

A New Form of Global Competition

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There is a new form of global competition. Companies all over the world are competing with each other to become known as the best employer in their industry or community. This is a most welcome development — with profound implications, not only for the business world, but for society as a whole.

This may not appear to be a new phenomenon, especially in the third annual issue of *Exame* to list the very best employers in Brazil. But it sure is a different situation than the one I faced nearly 20 years ago when I started work on the first list of "Best Companies to Work for."

To illustrate the difference, let me tell the story of how that first list came into existence. In 1980 a publisher telephoned to ask whether I would be interested in writing a book entitled *The 100 Best Companies to Work for in America*. I told her that I thought she had a great title for a book, but I thought it would have to be a work of fiction. As an experienced business and labor journalist, I thought it would be a lot easier to write a book entitled "The 100 Worst Companies to Work for in America." She replied, "Sorry, but our legal department does not have enough lawyers for you to write the book you want to write."

So, after some negotiation, my coauthor Milton Moskowitz and I did agree to write a book about the "100 Best." But we were skeptical about what we would find. At the time, there was some interest in work practices of Japanese companies, such as the use of quality circles. But generally speaking,

senior management of most companies considered workplace issues irrelevant to making a profit.

Nevertheless Milton and I did seek out the best employers we could find. Our methodology included visiting each of the candidate companies and interviewing groups of employees. We were pleasantly surprised to find a number of companies where the employees were extremely pleased with their work environments. We were also delighted to interview senior executives like David Packard of Hewlett Packard and Fred Smith of FedEx to discover that at least some top managers were firmly committed to creating an excellent work environment for their employees.

However, our biggest problem was finding 100 companies that could qualify for our list. Our book, published in 1984, was an instant nationwide bestseller. Thousands of managers and ordinary employees alike wanted to read about the unusual workplaces we had discovered. Several regional magazines copied the idea with magazine articles about the best employers in such cities as Atlanta, Seattle and Dallas, and authors in Canada, Australia and Holland wrote similar books in those countries.

By 1993, when we published a completely new and revised edition of the book, we discovered that the environment had improved greatly. The biggest change was regarding employee involvement in decision-making because of the quality movement. In company after company, we heard employees tell us that they felt much

more respect from management because they were being asked for their opinions about how to make their product or service better. A number of employees told us that they no longer felt they had to "leave their brains at the factory door."

Our 1993 book appeared at a difficult time, however. The new fad in the business world was reengineering. Unlike the quality movement, reengineering had little regard for the input of ordinary workers. It was essentially a movement created by outside consultants who promised to revolutionize companies by making them more efficient with redesigned work processes. In practice, reengineering became equated with downsizing as hundreds of companies laid off thousands of employees under the guise of reengineering.

If there was ever a short-lived fad, it was reengineering. The reason was simple: reengineering was an utter failure. Instead of improving productivity, reengineering often backfired, creating an alienated workforce more interested in their own survival than in efficiency. The geniuses who created the fad soon admitted the fact that they had forgotten the "human element," and companies began looking elsewhere for answers to the age-old problem of productivity.

I relate this history because it is important to understand the context for what is happening today. To provide a fuller context, however, I must point out that the failure of the reengineering movement occurred at the same time that companies throughout the world faced several unprecedented challenges:

First, global competition. In every industry, companies face more competition than ever before. This is true even in industries that were previously thought to be totally secure. In the United States, industries like airlines, electric utilities and telecommunications have been deregulated. In Brazil, the formerly

protected, state-run industries are being sold off to the private sector, creating intensely competitive new markets. And the competition is global. Competitors can appear from anywhere, and they do.

At the same time, there is increasingly rapid technological change. To gain a competitive edge, companies must constantly keep abreast of, and improve on, their technology. Not only is this true in high-tech industries, but it also has become equally important for such low-tech industries like retailing and publishing.

Finally, there are profound demographic changes occurring in the workforce throughout the world. The workforce today is very different from 10, let alone, 20 years ago. Not only are there more women, but the younger generation is much better educated and has higher expectations from their employers than their parents and grandparents. In particular, the younger generation is much more willing to leave a company to pursue opportunities elsewhere. Today's companies must earn employee loyalty, they can no longer assume it.

All of these challenges have one thing in common: all require a different kind of relationship between the management and employees than the previous norm.

This brings us back to the original point: Companies all over the world are trying to become better places to work because they realize that it is essential for the survival of their businesses. Companies can attract and retain the best employees only if they offer a superior work environment. Companies can produce the highest-quality products they need only by getting the utmost cooperation and commitment from their employees. And companies can make the innovations needed to keep a competitive edge only by developing a work environment where employees feel comfortable enough to be creative.

How are the best companies meeting these challenges? What are the lessons

that can be learned from looking at "As Melhores" and from the list of the "100 Best Companies to Work for in America" that I have selected for Fortune magazine for the past three years?

I believe there are three main lessons:

Management must commit itself to an explicit goal of being a great employer. Companies don't become great employers by accident any more than quality products occur by accident. It requires an overt commitment by the management. I have discovered no exceptions to this lesson in the 20 years I have been researching this issue.

In most cases, the management has articulated its commitment to creating a good workplace with clearly understood values or vision statements. Accor Brasil, for instance, explains its underlying people philosophy with the slogan: "People, Service, Profit." The concept is simple: Management is to focus its energy on creating a good work environment for the people in the organization. The people will then in turn provide superior service to the customer. The quality service will then result in a higher yield for the investors.

There are many other ways in which the management of "As Melhores" describe their commitment to creating a great workplace for employees as you will discover as you read through the profiles in this magazine. The fundamental point is that the management of these companies realize that they must openly describe their goal to become a good employer in order to become one.

Good pay and benefits are not enough. The best employers do not simply try to match their competitors in benefits. They have two approaches to the benefits and workplace policies that distinguish them from average employers. First they concentrate on providing unique and unusual benefits. You will see countless examples of unique benefits as you read through this

issue of Exame. The reason this is obvious: From the employee viewpoint, a company is not an extraordinary place to work unless it has something extraordinary about it.

The other approach is equally important. The best employers make sure their benefits and policies are integrated into the overall people philosophy.

Culture of Trust. The single most important lesson is that the best employers develop a culture of trust. They create an environment where employees feel they can trust the management. Trust is not an abstraction, however. It is created — or destroyed — by some very specific types of management attitudes and behavior. Let me cite two of the most important ones:

Open communications. To be trusted, management must be credible to employees. This can only be achieved when management makes sure that there is a two-way flow of communications, both from the management down and from the employees up. Again, you will notice a wide variety of methods that management develops good, two-way communications with employees as you read through this issue of Exame.

Appreciation. People only trust others when they feel respected. The cornerstone of respect is feeling appreciated by others. The best employers typically have a wide variety of ways of saying "Thank you" to employees. They go out of their way to show their gratitude both formally and informally as you will discover among the profiles in this issue.

Because a high level of trust is the most important defining characteristic of good workplaces, I created an employee survey to measure trust in the workplace. It is this Great Place to Work® Trust Index© that Exame and Fortune use as the primary tool to select the best companies to work for in Brazil and the U.S.

The sad fact is that many companies still have yet to understand the

importance of creating a great place to work. This is largely because there is still a management legacy of indifference, if not downright hostility, to creating a good workplace environment. Many managers still believe they are living in a world where employees can be considered as interchangeable parts.

Happily, more and more companies understand that to compete in the new global environment, they must compete in the workplace arena. The companies listed here as "As Melhores" are leading the way. These are companies that are the models that other companies should emulate if they want to compete effectively in today's increasingly brutal business wars.

Perhaps even more important "As Melhores" provide examples of something that is absolutely crucial for society as a whole. These are successful businesses, and they are good places to work. They illustrate that a company can serve both their owners and stockholders and at the same time provide an uplifting environment for their workers. They suggest that it is an old paradigm to believe that good workplaces and good investments are antithetical to each other. "As Melhores" represent a new paradigm that will hopefully become the standard for the 21st century.