

Management and Technical  
Solutions for the Forest Products Industry

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**A. G. RAYMOND & COMPANY**  
Incorporated



***The Payback  
from  
Education & Leadership***

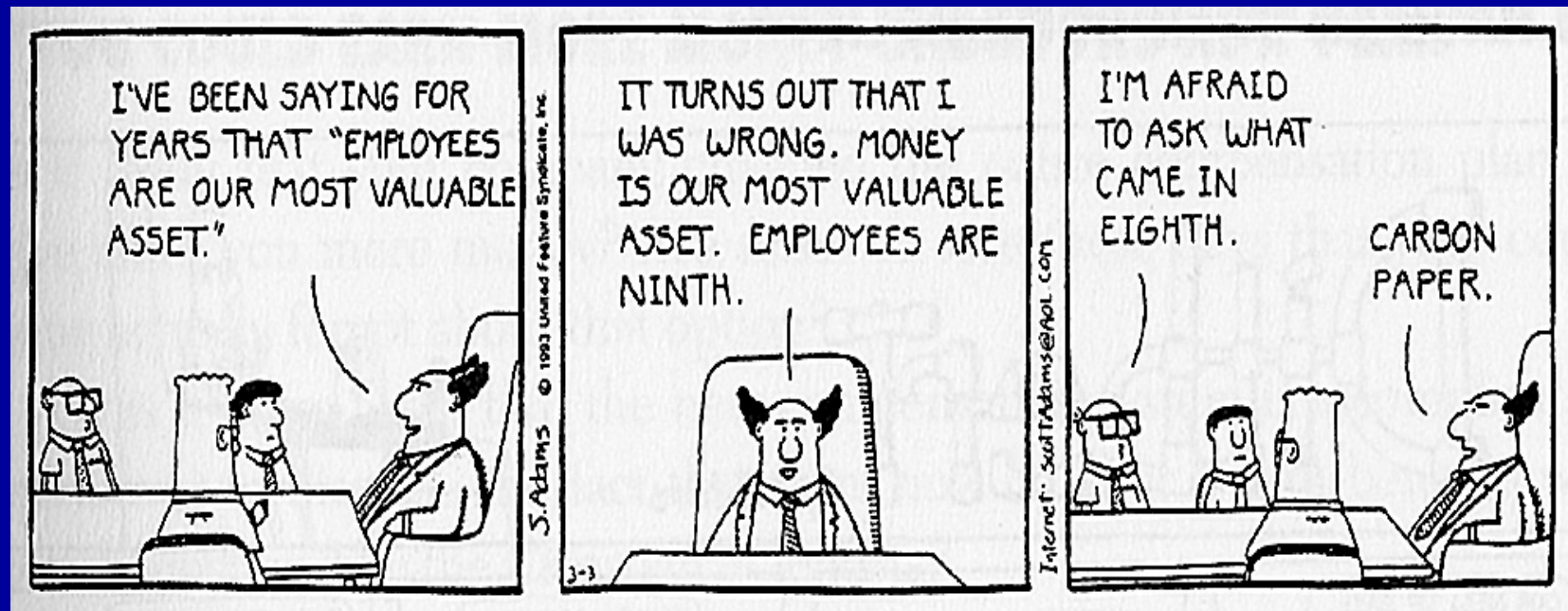
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**Hardwood Manufacturers Association  
2001 National Conference  
New Orleans, LA  
9 March 2001**

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# Value of Your People

The boss says...

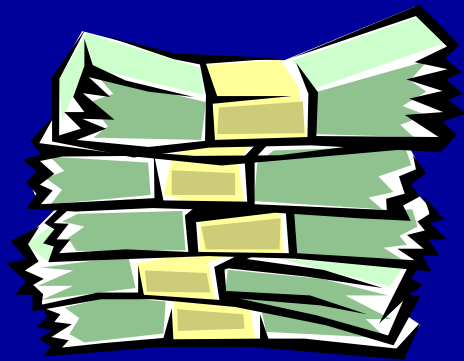


Like most companies Dilbert's has a  
**KNOWING - DOING GAP**  
*in their people policy.*

# *People Issues*

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Your people policy requires attention to a wide range of issues...



## *Compensation*

- **Wage & Salary Structure**
- **Incentives**
- **Fringe Benefits**

# *People Issues*

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plus...

## *Company Culture*

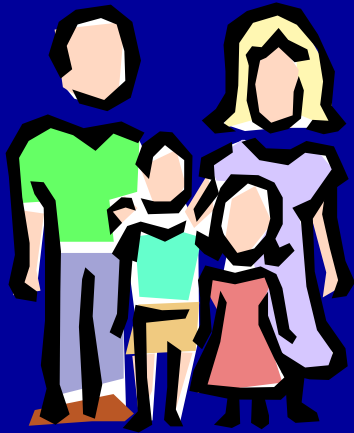
- **Honesty & Integrity**
- **Workplace Safety**
- **Responsibility/  
Accountability**
- **Reputation for Fairness**
- **Community Involvement**
- **Celebration**



# *People Issues*

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and...



## *Work/Life Balance*

- **Working Hours**
- **Family-Focused Benefits**

# ***Why Employees Remain Loyal***

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<u>Reason</u>	<u>% of Responses</u>
• <b>Chance to Use Skills</b>	<b>14</b>
• <b>Trust in Senior Leadership</b>	<b>14</b>
• <b>Competitive Rewards</b>	<b>11</b>
• <b>Job Security</b>	<b>11</b>
• <b>Product &amp; Service Quality</b>	<b>10</b>
• <b>Business Honesty &amp; Integrity</b>	<b>7</b>
• <b>Absence of Work-Related Stress</b>	<b>7</b>
• <b>All Other Reasons</b>	<b>26</b>

Source: Watson Wyatt Worldwide

# ***What Should Your Focus On?***

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**The two foundation blocks for building an *Employer of Choice* reputation are...**

**Education**

**+**

**Leadership**

# ***The Critical Action Initiatives***

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**And the two primary action initiatives are...**

- ***Establishing a formal employee education program.***
- ***Developing sound leadership throughout your organization.***

# ***An Employee Education Program***

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**Key facts and concepts to consider in establishing an education program are...**

- ***Create a real budget for workforce education.***
- ***Provide a minimum of 40 hours of formal education each year.***
- ***Educate your people for life not just work.***

# ***An Employee Education Program***

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**and...**

- ***Band together with other small companies to provide education.***
- ***Pay for class time.***
- ***Pay for skills.***
- ***Educate your supervisors.***

# ***Critical Elements of Leadership***

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**Education of another sort is a critical element of leadership...**



***Inform all employees about your company's goals and how they can contribute.***

# ***Critical Elements of Leadership***

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**A great method for continual communication of your goals and expectations is...**



***A performance measurement system***

**Remember...**

***You can't manage what you don't measure.***

# ***Critical Elements of Leadership***

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**Remember that people want to be respected,  
listened to, and told the truth...**



# ***Giving A Voice To Your People***

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**Tools for good, two-way communications...**

- ***Hold regular, 50/50 meetings.***
- ***Get out on the plant floor, talk, and ask questions.***
- ***Walk a mile in your people's shoes.***

# ***Giving A Voice To Your People***

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**and...**

- ***Conduct exit interviews.***
- ***Survey ex-workers anonymously.***
- ***Be prepared to act on employees' suggestions.***

# ***Combining Education & Leadership***

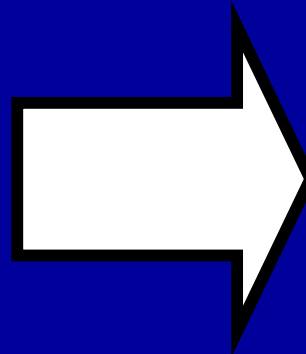
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**Together the two foundation blocks give you ...**

**Education**

**+**

**Leadership**



**Empowerment**

# ***Empowerment***

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## **People in *Empowered Work Teams...***

- ***Share responsibility for a particular process.***
- ***Adjust schedules to maintain flow.***
- ***Assure quality.***

# ***Empowerment***

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**and...**

- ***Improve their process.***
- ***Maintain equipment.***
- ***Train new team members.***

# ***What Is The Payback?***

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*Empowered people will contribute to higher profits through:*

- *Lower Labor Turnover*
- *Improved Productivity*
- *Faster Throughput*
- *Better Quality*

# ***The Cost of Turnover***

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**Pay attention to the facts about turnover...**

- ***The median job tenure in the U.S. is 3.6 years.***
- ***Job tenure increases with age -***
  - > ***For 45-54 year olds = 10 years***
  - > ***For 20-25 year olds = 1.25 years***
- ***The cost of losing an employee is between 50% and 150% of his/her annual salary.***

# ***The Benefit of Low Turnover***

## **Productivity vs. Annual Turnover Rate**



Source: Third Annual *Industry Week* Census of Manufacturers

A. G. Raymond & Company

# Benefits of Empowerment

## Productivity vs. Empowerment



Source: Third Annual *Industry Week* Census of Manufacturers

A. G. Raymond & Company

# ***Payback***

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**If productivity improves only 25%...**

	<u>Before</u>	<u>After</u>
<b><i>Annual Production</i></b>	<b><i>\$10 MM</i></b>	<b><i>\$10 MM</i></b>
<b><i>Output per Worker</i></b>	<b><i>\$100,000</i></b>	<b><i>\$125,000</i></b>
<b><i>Number of Workers</i></b>	<b><i>100</i></b>	<b><i>80</i></b>

# ***Payback***

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**The savings funds your education program...**

	<u>Before</u>	<u>After</u>
<b><i>Annual Payroll</i></b> <b><i>@\$25,000 per man</i></b>	<b><i>\$2.5 MM</i></b>	<b><i>\$2 MM</i></b>
<b><i>Annual Labor Savings</i></b>		<b><i>\$500,000</i></b>
<b><i>Investment in Education @ 3%</i></b> <b><i>of Payroll for 3 years</i></b>		<b><i>\$225,000</i></b>

## ***Other Benefits***

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**In 5 years the best plants also...**

- ***Reduced cycle time by 54%.***
- ***Reduced warranty costs by 45%.***

Source: Third Annual *Industry Week* Census of Manufacturers

A. G. Raymond & Company

# ***Characteristics of the Best Plants***

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**Other features of the best plants are...**

- ***100% of production employees cross-trained.***
- ***7.5% labor turnover.***
- ***6.2 days of training per production worker.***
- ***2.3% of payroll cost budgeted for training.***

Source: Third Annual *Industry Week* Census of Manufacturers

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# *How To Get Started*

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## **To become an Employer of Choice...**

- *Make people the critical issue in your company.*
- *Conduct focus groups or an employee satisfaction survey.*

## ***People Are Different***

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**Some want a balance between work and life...**

- ***Acknowledge non-work priorities.***
- ***Offer work scheduling alternatives.***
- ***Create a group of contingent workers.***
- ***Don't penalize people who rank their job as no. 2.***

# ***How To Get Started***

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## **Then...**

- ***Inventory your present people.***
- ***Identify your people needs position by position.***
- ***Determine the gap between your needs and reality.***
- ***Develop specific action initiatives to close the gap.***

# ***Conclusion***

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**Becoming an Employer of Choice  
is your responsibility.**

**What are you waiting for?**