

Best Places to work from the perspective of an F100 President – How People are important

By Richard S. Guha

Being a Best Place to Work is not merely about being warm and fuzzy, but about being intensely profit and productivity driven. As a former CEO, President at several companies, including one Fortune 100 Company, Reliant Energy, as well as a CMO at several others, I have had to face the challenge of getting companies to perform. Very often this means getting ordinary people to perform in optimal ways, as well as being able to attract and retain people who do or have the potential to. I have also advised several hundred companies, including around 100 of the Fortune 500 and some of the fastest growing mid-size companies in the world. This does not happen by accident, but by careful planning. While, as Peter Drucker said, “the purpose of a business is to create a customer,” there are many elements in this. For example, it has been shown that the greater the loyalty of employees, particularly in service businesses, the greater the loyalty of the customer. One of the key differences between high performing service businesses and ordinary ones is that the high performing businesses see the customer facing employees as part of the marketing arsenal, while ordinary ones see them as just a cost to be kept down. Of course, getting a Best Place to Work is not merely a matter of money. As Maslow showed, money is a ‘hygiene factor,’ where not paying enough makes people unhappy, but paying too much does not keep on increasing it. A very few people are money motivated, but their interest is not purely for what it can buy, but is rooted in insecurity and it enhances their sense of self-worth. Titles can have the same effect, but these, also, can be ultimately self-defeating.

When taking a top management position often means determining that the company needs to be a better place to work, it becomes clear that “better” is not enough. Yet many management teams do not realize that the company can go much further. While we use the term “Best Place to Work,” because it is the accepted term. While becoming a “Best Place to Work” may require an initial investment of time and money, it pays back rapidly. In fact, it may well be one of the few keys to higher financial performance that actually, itself, makes money! This is because it leads to a number of un-anticipated outcomes. Want to be an innovative company? Become a “Best Place to Work”. Want to become a high productivity company? Become a “Best Place to Work!”

I have noticed that Management is very subject to cycles of fashion. In the 1930s and 40s “Scientific Management” was in vogue, and employees were regarded as machines, “Time & Motion” studies were driving how Industry was managed. Later, in the 1950s was realized that people are not machines and other factors heavily influence efficiency and effectiveness. This was epitomized by discovery at Western Electric in 1950 of the “Hawthorne effect,” which showed that attention and change could improve performance. During the period from 1948-1965, Professor Elliott

Jacques ran “The Glacier Project” at Glacier Metals, where the CEO, Wilfred Brown, allowed him to make any changes he wanted. The results from this, as well as from other Management thinkers such as Maslow, Deming, Mary Parker Follett, McGregor’s development of “Theory X-Theory Y” led to a resurgence in people first theories of management. These were proved to work, and were dominant in the 1970s and 80s. More recently, we have gone back to mechanistic approaches, wherein people are treated as interchangeable parts. Interestingly, both research and individual experience continues to teach that companies perform better financially if human factors are considered. Costco pays its workers much better than Wal-Mart, and its CEO much less, but Costco gets far less employee turnover, higher customer satisfaction and even less employee theft, with resulting superior stock market performance. Employee empowerment has been shown to work. When I was President of Reliant Retail, we empowered front line employees to take action in the event of an emergency, such as by allowing them to give a modest dining gift certificate to customers without power. This not only made customers feel better, but employees were motivated for several reasons:

- It felt better that customers were appreciative rather than shouting at them
- They felt more important
- They felt a sense of individual responsibility for restoring power as soon as possible.
- They were also careful about use of the gift certificates as they felt a sense of “ownership” in Reliant Energy, having previously spent more money wasting resources as they did their jobs. These savings more than paid for the cost of the certificates.

The people driven approach also works in quality. Giving manufacturing employees responsibility and authority to fix quality problems improves quality at no cost. Customer loyalty is correlated with employee loyalty, so reducing turnover, not only saves the cost of recruiting and training, but also improves profit since existing customers are more profitable than new ones.

The most successful companies address becoming a “best place to work” head on. While any company can become one, developing companies have more malleable cultures and can be transformed more easily and quicker.

About Richard Guha

Richard Guha is the former President of Reliant Energy Retail, a Fortune 100 company. He started his career in Marketing at Procter & Gamble and Mars, following Bachelors and Masters degrees from Cambridge University in Chemical Engineering. Rising to General Management through several C-Level positions in Telecommunications and High-technology companies, he has also advised almost 100 Fortune 500 companies and served on the Boards of over nine successful high growth companies.