Results-Based Management
The Key to Unlocking Talent, Increasing Productivity

A Prerequisite for Workshifting Initiatives

A Business Strategy for Today’s Global, Mobile Workspace

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Background

IN THIS REPORT

✦ Why results-based management matters
✦ Who’s doing it
✦ How they’re doing it
✦ What the benefits are

Introduction

Recent research shows that 70% of the workforce is not engaged. They’re either wandering around in a fog, or actively undermining their co-workers’ success. They’re burned out, disenfranchised, and over 80% are ready to jump ship.

Eying the end of the recession, employees are no longer happy just to have a job. Boomers who haven’t already made their exit are anticipating it. Gen X-ers watched their workaholic parents, and aren’t about to make the same mistakes. Gen Y-ers grew up independent, tech savvy, and were taught to question authority. Now they’re questioning their employers. This is not your father’s workforce.

Research shows that what employees of all age groups want is the flexibility to determine for themselves where, when, and how they work.

But how do you know they’re working if you can’t see them? That question, and the fact that it’s asked so often, points to a real problem with management today. Whether your employees are down the hall or thousands of miles away, if you’re not measuring by results, you really don’t know who’s working and who isn’t.

In his bestselling book, *Drive: The Surprising Truth About What Motivates Us*, Daniel Pink observes that despite four decades of scientific research on human motivation, there’s an immense mismatch between what science knows and what management does.

Management styles that were born in the days of sweatshops and typing pools are still pervasive in business today. For a technologically adept workforce in a global, mobile workplace those styles don’t work at best, and sabotage success at worst. “While carrots and sticks worked successfully in the 20th century, it’s precisely the wrong way to motivate people today,” writes Pink.

Once considered just an HR strategy, innovative, successful companies including Fortune 500 firms have embraced results-based management and flexible work as an essential business strategy. They’ve learned that when they ignore the where, when, and how work is done, and focus on results, their people are more productive, more creative, and more successful. What’s more, this new way of working allows companies to do more with less—less buildings, less pollution, less overtime, and less waste. Their employees are doing more with less too—less stress, less distractions, less commuting. For companies, that all translates into greater loyalty, engagement, and productivity.

70% of the workforce is in a fog or actively working against success

There’s a mismatch between what science knows and what management does

Management styles born in the days of sweatshops and typing pools still pervade

When you ignore where, when, and how work is done you empower people to be more productive, more creative, and more successful
History

Results-based management is nothing new or complex. In fact, it's so simple even cavemen understood it: You find food, you eat. You don't, you starve.

Pre-industrial revolution artisans, farmers, and merchants understood it too. You work, you eat. You don’t, you starve.

Then came the industrial age. Huge capital investment in machinery offered new capabilities and efficiencies, and factories were born. Suddenly, there was no longer a direct link between how hard you worked and how well you ate.

Jobs at the time largely involved the manufacture of goods. “Working conditions were harsh. Pay was low, workweeks were long, business conditions were volatile, competition for jobs was intense (due, in part, to immigration) and employees were unquestionably subject to the doctrine of employment-at-will. Standardized processes and routine tasks offered little need (or want) for worker creativity.”

Frederick Taylor is widely regarded as one of the earliest management consultants. He was the influential founder of “scientific management” in the early 1900’s and the first person to consider work worthy of systematic study.

According to Peter Drucker, Taylor was responsible for the “tremendous surge of affluence (that) lifted the working masses in the developed countries well above any level recorded before.” In the process, however, he turned satisfying work produced by skilled craftsmen into a series of simple tasks that left no room for creativity.

But Times Have Changed

Today’s workforce is better educated, more diverse, and more demanding. Routine manufacturing jobs have taken a back seat to knowledge jobs. Low-cost technology has removed the barriers to remote work.

“In an age of inexpensive computers, wireless handheld devices, and ubiquitous low cost connections to a global communications network, workers now own the means to production,” writes Daniel Pink in Free Agent Nation—The Future of Working For Yourself.

As a result, temporary employees, contractors, freelancers, and other contingents play an increasing role in today’s business.

Driven to self-employment and freelancing by layoffs and high stress jobs, many of those who successfully made the switch during the recession don’t intend to go back to the cubicle.

A recent poll of 300,000 eWorker members (one of the nation’s largest freelance job boards) found that only 10% of its members who turned to freelancing in response to a layoff want to return to a traditional job.

The Human Capital Institute, a global association for talent management leadership, finds that 90% of companies already use contract talent and a third plan to expand their usage.

Employers have found that outsourcing can do for human resource management, what ‘just-in-time’ did for inventory management. Working side-by-side with the traditional workforce, often virtually, outsourcing allows employers to obtain the best people for the job, when they need them, without taking on a fixed cost.

Meanwhile, the majority of Baby Boomers are at or near the highest rung of the corporate ladder they’re likely to achieve. The raises, promotions, and accolades that once motivated them have been replaced by thoughts of retirement, aging parents, mortality, and “what do I really want out of life?” Seventy percent want to continue to work, but they want to do it on their terms. Many are eyeing self-employment as an option.

Gen Y, grew up questioning their parents, and now they’re questioning their employers. They’re confident, tech-savvy, happy to communicate virtually and eager to be part of a team. They question authority, and have high expectations for their employers. They’re not in it for a gold watch.

The message is clear: This isn’t your father’s workforce. Winning companies understand the transformation and cultural changes it demands. They’ve already taken steps to make work flexible; to manage their salaried, hourly, and contingent workforce by what they do, not where, when, or how they do it; and they’ve adopted the tools and technologies that make flexible work possible. Those that haven’t are, or soon will be, scratching their heads and wondering why more than half of their people are looking for a new employer.
Do you know?

✦ 1 in 4 of your highest potential employees intends to jump ship within a year.\textsuperscript{xii}

✦ 1 in 3 high-potential employees do not put full effort into their job.\textsuperscript{xiii}

✦ In a recent poll of more than 900 workers across North America, Right Management found that a remarkable 60% of respondents plan “to pursue new job opportunities as the economy improves in 2010.” A further 21% indicated that they are considering making such a move and are actively networking as a result.\textsuperscript{xiv}

✦ 52% of employees are currently being poached by other employers.\textsuperscript{xv}

✦ Over 70% of companies recently surveyed by Right Management say that have lost some of their top talent in the first half of 2010.\textsuperscript{xvi}

✦ Gallup’s employee engagement research shows that 54% of U.S. workers are not engaged in their work—which Gallup defines as basically sleepwalking through their day. Another 18% are actively dis-engaged—this group spends every day actively undermining what the engaged worker accomplishes. Surprisingly, the longitudinal study found the recession has had little impact on engagement.\textsuperscript{xvii}

✦ Weak engagement translates into higher turnover, greater absenteeism, and lower productivity.\textsuperscript{xviii}

✦ Across all age groups, flexible work ranked third, just after competitive pay and health insurance, as “important for happiness on the job.”\textsuperscript{xix}

Organizations with high levels of engagement (65 percent or greater) outperformed the total stock market index and posted total shareholder returns 19% higher than the average in 2009. Companies with low engagement (40% or less) had a total shareholder return that was 44% lower than the average.\textsuperscript{ix}
Results-based management creates an atmosphere of trust that solves the problem of having a workforce that’s increasingly sight-unseen. And, with the help of remote work technology, it helps employees enrich and balance their business and personal lives.

Benefits

Jack Nilles, the father of telecommuting, once had an argument with management guru, Tom Peters about his ‘management by walking around’ premise. Nilles told Peters “that’s fine for crummy companies that don’t trust their employees. But good companies work with their people to establish goals, they give them the tools they need to meet those goals, and get out of their way.”

Increasingly ‘management by walking around’ isn’t an option because no one’s in the building. IDC predicts by the year 2013, 76% of employees will be working outside of their office.

Cost reduction lessons learned from the recession will continue to drive the use of technology as a means to reduce travel and real estate costs.

Four out of five organizations anticipate an increase in remote collaboration and continued reduction in business travel. Over 60% report they have already reduced their seat count with alternative workplace strategies.

The talent shortages that plagued companies prior to the recession will return as Boomers retire, as frustrated employees opt-out of the traditional workforce, and as businesses race to hire the key talent.

Results-based management is key to directing a global, mobile workforce. Flexible work options are key to attracting and retaining increasingly scarce talent.
WFD Consulting

According to research conducted by WFD Consulting for Corporate Voices for Working Families,11 workplace flexibility plays a significant role in attracting, retaining, and engaging an hourly workforce and enhancing their performance (see table on next page).

“Our research shows that flexible work options play a significant role in increasing employee satisfaction of hourly workers. That in turn reduces unwanted turnover—particularly critical in a competitive labor market,” says Diane Burrus, Senior Consultant at WFD Consulting. “Successful flexibility programs require selecting and hiring responsible people, clearly communicating expectations, providing them with the necessary information and tools, and then empowering and trusting them to deliver the required results.”

Comments captured during the study offer personal insight into the powerful positive impact of flexible work options:

“The results of the corporate survey have been a huge driver. People [were] saying that they don’t have enough balance in their lives. They would like more flexibility. We need to motivate employees and retain employees—if they can’t get flexibility here, they’re going to go elsewhere.” - Manager (Proctor & Gamble)

“You lead your life and you control your job as opposed to your job controlling you.” - Employee (PNC)

“It’s really satisfying, everyone can do what they need to as long as the work is done.” - Employee (PNC)

“Everyone has their own individual workload and goals, but they also have become aligned, and now have team goals.” - Manager (PNC)

“People take ownership of their day as if you have your own business. You get more loyalty.” - Employee (PNC)

“Without flexibility, I wouldn’t be able to work here.” - Teacher, Bright Horizons

WFD’s “Innovative Workplace Flexibility Options for Hourly Workers”17 2009 study looked at successful flexibility practices for hourly and non-exempt workers within five organizations: Bright Horizons, Marriott, PNC, Proctor & Gamble, and a consumer goods manufacturer. Here’s what they found:

86% of the employees currently not using flexibility would be interested in using it were offered to them without penalty. Almost half (45%) would be “very interested.” There were no differences between men and women or by age of respondent.

83% of the respondents who had joined their companies in the last two years reported that flexibility was important in their decision to take a job with the company.

80% reported that their ability to recruit talented employees is enhanced by opportunities to work flexibly.

Employee engagement is 55% higher for those who have flexibility options.

Over 80% of employees reported that work flexibility is an important factor in their intention to stay with their company.

Of employees with a formal flexibility arrangement, 87% say it is important to them.

85% of managers reported that opportunities to work flexibly enhance their ability to retain talented employees.

57% say that flexibility enhances retention “very much” or “a great deal.”

60% of flexibility users report that they would be “very likely” or “likely” to leave their company if they did not have the opportunity to work flexibly.

The expected turnover rate for employees who do not have the flexibility they need at their companies is almost twice the rate of those who do.

Stress is two times greater for employees who do not have flexible work options than those who do.
The Sloan Center on Aging and Work at Boston College

Based on a survey of over two thousand employees, from nine organizations and twelve departments, it’s clear that having flexible work options matter.

According to the Sloan Center on Aging & Work’s “Age & Generations Study,” when employees have “the flexibility they need,” they are more engaged, less likely to feel overloaded, enjoy better mental health, and feel more positive about their work-family balance. xxiv

“Maximizing the fit between the needs and preferences of workers and the work the environment is key when implementing flexible work options,” says Christina Matz-Costa, Associate Director of Research at the Sloan Center on Aging and Work. “Optimal fit benefits everyone—employees remain highly engaged in their work and want to continue to working for their organization in years to come.”

But there’s a catch. Only half of employees feel comfortable discussing flex options and roughly 40% of workers fear negative career consequences if they choose to use them.

“For employers, the bottom line is results, and that means being able to attract and retain the best talent,” said Kathy Lynch, Director of Employer Engagement at the Sloan Center on Aging & Work.

“When managed well, flexibility can be a strategic tool, not just an accommodation. It can effectively benefit both employees and employers.”

Here’s why:

- Over 78% of respondents reported that having access to flexible work options contributes to their success as employees to a “moderate” or “great extent.”
- Ninety percent reported that having access to flexible work options contributes to their overall quality of life to a “moderate” or “great extent.”
- Flex is especially valuable as a contributor to success as an employee by Gen X and younger Boomers, but considered at least moderately important to all generations. (See Table 1 on the next page)
- Flex is especially valuable as a contributor to quality of life for older Gen X’ers and younger Boomers, but considered important to all generations. (See Table 2 on the next page)
Table 1: Flexibility Contributing to Success as an Employee by Generation (% of respondents) from the Sloan Center on Aging & Work

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Table 2: Flexibility Contributing to Quality of Life by Generation (% of respondents) from the Sloan Center on Aging and Work

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Excerpts from Drive: The Surprising Truth About What Motivates Us

“Hundreds of research papers point to the same conclusion, human beings have an innate inner drive to be autonomous, self-determined, and connected to one another. And when that drive is liberated, people achieve more and live richer lives.”

“Societies, like computers, have operating systems a set of mostly invisible instructions and protocols on which everything runs. The first human operating system—call it Motivation 1.0—was all about survival. Its successor, Motivation 2.0, was built around external rewards and punishments. That worked fine for routine twentieth-century tasks. But in the twenty-first century, Motivation 2.0 is proving incompatible with how we organize what we do, how we think about what we do, and how we do what we do. We need an upgrade.”

“Motivation 2.0 depended on and fostered Type X behavior [which Pink describes as behavior fueled more by extrinsic desires than intrinsic ones and concerned less with the inherent satisfaction of an activity and more with the external rewards to which an activity leads]. Motivation 3.0, the upgrade that’s necessary for the smooth functioning of twenty-first-century business, depends on and fosters Type I behavior which concerns itself less with the external rewards an activity brings and more with the inherent satisfaction of the activity itself.”

“Our ‘default setting’ is to be autonomous and self-directed...People need autonomy over task (what they do), time (when they do it), team (who they do it with), and technique (how they do it). Companies that offer autonomy, sometimes in radical doses, are outperforming their competitors.”

“Humans, by their nature, seek purpose a cause greater and more enduring than themselves. But traditional businesses have long considered purpose ornamental a perfectly nice accessory—so long as it didn’t get in the way of the important things. But that’s changing thanks in part to the rising tide of aging baby boomers reckoning with their own mortality.”

“Within organizations, this new ‘purpose motive’ is expressing itself in three ways: in goals that use profit to reach purpose; in words that emphasize more than self-interest; and in policies that allow people to pursue purpose on their own terms. This move to accompany profit maximization with purpose maximization has the potential to rejuvenate our businesses and remake our world.”

Brigham Young University School of Family Life

Researchers at BYU analyzed data collected from 24,436 IBM employees working in 75 countries. They wanted to determine how many hours of work a week it took before 25% of the employees would feel that work interfered with their personal and family life.

It only took 38 hours before office workers, working a regular schedule, were ready to call it quits. Workers with flexible schedules and the option to telecommute were able to work for 57 hours each week before they felt a conflict.

Study author E. Jeffery Hill said flexibility was key to the difference. Just the option to telecommute wasn’t the solution. Being able to work where and when was appropriate for the task allowed the employees to squeeze in a couple of extra days worth of a work a week without feeling burdened.

Hill was a pioneer of telecommuting at IBM back in 1990, and worked for the company’s Armonk NY headquarters office while living in Arizona and Utah. A few years later IBM adopted telecommuting, introduced results-based work methods and saved millions just on the cost of office space alone.

“Managers were initially skeptical of the idea of allowing employees to work at home and said things like, ‘If we can’t see them how do we know they’re working?’,” Hill said.

Today, according to Hill, more than 80% of IBM managers agree that productivity increases in a flexible environment when performance is based on results.
Method

"The single most frequently asked question we hear from managers of remote workers is 'How can I manage them if I can't see them?' says Jim Ware, Executive Producer, Work Design Collaborative. "The answer is conceptually simple: establish a clear outcomes-based performance measurement system. Then establish personal performance goals with each remote employee and hold them accountable. Manage for results, not time spent on work activities, and it really doesn't matter where or when the work gets done—just that it's done."

How you set those goals is crucially important. According to a 2010 survey by Hewitt Associates of 193 employers, only 15% of companies said their employee’s goals were “very aligned” with organizational priorities.

"To be successful, every employee’s goals should be driven by the company’s overall vision,” says Kenneth Gonzalez, Managing Partner of Engaged Consulting, Inc.” The CEO’s goals should flow to the heads of Operations, Finance, Marketing and so forth. The Marketing Manager’s goals serve as a basis for the Product Development Manager’s goals. His goals would flow through to those of his Administrative Assistant.

“Without an integrated approach to developing performance measures that are based on what the customer wants, companies run the risk of incenting their people to achieve results that are meaningless in terms of the company’s success and survival,” Gonzalez said.

Gonzalez recommends a proper mix of quantitative and qualitative metrics to ensure that everyone within an organization is focused on the part they play in serving their customers.

Gonzalez adds that performance-based management is an ongoing process, not a one-time event. Goals and results should be reviewed regularly. Communications between managers and employees are essential to help spot problems.

Q. "How can I manage them if I can't see them?"

A. “Establish a clear outcomes-based performance measurement system...then establish personal performance goals...and hold them accountable.”

“Manage for results, not time spent on work activities...it really doesn't matter where or when the work gets done—just that it's done.”
and misunderstandings, respond to changing priorities, maintain engagement, ensure employees have the resources they need to meet their goals, and solidify mutual trust.

In other words, without a tie-in to organizational goals, you risk working harder and harder, to do better and better at something you shouldn’t be doing at all.

“The leader of the company needs to set the vision,” says Mitch Pisik, a serial change agent and current President and CEO of Breckwell Products. “That vision has to be clearly and continually communicated to ensure that everyone understands what the priorities are, why they are important, and the critical role each employee plays in fulfilling that vision.”

Pisik recommends that goals be externally focused—on customers, competitors, and constituents. “The further you look down the profit and loss statement for goals, the more likely they are to drive the results you want,” says Pisik.

At Novartis, Pisik gave his salespeople both sales goals and their own marketing budget. That strategy turned his salespeople into entrepreneurs. Volume mushroomed and the company saved millions.

As President and CEO at Four Seasons Sunrooms, Pisik set a goal for the Operations Department to reduce labor as a percent of sales—a ratio that had been stubbornly fixed for many years. The reductions had to occur without any negative impact on safety, efficiency, and quality. Inspired by an incentive bonus, the group reduced the ratio by three full percent points in just a matter of months (improving margins by over $75,000 a month). He gave them the goal, but they had to figure out most of the details of how to achieve it. “My role was to be there to get any boulders out of their way, but it’s more inspirational and motivational when people can look at a result and say “I did that,” said Pisik.

While at Kraft, Pisik refined the sales commission plan to go beyond just volume: he added gross profit and delivery size to it (since it’s more efficient to dispatch a full truck, rather than a partial one). The results included improved revenues, margins, overall profitability, and better collaboration between divisions because they were all working toward a common goal.

“Without a tie-in to organizational goals, you risk working harder and harder, to do better and better, at something you shouldn’t be doing at all.”

“Goals and results should be reviewed regularly. Communications between managers and employees are essential...”
Pisik, Gonzalez, and other results-based management experts agree that for performance goals to be effective, they need to be:

- Tied to the organization’s core values and overall goals in a way that allows an employee to see the role they play in the bigger picture—an important element in employee engagement
  - Specific, measurable, and time-specific
  - Achievable—the employee needs to have the ability and tools to meet them. Care should be taken that the goals of one employee or division are not at odds with those of others
  - Regularly monitored to ensure that they continue to align with the company’s focus

Here's a hypothetical case study as an example of how these principals might translate into actual goals.

AppThis, is a struggling software firm that specializes in iPhone and iPad applications. They’ve been successful at creating a brand around easy to use, robust business apps that solve everyday problems. Getting it right in version 2.0 isn’t an option. The market is hugely competitive. Time to market is important. Their cash flow depends on being able to launch eight new successful apps a year. A remote work environment has allowed them to keep costs low and attract talent, but performance metrics are essential to make sure everyone is aligned with the corporate vision. Their programmers are in great demand so retaining talent is a priority.

Choosing randomly from a variety of positions, here’s what Kenneth Gonzalez quickly brainstormed as examples of performance-based goals for the Product Development Manager:

**Quantitative goals:**
- Develop 2 new apps per quarter (based on direction from Marketing Manager regarding market demand)
- Stay within a budget of $100,000 per app
- Beta version delivery should be not later than the 15th day of the 2nd month
- New version delivery should be not later than the 15th day of the 3rd month
- Programmer turnover should be less than 5%
- Apps are to have less than x% customer functionality complaints
- Apps are to have less than x% customer support issues
- Stakeholder ratings (of the development team) should exceed 4 on a 5 scale.

**Qualitative goals:**
- Apps should have the look and feel of other AppThis and other iPhone/iPad-endorsed products
- Bi-weekly updates on budget, development progress, and potential barriers to success should be provided to management
- Weekly progress reports from programmers should be reviewed and forwarded to Marketing Manager if any issues are likely to put project performance at risk
- Product documentation materials should be delivered to Testing and Support for each app at least 4 weeks prior to beta.
- Marketing input to finalize release features should be agreed upon not less than 2 weeks prior to design phase start
Case Studies

BDO USA

“There’s a growing awareness that for flexibility to have a positive impact on business and people—to be a strategic lever—we have to take a different approach to how, when and where work is done,” says Cali Williams Yost, author of Work+Life: Finding the Fit That’s Right for You (Penguin, 2005).

“Just writing a formal flexible work arrangement policy isn’t enough,” said Yost. “A coordinated flexibility strategy lets a company target the objectives that are most relevant to their business. It can change the fundamental way an organization operates. It can help a majority of employees manage their work-life fit. It can reduce the burnout of employees covering global clients or working global teams. It can increase productivity by meaningful amounts. It can reduce turnover and absenteeism. It can improve the bench strength of a diverse pool of leaders. It can help attract talent. It can translate into a measurable improvement in environmental sustainability. It can reduce real estate, health care, or other costs. And it can ensure business continuity in the event of an emergency. All of these results are possible with a coordinated flexibility strategy that lets a company target the objectives that are most relevant to their business.”

One of Yost’s clients is BDO USA, LLP the U.S. member of the fifth largest global accounting and consulting network with 2,700 employees working in 37 different locations.

In 2005, while launching a Women’s Initiative aimed at recruiting, retaining, and advancing women, a company-wide survey revealed that flexible work was as important for men as it was for women. Surprisingly, male employees and employees without children reported having the hardest time integrating their work and personal lives.

As they rolled out a broader flexibility strategy, they found pockets of success. When they looked at what made the difference in those areas, they found the most successful units were using flexibility not just as an HR strategy, but as a business strategy.

Strategy Advisor Marcee Harris Schwartz reports they are:
- Better able to offer gratifying careers—which helps them attract and retain the best people;
- More efficient and effective at serving the needs of their clients;
- Able to keep costs low and productivity high;
- Helping employees better manage their work and their lives; and
- Finding daily conversations and attitudes now reflect open communication and innovative problem-solving.

Post implementation of the work+life fit™ strategy, the following percentage of respondents felt the initiative has “positively impacted” the firm’s:
- Ability to recruit talent: 83%
- Ability to retain talent: 82%
- Ability to compete in a global workplace: 74%
- Overall productivity: 66%
- Ability to provide quality client service: 65%
- Ability to develop talent: 65%
- Ability to flexibly manage resources (e.g. real estate, matching talent to business cycles, office resource sharing, etc.): 65%

Even during the worst of the recession, a solid majority of employees continued to feel the BDO Flex strategy positively impacted broad business performance as well as individual feelings about the organization.

“Our isn’t a 9 to 5 environment,” said Schwartz. “But more than 95% of BDO employees have laptops. Using technology we’re able to effectively communicate across time zones, offices, and locations.”

“It makes me proud that while some companies dropped their flex policies during the recession, BDO didn’t. Management felt that, more than ever, it was important to focus on results, rather than where, when, or how we did our jobs,” she said. “Flexibility here isn’t just another program, it’s engrained in our culture.”

The world noticed too. In 2010 thirty-one offices won recognition from the national Alfred P. Sloan for Business Excellence in Workplace Flexibility award program; up from 17 offices the previous year. And BDO was named one of the 2010 Best CPA Firms for Women, by the American Society for Women Accountants and the American Women’s Society of CPAs.

The Role of Results-Based Management at BDO

“Flexible work strategies need to start with ‘why are we working flexibly?’ and ‘what do we want it to accomplish?’” says Yost. “The BDO Flex vision established the broad outcomes they expected to achieve from their work+life flexibility strategy—in terms of success for both the business and its people. And that’s what they measure. But you can’t stop there. You have to tackle ‘how do we need to work and how do we manage our lives differently’ for those objectives to become part the day-to-day reality. At BDO a consistent process was developed...
to guide employees to create flexible work/life fit plans that are a win for them personally and for the business. In each operating group, an innovation framework helps them use that same flexibility in how, when, and where work is done to manage costs, service clients, and find and keep good people—essentially, work better and smarter.

Marcee Harris Schwartz, Strategy Advisor, BDO USA said, “I think performance-based management is key to the success of any flexibility strategy, particularly when people are, by definition, not working in the same physical place.” “I’ve heard our remote workers, and especially remote teams, talk about increased coordination and use of technology and communication as key to making work work for them.”

Best Buy

If the sweatshops and typing pools of the early 20th Century define one end of the spectrum in terms of employee trust, Results Only Work Environment or ROWE™, defines the other. Thousands of employees currently work in a ROWE environment where every day is Saturday; all meetings are optional, and they’re free to work whenever and wherever they want—as long as they achieve their goals.

In 2001, Best Buy was setting the stage for global expansion, but employee engagement and productivity were low, and turnover among their 5,000 employees was high. The results of an employee survey aimed at figuring out what employees wanted screamed “trust us.” A 24-year-old hourly employee, Cali Ressler, was tapped to help figure out how to do that.

Ressler was disillusioned by the corporate game. “It was absurd,” says Ressler. “People were focused on how to look like they were working—and teaching me to do the same. Everyone, including managers, had one eye over their shoulder all the time, just in case the boss walked by.”

Her first stab at improving morale was a pilot program that offered a variety of flexible work arrangements such as telecommuting, time shifting, and compressed workweeks. Everyone in the 320-person retail operations department was allowed to create their own schedule.

The pilot was a big success and no one wanted to see it end. “With just a little bit of control over their time, people were happier and more productive,” says Ressler. That affirmation planted the seed for what was to come.

Encouraged by the results, but disappointed that it didn’t result in an organization-wide rollout, Ressler went to her “change agent” Jody Thompson to see what they might be able to accomplish together. While the company wasn’t managing by results, Best Buy had a reputation for being a progressive company—one that was willing to try new things. Together Ressler and Thompson started doing just that.

Plagued by retention challenges, low engagement, and the desire for increased productivity, the Communications and Property groups were eager to be the new guinea pigs. It was clear from their earlier experiment that people wanted control over their lives. And it was clear that people were worrying about all the wrong things. At the end of the day, results were what mattered.

Over the next several years, the ROWE concept evolved. “We really didn’t know what we were doing, or where the path was ultimately going to lead, but we knew what we (Best Buy) had was badly broken, so any improvement was welcome,” said Ressler.

Successes in one department led to pleas for help from others. By 2005, 40% of the corporate staff was in a ROWE program. Until then, the changes that were taking place flew under the radar of the CEO and COO. “We didn’t really want them to know about it until we had some real measurable success,” says Ressler.

As it turned out, Brad Anderson, Best Buy’s CEO loved what they were doing and the results they’d achieved. Not only that, he agreed to let Ressler and Thompson take it on the road—beyond Best Buy—and CultureRx, their own company, was born.

“Looking back on it, Jody and I can hardly believe it happened. Anderson and the executive team not only allowed us to share it with others, they supported us in the effort,” says Ressler. “It’s a true testament to just how progressive and unique Best Buy’s management is. We can’t imagine such a thing would have happened in any other company.”

Since then, 13 companies including Best Buy's CEO loved what they were doing and the results they’d achieved. Not only that, he agreed to let Ressler and Thompson take it on the road—beyond Best Buy—and CultureRx, their own company, was born.

“What is ROWE?”

First, let’s establish what ROWE isn’t. It’s not a workplace flexibility program. It’s not a telecommuting program—though many people choose to work remotely. It’s not a cafeteria plan that allows you to pick and choose the pieces you like. With Ressler and Thompson, it’s all or nothing and they refuse to work with companies that aren’t willing to go all the way.

ROWE isn’t easy, either. It requires a complete cultural revamp. It exposes the
slackers. It demands trust. Ressler explains the difference is like the difference between high school and college. In high school, it’s all about attendance. In college, just showing up isn’t good enough. In fact, it rarely matters. Professors don’t care if you show up for class as long as you get the work done. Some people handle the freedom well. Others flunk out.

“Don’t forget, all the work is still there, too,” says Ressler.

Ressler and Thompson have learned that the “guideposts” need to be extreme so people realize what they’re in for. ROWE requires a fundamental, even radical, rethinking of the nature of work.

“‘Meeting are optional’ is a big one,” says Ressler. “It’s not unusual for people to get really angry during the migration process. We see this as positive. It means we have them thinking.”

“We know ROWE isn’t for everyone,” says Ressler. Participating companies need to be pioneers. They can’t need to wait for proof from others. They need to be willing to take risks. If they aren’t, we’re wasting each others time.”

H. B. Fuller

ROWE was a success, too, at H. B. Fuller, a 120 year old manufacturing firm based in St. Paul, Minnesota.

Guideposts

Here are 13 Results Oriented Work Environment (ROWE) guideposts:

- People at all levels will stop doing any activity that is a waste of their time, their customer’s time, or the company’s time.
- Employees have the freedom to work anywhere or any way they want.
- Every day feels like Saturday.
- People have unlimited “paid time off” as long as their work gets done.
- Work isn’t a place you go—it’s something you do.
- Arriving at or leaving the workplace at 2pm is not considered coming in late or leaving early.
- Nobody talks about how many hours they work.
- Every meeting is optional.
- It’s okay to grocery shop on a Wednesday afternoon, catch a movie on Thursday, or take an afternoon nap.
- There are no work schedules.
- Nobody feels guilty, overworked or stressed out.
- There aren’t any last minute fire drills.
- There is no judgment about how you spend your time.

Shocked? Appalled?

Ressler and Thompson would be pleased.

ROWE is focused on:

- Results, not face time
- Acquiring and keeping good talent
- Weeding out poor performers
- Planning within and between departments
- Eliminating non-value-added activities
- Promoting better communication and response times
- Being efficient, effective and nimble
- Using common sense
Since 2008, they have been conducting annual employee engagement surveys aimed at improving the work environment and, ultimately, improving business results. The surveys showed that Fuller could improve engagement by, among other things, focusing on empowering employees.

A group of three women from the corporate finance department had read *Why Work Sucks*, and proposed it as a way to improve employee engagement through empowerment.

“I’d heard of the Best Buy experience, but since they’re a very different company, more hi-tech and experimental, I wasn’t sure their results would translate.”

Conversations with a local manufacturer that had recently adopted ROWE convinced H.B. Fuller to try it with a group of employees in their corporate headquarters.

Although H.B. Fuller has only had employees working in a ROWE environment for a couple of months, some of the benefits are already evident. When contacted by a recruiter, one post-ROWE employee told him “don’t even bother, I have no interest in working for another company.”

While those not familiar with ROWE are quick to label it a work-from-home or flexible benefits program, insiders like Hedberg see it as a business strategy.

“The empowerment and accountability that ROWE brings is expected to produce a higher level of employee performance and engagement,” says Hedberg. “It is also a positive differentiator in the marketplace that will provide us with a real competitive advantage.”

ROWE has also helped Fuller uncover weaknesses that were masked by the traditional work environment. They have learned, for example, that they weren’t as good as they could have been at communicating, collaborating, and planning. Vulnerabilities such as a lack of cross-training and back-up planning were also exposed.

While a third of H.B. Fuller’s ROWE employees are non-exempt, they and others have found that flexible work for hourly employees presents some unique challenges. The Fair Labor Standards Act and similar state laws require employers to track employee hours. Short-term disability and paid-time-off issues had to be addressed. At H.B. Fuller, this offered an opportunity to engage the hourly employees in developing solutions that work well for them as well as for the company.

Clock-watching, earned vacations, seniority, the forty-hour workweek, and other vestiges of the traditional workplace are tough to change. At H.B. Fuller and other companies that have made the cultural leap to a results-based work environment, the benefits have been overwhelmingly worth the effort.

**ROWE participants find they have:**
- Greater organizational commitment
- More job satisfaction
- A ‘family friendly’ culture
- Increased job security
- More employee loyalty
- Less work-family conflict
- A decrease in negative spillover from work-to-family
- Sleep more than seven hours a night
- Improved quality of their sleep
- Time to go to the doctor when sick
- More frequent exercise
- More energy

**The ROWE Environment:**
- Treats people like responsible, professional adults
- Results in low turnover of great/good performers
- Creates high turnover of under/poor performers
- Increases productivity
- Reduces last minute requests due to poor planning
- Reduces wasteful activity and drives efficiency
- Gives companies a competitive advantage
- Force managers to get clear on measurable

**ROWE can:**
- Retain the best talent
- Maximize creativity
- Foster innovation
- Improve response to customers
- Increase customer satisfaction
- Expand individual and team capacity
- Improve engagement and morale
- Optimize the use of current tools and technology.
The Role of Results-Based Management in ROWE

While ROWE doesn’t show companies how to measure by results, it’s an essential element in the success of the program. The transition forces both managers and employees to focus on what’s important, not assembly-line-like measures.

Before ROWE, a company might measure the number of applications processed, complaints handled, or forms developed—all micro-focused. After ROWE, a company is focused on the broader goals—ones that serve the fundamental objective of making customers happy. Instead of applications or complaints handled, they measure customer satisfaction. Instead of number of forms produced, they look at process efficiency.

In Their Own Words

“ROWE is the best ‘raise’ I’ve ever been given.”

“I love ROWE and have never seen my employees happier, while at the same time having a rise in productivity.”

“ROWE has been one of the best operational changes that our organization has ever made.”

“ROWE is not an employee “perk”—it is a way of aligning the company’s culture around key values that have a positive impact on both the employees and the company.”

“Whether or not we migrated to a ROWE we needed to define results and be clearer about expectations—and this has/is pushing us to do that.”

“Union leadership has taken an active role in working with management to sort out the problems that arise and to work collaboratively on finding solutions, with both sides realizing there is a mutual interest in making ROWE a success.”

OTHER ROWE SUCCESSES

Fortune 100 Retailer (not including customer-facing positions):
- 35% increase in productivity
- 52 to 90% decrease in voluntary turnover
- 56 to 100% increase in involuntary turnover (because ROWE exposes slackers)

Financial Services Firm, 3 months post-migration:
- 18% increase in revenue per full-time employee
- 250% increase in profit per full time employee
- 14% improvement in accuracy rates

National Non-Profit: 6 months post-migration:
- 80% increase in job satisfaction and engagement
- 40% reduction in voluntary turnover
- 74% report improved teamwork
- 69% report improved communication
- 93% report feeling more in control of their life
- 62% say they understand their job duties better
- 75% say they’re more productive
- 100% say they’re less likely to look for another job
Top human resources experts agree, the key to unlocking employee potential is results-based management. Here is a collection of thoughts from some of the other leaders in the field:

Meryl Rosenthal, CEO and President of FlexPaths

“Flexible working practices—the ‘new normal’ in a global working culture—demands results-based management. Competing in today’s work environment requires new approaches to the office environment and location, working times, role definition, management styles and a range of cultural attitudes. Failure to promote anytime, anywhere work will dilute a company’s ability attract, engage and manage diverse talent.”

Dick Finnegan, President of Finnegan Mackenzie

“Building an environment of trust is as important or more important than pay, benefits, and other expensive investments organizations make in retaining talent. It’s the make-it or break-it retention skill for supervisors.”

Rose Stanley, WorldatWork, Work-Life Practice Leader

“Allowing employees the autonomy to work how, where, and when they work best gives them the opportunities to rise to the occasion, increases their productivity, and ultimately results in higher engagement. It’s extremely important for managers to be very clear about the performance objectives that they set up with their employees. Doing so allows employees to see how their objectives help the organization attain its strategic objectives. Of course, trust is vital for managers to give their employees the space and opportunity to achieve those goals.”

Susan Seitel, President and Founder of WFC Resources

“We learn as children how good it feels to be trusted. A 2008 study by researchers at the University of British Columbia found that the feeling of being trusted encourages employees to accept more responsibility and to work harder to please customers. The Great Place to Work Institute reports that employees who feel trusted—and trust their companies in return—tend to have healthier lives outside of work. When they are at work, they’re there because they want to be and they’re ready to contribute.”

“...But trusted to do what? This is the question too many of us fail to answer. Good managers work with their staff to set clear and measurable goals, asking ‘How will we know when this has been accomplished successfully?’ for each. There’s a reason why Ronald Reagan loved the phrase ‘trust but verify.’ It should be the mantra of every manager.”

Judi Casey, Principal Investigator and Director, Sloan Work and Family Research Network

“Supervisors and team leaders often trouble over how to manage employees when they can’t see them. That’s why a focus on performance outcomes are critical. Detail what is expected of your staff—work products, availability, communication procedures—and hold them accountable wherever they are—at the office, the client’s office, the airport, the beach or at home.”

Jennifer Rosenzweig, Director of Research at the Forum for People Performance Management and Measurement

“Results-based management defines a clear direction for the organization. Once created, leaders both expect and trust that their talented employees will find a way to fulfill on this vision. Employee performance is therefore directly linked to organization performance; organizational success is individual success.”

Patricia Kempthorne, President/CEO, Twiga Foundation, Inc

“Even though we propose results-based management as an innovation of the last decade or so, it seems to me that results have always been the bottom line. Somewhere along the way we started talking about time—desk-time, face-time, full-time, over-time, as the measurement of what we accomplish and where we accomplish it.”

“My favorite quote from a manager of a small power plant is "I give my employees workplace flexibility to release them to do their jobs!"”

Elham Shirazi, Principal, e-Planning

“It doesn’t matter whether employees work at home or in the office, the best way to measure performance is through establishing objectives and deliverables, and in communicating expectations. Teleworking merely extends the location of work, the rules for measuring productivity don’t change. For teleworking to be effective, we need to select the right jobs and the right employees. If you can trust an employee in the office without constant supervision, you can probably trust them to work at home. Managing by objectives entails getting away from managing presence and focusing managing by results.”
Today’s technology has transformed work from a noun to a verb. Work is no longer about places, it’s about people. And those people are ready for a change. They want flexibility in when, where, and how they do their job. They want to do their best and feel that they’re a part of greater whole. If they can’t get what they want, they’ll go somewhere else or venture out on their own.

“Just trust us” Best Buy’s employees begged. And when their managers did, they were rewarded. Productivity increased. Employee satisfaction, engagement, and loyalty shot up. “Don’t even bother asking” H.B. Fuller’s employee told a recruiter, “I have no interest in leaving.”

But the benefits didn’t stop there. The work-anywhere culture has helped companies expand their talent pool, and attract top performers. It’s reduced their real estate, absenteeism, turnover, and healthcare costs. It’s increased their competitive advantage. It’s improved collaboration and fostered teamwork. It’s exposed underperformers and eliminated workplace saboteurs. It’s uncovered weaknesses and improved efficiency. It’s helped companies reduce their carbon footprint. And it’s ensured their ability to serve customers in the event of a disaster.

Perhaps most importantly, this new way of working has improved the lives of a company’s most important asset, its people.

Demographic, cultural, economic, and technological realities have forever changed the nature of work. Leading change agents agree, companies that haven’t culturally adopted that results are what matter will be left in the dust behind those that have.

Results-based management is no longer just an HR tactic. When deployed as the foundation to letting people work where, when, and how they work best, it’s a winning business strategy for today’s global, mobile market.

Conclusions

Results-based management and flexible work options are not just HR tactics, they’re essential business strategies for today’s global, mobile workplace.
Resources

WFD Consulting has been helping Fortune 500 companies create inspiring work environments for over 30 years. Their research, consulting, and other services enable clients to mobilize the full richness, diversity, and potential of their employees.

The Sloan Center on Aging & Work at Boston College was founded in 2005. Working in partnership with workplace decision-makers, the center promotes quality of employment as an imperative for the 21st century multi-generational workforce. The Center integrates evidence from research with insights from workplace experiences to inform innovative organizational decision-making. Collaborating with business leaders and scholars in a multi-disciplinary dialogue, the center develops the next generation of knowledge and talent management.


Engaged Consulting helps clients arrive at the proper mix of quantitative and qualitative metrics that drive real accomplishments. Over the past quarter century, their work in performance management has ranged from the lowest level technical metrics in small companies to Fortune 500 organizational goals and objectives.

Flex+Strategy Group is a strategy consultancy that helps companies use flexibility to profit and grow. Their diverse clients include BDO USA, LLP, Pepsico, The United Nations, Ernst & Young, the U.S. Navy, Microsoft and many others.

CultureRx/GoROWE, the inventors of ROWE, has helped companies evaluate their workplace culture and establish Results-Only Work Environments in a wide variety of organizations of companies and industries. Their transformative work and book, Why Work Sucks and How To Fix It (Portfolio, 2008), has been cited in the New York Times, Time Magazine, USA Today and many other publications.
About

Kate Lister, Principal Researcher
Telework Research Network

The Telework Research Network has synthesized over 250 case studies, scholarly reviews, research papers, books, and other documents on telecommuting and related topics. They’ve conducted interviews with the nation’s largest and smallest virtual employers and their employees, corporate executives, telework advocates and naysayers, top researchers, legislators, legal representatives, leaders of successful telework advocacy programs, and venture capitalists who have invested in the remote work model. Their research has been quoted in the Wall Street Journal, Harvard Business Review, and dozens of other publications.

Using the latest Census data, and assumptions from dozens of government and private sector sources, they’ve developed a model to quantify the economic, environmental, and societal potential on telecommuting for every city, county, Congressional District, and state in the nation. It’s available free on the web and has been used by company and community leaders throughout the U.S. and Canada to quantify the extent to which telecommuting can reduce greenhouse gases and petroleum usage, save money, improve work-life balance, increase employee loyalty and turnover, reduce absenteeism, increase productivity, reduce highway congestion and traffic accidents, and much more.

Customized models and case studies are available for companies and communities that want to quantify their own potential telework savings based on over two-dozen variables.

The popular press book, Undress For Success—The Naked Truth About Making Money At Home (Wiley 2009), written by Kate Lister and her husband Tom Harnish, has won the praise of top telework and worklife advocates including WorldatWork, the Canadian Telework Association, the Telework Coalition, the Sloan Foundation, and the father of telecommuting, Jack Nilles.

Based in San Diego, the principals of the Telework Research Network are available for research projects, consulting, writing, and speaking. Kate can be reached at TeleworkResearchNetwork.com, by email or by telephone at 760-703-0377.

Citrix Online

Citrix Online provides secure, easy-to-use online solutions that enable people to work from anywhere with anyone. Whether using GoToMyPC® to access and work on a remote PC, GoToAssist® to support customers or GoToMeeting® to hold online meetings and Webinars, our customers more than 35,000 businesses and hundreds of thousands of individuals are increasing productivity, decreasing travel costs and improving sales, training and service on a global basis. A division of Citrix Systems, Inc. (NASDAQ: CTXS), the company is based in Santa Barbara, California. For more information, visit www.citrixonline.com or call 805-690-6400. For a free evaluation of GoToMeeting Corporate, please visit www.GoToMeeting.com/s/WReval

For a free evaluation of GoToMyPC Corporate, please visit www.GoToMyPC.com/compete
Footnotes

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21. Innovative Workplace Flexibility Options for Hourly Workers, Corporate Voices for Working Families’ Workplace Flexibility Project, researched and written by WFD Consulting. The research was supported by a grant from the Alfred P. Sloan Foundation. For more information about WFD Consulting and the above study visit: http://wfd.com

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