

# Employee Empowerment Works at Small Companies, Too

BY ROBERT MARSHALL; JOHN TALBOTT, CMA;  
AND DAVID BUKOVINSKY

**Given the power to manage their jobs, employees more often than not will introduce ideas and techniques that revolutionize their workplace, saving costs and increasing the bottom line.**

**I** was a forklift operator, which entailed loading and unloading trains and trucks and also loading the assembly line with supplies. The biggest joke in my department, material handling, was who could take the longest uninterrupted nap over the course of a 12-hour shift. I believe, unofficially, the record stands at about seven hours. Material handlers were given an assignment at the beginning of a shift. The job was to complete the assignment by the end of their shift. Most operators, including myself, were assigned to unload racks of fabricated sheet metal off of two-and-a-half rail cars (train cars) and then reload them with previously emptied racks. I consider myself

an excellent forklift driver, certified on lifts up to 20,000 pounds. In four-and-a-half to five hours I could unload and reload the rail cars assigned to me and be on my way to a record-breaking nap. Let's do some simple math here: 60 men working the rail dock with about six hours of slack-off time after breaks and lunches. That gives us 360 downtime hours at an average rate of, say, \$20 per hour (it takes a lot of seniority to hold this position), for a grand total of \$7,200 of wasted money in a shift. Twelve shifts are run in one week, and the plant operates 48 weeks out of the year. Crunch these numbers, and we have a whopping \$4,147,200 worth of waste."

The management approach employed at Production Control Units (PCU) in Dayton, Ohio, illustrates the antithesis to this wasteful use of manpower. PCU began a program three years ago to initiate employee empowerment. The concept is a combination of several programs that Vice President of Operations Jim Bowman had seen in companies where he worked previously. After seeing how aspects of other programs succeeded and where they struggled, he worked with a team that started the Workplace Improvements Suggested by Employees Program (W.I.S.E.) at PCU.

Prior to the start of the W.I.S.E. Program, PCU had a suggestion box hanging on a wall near one of the employees' restrooms. Any ideas that were placed in the box were quickly relegated to just words with no driver behind the idea. In essence, once it left the hands of the person who thought up the idea, it was in the hands of someone in upper management who may or may not have any feel for what the idea could do to benefit the company. Because of the unlikelihood of a suggestion becoming a reality, not many ideas were placed into the box. Even when one of the ideas was put into place, other employees weren't informed, so it didn't lead to other ideas.

### **SUGGESTIONS, FOLLOW-THROUGH, RECOGNITION, AND REWARDS**

The W.I.S.E. Program's purpose is to foster employee involvement by encouraging successful implementation of suggestions and then recognizing the contributors. With the W.I.S.E. Program, there was no longer a release of responsibility by the employee who initiated the idea. In fact, because an employee's suggestion only counts as an idea if it is enacted, the Program encourages the employee who thinks up the idea to follow through with its implementation. An effort also has been undertaken to make other employees aware of the ideas their coworkers have implemented. To sustain employee involvement, prizes are awarded for the ideas. Monthly, six fully implemented ideas from each of two categories—"Individual" and "Team"—are drawn randomly. This random selection was developed to sustain all employee involvement rather than to signify one idea as being better than any other. Individual prizes vary from gift certificates and T-shirts (often donated by vendors at no cost to the company) to a parking spot in a prominent position in the company parking lot. The team prize is always a group lunch paid for by the company for those involved. The VP of Operations announces the selected ideas and dis-

tributes the prizes at a special monthly "all employee" meeting. The ideas of the winners are read aloud to publicize the concept of workers using their imagination and finding better ways to do things, to give recognition to the winners, and to spawn additional ideas. The distinction between the two idea categories is simply the number of people involved to put the idea into place.

More recently, in another cost-saving move, the drawings have been conducted in a setting with only a few people attending. Results are then read in a monthly meeting where all employees are already gathered together. What used to take nearly 15 minutes per employee now takes only a couple of minutes while still promoting the benefits of the Program. A large portion of the ideas have come from a small segment of the workers, according to an analysis of the ideas implemented so far. This result may correspond to what Jim Collins says in his book *Good to Great*: that it may not be accurate to state "people are your most important asset," but rather "the right people are."

### **\$275,000 SAVED**

Since the beginning of the W.I.S.E. Program three years ago, PCU has entertained more than 450 ideas and has saved more than \$275,000, thanks to employee participation. This dollar savings doesn't include the added benefit of increased employee morale. When employees believe that their ideas matter, they are much happier and more productive. In order to measure the kind of ideas being generated, the implemented ideas are broken down into five types of ideas: **safety; quality; 5-S (Sort, Stabilize, Shine, Standardize, and Sustain); cost savings; and project.**

**Safety** ideas typically can't be measured quantifiably, but their importance is paramount in keeping the employees working safely. For example, different types of gas used at PCU (i.e., oxygen, acetylene) were moved from place to place by rolling containers on their ends or moving them on two-wheel dollies. An employee's W.I.S.E. idea suggested modifying a dolly to include chains to keep the gas bottles from falling off. As a result, this practice is now the only allowable way to move gas bottles within the plant and is an example of a safety idea where someone saw a potential problem, thought of a solution, and took ownership, ensuring the corrective measure was implemented.

The second type of idea, **quality**, is a bit easier to quantify. For the last 10 years, one of PCU's assemblers put together a small assembly about 50 times a year. A deli-

# It's one thing to say that employees will be empowered. It's quite another to make them feel that way and truly empower them.

cate operation, it had an average scrap rate of 25%. As a result of the W.I.S.E. Program, the assembler's awareness of the need to find places to save time and money had been heightened. Accordingly, the next time this assembly was required, he fabricated a tool that made the job easier and reduced the scrap rate to zero. This type of process improvement has been referred to as "low-hanging fruit," meaning that little effort is required to notice and implement the idea. What it took was an outside force (W.I.S.E.) to encourage the individual to look outside the normal work routine and generate improvement.

**5-S** is the third type of idea categorized in the W.I.S.E. Program. Short for Sort, Stabilize, Shine, Standardize, and Sustain, 5-S is a program that focuses on workplace organization and cleanliness. Placing all paperwork or internal shop work orders in one specified location is an example of one implemented 5-S idea. Previously, paperwork tended to go astray, and, as a result, the relevant work wasn't completed on time. This idea saved time searching for paperwork, allowing PCU to deliver on time more often.

Another type of a W.I.S.E. idea is **cost savings**. Most employee suggestions that are implemented fall into this category. For example, a quality engineer discovered potential large savings in workers' compensation insurance premiums if employees were trained on the benefits of a drug-free workplace. This individual went a step further and attended a class where she was certified to do the training, which saved PCU even more money for a total savings of more than \$15,000.

**Project** is the final type of W.I.S.E. idea in which PCU redesigns a system for process improvement. Ideas that start out as projects often become cost savings or quality ideas. When PCU replaced a vendor's pump in a refrigerant transfer system (a salable product) with the intention of improving flow, the end result was that the system worked better (quality) and that the new pump was less

expensive than the old pump (cost savings).

The Program has been win-win for the employees and the company. When guests, including current and potential customers, enter the facility, they are often given tours of the production area. The Operations VP introduces some of the shop employees and has them show off their implemented ideas. Many returning visitors are pleasantly surprised with the positive changes that PCU has accomplished in such a short period of time. Not only does the W.I.S.E. Program produce direct results, but when the accomplishments of its employees are observed by others, the overall value and corporate image associated with PCU are enhanced.

## MANAGEMENT COMMITMENT, EMPLOYEE EMPOWERMENT, AND COMMUNICATION

As with any other management initiative, employee empowerment is doomed to fail without the continuing commitment of management. It's one thing to say that employees will be empowered. It's quite another to make them feel that way and truly empower them. This step is often difficult to achieve, especially when members of management are unwilling to delegate or relinquish some of their decision-making authority. Reducing the ambiguity of the responsibilities of both employees and managers is one way to demonstrate management commitment. Empowerment programs that are formalized with procedures and rules are more likely to succeed because they show employees the proper procedures to follow and force management to abide by the empowerment program.

The well-defined mechanisms for acting on and rewarding employee ideas for improvement, as described above, are key to the success of PCU's approach to empowerment. The most obvious reason why worker empowerment programs fail is that many companies have no intention of deviating from the hierarchical, chain-of-

# Employees who are hamstrung by micromanagers cost the company money and also can negatively impact revenues through poor customer service.

command approach to management.

A major parcel distributor that decided to pass decision-making powers from management to hourly union employees illustrates this problem. It implemented this program so that employees would no longer feel that they were just part of a process and to make tedious, boring work more meaningful. Worker empowerment at the company started with a team coordinator and captains of Quality, Business Development, Employee Relations, Cost, and Safety. The team coordinator was delegated to keep the entire team informed and focused so that it could accomplish its goals. The team coordinator also was responsible for team meeting agendas and facilitating team meetings to ensure all captains had the chance to present the continuous improvement opportunities that would impact customer service and employee relations. The team coordinator role rotated among the team members every four to six months. All team members were given the opportunity to develop their leadership abilities, increase their knowledge of the business, and coordinate within and outside the team.

Initially, the company acted as if the hourly worker input was valued, but after several months managers wouldn't show up for the meetings with the team coordinator or were unavailable because of previous business commitments. When the hourly employees realized that worker empowerment was a joke, they either quit offering suggestions for improvement or came up with excuses for not attending the team meetings. Management, of course, wanted to know why the meetings were unfruitful and why the hourly employees were "bucking the system." The answers to management's somewhat rhetorical queries were:

1. Improper training,
2. Lack of clearly defined team goals, and
3. Lack of directions at team meetings that often turned into gripe sessions about the poor equipment or worker

empowerment.

The company rarely informed workers about the damages for the night or the number of packages that were left behind and not delivered. Without the direction needed for continuous improvement, it was difficult for the teams to enhance customer service, and the employees began to view the empowerment attempt as a charade. If direction had been provided, team members would have been able to monitor their own performances and take action, when needed, without management assistance. A lack of true commitment on the part of management inevitably will lead to debacles such as this.

At a manufacturing company with highly skilled workers, management conducted a survey of employee attitudes concerning certain issues related to the process of obtaining an external quality rating. The results of the survey were further explored in two focus group sessions with a sample of employees. Management, however, wasn't represented in the focus group sessions.

The survey responses indicated that employees felt a responsibility to continually improve work methods. Furthermore, employees indicated that they had concrete ideas and suggestions for such improvements. The participants, however, also expressed concerns that they weren't rewarded for innovation. In the focus group sessions, they agreed that the shop committee was something management could point to when discussion turned to the empowerment of employees but that it had no real owner, access, input, or ability to implement change in any meaningful way. Employees also expressed frustration that when problems were encountered on specific jobs and solutions were implemented, the solutions weren't incorporated into job processes, so similar problems arose on subsequent jobs.

Organizations that are truly empowered also demand improved communication. Every employee needs to know how his or her actions are contributing to the over-

all success of the organization. This principle requires management to distribute information continuously, rather than on a “need-to-know” basis. One of the rules behind PCU’s W.I.S.E. Program is that you don’t tell anyone that their idea is a good idea or a bad idea, but, instead, you encourage all ideas. This keeps everyone involved. If an idea is determined to be too costly to implement, Bowman usually takes the facts pertaining to the situation to the contributor of the idea. During the discussion, the employee usually realizes that while it may be a good idea, it wouldn’t be sound to follow through with it at the time. An example of one of these ideas was to have PCU purchase a cardboard baler and to sell the cardboard bales to a recycling center. Benefits, including decreased garbage disposal costs and the income from the sale of the cardboard bales, were determined to be less than the cost of the machinery and installation. Although the employee’s idea wasn’t implemented, he understood the reasons it fell short and was encouraged to continue to come up with more ideas.

## **FAITH IN THE EMPLOYEES’ ABILITY TO MAKE CORRECT DECISIONS**

The success of employee empowerment programs rests on the ability of employees to make certain decisions independent of management input. This principle implies that management must be willing to allow employees the freedom to make decisions. In many cases, however, management, either correctly or incorrectly, doesn’t have faith in the employees’ decision-making ability. When this happens, the empowerment program is stripped of its very reason for being. Empowered employees may occasionally make bad decisions, but then so does management. Employees who are hamstrung by micromanagers cost the company money and also can negatively impact revenues through poor customer service.

One of the authors describes two examples of very different levels of employee empowerment: “On a recent trip, my group selected an upscale national chain restaurant for dinner. We were very thirsty after a long, hot day of sightseeing and requested large glasses of water. The waitress complied and brought our water. Shortly thereafter, she returned with a second round of water glasses, then a third. When she brought the third round, I asked her if she could just bring us a pitcher of water. Her response stunned our group. ‘I don’t know if I can do that. I’ll have to ask my manager.’ You have to wonder about the level of employee satisfaction and fulfillment at

a restaurant where the employees are not even allowed to make decisions regarding water for customers. This very small matter created a very negative image of the restaurant’s level of customer service.”

The same author recently purchased a kitchen range from a “big box” home improvement store. The delivery truck driver noticed a small dent in the range before he took it off the truck. The driver promptly notified the author of the damage and said he was authorized to give a 10% discount on the spot. The customer would have to talk to the store manager if he thought a larger discount was warranted.

Empowering drivers to make these decisions has many benefits. The most obvious is improved customer service that translates into customer loyalty. The author was impressed by the driver’s sense of responsibility for pointing out the damage that the customer may not have noticed until later. Empowering the driver relieved the customer from having to complain about the damage to a store manager and negotiate an appropriate discount. The empowerment also freed management from having to deal with small matters such as this and focus instead on more important issues.

Allowing employees to make decisions increases their job satisfaction and sense of responsibility and translates into improvements in the quality and timeliness with which duties are performed, freeing management for more significant matters.

PCU’s formal worker empowerment program attempts to ensure that associates share ideas as opposed to hoarding them and accept improvements rather than reject them. In today’s highly competitive industries, corporate survival may depend on leveraging the innovation, intelligence, and decision-making skills of all employees. The successful use of this readily available source of intellectual capital, in turn, depends on a formal worker empowerment program, appreciation and reward for the innovator, and true company commitment to the empowerment approach, which PCU has developed. ■

*Robert Marshall is a financial analyst at Production Control Units, Inc., in Dayton, Ohio.*

*John Talbott, DBA, CMA, is professor of accountancy at Wright State University in Dayton, Ohio.*

*David Bukovinsky, Ph.D., is an associate professor of accountancy at Wright State University. You can reach him at [david.bukovinsky@wright.edu](mailto:david.bukovinsky@wright.edu).*