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The Essence of Leadership in Modern Organizations

Differential Skills

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Roles and Responsibilities



Retaining the highest-performing employees requires engaging them deeply in the business and its outcomes.

Growing the Greenest Pasture

How to Create Real Employee Engagement

Michael Houlihan and Bonnie Harvey

It may come as a surprise given an economy that still seems to be suffering aftershocks from the Great Recession, but American workers are starting to vote with their feet by leaving their jobs for greener pastures. In fact, the Bureau of Labor Statistics recently reported that 2.36 million people quit their jobs in August 2013, which was up 11 percent from the previous year.

What makes this revelation especially damaging for businesses is that in many cases the people leaving are those with the best prospects for finding another job, in other words, the best employees. They have the talent and skills that other companies find appealing.

That's why turnover is such a profit-draining nightmare for businesses. When the most talented employees leave, their institutional knowledge, their know-how, and their brand and product knowledge go with them. Their relations with vendors and clients also are gone—and those vendors and clients even may be lost if they follow the former employees.

Companies today face a challenge. They must find a way to keep their most talented people. The best way to combat top talent turnover is employee engagement. In fact, increased engagement reduces turnover by 87 percent.¹ Of course, as with most buzzword business concepts, succeeding at employee engagement is easier said than done. To truly engage its best talent, a company has to make those employees feel like they have a true stake in the company's success.

Too many companies try to build engagement initiatives on a foundation that's fundamentally flawed. That won't work. True engagement is a natural, organic extension of a company's culture, and people can't be cajoled, tricked, or bribed into feeling it. There just aren't any shortcuts.

Barefoot Cellars learned early on that its growth and success depended on its employees—how hard they worked, the ideas they had, how committed they were when times got tough, the types of relationships they formed with customers,



The Barefoot Spirit: How Hardship, Hustle, and Heart Built America's #1 Wine Brand



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Abstract: It is hard to believe that such an iconic brand as Barefoot Wines began as a start-up in a laundry room of a rented farmhouse in the Sonoma County hills. Even more surprising is that the people who started it were just an average business couple with no money and no real knowledge about the wine industry. What is not a surprise is that because of their lack of experience and the complicated nature of the wine industry, they ran into difficulties and setbacks that regularly put the brand near death in its first two decades. What kept it going was an unshakable belief in Barefoot's potential, use of universal business principles, and the founders' never-say-die outlook despite

facing one seemingly insurmountable hurdle after another. Those hardships, that hustle, and their heart, are the essence of the Barefoot Spirit. This book traces the history and tells the story of how an unknown novelty wine became an American icon. It chronicles the unlikely events that made success possible, laying out the cornerstone business and lifestyle philosophies that made Barefoot an enduring brand. This is not a dry business text; the lessons are woven into a 20-year business adventure story that's inspiring, amazing, and entertaining. It's a case study, an idea book, an uncommon peek behind the curtain of the wine business, and a snapshot of the American spirit, West Coast style.

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and so much more—and that provided a foundation for the company's phenomenal success. Keeping employees inspired and honestly acknowledging that their loyalty and efforts were appreciated were some of the top business priorities for us as owners. In a nutshell, the trick was finding ways to make employees feel invested in the company—both emotionally and monetarily.

Here are a few questions that can be asked about an organization's employee engagement policies:

- *Is the organization hiring smart?* A human resources (HR) department is, of course, the gatekeeper to any organization. As such, HR representatives are in a great position to fulfill the first step for increasing employee engagement—hiring employees who want purpose, fulfillment, education, and advancement within the company. These are people who know they are excellent at their jobs, and want to work for a company that compensates them based on their performance. People who are less productive can't afford to work for a company that has performance-based compensation plans. When job candidates ask where the profit centers are and how the profits flow into their paychecks, they can be considered go-getters.
- *Is orientation thorough enough?* After bringing new employees on board, don't stop with job-specific orientation training and a quick tour of the office. Make sure that each person understands how the money gets into their paycheck, who the customer is, and the process by which those customers are provided with goods and services. Show employees how the company's various divisions of labor provide the necessary specialties and how each person fits into the big picture. When everyone clearly understands what's happening both inside and outside their areas of responsibility, they'll be more invested in the overall organization. At Barefoot, hours were spent making sure each staff member understood the whys of what they were asked to do. This extra time and energy spent in big-picture education paid off handsomely with fewer mistakes, fewer misunderstandings, and more efficiency.
- *Do the company's compensation plans encourage growth?* No worker is going to turn down a generous paycheck. A higher-than-average salary often will prevent employees from jumping ship to the competition. Don't bank on the fact that the competition won't offer the top employees

something even better, however. To build true engagement, companies must create compensation plans that tie money, employees' personal success, and the future of the company inextricably together. This is how employees become truly invested in the company.

Most compensation plans are based on an hourly rate, which equates to paying for attendance and not necessarily production. Production is what a company really wants, because that's what generates profits. For that reason, Barefoot Cellars offered its employees bonuses for sales, cost reductions, customer retention, and more. When an employee helped the company grow its profits, he/she got to take home more. In some cases, salespeople even took home more than the owners! Looking at the efficiencies of scale, the value of stability, and the increase in sales, this obviously was the right approach.

Sharing the wealth allows companies to reduce turnover, attract go-getters, and motivate people to produce even more. Best of all, increased profit is "found money"—it really costs the company nothing.

- *Are employees getting enough time off?* For obvious reasons, employees feel very positively about an employer who says, "Hey, you know what? Why don't you take a day off? You deserve it, and it won't come out of your vacation or sick days." Not so obvious, but equally true, is that these unworked hours won't mean a loss of productivity and revenue.

At Barefoot, employees were given a Friday off during each month that didn't already have a built-in three-day weekend. We found that these "Barefoot Days," as we called them, didn't hurt productivity at all. Folks regularly put in extra hours to finish their work before the weekend. They didn't want to worry about unfinished projects while on holiday. When they returned they were recharged, refreshed, and ready to get back to work.

Barefoot Days benefitted the company for two additional reasons. First, the cadence that the new holidays gave to the year also relieved much of the long-haul tension that builds between the official holidays. The work periods were never more than six weeks without a break. Attitudes and morale improved accordingly. Secondly, and perhaps most importantly, Barefoot Days created major employee engagement. People loved working for a company that told them to take more vacation,

and as a result, they tended to be incredibly loyal and hardworking.

- *Is an effective mentoring program in place?* Create a program that matches up less experienced employees with more experienced workers (preferably in the same department or division) who can advise, teach, challenge, and encourage. Mentoring relationships boost employee engagement in multiple ways. When rookies are taken under the wings of respected veterans, they learn more quickly, make fewer mistakes, and have tangible evidence that their employer cares about their success on a personal level. At the same time, asking experienced employees to guide new hires shows these veterans that they are noticed and their expertise is valued. Overall, mentoring relationships guarantee that valuable institutional knowledge is passed on while knitting the team more closely together.
- *Do employees feel appreciated?* In a recent Gallup survey, 57 percent of disengaged employees said they felt ignored at work.² This may seem to be what employees want—to not be micro-managed and to be left alone to do their jobs in peace without commentary from management; however, it's not exactly what employees have in mind. Although nobody wants to hear a constant stream of criticism or anxiously delivered suggestions from the boss, workers do want to know that they're doing well. When employees work hard on a company's behalf, they deserve thanks and appreciation. Companies should never take it for granted when employees put in extra hours, land a coveted client, or create an incredibly well-thought-out proposal, for example.

A great way to build team spirit is to send out written acknowledgments or make an announcement when a person does something that positively affects business. At Barefoot, these announcements were made on each employee's anniversary. Not only does saying, "thank you," as publicly as possible give individual employees the warm fuzzies, but it also causes the whole team to gain more respect for co-workers.

- *Are employees afraid to make mistakes?* Employees who feel punished when they've tried something new that didn't work out will never live up to their full potential; and it won't take long for them to seek out a company who appreciates their forward thinking. Caution company leaders on

Six Simple Office Courtesies

- Use your manners. Say please and thank you.
- Keep colleagues and leaders apprised of progress when the ball is in your court. Don't make them come to you to ask about the status of a project.
- Do what you say you'll do (e.g., meet the deadlines you set).
- Don't slow up progress by pretending to know it all—ask for help or an explanation when you need it.
- Respect personal workspaces.
- Consider other people's schedules. Whenever possible ask, "Does this meeting time/call/appointment, etc., work for you?" before putting it on the calendar.

the dangers of responding harshly to employee mistakes. When they do so it stifles the spirit of creativity, innovation, and growth that inspires people to take the risks that can lead to mistakes.

At Barefoot, the approach to dealing with mistakes was to say, "Congratulations! You found a new way to screw up, and that's a good thing. We didn't know that this could happen, but now that it has, we can keep it from happening again." Then the team would brainstorm what went wrong and make technical adjustments. Celebrating mistakes in this way not only helped the organization to make real progress and lasting improvements, but it also used a potentially divisive situation to bind employees closer to the goals and mission.

- *Are employees at all levels courteous with one another?* Employees always want to be treated as respected individuals. A great way to make sure everyone associated with an organization feels respected is to establish an office courtesies protocol that must be followed. The simple courtesies shown in the sidebar, *Six Simple Office Courtesies*, are a great place to start.
- *What does the company value most?* While employees will (and often do) work solely for financial reasons, they'll feel more motivated and more loyal to the company when they also have a social reason to do their jobs. This is a concept that Barefoot applied from its start with great success. From its earliest days, it was clear

to the team and customers that the company intended to use its growth and success to help worthy causes, such as local parks, civil rights, and environmentalism. Even when there wasn't cash to spare, bottles of wine were donated, as well as time, to events that various non-profit organizations held in the community. Barefoot's employees pitched in wholeheartedly and looked forward to working with partner nonprofits. Employees loved being associated with an organization that was actively working to make their community a better place.

Remember, contrary to many popular notions, creating employee engagement is not about holiday bonuses or scheduling team-building activities. It's about connecting them to the organization's values, inspiring them to work toward its goals, giving them the tools they need, treating them as valued team members, and, of course, recognizing them for a job well done.

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Michael Houlihan and Bonnie Harvey, authors of The Barefoot Spirit: How Hardship, Hustle, and Heart Built a Bestselling Wine, started the Barefoot Wine brand in their laundry room in 1986, made it a nationwide bestseller, and later sold the brand. They employed innovative ideas to overcome obstacles and create new markets. They held a comprehensive view of customer service, resulting in the National Hot Brand Award for outstanding sales growth in 2003 and 2004. They now share their experience and innovative approach to business as consultants. To learn more, visit thebarefootspirit.com.