Profiting from Trust

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By: **Les Landes**
Landes & Associates

LANDES
& ASSOCIATES

3531 FLORA COURT | ST. LOUIS MO 63104 | 314-664-6497

Virtually all organizations in the free world have a few key things in common. First and foremost, they all want to be successful. They also all have customers. Call them consumers or taxpayers or students or patients or clients or whatever you want. In the end, customer satisfaction largely dictates an organization's success. Those organizations also all have employees. Call them associates or co-workers or partners or colleagues or whatever you want. In the end, their sense of trust and goodwill toward the organization dictates how they relate to customers . . . and how satisfied those customers will be.

Connect the dots, and the picture becomes clear. Making employee trust and well-being the top strategic priority is more than a nice thing to do. It's just good business. But it takes more than perks, plaudits, and pats on the back to get employees tuned in and turned on. It takes a whole new perspective on how to maintain positive adult-to-adult relationships in the workplace. It also takes the right kind of "people-first" systems, policies, and practices to put that perspective into practice and make it all work.

The Trust Imperative

Ever since the mid-1980's or so, organizations have been fitfully in search of a magic pill to successfully transform themselves into "world-class" operations. Some have sought it in *TQM (total quality management)*. Others have looked to *reengineering*. Dozens of other variations on those two remedial movements have pervaded the organizational landscape in recent times – most to little or no avail. In fact, a number of highly touted studies have shown consistently that roughly 70% of those transformation efforts have been utter failures, many leaving organizations totally disillusioned and often in worse shape than before they initiated their improvement efforts.

Countless quality pundits have analyzed and prophesied those failures, and their explanations run the gamut. After considering an array of factors that make or break the journey to becoming world-class, we at Landes & Associates stepped back and asked ourselves a very basic question: "What is a simple and compelling expression of what organizations are trying to do with this transformation stuff?"

That question eventually led us to a mission for our work that both answered the question and provided direction for accomplishing that mission: ***To help organizations create sustainable competitive advantage through communication and marketing systems that build trust inside and out.***

The pivotal word in that statement, the one from which all *exceptional* organizational success emanates – is ***TRUST***. With it, organizations can accomplish almost anything. Without it, every day is a struggle filled with friction and uncertainty. Most organizations give nodding acknowledgment to the importance of trust, but they are generally misguided in their understanding about two things: 1) The kind of environment that truly fosters trust, and 2) Basic truths about human nature. Even if some of them do have an inkling of what makes people tick in terms of organizational relationships and what it takes to build trust among them, they are clueless about how to translate those insights into an effective business enterprise.

Our mission is to help organizations create sustainable competitive advantage through communication and marketing systems that build trust inside and out.

Why is that? Why do so many organizations struggle with something so fundamental and so fundamentally important to their success? The answer is all too human and oh so predictable. First of all, they just give it lip service. Most of them don't fully appreciate how important trust truly is, the kind of dramatic impact it can have – negatively or positively – on people's performance. Secondly, they feel it's too difficult to deal with and that the competition isn't doing much better at it than they are, so why put a lot of energy into worrying about it?

For those who hold that view, only the cold, harsh reality of getting their fannies kicked in the marketplace will reshape their thinking. For those who have a fire in their bellies and a pounding in their souls for the power of a trust-filled workplace, we offer a picture and a plan for getting there.

What Makes People Tick?

Building trust with people starts with understanding their most basic needs. You can slice and dice it eight ways from Sunday, but in the end, human needs come down to two main things: 1) Self-esteem, and 2) Security. When those needs are met, people tend to respond positively. When they are not met, they tend to respond negatively. That's simple logic.

The challenge comes when you ask people who is responsible for self-esteem and security in an organization. Ultimately, each individual must be responsible for ensuring those essential needs. That's good news, we tell people, because if it's someone else's responsibility, *they* are in control of your life, not you.

It is true that policies, procedures and management actions can have a big impact on a person's ability to satisfy those needs, but individual and organizational health both require personal initiative and responsibility to make the organization work as a whole. That's a vital part of being able to move beyond pointing fingers and passing the buck so people can evolve to joining hands and taking initiative, regardless of whose responsibility it is.

It's important to understand that you can't chide people into that kind of mind frame by admonishing them with guilt and recrimination, especially when they fail. If you try to instill personal responsibility with a sense of righteousness, people will turn away. Responsibility and cooperation can only be embraced, not imposed. And in order to foster that embrace, you have to start where people are, not where you want them to be. Especially when confronting difficulties in the workplace, you always have to *approach people as the source of the solution, and not the cause of the problem* – that is, if you want them to remain engaged, if you want to foster trust.

In spite of the obvious fact that trust is vitally important in any collective enterprise where cooperation is essential, and even though the vast majority of people tend to make good-faith efforts to be trustworthy, trust is curiously fragile and elusive. In part, that's because trust requires consistent effort in many vital areas, such as caring, honesty, competence, reliability, and others.

But even knowing its importance, what it requires, and doing our best to foster it, we struggle with trust. Why? Well, in spite of what some people believe, it's not because people are "out to getcha." Here are just a few of the challenges we face with trust in organizations:

- People don't always agree on the best way to do something. They focus on "what's right from their own points of view" instead of "what works for the team." That disagreement can sometimes bring out the "dark" side of behavior that lies lurking beneath the surface of even the best of people.
- Sometimes, people just make mistakes. And in return, sometimes, people react negatively instead of constructively to those mistakes.
- Sometimes, people just have a "bad hair day" and they behave poorly.
- Most people don't have the skills and the systems to work effectively through conflicts. Some schools now are beginning to teach those skills in the early grades, but historically, we "just sort of picked it up along the way."

Always approach people as the source of the solution, and not the cause of the problem.

Any of those factors can put a strain on trust and do damage to working relationships. And it doesn't even have to be mean-spirited or intentional. So what do we do? If trust is so important and so fragile, we need a way to ensure that it is more predictable — less reliant on good intentions and less susceptible to human vagaries.

The Key is in the Systems

Predictable trust in the workplace requires systems – not just any systems, but what we call ***"people-first"*** systems — non-punitive systems based on principles that are proven to bring out the best in human nature — systems that tend to foster unbeatable organizations where people love to work.

We've all heard the management mantra of recent years – *"People are our most important asset."* In truth, however, most organizations still treat employees as an expense to be controlled instead of an asset to be developed and safeguarded. Our model for bringing that mantra to life, for making it real, focuses on three main types of systems – all of which contribute to people's sense of security and self-esteem, all of which are keys to trust if they are designed and implemented appropriately.

They include:

- ***Measurement & Rewards***
- ***Communication***
- ***Learning***
- ***Continuous Improvement***

Few organizations are without some type of systems in each of those areas. But many of them fail to see how some traditional systems actually have a negative effect on people. That's because they tend to be punitive, so they often have just the opposite effect of what most managers expect. Many organizations have not recognized that while those traditional systems will generally elicit *compliance*, they will never produce *world-class excellence*.

One company that finally woke up and broke through that barrier – and eventually went on to win the Malcolm Baldrige National Quality Award in 1994 – is Wainwright Industries of St. Peters, Missouri.

Taking Off the Blinders

As a supplier to the automotive and aerospace industries, Wainwright Industries went through some turbulent years during the 1980s. They tried more than their share of "quality" solutions. Eventually through struggle and trial and error, they managed to do a number of things to improve relationships between management and non-management employees along with company performance.

Over the next few years, they appeared to be making noteworthy strides – lots of improvement, lots of growth, lots of accolades from outside observers. But by the end of the decade, they realized that something still wasn't quite right. Even though the business was growing, profits weren't keeping pace, and people weren't taking responsibility for the fate of the company the way Wainwright wanted.

Their breakthrough came in 1991 when a group of managers went to hear a vice president from IBM Rochester talk about how ***they*** had won the Baldrige Award. As they were listening for IBM's "formula," one of their managers heard some words that he jotted down on a napkin — *"sincere trust and belief in people."* Alongside that phrase, he wrote the question "What is that?" He then passed the napkin to another manager who wrote back, "I don't know. Do we have it at Wainwright?" She passed it back, and he responded by writing, "If we don't know what it is, we probably don't have it." The napkin then was passed around the table for everyone to see. That experience changed the company forever.

Senior managers had a lot of discussions after that day, and they realized that no matter what they had said about their commitment to involve employees, managers were still running the show. For all of their efforts to include people, trust them and listen to their ideas, managers still were telling them what to do and how to do it. After 10 years of struggling to become a superior company, they concluded that they would never be world-class until every person could play a meaningful role in determining how they were going to run the business and improve their operations.

They saw that they had to truly honor the talents and trustworthiness of every person in their company, realizing that with every set of hands they hired they also got a free brain, and they needed to figure out how to use it. They decided that it had to start with sincere trust and belief built on a profound awareness that non-management employees were responsible, adult human beings who wanted to do a good job and with the proper training were ready to do so without management admonition and surveillance.

Wainwright does not pretend to be unique in their awareness of the need to build trust by engaging people's hearts and minds as well as their hands. They do, however, have systems and policies that are distinctively compatible with a trust-building, "people-first" approach to managing the business.

Training

The more knowledge and skills employees have, the easier it is to trust them. At Wainwright, they are obsessed with training. They spend an equivalent of about 6% of payroll annually on it. That translates to an average of about 100 hours per year for everyone.

While that's comparatively high, what's also distinctive is *why* they do it. Most organizations train employees because they want to develop more skilled and knowledgeable workers. That sounds logical, but the investment is motivated principally by how it benefits the company. At Wainwright, the top priority in training is on helping employees become better *people*, not just better *workers*. Since better people tend to make better employees, focusing on people first is a win-win proposition for employees and company alike.

As an example, in 1991 the company conducted a confidential "locator test" to determine where everyone stood on basic math and reading skills. They collaborated with a local technical college to conduct the evaluation and then follow up with the appropriate development program for associates. To their surprise, the benefits went beyond skills improvement. Performance went up, of course, but not just due to increased skills. For example, heartwarming responses from employees are not uncommon – like the woman who tearfully admitted to the CEO that she couldn't read before and now was able to read a story to her granddaughter for the first time in her life. Clearly, that kind of impact translates into greater self-esteem and loyalty, which also impacts performance.

That shift in thinking also shows in their training priorities. When they first launched into training, the company started with statistical process control (SPC).

They thought if everyone had the technical skills, everything else would fall into place. They were wrong.

Today, training starts with interpersonal skills. If people understand how to give and accept constructive criticism, if they know how to deal with a problem cooperatively for everyone's mutual benefit, if they can resolve conflicts, *that's* when everything falls into place — and only then.

To help ensure that the interpersonal training is embraced, it is important to imbed it in relevant projects that are viewed as important to management and employees alike. Training for training's sake leaves a lot of people turned off. That's especially true of supervisors who often see training – whether it's for themselves or the people who report to them – as a drain on vital production time.

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Handling Mistakes

Fear always undermines trust and truth, so never punish people for making mistakes. If you want to turn a mistake or a problem into a positive experience, keep in mind our key admonition: *"Always approach people as the source of the solution, not the cause of the problem."*

Several years ago, Wainwright acquired a new plant along with its existing work force. Right away they discovered they were getting a lot of damage from material moving equipment. At first, people were fearful, so no one would admit to causing the damage. Finally after considerable encouragement from management, one man stepped forward and admitted he had smashed a door with a forklift. The plant manager seized the opportunity to stop operations and call a plant-wide meeting. He told everyone about the problem, talked about what caused it, how it might have been avoided, and then he did something no one expected. He thanked the man who caused the accident and shook his hand in front of the whole work force. The trust they fostered that day had immediate impact. Overnight, damage reports went from zero to 90%.

Sharing Information

Don Wainwright, chairman and CEO of the company, is fond of admitting how dramatically his views have changed regarding the sharing of information. "I used to see two people talking and wonder why they weren't working," he says. "Now I look at them and say thank goodness they're communicating."

Few companies these days deny the importance of effective communication. Quite the contrary, they decry the lack of it. The struggle comes when they try to figure out how to communicate effectively.

It starts with attitude. At Wainwright, the communication philosophy is summed up in a simple two-word policy – ***No Secrets***. That's a tough leap for some companies, but Wainwright Industries looks at it in terms of return on investment. If you try to hide vital information, you're wasting your money on training because people can't make sound decisions. Furthermore, they won't trust that you are committed to equipping them with what they need to do a good job.

The head of SAS Airlines, Jan Carlzon, sums it up this way. "An individual without information cannot take responsibility. An individual who is given information cannot *help* but take responsibility."

The systems for communicating are just as critical as the policies. One of the company's key communication systems is their renowned *Mission Control* – a center for posting critical performance data that looks like a well-oiled war room for auditors. The entire design of *Mission Control* is based on a key lesson that Wainwright learned from their Japanese colleagues who constantly encouraged them in their early years to "keep it simple, and make it visual."

Perhaps the most striking visual impact of the information center is the array of red and green pennants that cover the walls in neatly ordered rows. Green flags mean everything is on target. Red ones mean there is a performance shortfall. Those flags are related to two main types of indicators: 1) Satisfaction charts on all major customers, and 2) Status reports on key indicators used to measure overall company performance. Both sets of data combine to fuse measurement and communication systems into a single, seamless process.

From a communications perspective, you can walk into the room and tell in an instant exactly where the company stands overall or on any single aspect of the key factors that impact the big picture. To take advantage of the system, the company intentionally schedules a great deal of activity in *Mission Control* so it becomes the center of everyone's work life.

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Goals and Indicators

In most companies goals are typically set by a few senior managers during the strategic planning process. Other employees don't find out about them until it's a done deal. Then they are expected to pursue those goals with blind faith and obedience.

Several years ago, Wainwright decided to take a different approach. They started with a survey asking all of their employees what they thought was most important in helping them do a good job. When the company was done sifting through hundreds of comments, they found that most of them fit into five main categories: safety, employee involvement/satisfaction, customer satisfaction, product quality, and financial performance.
Then they took that data and used it to establish goal areas and set priorities for their strategic plans. Ultimately, those five categories were translated into the key indicators that are measured and posted in *Mission Control* still today.

The way they work with those indicators goes right to the heart of the people-first strategy. They start by thinking of business in terms of a game. Keeping track of the score is important, of course, but if you're always looking at the scoreboard, and your opponent is always looking at the ball, your opponent is going to win every time.

They work very hard to focus on the ball at Wainwright. Put another way, they watch "performance" indicators (safety and employee satisfaction) just as closely as "results" indicators (customer satisfaction, product quality, and financial performance). When their "score" isn't what they want it to be, their action usually starts with improving safety and employee satisfaction because that's what promotes greater trust and belief in their commitment to people — and ultimately produces better results.

Fostering Ownership

Much has been made of how important it is for employees to have a "sense of ownership" in their companies. Unfortunately, most organizations have tried to achieve it through rhetoric rather than substance. Fact is, you can't have a "sense" of ownership. You either own something, or you don't. The only way employees can be genuine owners is to have access to pertinent financial data and a direct stake in how the company performs.

Many organizations are coming to that realization, and they are beginning to offer employee profit-sharing. Problem is, most profit-sharing plans don't have built-in communication processes that allow all employees to see critical connections between the profits and the pay-out. They also give proportionately more to those with higher compensation. At Wainwright each quarter, they calculate the result of 25% of the profits multiplied by their *customer satisfaction index*. That amount is then split equally right down the line. The chairman, the plant manager, the punch press operator, the janitor, and everyone else in the organization each get the exact same amount. That formula goes a long way toward fostering employee trust.

Safety First

In Wainwright's initial employee survey, safety was the primary concern, so today, that's the top priority for the company. Every decision and every plan they make has to pass the safety test first, or they toss it out.

That mindset gets translated into safety systems and procedures that may appear somewhat excessive and redundant. The reason they do it is not just to ensure a safer work environment — although that's certainly important. The main motivating factor is that it builds trust and belief among employees that ***what matters most to them is what matters most to the company.***

In those rare instances where there is an accident, it triggers an extraordinary series of responses to make sure that everyone in the company knows about it and learns from it. Within 24 hours, a management group meets to discuss the incident and launch an investigation. The first step is to conduct a video reenactment of the accident. The person who was actually involved in the accident plays the lead role, narrating what happened and discussing causes and corrective action. A week later, all associates are asked to attend a series of small group meetings during regular work hours at which they review the tape and discuss ways they can eliminate the potential for similar accidents in their own areas.

As another example of the safety priority, the company considered a possible acquisition a few years ago that appeared to be a perfect fit with their strategic growth plans. All the numbers looked good, and they were enthused — until they saw the safety record. It was a long way from the Wainwright standard. After careful study, they decided it would take too long to get safety up to par. The acquisition met every other ***strategic*** criterion except for the one that was most important to employees — safety. So they let the company go.

Conventional business wisdom probably would dictate a different decision. But if trust and belief are the core of world-class excellence, a people-first strategy gets paid back in countless ways that ultimately find their way to the bottom-line.

Security

In many organizations — especially in office environments — safety is not a big concern for people. But safety has a twin that affects everyone — security. At Wainwright, they try to provide security on a number of levels because they know that the price of ***insecurity*** is always a loss of trust that leads to diminished performance.

First of all, they have a policy of never laying people off. When business slows down, and there's not enough production to keep everyone on the line, they either send them to training or put them to work on maintenance and improvement.

The training they do also promotes security. In the final analysis, no company can provide absolute employment security, but any company can provide "employability security." With an average of 100 hours of training per year, their employees know they have employable skills that they can take into the marketplace any time they want. That boosts their confidence, and confident people tend to exhibit less fear and deeper trust.

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The Performance Development Process

As important as safety and security are, people also have other needs and concerns. Wainwright Industries' survey showed that another key issue for employees was their relationship with supervisors. When trust is your top priority, one thing becomes apparent immediately. You cannot have an adult-to-adult relationship in which one person has a disproportionate amount of power and authority over another.

Wainwright took a big step in equalizing the balance of power by dumping the traditional performance appraisal process. Today, supervisors don't judge people. Instead, they meet with employees twice a year to do two things: 1) Tell them how well they've done during the past six months, citing as many specific examples as possible, and 2) Pick one or two areas to work on for the next six months that support the overall goals of the company. It's all very positive, very uplifting, and oriented toward future improvements.

Importantly, no negative issues of any kind are raised during these bi-annual sessions. So now, rather than loathing and avoiding performance reviews, supervisors and employees alike actually look forward to them. Making this kind of performance development system work requires that supervisors and the people who report to them monitor progress toward individual goals continuously. It's also essential to deal with problem incidents when they occur, NOT several months later during the dreaded appraisal process.

Employee Satisfaction Feedback System

Another thing Wainwright has done to equalize the balance of power is to have employees complete a "report card" once a quarter on their managers as well as others they rely on to do their job. It's not an appraisal as much as a measurement of how effectively the "internal supply chain" supports the workflow from one individual to another.

Grades are given in four areas: communication, quality, delivery, and responsiveness. The grading scale is essentially the ame as in the typical school — A, B, C, and D. Then the grades are translated into numerical equivalents that are used for tracking purposes. Like any good report card, there's also a place for comments. Once the grades and comments have been completed, they are posted by Human Resources in *Mission Control* for anyone to see.

Those individual scores also are compiled into an overall employee satisfaction index. In a broad sense, this system serves as a strong barometer for the level of employee trust company-wide.

The "Un-Suggestion" System

One of the big problems with most suggestion programs is that they force someone else to evaluate and implement the ideas that other employees submit. Furthermore, people usually feel that it takes too long to get any action, and they wind up criticizing managers for not being responsive.

Another problem is that most rewards for suggestions are proportionate to the value of the savings. Since it's hard to quantify many good suggestions and you can't offer a commensurate financial incentive for them, you miss a lot of valuable ideas that might otherwise be generated. A variable incentive system also encourages people to focus on the "home run" instead of the "base hit" in looking for improvements. They're always looking for the big things – which are tough to find – and they wind up walking right by lots of little improvement opportunities that make a big difference on the bottom line when taken as a whole.

After 10 years of struggling to create the "perfect" suggestion system, Wainwright finally realized it couldn't be done. So they scrapped it entirely. They don't accept suggestions any more. Now, ***only implemented improvements*** are rewarded.

They start with the premise that capable people who have the right kind of training and direction can make sound decisions on how to make improvements without going through the wasteful rigmarole of the typical approval process. When employees want to make an improvement, they start by conferring with their supervisors. If the idea seems viable - no matter how small - the supervisor approves it on the spot, as long as it is within the limits set for supervisor authorization. The employees then are responsible for implementing their own improvements, seeking supervisor support if they need it. A key goal is to avoid ideas for other people to do.

For each improvement that is submitted, the name of anyone involved in implementing it is entered into a weekly drawing for an $80 gift certificate. One name is drawn per week. People get one entry for each improvement they implement — except for safety, which earns *three entries* for each implemented improvement. Importantly, the bottom-line value of the idea is not a relevant consideration.

A vital key to the success of this system is to get people saying over and over again, "It's the little things that count." It not only generates a lot of good improvement ideas; it inherently fosters an attitude of continuous improvement throughout the organization.

The Payback

Wainwright's "un-suggestion" system generated more than 10,000 implemented improvements from only 200 employees in 1998. ***That's an average of 50 improvements per employee***. Employees are not required to quantify the value of those improvements. That's time wasted that they could be using to make more improvements. But the company does know that the overall bottom line savings is about 5% of the cost of sales.

They also see the impact of people-first strategy in terms of attendance and retention. Employee attendance in 1997 was over 99% — even though everyone is salaried, and they know they will get paid even if they don't show up, no questions asked.

Other key measures of success include:

- Defect rate reduced by 90%
- 35% reduction in production costs
- Lead time reduced from 8.75 days to 15 minutes
- External customer satisfaction index of 95% that comes, in part, from a 99+% on-time delivery rate

Probably the most striking statistic is the company's safety record. Even in a very high-risk industrial environment, Wainwright's focus on the well-being of its employees has steadily reduced lost-time accidents to the point where they are virtually non-existent. In fact, as of January 1, 1999, the company had **52 consecutive months** with no compensation claims whatsoever — the direct result of putting people first above all else.

The Inescapable Case for Trust

Wainwright Industries is certainly not alone in its focus on the well-being of employees. People from organizations around the world visit the company frequently to take a plant tour or participate in one of their public seminars. Those companies know there's a better way, and they sense that it is rooted somehow in trust and people, but they have difficulty translating that sensibility into effective action.

The answer is elemental: ***Make sure that all systems, policies, processes, and decisions related to measurement, communication, and learning are designed to foster the highest possible level of trust among people in the organization.***

In the end, it is important to realize that most key actions and decisions originate from the people in the organization with the least power to make them work – senior managers. They may have lots of authority, but the real power rests with the people who put those plans into action. If you want to ensure that those people are motivated to give their wholehearted support, make sure you foster a trustworthy workplace in which their interests and concerns always come first. ❒

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