

Trash Your Employee Handbook

Mike Collins, Author, Saving American Manufacturing

Customers, particularly new customers, want quicker response, more customization, new products, new services and more flexibility. To compete in the new economy, American manufacturers need to find new market opportunities, new customers, operate with fewer people, and become more innovative, creative and flexible. For the most part, the traditional manufacturing organization (known as a functional organization in textbooks) is not going to work in the new economy.

The functional organization was designed to achieve high levels of efficiency. This type of organization worked for many years, but is generally inflexible, slow to react and requires a lot of overhead to operate. The priority of important things to do always seems to favor the internal, tangible and process things rather than the external, intangible and customer things. The problems are centralized command and control, centralized decision-making, and too much administration and bureaucracy

What is needed is a new type of organization that is flat (instead of a pyramid), has less administration and pushes authority down to the workers who are closest to the customer. This is an organization that motivates people, values creativity and pursues effectiveness rather than efficiency.

Emphasis on Rules, Policies & Handbooks?

Perhaps the ultimate tool of the old functional manufacturing organization that indicates the dominance of command and control and bureaucracy is the employee handbook. The handbook is seen as the ultimate in efficiency because it tries to codify all rules, policies and employee behavior. The believers in handbooks see them as a precise and efficient way to handle problems and manage employees.

Managers who like to define every problem with a specific solution always seem to fall into the trap of mission creep. If a little something is good, then a lot of it is even better.

Handbooks began as a tool that informed employees about vacations, holidays and steel-toe shoes, but eventually, the tool morphed into a bureaucratic tool to control employee behavior, which eventually takes away the autonomy of the supervisor and the worker. This mission creep eventually expanded the employee handbook into personal standards of conduct, ethics, customer relations, personal responsibility and a host of other issues.

Why is this not good?

1. More rules automatically lead to more administration.

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2. It would create higher overhead costs and larger human resource departments.
3. It would reduce flexibility and freedom for the employees.
4. It would stifle innovation, creativity and motivation.
5. By pushing efficiency and rules so hard, you lose effectiveness.
6. The whole idea of rule-based management is a step back to centralized command and control.
7. Most importantly, it is hard to push authority down to the workers, and in fact, it is a contradiction in terms.

EBC Industries is a job shop in Erie, PA that manufactures high-tech fasteners. The company illustrates how a job-shop manufacturer can change its organization in response to the changes in its customers and markets. It had already changed its services to rapid-response manufacturing. The President, Harry Brown, believed that he would also have to change the organization if he were to provide the quick response and flexibility he had promised customers.

He made a conscious decision to change the organization from the bottom up. His objective was to make it easier for customers to contact the company and to get quick decisions. He wanted to share decision-making down to the people who were doing the work and connect these people to the customer. In fact, the machine operators in the work cells were even allowed to call the customer if they didn't understand part of the job.

In addition, Brown decided to flatten the organization's pyramid structure and eliminate middle levels of supervisors. He felt this would improve communication and the speed of responses. It would eliminate overhead and force the teams in the work cells to make their own decisions.

EBC Industries chose to not have a human resource manager or a human resource handbook. Brown believes that trying to codify all problems into a policy handbook is an impossible task that would never be completed. He says, "You will never have enough pages in the handbook to have policies for all problems."

In addition, Brown says small manufacturers, especially job shops, cannot afford the human resource people it takes to write and enforce the rules. He wants the managers and employees to communicate their problems and not use handbook intermediaries.

EBC even has a sign over its door that states: "Eliminate all activities that do not bring value to the customer." The sign means the company operates very lean and has an absolute minimum of accounting, data processing, production control and

human resource employees.

Product Manufacturer Example

A good example of a new type of manufacturing organization is the SEMCO Company, which is featured in the book *Maverick* by Ricardo Semler. Semler took great risks to remake his company into a new organization that was driven by the customers and employees. In the preface, he writes that you “will see in this story, of this admittedly peculiar company and its people, a new way of running an organization. It is not socialist as some of our critics contend. It isn’t purely capitalist, either. It is a new way. A third way. A more humane, trusting, productive, exhilarating, and in every sense, rewarding way.”

SEMCO decided that you could create either order or progress, but that they are contradictory terms. Semler notes, “Policy manuals are created with the idea that if a company puts everything in writing, management will be more rational and objective.”

He finally came to the conclusion that too many rules, policies and manuals were a contradiction of the type of company he was trying to build. SEMCO observed the following, “With few exceptions, rules and regulations only serve to:

1. Divert attention from the company’s objective.
2. Provide a false sense of security for the executives.
3. Create work for bean counters.
4. Teach men to stone dinosaurs and start fires with sticks.

Semler threw away the policy manuals and handbooks because he wanted people to think, innovate, take responsibility and make their own decisions.

The organizational pyramid is the basic structure of the old functional organization. The people at the top of the pyramid control many levels of people and departments below them. It is not uncommon to have seven levels of management at a small to midsize manufacturer and as many as 13 levels in large manufacturing companies. Communication and decision must flow up and down these levels of the pyramid. This process is inherently inflexible and slow, and isolates the people at the bottom doing the work.

Semler decided that there was no way to get his employees into the decision-making process as long as the company was a centralized functional manufacturer. He says, “The only way to change is to make each business unit small enough so that people can understand what is going on and contribute accordingly.”

He continues, “I wanted our people to have more contact with one another. I

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wanted less clutter. I wanted fewer levels. I wanted more flexibility. I wanted a new shape for our organizations." So Semler scrapped the pyramid organization and organized the company into smaller units

As a matter of fact, the company abandoned all organization charts. Semler writes, "By breaking the company down into smaller units, it made the employees feel human again, feel involved and feel that they belong." He adds, "Even the most cynical observers were astonished to find that things were better off once we got rid of the pyramid, and all its rungs and roles."

In fact, SEMCO went ahead and began eliminating all types of structures, rules and top-down policies. It also fired the entire information technology department upon finding out it had become a priesthood of people who made systems more complex, harder to use and actually delayed invoicing. Semler says, "We no longer have all those programmers or keypunch operators; we have dismantled our information systems department and thrown out the systems master plan."

It is interesting that one of the first things that both companies did in changing their organizations was to throw out the handbook and the human resources department. They both viewed the handbook as a tool that took away authority from the people who had to do the actual work. Handbooks may be viewed as a tool of efficiency, but when you begin to codify rules on personal conduct, behavior, ethics, customer relations, etc., you can cut out the heart of employee motivation, innovation, creativity and job enjoyment. The effectiveness of the employees is sacrificed.

As Semler says, you can have either order or progress -- but you can't have it both ways. Both companies developed organization models for manufacturing companies that will survive and prosper in the new century. Both scrapped the old pyramid or defender organization. It is a lesson that should be taken seriously by all manufacturing companies. They found their path to change. You will have to find yours.

Michael P. Collins is the author of the book Saving American Manufacturing. You can find more related articles on his website via www.mpcmgt.com [1].

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