--------------------------------C A S E S--------------------------------

Case 3-1   Investing in Employees Pays Off

Aaron Feuerstein, president of Malden Mills, celebrated his 70th birthday at a family party on the evening of December 11, 1995. At the same time, less than 30 miles away, his factory exploded into flames. By midnight, a company official summoned Feuerstein to the scene. At stake was the future of more than 3,000 employees and their families. What happened within the next 72 hours are the guts and the glory of this story.

Feuerstein and his management team needed effective crisis management and immediate communication to tap into the company's reservoir of employee goodwill. In a business environment of layoffs, mergers, and downsizing, it was assumed that a fire of this magnitude would bring an end to an era for Malden Mills. But that was not the Feuerstein way of doing business, nor had it been in the 90 years since his grandfather began the business in the mill town of Lawrence, Massachusetts.

History of the Mill

Malden Mills is a family owned and operated mill situated on the riverbanks of Lawrence, Massachusetts. During the Industrial Revolution, the Merrimack River was home to many textile factories. Over the years, and as technology progressed, most of these mills were abandoned for areas with cheaper labor. Feuerstein, contrary to the trend of cutting labor costs to increase profits, moved into those empty mills. "It depends on your vision of business," was his comment.

Feuerstein's Vision of Business: Employees Are Assets

Feuerstein is a devout Jew and his belief drives his decision making. A cornerstone of his thinking is a 2,000-year-old saying from the Jewish tradition: When everything is moral chaos, try your hardest to be a "mensch"—a man of highest principles. Malden Mills had no board of directors or shareholders. Feuerstein answered to his own belief system, and its wisdom was apparent:

- In 1980, Malden Mills declared Chapter 11 bankruptcy and laid off workers. Research and development was aggressively pushed—making an investment in brand equity. Out of this came the discovery of the lightweight, resilient, wool-like fabrics under the brand names Polarfleece® and Polartec®. This put Malden Mills back in business. Feuerstein *hired back every worker* he had let go after the bankruptcy.
- Feuerstein knows the correlation between loyal employees and loyal customers. Customer retention at Malden Mills Ran roughly 95 percent, which is world class.[1]
- Major retailers such as L.L. Bean, Eddie Bauer, Lands' End, Patagonia, and North Face carry the Malden Mills products not just as a picture in a catalog but with a history of the product and the company line itself.
- Malden Mills is a union shop and has long invested heavily in technology that eliminates jobs, but *has never had a strike*.

[1]Thomas Teal, "Not a Fool, Not a Saint," *Fortune*, November 11, 1996, Vol. 134 No. 9, pp. 201–203.

Employment at the Mill Prior to December 1995

Armed with new upscale product lines, Malden Mills flourished. Aaron Feuerstein, at the helm, geared up for plant expansion. Employees were happy with their wage and benefit package. An average employee received about $3 per hour more than at similar plants—with full benefits.[2] Employees were given annual bonuses in addition to other benefits. From 1982 to 1995, revenues in constant dollars more than tripled while workforces barely doubled.[3]

December 11, 1995—The Night of the Fire

Prior to the fire, the Malden Mills complex had nine functioning buildings. While the mills were poised to receive new and updated machinery, none of the current workforce was to be displaced. In a matter of hours, the fire leveled three of the nine buildings within the Malden Mills complex. A fourth was saved by the heroic efforts of employees and firefighters on the scene. No one was killed, however, 33 were injured. Some 1,800 of the 3,200 workers were temporarily displaced less than three weeks before Christmas.

December 13, 1995—Less Than 48 Hours Later

In the local high school gymnasium, Feuerstein announced to his employees, and local and national media, that employee salaries and benefits, as well as holiday bonuses, would be paid. For 90 days the salaries of the displaced workers were paid; benefits continued for 6 months. He also assured them they would be called back to work. Plant reconstruction would begin immediately.

In repeated surveys, *the number 1 topic of interest to employees is organizational plans for the future*.[4] At Malden Mills, employees received this desired information. They knew where they stood and that they were a vital part of Feuerstein's decision to rebuild. He followed the four basic principles of employer–employee communications: (1) tell employees first, (2) tell the bad news along with the good, (3) ensure timeliness, and (4) inform employees on subjects they consider important.[5]

Media both lauded and mocked Feuerstein's decision. Was this man crazy? Or was he shrewd and calculating with a self-serving motive? In the days of massive and cold-hearted downsizing—AT&T had experienced 44,000 layoffs and IBM had over 100,000 layoffs—why didn't this 70-year-old man take the money and run? Feuerstein's comment: "What kind of an ethic is it that a CEO is prepared to hurt 3,000 people who are his employees and an entire city of many more thousands . . . in order for him to have a short-term gain? It's unthinkable."

Corporate Conscience Brings Free Publicity

News of this event spread as quickly as the fire in the mills. Stories of his plans ran in many newspapers and magazines across the country. Feuerstein was invited to the 1996 Presidential State of the Union address. Post-fire publicity created an element of goodwill among consumers, increasing demand and building loyalty.

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[2]Richard Jerome, "Holding the Line: After Fire Wrecked His Mill, Aaron Feuerstein Didn't Let His Workers Down," *People Weekly*, February 5, 1996, Vol. 45 No. 5.
[3]Teal, 201–203.
[4]See Chapter 3, page 26.
[5]See Chapter 3, page 25.

In 2001, aware of the goodwill generated by Feuerstein's actions, the Malden Mills story was presented in ads with Feuerstein as the spokesman surrounded by his employees.

The Payoff

In the long run, Malden Mills' worldwide business grew 40 percent from pre-fire levels.[6] In less than two years, all but a handful of the original 1,800 displaced employees were back on the factory floor. "Customer and employee retention at Malden Mills runs roughly 95 percent."[7] The percentage of off-quality products went from 6 to 7 percent pre-fire to 2 percent post-fire.[8] Once the fourth plant, which wasn't completely destroyed in the fire, was up and running, Feuerstein walked among the employees. All present shared tears and thank yous. Employees promised to pay him back "tenfold." Before the fire, that plant produced 130,000 yards per week. After the fire, production increased to 200,000+ per week, clearly the result of employee goodwill. In the past decade,

Malden Mills has grown 200 percent with sales over $300 million a year and customers in more than 50 countries.

Malden Mills is a symbol of heroics. As one practitioner recently said, "I feel good wearing my Polartec jacket knowing how that man treats his employees." That kind of **customer loyalty is earned**, not sold.

The goodwill Malden Mills banked from the fire continued to pay dividends in late 2001 when the company sought bankruptcy protection. The loss of customers after the fire (they had to sign contracts elsewhere in the interim) and three warm winters hurt sales. The company was $140 million dollars in debt. However, lenders did not seek to liquidate the company, which was an option available to creditors. The goodwill continued to pay off when in 2004 Malden Mills hired a new president and CEO to run its day-to-day operations. The U.S. Government continues to be a major customer for Malden Mills' Polartec® garments, supporting Malden Mills through Department of Defense research contracts on combat clothing. ■

QUESTIONS FOR DISCUSSION

1. Discuss the elements of an employee communications plan and how it impacted the decisions Feuerstein made.
2. What steps would have been taken had he decided not to rebuild the factory?
3. How would the closing of the mills have impacted the branding that occurred after the fire?
4. If you were the public relations director, what would you have suggested be done differently?

5. What would you recommend be done to ensure continued high levels of employee satisfaction?
6. How might this have been handled differently if it was a shareholder-owned organization? What would you recommend to management in that case to achieve similar outcomes?

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[6]Julie K. Hall, "Malden Climbs Up from the Ashes," *Times Mirror Magazines, Inc.*, STN, Vol. 22, No. 2, p. 7.
[7]Teal, 201–203.
[8]Shelly Donald-Coolidge, " 'Corporate Decency' Prevails at Malden Mills," *The Christian Science Monitor*, March 28, 1996.

Case 3-2 Southwest Airlines—Where Fun, LUV, and Profit Go Hand-in-Hand

Making customers happy is the number one priority at Southwest Airlines. Although this goal might not seem unusual in the highly competitive U.S. economy, the primary method of reaching it—through employee satisfaction—is innovative. By developing strong relationships with its employees, Southwest has pleased its customers and fueled its growth—from a three-destination, short-haul Texas airline to the fourth largest airline in the United States (in terms of passengers carried).

A Turbulent Beginning

In 1966, Rollin King, a San Antonio entrepreneur who owned a small commuter service, and his banker, John Parker, noted how expensive and inconvenient it was to travel between Houston, Dallas, and San Antonio—areas that were in the midst of strong economic and population growth. King approached Herb Kelleher, then one of his San Antonio lawyers, with an idea, and the three men researched the feasibility of the proposal.

By early 1967, Kelleher filed papers to incorporate Air Southwest Co. King and Kelleher raised the initial capital and political support for the venture. Kelleher was prepared for political and legal battles with established Texan airlines, but he didn't realize the length to which they would have to go to get their planes in the air.

Established airlines, contending that the market was saturated, filed lawsuits to stop Southwest, and a restraining order was granted. Southwest appealed the case to the Supreme Court of Texas and was granted a reprieve, only to be slapped with another suit. Four years later, after many restraining orders, appeals, and court cases, Southwest was finally able to take off. Unfortunately, most of its capital was gone, spent fighting for the chance to exist.

Time to Fly—With Limited Resources

By the time it was ready to fly, Southwest had just four planes and fewer than 70 employees. The new airline was forced to set outrageously low fares—unheard of in the industry—to attract customers. Feeling threatened, the competition matched Southwest's fares, forcing the new airline to reduce prices even more. At one point, Southwest management was unable to make payroll and was forced to decide whether to lay employees off or sell a plane.

It was a turning point for the company, setting a foundation for its future: Management chose to put employees first. In return for not laying off a single employee, Southwest asked employees to master the "10-minute turn" so the airline could keep the same flight schedule it had planned with four airplanes. A plane would arrive at an airport, deliver passengers, refuel, and prepare the plane for departure of another flight—in 10 minutes.

- The faster the turnaround, the lower the operating costs, the more flights that can be achieved in one day, the lower the fare.
- This means employees must be exceptionally motivated.

An article in *Chief Executive Magazine*[1] points to this event as the foundation

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[1]*Chief Executive Magazine,* July 1, 1999.

of Southwest's success: "The tradition of Southwest employees, from pilots to ramp agents, pitching in to do what's necessary to help the company, was born."

Discovering the Key to Success

From its earliest days, the company has incorporated a focus on fun and love—for both passengers and employees—into its unique management style. Southwest flight attendants dress casually in khakis and polo shirts. Pilots wear WWII–era replica leather jackets. Comfortably dressed employees are happier and more relaxed, which leads to happier and more relaxed passengers. Luv Nuts are served instead of meals on shorter flights and have become a company symbol for in-flight fun.

Passengers on a Southwest flight might hear flight safety instructions in the form of a song—sung by one of the flight attendants—if a particular employee feels like singing. One employee sang Happy Birthday to a passenger, Elvis style, over the public address system.[2] This relaxed and open working environment has encouraged customer service agents to hold holiest sock contests and to encourage passengers to make faces at ground crews while waiting to board the plane.

This behavior may seem unprofessional to an employee of a traditional airline. But the employee who would look down on these antics is exactly the type of person Southwest does not want to hire. "We look for a sense of humor, a sense of service," says Colleen Barrett, president and chief operating officer and chairman Kelleher's right-hand woman. "We don't care if you're the best pilot in the USAF, but if you condescend to a secretary, you won't get hired."[3]

The positive corporate culture starts at the top at Southwest. Kelleher once heard that mechanics on the graveyard shift couldn't attend the company picnic, so he held a late night barbecue, which featured him and pilots as chefs. Kelleher or Barrett personally send notes to employees for births, deaths, marriages, and promotions. (More than 1,000 husband–wife teams work for Southwest.)

Management's generosity extends beyond employees to customers. Kelleher once read a letter from a teacher whose students had never been on a plane. He invited the entire class to fly to Austin for free for a tour of the capital.[4]

Southwest management firmly believes that employees who genuinely care about each other and the company take extra steps to ensure customer satisfaction. Along with the ideal of hard work, Southwest executives want employees to conduct business in a loving and understanding manner.

Southwest offers employees competitive wages and benefits and in 1974 was the first airline to offer a profit-sharing plan. Employees now own 13 percent of the company's common stock. The company contributes 16 percent of its pretax operating income to its profit-sharing plan.[5]

An Educated Employee Is a Valuable Team Member

The more employees know about their corporation, the better equipped they are to provide valuable input. To encourage a better understanding among employees of the various functions of the company, Southwest implemented the Walk a Mile program. Through the program, Southwest employees experience issues of other departments, which facilitates a company-wide understanding of the many airline functions and what it takes to be profitable. This encourages effective

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[2]Kitchen, Patricia, *Newsday*, March 7, 1999.
[3]*Chief Executive Magazine*, July 1, 1999.
[4]*Chief Executive Magazine*, July 1, 1999.
[5]*Chief Executive Magazine*, July 1, 1999.

communication and real teamwork, which is especially important among pilots and ground and flight crews.

The Culture Committee, formed in 1990, aims to continually reinforce the "Southwest Spirit." With representatives from all areas of the company, from flight crews to executives, committee members promote the ideals of profitability, low cost, family, and fun.

Behavior Affects the Bottom Line

All of these behaviors may satisfy employees and make great material for news articles. But when it comes to the bottom line, does this dynamic management style motivate employee behaviors that really pay off for Southwest? After all, the company is in business to make a profit.

- *Southwest posted seven consecutive years of record profits.*

In early the 2000s, when major airlines were filing for bankruptcy and upstart independents such as Southeast and Independence were folding, Southwest was one of the only profitable airlines. The airline won the U.S. Department of Transportation's "Triple Crown" awards for best on-time performance, fewest customer complaints, and fewest mishandled bags. It has maintained the best cumulative baggage handling record among all major U.S. airlines since September 1987 when the Department of Transportation began tracking and reporting these statistics. In addition, Southwest[6]:

- Was profitable for 28 consecutive years, a period that included two major industry downturns.
- Has the most enviable profit record in the industry, with the smallest number

of employees per aircraft and the most customers served per employee.
- Since 1972, it has been an outstanding investment. An investment of $10,000 in 1972 would have been worth more than $12 million in 2005.
- Received over 225,000 resumes in 2000; hired 1,700 new employees, bringing the total number of employees to over 30,000.
- Planes have a turnaround of approximately 20 minutes, even with today's airline growth, carry-on luggage, and airport congestion.
- Has ranked number one in fewest customer complaints for the last nine consecutive years.

Southwest's focus on employee satisfaction has enabled it to deliver on customer satisfaction and, as a result, excel in an increasingly competitive industry. Such satisfaction enables companies like Southwest to weather difficult times as well. For example, in 2005 a Southwest plane suffered an uncommon crash at Chicago's Midway Airport, skidding off a runway and into a passing car. In a subsequent story in *USA Today*, Southwest was complimented on its handling of the situation by crisis communication experts: "Southwest's safety record has been a major selling point," said one. "Any company that creates a cushion of goodwill with all its stakeholders before a crisis occurs will survive a crisis better than a company that hasn't done that in advance. And nobody has done a better job of that in the country than Southwest."[7]

Perhaps a better compliment came from competitor Northwest Airlines. In a 2005 *Orlando Sentinel* article, a consumer-advocate columnist was wrapping up the best and worst performances of the just-ending year. The best response came from

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[6]Kitchen, Patricia, *Newsday*, March 7, 1999, and Southwest's Web site.
[7]*USA Today*, "Southwest's 'Goodwill' Should Keep Fliers," December 12, 2005, p. 3B.

THE MISSION OF SOUTHWEST AIRLINES

The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.

TO OUR EMPLOYEES

We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer.

Southwest, which was involved in a fare-rebate discussion with a disappointed customer. Quoting a Southwest spokesperson, "Perhaps we didn't provide the correct information to (the customer) or perhaps she didn't know the correct way to ask for what she needed. Regardless of how it happened, we will quickly correct the situation and make sure (the customer) gets the refund she desires." Nominated for "worst response" by the columnist was Northwest Airlines, which, after denying a customer's request, said "Well, we're not Southwest Airlines."[8] ■

QUESTIONS FOR DISCUSSION

1. In a tight labor market, it can be tough to find experienced employees—let alone ones that are willing to incorporate love and fun into their jobs. As manager of employee communications for Southwest, you are asked by the director of human resources to develop a recruiting plan using existing employees. What are some strategies you might suggest?

2. How would you handle the following situation: You are working late one evening in Southwest's media relations office and receive a phone call from the police. It appears two Southwest employees were robbed on airport grounds. How will you respond to:

   • Reporters questioning the company's ground security?
   • Employees' concerns with safety?
   • Calls for information from the victims' families?

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[8]*Orlando Sentinel*, "The Good, the Bad, and the Truly Lame," December 30, 2005, p. 1E.

Case 3-3 Creating a Collaborative, Employee-Driven Vision for the Future: Atlantic Southeast Airlines*

Typically, a CEO articulates an institution's vision. The CEO might involve senior management in the process or put together a team of senior leaders and consultants to wordsmith their ideas, but the final product nine times out of ten, comes down from the top. Many argue that this is what leadership is about and how it should be done.

Atlantic Southeast Airlines (ASA), an Atlanta–based regional airline formerly owned by Delta Air Lines, chose to do it differently, taking the unusual approach of involving employees from the ground up in the revision of the company's vision and guiding principles. Management's rationale was that "*all members of the company would 'own' the vision . . . would understand the guiding principles so well that they could easily apply them to their own roles in the workplace.*"

Situation Analysis

ASA, originally formed by three visionaries in 1979, became a wholly owned subsidiary of Delta Air Lines in 1999. The airline immediately laid out a five-year plan with the goal of becoming, in its words, "the best regional airline." At the helm was President Skip Barnette, a 29-year Delta veteran who had spent seven and a half years of his career as a "ramper," loading bags as the first rung on his corporate ladder. He knew

the business from the ground up, and he knew that empowering his people was the key to success.

By 2004, ASA's 25th year in business, the company had experienced rapid growth, an influx of new employees, and was in the middle of a tremendous culture shift. With these changes came the typical "growing pains": communication breakdowns between work teams, the need for technological upgrades to operate more efficiently; and stressed employees attempting to keep up with all the changes. Adding to the complications was the struggle of working under a parent company with a very different culture (Delta) while trying to maintain a separate identity and culture as a regional airline.

Barnette saw this as the perfect time to launch an updated vision and set of guiding principles, with the help and input of employees. He also saw an opportunity to simultaneously evaluate communications company-wide and involve employees in finding solutions for improvements.

Research First: Two-Way Communication in Process

ASA's corporate communications department worked closely with behavioral public relations and research consultants to design research that would:

- Improve communications
- Engage new employees while "re-engaging" seasoned employees
- Gauge employee morale
- Improve the current rewards and recognition system
- Lay the groundwork for the revision of the company's vision and guiding principles

A series of 25 focus group sessions involving every employee group—from pilots to gate agents to mechanics—enabled facilitators to talk personally with over 150 employees. Supervisors helped to identify potential focus group participants. Those candidates then received an invitation letter from President Barnette, a symbolic communication that stressed the importance of the research. Sessions were held in five of the airline's main facilities, which were selected specifically for their geographic distribution, hot spots, access from other facilities (so employees could come in for a group), and employee schedules. This meant facilitating some group discussions at 9 P.M. for the mechanics checking in on the night shift. This was another symbolic communication—making the group discussions accessible and doing them on the employees' home turf, if possible. In addition, consultants interviewed 21 managers one-on-one.

The goal for both the focus groups and the one-on-one discussions was going *beyond problem identification to solutions*. Participants could vent about what was wrong, but then they had to really think about how to *fix* the problems. Each group yielded dozens of suggestions for improving communication and motivating job performance.

Finally, the consultants did a third-party review of all written communication, including a review of ASA's Web site and intranet. They also reviewed existing research to identify trends to explore in conversations with employees.

What Makes ASA Special: Identifying the USP

Employees identified many communication issues typical to a company in rapid-growth mode. Supervisors were overloaded, causing communication breakdowns. All employees were experiencing one-way communication overload; plenty of information was received, but it wasn't always understood. Employees appreciated the opportunity to give feedback and participate in two-way communication forums and wanted more of it. Lateral communication systems were weak. This meant that there were fewer opportunities to communicate and understand overall goals such as "on-time arrivals" from everyone's perspective and more tendencies to participate in the "blame game" (it's the pilot's fault because . . .).

Employees could see that a shift from command-and-control style management to an open and participatory culture was happening, but more progress needed to be made. They talked openly about the rewards and recognition program, identifying simple motivators, such as "notes from supervisors," "new uniforms," and "meals on holidays," and urged systems that recognized team performance as well as individual performance. For a holiday, ASA management had sent around a company-wide "thank you" with a box of cookies for each employee. In almost every focus group, this came up as an example of how employees *didn't* want to be thanked: *"We don't need two 50-cent cookies in a $3 box!"*

Employees were in universal agreement about the things that made ASA different and special, or its USP (Unique Selling Proposition). Across the board, they talked about having pride in their work and the ability to "change on a dime" to get things done efficiently and effectively. They talked about the ASA family, the loyalty they felt for ASA, and the passion they felt for the work they did. They talked about their ability to deliver

personalized service; flight attendants gave examples of knowing their regular customers by name. These comments served as the foundation for the newly adopted vision and guiding principles.

The Power of Feedback and Immediate Action

The senior management team received a briefing from the consultants on their overall findings and recommendations just three weeks after the last focus groups were completed. From there, findings were carried back to the *individual work groups* so those divisions and work teams could immediately begin making improvements. A few examples:

- The company made *at-home intranet access* available within 60 days, addressing concerns of timeliness and access for its transient workforce.
- The CEO began making *regular visits to the pilots' lounge* and appearing on the night shift, becoming more accessible and visible to those employees with an irregular work schedule.
- Various divisions adopted *rewards and recognition programs* to supplement the corporate reward program. These

ranged from Wal-Mart gift cards to lunches brought in for winning teams.
- ASA implemented a *cross-divisional shadow program*, so a gate agent could shadow a baggage-handler, and vice versa, to get a better understanding of each other's jobs and the problem solving required.
- Mechanics finally got the *new, more functional uniforms* they wanted!
- ASA added more *two-way communication forums*, including "lunch with Skip" for a rotating cross-section of employees and "Ask the Manager" calls with members of the senior management teams.

Building the New Vision and Guiding Principles

A cross-section of 12 ASA employees, including the CEO, supervisors, and frontline employees, spent a full day discussing the research results and articulating a revised vision statement and set of guiding principles. A testament to how well they did: Their draft was adopted by the senior management team with very few changes.

The draft then went back to *everyone who participated in the research* (newly identified opinion leaders), along with an update of the communication improvements that

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ASA *aspires* to be the most *trusted* and *respected* regional airline in the eyes of our customers, team members, shareholders and competitors by:

- Showing every customer our passion for safety and personalized service
- Attracting and developing team members who contribute to the success of the ASA family
- Creating a fun and rewarding culture that recognizes the value of individuals and teamwork
- Being flexible and efficient in everything we do

GUIDING PRINCIPLES

- We all work as one team that serves our customers
- We take pride in our work and hold each other accountable
- We treat each other and our customers with dignity, trust and respect
- We listen and respond to each other and our customers
- We empower our people to make a difference
- We share ideas and involve team members in decisions
- We embrace the ability to question and challenge

I'm Committed to ASA's Success!

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had been made since the focus groups two months ago. The focus groups brainstormed ways to make the rollout of these statements as visible and meaningful as possible.

Strategy: Fall Rollout to Complement 25th Anniversary Activities

Because the summer was dedicated to celebrations of ASA's 25th anniversary, the senior management team purposely waited until the fall for the rollout of the new vision and guiding principles, piggybacking on a management meeting for the initial unveiling.

Because the old statements had been worn around the necks of employees on a lanyard, Corporate Communications recommended sticking with that behavior and added the additional step of having employees sign off on their cards to indicate they had read and understood it.

In addition to the lanyard cards, the following strategies and tools were developed:

- Regular *postings* on the Internet and ASA's intranet.
- *Adoption of "vision leaders"* who would keep the momentum going year round.

This idea came from focus group discussions and was piloted at the Baton Rouge facility, using such techniques as regular on-site recognition, bulletin boards acknowledging and honoring "vision" behaviors, and regular small-group discussions.

- An *employee video* featuring participants in the focus groups who described what the vision meant to them in their own words.
- A *manager briefing book* with talking points and likely questions and answers.
- *Vision Week* which was dedicated to discussions of the new vision.

Outcomes

One year after the audit, an employee-engagement survey was conducted that included new questions based on the vision and guiding principles. Among the findings:

- **Over half** (53 percent) said they had had a discussion with their team about the vision.
- **Two-thirds** (66 percent) said that the new ASA vision reflects values that are important to them. ■

QUESTIONS FOR DISCUSSION

1. What are some other ways you might have measured the *behavioral impact* of the communications audit research if you were a member of the Corporate Communications department?
2. One of the themes from the research was that ASA employees felt they were not always speaking with one voice because Delta Air Lines had such a different corporate culture. What are some strategies you might have put in place to help them with better and more seamless communication with their parent company, while still maintaining a unique identity?
3. In the research, employees talked about what was important to them as far as rewards and recognition. The case

mentioned some of the ways that Corporate Communications changed the program to reward team efforts and thank people in meaningful ways. Most of these changes involved increased *internal recognition*. What programs or ideas do you have about ways to thank employees *externally*, involving the customers they are serving in the process?
4. What do you see as the pros and cons of building a vision/mission statement for an organization in this fashion? Would you recommend doing it the way ASA did or going with the more traditional top-down approach? Explain. What if your CEO wanted to promulgate his or her own vision? How would you present the alternative?

Case 3-4   Kodak Communicates One-on-One with All of Its Employees*

The early 1990s were troubled times for Kodak. Pressed by changing technologies, international competition, and fickle consumer behavior, the Rochester, New York–based photo giant found itself struggling to maintain its legendary leadership in consumer photography.

In 1993, Kodak hired CEO George Fisher to lead a turnaround. He and his management team undertook an aggressive campaign to make Kodak more competitive and performance driven. The backbone of this campaign was a "one-on-one" communication strategy designed to increase morale and productivity. Kodak evolved this strategy of speaking one-on-one with its 100,000 employees around the globe to resolve a problem it uncovered in late 1994: Employees were unclear about what was expected of them and their business units during a time of rapid change.

Though Fisher got broad employee approval, opinion surveys showed employees were confused and unable to see the big picture. "It's obviously difficult to build a performance-based culture if we fail to share expectations for performance with those charged with delivering the results," Fisher said.

As a result, the decision was made that managers and supervisors throughout the organization would meet quarterly with their work groups for a face-to-face briefing. The idea was that if everyone was supposed to pull together in the same direction, they had to have an idea of where the company stood at points along the way and understand how their unit's goals tied in with those of the overall company.

Corporate performance information, including financial results as well as customer and employee satisfaction, would be communicated, providing a context for local unit information. These categories aligned with the company's three key publics: employees, customers, and shareholders. Managers, from Fisher on down, were supposed to align their personal and unit goals to contribute to company goals around these three measures. The briefings would also provide opportunities to educate employees and managers about significant business news and key performance indicators.

Two-way communication was key at this point as well, giving people the ability to ask questions. Today the program, called *Snapshots*, continues to bring supervisors and managers together with employees for regular face-to-face communication.[1]

Since its beginnings, the program has undergone a number of changes and enhancements to make it more user-friendly and dynamic and to keep it up-to-date. For example, after Fisher's tenure, content was changed to reflect goals that were relevant under the new CEO. In 2002, a total redesign added:

- Context about external economic and competitive trends
- Key goals/initiatives going forward

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*Thank you to Christopher Veronda, manager of communications initiatives for Kodak for has invaluable assistance in the preparation of this case study.

[1]Snapshots comprises a PowerPoint file with talking points, along with a short (3–4 minutes) self-playing module highlighting corporate successes across the globe.

- Templates, so units could easily include local information
- Presenter talking points and transitions preprogrammed for the slides so the presentation was more "ready to use" by managers

Perhaps most important, more images and graphics were included in the presentation and the quarterly news section was replaced by a new feature: "Reasons to Believe." Probably the most popular and widely used feature of Snapshots, this section includes pictures and related news items about new Kodak products, awards, and major contracts. Good news related to Kodak's efforts in environmental, community, and employee programs also is included.

In the past few years, the company has been undergoing perhaps its biggest and most critical change as it transforms itself for the fast-paced digital imaging world. The Snapshots team continues to upgrade the presentation package to meet the changing needs of presenters and audience members.

For example, for the year-end 2005 package Reasons to Believe was reworked into a self-playing slide module with music (running about 3 minutes). It included the same news as included in the static slides, but gave presenters an upbeat way to end the Snapshots meeting. Early reaction was enthusiastic. In fact, Kodak's communicators in China converted the module to feature local successes.

Research on the Importance of One-on-One Communication

Before beginning the snapshots program, Kodak completed extensive research, the results of which helped structure the effort. Some of the results included:

1. **Employees prefer direct interaction with supervisors**. Such interaction significantly increases understanding and reinforces the leadership responsibility of supervisors.

2. **Employee surveys revealed skepticism and lack of confidence** in Kodak managers, indicating a pressing need to rebuild their credibility both as messengers of company information and as leaders guiding the direction of change.

3. Two-thirds of production, technical, and clerical **employees relied on outside sources**, such as local news reports, for company information. The leading sources for professional employees were supervisors and the company newspaper. This is not atypical for the circumstances: Kodak is a big company in a relatively small city. Corporate news is big news and is covered heavily by the local media.

4. The communication roll-out of major benefit reductions in the fall of 1994 was an important test of the face-to-face approach. **For the first time, Kodak used direct management conversations to reach all U.S. employees with this news**.

5. Post roll-out surveys of nearly 3,000 employees showed that **84 percent felt the meetings were a good way to communicate this information and 74 percent understood why the changes were being made.** Just as important, the process helped put a face on local leadership throughout the company.

Objectives of the Snapshots Program

The objectives of the Snapshots program are as follows:

1. Establish a communication infrastructure that helps employees see the big picture in a way that (1) fosters management credibility and (2) mitigates negative surprises.

2. Enable employees to understand Kodak performance expectations and act to achieve company objectives.

3. Clarify corporate and unit goals by answering "What does this mean to me?" and "What actions should I take?"
4. Stimulate regular, two-way symmetrical communication between supervisors and employees.

How It's Done

The snapshots program includes the following components:

1. **Cross-disciplinary teams:** Employee communicators work with contacts in human resources, finance, corporate research, and Kodak business units to develop information for each package.
2. **Employee Communications creates the Snapshots package**, which includes briefing charts and bullet-point scripts, for managers worldwide. An Employee Communications team member creates all the charts in PowerPoint and works on the slideshow for the Reasons to Believe module. In recent years, more effort has been placed on providing a "news" section along with the standard measures for each quarter. The news section includes topics of worldwide interest/impact, for instance, Kodak's consumer digital strategy, introduction of Kodak's new president, an update on Kodak's online services business, and so on.
3. **Quick cycle time is a priority**, so briefing packages are prepared and approved within three days of receiving quarterly performance measures. The package is posted on the company's intranet, which is a big time and cost saver.
4. **Grassroots pull** is created by "watch-for" messages in Kodak's employee media.

5. **Managers/supervisors are expected to meet face-to-face with employees** to present Snapshots information, but they are given a high degree of discretion in how they choose to do this. In fact, managers are encouraged to make local news and activities a priority of the meeting.

Results

Evaluation was built into the original process, including quarterly attendance reports and postmeeting employee opinion surveys. Key early findings included:

• **Attendance at voluntary briefings** went from 57 percent of employees to 81 percent in the first year. At many sites it approached 100 percent. These gains are a vote of confidence in the program. Five years into the program, 88 percent of employees attended a Snapshots session regularly or occasionally.
• **Communication survey results** have been strongly positive. Employees agreeing that Snapshots "helped me understand the company better" jumped from 71 percent in the first quarter to 81 percent by the second quarter. In 1999, 80 percent said the meetings provided useful information about the company's performance and 70 percent said the meetings helped them understand how Kodak is performing against its goals.
• **Opinion surveys** tracked gains in employee confidence in Kodak management. Employees agreeing "Kodak is well managed" jumped from 29 percent in 1994 to 49 percent at the end of 1995 a 20 percentage point increase. At Kodak Park, the principal manufacturing center, where attendance is among the highest in the company, the increase was 23 percentage points from 29 to 52 percent.

Today evaluation is more anecdotal. With more than a decade of formal evaluations, Employee Communications is comfortable sending a note to gather current feedback.

Kodak managers eagerly anticipate the regular Snapshots briefings. "I use the Snapshots material every quarter to have a group meeting with all (my) employees globally," says one Rochester–based manager. "The meeting also includes an update on our (division) organization. I think the corporate information is easy to understand and I do get to address questions from the group as a result of the information being shared. If people were unable to attend the meeting, they can see the Snapshots information and our group's update on our internal team room. The format is good."

Kodak's new focus has paid off in the marketplace as well. As of 2006, Kodak was the industry leader in digital camera sales in the United States and other key markets and first worldwide in home Snapshot printer sales. A year earlier (2005), Kodak's revenue from digital products comprised a majority of the company's business for the first time.

Profits, however, remain elusive in the highly competitive photography industry, but Kodak is continuing the face-to-face communication as a primary weapon. "One thing that has happened is that the CEO (now Antonio Perez) has spent time meeting with different employee groups" says Christopher Veronda, manager of communications initiatives for Kodak. He says, "In facing this challenge of transforming the company, face-to-face communication is more important than ever." ■

QUESTIONS FOR DISCUSSION

1. In today's "wired" world, why is face-to-face communication a better option than a broadcast e-mail, fax, or voicemail?
2. How does effective communication affect morale?
3. How can a communication program address problems created by falling stock prices, dwindling market share, or even layoffs?

4. Do you see a correlation between the attendance at briefings and the people who say they have a better understanding of the company?
5. How would you prepare line supervisors to best communicate with those reporting to them?

PROBLEM 3-A WHAT PRICE "GOOD" EMPLOYEE RELATIONS?

Safeplay, Inc., has competed in the sports and recreation equipment market for more than 25 years. The market is hotly contested.

One of the programs for employee morale and productivity long used by Safeplay has been the retention of former athletes of national repute on its payroll at each of its five manufacturing plants. Although the athletes are part of the personnel department staff, they are made available by the public relations department for news interviews, to conduct sports clinics at schools, and to sit on committees for newsworthy civic events.