of Nestlé chocolates to teach employees about income statements and cost analyses, variable and fixed overhead, and product variances. Foldcraft's CEO Steve Sheppard attended an SRC seminar in 1991 and the Toll House cookie recipie idea was spawned from that seminar. Foldcraft is 100 percent owned by its 300 employees (Anderson-www.andassoc.com).

Bill Fotsch, then Vice President for Business Development at Case Corp., had heard that SRC employees knew their business. He was skeptical until he visited one of their plants. As he came across a worker polishing crankshaft journals, Fotsch decided to test him by asking the price of the crankshaft he was working on. The employee looked up and inquired, "List price or dealer net?" He then went on to explain both prices, how they compared to SRC's cost, and what his own component of the cost was (Morris-www…morris).

Fred Plummer, Progress Coordinator for Amoco Canada, says, "What I simply show is that there is a number on the income statement that everybody can relate to" (Case-www.shrm.org…articles). At Amoco, operations people responsible for maintaining field facilities track numbers, such as the cost of operating their vehicles. These numbers from branch financials are collected and used in an "operations" line on the company statements. If the company wants to reduce vehicle costs, it asks operators to discuss ways of cutting back and then to come up with a performance-improvement plan. Once they do the plan, they draw a graph on the wall and adjust it every month when the vehicle expenses are reported and financials come out. This gives them the opportunity to see that there is something they can do to affect that number (Case-www.shrm.org…articles).

For OBM to work, employees need to see themselves as partners in the business, not on opposite sides of the labor-management fence. When the company does well, everyone should do well. People also need to be empowered – not just to ensure quality, not as part of a team, but as part of their regular daily job (PR Central-www.prcentral.com). In open book companies the employees really take control of the game and somebody comes up with a better mousetrap. Eventually someone will say something like, "This really isn't the best measure of this. How about if we look at the cost in terms of percentage of sales instead of absolute dollars?" (Rubis 64).

CHAPTER IV

RESULTS - A LOOK AT SOME SUCCESSFUL COMPANIES

Honeywell

There are many companies that provide innovative means of communication in order to bridge the gap between management and workers. In an effort to boost division performance, Honeywell spent a great deal of time defining and measuring employee behavior and expected outcomes from selected individuals. In the process, Honeywell's leadership realized the compensation plan was also in need of an overhaul. The old way of rewarding people was simply no longer working; it was not providing employees with an incentive to do well.

"There was a mismatch of messages," explained Eileen Ward, Senior Human Resources Consultant. Employees were being instructed to focus on cost reduction and measurable productivity improvements; and, at the same time, they were receiving pay increases based on their progression in a job range. There was no incentive to do a better job or to identify areas for improving productivity. The longer employees stayed with the company, the more they were paid, regardless of whether they achieved company objectives. For the new performance-based strategy to work, the incentive compensation system would have to get in line. Honeywell's Commercial Avionics Division formed a task force made up of employee volunteers to align compensation with business goals. The team's decision to link workers' pay to division profits got better buy-in because it was employee driven. Employee buy-in resulted in a huge success for Honeywell (Caudron 70).

When the decision to remodel the compensation structure was made, Honeywell's Human Resources professionals could have sat down and devised a new incentive strategy on their own. But that would not have coincided with the new participative management style they were trying to implement. Their only alternative was to enlist the help of employees in developing a new system. In 1993, the Participative Pay Team was formed. Following Human Resources' request for volunteers, 25 employees from both the exempt and non-exempt ranks were chosen to serve on the team (73).

The first thing Human Resources did was educate members of the Participative Pay Team about the ins and outs of compensation and why incentive pay ought to be aligned with company goals. A two-and-a-half day training session was developed, and all team members attended. The session covered the basics of compensation, including an overview of compensation trends at Honeywell, in the electronics industry, and at other companies. Team members were then assigned to conduct additional research on their own. Some team members attended conferences hosted by the American Compensation Association; some researched current articles and books on compensation trends and new pay systems; and still others were involved in gathering information from other companies, both inside and outside their industry, on what was working in the area of new compensation programs. In order to involve all employees, team members also conducted regular employee focus groups to report on the progress of the team and to solicit employee input. It took about six months to get team members up to speed on compensation issues, devoting approximately 20 hours a month to the effort. With this kind of time commitment, upper management had to ensure that individual managers understood the importance of the program and were supporting the employees. This endeavor could not succeed without buy-in and support from all levels (74).

The team members were all involved in communicating their progress. Because participative pay was a new concept to Honeywell, a lot of employee communication had to take place. Employees needed to understand the overall organizational goals of the company and how the incentive plan would work, if they were to be motivated to make a contribution to meeting those goals. Members of the team conducted two-hour orientation courses for all employees. These courses provided an overview of the new participative pay program and how it would work. In support of these meetings, Human Resources produced two publications about the new plan: one, a comic book that showed two employees having a dialogue about the pay system; and, another, more traditional brochure explaining the incentive pay structure. Both publications were distributed at the orientation sessions (74).

The end result of the team effort was a self-funded, two-part gain sharing plan. The first part of the program places a percentage of each employee's pay at risk pending the achievement of business goals linked to Honeywell's profitability. The second part gives employees an opportunity to earn more than their annual salary when the company has an exceptionally good year. Both payouts are made annually, based on overall performance of the division. The employee compensation program is linked to the executive compensation program in order for employees and executives to work toward comparable targets, with each receiving rewards based on achieving them.

The goals of this program are many: 1) to ensure that employees realize the importance of their efforts to the success of the business; 2) to emphasize the importance of executives and employees working toward the same business goals; 3) to provide a means of recognizing and rewarding employees for their impact on major improvement opportunities; 4) to improve all employees' understanding of the financial side of the business; 5) and to provide a system that promotes the culture of teamwork, employee involvement, and participation (75).

The fact that the program was designed by employees for employees went a long way toward fostering employee buy-in from the beginning. One team member observed, "We had to have some reasonable justification for every decision we made because we had to face the people we work with every day" (75). The pay program has succeeded in focusing employees' attention on business goals, helping them to see a direct link between what they do and the health of the business and making better decisions as a result. Because the incentive program uses high-level financial measurements, Honeywell has developed a course called *Business Basics* to provide general information on business goals and objectives, as well as specific information on how to calculate the three measures used to determine company performance: profit, working capital, and economic value added (75).

According to Honeywell management, the biggest challenge the company faced was communicating the concept of risk sharing. Initially, employees didn't like the thought of risking a portion of their annual salary. Management defended the concept by explaining that employees couldn't be expected to share in the success of the company if they didn't also share some of the risks. Sharing in the risk as well as the profit emphasizes the partnership of management and workers, helps break down barriers, and bridges the gap that used to be there. The other challenge was eliminating the "entitlement mentality" of employees who were accustomed to receiving a standard raise every year. Once the gain sharing pay system was in place, however, morale improved as employees were more challenged and had a reason to perform at a higher level (76).

In 1994, the first full year of the program, goals for profit and economic value-added were exceeded by 10 percent. In 1995, all goals were reached, and employees received the full 3.5 percent of their salaries from the risk pool. Honeywell attributes the success of the program to extensive employee education, support by management, and, most importantly, employee involvement. "The team members not only gave the program good visibility in the workplace, they provided a richness of input that Human Resources couldn't have obtained on its own," explains Eileen Ward. "This isn't really a compensation program. It's a communication program. We just use the paycheck to get everyone's attention" (76).

<u>Hallmark Cards, Inc.</u>

Hallmark, located in Kansas City, seems to have all its bases covered when it comes to communication, information sharing, and two-way communications. *The Kansas City Star* puts out the city's most widely read newspaper. Hallmark puts out the second. According to Andy McMillen, Internal Communications and Publications Manager:

> This isn't just a set of quickly Xeroxed tidbits typed up at the last minute. *Noon News* is a professionally designed, professionally printed newsletter complete with slick photos and graphics. When

> we tell other people in the corporate world that we have a daily newsletter, it just blows them away. '*Noon News* has been around about as long as I have – 40 years – and we crank it out every day. It's not just a tradition. It's an institution here.' (Flynn-"Sending…" 56)

The *Noon News* carries the standard newsletter fare: anniversaries, births, marriages, and promotions. An issue may cover a company-sponsored event to benefit the community, such as the Toy, Clothing, and Food Drive that was held around the holiday season. It may contain several pages of employee want ads, an acknowledgment of blood drive donors, and reminders of various benefit enrollments and due dates. It also contains business news that is available for publication – usually product and financial information (56).

In addition to the daily newsletter, Hallmark targets managers with a newsletter called *Directions*, which has been in publication for over seven years. Although it does not have a regular publication cycle, *Directions* can be published as often as necessary and includes as many pages as required to convey pertinent company information to over 1,500 managers. Its purpose is twofold: to alert managers to information they need to know before it becomes public knowledge; and to provide them with a vehicle to convey this information to all members of the workforce. If there is any information that does not make it into the *Noon News* or *Directions*, it can be communicated to employees via the dozens of computer-monitor signboards strategically placed throughout the headquarters building. These screens are updated on a regular basis to communicate information quickly and timely (56).

Hallmark also recognizes that face-to-face communication is important, and has several vehicles in place to facilitate information exchange among all levels. One such program is the *CEO Forums*, which have been in existence in one form or another for over a decade. On an average of 10 times a year President and CEO Irvine Hockaday meets with a group of about 50 employees for 90 minutes. In order to eliminate any perception of favoritism in the selection process, attendees are chosen randomly by divisions; and to ensure that employees feel free to talk about any and all issues, senior management is barred from the meetings. "The forums are purely for mid-management and below, so there is no intimidation factor," McMillen explains. "You can talk to Irv about anything, and you don't have to worry about your Vice President sitting there taking notes. It's a terrific opportunity for dialogue." Although the group is fairly large, it is felt that this size allows for the greatest number of participants, while still being able to achieve meaningful two-way communication between employees and top management. The goal is to give employees the opportunity to hear directly from their leader what is going on in the company, and for him to hear directly what is on their minds (56).

Another good example of face-to-face communication are the *Corporate Town Hall* meetings that were initiated in 1995. These meetings are held on a quarterly basis. The schedule includes three meetings in one day with about 400 employees attending each session. Although these meetings are conducted by Irv Hockaday, he shares the podium with other top management team members. Hockaday speaks for about 30 minutes on company issues and then opens the floor for discussion for the next hour. The really bright spot of this activity is that almost all of Hallmark employees have an opportunity to interact with the top management individual in one day. If one combines the *Corporate Town Hall* meetings, which reach almost 5,000 people a year, with the *CEO Forums*, which reach another 500, that equates to better than 5,000 people a year who have a chance to sit in a room and engage in a dialogue with the CEO (56-57).

<u>Educational Testing Service (ETS)</u>

In an effort to increase customer satisfaction and cut development time and costs, while maintaining and increasing quality, Educational Testing Service (ETS) decided to radically reengineer its test-creation process. The effort, which proved to be a much larger task than expected, continued through 1997 and into 1998. In order to foster good communication throughout the company, ETS decided to involve all employees intimately in the process. The company wanted to take employee ideas and suggestions for improving efficiency and incorporate these ideas into the new process. It also wanted employees to understand why changes were being made and be involved in trying out new ideas. To achieve these goals, the company adopted a model of "cascading communications," aimed at getting people throughout the organization to accept change and act as sponsors of change to those below and around them in the organizational hierarchy. In partnership with consultants from Coopers & Lybrand, ETS embarked on a reengineering of its test-creation process that incorporated cascading communication techniques (Wild 95).

Initially, a redesign team focused on the nuts and bolts of the new test-creation process and dealt with technology issues. At the same time, a change management team developed a plan to align various Human Resources and organizational policies inside ETS to support the reengineering efforts. The change management team examined everything from organization structure to job redesign. It looked at Human Resources policies, reward recognition systems, and training to see how these things could be realigned to support a new test-creation process. The team also formulated a communications plan for "cascading communication." But, the company would discover, the concept of cascading communications would be difficult to implement (95).

In the initial phase of this project, 12 high-level test-creation staff members formed a task force to gather data, analyze, and plan. They talked to the staff responsible for test creation about the current process, held focus groups to get ideas for improvements, and identified best practices. Finally, the task force developed a vision of what it wanted to achieve. Toward the end of this stage, the chair and vice-chair of the task force held open forums for all employees to review its research and to explain its proposed new vision statement (96).

As the project continued, the chair and vice-chair of the steering committee and members of the redesign team served as principal communicators about the reengineering process. They held open employee forums to outline progress and solicit input. They placed articles in the employee newspaper to highlight project milestones and answer questions. Despite these initiatives, "cascading communications" was not working. Employees faulted the leadership for not being more visible. Hands-on leadership is clearly a pivotal element of any change effort. The strategy of the chair and vice-chair handling the hands-on communication had not worked. Instead, it had created a perception that neither company leaders nor many line managers were involved in, or cared about, the change effort. At this point, company leadership got more actively involved in championing the change efforts. Top managers began holding meetings with employees to provide updates on reengineering efforts (97).

In order to better understand internal issues it might face in reengineering, the change management team conducted a change readiness assessment, collecting data from about 150 employees involved in the test-creation process. This assessment polled people about the organization's leadership, mission, strategy, culture, and structure. It provided insights into how people felt about the changes that were under way, elicited ideas from employees about change management priorities, and identified disconnects inside the organization that would have to be addressed before the project could succeed. The survey found that some people weren't very clear about the new vision and strategies. Others expressed cynicism, and distrust lingered following a past downsizing. Some saw the organization's middle management as either unable or unwilling to explain the need and rationale for change in a credible, "hands-on" way. Employees' comments suggested that the organization needed to significantly beef up the content, clarity, consistency, and frequency of communication with employees to ensure that everyone understood what ETS was trying to do (98-99).

From the beginning, ETS felt it was important to clearly and consistently communicate with employees about what was happening and to involve them. What they learned was that communicating is hard work. The change readiness assessment made it clear that ETS had to step up its communication efforts in order to fully energize employees and make them part of the change process. Problems with communication of information were addressed, and this area began receiving more attention. Yet, at times, employees balked at the amount of information dispensed and had difficulty absorbing everything communicated to them. As ETS discovered, in managing change it is important not only to decide *what* to tell employees, but information must be repeated many times before it is fully understood by all (99).

Despite ETS's highly educated and skilled workforce, employees who found themselves in communications roles were not prepared for the hostility and resistance they sometimes encountered. Better preparation and anticipation of reactions would have helped. Line managers should have been trained on how their roles in a rapidly changing organization would involve a higher level of communication than in the past. Involving line managers in face-to-face communications was essential to helping their employees understand that change was really taking place, and why. This involvement is at the heart of the "cascading communications" process. Although ETS made some mistakes initially, it learned from those mistakes and took immediate steps to correct them. As line managers continue to learn how to become credible and effective proponents and communicators of change, their personal buy-in to the process increases. This is an absolute necessity for advancing the desired changes in any organization (100).

Rhino Foods

At Rhino Foods, management works hard at listening to what employees are saying, and at getting employees to express what they think. Rhino Foods, a frozen dessert manufacturer located in Burlington, Vermont, seems to be providing the workplace of the future, now, by taking empowerment to new levels. According to Marlene Dailey, Director of Human Resources, "You need to constantly evaluate how you're doing. You can't wait a few years and do a program and then wait another few years and do another. You have to stay focused all the time" (Flynn- "Nurturing…" 38). The company purpose statement at Rhino says – *The employees and families of Rhino Foods are its greatest assets. The company's relationship with its employees is founded on a climate of mutual trust and respect within an environment for listening and personal expression. Rhino Foods declares that it is a vehicle for its people to get what they want.*

Dailey states, "We added 'families,' not because we want to be involved in people's personal lives, but because we do think about working from the outside in. And people come from the outside in" (38). Rhino wants people to have a healthy life *outside* because, if they do, they come to work in much better shape. And if Rhino can provide a work environment that creates healthy people *inside* the company, when they go home, they have a better chance of creating a healthy environment there. Each environment affects the other (38).

Rhino acknowledges the strong synergy between work life and personal life. It feels if an employee achieves goals on a personal level, he or she can focus that much more on work. In addition, empowered employees are simply better employees. The company believes that the more employees understand that they create their own world, whether at work or at home, the more confidence they will have in their own abilities. This will result in employees who are more likely to speak up and offer their ideas (40).

A good example of this occurred in 1993 when Rhino was faced with a temporary overstaffing problem. The company asked employees for help in finding a solution other than layoffs. A group of 26 employees – more than half of the workforce of 40 – took on the challenge. They developed an exchange program with local businesses that needed extra help for a period of time. Six production workers headed over to jobs at Ben & Jerry's Homemade, Inc., and four others went to the mail-order company of Gardener's Supply. Although salaries were not completely equal, Rhino made up any difference in pay. Service time, benefits, and accrued vacation were not affected; and 10 employees, one-fourth of the workforce, got to see how other companies did business (38).

When asked why he volunteered for this project, one employee said he thought it would impress Rhino, make him more of an asset, make the company proud of him, and show management that he would go the extra mile for the company. Another employee said he enjoyed the change in environment and meeting new people, and would do it again "in a heartbeat. It's like a vacation. You go somewhere for a few months, knowing you'll be secure here. You know you're eventually coming home, and it's nice to get back home" (39). The company enjoyed a much higher level of morale and trust from the exchange program than if they'd just gone through a round of layoffs. It was a very effective initiative during a potentially devastating time. Although it turned out to be scary and tense for a time, it really ended up cementing the team (39).

For the past several years, another special program at Rhino has helped employees challenge themselves even more. They are encouraged to set and achieve goals, no matter how intimidating they may be. The program is called the *Wants* program, and it is designed to provide "mentors" to help employees achieve their goals. A group of eight employees from all areas and levels of the company are trained as Wants Coordinators and are available one-on-one to any Rhino employee. Employees meet with their Wants Coordinator for about an hour each quarter to set goals and work on ways to achieve those goals. The goals do not have to be work-related, but often are focused on winning a promotion. The goal of the program is to empower employees to set goals and make things happen. Often, people just need a little encouragement to take the first step; and the Wants Coordinator is trained to provide the coaching they need to get started. Troy Tsounis, a shipping and receiving worker has been a Wants Coordinator since the program's inception. He says he has seen his own skills grow because of his role. He points to the communication skills he learned in his initial training. He says he now knows how to talk to people, as well as how to listen; and he is able to use the skills at home, as well (40).

Rhino continues to keep employees involved in their workplace. Teams are involved in nearly every aspect of the company. For many projects, teams are created by enlisting people from all different parts of the business through opportunity postings. Similar to job postings, opportunity postings alert employees to project openings throughout the organization. The postings describe the nature of the opportunity, as well as the necessary level of commitment. Most employees want to be team leaders or, at least, to be involved in a team. A common remark heard whenever employees are asked about their appreciation for Rhino is that being part of a team really impacts the company (40).

When Rhino decided to introduce a 401(k) plan, the company didn't just *announce* the new plan and how it worked. Instead, it involved the workforce early in the process. Because the 401(k) would be selfdirected, Rhino wanted employees to feel comfortable with their provider. Three 401(k) contenders were identified and came into a company meeting to make presentations on their services. The employees then voted to determine the winner. Of course, participation in the plan was high, because the plan was chosen by employees (42).

Employee Involvement at Rhino really means something, and employees sense that. Despite a grueling production schedule, the company shuts down every other week for 30-60 minutes for company-wide meetings. In these meetings the company addresses issues that affect everyone and invites employees to make comments or ask questions. The meetings help people get to know each other, keep informed about what is going on in the company, and feel connected to it (42).

Rhino is an advocate of sharing profits with employees. It is no surprise that the company has three profit-sharing programs. One is designed to recognize the performance of the workforce as a whole, another to recognize seniority, and another to recognize the individual performance of employees. The first program, which has been in place for about eight years, is playfully called *The Game*. Every day Rhino posts key information that shows where the company stands financially. This is its score for the day. For instance, on Tuesday, the score may indicate that, if operations continue smoothly, each employee will receive

$26 at month's end. On Wednesday, the score may be down to $10 or $1. All information is posted to inform employees what happened on Tuesday to cause the drop; maybe a lot of product had to be scrapped or perhaps equipment failure caused a line to be down. Thus employees always know where they stand and what they need to do to keep their bonuses, which are given to all employees once a month in equal amounts. This kind of profit-sharing truly makes employees feel that they are on the same playing field as management (43).

<u>Springfield ReManufacturing Company (SRC)</u>

Springfield ReManufacturing Company (SRC) has developed a reputation world-wide for its innovative management style, which includes extensive employee involvement. SRC is the pioneer of "open-book management" and, in addition to its many manufacturing facilities, the company has developed an enormously successful training program called "The Great Game of Business."

Back in 1979 a 26-year-old man, by the name of Jack Stack, was Superintendent of Machining in a division of International Harvester, located in Melrose Park, Illinois. Stack supervised five general foremen, all over 50 years old, and 400 employees in a division ranked last out of seven in productivity. He came up with the idea of giving each foreman a copy of his daily productivity figures, and having that foreman compare his figures to those of the other six divisions. Instinctively, a bit of competition developed, and productivity soared. The first time a work group beat the previous high score, Stack bought coffee for everyone. The next time it happened, he bought coffee and doughnuts. And the third time, he invited them to his house for poker, pizza, and beer. In three months his division had risen from last to first place in productivity. This was the birth of "The Great Game of Business" (Rhodes 64).

From this simple beginning, Stack moved to another International Harvester division, now known as Springfield ReManufacturing Co., in Springfield, Missouri. When Harvester decided to close the facility, even though it was generating a profit, Stack and a group of 12 other managers developed a plan to buy the company. After months of planning, pooling resources, talking to banks, and praying, their persistence paid off; and they did, in fact, buy the company.

In a 48 hour period, all employees were terminated from International Harvester, most were rehired by Springfield ReManufacturing, and a new era was begun. Jack Stack's success in Melrose Park, coupled with what he had been able to do at SRC, not to mention a lot of prayers and hard work, resulted in what is now a thriving company with annual revenues in excess of $120 million. The success of SRC and its many divisions is based on the premise that, if all employees at all levels – have access to production numbers and financial statements, and they truly understood what impact their jobs have on the bottom line, they will also have a deeper commitment to the company and its success.

After compiling all of the financial data and analyzing them at length, Stack realized he had to develop a way to share this information with the employees. Only the people could make the numbers work to the company's advantage. His solution was to educate the entire population, about 200 people in all (64).

In early March, 1980, groups of 10-15 employees rotated, during working hours, through a full range of business courses, which included production scheduling, purchasing, accounting, plant audit, standard cost, industrial engineering, inspection and warehouse, and more. Most of the sessions, which lasted one to two hours, were taught by SRC supervisors, but occasionally outside instructors were brought in. In total, 96 hours of training were offered, involving more than 1,300 hours of student instruction and preparation (65).

Eventually, the time came to focus on financial statements as a means of truly sharing information with employees. The use of income statements could emphasize the urgency of SRC's position, transcend individual preoccupations, and measure performance. Using income statements, however, required a much higher level of business understanding than employees possessed at that time.

Again, Stack attacked the problem with company-wide education. SRCs managers and supervisors attended a series of in-house courses on income statement construction and analysis. Then supervisors returned to the shop floor and held abbreviated versions of the course for hourly employees. "And then they began to see," says Stack. "Their scope was no longer one of emotional protection of fiefdoms, but rather one of logic and sequence." This is how Jack Stack bridged the gap between quantitative management and people-oriented enterprise, "thereby solving the puzzle that had baffled so many for so long" (65).

More recently, the company has organized an ongoing management training program, aimed at opening up opportunities for employee advancement. At SRC, those opportunities are real. General Manager Steve Choate and General Foreman Joe Loeber started out as janitors. Director of Safety and Training Lee Shaefer began as a "gofer." Wendall Wade, a 30-year-old Supervisor of Engineer Disassembly, began as a shipping clerk. Inspired by these examples, 80 percent of SRC employees have taken courses under this program (68).

Gamesmanship lies at the heart of Stack's approach to management. Virtually everything that happens at SRC is based on the premise that business is essentially a game – a game that almost anyone can learn to play. As with most games, however, people won't bother to learn to play well unless they understand the rules, receive enough information to follow the action, and have the opportunity to win (65).

According to Stack, when one looks at all the characteristics of a game, they mirror the characteristics of a business. In fact, they are almost the same. To play a game, you must first understand its rules. In business there are two basic rules: the first is to make money; and the second is to generate cash. Then of course, there is keeping score. Businesses keep score in the form of the financial statements. They also face a lot of competition. All businesses have competitors they must try to beat with superior market strategies, more talented employees, and better products and services (Anfuso 50).

Consider how SRC's Executive Vice President Mike Carrigan went about getting managers, supervisors, and employees more involved in planning the company's future results. He selected operating expenses as the focal point. After working up projections in areas that included welding supplies, abrasive materials, hand tools, and more, he asked every manager and supervisor to take personal responsibility for one account and report back in a month to see if his projections were realistic. Over the next few weeks, each of the supervisors and managers went around asking employees about their needs, researching past expenditures, testing the production scheduler's assumptions, checking with various buyers, and forcing Carrigan to defend his calculations.

When the group reconvened at the end of a month, the managers and supervisors were surprised to learn that, going forward, their findings would be accepted as the budget figures for the coming fiscal year. As Carrigan puts it, "What happened here was that these people were, in effect, running their own small businesses. They had set their own budgets, and they had to live with them" (Rhodes 68). If they wanted to complain, they had to complain to themselves. This is, above all else, an *awareness* program. Every little bit counts, and only the people here can make the numbers work.

When SRC made the move to open book management, it also brought about a cultural and a behavioral change. "We never gave middle management the tools to communicate before," says SRC's Stack. "Now we've given them a way to be honest where before, they had to make things up or use analogies. Theirr security is based on financial statements whether they know the numbers or not." (Caruso-www.bestjobsusa.com)

Here are the basics of how open-book management works. To begin with, everyone – managers, supervisors, administrative personnel, production workers – has access to the company's monthly financial report. In small weekly sessions, supervisors or department heads go over the figures, encouraging questions. Over a period of a day and a half, every department in every location will spend anywhere from 20 minutes to an hour reviewing the income statement and cash flow report for that particular facility. If everything is going as anticipated, the meetings will be short. If there are problems, with materials or production, they will take longer.

At SRC, employees are involved in the decision making process. Whether it is a decision to use a new part rather than salvage an old one, they know how it affects their unit's financials. Because the company's bonuses are always tied to financial indicators, employees have a big incentive to learn and to care about what the numbers show (Case-www.shrm.org…articles).

Following the initial meetings, all management and department representatives take the income statement and share the numbers with the rest of their departments. The rules of the game are that the people who attend the initial meetings must communicate the information within 24 hours. These small coaching sessions provide the opportunity for the group to talk about the numbers, analyze them, and set up a game plan for this "inning." Armed with a target number they need to achieve, workers go back to their jobs and work together to make it happen. It may require buying fewer supplies this month because expenses are high, or it might mean increasing production because shipments are down. The point is that the workers all know what their goal is, and they work together to achieve it (Anfuso 57).

It is Human Resources' responsibility to make sure the weekly meetings take place and that the information being distributed is also being understood. HR professionals do this by spending time on the floor and talking to people. They ask employees about the latest meeting, make sure people have had the opportunity to attend, and test the quality of the information given at the meeting. For example, they might ask, "What did you think about the labor performance this month?" If the employee got the information he should have, and if he understands the big picture, he is likely to reply, "I saw that we're about $25,000 favorable, and that's very good for us because it means we're building product in less time than we thought." This gives HR an opportunity to review what is happening at the meetings and make sure people running the meetings are relaying the right information. The emphasis is on getting each employee to understand what his or her financial impact is on the corporation. Until employees understand that, they are not really understanding the big picture; and they are not understanding how business works. The goal is to make employees partners in the business. Until they play a role in the day-to-day business decisions, they are not really partners (59-60).

Understanding the financials and how a business is run comes from constant training and repetition of the concepts. In 1994, SRC spent approximately $300,000 on business literacy training, compared with only $50,000 on skills training. Employees are also required to spend a minimum of 30 minutes per week learning the latest financial figures during the weekly meetings (54).

"To me," says Stack, "giving ownership to the people who do the work has always seemed like the simplest way to run a business. It frees me to concentrate on productivity." What Stack and some 360 of his colleagues seem to have demonstrated is that a rigorous, even obsessive, quantitative regimen can still produce a strikingly people-oriented enterprise. Indeed, Stack is convinced that his number-crunching works so well *because* his people are so involved (Rhodes 70).

SRC certainly does have more than its fair share of numbers. Those numbers guide its operational and financial reporting system, which is as elaborate, and as rigorous, as any in Corporate America. What sets it apart is the level of employee involvement. SRC's workers all play active roles in running the business. They are all directly responsible for helping to make SRC succeed (70). The only way to be smart enough to deal with the complexity of the modern world is to tap into the intelligence of everyone in the organization. The tools of the intelligent organization allow it to move the average employee from jockeying for political position and a safe haven to taking an entrepreneurial attitude toward creating the future of the organization. That is the glory of SRC. Instead of trying *not* to be the one whose head was chopped, these employees are trying to save the organization. They continue to want to make it better (Anfuso 58).

Jack Stack's company has become a business school without the MBA degree. SRC has incubated 14 companies within its own employee population. Workers learn how business works and build up an equity in SRC, which they can then invest in starting their own businesses. In 1989, the company began an entrepreneurial program that helps workers start their own businesses. Interested entrepreneurs discuss their ideas with HR staff members, who then work with a financial person to create an income statement, a cash flow statement, and a balance sheet. If the economics are good, and the company believes the idea will fly, SRC will fund 80 percent of the new enterprise. Employees can cash in their equity in the ESOP, if fully vested, to pay for their portion of the startup. Stack says he is trying to teach people capitalism (Morris-www…morris).

At SRC, workers learn the rules of business, create winning strategies, and share in any winnings. The turnaround of SRC owes much to exacting quantitative controls, but even more to its almost evangelical insistence on giving human potential its due. "We're appealing to the highest level of thinking we can in every employee in our company," says Stack. "Why hire a guy and only use his brain to grind crankshafts?" (Rhodes 66) The success of SRC is based not just on people having a piece of paper that says they are owners, but on the fact that people are given tools and the freedom to act like owners. Unless you actually let employee owners in on the decision-making and get participative management, worker ownership doesn't make much difference in the success of the company. At SRC, ownership means true participation and the tools to intelligently participate (Anfuso 57).

Not only did "The Great Game of Business" help SRC survive, it has been the secret to its success, transforming it from a minor league player, with $16 million in sales, to a major contender projecting over $120 million in sales annually. Employee owners, knowing they share in that success, have, as a team, increased the company's stock value 27,000 percent, from $.10 a share that first year to over $30 a share today. In turn, those employees who have been in the "game" for at least 10 years have earned themselves between $40,000 and $50,000. That is more than half the average price of a home in the Springfield area (58).

CHAPTER V

A NEW ERA IN COMMUNICATION

Conclusion

The real stumbling block, when it comes to communication, is that it is so rare to experience good, two-way communication. It is very difficult to find people – employees *and* managers – who can listen, as well as speak clearly and concisely. But it is more important now, than ever before, to have a continuing dialogue between management and workers because this will, ultimately, have an impact on the bottom line.

The loss of drive, innovation, and loyalty that companies see within their workplaces today, as well as the loss of high-performing employees, has forced many companies to reconsider the employment relationship. In the mid-1990s good companies have been stepping forward to deal with some of the consequences and effects of downsizing, rightsizing, and reengineering on the workforce. They have realized that they must give something back to employees; it is not sufficient to expect high productivity in exchange for a paycheck.

One major challenge of the new employment pact has been focusing employees on the financial success of the company and explaining that jobs and salary increases are subject to that success – *without* creating an adversarial relationship. The goal has been to find a way to meet the needs of both employers and employees and develop a strong business partnership (Bencivenga - "Employers..." 95).

In the area of rewards, most employees are still not covered by any kind of meaningful profit sharing plan, employee ownership plan, or gain sharing plan. Additionally, most have very limited power. If they are not on a work team or in an enriched job, in essence, they are in a traditional box as defined by their corporate culture or, should we say, bureaucracy (Lawler-www...lawler). Productivity also tends to be lost when employees are distracted from their work by things like family-life demands. An employee who is worried about a sick child being cared for by a neighbor is not going to be productive; and if the employee feels as if he or she is being forced to be at work, then loyalty to the company will be diminished. When unhappy employees remain with a company, they are less productive and likely to be absent more often. Statistics show that 47 percent of workers take off an average of eight days per year to attend to dependent-care responsibilities (Graham 104).

The key to correcting diminished productivity lies in a company's ability to stimulate the inherent potential of people and their willingness to solve problems, to achieve goals, and to reach for the stars. In other words, creating a positive work climate should have a positive impact on all areas of a person's behavior. That is why more and more companies are developing programs to accommodate employees' work life situations. That is why we see more non-monetary benefits like telecommuting, flexible hours, short work weeks, and job sharing. The companies that are incorporating nontraditional benefits to accommodate employees' needs show that they really are listening, not just talking (Yandrick 98).

In an article in the *St. Louis Post-Dispatch* on July 14, 1998 Sherwood Ross cited a study that dramatically showed how employee loyalty was falling as a result of heightened levels of stress in the workplace. Ross referred to a study conducted by Aon Consulting's Loyalty Institute, in which 1,800 workers were surveyed. The study found that the number of employees suffering from job "burnout" increased from 39 percent in 1995 to 53 percent in 1998. At the same time, commitment fell 2.2 percent since 1997 in all groups surveyed. The study also found that workers who suffer stress are significantly less committed to their companies than other employees; and the number of employees who report working regular 50-hour weeks had nearly doubled since 1995. It is no wonder we are "stressed out to the max" (Ross-6).

The Aon study went on to predict that more than 55 percent of employees would change jobs for a pay increase of 20 percent or less, and that over 23 percent would leave for an increase of 10 percent or less. This definitely shows a strong lack of loyalty. Aon's study found that workers have so little time for their personal lives that they spend 5.4 days a year on personal matters at work. Additionally, they lose 3.6 days to illness and 6.1 days due to things like caring for a sick child or parent. As stress levels increase, employee "down time" increases, and all of those missed days result in lower productivity.

Only five years ago balance between work and family wasn't considered an issue with employees; but it has become so widespread now that in a recent survey of 400 small businesses by KeyBank of Cleveland, 92 percent of respondents indicated that encouraging a healthy balance between work and family is a part of their culture. That's a good sign. That means more and more companies are realizing the importance of listening to employee concerns and acting on them (6).

According to Aon's survey, the top five priorities of employees are: 1) recognition of the importance of personal and family time; 2) a clear vision about the direction in which the company is heading; 3) opportunities for personal growth on the job; 4) the ability to challenge the way things are being done; and 5) satisfaction from everyday work (6).

In another article, from the *Journal of Commerce*, James Challenger says that "Americans in the '90s are going to work with stress from home and then returning home with more stress from the job" (13). Again, we see statistics on absenteeism demonstrating that "because of stress, a million Americans are absent from work on any given day" (13). The article goes on to say that 40 percent of employee turnover is related to job tension. The companies that are listening to employees and responding to their needs are offering creative solutions that allow their workers more choices and more alternatives to balancing work and family life. Many businesses now have fitness centers, offer counseling assistance through on-site programs or EAPs, and conduct stress management classes. In the company I currently work for we have started offering 15-minute chair massages by a licensed massage therapist, and the company subsidizes it by paying 50 percent. Anything an employer can do to help alleviate employee stress is going to benefit the company in higher productivity from its employees (13).

Empowered employees tell management what is on their minds, and the result will be a more profitable company. Empowered employees are proven value-adders. A study conducted by the University of Southern California's Center for Business Effectiveness found that companies with a high use of empowerment programs had a 10.3 percent return on sales, compared to 6.3 percent among non-empowered organizations. Additionally, in a 1995 *Personnel Journal* reader survey, 81 percent of participants said they thought an empowered workforce was worth the time and energy it takes to create, and 81 percent also said it will be an integral part of workplaces in the future (Fisher 40).

The future is now. In order to retain high performing employees, those employees must be empowered to make decisions. In order to do that, they must know what is going on in the business. Even when employees have a direct financial incentive to improve their performance, the company must shift its culture to include sharing financial information and giving employees a real voice in the way the company is being managed. The role of management has shifted from “command and control” to “coach and cheerlead.” Today’s managers need to establish a supportive environment in which people can be their best. They need to help employees reach their full potential in obtaining both their personal goals and those of the company. Employees need to be treated as equals by management, and they need to be respected for their knowledge (Nelson-www…nelson).

In another article from the *Journal of Commerce*, Carol Kinsey Goman writes in “New Ways to Reach Workers,” that according to a recent study by Towers Perrin, nearly 70 percent of employees didn’t think management was open and honest with them (18). As we have seen, many companies are beginning to open the books to all employees. This is one sure way of demonstrating openness and honesty. According to Goman, the payoff from this kind of open, honest communication is loyalty, good morale, and an improved bottom line. Companies who are promoting this communications revolution usually follow five steps that sum up the message this paper has tried to convey. The steps are:

1) *Take the spin out of communications.* No more rose-colored glasses, no more camouflaging the truth. Tell it like it is, and employees will appreciate your honesty. From that appreciation will come loyalty and

hard work. At Reell Precision Manufacturing in Minnesota, they used this approach during a downturn in business. After the loss of a key customer, Reell management called a company-wide meeting to share the financial information with employees. Executives explained that it was necessary to cut costs temporarily and what steps they wanted to take to achieve this. They also explained exactly how they had come to this decision and what other options had been considered and discarded. When a temporary pay cut was announced, it was actually applauded by the employees. Although they weren't happy about having their salaries cut, they appreciated being treated like partners in the business. Five months later, profits were up again and salaries were restored (18).

2) *Find out what's going on in employees' heads and hearts.* There is a lot written about researching employee attitudes through focus groups and formal surveys. That's all well and good; and those forums should be used, when appropriate. But sometimes all managers need to do is go out and talk to employees. If managers are willing to listen, employees will usually tell them a lot. If they ask straight forward questions, they will usually get straight forward answers. What kinds of complaints do employees hear from their customers? What kinds of things do customers like about the way they do business? What are employees hearing through the grapevine that causes them concern? The key here is to take this information and act on it. Make sure the employee

population knows their ideas and concerns do not fall on deaf ears. Publish findings in the company newsletter; conduct communication meetings to address concerns; do something to show you care. This approach lends credibility to management and will foster ongoing feedback (18).

3) *Provide an experience, not a lecture – because people learn better when they learn experientially.* At Rubbermaid, Inc. they held a product fair – not for their products, but for their competitors' products. They displayed such items as storage bins and kitchen supplies with labels attached and gave the cost of production and the selling price. Employees learned a lot about competitive pricing and profit margins. Also, if management thinks the organization needs to be overhauled, it should not make an announcement that "reengineering" is going to occur. Instead, it should talk about what the problems are and then form employee teams to study the situation and propose solutions. Not only will they get support and buy-in from employees because they were involved in the process to find the best solution, it will probably lead to better solutions (18).

4) *Communicate first through action, not words.* What employees see makes a much bigger impression than what they hear, and what is going on at the water fountain is more powerful than what is being said in the conference room. In the company I work for, a newly promoted

President seemed to be having many more "staff" meetings than any previous President. Employees saw this core group of management meeting in a glassed-in board room on a regular basis. This was the beginning of a strong team-building approach. Our President knew that he had to visibly promote a management team first, in order to then promote a company of team players. It is not an easy or quick process. It takes a long time and our team is still being built; but we know we have a strong leader who listens to his management staff members, as well as employees at all levels (18).

5) *Have a heart, or become emotionally literate.* This may be the most important guideline of all. Emotional literacy is equivalent to the "sizzle" in advertising, and advertising professionals know people can't sell anything solely through logic and facts. When Lou Gerstner took over as IBM's Chief Executive, he was often asked why he was spending so much time meeting with employees around the world. Gerstner replied, "You've got to appeal to people's emotions. They've got to buy in with their hearts and bellies, not just their minds" (18). Gerstner knew he had to talk *with* employees, not just talk *to* employees. He knew he had to be able to feel their feelings to truly understand their concerns. And he had to understand their concerns if he was ever going to be able to get them to understand where management was coming from (18).

Open and honest communication is the key to success. That applies to our personal lives as well as business. In corporate America, if we look at a five-person business or a 5,000-person company, open and honest communications will result in greater success, happier employees, higher morale, increased productivity, better teamwork, and of course, a better *bottom line*.

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