

Trust and Cooperation: The Payoff from a Great Place to Work

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When Robert McDermott took over as CEO of USAA, he inherited an underperforming auto and casualty insurer that satisfied none of its major stakeholders – customers, owners, or employees. Service was often shoddy, and the turnover rate among its largely female clerical staff was nearly 50 percent a year. „Mac D,“ as the retired Air Force brigadier general is known around the firm’s San Antonio, Texas, headquarters, decided to wage an all-out battle to turn USAA around.

Though he did not use the term, McDermott’s goal was to create a High Performance Business – one that simultaneously delivers outstanding service and financial returns while being a great place to work. (See *Prism*, first quarter 1992.) He has succeeded beyond all expectations. Turnover now is in the 6-percent range. *Consumer Reports* rates USAA among the best auto insurers, *Financial World* ranks USAA near the top of all property and casualty insurers for „financial strength,“ and we named USAA as one of the top 10 in the most recent edition of our book, *The 100 Best Companies to Work for in America*.

McDermott had a two-front battle strategy which he called „high-tech, high-touch.“ He invested heavily in computers and telecommunications to improve efficiency and service. But he realized from the outset that such investments are useless if you don’t train people and motivate them properly.

Like other successful leaders of High Performance Businesses, USAA’s McDermott understood that he could pour millions of dollars into technology and the reengineering of work processes, but if he did not also change the workplace environment, he was doomed to failure. He needed to create a radically different kind of workplace, one where people genuinely look forward to coming to work every day and are eager to help the company succeed – in other words, a great place to work.

Defining the Great Workplace

On the basis of my research for *The 100 Best Companies to Work for in America*, I have defined a great place to work as one where employees trust the people they work for, have pride in what they do, and enjoy the people they work with. Note that this definition does not equate a good workplace with specific policies or practices or with a bag of goodies, like on-site child-care centers or whatever the latest fad happens to be. Instead, this definition implies that the heart of a good workplace is in the *quality of relationships* in it.

We see the workplace as composed of three interconnected relationships: between employees and management, between employees and their jobs, and between employees and other employees (Exhibit 1). Each relationship, in turn, rests on one or more essential elements (Exhibit 2).

Exhibit 1

Three Major Workplace Relationships

Relationship	Key Element
Employees – Management	Trust
Employees – Job	Pride
Employees – Other employees	Camaraderie

Trust. The most important of these three relationships is between management and the employee. For this relationship to succeed, the essential ingredient is trust. Trust, particularly in the workplace, may at first glance seem elusive or undefinable. But it really comes down to three major factors.

First, management must have *credibility* in the eyes of employees. Executives should be perceived to be competent, to have a clear view of where the organization is going, and to understand how to get there. Nothing is more demoralizing than working for people who don’t have a firm grasp of the business. Management must be able to handle delicate issues, such as conflicts between the unwritten and the explicit rules of the organization.

Exhibit 2

Key Dimensions of a Great Place to Work

<p>Trust is comprised of these dimensions:</p> <ul style="list-style-type: none">• <i>Credibility</i> – the extent to which employees can believe, rely on, and have faith in management• <i>Fairness</i> – how level the playing field appears to employees• <i>Respect</i> – the underlying attitudes that employees see expressed in management’s actions toward them
<p>Pride – feelings employees have toward their jobs and the company</p>
<p>Camaraderie – the quality of the interactions within the workplace</p>

At the same time, employees want to work for straight shooters – executives who tell the truth, even during difficult times. Roger Hale is CEO of Tennant Company, the world’s top maker of industrial floor maintenance equipment. He says that when his firm has faced tough times, he has increased the number of meetings with employees. He feels that management has an even greater responsibility to be accessible at such times because of the tendency for rumors to spread.

To earn people’s confidence, executives must be willing to listen to hard truths, not foster a „shoot the messenger“ atmosphere. A number of companies have institutionalized forums where executives must listen and submit to difficult employee questioning. Pitney Bowes, for instance, has annual „jobholders’ meetings,“ similar to annual shareholders’ meetings. At these meetings, top executives meet face-to-face with groups of employees throughout the company. At each meeting, the employees who ask the best written and the best oral questions are given \$50 savings bonds. (An employee group determines the winners.) Such meetings help establish an environment in which managers can demonstrate that they are willing to listen to employee concerns rather than hide behind layers of bureaucracy.

Willingness to listen is not enough to establish credibility, however. Executives must also earn a reputation for delivering on their promises and show overall consistency in their behavior. They must „walk their talk.“ At Pitney Bowes, management makes sure that each question asked in their jobholders’ meetings is followed up, that the employee who asked the question is given a report of the status of his or her concern, and that written reports are made to larger groups of employees when appropriate.

The second element of trust is *fairness*. Employees must perceive that the playing field is level. Employees want to feel that promotions and pay are based on merit and contributions rather than on political maneuvering. Cuts, when necessary, need to be fairly and objectively made. If someone feels unfairly treated, they must believe there are ways to ensure that they have recourse. IBM has long had ombudsmen within the office of the chief executive who investigate cases of alleged unfairness brought to the CEO’s attention by lower-level employees. This has helped create an atmosphere where supervisors understand that they are not allowed to unfairly take advantage of their employees.

Finally, trust involves *respect*. Employees must feel that they are respected and supported as individuals. Part of this stems from employees being given a lot of responsibility for their jobs and involvement in decisions that affect their work. Training must provide opportunities for employees to develop skills. Management also shows respect by encouraging and responding to employees’ suggestions and ideas. Many companies made great strides in this area because of the total quality movement. In many firms, small groups of employees meet regularly to brainstorm ideas and figure out how to put them into practice. Hundreds of employees I have interviewed during the past few years have told me how much more respected they feel because of such efforts.

Pride. While fostering trust in the management-employee relationship is the most important element in creating a great workplace, attention must also be paid to the employee’s relationship with the job itself. Here the key is pride. People develop pride when they feel their work has special meaning – that what they are doing is not „just

a job.“ To feel this way, employees need to believe that they *personally* make a difference. They need a sense of ownership of their work product. What’s more, there has to be a sense that their product or service has some significance to others.

Managers can cultivate this attitude by helping employees see how their tasks fit into the big picture or how customers use their products. The top management of Moog, an aerospace manufacturer, designed a factory to make certain that production employees could literally see how their work fit into the overall product. The parking area encircles the entire building so that employees have to walk through various parts of the plant on their way to their own station.

Employees also want to feel proud of their organization’s role in the community. Sources of pride range from participating in United Way campaigns to granting employees community work sabbaticals (as is done at IBM, Xerox, and Tandem Computers). There is an important payoff when people have a sense of pride in their work and their company: they are more inclined to give a little extra to get the job done.

Camaraderie. The final factor that affects the quality of the workplace, camaraderie, represents the way employees relate to each other at work. People want to feel acceptance, understanding, appreciation, and enjoyment in their personal interactions with fellow staff. They also want access to one another’s beliefs, attitudes, hopes, and values. Camaraderie can have a tremendous impact on cooperation among employees. In some of the best workplaces, people feel that they are part of a „family.“ In others, people feel as though everyone is part of the same „team.“

Where camaraderie exists, employees feel they can be themselves. This is especially important when the company asks a lot of its employees. One of the best examples of a company that has not only developed an unusual amount of camaraderie but has seen this atmosphere pay off is Southwest Airlines. Almost everyone – from baggage handlers to top executives – talks about what a „fun“ place it is to work and about the „love“ that they feel toward each other and toward their customers (a word they always capitalize).

Southwest has also been the only consistently profitable airline in the last few years, and its employees are always rated as the most productive in the industry. (One example: Southwest employees regularly unload and load their airplanes in about half the time it takes other airlines to accomplish the same task.)

The Benefits of a Great Workplace

Southwest Airlines is one of the best examples of how creating a great place to work can have a positive effect on performance. But it is by no means the only such example. In fact, numerous studies support the claim that companies with good workplaces tend to be better performers in financial terms. For example, BARRA, an investor research service, compared the returns of *The 100 Best Companies to Work for in America* with an index of comparable publicly held firms. The result: over the previous eight years, „The 100 Best“ companies achieved annualized returns 62 percent better than the stock index. Stock market studies by Franklin Research and Dean Witter of the 1985 edition of *The 100 Best Companies to Work for in America* yielded similar results. Other surveys have found a high correlation of positive financial results with progressive workplace practices (Exhibit 3).

Some might wonder, however, whether companies are good performers because they are good workplaces or have become good workplaces because successful companies can afford to be more generous to their employees. This is a classic chicken-or-egg question: which came first, good employment practices or financial success? This can be answered with considerable certainty based on the research for *The 100 Best Companies to Work for in America*. Without exception, good employment practices were explicit goals of these companies before they became successful. In fact, most of the executives of these firms ascribe their success to the quality of their workplaces.

Hal Rosenbluth, who has overseen the stupendous growth of his small family-owned travel business into the fourth-largest travel agency in the United States, puts it this way:

„There is nothing we believe in more strongly than the importance of happiness in the workplace. It is absolutely the key to providing superior service. Of course our clients are the reason for our existence as a company, but to serve our clients best, we have to put our people first.“

Rosenbluth Travel is not unique. It’s an adage in many High Performance service companies that employees treat customers with the same degree of respect and commitment with which they themselves are treated. Federal Express, for instance, has a slogan of „People-Service-Profit,“ meaning if management treats employees right, they will provide optimal service, which will result in higher profits. Similarly, enlightened managers in knowledge-intensive businesses realize that employees bring their full creativity, intelligence, and energy to work only when the characteristics of a High Performance Workplace exist. Finally, companies with reputations as superlative employers attract and retain the best employees.

Exhibit 3

Good Workplaces and Firm Performance

BARRA compared the performance of an equally weighted portfolio of publicly traded firms of both the 1985 and the 1993 editions of *The 100 Best Companies to Work for in America* with an equally weighted portfolio of the Frank Russell 3000 Index, an index of 3,000 publicly traded stocks, from December 1984 through April 1993. The results were as follows:

	<i>Annualized return 12/84-4/93</i>	<i>2993 value of a \$100,000 investment made in December 1984</i>
Frank Russell 3000	12.05 percent	\$260,000
1985 list of „100 Best“	15.14 percent	\$330,000
1993 list of „100 Best“	19.47 percent	\$450,000

The results of this survey are published, along with the results of several dozen other studies showing a link between good workplace practices and higher productivity/profitability, in „High Performance Work Practices and Firm Performance,“ U.S. Department of Labor, July 1993.

Creating a workplace with a high level of trust will be reflected in Unwritten Rules that are supportive of high performance. If a business needs to change, the trust within the workplace will be the currency with which that change will be paid. In other words, if employees trust management, they are likely to support change initiatives. By the same token, if no trust exists, efforts to change will be impeded by Unwritten Rules of the Game reflecting cynicism and disbelief.

We could sum up this issue by saying that the existence of trust in a work environment improves the level of cooperation. And in the complicated and ever-changing businesses of today, cooperation is essential. To have a work force of people who cooperate fully with each other gives a significant competitive edge to any business enterprise. The *Wall Street Journal* reported in July 1993 on a recent survey of 533 global manufacturers that proved this point definitively. According to this survey, „the world’s most successful manufacturers triumph by curbing internal politics and taking similar steps to foster cooperation among employees.“ Specific management tools, such as TQM, CAD, or teams, were not the deciding factor in how well firms performed. The survey reported that „The difference doesn’t lie in training or tools. It’s in how people work together, how decisions get made, and how leadership is practiced.“

Getting Started

How does a company increase the levels of trust, pride, and camaraderie within the organization? We have identified specific steps a company can take to change its relationships with employees in fundamental ways.

The most important first step is to analyze your organization’s workplace relationships. One tool is to compare your organization with the best employers in the United States. The Great Place to Work Survey has been developed to compare companies with the firms listed in *The 100 Best Companies to Work for in America* as the benchmark. The survey rates responses along the key dimensions of a great workplace – trust (credibility, fairness, respect), pride, and camaraderie. It has been found to be a very useful tool for pinpointing problem areas and suggesting ways in which senior management can make immediate improvements.

The Great Place to Work Survey can be particularly powerful when used in conjunction with the full Unwritten Rules of the Game analysis, which would consider the five major elements of a great workplace as „motivators.“ When shortfalls in these key motivators can be linked to the other management levers for change – performance measures and vision statements (triggers) and organization structures and information systems (enablers) – management can move confidently toward becoming a High Performance Business.

Business journalist Robert Levering is the author or coauthor of seven books about American business, including the best-selling The 100 Best Companies to Work for in America (Doubleday, 1993; Plume, 1994) and A Great Place to Work (Random House, 1988; Avon, 1990). He is cofounder of the Great Place to Work Survey and lives in San Francisco. The author would like to acknowledge the assistance of Amy Lyman, Ph.D., research associate on a Ford Foundation study of gender equity in corporate culture and cofounder of the Great Place to Work Survey; David Brodwin, vice president of product and strategic marketing for Radius, Inc.; and Homer Hagedorn, an Arthur D. Little consultant specializing in organization development.