Prologue
From Entitlement to Capital Asset

The employee audience in any large organization today is skeptical at best and cynical and turned off at worst. And they clearly have their reasons.

This level of employee disenchantment was not always so. When I went to work for General Electric in the early 1960s, as a young man interested in, among other things, how people adapted to working in large organizations, that task was relatively clear. In those days you generally went to work for a large company. You did your job as you understood it. And if you performed reasonably well and stayed out of trouble, you probably had a job for as long as the company was profitable. Layoffs were infrequent and almost always simply a result of unexpected downturns in company fortune.

American companies of that era, and well into the 1970s, practically owned the global marketplace. The reason was not always obvious to the American worker, but in retrospect it was pretty simple. The rest of the world was still recovering from the devastation of World War II. So American companies could pretty well operate on the presumption, "Here is our product; take it or leave it. It's all the same to us, because if you don't take it, someone else will." I oversimplify to make a point, but this is not too far off the mark for many American companies of that period.

In such a climate American corporate executives were willing, although sometimes with considerable resentment, to give the worker his way. The generous union agreements of that era are clear evidence of management's desire not to interrupt the revenue stream. Lifetime employment was not guaranteed, but it was certainly not uncommon for someone to come out of school, join a large organization, and retire with a solid pension some forty or so years later. In fact, so common was the experience that it gave rise to a sense of worker entitlement expressed bluntly at each contract bargaining session by the union rep and largely assumed by the professional workforce, who silently cheered on the union activists because their efforts would lead to benefits for all.

In this happy world, employee bands and choirs, semi-pro athletic teams, and all sorts of employee social arrangements were common. In Rochester, New York, where I live, Eastman Kodak (known for years by its employees as the Great Yellow Father) was noted for providing on each St. Patrick's Day a rich annual employee bonus that gladdened the hearts of local merchants. Interestingly, even today, when Kodak is a shadow of its former self and continuing to lose money, the bonus remains. Only once, during the Depression, did Kodak fail to pay the wage bonus.) In earlier times Kodak also frequently brought in cut - rate employee entertainment by expensive Hollywood and Las Vegas performers to appear at the company theater for the pleasure of employees and their families.

Nor was Kodak unique in this form of employee largess. If you look at the archives of most large organizations of the day, you can easily find photos of company stores where products were sold at a deep discount, company golf courses, company picnic grounds, bands and choirs, traveling basketball teams, and similar employee activities and programs, all geared to attract and produce a satisfied workforce committed to the company as a kind of quasi extended family.

Were the employees of that day happier and less likely to express their distrust of and cynicism about management? For the most part, yes. It was a time of stability, presumed employee loyalty, and paternalism. I still recall the time when, as a young GE writer, I made a flip comment to my coworkers over coffee about some forgotten company practice, only to be taken aside by a kindly old gentleman named Brad, who had forty years or more of GE service. Gently but firmly he mentored me with the comment, "Young man, I resented your comment today. This company took care of me and my family in the depths of the Depression, and I'll never forget it. My advice is to keep those opinions to yourself." I haven't heard of or seen a similar episode in the last thirty years.

But that humbling experience aside, it was not surprising that people grew to feel entitled in such an environment. For example, I recall years later overhearing two Kodak women complain bitterly because Kodak had threatened to make the Kodak wage dividend bonus merit - based according to both individual and company performance. Until then it had been based only on the company's annual results in an era when better and better was the expectation and the reality.

Did all of this paternalism come with a price? Absolutely, because the expectation was that in return employees would be loyal, less resistant to change or unpleasant working conditions, and likely to stay for the long haul. Indeed, the so - called "job hopper" was anathema and likely to find himself looked on with deep suspicion. "Tell me, why have you had three jobs in the last ten years?" was the question posed by the uneasy corporate recruiters.

Change, Change, and More Change

Now fast - forward almost a half century to today's environment. When I facilitate communication strategy workshops for professional communication staffers or for corporate leaders, I often begin with what I find to be an enlightening exercise. I ask the group to tell me what their companies are up against in their respective marketplaces. What, I ask, are the market forces that are shaping the strategies of your various companies? It's an interesting window into today's corporate America and its plight in a dog-eat- dog, globally competitive marketplace. Here's a typical list of what these representatives of companies large and small and in every industry — from high tech to manufacturing to pharmaceuticals to utilities — say are the market forces that are determining the business strategies of their organizations:

- Globalization and the competitive pressures it's exerting
- The resulting intense cost pressures
- Demanding customers who want quality at ever-decreasing prices
- Technology that changes so rapidly it requires almost continuous learning to keep up
- Change, change, change, and more change
- Shifts from a manufacturing to a service to an information economy, with subsequent job displacement and creation
- Unrealistic shareholder demands for short - term earnings
- Unethical competitive practices
- Resentment from local communities that feel neglected and abandoned as companies go global and downsize
- Regulation and attacks by groups that mistrust corporate motives and agendas

And the list goes on and on, according to specific industry conditions.

When I ask the next question — what strategies have their organizations adopted to cope with these pressures? — an equally daunting list emerges, including the following:

- Intense scrutiny of costs and cost cutting to increase profits
- A tendency to downsize the workforce as a tactic to control labor costs and increase earnings
- Quality and service initiatives to meet customer demands
- Outsourcing of work to vendors and other countries with
- lower labor costs
- Technology investment to automate as many processes as possible
- Branding initiatives and other marketing initiatives to help create customer loyalty
- Increasing demands for more work for less money and greater employee productivity
- Constant reorganization and leadership churning
- Demand for greater speed to market to beat the competition, with a leadership mantra of " better, faster, and cheaper"

And then the coup de grace: how is all of this affecting employees and your ability to communicate with them about these subjects? How are your employees reacting? This is where it gets interesting, as they describe their workforce in the following terms:

- Cynical and distrustful of leadership motives
- Deeply insecure about their job tenure
- Willing to leave the company for the same or less money somewhere else
- Constantly pressured and stressed as the demands increase on their time and energy
- Burned out, exhausted by ever - increasing demands
- Angry
- Overloaded with information they can't process in the midst of pressured days
- Uninformed about strategy and changes that affect them, although simultaneously complaining that they're drowning in information overload
- Feeling entitled — and frustrated that no one recognizes their efforts
- Torn between family responsibilities and workplace demands

And then, finally, some brave soul inevitably, quietly, and somewhat reluctantly adds this:

- *But* excited about the challenges of change
- Motivated to help the company succeed
- Glad to have a job with a dynamic and changing organization
- Dedicated to do a job regardless of the adversity they face
- Anxious to contribute if they only understood management's expectations and future plans

And so it goes. As I point out that this last set of mixed characteristics really describes the employee audience they are trying to reach and educate to today's challenges, I often see some squirming.

Take a look, I say, at the lists. If your job is difficult, here's why. The communication professionals soberly nod and complain that they could help with all of this if only . . . If only their leadership would listen to their suggestions and recommendations. If only they were permitted to admit what everyone already knows anyway, as a means of preserving everyone's sanity. If only they had direct access to their leadership to help them cope with all of the above. Lots of "if only's."

The groups composed of corporate leaders generally also squirm. In one session, a Midwestern CEO asked me with some irritation, "What do you do if the receiver is broken? How do you get through in those cases? " That question of how you "get through" and get employees to see things "as we see them" is the common leadership lament.

An occasional reaction is dismissal. As one senior leader once exclaimed to me — when I observed that his employees must be upset about all the change they had experienced recently, including plant closings, relocation of company headquarters from Cleveland to Texas, and major downsizings — "Screw 'em." Not a typical reaction, but characteristic of the tough - guy approach to leadership.

The major culprit in what I am reporting is change with a capital C. The marketplace changed. The workforce itself certainly changed. The technology changed and gave people access to information they never had before, as well as a way to express their frustration. Leaders changed, as they were put under almost unbearable short- term financial pressures from large and small shareholders and security analysts. Most of all, the customers changed and demanded more for less as well as exercising their choices to go elsewhere if they didn't get exactly what they wanted and paid for, precisely when they wanted it. "Here it is; take it or leave it" is now, happily, a vestige of a bygone era. The difference clearly was that they now had choices and could in that sense hold their suppliers accountable for quality, price, and delivery.

Shifting Priorities and Constituencies

Historically, company leaders have argued that they had four major constituencies — customers, shareholders, employees, and the communities that housed their operations. With the coming of globalization and the intense competition it brought both internationally and locally, this foursome and its importance to the leadership shifted. Customers became more fickle and perfectly willing to go with the lowest - priced products and services rather than the brands to which they were traditionally loyal. Shareholders and market analysts became more and more demanding of short - term results — a demand that was hardly lost on the senior leaders, whose bonuses and personal stock options depended on quarterly performance. The large pension funds, in their effort to find the best return on their fund's investment, held a club over the leaders that they were perfectly willing to use.

As it became increasingly profitable to move operations to low-wage countries, local communities had less and less power to hold onto the companies they depended on for employment and taxes. Dispersed operations became the strategy of choice for harassed CEOs, and those low wages looked more and more attractive as a way of cutting costs and overhead.

In this equation employees found themselves more and more expendable. The strategy of choice to increase the bottom line was to cut labor costs at unprecedented rates. For example, when I moved to Rochester in 1965, Kodak employed upwards of sixty thousand people in this community alone. With global competition and the rise of digital photography, Kodak found itself dependent on an increasingly obsolete technology that it had stubbornly sought to protect despite the handwriting on the wall. Today the Kodak workforce in Rochester numbers only some nine thousand and continues to decline. When such layoff strategies were first employed, the companies that executed them were roundly criticized as cruel and unfeeling.

But over time American society has become largely inured to such actions. Ten thousand here, fifteen thousand there — who cares, as long as they are not personally affected? Downsizing — that 1984ish euphemism that made the whole action seem so reasonable and neutral to those outside the organization — became respectable and even drew praise from the shareholder community looking for greater and greater return.

An Obvious Question

For me, in the midst of this chaotic change, the intriguing — and, I think, obvious — question all along has been: why don't we recognize and act on the simple truth that a company's workforce is the ultimate engine that makes the organization do what everyone wants? Or if we do recognize it, why don't we do something about it? Why don't we appreciate that regardless of all of the countervailing pressures, the company's employees (whether we call them "associates" or "colleagues" or just plain "workers") are the company ' s new primary capital asset? That fact was always given loud lip service, but lip service it mostly was, as employees continue to be listed only on the balance sheet as a cost of doing business, never as a company asset.

As *Harvard Business Review* editor Tom Stewart points out in his fascinating book *Intellectual Capital* , today's organization can have all of the money and resources in the world and not be competitive if it doesn't have the right workforce in place, creating the intellectual capital the organization needs for the sake of innovation and growth. And as authors like Robert Reich in *The Future of Success*, Thomas Friedman in *The World Is Flat*, and others have made clear, a company's talented people represent the one capital asset that can't be duplicated by the competition.

Companies can catch up technologically. They can compete on the basis of price. But neither of these is a lasting advantage. The only true lasting competitive advantage they have is a smart, dedicated, informed, and engaged workforce — particularly when, as now, we are in an economic and social revolution that is akin to the Industrial Revolution and the movement from agriculture to manufacturing. Except this time, it's from a manufacturing to a service to an information economy. Revolutionary change. No doubt about it.

In an information economy, the actual raw material is information itself. The modern assembly line in the Information Age is virtual, manned by smart, educated people who take that raw information, add their expertise to it, and pass it on to their peers, who in turn add or modify what they receive in producing the intellectual capital that is the basis of improved products and services. Intellectual capital is the real treasure of any organization today. And only well - informed and engaged people can create it. To do so, they clearly need to be informed about goals, strategy, vision, mission, and a myriad of operating priorities and issues.

How Things Got this Way

After pondering for some time why so many companies today regard the workforce primarily as a cost that can be depreciated and eventually written off, I think I understand the complex set of causes that led to a devaluation of the workforce and their contributions.

One is the historical nature of work in what was mainly an industrial economy in this country for almost 150 years. The notion of "if you don't like it here, go somewhere else because there are twenty people in line who can replace you" is a vestige of that industrial economy. It's no longer true in an information economy. What happens if the lead heart surgeon leaves a hospital staff? What happens if the brightest engineers desert their Silicon Valley start-up? How about the talented sales person with a myriad of important personal contacts? Or the investment banker who understands the convoluted intricacies of mergers and acquisitions better than anyone else on staff? Or, for that matter, the manufacturing operator who runs a technically complex piece of machinery that needs special care and attention? None of those people is expendable or easily replaced, regardless of how large or small a talent pool is waiting outside the gates. And increasingly these are the workers who are more and more representative of today's workforce in the Information Age.

Another factor in the devaluing of a company's people is the competing priorities faced by senior leaders. Today such leaders are evaluated by one standard and one standard alone: Has the company performed according to expectations? Not "Has it *performed*?" but "Has it met the arbitrary estimates of Wall Street analysts who follow its fortunes (as well as expectations of the shareholders who bet on a quick return from that performance)? " These pressures are hard to resist, especially by CEOs with shorter and shorter tenure — and golden parachutes securely strapped on.

Still another factor is global competition. The onetime monopoly of American companies has been broken in industry after industry. In fact, much of our manufacturing capability and capacity has left our shores for lower-labor-cost economies in countries like China, India, and other developing countries. In those cases it's easy to dismiss the value of a higher-paid workforce and even to search for ways to lessen any dependence on them. American leaders under intense pressure to deliver bottom-line results often give in to the temptation to downsize their American workforce and to expand outside of the United States.

But I see growing and encouraging evidence of leadership's willingness to mend its ways and finally give credence to "people as our most valuable asset." One of the most encouraging developments is the employee engagement movement and its attempts to find ways to unleash the discretionary effort of the workforce. Another is the growing realization that customer satisfaction and service are much more likely to be products of an informed and motivated workforce.

So the purpose of this book is to encourage that willingness and to offer strategic advice as to what works and what doesn't work in today's chaotically changing world. Communication is the undoubted lubricant to prevent the corporate machinery from self-destructing from the friction of change. Let's begin first with an example I call a morality tale, so we understand what *not* to do, as counterpoint before I offer a whole series of prescriptions for communication success. This first example I will cite is one I lived through and that for me is a classic and instructive case of how so many otherwise effective organizations bungle both change management and communication. For me, for some years now, it has been a metaphor for the plight of a company overwhelmed by change. As I say, it's a tale with a moral.