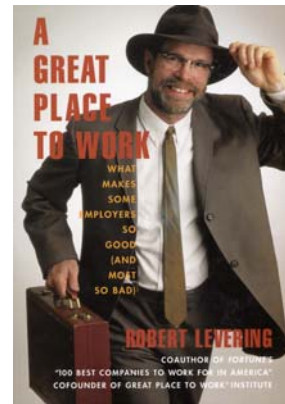


A GREAT PLACE TO WORK

What Makes Some Employers So Good (and Most So Bad)

Preface to the 2000 edition

by *Robert Levering*



A Great Place to Work is one of those rare books that is actually timelier today than when it first hit the bookstores a dozen years ago.

Since its original publication, I've had an unparalleled opportunity to view changes in the workplace. With Milton Moskowitz, I have continued writing about some truly remarkable workplaces by updating our list of the «100 Best Companies to Work for in America» in a revised edition of our book in 1993 and, since 1998, as an annual article for *Fortune* magazine. During the past half-dozen years, I've also looked at the phenomenon of great places to work from a consultant's perspective through my work with the Great Place to Work® Institute. This work has been especially fascinating as it's enabled me to explore the dynamics of workplaces outside the United States, in companies located in such countries as Brazil, Canada, Korea, Mexico, and the United Kingdom.

While much has changed, everything I've seen has reinforced the basic concepts outlined in this book. This especially applies to *A Great Place to Work's* major finding — that trust between managers and employees is the primary defining characteristic of the very best workplaces. Because this message remains as relevant today as it was in 1988, I am delighted that this book is being republished. I believe this message will continue to be relevant long into this century.

That said, it is worth noting some of the major changes that have swept through the workplace over the past decade to provide a context for reading this book today.

The first major change was the quality movement, which was at its peak in the early 1990s when Milton and I were visiting the candidate companies for the second edition of our «100 Best» book. The quality movement contrasted sharply with other management fads because it often led to significant improvements in the workplace, at least at the level of individual work groups. Quality movement practitioners preached that workers should be directly involved in decisions about how to do their jobs. When this happened, through techniques like quality circles, the level of trust improved because employees felt respected. I recall interviewing a group of assembly-line workers at a Deere & Co. farm equipment plant in Moline, Illinois. One worker reported that as a result of the quality circle meetings: «I no longer have to check my brains at the factory door every morning.» His comments echoed statements I heard from workers at Preston Trucking (see Chapter 10 of this book) after Preston's management began operating from the premise that «The person doing the job knows more about it than anybody else.»

Unfortunately, the reengineering craze began its sweep through the corporate world on the heels of the quality movement. Like Frederick Taylor's scientific management (see Chapter 6), reengineering was based on the belief that productivity could be achieved by merely improving processes. It is no secret that reengineering represented one of the biggest management flops

of the last century. Reengineering met consistent resistance from employees at all levels, and the term itself was soon equated with layoffs (called «downsizings») that usually accompanied reengineering efforts. Even the founders of the movement — Michael Hammer and James Champy — both admitted that their brainchild had neglected to take into account the «human element.»

Another short-lived management fad sprang from reengineering. Since so many long-time, hard-working employees (particularly middle managers and professionals) were reengineered out of their jobs, companies were regularly portrayed in the media as having broken an unspoken «social contract» that rewarded loyal employees with job security. In response, a number of management consultants advocated «employability.» Since employers could no longer offer job security, they should now offer employees the opportunity to gain skills to make them employable when they did leave the current company.

Touted as the substitute for the old social contract, employability found few takers. Workers saw employability as a cynical concept aimed at making them feel good about being expendable. Companies were going to throw in a training program or two to make it easier to lay them off at the drop of a hat. Employability was an equally tough sell to more enlightened senior managers who balked at putting resources behind a program that trained people for the competition. Where else were these employable folks going to go with their newly developed skills? Former Motorola CEO Robert Galvin summed up the opinion of many business leaders when he told an *IndustryWeek* reporter in 1996 that he believed that the employability notion «is a passing intellectual fad» that would soon fade away. «We [at Motorola] don't cotton to the proposition that the world will be devoid of loyalties and there won't be long-term employees in our institutions.»

The absurdity of employability became even more obvious by the late 1990s when unemployment rates reached historic lows. Companies were tripping over each other in a mad scramble to attract and retain workers. Equally important, they were willing to go to great lengths to hold onto the employees they already had. In such an environment, it was suicidal for companies to preach that loyalty was dead.

Reengineering and employability may have been failures, but both were logical responses to new forces confronting every business today. Ever-accelerating global competition and relentless technological change (typified by the explosive growth of the Internet) demand that companies constantly improve — or fade away. At the same time companies all over the globe are experiencing labor shortages, especially of the skilled workers needed for today's more technologically sophisticated jobs. As a result, top companies must differentiate themselves from their competitors by the quality of their workforce. That's why the competition for talent is now as cutthroat as the battle for market share.

How can a company win on this battlefield? By creating a genuinely appealing workplace, one where current — and prospective — employees want to spend their waking hours. That is, create a great place to work. This is precisely the context in which we find ourselves at the turn of the century. And it is why this book is even timelier today than when originally published.

This book not only defines and explains the dynamics of a great place to work, but it offers a number of lessons for those who are seriously interested in creating one. And it describes some of the common pitfalls that undermine efforts to create better work environments.

For instance, many companies now profess a corporate-wide objective of becoming the «employer of choice» in their industry and/or community. A worthy goal indeed. Unfortunately, senior executives typically relegate the issue to the human resources department, which almost reflexively recommends more and new benefits.

On the surface, this approach makes sense: good benefits can help create a good work environment. But as *A Great Place to Work* points out, good benefits alone do not create a great workplace. Milton and I have seen dramatic evidence of this while doing research for the «100 Best» articles. To evaluate the participating companies, we use the Great Place to Work® Trust Index®, an employee survey that is based on the concepts spelled out in this book. Every year we see examples of companies that are in the same industry and, on paper at least, have nearly identical benefits packages. Yet the employees at one firm rate their company much higher on the Trust Index® than employees at their competitor.

Why? As Part I demonstrates, the primary defining characteristic of a great place to work is the level of trust between management and employees, not specific policies and practices. Even more to the point, the benefits fix represents a modern-day version of the approach of Elton Mayo, the father of today's human resources departments. Chapter 7 explains how Mayo's approach is so oriented toward individual job satisfaction that it fails to address many of the more basic issues needed to create a high level of trust. Indeed, improving benefits alone can at best create a *good* place to work, not a *great* place to work.

The latter requires the direct involvement of senior management who must insist that fostering an exceptional work environment is an explicit goal of the organization — one that is on a par with other explicit goals like making a profit or providing high-quality products or services. Being a great place to work cannot be a fad of the month or it will rightfully appear to employees as another version of management by manipulation (see Chapter 9).

The most heartening development in the past 20 years is the increasing number of superlative workplaces. Firms cited in this book, such as Hewlett-Packard, FedEx, and Goldman Sachs, continue to make our annual «100 Best» list. But terrific examples keep surfacing, like Southwest Airlines and its amazing «Southwest spirit» and Synovus Financial and its «culture of the heart.» And in the past few years we've also seen some amazing stories of firms that have turned around demonstrably bad workplaces into great ones (Alagasco and Continental Airlines, for instance), much like Chapter 10's story of Preston Trucking (which was sold to Yellow Freight in 1993).

Two other developments are worth noting. Chapter 16 contains one of the first analyses of the implications of the then-nascent trend toward the disproportionate enrichment of senior management. Top executives of large companies now routinely rake in multi-million-dollar paychecks (\$25 million a year for a CEO has become commonplace). And more than a handful of professional managers have made it into the ranks of the superrich without having to take personal and financial risks, which was the traditional capitalist rationale for the accumulation of huge fortunes. This trend has only partially been offset by the proliferation of ESOP and stock option plans that spread the wealth throughout many companies, particularly many high-tech startup firms. But, as noted in Chapter 16, the trend toward executive enrichment is a disturbing and largely unjustifiable one with extremely negative implications for the workplace and for society as a whole.

Finally, Chapter 17 was one of the first efforts to chronicle the research that correlates firm performance with progressive workplace practices. In the past few years, numerous reputable researchers have entered the field and produced dozens of studies, almost all of which arrive at the same conclusion spelled out in this chapter — that good workplace practices can definitely help the bottom line. What's equally significant is that there have been almost no studies that conclude the opposite — that good workplace practices hurt the bottom line.

As this is written, I am more optimistic than ever about the prospects for the workplace. When Milton and I began researching this area nearly two decades ago, great places to work were clearly exceptions to the rule. They often were the result of the vision of extraordinary business leaders like FedEx's Fred Smith or H-P's David Packard. Today more and more senior managers have become convinced that fostering a great work environment is a business imperative. But perhaps more important, employees are no longer willing to put up with the kind of insensitive and demeaning management attitudes that have typified most workplaces since the dawn of the industrial age.

Clearly the current economic boom and labor shortages are contributing to why so many companies are now jumping onto the great workplace bandwagon. Some will undoubtedly jump off when economic times get tougher. But the positive trends in the workplace have taken deep root throughout the corporate world. It may not be long before most companies believe that creating a great work environment is a requirement for doing business in much the same way that most companies now assume they have no option about whether to produce top quality products or services.

This book testifies to the fact that any company can become a great place to work. The lessons garnered from reading this book ought to inspire CEOs, managers, and employees to create their own great place to work. Not only will these efforts enrich all of our working lives. Our society as a whole will be the greatest beneficiary.



Great Place to Work® Institute, Inc.

286 Divisadero Street
San Francisco, CA 94117

www.greatplacetowork.com