

Beyond Compliance...

A Modern Parable

By Hank Sarkis

Jim Thomas is the new corporate risk manager for Peterson Paper. He's set to meet with the plant manager of Silver Ridge Mill, the stellar facility in the company. Silver Ridge is the only plant to have gone more than a year without a lost-time accident. Productivity and profitability of the operation were among the highest in the company. There is a backlog of more than one hundred Peterson employees who have requested transfers to the mill.

As he waited for Tom Hastings, the plant manager, Jim thought about how three years ago Silver Ridge had the worst operating results in the company. Tom walked into the room.

As Jim shook Tom's hand, he noticed that the manager seemed very causal and calm. "I'm glad you decided to visit Silver Ridge first. We have a lot of fun here, and at the same time deliver a top-quality product more efficiently than any plant like ours in the world."

"So what's your secret?" Jim asked.

"When I first took over as plant manager, people here were basically uptight and fearful. We were in compliance with OSHA regulations, but we still had more accidents than any other plant in the company, and production was frequently interrupted by equipment breakdowns. Supervisors blamed the employees for not caring, taking chances and having accidents. Employees complained about too many rules, procedures, and a single-minded emphasis on production."

"Where did you start?" Jim asked.

"I knew that our safety problem was not going to be solved with rewards like belt buckles and posters. We were considering a program to monitor unsafe acts of employees, but we decided against it because it would create even more paperwork and procedures. And it wouldn't directly address the larger issues of poor labor relations, outdated equipment, and low worker productivity."

"Well, what did you do?" Jim asked.

"I met Hank Andrews, a management consultant, who visited the mill. Instead of talking about safe procedures and compliance, he stressed the importance of treating employees with respect and dignity, and allowing them the latitude to exercise their own initiative. He warned us about pushing procedures on employees without first knowing enough about the *causes* of accidents."

"What do you mean?" asked Jim.

"Hank's company has surveyed thousands of employees and has determined specific factors that relate to a safe, reliable operation."

"Like what?" Jim asked.

"Having a cheerful work place was one the most important characteristics of a safe operation. High job satisfaction was another, as was allowing employees more control over how they do their work. The consultants measured about 80 factors, and found safe organizations always had higher scores for certain variables."

"Hank got my attention when he said that superior results can be obtained without spending a lot of money or making things more complicated for the workers. He reminded us that the best consultants are a company's own employees, and told us it is management's responsibility to raise the excitement level of employees and to give them the support and opportunity to perform. We asked Hank to audit our operations at Silver Ridge," said Tom.

"How did it go?" asked Jim.

"Interviews with employees were anonymous, so the employees were candid. Measured scores for job satisfaction and cheerfulness were among the lowest that the consultants had ever measured. Over 60% of our workers reported that they had a 'near miss' in the past three years. The sections of the plant that had the lowest scores were also the areas where we've had the most problems – both accidents and equipment failures."

Tim Burns walked into the room. "Jim, this is Tim Burns, our safety manager. I've been telling

Jim about the human systems audit that Hank Andrews conducted.”

“Oh yea, that really hit us right between the eyes” Tim said, with Tom nodding in agreement.

“It didn’t seem that we were doing anything right – and we weren’t. But I used to believe that unless we had the support of top management, we couldn’t make drastic changes in our operation. Boy, was I wrong.”

“What changed your mind?” asked Jim.

“We began to realize that most of our problems were under our direct control, and that incredible results were possible if we were willing to break out of line and walk through some ‘invisible doors’.”

“Invisible doors?”, asked Jim.

“Yes. We realized we were using corporate policies and procedures as an excuse for our own fear of stepping on the toes of our bosses. We knew we had a problem with our supervisors being too autocratic, but the folks in the home office didn’t think we needed a supervisory training program. Rather than wait for home office, we decided to send all of our supervisors through ‘charm school’ – a series of evening meetings conducted by a professor at a local junior college. They learned about the importance of a positive attitude, and about the concept of empowering employees (giving them more ‘say’ about how they do their work), and the importance of helping employees do their job, rather than shouting orders.”

“If we didn’t take action two years ago, we would still be waiting for home office to do something”, Tim remarked.

“To ask permission is to seek denial,” Tom added.

Tom went on to describe a system where employees rate the performance of their bosses. “Hank helped us design a ‘UFO’ (upward feedback opportunity) process where employees anonymously rate the supervisory skills of their bosses twice a year”.

“What did the supervisors think of that?” Jim asked.

“At first, they were totally opposed to it” Tim replied.

Tom added “My boss was visiting from corporate, and many of the supervisors jumped all over him about the concept. He was pushing

me to drop the idea, but I didn’t back down. We held a supervisors’ meeting and I asked several hourly employees to attend.”

“After we listened to several supervisors describe why the process wouldn’t work, an hourly employee told us a story about how his wife had secretly videotaped him yelling at his son – and was later shocked when he viewed the tape. He turned to the supervisors, and suggested that they picture how their subordinates perceive them. The room has very quiet. At that moment, I suggested that we implement a trial UFO process in the plant. We urged the supervisors to participate in the process, but initially we didn’t require that they share results with anyone.”

“How did it go?” asked Jim.

“Because of our training program, most of the supervisors took the comments to heart and began improving their management styles. They began to give workers more latitude in how they did their jobs. A few supervisors didn’t buy into the concept, and they are no longer working at the plant” replied Tom.

“How did they give workers more latitude?” asked Jim.

“Little things. This morning I noticed that Norm Peters, one of our best maintenance workers, ‘traded’ jobs for the day with a guy who works in the storeroom. I know Norm’s sister got married last night, and I’m sure that he’s in no shape to be out working in the plant. Rather than calling in sick, or working when he’s not 100%, he decided to spend the day in the storeroom helping the storekeeper update vendor files. A maintenance worker will supervise the storeroom clerk, who is eager to learn new skills. It’s a “win-win” situation to allow employees this kind of flexibility.”

“What if you have an employee that takes advantage of the company?” Jim asked.

“Who’s the company?” Tom responded, adding “the employees are the company, and we’ve found that they straighten things out at the peer level. If that doesn’t work, we have supervisors who will intercede. We don’t treat employees like children by using the ‘one person spoils things for everybody’ excuse.”

Jim began to see how employee “empowerment” could help prevent accidents. Tom described other changes they had made as a result of the survey. “We found out that over 50% of the near misses in the plant were not reported, because employees used to feel that they would be

blamed as a result. Hank Andrews recommended that we track near misses anonymously. He said it is more important to know about the near miss than who was involved. We even encourage employees to report near misses of other people without identifying who they are. Even if we know the employee who was involved, we have developed a climate of trust and candor here at Silver Ridge. Employees don't feel threatened every step of the way."

"Charlie Fater, the corporate controller told me that last year your employees modified the production line on your own, and they failed. I heard it cost the company \$20,000. What happened?" asked Jim.

Our maintenance foreman was so sure a modification would work that he did it on his own one evening. The next morning, he entered my office and offered his resignation."

"Did you accept it?" Jim asked.

"Heck no! I told him that there was no way he was leaving after we had just spent \$20,000 educating him. We have tolerance for well-intentioned setbacks."

"I've also heard that you use creative interviewing techniques at the plant" remarked Jim.

"Picking the wrong person for a job" Tom responded "was one of the problems identified in the human resource audit. We now require multiple interviews, including the candidate's peers. If they don't think the person will fit in, they don't get the job."

"A manager's overall rating can be no higher than their unit's safety performance. Poor safety translates to lower levels of compensation, regardless of production. Next year, workers compensation costs will be charged back to each profit center."

"Every person in this plant has compensation that is tied to the performance of the unit. We don't get many requests for additional workers, because our people know that their share of the bonus pool will be less. We have the highest labor productivity of any plant in the company" Tom remarked.

"This year, we set a goal of zero accidents. If we settled for a 20% reduction, it would be like we were *planning* to injure several people. One automobile manufacturer calculates a "kill-rate" and actually budgets for fatalities. Not at this plant! There are no *normal* accident rates. Zero

accidents reflects our true vision. The probability of achieving that goal is enhanced if we simply believe it's *possible*. Failing to meet the goal indicates room for improvement. Heads don't roll as long as the level of commitment remains high."

"Unbelievable. The concepts are so basic," said Jim. He asked Tom to describe the single most important factor for the success at Silver Ridge. "That's easy. We have fun. I believe that the mood in the first 30 minutes sets the tone for the whole day. If we get our people excited and involved, they're going to score touchdowns. But you have to believe in what you're doing and seek creative solutions".

Walking back to his car, Jim watched as a helicopter landed in the parking lot. Shouting "What's going on?" to an employee, she shouted back "Bill Lowe (the CEO)." He heard music coming from the employee cafeteria. Employees were almost running past him. "It's awards day, I want to get a good seat" a passer-by yelled. Jim could *feel* the enthusiasm. Fumbling for his cell phone to cancel his afternoon appointments, Jim felt excited as he headed to the cafeteria. He already loved his new job...■

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