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Dear Reader,

Employees matter... This is a statement that nobody would argue with. However, how much do our day-to-day leadership decisions communicate what "to matter" means? This month we are thrilled to share excerpts of a study conducted by the SJF Institute, profiling 24 exemplary corporations where employees do matter, in very concrete and visible ways. And yes, they outperform their competitors too! Enjoy and get inspired!

Isabel Rimanoczy
Editor

Quote of the Month

"I am enthusiastic over humanity's extraordinary ingenuities ."

Buckminster Fuller
(1895-1983)



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Employees Matter

Based on the Report by

Anne Claire Broughton — Senior Director, SJF Institute ^[1]

Increasing numbers of businesses view their employees not as a mere cost but as invaluable contributors for business success. These firms are implementing strategies to fully engage employees at all levels. The Employees Matter report identified sixteen fast growing entrepreneurial firms that employ employee ownership and engagement strategies which they perceive as directly correlated with improved business performance. Eight other notable companies with key lessons to share were included as sidebar profiles.

The companies studied

The criterion for selection was fast growing private companies that could in some way correlate their outstanding growth and performance to their strong employee culture and employee engagement strategies ranging from open book management to broad-based equity sharing. Another criterion was to illustrate a key point, such as how to scale employee engagement practices as companies grow.

Firms were identified from a variety of sources, including the portfolio of SJF Ventures, an affiliated venture capital fund, and the portfolios of other impact investing funds. Other sources were the Inner City 100 from the past five years, Business Journal Best Place to Work Winners in a variety of geographies, members of the National Center for Employee Ownership, Winning Workplaces awardees, and certified B Corporations. Ten strategies around employee engagement emerged from the profiles of these 24 companies.

The companies profiled represent a range of sectors and geographies across the United States, including consumer products, manufacturing, professional services, renewable grid and infrastructure technologies, design/build services, retail, and waste remediation. Six firms are based in the Northeast, five on the West Coast, seven in the Midwest, five in the Southeast, and one in the Northwest. Profiled companies range from 50 to 3,500 employees and have average revenues of \$35 million (aggregate of \$474.3 million).

Top 10 Employee Engagement Strategies

Human Resource Practices

Human Resource Directors at six of them are members of the executive management team.

1. High involvement hiring —carefully choosing employees that not only have the right skills but also are a long term fit with the company's culture

Example: Many of the companies profiled have some degree of employee ownership. At employee-owned engineering consulting firm ATA Engineering, for example, up to 12 current employees might interview a prospective hire.

2. Provision of strong employee benefits— providing comprehensive benefits and a flexible work environment

Examples:

- Redwoods Group pays 100% of the premiums for employees earning \$35,000 a year or less, and 90% for those earning \$36,000 or more.
- Retirement benefits are an important wealth building tool for low to moderate income employees. Most of the Employees Matter companies provide 401K plans for their employees, and many of these are matched by the company.
- Full Sail Brewery adopted a four-day workweek (four 10-hour shifts), reducing power consumption and water use by 20% and allowing employees a day in which to take care of personal business.

- PrintingForLess and groSolar allow well behaved dogs at work. "Surveys show that employees who can bring their dogs to work are more productive," says Sue Lewis of groSolar. "It is a stress reliever and they don't have to rush home to take care of them."
- Southern Energy Management supports employees through its mind-body-spirit program by establishing a library for the mind, installing a basketball goal for the body. Ryla established a quiet room for employees needing a few moments downtime.

3. Extensive training and promotion from within — investing in employees to build their skills and enabling them to take on increased responsibility over time Example: Without a college degree, long-time Ryla employee Cathy Daniels says she was encouraged to grow from her beginnings as an agent on the phone to the technology side of the business.

Culture Formation

4. Fostering a culture of mutual respect and trust — consistently treating all employees with respect yields long term loyalty and may be valued over rewards

Example: Namaste Solar has trademarked FOH™ — Frank, Open, and Honest communication. This helps prevent gossip and results in any issues being resolved quickly and respectfully, fostering an atmosphere of trust.

5. Celebrating success — engaged teams work hard and spend time celebrating together when milestones large and small are achieved

Example: Red Door's employees may nominate one another's outstanding performance using a peer recognition tool that is displayed on the company's internal computer network. One nominee per quarter earns a paid day off. Companies profiled for Employees Matter enjoy a range of celebrations, from potlucks and birthday lunches to annual holiday parties to lavish company-wide trips to Las Vegas.

6. Communicating the company's core values clearly and consistently — maintaining the company culture by ensuring the core values are frequently heard and understood by all

Example: PrintingForLess requires new employees to read and sign an agreement with the company's mission and values statement, which includes such principles as high performance, extreme customer service, and "buoyant, indomitable optimism," along with the no gossip policy.

Broad Involvement and Ownership

7. Sharing key success metrics — sharing the metrics that are critical to the company's financial success broadly with employees and articulating those that employees affect daily

Example: At CleanScapes, for example, clearly communicated success metrics combined with team rallies, strong benefits, and other morale boosters, has led to a fast growing firm with an engaged workplace, low accident rate, and strong environmental and social impacts.

8. Employee Participation — making sure all employees have a say over how work is done and have some degree of autonomy

Example: Namaste Solar, with 70 employees, reinforces the contributions of its employees by making big decisions by consensus. On the other hand, very large firms, like Ryla — currently employing more than 3,500 — have been able to maintain a strong, dynamic culture where employees' ideas are heard through regular meetings with upper management and weekly team meetings.

9. Performance-Based Rewards and

A book released in May 2010, *Profit at the Bottom of the Ladder: Creating Value By Investing in Your Workforce*, written by Jody Heymann and published by the Harvard Business Press, seeks to dispel the commonly held assumption that lower level employees are replaceable and do not add value to the company's performance. The study found that the opposite is true: investments in employees at the bottom of the ladder

Compensation — tying rewards such as bonuses to achieving company metrics or to increased efficiencies

Examples:

- At Advanced Circuits, their approach involves carefully explaining to employees how their contributions contribute to the company's operations, giving the employees the skills and training necessary to succeed in their roles, and regular positive reinforcement. Importantly, employees' performance is always measured by metrics they can control. To keep employees motivated, firm performance and profitability targets are tied directly to incentives, including profit sharing and tri-annual bonuses.
- At New Belgium, employees are encouraged to propose ideas that can help drive the business. For example, two employees recently proposed eliminating 12-bottle pack dividers, which led to \$280,000 and 150 tons of paper saved along with reduced machine downtime. Because of the brewery's profit sharing program, all employees enjoyed a part of the cash benefit from the savings.

can lead to positive business outcomes in times of both economic growth and recession. Heymann's research also points out that the old practices on Wall Street — rewarding companies that cut wages, jobs and benefits — are now being rethought by both investors and policymakers. And the book identifies the need for more and better evaluation and reporting on firms that make long term investments in their employees.

10. Sharing ownership broadly via stock options, restricted stock, ESOPs, or co-ops

Example: At PrintingforLess about 20% of the firm's equity pool is distributed broadly to all full-time employees in the form of incentive stock options. At Namaste there are no majority stock holders and over 90% of employees hold stock.

Employee Engagement Results

All of the companies profiled for Employees Matter have low employee turnover, a significant cost savings (the total cost to replace one employee ranges from 50% to 200% of that employee's annual salary, according to the Society of Human Resources Management). They all have very high customer satisfaction rates and strong year-to-year customer retention. And ten of them describe ways that employee engagement practices directly helped them survive and sometimes even thrive during the recession.

The complete Employees Matter report, including 24 case studies and appendices, is available at: www.sjfinstitute.org

A GOOD EXAMPLE

Delivering Happiness: A Path to Profits, Passion, and Purpose

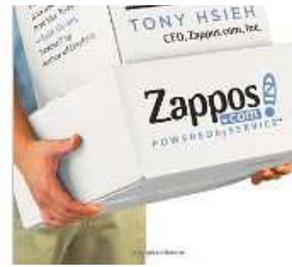
by Tony Hsieh, CEO of Zappos.com (2010)

"When the idea of "delivering happiness" was first presented to the employees, there were some questions about exactly what that meant and how we would know if we were truly there. But it didn't take long for the employees to rally behind the charge and make this a reality in everything that we do. A simple walk through our offices and you will see hundreds of smiling faces. Were you able to listen to the phone calls that are handled in our contact center, you would hear thousands of happy customers.



How did Zappos.com make delivering happiness an integral element of our company culture?

A great deal of recognition has been given to the great service that we provide our customers. While customer service is very important to the Zappos Family businesses, it is not the key focus. At Zappos, the employee truly comes first and this is evidenced in many ways: complimentary lunches, happy hours and team building, amazing medical and dental benefits, classes for improvement and leadership development, and many more.



Our engaged culture is driven by our 10 consistently communicated core values:

- Deliver WOW Through Service
- Embrace and Drive Change
- Create Fun and a Little Weirdness
- Be Adventurous, Creative, and Open-Minded
- Pursue Growth and Learning
- Build Open and Honest Relationships With Communication
- Build a Positive Team and Family Spirit
- Do More With Less
- Be Passionate and Determined
- Be Humble

By allowing the core values to guide every decision, the employees and leadership at Zappos are freed to go beyond the confines of policies and procedures and instead be creative in their approach to delivering outstanding customer service."

Donovan Roberson, Culture Evangelist for Zappos Insights



^[1] **About SJF Institute**

SJF Institute connects, inspires and accelerates impact entrepreneurs and the fields that support them. SJF empowers companies that provide green solutions and builds workplaces where employees can grow and thrive. SJF Ventures is an affiliated venture capital fund focused on investments in high-growth, positive impact companies. Investors' Circle is an affiliated nonprofit network of over 150 angel investors, professional venture capitalists, foundations and family offices using private capital to promote the transition to a sustainable economy. (www.sjfinstitute.org)



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