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J E C M

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# How to choose and execute communication projects that dramatically help the company

*Strategic communication is more talked about than actually done. All good communication pros want to use their talents to help the company win in the marketplace. Leadership guru Jim Shaffer explains how communicators at Owens Corning, Honeywell and J.D. Edwards actually accomplished dramatic business results—and how you can too.*

Savvy communication leaders are creating competitive advantage by successfully engaging their people in the business of the business. They're delivering huge gains by weeding out workaday communication breakdowns that cause people to underperform in their jobs.

The result:

- Significant improvements in quality, service, costs and speed
- More tightly focused continual improvement efforts
- Enhanced organizational fluidity caused by increased integration and alignment of processes, programs and systems
- Enriched innovation created through unfettered idea sharing

Customers and their insatiable thirst for better, faster, cheaper products and services of every description drive these leaders. While other leaders have gone in search of “another program,” savvy business leaders find rewards where some of

us have been pointing for years: “It’s your people, stupid!”

The Gallup Organization estimates that only 16 percent of employees in North America are actively engaged in their work, meaning less than 2 in 10 people, on average, think and act like business owners. Gallup’s research says almost 70 percent are not engaged and the remaining 15 percent are disengaged. Of course, engagement levels vary among businesses. Gallup’s data deals with averages.

Nevertheless, data suggests that there are huge opportunities to improve operating performance by increasing engagement because of the strong correlations between engagement and performance.

Gallup, the U.S. Department of Labor, the American Compensation Association, work performed by Mark Huselid at Rutgers University and my own work in the field point to the performance opportunities that exist by increasing engagement.

Engaged people:

- Are 50 percent more likely to have lower turnover and absenteeism
- Are 56 percent more likely to have higher customer loyalty
- Are 27 percent more likely to have higher profits and deliver \$3,800 more in profits per employee
- Have 46 percent fewer accidents
- Generate \$27,000 more in sales per employee
- Create \$18,600 more in market value per employee
- Realize a gross return on capital three times higher than those who aren’t engaged

So, for many business leaders, increasing engagement can unlock some significant performance improvement opportunities.

The key to unlocking these gains lies in managing communication better because each of the four components of engagement is communication related.

Engagement has four primary components:

- Line of sight
- Involvement
- Information sharing
- Rewards and recognition

In a moment, I’ll discuss how three companies used these tools to engage employees and effect meaningful business results. But first, a quick explanation of each component of engagement.

## Line of sight

Line of sight means that people can see the direct line between the organization's goals and what they do. They understand the big picture. The dots connect for them.

Big picture means the high-level financial, economic, market and strategic aspects of the business. They know what shareholder value is and what the business drivers are. They understand the company's strategy for creating short- and long-term results. They understand the high-level company goals and plans. Building line of sight requires intense ongoing communication.

To become engaged, people need the communication that builds line of sight.

## Involvement

Through involvement, people have the means to influence the organization. Involvement gives people control and enables them to build ownership and commitment. Involvement incorporates team systems, process redesign efforts and keeping score together. It includes means through which people's ideas for improving business results are generated, captured, prioritized, analyzed and implemented. Involvement includes the process through which people participate in setting goals and making forecasts.

Involvement is a component of the communication process. Take communication away and no one's involved.

## Information sharing

Many employees I interview tell me they could improve their organization's performance dramatically if they just had the right information at the right time so they could make the right decisions on behalf of achieving business goals. This is the operational information people need every minute of the day—the information people need to do their jobs well. People need information at twitch speed. Twitch speed is fast. Anything less slows decision making down or creates mistakes that affect quality, service, costs or speed. When decision making slows down, the business slows down. In today's competitive world, opportunity follows speed. We can't slow anything down without a cost. That especially goes for information sharing.

## Rewards and recognition

Rewards and recognition answer the questions, “What’s in it for me?” “How will I benefit if I do things that will help our business succeed?” Rewards and recognition include short-term incentives for individuals and teams, broad-based success sharing programs, recognition and celebrations, long-term wealth-building programs such as savings and stock programs as well as nonfinancial rewards such as opportunities to learn and paths for career advancement and growth.

Reward and recognition systems are important components of the communication system. The mere design of a reward scheme should communicate what’s important and what’s not. What we choose to recognize communicates what we value.

To summarize:

- Customers are demanding that we deliver everything faster, better and cheaper
- There’s a huge opportunity to improve performance by creating higher engagement levels in most of our organizations
- All four components to engagement are communication-related.

Smart business leaders know that improving performance through engagement means they must get control of the communication system within their organizations.

They know that communication represents all the ways we send, receive and process information. It’s the things we say and the things we don’t say. It’s what we do and what we don’t do. You can’t not communicate. These leaders understand that managing communication means managing what leaders say and do and what organizational structure, the work environment and reward and measurement systems communicate. They know these systems have a big influence on what people do and don’t do—how they use the discretionary effort that, in turn, drives operating and financial performance. Of course, they also understand the value of formal channels such as face-to-face meetings and written and electronic media. But as former General Electric Chairman Jack Welch has said, communication “is not a speech or a videotape. It’s not a plant newspaper. Real communication is an attitude, an environment. It’s the most interactive of all processes. It requires countless hours of eyeball-to-eyeball back and forth. It’s a constant, interactive process aimed at creating consensus.”

I've found that the best leaders understand this difference between communication as a process and system versus communication as a collection of formal channels. It's the system that they work tirelessly to manage well.

When people aren't engaged, it's usually because of flaws or defects within the communication system. When any system is unchanged, it will reliably produce the same results. To change results, we need to change the system.

## Results count

In order to improve engagement, we need to change the communication system by taking out the flaws or defects that reside within it. This is the same systems thinking that drives the improvement of any other system within a business, whether it's manufacturing, distribution, new product development or engineering.

Communication defects or flaws come in at least five forms:

**Lack of information.** A new employee has never been taught or shown how to do her job. She was put onto the job with little to no training. This lack of information can affect productivity and costs.

**Wrong information.** Erroneous information is given to a worker on a production line. This leads to a mistake that affects product quality. This can influence costs, productivity and sales.

**Slow-moving information.** A sales person doesn't get pricing information from the marketing department for a customer who wants to buy now. The slow response results in the customer going to a competitor. The result is lost sales.

**Mixed messages.** People are told speed is important but they're required to get seven approvals before they can make a customer-focused decision. Slow response time affects customer satisfaction and eventually sales and revenues.

**Lack of involvement.** Employees don't plan work or share ideas. This can result in reduced productivity, innovation and the ownership that's needed to take human performance to its highest level.

When we weed these defects out of the communication system so the organization can more readily achieve its goals, we are managing communication strategically and operationally.

## Real companies, real accomplishments

A number of enlightened communication leaders are engaging their employees and getting hard, measurable business results.

- Led by Kristin Kelley, Owens Corning's head of internal communication, the company launched a pilot project at one of its fiberglass insulation plants in

upstate New York. The effort was focused laserlike on improving performance by engaging employees through better communication management.

The plant was selected because of its importance to the company, its strong, new leader, its low performance and the huge opportunity that existed to improve operating and financial performance.

After five months, the plant's productivity had climbed 8.5 percent. Employees took more than \$1 million in costs out of the business. These were costs associated with performing work inefficiently. The plant also substantially reduced variation in a number of manufacturing processes. (Note: Owens Corning is a Six Sigma company. Six Sigma is a quality process that has been adopted by many top companies such as Motorola, GE and Honeywell. Six Sigma focuses on reducing process variation in order to reduce defects. A Six Sigma level of quality is 3.4 defects per million opportunities to have a defect. In other words, 99.9997 percent accurate.)

At the end of 2002, the plant's leader reported that the plant had enjoyed its best year ever. Total costs were down 7.6 percent. Twelve million additional pounds of product were produced while spending \$2 million less. First-aid cases and OSHA recordable injuries declined by 46 and 38 percent respectively. Customer complaints declined by 58 percent. Solid waste declined by 11 percent.

Owens Corning's return on investment in the effort was roughly 700 percent, meaning that the company got a huge return for the dollars expended on improving communication and engagement. The senior vice president of manufacturing told Kristin Kelley: "I'll take as many 700 percent returns as I can get."

The engagement and communication process was taken to another Owens Corning plant in Texas where over three months similar gains were made.

Improving engagement through better communication management isn't just for manufacturing companies. It works in service industries as well.

- Shawna Todd, director of communication at a service business in Honeywell, worked with a development team to help service technicians move information faster and more efficiently through the use of new technology that they helped create and implement. This has eliminated 1.4 million steps per week in the service process, reduced paper use 93 percent and knocked the company's billing cycle from 17 days to just under 7 days. This markedly improved cash flow.

- And, Marilyn Brewer, director of communication at J.D. Edwards, the software engineering and consulting firm, helped reduce turnover by 10 percent, which saved the company millions of dollars. Her work began with a communi-

cation audit that helped identify the underlying reasons for high turnover and the costs associated with it. She then assembled involvement teams to identify and help implement solutions to the excessive turnover. It worked. Turnover dropped from 22 percent to 12 percent in less than a year. This represented a \$30 million-plus savings to the company. The investment made to cut these costs represented a fraction of the total savings. This resulted in another excellent return on investment.

In each of these situations, the goal was to improve performance by engaging people through better-managed communication. The focus was strategic in that it was directed at rooting out and eliminating communication flaws that were causing the company to miss its strategic business goals. It was operational in that it eliminated communication breakdowns that were barriers to employees' doing their jobs well.

## Getting started

In our work with business leaders who want to successfully engage their people, we've identified three success factors that need to be included in the process.

- **Success factor No. 1: Focus on what matters.** Address the performance issues that matter most to the business. For example, at the Owens Corning plant in upstate New York, manufacturing cost per pound was too high. A Pareto chart graphically depicted the major contributors to high manufacturing costs. In their case it was a preventive maintenance procedure called an Oven Clean Out. The periodic process of cleaning out the ovens that baked the fiberglass insulation was consuming an average of 14 hours. When ovens are being cleaned, the manufacturing line must be shut down. Every hour of downtime cost this plant \$6,000. So each of the OCOs was costing the plant \$84,000. There are roughly 15 OCO's each year, resulting in a total annual cost of \$1,260,000. Our goal, then, was to dramatically reduce this number.

We assembled a team of people who regularly conducted the OCOs and quickly identified significant communication breakdowns that were occurring during the process. (involvement) During our team meetings, we explained the importance of being a low cost producer, how the OCOs were gobbling up money and how people could directly affect costs (line of sight). The team mapped the current OCO process—the one that was producing 14 hour OCOs. The team members told us they believed that with better planning, coordination and information sharing they could get the procedure down to 12 hours. They

agreed on a way they would celebrate if they hit the 12-hour goal (reward and recognition).

During their first OCO using the new process, the plant was full of energy. The team's focus was on hitting the target they had set for themselves. The team was charged up, ready to do battle against the clock and the costs associated with time. Using simple flip charts, they erected scoreboards in the plant so they would know throughout the process how they were doing against the goal (information sharing).

On their first effort, they conducted the OCO in 11 hours—beating their own goal by one hour. Since that first OCO, they've gotten the time to 9 hours. This represents a saving of \$30,000 per OCO or nearly a half million dollars a year.

Once we got the biggest cost contributor down to an acceptable level, we moved on to the next biggest contributor, then the next and the next.

By focusing the communication improvement on what matters most to the business, the business gets better faster. Skepticism begins to diminish and momentum for the overall effort grows. This often makes future performance improvement projects easier to conduct.

**Success factor No. 2:** Manage for value. The analysis required to determine what matters most also provides data that helps us determine how much we have to spend on the engagement process. For instance, in the case of the project I've just explained, we knew the potential savings if we hit our original goal (i.e., cutting two hours off of each of 15 OCOs at \$6,000 per hour would result in an initial \$180,000 per year savings.) This gave us a spending guideline. We certainly knew that we did not have \$200,000 to save \$180,000.

However, sometimes we need to sacrifice a large ROI to get the first win. But over time, our goal is to achieve better and better returns. In the end, we must generate an acceptable return on investment, just as we'd expect from any other business effort. We must manage for value.

**Success factor No. 3:** Integrate the effort. Communication knows no function. It's everywhere. And, throughout most businesses there are talented people who have expertise that when brought together can enrich the overall process. When we're working with a client to improve performance through increased people engagement, we involve a variety of people who can bring their special knowledge or skills to the performance improvement team. At J.D. Edwards, we worked with communication, human resources, sales and marketing. At Honeywell, we worked with marketing, Six Sigma, HR and line operations.

Business leaders need to help their functional disciplines see over their functional walls. Customers don't care about functional silos.

## Summary

- Customers want everything better, faster and cheaper.
- There's a huge opportunity to generate a performance lift by engaging people.
- Engaged people outperform people who aren't engaged.
- Communication is the heart and soul of engagement.
- Flaws in the communication system cause many performance problems.
- To engage people, we need to get control of the system and eliminate the flaws.
- In the process, we need to focus on what matters, create acceptable returns and provide integrated solutions.