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**A New Relationship  
with Employees**

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# A New Relationship with Employees

*by George M. C. Fisher*



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To compete successfully in the fast-paced global marketplace, it is simply not enough for American business leaders to restructure or re-engineer their businesses to improve performance. Companies that have done only that have not succeeded. In fact, they have hurt themselves. We must instead create a new model; we must build growth-driven organizations with a global perspective and performance-based cultures. To achieve this, we must fine-tune our determination to

create flatter, more flexible organizations by forging a new employer-employee relationship.

## Anxiety in the Workplace

A new employer-employee relationship will help us address a critical issue facing American business today: workplace anxiety. To restructure or re-engineer their businesses, some American companies have reduced their employee work force significantly over the past decade. The result has been an often debilitating workplace anxiety and a chasm of distrust and cynicism toward employers.

In the late '80s and early '90s, for example, Kodak reduced its Rochester work force by half, to 34,000 employees, cutting the payroll by \$1 billion. Some of these terminations were voluntary. Afterward, Kodak still experienced some of the same business problems it grappled with before the downsizing, but those problems were compounded by the fact that employee anxiety was at an all-time high. Many American companies are in this same situation today. The lesson Kodak learned is that you

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can't just cut or shrink your way to profit and success. You ultimately must grow. You must grow with the most satisfied employee base you can build.

Employee satisfaction is not a frill; it is a *foundation* of growth. Tom Chappell, CEO and co-founder of Tom's of Maine, provides a primer on this philosophy in his book *The Soul of a Business: Managing for Profit and the Common Good*:

The ultimate goal of business is not profit. Profit is merely a means toward the ultimate aim of affirming the health and dignity of human beings and their families, affirming aspirations of the community and affirming the health of the environment — the common good.

Other CEOs find this view intriguing. Ralph Larsen, chairman and CEO of Johnson & Johnson, says that Chappell is “charting a new course” and has invited Chappell to address J&J's top management team.

CEOs must have a vision; it is the very essence of leadership. CEOs must articulate their goals, their strategy for accomplishing those goals, and a coherent plan to measure success along the way. At the same time, they must be socially responsible by striving to reduce workplace anxiety.

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## **The Old Approach**

The old model of American business was based on a paternalistic attitude of command and control. Employees at many major American companies, in essence, were guaranteed a job for life. If necessary, companies borrowed money to pay salaries and bonuses. In return, employees were loyal and stayed with their companies for most or all of their working lives.

Employees and managers alike often were risk-averse. If they failed, all too often they were punished. Many ran for cover when customers or shareholders complained or when there were problems with products or services. Employees and management were evaluated only by their bosses. There was really no effective measure of the relationship between employee performance expectations, customer satisfaction, and shareholder

satisfaction.

Often under the old model, employee attitudes did not seem to matter much to the employer. The thinking was: you had a job, times were good, why complain? But think of the two workers who were breaking granite. When asked what they were doing, the first worker said, “I’m trying to break this granite.” But the second worker replied, “I’m on a team of people building a cathedral.”

A new relationship with employees, based on a fundamental new understanding, can create an organization of builders with positive attitudes which will benefit the company.

## **The New Relationship: Closing the Chasm**

To prepare for growth, the new relationship should create pay-for-performance cultures driven by a set of well-articulated company values and goals. At Kodak, as at most companies, our goals are customer, employee, and shareholder satisfaction. Customer satisfaction drives growth and profits, which lead to shareholder reward and satisfaction. But we cannot serve customers and create value for shareholders if we fail to achieve employee satisfaction. Each corner of the triangle is essential to build a pyramid of success. As Casey Stengel once said: “No baseball pitcher would be worth a darn without a catcher who could handle the hot fastball.” To that I might add that there are a few other people on the field who matter, too. We all need each other.

The new employer-employee relationship should be based on plain language that states the company’s values, company expectations of employees based on those values, and how the company will measure compliance with those values. It should be easily understood, and all employees, managers, and top executives should agree to it. It does not have to be long and complicated; it can be written on one page, with notes attached if necessary. In these rapidly changing times, it is essential that we give all employees something they can count on, something steadfast and fundamentally important as the foundation of a renewed culture.

At Kodak, we are trying to provide this through our corporate values and principles. It’s not perfect; nothing is. We still have sizable pockets of discontent, anxiety, and cynicism. Some of us still don’t walk the walk, even though we talk the talk. I have found that if you continuously stress the sanctity of your key values at all levels of a company, they eventually take root. Here are Kodak’s five key values:

- Respect for individual dignity
- Uncompromising integrity
- Trust
- Credibility
- Continuous improvement and personal renewal

Why are these values important? Because they define who we are and guide how we conduct ourselves with our employees, customers, and shareholders around the world. In fact, they are the essence of our brand. These values and goals must be understood so that everyone works together as one worldwide company. They are our statement that we take seriously our responsibility to be a good worldwide corporate citizen and that we live and do business by these fundamental values. There is no such thing as lip service to these values; we will not tolerate it. In fact, I consider them a condition of employment. Why? Because without values, you have no company.

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## Employee Training

Commitment to these values requires that we put them into action in concrete, measurable ways. If we expect our employees to be builders, we must

give them the tools and training to build. To grow and maintain a satisfied work force, Kodak created a training initiative that gives our employees the most advanced tools available today. As employees become more versatile and “in demand” in the ever-changing business world, their job satisfaction grows along with the quality of their performance. At Kodak, we call this “continuous improvement and personal renewal” — one of our five values.

Under this training initiative, employees work with supervisors to produce development plans to enhance their skills and talents. Every employee receives at least 40 hours of training each year as part of this plan. Our goal is to make our employees more competitive so they can face any new challenge or opportunity. We want our people to be prepared for anything. If there’s one thing that’s certain as we approach the 21st century, there’s no such thing as lifetime employment anymore — anywhere.

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## **Commitment to Diversity**

Kodak's new relationship with employees includes the principles articulated in our global performance expectations; these expectations include a commitment to diversity. More women, minorities, and people from other cultures must be part of the new employee relationship. Respect for diversity of thought, culture, and lifestyle offers us a valuable global perspective, builds trust, and creates a culture of partnership.

## **The Measure of Success**

How do we measure the success of our employer-employee relationship?

To gauge its success, we regularly measure the satisfaction levels of our 95,000 employees around the world. Managers communicate with employees in person in "snapshot" meetings. In these meetings, managers share information about progress, issues, and challenges. We also survey our worldwide work force each month using a detailed, statistically sound instrument called "View." This survey tracks how employees judge key issues, including the performance and credibility of company leaders. Sample questions include, "How employee-friendly is Kodak?" and "Is the company well managed?"

Our worldwide surveys for 1995 indicated that overall employee satisfaction had improved from the lows of several years ago, but clearly we have more work to do. One thing we have found is that employee satisfaction scores tend to be higher when our employees are asked about areas where they have some "control," such as their jobs. We have found that workplace anxiety lessens in proportion to the amount of control we give employees over what is happening in their work life; if you feel you have no control over events in your life, you're going to be extremely anxious. We also have found that those employees with an individual development plan – worked out in consultation with their supervisor – tend to score higher in other areas of employee satisfaction.

## **Measure for Measure: Pay for Performance**

Managers as well as employees are held accountable for living up to our fundamental values. Every manager's performance and compliance with corporate values and goals are measured through our "Touchstone

Review” survey. This tool is a 360-degree evaluation of managers: everyone in their circle – their supervisors, peers, and the people who work for them – assesses how well they adhere to our core values.

Results of the assessment tool are used in the performance review for each manager, and have a direct connection to his or her compensation. We have also increased the weighting of the “employee satisfaction” component of management’s annual incentive and performance plans to 30 percent, an increase of 50 percent for that measure. Through these measures, managers “feel” our company values in their base pay and their incentive payments. Positive results equal more pay. Managers who don’t measure up are given counseling or shown the door.

### **Benefits of the New Relationship: A Work in Progress**

The new relationship is a two-way street. As companies become flatter and less hierarchical, employees will become more responsible, and we will become more responsive to the customer. The shareowner can only benefit.

The benefits for the employee are many. Creating a new relationship with employees should lower workplace anxiety, close the chasm of fear and cynicism and rebuild trust – another one of our core values. Employees will be more marketable, more “in demand.” They will become leaders in an environment where everyone is expected to be a leader. Each will become responsible for the success of the business. Each will learn to take risks, be innovative and not be afraid of failure for taking reasonable risks. As Will Rogers said, “You’ve got to go out on a limb sometimes, because that’s where the fruit is.” When employees have this attitude, everyone benefits.

Thankfully, we’ve come a long way from turn-of-the-century attitudes that often viewed labor in pejorative terms; consider some of the comments about loafing and “soldiering” in the writings of scientific management guru Frederick Winslow Taylor. But we still have a long way to go to achieve better employer-employee relations. I know. I see it every day in my business. I know you do in yours as well.

A renewed culture based on clearly stated and consistently practiced principles and values along with new assessment tools, pay for performance, training and incentives – will not make workplace anxiety go away overnight. But it is a beginning. George Bernard Shaw once said, “Grain by grain – a loaf; stone upon stone – a palace.” If we really value our

employees, if we are truly concerned about anxiety in the workplace, then we must address the issue with more than words.

The benefits for the customer are better products with higher quality at competitive prices. The benefits for the shareowner are business growth with higher profits — a natural consequence of employee satisfaction, employee leadership, and customer satisfaction.

Business leaders and CEOs who focus on the needs of their employees with the same enthusiasm they do for customers and shareowners will create the growth companies of the future. 

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