

CFO

human capital

WEAVING A NEW CORPORATE CULTURE

How a carpet maker stemmed turnover by believing in its workers.

BY DAVID McCANN

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NYONE WHO WORKS FOR A carpet maker in Dalton, Georgia, and goes out to lunch with co-workers had better be careful: there's a good chance competitors are within earshot. That's because the northern Georgia town is the home of the entire U.S. carpet industry, with all major players based there. That makes employee turnover an enormous business issue. If a worker can make a little more money just by pulling into a different parking lot, then why not?

Beaulieu of America, the industry's third-largest company at about \$1 billion in annual revenue, was so beset by turnover woes, in fact, that it was motivated to radically transform its culture over the past five years. The results are remarkable: in 2005, Beaulieu's turnover rate was a horrid 50%. Today it has dropped to 17%.

That amounts to huge savings because, says CFO Del Land, replacing a worker costs about \$5,000. Based on that, in 2005, when the company's workforce numbered 7,000 (today it stands at about 5,800), replacing departed workers cost \$17.5 million.

How did Beaulieu do it? The family-run company's owners, Carl Bouckaert and Mieke Hanssens, had tried for years to create a family-type atmosphere, without much success. Various consultants, incentives, and other efforts were tried, to little effect. "The employees laughingly called them things like 'the fruit-of-the-month club,'" Land says.

But in 2005, Beaulieu management met with HPWP, a consulting firm that promotes a "high-performance workplace" environment. Suddenly, the lights came on. As in a



THE TIES THAT BIND: "Our old policies didn't match our rhetoric," says Beaulieu of America CFO Del Land.

surreal movie scene, the owners decided to try HPWP's approach after a single, one-hour meeting.

They began by aligning the company's actions with its message. Or, put another way, they began to communicate with and treat employees as adults, thereby developing mutual respect and trust across all levels of the organization. "So many companies say they want to be employee-friendly, but their actual policies say something different," says Land. "That was true of us."

For example, to get time off under the company’s bereavement policy, an employee had to submit either a death certificate or a newspaper obituary. And at manufacturing facilities, security officials would randomly inspect employees’ cars at the end of a shift to make sure they hadn’t stolen anything.

Beaulieu worked with HPWP to identify those and other policies (like allocating the best parking spaces to executives) that told hourly workers they were second-class citizens. The policies were abolished. “You don’t frisk your family members for silverware after Thanksgiving dinner,” says Sue Bingham, the consulting firm’s founder and principal.

GROUP HUG

What really helped with the turnover rate, however, was the adoption of a high-performance workplace practice: having teams make hiring decisions. Rather than the typical scenario, in which a supervisor decides whom to hire, the employees who will be the new worker’s peers make the choice.

Hiring managers tend to select applicants who think like them, but that often fails to create the best group chemistry, notes Lynn Chambers, Beaulieu’s director of employee development. “The hiring teams do a much better job of picking people,” Chambers says, “and you’ve got people sur-

“You don’t frisk your family members for silverware after Thanksgiving dinner.”

SUE BINGHAM, FOUNDER AND PRINCIPAL, HPWP CONSULTING

rounding that new person who want him or her to succeed.” In fact, no new hire now joins the company based on only one person’s approval, and supervisors don’t have the final say.

As a bonus, says Bingham, hiring teams are adept at identifying problems that cause turnover. If the team members pick someone they thought was terrific, and that person leaves the company because of a supervisor who doesn’t

MANAGEMENT VERSUS LEADERSHIP

One way to look at Beaulieu’s culture shift is as a move from a traditional, top-down management style to what is often called a “servant leadership” approach.

TRADITIONAL MANAGEMENT	SERVANT LEADERSHIP
Power by position	Power by influence
Administer	Innovate
Ask how and when	Ask what and why
Focus on systems	Focus on people
Do things right	Do the right things
Maintain	Develop
Rely on control	Inspire trust
Short-term perspective	Long-term perspective
Accept status quo	Challenge status quo
Eye on bottom line	Eye on the horizon
Imitate	Originate
Me	We

Source: Beaulieu of America

communicate well and orders people around, “you can bet [the team] will show up in the office of that supervisor’s manager or director.”

The other big contribution from HPWP was a five-day boot camp to immerse leaders—24 at a time—in high-performance workplace concepts. The consulting firm facilitated several such events in the first year; after that, Beaulieu leaders opted to tailor them more specifically to the unique aspects of car-

candidates to become supervisors take a two-day version that covers five of the nine modules. So far, about half of the hourly workers have participated. Beaulieu has expanded its roster of facilitators to more than 100 employees, from every level within the organization.

Most of the nine modules incorporate some notable twists on the way companies usually do things. For example, in a traditional management style, “personal accountability” often boils down to how blame is assigned. In the Beaulieu culture, it requires only honesty and impartiality when doing a self-evaluation, says Land. “We tell folks that you are never totally responsible, and you can never totally escape responsibility. You should be honest enough to recognize what your responsibility is and assign it to yourself.”

Another module emphasizes that if you make positive assumptions about the people you work with, or who work for you, their performance will improve dramatically. One company precept, for example, holds that “everyone is trustworthy until they prove they are not.” Discarding the old documentation-required bereavement policy is a tangible example of putting positive assumptions to work. “People will do almost anything for someone who values them,” says Bingham. “For too long the culture in management has been that you should [just] be glad you have a job.”

A module called “High Expectations” prescribes something many companies would be loath to do: letting employees at every level set their own expectations. But time and time again, says Chambers, Beaulieu has found that people expect more of themselves than the company expects from them.

Those who have taken one of the courses applaud the opportunity to interact with a cross-section of company personnel. Casey Johnson, senior vice president of residential sales, who came to Beaulieu a year ago after 24 years at competitor Shaw Industries, notes that at his table were a machinist, a shipping clerk, a lawyer, and a nurse from one of the mills. “You’re out in the woods [at a conference center], and there’s noth-

ing to do but be together,” Johnson says. “We really got to know each other, and I learned an awful lot about Beaulieu.”

“THEY OWN THE SOLUTION”

Beaulieu has taken additional steps to win employees’ trust and respect since HPWP concluded its involvement. It has extended the team-decision approach beyond hiring, for example, to things like improving manufacturing processes and creating efficiencies, giving employees even more say in how the business is run.

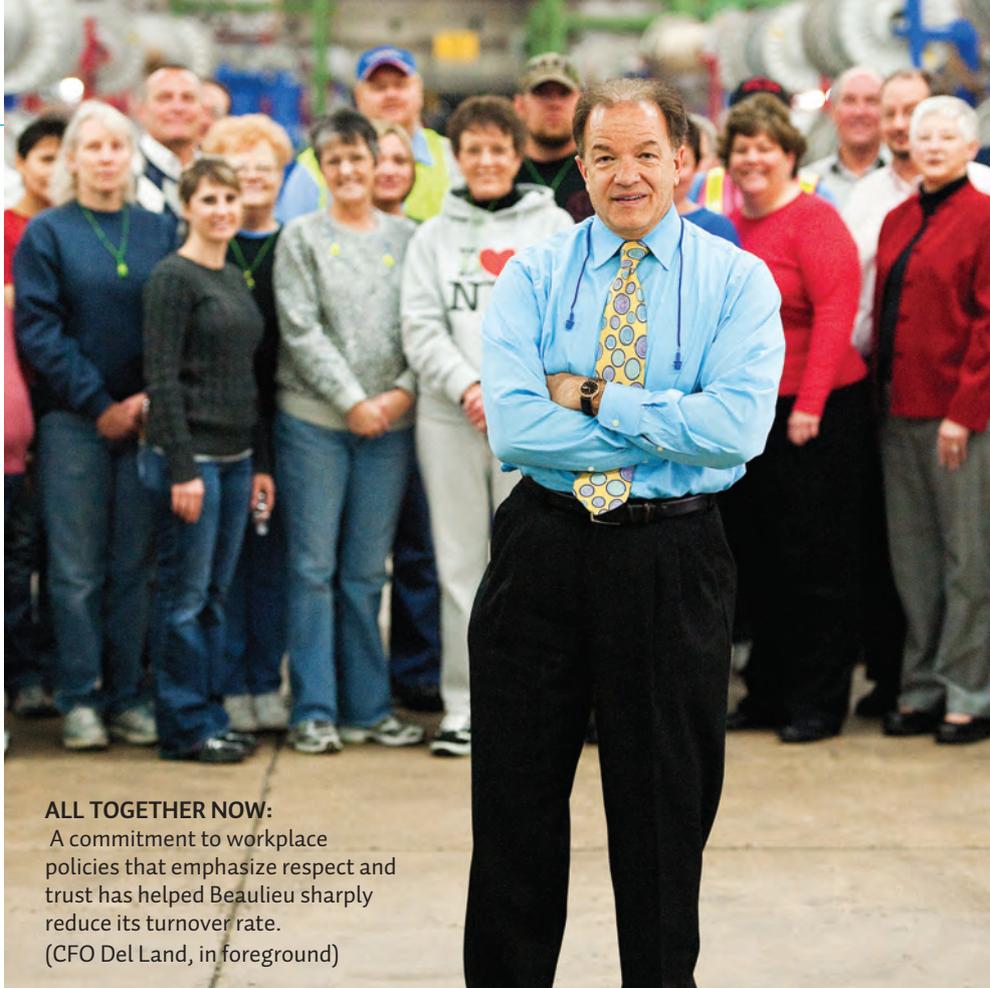
Senior executives learned the hard way that when they tried to push new processes on factory-floor workers that the workers didn’t believe in, the process failed. “They know their job best and can resolve problems far better than someone from a 50,000-foot level,” Land says. “And they will not let the new solution fail, because they own it.”

For example, a four-person team comprising three hourly workers and one salaried employee not from senior management conceived and implemented a new process for routing product from cutting to shipping, saving \$100,000 annually.

Such efforts allow the company to now routinely identify \$15 million to \$20 million a year in cost-saving projects that improve efficiency or reduce waste—three to four times more than before, says Land.

Beaulieu also made a notable change to workforce optimization. When the cyclical carpet industry entered a lengthy slump in 2006, Beaulieu began reducing its employee base. But in ’08, with the downturn growing even more severe, the company introduced a new policy: “Rolling Right Size.” If a market ebb indicates the need for a 10% cut in workers, each employee at every level takes off one week in 10 without pay until demand recovers. Certain executives who can’t take a week off, like the CEO or CFO, have their pay reduced by 10% for the duration.

Beaulieu also helps hourly workers



ALL TOGETHER NOW:

A commitment to workplace policies that emphasize respect and trust has helped Beaulieu sharply reduce its turnover rate. (CFO Del Land, in foreground)

file for unemployment compensation for the missed weeks, and everyone’s health benefits remain in effect.

Another leap forward came last year, when a group of 60 employees who had displayed a zeal for the new culture rewrote the company’s employee policies to ensure they were “adult-to-adult” and respectful in both content and tone. “When 60 people who have talked for a year say, ‘This is a better way of doing business,’ it’s hard to argue with that,” says Chambers.

Among the more notable policy changes that sprang from the effort was the decision that when a shift must be eliminated—because a product is being discontinued, for example—decisions about who stays and who goes are based on merit rather than seniority.

These cultural changes have won over most employees, but not all. At 17%, the annual turnover rate is still 12 points higher than Beaulieu’s goal. The company estimates that at any given time, about 5% of its workers have not

bought in to the revamped culture. In such cases, Land says, “We help them to see that it’s better to be a Beaulieu alumni than [an unhappy] partner.”

Among the happier set, there are daily reminders of how the revised culture helps stem turnover. David Moses, the company’s director of strategic initiatives, says he treasures how “you can speak your thoughts without worrying about the ramifications.”

For senior vice president Johnson, what is most rewarding is that Beaulieu’s core workplace tenets also apply outside the workplace. “Treating others the way you want to be treated, having positive assumptions about people—those are good principles for being a family man or a friend,” he says. “I try to live by them always, but it’s great to have them refreshed in your mind every day.” CFO

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THE HPWP PHILOSOPHY

High Performance Work Place (HPWP) is an operational philosophy for maximizing employee performance that was created to systematize the very best practices from the highest performing companies in the nation.

The HPWP philosophy is based on the belief that approximately 95% of all employees at all levels are responsible workers and citizens. When management resources are focused on protecting companies from the 5% marginal employee group, this has a negative impact on the 95%. Conversely, when management focuses on the 95%—the majority of responsible employees—every metric improves.

ABOUT HPWP CONSULTING

Located in Rome, GA HPWP Consulting, LLC delivers comprehensive leadership development and organizational effectiveness services. We partner with prominent companies nationally who are ready to take the next step of growth and who believe their employees will get them there.

HPWP Consulting delivers solutions to the most challenging business problems that have a real impact on the bottom-line:

- Reducing employee turnover
- Avoiding union activity
- Merging divergent cultures
- Coaching and counseling for superior performance
- Improving morale, innovation and employee engagement

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