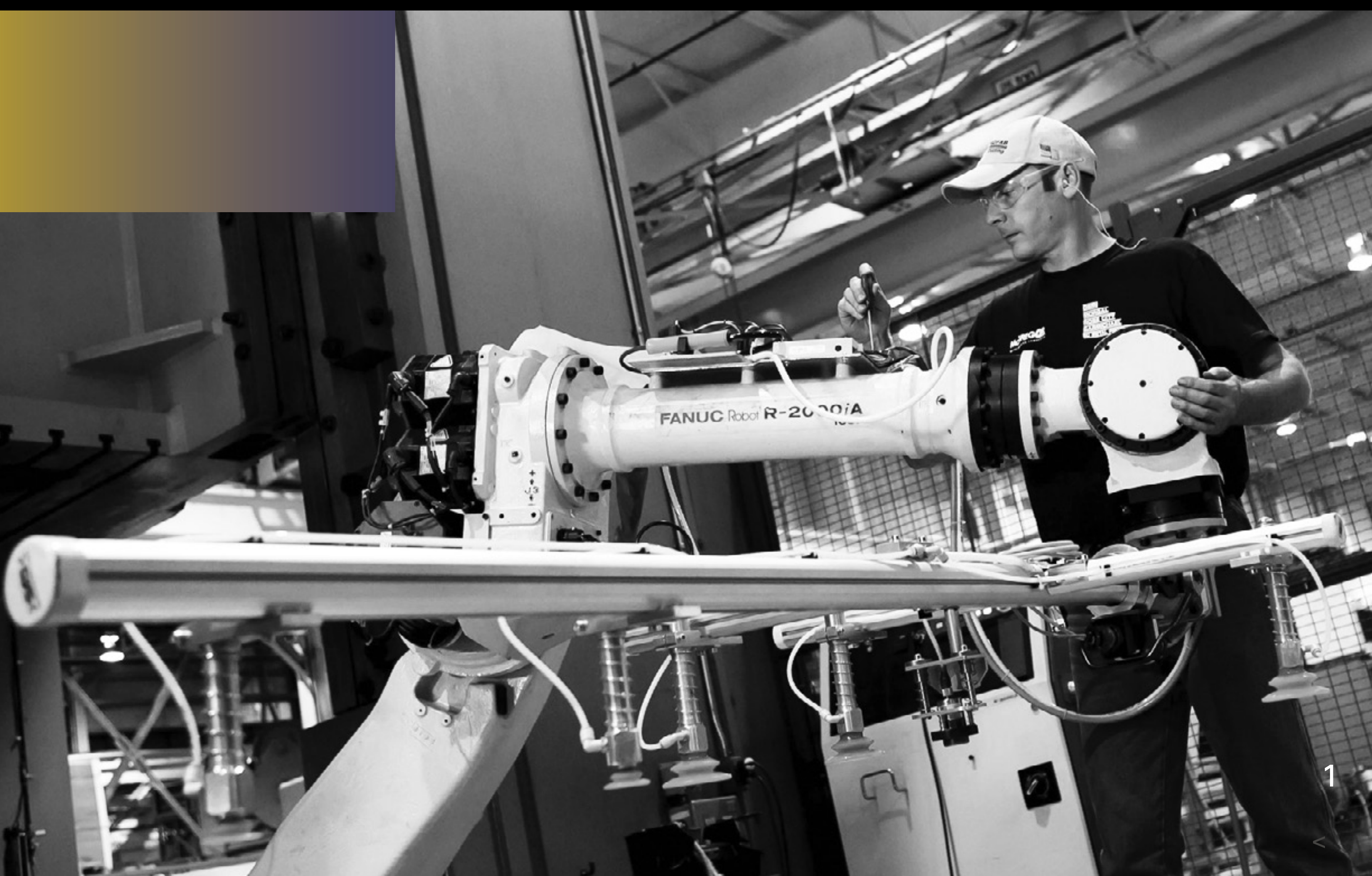
THE HITACHI FOUNDATION

Doing Well and Doing Good:

Pioneer Employers Discover Profits and Deliver Opportunity for Frontline Workers

Jonathan Levine with Mark Popovich and Tom Strong



Doing Well and Doing Good:

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A new study of business practices reveals powerful ways to create strategic and financial gains. Lower-wage workers, when supported by effective policies, boost productivity, quality, innovation, and revenues from new markets. In the process, the value added by frontline employees rises and they garner significant and sustained wage gains and career advancement. The successful formulas of these firms are models adoptable by thousands of similar businesses.

The nation has struggled to recover from the Great Recession. Anemic gross domestic product (GDP) growth and a locked-down labor market yielded only halting job creation and wage gains. Many workers continue to struggle with constrained prospects.[1] The country is confronting both a people and business challenge.

Good jobs are hard to find. When the economy and job growth lag, good jobs become even scarcer. As a result, around 27 million people—one in six American workers—are unemployed or underemployed.[2] Nearly 24% earn less than two-thirds of the median wage—the minimum level sometimes associated with "a good job."[3] And one in five earns less than $20,000, the poverty line for a family of four. Even for those employed full time, the recovery hardly helped. Nearly 60% of the jobs created since the recession ended have been low wage, whereas 60% of the jobs lost during the recession were middle wage.[4]

The challenges low-income households face did not arise only in the recession, however. In fact, the bottom 40% of families faced no growth in average income in the three decades since 1980.[5] And, as a proportion of GDP, aggregate wages have fallen more than 10% since the 1950s despite considerable gains made by women and minorities over those decades.

Business profits also took a beating through the recession, plummeting 23% from 2006 levels through 2009.[6] Customer pocketbooks slammed shut as the Consumer Confidence Index plummeted from 110 in late 2007 to less than 30 in 2008.[7] Even today, it stands at a paltry 59.7.[8] The resulting financial squeeze challenged the resiliency of proven business models and even the

Cover image: Tod Kuss performs maintenance on a robotic manipulator. McGregor Metalworking Companies – Ohio Stamping & Machine LLC. Photo by Brock Cox
Above: Naturebake/Dave's Killer Bread in Oregon.

best-managed firms. In 2008 alone, more than 800,000 businesses closed or disappeared, more than 1 in 10.[9] Although corporate profits have rebounded since then, almost all the growth has been in the financial sector. Firms in most other industries continue to struggle.[10]

We do not see the challenges for lower-wage workers and businesses as separate and unique. They are, of course, intricately linked.

Examine the problem at ground level, in American businesses and workplaces, and you find job-quality/business health solutions hidden in plain view. Our foundation identified and profiled more than 90 resourceful employers who solved business challenges and social problems by implementing innovative workforce strategies and product/service models. In so doing, these pioneers captured new opportunities, raised business performance, and extended the ladder of opportunity to their frontline and lower-wage workers.

Their common attribute is a vision and ability to reorganize the firm and engage workers more productively toward key business goals; innovating new products and processes, raising product or service quality, reaching new markets, and increasing productivity.

These are good businesses. The firms post surprising growth in revenue, profits, and/or market share. They've done so in many cases during the Great Recession and will likely rise further as the economy improves. They are also doing enormous good. In the aggregate, thousands of their employees who had been bordering on poverty are better trained, more motivated by higher value skills, advancing in their careers, and able to earn higher incomes to provide for their families.

The success of these firms and their workers demonstrates that employers in the course of routine strategic development can help lower income employees attain a higher standard of living. They do so by strengthening the mechanisms within their control through targeted employment practices and policies, strategic deployment of human resources, revamped production and service models, and management follow-through. And equally important, their changes are sustainable precisely because they generate bottom-line business benefits. Consider a few cases:

NEWAGE INDUSTRIES, SOUTHAMPTON, PA:
Despite a sharp downturn in the industrial tubing market in 2009, this innovative company thrived. While the public stock prices of its two largest competitors dropped sharply, NewAge's employee stock ownership plan (ESOP) shares soared more than 200% as profits continued unabated. NewAge's success is a result of aggressive research and development (R&D) efforts that yielded high-value innovations combined with on-the-ground engineering support. Comprehensive cross-training of workers facilitated a flexible, efficient production model. And the company's focus on promoting from within coupled with generous quarterly gain sharing results in high loyalty and productivity. NewAge's profit sharing and the ESOP, which owns 30% of the company, bring compensation for all but a handful of employees above $40,000 a year.

HIGH PLAINS, LAMAR, CO:
This rural community health center struggled to stay afloat after its founding in the mid-1990s. An overhaul of its workflow, training, and job functions for medical assistants helped dramatically increase the productivity of its providers and improved outcomes for many of its chronically ill, safety-net patients. The result has reduced costs by nearly 10% per year over the past decade. The strategy turned on intensive training and increased reliance of medical assistants across multiple front- and back-office teams. In the process, the medical assistants' compensation transitioned from hourly wages to salaries with benefits and promotions. The practice approach developed by High Plains Community Health Clinic (High Plains) has increasingly been pointed to as a model for healthcare reform, especially for rural primary care providers.

NATUREBAKE, MILWAUKIE, OR:
Founded in the 1950s, NatureBake was a small family firm that grew modestly for several decades. Its renaissance was sparked in 2004, when prodigal son Dave Dahl rejoined the company after a prison term. Dave applied the vocational technology skills he developed in prison toward a new cause: crafting highly nutritious and delicious breads using the highest quality organic and local ingredients. Dubbed "Dave's Killer Bread," the new brand grew explosively. NatureBake

The success of these firms and their workers demonstrates that employers in the course of routine strategic development can help lower-income employees attain a higher standard of living.

maintained that growth through a host of progressive employment policies, including giving a second chance to ex-felons, who now make up 35% of its 270-member workforce. That generous approach is matched by robust entry-level wages, which typically rise to $15 per hour in less than six months. Promotions to managerial positions paying $26 per hour or more are common in as little as two years. Those practices result in a low-turnover, dedicated workforce that produces consistent high quality. In the past seven years, sales have skyrocketed tenfold to $39 million.

GR SPRING & STAMPING, GRAND RAPIDS, MI:
This tier-one auto industry supplier tackled a strategic shift to produce greater value-added automotive parts in the mid-1990s, but doing so required robust training for frontline workers. Entry wages for the company's machine operators start at a competitive level for the area, and completing training pushes them up typically by 4 to 6% within six months. Employee turnover is 40% below the industry average and sales per employee, machine utilization, and other productivity measures rank at the top of the industry. As a result, revenues have tripled to $100 million over the past decade, averaging a 29% annual rise since 2009. Employment has increased steadily since 2005 despite the overall recession and the even steeper dips in the auto industry.

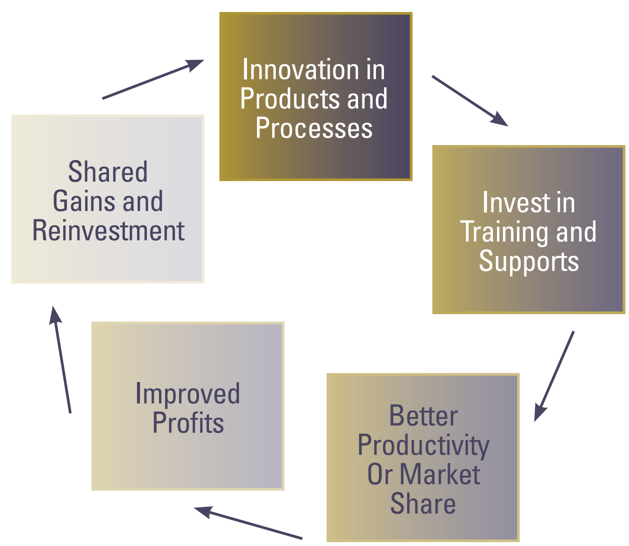
GOOD SAMARITAN HOSPITAL MEDICAL CENTER, WEST ISLIP, NY:
This large, regional hospital faced a decade-long severe nursing shortage. Vacancy rates as high as 15% threatened quality of care. The hospital had no long-term solution, aside from hiring expensive international nurses.
In 2005, management decided to build from within. It turned to clerical workers, nurse assistants, and licensed practical nurses to offer training leading to career advancement. When the hospital invested $2.2 million for training through a local nursing program, the nurse vacancy rate plunged by half within a few years, saving about $3 million in staffing costs. The success rate was robust because tuition was employer paid and participants could keep their current jobs at less than full time and preserve needed benefits. The newly minted nurses filled the shortage and have a high retention rate. They've also enjoyed wage gains between 22% and 100% compared to their prior positions.

PIONEER EMPLOYERS

The strategies of these and other firms are captured in more than 90 case studies commissioned by the Hitachi Foundation. Those examples are illustrative of an effort aimed at engaging the private sector within its profit-making mission as a predominant generator of opportunity. This Pioneer Employers Initiative addresses the question, can businesses make money while providing a pathway out of poverty for their employees? To find out, the Hitachi Foundation engaged industry associations and nonprofits[11] to uncover firms that were doing well by doing good; that is, surpassing their competitors' performance while also generating robust earnings gains for a large proportion of their own lower-wage workers.

The findings across these businesses show remarkable consistency in how employers train and educate workers, develop career ladders, and craft supportive human resources (HR) policies and other motivators. All the cases demonstrate impressive strategic and financial returns for the companies as well as jumps in earnings and robust career advancement for lower-wage workers. Over time, these benefits are reinforcing, creating a symbiosis between the interests of frontline workers and their employers.

REINFORCING OUTCOMES



These pioneer employer cases provide an important roadmap of strategic opportunities for all businesses to consider, regardless of industry, as they maneuver through competitive and workforce challenges.

The experience at Pridgeon & Clay, a leading maker of stamped metal parts, reflects a common evolution of management thinking on the rank-and-file employee's role in corporate success. "This company was once managed by a few people at the top and training focused on them," says CEO Bob Clay. Since the 1990s, the auto industry has transitioned to higher levels of technology and lean manufacturing built on team leadership and empowerment of frontline workers. As a result, "we moved beyond that to find ways for *all* of our employees to improve themselves. We couldn't become truly lean without educating our workforce," says Clay.

INNOVATIONS

The pioneer employers documented through our project are certainly varied by sector, size, age, and business outcomes. Their firm-level innovation, however, is a common and standout characteristic. This innovation falls into three broad categories, as represented in the diagram below.

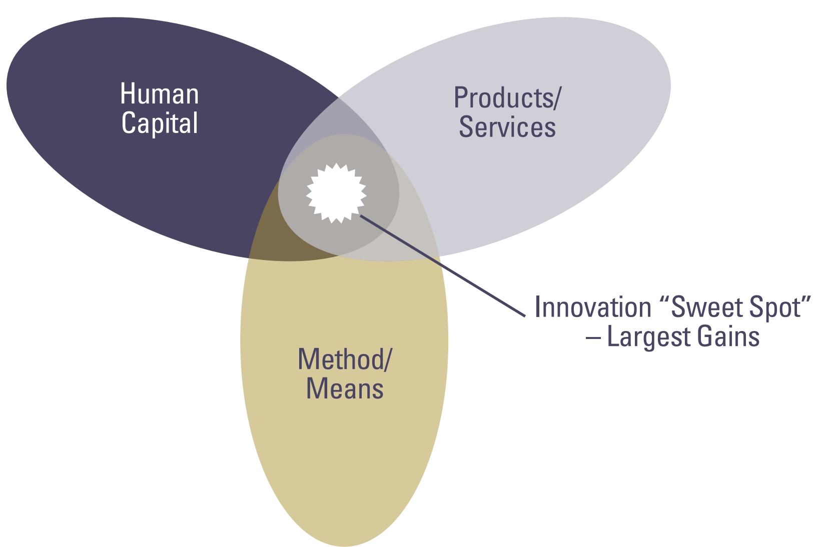
The first area, innovation in human capital, includes powerful changes in HR management practices. This is not surprising and was strongly expected from the start. Examples of such innovations include Good Samaritans Hospital's decision to build from within to address nursing shortages rather than continue to spend at high rates to secure international or visiting nurses.

Innovation in the type or mix of products or services is the second domain for innovation. A prime example is the new product R&D and engineering field support to customers at NewAge Industries. NewAge also combined changes in human capital approaches to enable sustained high performance and address skill needs.

The third topic of significant innovation is in the way firms organize production/service delivery. High Plains reinvented the way the clinic team deployed to deliver healthcare. A key change entailed the expansion of the roles of medical assistants and increasing their engagement with both physicians and patients.

Innovation in any of the three areas (human capital, the nature or mix of products/services, and production/service methods) creates value for the firm. Where two or all three kinds of innovation overlap, they tend to generate the biggest gains for employers as well as for lower-wage workers.

INNOVATION ACROSS PIONEER EMPLOYERS



MOTIVATIONS

The pioneer employers arrived at similar conclusions, but they got there by many different routes. To be sure, employers' motivations to adopt frontline worker-centered strategies vary greatly, and the options for doing so—and the rewards they generate—are shaped by the competitive dynamics of their sector. In analyzing the 90 pioneer cases, some categories of these motivations tended to divide by industry or subsector:

- **Values-Based.** Businesses in this category firmly believe that investing in frontline workers is the right thing to do. Management may design best practices into its models from the start or chose to make changes later. But the companies' reasons, whether personal or idiosyncratic, ultimately support business success. *Food-processing companies tend to fall into this category.* A prime example is NatureBake. Its focus on employing ex-felons with living wages is inspired by the redemption of Dave Dahl. Another example is **Lundberg Family Farms**, a Richvale, CA, producer of organic rice product lines. The owners are convinced that a healthy, well-trained workforce reduces turnover and drives productivity and profitability. This conviction is supported by the firm's extraordinary 11% annual growth over the past two decades. The company showers its 180 production workers with competitive wages and benefits, including wellness programs, career counseling, unlimited tuition reimbursement, and lean manufacturing training. Lundberg even rewards workers for their children's exemplary report cards. These investments pay off. From 2006 to 2010, Lundberg's net income per employee grew at an annually compounded rate of 15%.

- **Issue-Specific.** Many companies change to tackle a roadblock, capture a specific low-hanging opportunity, or mitigate a threatening risk or cost. Efforts springing from this motivation often produce a tightly focused, limited-scope program. Results are often tracked by a singular metric, such as the reduction in turnover or key-job vacancies. When the business objective is reached, the investment may or may not continue. The benefits to employers and workers, however, tend to endure. *Large institutions such as hospitals often follow this path.* Like Good Samaritan Hospital, **Bassett Medical Center** suffered a nursing shortage and high turnover of low-level workers due to severe out-migration in upstate New York. To address their nursing shortage, Basset Medical Center created a nurse-training program for entry-level clerical and nurse-assistant staff as well as high school graduates from the community. The program features tuition advancement, flexible work schedules, and full benefits in exchange for one year of service for every year of tuition support. Within several years, Bassett's nursing shortage evaporated, and turnover of the nurses trained through the program is half that of the rest of the system, saving more than $40,000 per trainee. Bassett continues the program today and recently graduated its 100th nurse.

- **Transformational Shift.** Employers in this category are usually driven by strong forces beyond their control. They may confront a crisis or some market changes that present both challenges and opportunities. They implement more and deeper innovations in their product/service mix, in how they do business, and in human capital and HR practices. The business is transformed, and that change greatly increases the value contributed by frontline workers. *Clinics frequently pursued this strategy,* marked by a broader approach and range of metrics than the focused objectives of issue-specific cases. Another example is **Union Health Center (UHC)**, a New York City institution that was the first union-founded

High Plains Community Health Center in Lamar, CO

health center in the United States. UHC redesigned care delivery in 2006 to better manage the pressures of an aging, low-income patient population with high burden of chronic disease. Medical assistants now enjoy higher job satisfaction, significantly enhanced skills, and far greater opportunity than before for promotions to higher paying positions. At the same time, the average monthly cost to service patients dropped 17% while emergency-room costs plunged by 50%. Moreover, patient health outcomes improved both compared to prior UHC levels and to citywide measures.

- **Transformational Shift with Gain Sharing.** Like those in the category above, these cases involve either a shift in the way production or services are organized or the mix of products and services themselves. Firms in the transformational shift with gain sharing category also align workers' understanding of the production shift through gain sharing, which can include incentives linked to productivity or cost saving goals, profit sharing, or ESOPs. These strategies link effort, performance, and rewards to ensure that workers embrace the innovation. *Precision and advanced manufacturers typically fall into this category.* To improve its ability to penetrate new markets, for example, **Roll Forming Corporation,** a Shelbyville, KY, maker of rolled metal parts, needed shop-floor workers to take ownership of innovative production processes. It embarked on a number of mutually reinforcing programs, including continuous-improvement management training, leadership training for frontline coordinators, and a "pay-for-skills" program for shop-floor trades in which workers move up a ladder of higher paying positions as they acquire new skills. The plan was braced with a quarterly gain-sharing bonus paid equally to all employees for measurable improvements to the business. The strategy paid off, with rapid penetration in the fast-growing solar equipment field as this segment soared from 2% of revenues in 2009 to roughly 25% of 2011 sales of $115 million. Another measure of success, bonuses (based on continuing improvements in productivity, cost savings, and quality) have increased by 95% since in 2003 and are expected to double again in the next three years.

This categorization of motivations is useful to help orient industries on a landscape of drivers. For most ad-

Many employers find more than one motivation for their workforce efforts, especially over time.

vanced manufacturers, the agility to maneuver through new technologies in pursuit of higher value products and innovative responses to changing markets was the name of the game for decades. It's no surprise that those pioneer employers tend toward the flexibility and far-reaching results of the transformational shift model—with relatively greater capacity to offer the added motivation of gain sharing. Health clinics take a remarkably similar approach, but for a different reason. Their severely limited resources force them to seek extraordinary improvements in efficiency by broadly reinventing (and upgrading) the roles of their workforces. Hospitals, in contrast, are generally larger bureaucracies and, as such, may be less adept at executing wholesale change. They typically pursue programmatic approaches to solve specific business challenges.

These categorizations, however, are not hard and fast. Many employers find more than one motivation for their workforce efforts, especially over time. Certainly many of the pioneer employers were influenced by personal values, even if that was not the driving factor for most. And some employers with a long history in workforce development may layer individual programs over time in a way that slowly transforms many aspects of how they do business. Advocate Lutheran General Hospital in Chicago and Beth Israel Deaconess Medical Center in Boston, both of which are very large, urban acute care centers with a cornucopia of ongoing workforce efforts, cross categories in this way.

GAINS FOR WORKERS

As motivations differ, so do the returns to the businesses and employees. Industries, and even sectors within industries, face different dynamics that may result in limiting innovation or the value produced by adopting innovations. Healthcare services are labor intensive, for example. It is a highly regulated sector with many positions requiring intensive education and credentials that define scope of practice. Labor cost savings and productivity gains supporting career ladders can be difficult to put in place in healthcare compared to many manufacturers. Within healthcare, the conditions are further differentiated.

Even the most progressive practices by long-term care and behavioral health employers achieve modest gains for their workers compared to those discovered in acute and primary care. In long-term care, payer reimbursement rates are lower, service capacity is fixed, and the employment structure is relatively flat. With less room to maneuver, long-term care employers among these cases exhibited some innovative practices but earnings gains for frontline workers seldom rose above 5 to 15%. In contrast, medical assistants at clinics like UHC earned 20 to 27% more for one and two steps up the career ladder.

HUMAN CAPITAL POLICIES AND PRACTICES

The approaches deployed by pioneer employers are as varied as the companies and industries themselves. Still, some key elements are shared, sometimes with variations. Most employers set a transparent career ladder (formal or informal) with clear wage increases associated with each rung. They support in-house or offsite training to help workers climb it, such as substantial tuition remission or reimbursement. A generous package of benefits is also common, such as health insurance (and frequently dental, vision, and life), paid time off, employee assistance programs (for help with childcare and the like), and flexible work schedules. Virtually all pioneer employers adhere to promote-from-within policies.

These generic features are commonly paired in the healthcare field with task-shifting or cross-training of skills. Cross-trained work teams generate staffing flexibility and workflow efficiency. Among clinics, entry-level assistants are increasingly trained in higher value skills like management of electronic health records and health coaching in newer models of patient-centered care. Within hospitals, extensive clinical career ladders are frequently supported by customized training through educational institution partnerships, career coaching, e-learning, and onsite remedial education. Studying for certifications or degrees can overwhelm many workers. Some employers ease their path by offering them partial or full benefits during periods of reduced hours. For example, a 40% workload during intensive education or training will still result in full benefits.

Among pioneer manufacturers, training in new technologies, continuous improvement, and lean-manufacturing techniques are virtually *de rigueur* to wring out costs and improve productivity and quality. Many advanced manufacturers also couple gain sharing and leadership training programs to instill responsibility for innovation from the lower levels of workers to the top. When the right combination of programs and benefits is instituted, the result is a win-win culture for employers and workers. As Pem Cornell, a 29-year veteran machine operator at Roll Forming Corporation explains, “If management invests in me by offering training and incentives to increase my skills, then I owe it to them to find ways to make the company money.” Some employers, frequently those in food processing, build in other benefits to reinforce their unique cultures. Colorado-based New Belgium Brewing Company offers a paid trip to Belgium after five years to steep all employees in European beer culture.

Employer Action Agenda

INVEST	INNOVATE	INCENTIVIZE
Expand/Redeploy training budget to more lower-wage workers	Alter production/service to increase value added by frontline workers	Offer job ladders and lattices
Shift from tuition reimbursement to remission to ease costs	Implement new technologies and build worker skills to maximize their value	Adopt skills-based pay systems
Erase limits on training available per individual	Connect customers and production teams to increase communication/feedback	Offer gain-sharing through profit sharing, ESOPs, or pay for productivity
Adopt work-based learning approaches	Shift to higher value-added products or services	Offer bonuses for supervisors with higher training/advancement rates

GAINS FOR EMPLOYERS

The pioneer employer cases demonstrate a consistent correlation, if not causality, between these practices and a range of returns to employers—from increased profitability and market share to enhanced reputations as "employers of choice." From 11 hospital cases, the following table offers a composite picture of the impacts.

PIONEER EMPLOYERS: HOSPITALS

FRONTLINE WORKER PROGRAMS

- Basic skills development (foundational/remedial education)
- Managerial skills development
- "Extended pipeline" training (clinical certifications and degrees)
- Comprehensive career ladder (with associated salary increases)
- Institutional supports (tuition assistance, flexible schedules, retained benefits)

EMPLOYER RETURNS

Increased:

- Quality of care
- Better patient outcomes
- Number of qualified applicants
- Internal promotions
- Staffing flexibility
- Employee competency
- Productivity
- Revenue
- Worker diversity
- Teamwork/engagement
- Employer of choice
- Integration of education and practice

Decreased:

- Turnover
- Number of vacant positions
- Absenteeism
- Onboarding time

Hospital programs may appear complex, but the economic justification is often simple. At Bassett Medical Center, replacing a single nurse can cost $80,000. Through the nurse training program for entry-level workers, "I've been able to retain 75% of the 80 nurses that we've sent through the program," says Chief Nursing Officer Connie Jastremski. "I've more than paid for it. And that's exactly the bottom line to my CFO every year."

A similar picture emerges for the metalforming manufacturers and food processors. The connection between frontline worker practices and the employers' payoffs are illustrated in the examples below. In managements' assessments, the combined innovation in production methods and HR practices at Pridgeon & Clay led to stellar revenue growth and income from new products. A similar package at New Belgium contributed to the company's ascent to number three in the world for craft brewing. "We believe passionately that our culture and employees are our strategic differentiators," says CEO Kim Jordan. "This is why we commit the amount of time and resources [to them] that we do."

Pioneer Employers: Manufacturers

	FRONTLINE WORKER IMPACTS	EMPLOYER IMPACTS
METALFORMERS	**GR Spring and Stamping** automotive parts	
	• Employment +94% since 2005 • Onsite training for press operators, 4-6% raises within 6 months • 50% of current hourly workers received promotions and higher wages • Raises are based on performance, competency, and training, not seniority • Continuous improvement and leadership training • Quarterly bonuses pegged to profits	• 7% turnover (40% below industry average) • 200% revenue growth over 10 years/29% annual growth since 2009 • $800,000 in cost-savings 2011 from employees' continuous-improvement • "Best in class" in sales per employee, machine utilization, set-up time • Below average unplanned maintenance • Below average number of injuries
	Pridgeon and Clay metal parts for auto/marine/energy/hardware	
	• Average wage increases over past 3 years: 17 to 25% • Entry-level press operators earn +50% upon entry in training and 7% more upon certification • 75% of production workforce with in-house training within past 2 years • Generous benefits: 100% tuition reimbursed, 100% paid health insurance, 401k with 15% no-limit company match, wellness program • Gain sharing through 31% of company owned by ESOP	• Job growth from 400 to 650 positions in Grand Rapids • 2010 sales (latest) +40% • Net income +200% at all-time high • Rapid new-product innovation: 25% of recent sales generated by in-house R and D, up from 11% in 2007 • Employee-driven initiatives enable company to enter new growth areas: alternative-energy vehicles and fuel cells • Support of employee education and training builds deep management bench for continued growth in advanced technologies

	FRONTLINE WORKER IMPACTS	EMPLOYER IMPACTS
METALFORMERS	**NatureBake** whole-grain bread	
	• Many opportunities for ex-felons: approximately 35% of workforce is made up of previously incarcerated individuals • 50% of posted positions filled by internal candidates • Employees who advance to supervisory positions receive wage gains up to 50% • Living wage standard for all employees • Internal 90-day leadership development program available to qualified employees • Onsite café with free, healthful meals for all employees • Employees receive 2 loaves of bread per week	• Has grown from $3.5 million to $39 million in revenues over 8 years • Frequent Inc. 5000 recognition over past several years • Over same period, employee base has increased from 35 to 270 • Involuntary turnover is close to nonexistent • Low absenteeism • 2011 Oregon Ethics in Business Award Winner
	New Belgium Brewing Company craft brewing	
	• 40% of employees control 42% of company through ESOP • Higher-than-average entry wage ($12-14/hour) with potential to exceed $45,000/year after 3 promotions • Generous bonuses tied to company organizational targets • •Employees are encouraged to expand skills through new jobs; 35% of frontline workforce advanced to new job in past 2 years • Comprehensive benefits: health/dental/vision/life insurance; 401k; onsite fitness center, flex schedules; paid trip to Belgium after 5 years; paid sabbaticals after 10 years	• Met or exceeded sales and profit targets every year for 5 years; 3rd largest craft brewer worldwide • Low 7% average turnover during past 3 years; average tenure 5 years • Continued expansion in geographic distribution to 26 states • Decentralized, highly involved and self-directed workforce developed through "open book management" and other transparency techniques • Known as "employer of choice", with abundance of applications for entry-level positions • Green innovations, e.g., new 100% recyclable line of beer cans

SUCCESS FACTORS

At first glance, pioneer employers appear fairly similar to most companies. On-the-job training and training budgets are ubiquitous, and every CEO says his or her employees are the business's most important asset. Yet, the pioneer employers' results are materially better. Closer analysis suggests that the difference is less about what they do and much more about how they achieve the results. The shorthand response from these leading-edge employers usually points to their ability to surmount the "yes, but" roadblocks that inevitably arise.

Successful frontline worker strategies entail investment, innovation, and sustained attention. Partnerships with educational institutions, careful screening of job candidates to ensure that their values and work habits align with the workplace, and adequate time for trainings and meetings around new processes are all critical. Four additional factors stand out across the cases:

- *Consistent leadership and vision* over time is vital to assure major redesigns "stick." This is particularly important in firms that change core work processes and the expectations of their workers. Those changes typically require a shift away from traditional management with total control to team-based and individual accountability. In 2000, Kurt Bell, the then-new CEO of HUI Manufacturing, a sheet-metal fabricator in Kiel, WI, led a revival of the business. A big part of that effort moved the workforce from silo departments to team-based, cross-functional groups. "Employees should not have to ask supervisors what to do or if their product is good enough; they should know," says Bell. "It is our job as man-

Dave Buxton oversees pressroom operations. McGregor Companies - Ohio Stamping & Machine LLC. Photo by Brock Cox agement to establish the culture and work conditions to allow for this. We changed our management practices, starting with me....This, above all else, accounts for our successful turnaround."

- *Winning buy-in from key players* is no small feat for programs that introduce big changes to peoples' livelihoods. At UHC, physicians initially weren't convinced that medical assistants could provide reliable health education to patients, so the physicians were charged with helping to develop the training curriculum and conducting competency exams. Skeptics may be convinced by bringing them into the process. Likewise, potential resistance from department supervisors to Basset Medical Center's nurse training program was mitigated by putting the supervisors on the applicant selection committee. Having a direct voice in choosing their future employees is a powerful thing. To ease managers' staffing challenges in accommodating part-time work schedules of student-nurses, the hospital temporarily transferred their salaries to a special HR cost center. For the students' part, many would not have been able to participate if benefits, especially critical healthcare, had been reduced for less-than-fulltime work, but they were allowed to retain full benefits while working as little as 40% of full-time hours.

- *Establishing a culture of learning* is another key move. That may sound like a nebulous concept, but it is expressed quite concretely in the pioneer employees' practices. Lundberg Family Farms, for example, puts all production workers through lean-manufacturing classes at the community college. But rather than expect benefits to automatically accrue from the coursework, the college assigns a coach to work side by side with cross-functional teams to ensure successful implementation. At High Plains, a learning culture was at the heart of the strategic makeover that relied on upgrading the skills of low-level medical assistants. The program design team infused the organization with learning opportunities—weekly cross-training of front- and back-office skills with competency checkoffs as new hires advance through the curriculum; hands-on sessions for teaching skills like EKG placement; onsite study groups, mock tests, and reviews to prepare the medical assistants for federal certification; and optional courses in specialties such as radiology and pharmacology.

Successful frontline worker strategies entail investment, innovation, and sustained attention.

- *Coaching approaches to supervision* are also common in pioneer companies. Bassett Medical Center's nurse-trainees get skills coaching from both hospital staff and college advisors that leads to on-the-job mentoring. Similarly, UHC supervisors coach medical assistants through nine training modules, and HR staff at Lundberg Family Farms counsel frontline workers on educational opportunities that frequently lead to higher paying positions.

SUSTAINABILITY

Will pioneer employers' support to their frontline workers endure? Will another severe economic downturn prompt rethinking and budget slashing? Will disruptive technologies or other threats undercut the advantages of frontline innovations? Most of the pioneer enterprises in this review launched their initiatives prior to the worst recession in recent history. Most continued their efforts despite the recessionary pressures. This suggests better-than-even chances that advantages will grow further as the economy improves and labor markets tighten.

Still, the prospects are not necessarily equal for all companies and sectors. Values-driven employers, by definition, can certainly be expected to maintain their practices regardless of external events. Principled companies like NatureBake and New Belgium Brewing are unlikely to turn away from time-proven missions and policies. The "shift" in transformational shift companies implies a redesigned business model that makes the enterprise stronger. The shift, like Pridgeon & Clay's revamp around frontline training-driven technological innovation, becomes the lifeblood of new growth. Logically it is more sustainable, especially if ESOP shares are widely held by the workforce.

However, every employer must justify its investment budgets across a variety of potential innovations. Underlying industry economics can sometimes defy logic. The sustainability of worker programs at High Plains and UHC, both examples of transformational shift strategies, is still a work in progress. The new UHC primary care model includes considerable costs for staff training, patient education, and higher salaries for upgraded medical assistants. These costs are not reimbursed directly by traditional fee-for-service payers. The model, however, is supported by monthly capitation fees from the health and welfare funds of various labor unions that use the center. If union membership declines and capitated fees shrink, the center must find a way to pay the costs. It is therefore moving to a new patient-centered medical care model, a national standards designation under which insurers may pick up a higher level of preventive services and thus enable the center to maintain its frontline worker efforts. Likewise, High Plains is pursuing the same designation to become less dependent on nonrecurring government grants that fund several cadres of its workers.

Changes by firms to address issue-specific challenges or opportunities for workers may be the least secure. These efforts are designed to solve specific problems or pursue singular opportunities. Employers may end them once success is achieved and may move on to other issues. Both Bassett Medical center and Good Samaritan reduced vacancies and turnover. But while Bassett continues its training, Good Samaritan's training closed. The program benefits did not cease, however. Indeed, 130 formerly low-wage workers now earn higher nurse salaries, and management credits the program for establishing a culture of education, reinforcing employee loyalty, and fostering teamwork between workers and managers. That frontline focus will help the hospital respond to the next challenges, such as improving patient satisfaction and health outcomes required by federal healthcare reforms.

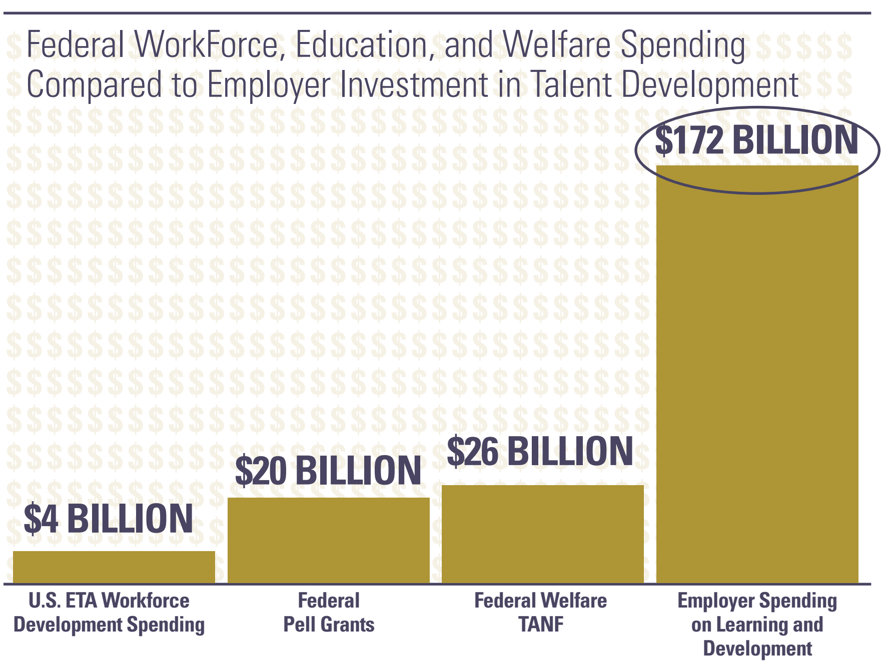
DEFYING CONVENTIONAL WISDOM

Can employers afford investments in frontline workers? In both the manufacturing and healthcare sectors, indeed for most employers, there are large budgets for education and training. In fact, an employer survey by the American Society for Training and Development shows employers committed $172 billion in 2011 on employee training, a rapid rise from $126 billion in 2009.[12] That is more than six times the amount of federal spending on all workforce development and training programs and eight times greater than the entire Pell Grant budget that supports post-secondary educational costs of financial needy students (see the graph below).

This employer investment in training, however, is traditionally deployed to the highest educated and highest paid employees. Training investment is often managed as a benefit for this cohort rather than linking the employees to achieving priority business objectives. The experiences and business gains of these pioneer employers suggest that reallocating existing employer spending more towards frontline workers should pay off.

Pioneer employers challenge other conventional wisdom as well. Some argue, for example, that smaller companies, which employ roughly 60% of the American workforce, lack the resources to innovate, but half of the pioneer employers in the study have fewer than 250 workers. Innovative workforce practices do not depend on deep corporate pockets. In fact, small to medium-size firms may well be more nimble. With fewer levels between the frontline production and top decision makers, they may be "first movers."

Pioneer employers reduce barriers, such as shifting from tuition reimbursement to remission to ease participation for lower-wage workers. They demonstrate that investing in frontline worker development can and does pay off. It is precisely the bottom-up innovations and cost savings on the frontline that not only generate the resources to pay for these programs but also spawn competitive advantage for employers. "By elevating our associates through workforce development, we've developed many new and difficult processes, a positive culture, and a customer base that is the envy of many," says GR Spring & Stamping Chairman Jim Zawacki. The future of many American businesses and the job quality they can offer depends on more executives learning the value generated by attending to workers at the lower rungs of the pay-scale pyramid.



ENDNOTES

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[11] Hitachi provided grants and coordination support to the following organizations to seek out model employers in their respective fields:
Winning Workplaces: Small businesses (including manufacturing, long-term care, and food processors)
Precision Metalforming Association Educational Foundation and Manufacturing Institute: Metals Manufacturing
Paraprofessional Healthcare Institute: Long-term care
The Annapolis Coalition: Behavioral Health
The Center for Health Professions at University of California San Franciso: Clinics
Health Work Force Institute: Hospitals
Northwest Food Processors Association Education Research Institute: Food Processors

[12] "State of the Industry Report," American Society for Training and Development, December 2011; http://www.astd.org/Publications/Blogs/ASTD-Blog/2011/12/2011-State-of-the-Industry-Report-Shows-Increased-Spending-Commitment-for-LD.

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