

Creating a Great Place to Work: Why It Is Important And How It Is Done

By Robert Levering

Every year, *Fortune* magazine publishes a list of the 100 best companies to work for. It is one of the magazine's most popular issues of the year. People love to read about companies where the grass may be greener. And managers find they can pick up tips that they can apply to their organizations to make them better places to work.

To date, none of the organizations on the *Fortune* list has been a correctional facility. But that does not mean that a correctional facility could not make a list of the nation's best employers. In fact, as the co-author of the *Fortune* list and someone who has specialized in reporting on great workplaces for more than 20 years, I have concluded that any organization in any industry — whether privately held, non-profit or a governmental agency — can become an exemplary employer.

Work Environment And Its Impact

Almost every imaginable type of organization has been on the *Fortune* list, from Wall Street investment houses and mass market retailers to small non-profit hospitals and consulting firms. (In Denmark, one of two dozen other countries where the San Francisco-based Great Place to Work Institute conducts similar best workplaces surveys, the national Department of Justice was named to the list of the best employers in that country.) The main variable is the attitude and behavior of the management rather than the type of organization. How the management

relates to its employees is what makes the difference.

It is no different for correctional agencies. The most obvious reason is that everybody, whether a senior manager or frontline employee, would prefer to work in a good working environment. Since most people spend the majority of their waking hours at work, the quality of the work experience has a big impact on their lives. Everyone wants to look forward to going to work in the morning. And no one enjoys coming home from work feeling frustrated and discouraged from his or her experiences at work.

But there is more than quality of life involved with this issue. The quality of the workplace impacts directly on issues of customer service and productivity. The connection to customer service has been shown in numerous studies. A famous 1998 study published in the *Harvard Business Review* article "The Employee-Customer-Profit Chain at Sears" showed that an increase in employee satisfaction at a store resulted in an increase in customer satisfaction, which in turn resulted in higher profitability for the store. There have been similar studies in the hospital industry, showing that improvements in workplace environments result in better patient satisfaction.

The Great Place to Work Institute has seen extremely strong evidence of the same phenomenon from its work in surveying the best workplaces. A few months ago, Frank Russell Co., a firm that provides investment services for large pension funds among other clients, did two comparisons. The company took a hypothetical portfolio of

stocks from the companies that were on the first *Fortune* 100 Best Companies to Work For list in 1997 and compared the overall financial results through 2003 with a portfolio of stocks from the Standard & Poor's 500 (an established stock market index similar to the Dow Jones industrial average). The results were astonishing. Money invested in the "100 Best" portfolio would have returned almost three times more than the same amount a portfolio in the S&P 500 during the past six years. The results were even more remarkable if, instead of holding onto the stocks of the 100 best companies, an investor had changed the portfolio to reflect the changes in the list annually. (Every year, a new list of the 100 Best is published based on the Great Place to Work Institute's annual survey. Typically, about 20 companies are replaced.) If investors updated their portfolio with each year's 100 Best list, they would have seen the original investment outperform a comparable S&P 500 portfolio by more than a factor of five (see Table 1).

While these data apply most directly to for-profit enterprises, the conclusions are relevant to the corrections industry as well. As has been shown, the best workplaces tend to have higher productivity and profitability as well as better customer satisfaction. Among the obvious reasons for this result is that the best workplaces typically have much lower staff turnover than their competitors. (In a study the Great Place to Work Institute conducted in 2001 that was published in *Fortune*, the 100 Best companies had an average staff turnover that was 50 percent lower

than their competitors.) High staff turnover is very costly to any enterprise, whether a for-profit corporation, a nonprofit organization or a governmental agency, because of the increased costs associated with recruiting and training new staff. Similarly, organizations with reputations as good employers also tend to attract high quality staff. The better the quality of the staff, the better able the staff will be in performing their duties.

A less tangible — though equally important — reason organizations with great workplaces deliver better service and products is employee morale. Better morale translates into environments where employees are more likely to provide better service. This, too, has obvious parallels to the corrections industry where employee morale is extremely important in terms of maintaining discipline.

Creating a 'Great Place to Work'

Before moving on to the subject of how a great workplace is created, the criteria should be defined. I define 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. This definition is based on the hundreds of interviews I conducted in the 1980s for the first edition of my book, *The 100 Best Companies to Work for in America* (co-authored with Milton Moskowitz). From those interviews, I observed that employees insisted that the most important factor that distinguished their workplaces was a very high level of trust between the employees and the management.

What do employees at great workplaces mean by trust? There are three aspects of trust. The first is credibility — what employees think about the management's believability, competence and integrity. It all begins with whether they can believe what someone tells them. If management's word cannot be taken to be true, trust is impossible. At great workplaces, management goes out of its way to be believable by doing the following:

Sharing information broadly. The Container Store, a Dallas-based retailer that was No. 1 on the *Fortune* 100 Best list in 2000 and 2001, makes it a point to

share information about such matters as daily sales results from each store with all of the employees.

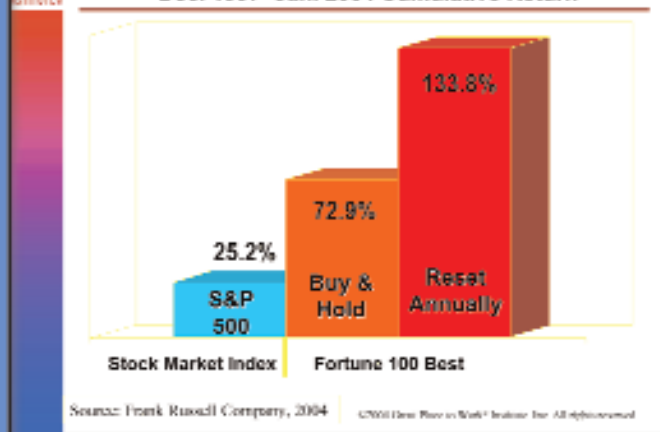
Accessibility to employees. The Great Place to Work Institute has found that even at large companies such as Continental Airlines or Procter and Gamble, the top executives go to great lengths to meet with ordinary employees whenever possible. In smaller companies, this is often done in more informal ways such as having lunch in the employee cafeteria. At East Alabama Medical Center, a county-run facility, the CEO makes it a point to visit every ward of the hospital every day. Frequently these companies have an open door policy. The point is that top managers make sure that people within the organization see them as fellow human beings rather than figures living in an ivory tower. To be able to trust, employees need to feel some sense of what kind of people are in management — whether they are trustworthy. That cannot be done unless employees have been able to size management up for themselves.

Willingness to answer hard questions. It is not enough to share information and be personally accessible. Leaders of the best workplaces also realize that they need to face difficult questions from their employees. Thus, the Great Place to Work Institute has seen a myriad of mechanisms to ensure that employees have regular opportunities to get straight answers to difficult questions. In the past few years, informal breakfasts of randomly selected employees with the CEO have become

common. At J.M. Smucker, the jelly and jam maker that was No. 1 on the 2004 *Fortune* 100 Best list, the CEO and president conduct quarterly town hall meetings at each of their sites throughout the country where they answer any question that is asked of them. If they cannot provide an answer immediately, they make certain that each of the questions is answered through a company newsletter later. The key point is that management makes itself available for genuine dialogue with employees. Instead of concentrating on one-way, top-down communication, the emphasis on two-way communication is what distinguishes the best employers.

Delivering on promises. Closely related to the question of believability is that of integrity. People do not believe someone, no matter how good that person's communications skills are, unless he or she follows through on what has been said will be done. Several years ago, the Great Place to Work Institute was asked to do a workplace assessment of a large division of a major telecommunications company. A very charismatic leader who was an excellent communicator ran the division. He shared information with everyone, was accessible and held regular question-and-answer conferences with staff. But the institute discovered that the staff did not trust him because he was too nice. When people would come into his office, he would invariably make commitments or implied promises. The employee would leave the office and feel good about the situation and about the executive, in the short run.

Table 1. Fortune 100 Best vs. Stock Market
Dec. 1997-Jan. 2004 Cumulative Return



But the problem was that sometimes he delivered on his promises and sometimes he did not. As a result, people did not know whether his word was any good. They liked him but did not trust him. The Great Place to Work Institute recommended that he follow a simple discipline: After every meeting, make a list of every promise that he had made. In a matter of weeks, his list became shorter and shorter and the level of trust within the division began to grow.

The second major aspect of trust relates to what employees think management thinks about them. While the first aspect of trust revolves around how employees perceive the management's credibility, it is equally important that employees feel that the management shows them respect. In other words, employees can feel that management has a high degree of credibility, is believable and demonstrates competence and integrity. But they must also feel that management has their best interests at heart to genuine-

ly extend their trust. This is done in two main ways:

Showing recognition and appreciation. The institute has found that the best employers make a special effort to say "thank you" in a variety of ways to employees. It becomes part of the fabric of daily existence in these companies. L.L. Bean, a mail-order catalogue retailer, has developed a particularly good method of singling out those who deserve special recognition. A committee of employees selects some five workers a year from dozens of employee nominations for an award called Bean's Best. The committee then organizes special celebrations complete with celebratory horns and champagne at the winners' own work sites.

Demonstrating personal concern. Respect is also a very personal matter. To select companies for the Great Place to Work Institute's lists, staff distribute to several hundred randomly selected employees at each firm an employee survey called the Great Place to Work

Trust Index. Based on a correlation study of the results of the trust index, the institute found the following statement to be the most significant: "Management shows a sincere interest in me as a person, not just an employee." In particular, people are especially concerned with how they will be treated when faced with a personal event of significance — an illness, a death in the family, births and so on. The best employers find ways to show genuine concern in those circumstances.

Becoming a great workplace may not be rocket science, but it does require paying attention to the basic issue of trust in the relationship between management and employees. Trust is a delicate commodity that must be earned daily. But when it is present, both management and employees benefit.

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