

It's Not about the Money
by John Frehse

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To improve employee morale and productivity, increasing compensation may be precisely the wrong tack.

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The chief operating officer (COO) of a leading international manufacturing company recently called me with a problem: He was under considerable stress because he was facing a union drive at one of his plants in Ohio. It was clear to him that employee dissatisfaction was high and that the union had made significant inroads. He wanted to know how much he had to increase pay and other benefits to make sure the union vote didn't pass.

My colleagues at Core Practice Partners and I spent the following weeks researching the company's labor practices and employee attitudes. The COO was right about one thing: The workers were unhappy, with 72 percent saying that conditions were getting worse on the job. But he was surprised to learn that 77 percent of the employees felt the current pay and benefits were perfectly fine. Increased compensation would not solve the problem. If salaries weren't right, attrition would be a key indicator, but employees weren't leaving or threatening to.

So what did the workers want?

Over the past 10 years, we've conducted an in-depth study into the attitudes of more than 100,000 shift workers at more than 150 companies around the world. Through face-to-face surveys taken during work hours, we sought primarily to gather information about what employees like and dislike about their work envi-

ronment, the changes they hope to see, the health and safety issues they face, and how their work schedules affect their personal lives. Of all the thousands of pieces of data we collected, one stood out: Eighty-one percent of employees surveyed felt that their pay and benefits were adequate. In fact, when we determined what really affects productivity, compensation paled in comparison to good management-employee communications. In other words, although most companies try to inflate employees' morale by shoveling more dollars at them, less expensive strategies will do.

Thus, when we looked into the problems at our client's company, we were not surprised by our findings. Forty-seven percent of the employees surveyed were working more than 11 hours of overtime each week. At some companies, that can be an attractive aspect of the job, because it brings in extra income. But in this case, 56 percent said they were working more overtime than they wanted. And they were particularly negative about the extra time at the plant because, according to 62 percent of the workers, their schedules weren't sufficiently predictable to permit them to know when they would need to work and when they would not. In an employee base populated primarily by single parents, workers were struggling both to maintain adequate child care and to find time to spend with their kids.

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Based on this information, we were able to convince the COO to implement plans for more consistent schedules that met the needs of the employees, as well as the imperatives of flexibility and cost for the business. We rejiggered the traditional eight-hour, five-day workweek into 12-hour shifts over six days, and staggered employees among the shifts. In so doing, the COO could be certain of having enough people available to put in the extra time necessary to produce a new product that was in high demand. Fluctuations in volume could be handled by adding a Sunday shift, while still giving employees three days off each week. The employees, in turn, would know precisely when they would be putting in their 40 hours. In addition, the COO could offer those with special child-care concerns the option of volunteering for weekend shifts. Within months of implementing this policy, cost per unit and output per employee improved and absenteeism and labor costs dropped.

Improving schedules was only part of the solution. Like many other large businesses, the company had fostered an “us versus them” attitude among the workers toward management, which made employees less than enthusiastic about pursuing the organization’s goals. This mentality was driven by management’s tendency to make changes at the factory after consulting only a small, hand-selected group of employees, leaving out the vast majority of shift workers. As a result, the survey revealed, a mere 26 percent of the shift workers felt that the management team cared about the employees — a full 13 percent below the norm in the databank created by our study — and just 19 percent believed the management team communicated well with employees. Fifty-two percent of employees said they did not feel like they were an essential part of the company.

Some of these results reflected workers’ perceptions and not reality. For example, as evidence of senior management taking them for granted, the workers offered the disparity in the amount of time spent on the job. They wondered why they were at the plant nights and weekends while senior managers were there only Monday through Friday, 9 a.m. to 5 p.m. The managers countered that, in fact, they worked at least 55 hours every week, but they were in their offices and not easily visible to people on the assembly lines. “It’s not a big deal,” one of the managers said. “The workers on the floor just don’t understand.”

Perhaps, but that attitude only exacerbated the sentiment that the front office didn’t care about the shop floor employees. A lack of communication was also to blame: Senior managers typically didn’t approach employees for their input about operations and factory changes or their thoughts about their jobs because they feared the worst — that they would be asked to tackle a complex, painful alteration of some time-worn procedure or be subject to a diatribe about working conditions. Moreover, scheduled monthly update meetings usually failed to address employee concerns. Although factory workers said they liked sitting down for a half hour, eating doughnuts, drinking coffee, and getting paid for it, they admitted that they would prefer to have managers show up at the assembly line more frequently at random times so they could witness the workers’ issues firsthand.

Before our employee study, management’s primary idea to boost morale was to add a new break room and repaint existing ones, but this wouldn’t have helped. Our survey found that 74 percent of employees felt that working conditions at this facility were good. After learning that the core of worker dissatisfaction was related to

the growing gap between employees and their managers, the COO changed direction. He instituted a new communications strategy focused on providing information to employees that they felt was useful. For example, the agenda of the quarterly plant-wide update meeting was transformed. Instead of 60 minutes of spewing high-level numbers and showing charts that looked the same each session, the results were condensed so that there would be time to address concerns about work life and other critical employee issues. In addition, once every four weeks senior managers were required to work shifts similar to the people who report to them.

With the new schedules and more open communication, the employees were mollified. The vote to unionize was defeated by a large margin. Moreover, the manufacturing firm realized more than US\$1.6 million in combined cost savings and new profit during this process, with \$675,000 directly related to morale improvements, including lower training and recruiting expenses due to a decline in worker turnover and gains in productivity.

Deterioration of employee satisfaction is a slippery slope. Most companies make the mistake of thinking that throwing money at labor challenges is the only sure solution. In the short term, that may be true. But to implement a sustainable program with a continuing return on investment, something much more creative — born of listening closely to what the employees really want — is the only real option. +

Resources

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Timothy H. Monk and Simon Folkard, *Making Shiftwork Tolerable* (CRC Press, 1992): Examines the experiences of and problems encountered by shift workers. www.amazon.com/dp/0850668220

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David Wainwright and Michael Calnan, *Work Stress: The Making of a Modern Epidemic* (Open University Press, 2002): Explores the unhealthy shift work environment and the psychology behind the epidemic of work stress among those with low-paying jobs. www.amazon.com/dp/0335207073

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