

Ask Not What Your Employees Can Do for You...



THE VAST MAJORITY OF EMPLOYEES come to work to do a good job and do their best to add value in their assigned roles. When they don't — as eminent scholar **W. Edwards Deming** repeatedly pointed out — it is usually due to a failure of the management system, not the people. Poorly designed processes and inadequate (if not actively harmful) management systems prevent workers from creating the value that companies need and customers expect.

Nowhere is this truth more evident than in the remarkable turnaround at NUMMI, the joint venture between **Toyota** and **General Motors** at GM's Fremont plant in 1984. At the time, the Fremont workforce was considered to be GM's worst. Workers regularly went on strike; they spent more time filing grievances than building cars; they even intentionally sabotaged quality. Absenteeism ran over 20 per cent. Alcohol, drugs — and even sex were for sale. Not surprisingly, the plant produced some of the worst-quality cars in the GM system — and to be the worst in GM's system in the early 1980s meant quality had to be shockingly low.

When it started NUMMI, Toyota made a surprising decision to keep 85 per cent of the Fremont workforce. With essentially the same employees, something amazing happened: Absenteeism fell to two per cent; and in less than a year, quality was the highest in the entire GM system. If managers often complain about 'dead wood' in their work-

force, NUMMI is stunning proof that in many cases management hires *live wood* — and kills it.

Consequently, the key question to ask is not, 'How can employees add value to a company?'; rather, it's 'How can management add value for workers?' And lest this question smack of corporate paternalism, the evidence from NUMMI — and the examples to follow — is that adding value for workers yields financial rewards for the organization. Following are three employee value principles to live by.

PRINCIPLE 1: FIRST AND FOREMOST, SEND PEOPLE HOME SAFELY. At the most basic, fundamental level, a company must add value for employees by keeping them safe and healthy. The story of **Paul O'Neill's** tenure at **Alcoa** is legendary by now. In his first public speech as CEO, he told his audience that he wanted to talk about safety:

"I want to talk to you about worker safety. Every year, numerous Alcoa workers are injured so badly that they miss a day of work. I intend to make Alcoa the safest company in America. I intend to go for zero injuries."

Investors were spooked. After years of poor performance and failed product lines, they expected O'Neill to talk about how he intended to right the financial ship. They wanted to hear about inventories and sales strategies. They didn't want to hear about safety. One investor recalls how he called his

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20 largest clients and told them to sell their Alcoa stock as soon as possible.

O'Neill wasn't just performing for his investor relations audience, however. He told his management team and plant managers that there was no longer a budget for safety: As soon as a hazard was identified, he wanted them to fix it immediately, and let him figure out how to pay for it later. He even gave union leaders his home phone number and asked them to call if managers didn't fix safety issues.

Sending people home without harm is the greatest form of value a company can provide to an employee. Yet many companies (and the financial markets) take this responsibility far too lightly. In Alcoa's case, the pursuit of zero injuries not only engendered fanatical loyalty and commitment among workers, it led to daily improvements in core business processes that cascaded throughout the company and yielded impressive financial results. During O'Neill's tenure, Alcoa's injury rate dropped from 1.86 lost work days per 100 workers to 0.2, eventually falling to 0.125. One year after his speech, the company's profits hit a record high, and the company's market capitalization quintupled in five years.

PRINCIPLE 2: TEACH PEOPLE HOW TO SOLVE PROBLEMS. The old expression that companies often ask employees to 'check their brains at the door' may be a bit of an exaggeration, but it's certainly true that most companies don't teach their employees the basics of scientific thinking and rigorous, structured problem solving.

In most organizations, problems are dealt with in a never-ending series of firefights—except, possibly, by the company's engineers, who are professionally trained in scientific problem solving. Front-line employees address symptoms with workarounds and band-aids. But when a company invests time, money and energy in teaching all of its employees how to solve problems, the benefits to both the individual and the business are dramatic.

Mike Rother's 'Toyota Kata' approach has been used by hundreds of organizations since 2009, with impressive results. For example, **Baptist Memorial Health Care** used this approach to reduce patient falls with harm by 60 per cent, and cut operating-room turnaround time by two-thirds. At **Cornerstone Hospital** of Southwest Louisiana, which relies upon referrals from general hospitals for its business, the marketing team increased patient volume by 25 per cent by implementing the Kata approach to improve

its pipeline of business — the number of contacts, referrals and ultimately, the number of admissions.

By learning how to perform root-cause problem solving through Toyota Kata, the employees of **Biamp Systems**, a maker of hardware and software for the professional AV market, reduced lead time in one department by two-thirds without any increase in direct labour costs. Another firm — a mid-sized custom business furniture company — reduced the time required to close its books at month end from 10 days to one, the time to access information on its database from 20 minutes to 20 seconds and, on the shop floor, completely eliminated the need for a second shift.

Whether you use Toyota Kata or some other method, teaching workers how to solve problems means empowering employees to

- a) identify areas where opportunities for improvement exist; and
- b) implement those changes.

This kind of empowerment creates a virtuous circle, leading to increased employee confidence as well as a greater ability to solve the increasingly complex problems that are critical to a firm's performance.

Providing this kind of training is an investment in employees' intellectual development. From a traditional finance and accounting perspective, it might be seen as a waste of money, because it doesn't necessarily help the company deliver products and services to customers today; but as these examples demonstrate, that is a false choice. Investing in the intellectual development of employees yields better quality, higher engagement and morale, and lower costs. As the old management joke goes:

Q: What if we train people and they leave?

A: What if we *don't* train them, and they stay?

PRINCIPLE 3: MAKE YOUR EMPLOYEES BETTER CITIZENS. Although companies typically focus exclusively on maximizing what workers contribute during their eight hours on the job, there are enormous benefits to be reaped by thinking of your employees as members of their communities and citizens of the world.

FastCap is a mid-sized company that makes tools for the amateur and professional woodworker. Its products are sold in over 40 countries, and the company has grown steadily over the past 20 years. At its daily 15-60 minute staff

meeting, employees cover essential business issues, review core principles of lean and inspect the previous day's process improvements. No surprises there. But they also discuss history, current events, biography and the U.S. constitution. Each day's meeting is led by a different employee, so that everyone can grow more comfortable with public speaking, presentation and teaching. FastCap President **Paul Akers** says that 'growing people' is the most powerful thing leaders can do:

"If we have people who are engaged in world affairs and who understand historical principles, those people can make good and sound decisions on a daily basis. And they make a much greater contribution to the output of the company as a result. So we 'input' into people. Some people ask me, 'How can you spend that much time and money on these morning meetings?' My response is, 'How can I afford not to?'"

The results back up Akers's belief: FastCap is growing at 12 per cent annually — a rate that is even more impressive when you consider that it doesn't actually have a sales or marketing team. The company's CFO says that its financials would make a Fortune 100 company blush. Moreover, the company could be growing even faster, but Akers is unwilling to overburden his team with large spikes in new product development and manufacturing. He wants to avoid employee burnout and ensure that his people stay with the company for the long term.

Bob Chapman, the CEO of **Barry-Wehmiller**, a manufacturer of industrial machinery, has the same mindset. An industrial machinery maker is the kind of company where you expect to see old-school, finance-focused thinking drive organizational decisions. And yet, nothing could be further from the truth. Chapman is certainly concerned about the bottom line, but that's not what drives his decisions. Rather, the company's 'Living Legacy of Leadership', which, among other things, emphasizes respect for employees, is central to his thinking. He believes that a company is responsible for the lives of its workers — not just their paycheques. And the way those employees are treated directly effects society at large:

"When somebody comes into our organization and agrees to join us, when we invite them into our organi-



Gene Sherman, founder of Vocademy in Riverside, California, makes Principle 3 a reality.

zation, we become stewards of that life. And the way we treat that person will profoundly affect that person's marriage and the way that person raises their children and interacts with our community."

Chapman was once asked what the return on investment is of his approach to leadership. He responded:

"Why would I try to calculate the return on investment of being a good steward of the lives entrusted to me? I never even ask my accountants about this. This is a fundamental belief."

His commitment to adding value to his employees' lives has certainly added value to his bottom line: The company has grown — profitably — to more than \$2 billion in global sales.

In closing

Management's traditional view that employees are mere inputs — a variable cost — that go into the delivery of a product or service is short-sighted. This view leads to the one-sided belief that the exchange of value between an organization and its workers flows in only one direction: from the employees to the firm. But the examples discussed here are proof that the relationship between employer and employee should really be a two-way exchange of value: The more value an organization invests in its employees, the more value it is able to provide in return.

Indeed, when an organization invests in its employees — when it creates happier, smarter and more competent citizens — the larger community is the real winner. Creating value for your employees is one of the best possible ways to create value for society. **RM**

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