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A MORALITY TALE

In the summer of 1981 Xerox Corporation was poised on the edge of a cliff. Few people, except the most senior leadership, understood just how precarious the company's position was.

Ironically, that same summer a proposed "full employment" policy had been circulating for approval. According to its terms, Xerox would emulate what were then policies of its competitor IBM and essentially promise that no one who had reached a certain level of competence and service could be fired. They might be "redeployed" to another position, but they would essentially have lifetime job security.

When I read the policy draft as the manager of employee communication for Xerox's copier division based in Rochester, New York, I was delighted that I was part of a company that was determined to continue its long-standing progressive employment policies. This would be the culmination of years of corporate enlightenment by one of the country's true glamour companies. It's hard to appreciate it today, but Xerox during the 1960s and '70s was the Microsoft of that era; it held a virtual monopoly on the copier business until global competition and patent and anti-trust lawsuits from prospective competitors finally broke its hold.

So the shock was even more intense when, in early fall, my boss called me into his office and told me in confidence that Xerox leadership was concocting a plan to lay off up to 15 percent of its global workforce. I was stunned. How could this have happened so fast? We had been talking about full employment a few weeks before, and now the leadership was reversing itself

entirely and quietly using the new term *downsizing* in secret meetings to describe its plan for the near-term future.

What the hell did downsizing mean, anyway? Clearly it was a euphemism for a devastating policy reversal. As a responsible communication professional, how was I to incorporate such a 1984-ish word into our vocabulary? And when was all of this going to happen? And, more to the point, *why* was it happening? I peppered my boss with questions that he clearly had no specific answers to. All he could say was that business results were down severely. Later I was to discover just how severely.

When I first joined Xerox in 1968, we had a 97-percent share of the plain paper copying market. I knew that competition had been eating at our market share in the last several years, but I had no idea how severe the erosion was. The truth that had not been shared outside of senior leadership circles was that our market share had dropped so precipitously over the last three years that at that point it was below 15 percent. It's beyond the scope of this tale—and this book—to detail all the reasons, but we were clearly a company in deep trouble.

Once I recovered from the shock of the proposed downsizing action, I immediately reacted with a suggestion that we had better begin to design a communication strategy to explain this devastating turn of events. I said “devastating” because downsizing in 1981 was far from the commonplace corporate strategy it has become over the last quarter of a century. Clearly, we had to tell our people not only what was happening but why it was happening. And the story had better be good—in short, truthful, candid, and timely—so people could absorb the inevitable shock. Few Xerox people had a clue that their comfortable world was about to be rocked.

Xerox, under the enthusiastic leadership of CEO Dave Kearns, had long had a reputation for an enlightened internal communication process, with open sharing of both good and bad news. As at all companies, the balance was predominantly on the positive side with a smattering of the negative to keep things honest. But

I was honestly taken aback after I presented what I thought was a well-conceived and sensitive communication strategy to my boss a few days later. His response, once he had circulated it to our leadership, was, “They’re not buying it. They don’t want to talk.”

Surely I couldn’t be hearing him right. How could we not “talk” about an action that was bound to bring the media pounding at our door to find out the real story of our problems? Not to mention how our own employees were going to react. How could we possibly think that we could somehow carry out this action under the cover of darkness or public indifference? The Wall Street analysts would be all over us, as well as our shareholders. Not talk? That was a recipe for disaster.

He agreed, but asked me to revise the communication strategy I had prepared for our employees so that it was not quite so threatening to the psyche of our leaders. Reluctantly, I complied and toned down some of the messages to make them a little less threatening while still conveying the difficult circumstances we faced.

He called corporate headquarters in Stamford, Connecticut, where he and his human resource counterparts tried to prevail on Dave Kearns and his senior staff to consider a more forthcoming strategy—particularly with our employees. I lobbied with my corporate communication counterpart to do the same. The reply was the same as before: “We’re not interested. We don’t want to talk about this. We’re just going to do it and let the fact speak for itself.” I was both disheartened and concerned for what I knew would be the inevitable consequences as our people struggled to figure out what was happening and what it meant to their respective situations.

If this is all beginning to sound a bit overwrought, consider that Xerox was a company that ever since the introduction of the 914 copier (heralded as the most successful new product in history) had experienced unprecedented growth and profit with few warning signs of misfortune—at least few that anyone wanted to believe. In fact, this was “the company that could”; the one under whose technical leadership the development of

plain paper copying had been achieved when everyone else—including IBM, 3M, and Kodak—had rejected the idea as unfeasible. In retrospect, it was a setup for the arrogance that almost always overcomes common sense in companies in such circumstances. The inevitable fall is hard to conceive, let alone accept.

Not long after the initial planning for the downsizing, Kearns made what turned out to be an ill-advised visit to Rochester to speak with a group of Xerox managers and professionals. He quietly broke the news to what he thought was an insider group who would keep it to themselves. Predictably, the local papers picked up the story and reported it from “an unidentified source.” When asked, Xerox media people would not confirm or deny any of it, undoubtedly believing that Kearns had been burned by people he trusted with confidential information.

The ensuing weeks were a nightmare, as Xerox maintained its silence while local reporters and other media bombarded the company and its employees with questions. The employee rumor mill went wild with all sorts of speculation that inevitably inflated the 15-percent number. Fear and insecurity fueled a serious drop in employee morale as people began considering their futures and the possibility they would be part of the 15 percent or whatever number they had heard. The best performers, as they always do in such situations, began to contemplate their multiple job options.

It got so bad at one point that the local paper reported a joke that had been circulating in the company and was supplied by an employee who had called to urge them to get “the real story.” The joke: what’s the difference between Xerox and the *Titanic*? The answer: the *Titanic* had a band. Gallows humor personified.

When the by-then widely expected layoffs began in Rochester, where the bulk of company employees were located, the first media call to Xerox public relations that day was from the *London Times*. The next two were from the *Wall Street Journal* and the *New York Times*. And so it went. The poor media spokesperson was reduced to a “No comment” reply. So much for keeping

the action quiet, as banner stories ran in all of the media the next day.

All of that ushered in more than a year and a few months of a kind of Chinese water torture for the workforce, as layoffs continued throughout major pockets of the company. Finally Kearns and his senior leaders launched a full-scale strategy review leading to an eventual initiative dubbed “Leadership Through Quality.” Kearns later admitted, in a candid book entitled *Prophets in the Dark* (coauthored with his trusted outside consultant David Nadler), that he feared his collapsing company would wind up being sold in a fire sale if he and his senior staff didn’t do something drastic.

Alarmed and rattled by the rapid decline of market share, he initiated a series of actions to stop the bleeding and implemented policies that helped the company slowly recover. By 1989 the effort was so successful that Xerox won the coveted Baldrige Award for its manufacturing quality. Lack of uniform product quality and reliability had been at least partially to blame for the stunning market share and revenue reversals. So the Baldrige Award marked a critical turning point after some seven years of tough sledding. The damage, however, had been done. It took several years for Xerox to recover the respect and employee trust that had marked its earlier history of enlightened leadership. (Much later, in the 1990s, miscues by a new generation of Xerox leaders once again threatened the company’s reputation and welfare through a series of accounting misadventures and strategic errors. It seems all too often that corporate memories are painfully short. But that’s another story.)

A Tale Worth Considering

Why do I bother beginning a book on employee communication by retelling this painful story some decades later, especially when such actions no longer shock us as they once did? And when most of the principals have long since left the scene? The answer is that

in my mind it is a morality tale from which we can learn much. Additionally, it was an important bit of foreshadowing of the events that have created a skeptical, mistrusting workforce in many, if not most, of our large corporate organizations today.

If indeed the past is prologue, what lessons can we derive from the Xerox debacle? One of the perhaps more obvious ones is the need for senior leaders and communication professionals to work together in such situations. My problem all those years ago, frankly, was that I was too low on the food chain. I had to present my case only through intermediaries, who may or may not have had the understanding or background to press the point as aggressively as I wished. All I could do was accept the verdicts they brought back to me and push back as hard as my position permitted. In the interest of full disclosure here, I was so distressed by the unfolding of this scenario that I resigned. My logic was that if I could not affect a situation as dramatic as this, there was no sense in staying on. So I quit after a thirteen-year career at Xerox during which I had watched the company experience explosive growth and eventually face its roller-coaster ride to near disaster.

In any effective communication strategy it is imperative that the senior leaders and the communication professionals work closely together to craft and execute the strategy. They are the two key parties in a time of troubles, one to lead confidently and the other to help explain. For this reason this book is addressed to both leaders and communication professionals in the hopes that it will help influence greater mutual cooperation in the face of communication challenges.

In the Xerox case the internal communication team should have joined hands with their external counterparts in pressing the senior staff to do the right thing and communicate as openly as the situation permitted. No one would have advocated a path that could damage the company, but together with David Kearns and his staff we could have minimized the eventual damage that was done to employee morale and to the faith of the company's major constituencies. Instead, we were relegated to the role of bystanders

who had to explain the company's dire situation and the actions to be taken after the fact. By then the damage had been done, and any possibility of getting proactively out ahead of this story was lost.

The last straw for me was a visit to corporate headquarters the week the rolling layoffs began. I was dismayed to see an advance copy of *Xerox World*, the newspaper that was distributed to all employees that week—without a single mention of the actions already under way and widely known about among employees. I recall turning to my colleagues with a mixture of frustration and anger and asking them if I was the only one who was struck by this glaring and insulting omission. I was met with mixed expressions of guilt and embarrassment. It was surreal, as if none of this problem or process was worth reporting. The silence had been carried to the point of pretense and denial. That was the day I decided to resign.

The other—and more important—lesson was what happened to employees and their trust of their own leadership. Sadly, this lesson seems to be repeated over and over again without people learning how to avoid it. I have no way of measuring the morale impact, but I know for a fact that employee productivity crashed in the first few weeks when the story was leaking out like a gush of water from a ruptured water line. People were totally distracted as they gathered in small, worried groups to try to determine what it all meant to them personally.

In the short term there is no question that downsizing layoffs can relieve the financial or other pressures that a company is under. But the long-term costs can be devastating. For example, before the Xerox cutbacks the company in 1981 achieved operating profits of nearly \$1.15 billion, which was the best performance in company history. In 1982 earnings crashed to half that number: \$614 million. The impact on employees and shareholders alike was devastating as customers deserted Xerox products for those of the competition. In this case the “long-term” results of the debacle came along faster than anyone could have imagined.

One of the great ironies of change communication is that it seldom answers the most important question on the minds of each and every employee—namely, what’s going to happen to me? Employees typically are in a very vulnerable condition when it comes to their employment security. They have obligations and dependents to worry about, and the understanding of their vulnerability in a downsizing leads to an all-pervasive, free-floating anxiety that affects every aspect of their work.

The usual response of company leaders is, we don’t have answers so we will decline to engage those individual questions. That strikes them as a reasonable response, but it’s not. In my experience, short of mergers, plant closings, sell-offs of whole divisions, and the like, we have a pretty good idea of who is or is not expendable. If that’s true, why can’t individual managers identify employees at risk in a downsizing and communicate their vulnerability to them so that they can begin to plan their futures as well as their circumstances permit? Equipped with that knowledge, they can better cope with a very threatening personal situation.

In the Xerox case the leadership chose to follow the most painful path of all: keeping employees in a constant state of anxiety over an extended period of time. Unfortunately, too many senior leaders follow this same nonstrategy based on the argument that they simply don’t know how events are going to unfold. Fair enough. Then at least give people a sense of their potential risk. The counterargument is that employee productivity and morale will decline. Who’s kidding whom? It’s already in the toilet because of the prevailing uncertainty.

The other issue here is the need to restore faith in the leadership’s ability to lead. There is a predictable chain of employee reaction in the face of negative change. The first reaction, once people understand the threat, is, How did this happen? What events led to our present dilemma?

The second and predictably human reaction is, Who’s to blame? Let’s identify him or her and inflict a proper punishment. Consider any case in which people decide that harm is done to them because of leadership incompetence. Think even

of natural events like hurricanes or other disastrous phenomena. One of the inevitable stages when people's patience runs short is to call for the heads of those they deem responsible for not either warning them or taking the proper remedial action. This phenomenon also explains why there are so many government probes, hearings, and special investigations. We have a powerful need to fix blame and seek revenge.

If people manage to get past this feeling, they move to a more positive position. Their next question is, what is your future plan to prevent recurrences? In the Xerox case and in every similar case I've seen as a consultant, people go through these predictable changes. At Xerox the cry was, What's our strategy to get out of this mess? What's the battle plan?

It's not hard to understand why people respond like this. They want a sense that the leadership understands the present causes, is searching actively for remedies, and has a concrete plan to move forward. In fact, the simplest formula for effective employee communication in any organization is to answer three questions: Where are we going? How do we propose to get there? And what does all of that mean to me?

So the lessons are clear. Senior leaders and communication professionals need to be honest with one another and in partnership to communicate simply, clearly, and in a timely fashion about the trends, events, and needs that knit the people in an organization together. They also need a clear understanding of the human psyche and human needs on the job as well as how people respond to change. Armed with those understandings and the all-important will to do the right thing, they can communicate even the most painful of events and intentions.

Who Does It Right?

The Xerox case I've described here—which is replicated regularly by more organizations than I can count—is a case of what not to do. As a consultant, I am constantly asked to name companies that “do it right” and communicate effectively with

their employees and other constituencies. It's a question I dislike intensely because, frankly, I see so few examples of doing it right. And the ones I do see are usually fragmentary successes. To some extent, this has been my experience because consultants, like doctors, spend most of their time seeing sick patients or those with nasty symptoms rather than healthy ones. But much of it has to do with leadership unwillingness to admit problems or flaws and to opt instead for spin or for silence.

My reluctance to answer, however, actually begs the question. Is there a logical and successful strategy to inform skeptical employees in a time of turbulent change? After spending more than four decades as a corporate communication executive and consultant, I have discovered that there indeed is a set of principles or insights that, if employed properly, constitute a kind of formula for success.

I tend to distrust handy dandy formulas or the often desired silver bullet that my clients sometimes seek. But I know from experience that there are some seven principles that make a vital difference if they are properly understood and employed. All of these are interrelated and need to be part of a continuing and well-considered communication strategy regardless of a company's fortunes at any point in time. They are particularly important in providing a skeptical workforce with the insights and information they need to perform effectively.

The rest of this book will define and explain those seven principles as a prescription for any organization that hopes to communicate in a way that creates employee enthusiasm and commitment as well as trust. Here's a brief look at the principles I'll flesh out in the coming chapters:

Principle One: Information

The obvious first requirement of solid communication is reliable, accurate, and timely information. Today, when so much of the value that organizations represent is found in their intellectual

capital, information is truly the raw material for a kind of intellectual capital assembly line. If you think about it, much of the work in contemporary organizations has to do with passing information from one group to another and adding to it the particular experience and wisdom of the team members. Done properly, what emerges from this assembly line is knowledge that can be used to create new products and services that constitute the organization's precious intellectual capital.

Principle Two: Needs of the Audience

By *needs* I refer to the human needs that every worker, regardless of his or her position in the organization, brings to work. What kind of communication do we require to stay focused and to want to give our best to the organization of which we are a part? What sorts of communication are likely to make us more engaged in our work? Conversely, what kinds of communication tend to turn us off and to create mistrust and alienation? These are vital questions for any organization that hopes to be competitive in a dog-eat-dog global environment.

Principle Three: Face-to-Face Communication

The employee research has made the same point for years and years. Given a choice, people prefer to receive important information about their jobs face-to-face with another human being. That person generally is their immediate manager or supervisor. Why this is so is not really hard to understand. We are social animals who depend on visual and verbal clues to understand our reality. Evolution has determined this bias as a mechanism to trigger our fight-or-flight response, that inborn self-protection that governs whether we feel endangered or not and what we will do about it.

It's not surprising that this behavior carries over into organizations whose environments can often seem to be threatening to the individual as a result of competition, personal insecurity,

and the high stakes that generally typify life in a highly structured organization.

Principle Four: Openness

The notion of organizational openness is another important communication issue. Closed organizations inevitably arouse distrust and suspicion. The human reaction is that somehow secretiveness and the necessity to hide something unpleasant go hand in hand. Yet there are perfectly valid reasons for organizations to protect their best interests by keeping some secrets.

The guiding principle for sharing information with company employees should be that all information in the organization—except for proprietary, competitive, and personal information—is fair game. In general, the more open an organization is, particularly to the people responsible for doing the work, the more successful it will be in its marketplace.

Principle Five: Research

All organizations are similar in their structures and missions, but they all are also different from one another. Understanding those differences in your own organization is a must. What is the collective vision of your leadership for the organization they lead together? What is their specific agenda in achieving that vision and its accompanying mission? What are their most important business priorities? What values do they truly hold and, more important, live by, in carrying out their leadership responsibilities?

What about the employees who make up your organization's workforce? How well do they understand the direction and priorities of their organization? Do they have what we commonly refer to as a "line of sight" between what they do and what the organization is trying to achieve? Do they understand the marketplace in which their organization is operating and the connection between the marketplace and the company strategy that is a response to

that marketplace? Do they understand and accept the brand promise? More to the point, are they willing to make that promise real through their behavior and attitudes?

Gathering this all important data is the first step in a kind of market research of employee needs.

Principle Six: Marketplace and Workplace

The trouble with organizations facing serious change (and that includes just about all of them today) is that people tend to lose their focus in the midst of the chaos and urgency the organization faces. The temptation at such times is to turn inward and focus on internal problems and their solution. What is needed instead is a focus on the external marketplace and how it is driving strategy. Change severs our comfortable connections, so we need to make connections to the new realities.

Another problem with change is that it usually is chaotic and unpredictable as well as never ending. To survive, we need to have a frame of reference to show us where Corporate North is on our internal compass. The marketplace gives us a sense of *why* we need a new coping strategy. When that new strategy is explained in terms of the market forces that justify and legitimize it, a newfound credibility and understanding informs all sorts of otherwise random and chaotic events.

Principle Seven: Strategy

Most of us, when confronted with a problem, tend to immediately begin thinking of potential solutions. So it's only natural that this tendency also affects the leadership of an organization when confronted with the need to inform the workforce of an important development. The first inclination is to concoct the right message to convey the development. The second is to search for the best channel or channels to deliver the message. And much of this occurs under serious time pressures presenting

a sense of urgency that overcomes intelligent communication strategy. It is reactive communication personified.

The more intelligent approach is a proactive communication strategy based on audience needs and focused mainly on communicating the issues of the organization as a framework for understanding. When that is done well, the news event, whatever it is, can be explained in terms of the organization's priorities and issues. In that case it is far less disruptive than if it is simply delivered as a piece of raw news without further context. The lack of context is what tends to create unnecessary speculation and consternation in organizations.

Combining Principles into a Coherent Whole

The obvious test of good communication is its ability to truly inform the reader or listener. In fact, the question "Who does it right?" that I dislike so much—which triggered this list of principles—can be answered only by reference to these same principles. If you're like me and have trouble organizing and remembering a bunch of seemingly unrelated principles, let me offer you a device that organizes this book's overall message. Look at the first letters of each of the seven principles. Their initial letters—Information, Needs of the audience, Face-to-face communication, Openness, Research, Marketplace, and Strategy—form the acronym INFORMS.

Why resort to such a contrived device to keep this all straight? Acronyms are simple and memorable, and I want to communicate to you a memorable prescription for effective communication to and with a skeptical audience, for that is the basic attitude and posture of today's workforce. We want and need communication that *informs* that workforce and that helps them understand and commit to intelligent strategies and ethical leaderships. To carry on that kind of informing, we need to deliberately and proactively manage the communication process.

And that's the essential point. Communication is a process, not a series of activities, campaigns, or projects. Nor is it, as some suggest, merely "internal journalism." It's not a series of news bulletins or, even worse, a collection of tactics, tools, and channels. For the employee it is like the air he or she breathes at work. Ask any group of employees what the word *communication* means to them, and you will soon be into an extended conversation of everything from the degree of trust they have in their leadership to the need to keep the company directory up to date or their machines calibrated so that they can produce the kind of quality their leaders demand.

It's not the imprecision of the word so much as it is the fact that communication is the robust process that keeps us joined together in common enterprises. It informs our actions and permits us to see the relevance of our lives in a chaotic world. (How's that for a high-falutin', but deadly accurate, definition?)

In the following chapters I'll explain the seven principles in my prescription and provide examples and stories of what I mean by each one. Taken together and carefully executed, these principles will at last permit you to inform an otherwise skeptical and jaded employee audience.

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