



## IN THE COMPANY WE TRUST

Follow the lead of  
3M's HR managers  
and strive to  
strengthen  
employees' trust.  
It need not be an  
elusive quality.

By Benjamin Schneider and Karen B. Paul

**W**hat do innovation, employee engagement and trust have in common? If you are a 3M executive, everything. The company's record of bringing new products to market has helped 3M earn its place in the *Fortune* 500 and make appearances on many lists of admired companies.

But in 2006, corporate executives were struggling to maintain the momentum they had established in driving efficiency gains while reaffirming a commitment to continuously create innovative products. How could executives balance innovation—the bedrock of 3M's identity—and the efficiency that had resulted from reducing production costs and increasing production quality?

The new chief executive officer, George W. Buckley, decided to build on existing

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high levels of engagement, efficiency and productivity to boost creativity and product innovation—and to grow market shares.

He and his executive team wanted to increase market shares from existing products and make it more difficult for competitors to gain entry into those markets. To drive growth, many strategic changes needed to be made throughout operations in 68 countries: Leaders would need to develop corporate and business-unit plans that would help achieve new market-share goals. These plans were going to require making changes in many existing legacy approaches while maintaining and enhancing employee engagement. Yet leaders knew an entitlement mind-set had built up among employees over time. This attitude would need to be challenged to adopt the new strategy. Here's how 3M's HR professionals went about it.

## Defining the Problem

"There was no silver bullet," admits Sandra Tokach, vice president of talent solutions at 3M. She identifies "the basics" that needed attention:

- Providing employees with challenging, meaningful work.
- Aligning the work to the market-focused mission.
- Helping employees understand pay and benefits.
- Re-emphasizing the role of supervisors as people developers.
- Teaching basic supervisory practices.
- Improving communication and collaboration.
- Involving many stakeholders.

Corporate leaders were aware of the profound role that trust plays in an organization. As Angela S. Lalor, 3M's senior vice president of HR, explains, "We knew from our own research that trust serves as the foundation for employee engagement and for almost all other employee attitudes about their

## What Is Trust?

The authors of this article offer the following description of trust:

Trust is believing that you can count on others in a relationship—trust is all about relationships—to do what's right for you, regardless of whether you can confirm that they have. Trust permits parties to the relationship to take risks because they both believe that neither will act without first considering the action's impact on the relationship. Trust is what frees employees to put their full energy and commitment to work. Trust needs to go beyond the leaders and be reinforced in daily interactions.

work environment. Trust emerges over time from what people experience." In other words, 3M's HR professionals knew that trust in managers correlates to how employees judge most workplace issues. For example, employees who report in a survey that managers have high levels of personal integrity are significantly more likely to respond favorably to all other questions, and vice versa.

When the need for a change in mind-set was presented to employees, 3M managers experienced pushback. This lack of employee engagement in strategic change indicated some loss of trust in senior managers. After all, employees had already been through big changes to get improved efficiency and production quality. And they were being asked to change again because new product developments had noticeably slowed as tracked by 3M's New Product Vitality Index, a proprietary internal measure of innovation. Share price had also fallen some, and the relative position of 3M with investment peers was lower than its leaders wanted. It was clear to Buckley and his team that efficiency was not the key to growth.

But building trust in managers appeared to represent one way to get employees engaged in strategic change. In addition, research by William H. Macey and his colleagues shows that engagement correlates with customer satisfaction and financial performance.

As Macey, chief executive officer of consultancy Valtera Corp. in Chicago, explains, "Engagement happens when

people feel psychologically safe to take action on their own initiative—and taking the risks required for innovation requires trust."

## Launching an Action Plan

With approximately 75,000 employees in 35 divisions and sales in 200 countries, 3M's HR executives knew that building trust required a multi-pronged approach. Because some business units have fewer than 200 employees and others have more than 5,000, the plan for addressing trust issues needed to be flexible and easy to implement for business units of different sizes.

3M's HR professionals knew from employee surveys that two keys to engagement are how supervisors treat employees and the nature of the work they do. Another factor—recognition and rewards, especially their fairness—also is identified as important in these surveys. Additionally, in their book *Employee Engagement: Tools for Analysis, Practice and Competitive Advantage* (Wiley-Blackwell, 2009), Macey and his colleagues present fairness as an element in people's trust of their supervisors. Finally, the research indicated that the more involved employees were in actively promoting the new mind-set, the more engaged they would be in it.

Drawing on these tenets, 3M's HR professionals developed an integrated strategy:

- Provide education and training for supervisors on trust and engagement.
- Promote employees' understanding and involvement in 3M programs tar-



geted at improving the environment, the communities where 3M does business, and individuals' health and well-being.

- Ensure that compensation is seen as fair and equitable.
- Stoke the innovation engine by opening channels of communication.

3M's HR professionals and senior managers chose a full-court press to achieve these goals.

## Educating Supervisors

The fundamentals of engagement have now been built into 3M's leadership classes. The list of corporate leadership attributes reflects the need to "Develop, Teach and Engage Others"; six new videos for supervisors help build relevant skills.

In one video, a 3M executive discusses what trust is, its role in engagement and how to develop trust among team members. The video describes the attributes of leaders who create trust and a coaching perspective. The point: Trust emerges when supervisors are authentic. When supervisors are honest, open and available but realistic, and when they ask questions and listen to solutions rather than "tell and sell," engagement and trust follow.

As a leadership responsibility, employee engagement is:

- Measured in surveys and 360-degree reviews during leadership development.
- Rated as part of supervisors' appraisals.
- Used to set supervisors' personal goals and base lines for performance improvement.

In addition, 3M leaders now understand that the work people do is critical to their being engaged. So, supervisors are given a guide to help them discuss with employees what areas and types of work would be most engaging.

These voluntary discussions begin with the employee completing and delivering a form to the supervisor. The discussions focus on the employee's:

- View of his or her current work and position.
- Development opportunities.
- Compensation and benefits.
- Management and daily work environment.

The discussions help supervisors understand individual wants and needs and how to engage each employee.

## Seeking a Higher Cause

"We wanted to help people understand all of the many offerings 3M has for employees as well as our role in the larger society," says Marlene McGrath, vice president of international HR.

"This allows people to become more easily engaged in the product and process innovations that deliver to a higher cause." 3M's commitment has three components:

### Taking care of the environment.

3M employees' passion for innovation benefits the larger environment. For example, more than 8,100 voluntary projects, proposed by employees, have prevented more than 3 billion pounds of pollution at 3M locations worldwide since 1975—while saving 3M nearly \$1.4 billion in raw materials and pollution control costs. Other projects include the reduction of greenhouse gas emissions and waste and the development of solventless technologies.

**Taking care of others.** In 2009 alone, 3M contributed more than \$49 million and millions more in

## 3M Co.

A diversified technology company with businesses including industrial and transportation, health care, display and graphics, consumer and office, safety, security and protection services, and electro and communications.

**Ownership:** Publicly held (NYSE: 3M).

**Top managers:** George W. Buckley, chief executive officer; Angela S. Lalor, senior vice president of human resources.

**2009 revenue:** \$23.1 billion.

**Employees:** 75,000.

**Locations:** 68 countries, with headquarters in St. Paul, Minn.

**Connections:** [www.3m.com](http://www.3m.com).

products to address community needs through grants from 3M and the 3M Foundation. Employees and retirees participate in 75 percent of 3M's giving through matching programs and service on advisory committees, nonprofit boards and community projects.

**Taking care of yourself.** Employees now earn \$100 in cash for taking an online health assessment and participating in health screenings. The program has saved lives by identifying people with life-threatening conditions that might otherwise have gone unnoticed, according to Jan Angell, vice president of compensation and benefits. In addition, the company launched an online collection of resources promoting physical and emotional health.

## Opening Channels

3M's leaders implemented InnovationLive, an online brainstorming opportunity, to unleash brainpower on products and markets of the future. During the pilot program, which was conducted with employees from research and development (R&D) and from sales and marketing, workers provided an array of ideas from simple to grand. After being voted on by participants, the winning ideas were routed to divisions where contributors could develop them. In just 14 days, InnovationLive generated 736 ideas from participants in 58 nations.

Since then, InnovationLive and other internal social media tools such as blogs, wikis and a social networking site have helped unleash more creative energy. In turn, these techniques created new patterns of communication that have increased employee trust. InnovationLive is now available for use throughout the company.

## Rewarding Employees

To drive long-term change, financial rewards must be aligned to a company's mission. For 3M, this meant HR professionals had to analyze compensation and benefits plans and shift plan designs



to more directly link pay and performance. For performance-based programs to be effective, the target-setting and rewards for achieving targets must be perceived as equitably fair; otherwise, trust deteriorates. It is not so much the amount of pay but rather whether the amount is perceived to be fair. And, as mentioned earlier, fairness is a key contributor to trust, especially with regard to trust in "the system."

HR professionals "can send a million messages about pay, but the most influential person to an employee in discussions about their pay is the supervisor," explains Angell. To that end, HR professionals trained supervisors to explain the way pay at 3M is determined and to emphasize the larger role actual performance would play in determining pay. The logic: When an employee better understands what determines pay, he or she will be more likely to perceive the system as fair. 3M supervisors elaborated on these points by explaining:

- Pay equity at 3M is based on rigorous job benchmarking.
- Pay equity ensures that pay levels are competitive and equitable based on job responsibilities.
- 3M has made changes to its pay plans to more closely tie employees' variable pay to company and individual performance.

## Calling for Leadership

The recent economic downturn has had a depressing impact on senior leaders' credibility and trustworthiness at many companies. Tens of thousands of layoffs and dramatic increases in executive bonuses and pay have resulted in negative perceptions. Yet many 3M leaders and employees point to Buckley's handling of and communication about the economic crisis as key to building trust, engagement and innovation.

Following his own review of the economic situation based on past economic downturns and recoveries, Buckley decided to manage the downturn but

## Promoting Interaction

Sandra Tokach, vice president of talent solutions at 3M, notes that one low-tech practice, "random lunches," have "a big impact on employee engagement even in relatively small business units. These monthly meals foster conversations about what happens in the unit. People volunteer and get randomly assigned to groups of four. The first of the four to sign up arranges a time and location.

Even though participants pay for their own lunches, these occasions garner high participation rates. They have been found to serve as "social lubricants" across workgroups. People get to know others with whom they would not usually interact, and this makes it easier to interact with them later and seek their help.

### Online Resources

To view a video and access a PowerPoint deck about building trust at 3M, and to read other SHRM articles about employee engagement, see the online version of this article at [www.shrm.org/hrmagazine/0111Schneider](http://www.shrm.org/hrmagazine/0111Schneider).

not overreact. He presented his findings to direct reports, then top managers and the entire company, reminding everyone that 3M had been through trying times before and had prevailed. The plan that emerged from these presentations and discussions was more than simply inspirational. Buckley asserted that these four tangible tactics would permit 3M to respond faster to the changing economic conditions:

- Maintain a firm commitment to R&D by preserving R&D spending.
- Freeze merit increases for all to preserve as many jobs as possible.
- Use furloughs rather than layoffs wherever possible. Ultimately, in 2009 3M offered early retirements to staff and laid off only 3 percent of its workforce.
- Closely monitor and manage cash flow.

The last three tactics were critical to ensure that the right workforce was in place when the economy turned.

According to Lalor, Buckley's "communication during the early parts of the economic crisis really built a very special

sense of trust with both the management team and employees."

And "while trust is built and emerges over time, it can be doubly emphasized or quickly destroyed in an instant under times of stress by what managers do," Macey says.

As a result of 3M's approach, survey scores on engagement and trust in managers have risen over time; 3M has capitalized on this with improved business performance.

According to a July 2010 report by Morningstar analyst Adam Fleck, "3M continued to impress on the bottom line, boosting operating margins above already-solid first-quarter 2010 levels. We continue to believe the firm is better positioned than any time in recent memory, with solid new product sales, a clean balance sheet and improving end markets.

"Improvement came as the company also reinstituted merit pay for employees, saw a 3 percent inflation in raw-material costs and bumped advertising spending up 27 percent," he concluded.

And in October 2010, Fleck reported that while the company's third-quarter stock price had declined 3 percent, "To see the growth across almost all the businesses, where before it was more patchy, speaks to the effectiveness of management's restructuring."

These words demonstrate that when managers earn trust, positive change can happen—even in times of economic distress. ■

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