A tale of the tortoise and the hare revisited

Employee involvement in banks

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The fable of the contest between the tortoise and the hare owes part of its popularity to adult readers who see parallels in work and organizations.

The rapid movement of the banking industry toward increased automation in the 1970s may be an example of this race to see which institutions could handle activities quickest. Later, banks turned to quality of worklife programs, and employee involvement teams eventually came into their own in the 1980s, somewhat like the persistent turtle in our tale. During a changing and intensely competitive era, remembering this ancient contest can be instructive as we look for new ways to solve old problems in the 1990s.

Solving an accuracy and speed problem — A Southern bank, for example, was recently experiencing ongoing problems with efficiency in its proof department. Both accuracy and speed are needed for the bank to get proper interest credit for its check entries. Analysis of the average processing times showed hourly transactions only 3.5 percent below the industry maximum, but almost 70 percent under the high suggested by the equipment manufacturer. The quick fixes tried earlier *(the hare)* had failed to produce permanent improvement.

By getting the operators involved in thinking and working in task groups, a more participative approach *(the tortoise)* resulted in agreement on monthly performance improvement targets. Workers asked for and received regular feedback from bosses; processing rates more than doubled in less than six months.

Encouraged by these outcomes, bank officers promoted further analysis of these and related activities. Findings led the bank to add financial incentives for the proof department (and other) employees, who are now sharing the bank's increased profits.

Why should banks turn to employee involvement?

The banking industry like many other industries is adjusting to the multiple changes in the marketplace over the past two decades. The immediate past decade witnessed a widespread national emphasis on improving adult literacy, a data explosion from automated communications development, and the market entry of traditionally non–financial service firms (e.g., General Electric Credit, Sears and General Motors) facilitated by deregulation. Together, these and other forces have produced a better educated and more demanding work force and a customer base which holds higher expectations for service quality in the banking industry.

The rapid productivity gains arising from automation *(the hare)* in the 1970s were not sustainable without increased worker involvement, as illustrated in the proof department situation. Recognizing this has prompted greater interest in employee involvement and quality of worklife as managers search for programs to build long term, sustainable service responsiveness *(like the tortoise)*. Studies over the past several decades highlight why increased machine productivity did not last.

At least two important factors, QWL improvements and an increased desire by workers to have input/control over their own and their organization's success, drive the need for exploring even more employee–centered, teamwork–based approaches to bank administration.

The QWL link with quality service... First, banks want both bottom–line and longer–term improvements that more clearly link productivity to enhanced competitive posture through better service quality. Experienced observations, dating back to the early experiments at the Hawthorne Western Electric plant, have shown that most quality and some quality of output gains are linked closely with changes in the quality of worklife for employees, as determined by how people feel about their role in the organization.

I have something more to contribute. Are you listening? Second, workers with higher aspirations in modern organizations want to know that they make a difference and that theirs is a substantive contribution, as emphasized by Lawler and Ledford in a 1981 article.

We have found through our work with banks and employee involvement programs, as well as a study of relevant literature, that by enhancing QWL through employee involvement, banks experience productivity gains because they have tapped into the previously under–utilized creativity deposits represented in their people assets.

The remainder of this article will examine banks' experience with employee involvement and why, like the factory tortoise, employee involvement turtles (teams) in banks can be the long term winners in the race for sustainable prosperity.

Tapping creativity deposits with teams and quality circles

Some bottom–line results, achieved through employee involvement groups in banks, can be illustrated by two cases.

SeaFirst Bank... In what was then the largest merger in US bank history, BankAmerica bought Seattle First Bank (SeaFirst) back from the brink of bankruptcy in the early 1980s. New owners asked Richard Cooley from Wells Fargo Bank to clean up the mess, according to Peters and Austin *(A Passion for Excellence)*. Cooley put everyone in quality circles, stressing their "ownership" and creativity through highly visible contests.

The internal turtles win out... In ninety days, 900 bank employee involvement teams had generated some $500 million in new accounts. The biggest winners were not from the *groups of hares,* which might include tellers, loan officers, or personnel. It was the people from the *tortoise teams* in MIS who aced the race, loved the opportunities to sell to friends and neighbors, and set contest records for the largest asset increases.

A large northeast banking chain... A larger, multi–state bank, concentrated mostly in the Northeast, developed a pilot team project program in the mid–1980s. It grew to involve some nine areas of retail operations and over 100 managers and staff employees by 1987. Managers gained improved service levels based upon better trained staff, enhanced two–way communication, and more skillful problem solving. By late 1987, high acceptance of the program led to a planned expansion phase based on more than $180,000 in cost savings, along with opportunities for more employee growth, lowered absenteeism among participants, and generally improved morale.

These cases illustrate what can happen when bankers get those employees closest to the problems involved in brainstorming creative solutions to significant challenges facing their organization.

Top management support: the hare versus the tortoise

Writers on employee involvement often dwell on two needs: the need for more middle–management support and participation and the need for top management support. While both are needed, the following example, the demise of an extensive quality circle program in a large Arkansas bank, illustrates that a quick fix (hare) approach to top management support is an approach guaranteed to lose the race.

The president of a smaller bank started quality circles, which grew and went well for four years, expanding greatly when he became CEO in the holding company's flagship bank. For two more years the program made great cost savings gains, then promptly died when the CEO retired. This and similar instances help to emphasize that performance improvement activities cannot simply be legislated by people at the upper levels. Such programs must flow out of an employee involvement philosophy of organizational management (the turtle), and tend to flounder when short term quick fix (hare) efforts are overemphasized or without sufficient commitment at all levels.

Which bank groups utilize teams most effectively?

Bank employee involvement teams can be made up of clerks, supervisors and officers, tellers, lenders, staff employees, and even customers.

Membership mixes in bank EI teams vary widely… Fidelity Bank (Philadelphia) and Manufacturer's Hanover Trust (New York) emphasized circles in their funds transfer departments. Mercantile Bank of St. Louis and Virginia National began teams in their operations divisions.

In a 1983 *Bank Marketing* article, Seiple reported on a Pennsylvania bank's EI group that successfully promoted greatly increased use of ATMs with assistance from elderly customers, 3 tellers, 2 bank customer service representatives, and a personnel specialist.

Another well–known bank, operating an innovative program in 4 upper–Midwest states, encourages all 15,000 of its employees to form quality improvement teams of relevant experts from any level, unit, or community branch any time they encounter something needing improvement.

SeaFirst's experience seems to indicate that information/data processing workers may have highly–developed and relevant skills that foster their relatively rapid adaptation to statistical problem solving techniques, a point underscored by the gains in their new accounts campaign.

Success factors in bank EI processes

Size of teams/circles… Employee involvement programs that encourage regularly scheduled meetings tend to fare better than those that don't offer such encouragement. Successful teams range in size from 3 to 17 participants, with 7 to 12 being common in financial settings.

Enthusiasm… Enthusiasm is usually higher (at least initially) among volunteer team members, who often report looking forward to their involvement in meaningful problem solving dialog about bank industry issues.

Executives may be tempted to suggest topics or projects for EIT consideration, but successful teams work better as independent entities rather than as tools of bank managers.

Over the longer term, banks with EI teams have offered at least two variations on the volunteer theme, with different degrees of success:

1. In some banks, quality circles and project teams choose from a published list of topics or problem areas.
2. In other banks, teams select their own project and see it through to completion (the presentation stage), then disband and join a team (or not) of their choosing related to other projects of interest. Management's role centers around providing support and encouragement of employee involvement through budgetary allocations, participant training, and verbal reinforcement.

Training... The most successful teams benefit by specialized problem–solving training that includes such techniques as data collection, Pareto analysis, case analysis, brainstorming, and use of cause–and–effect diagrams. Members are also usually taught interpersonal and communication skills to facilitate more productive group processes and more effective ways of presenting their findings to management. To help keep EI team discussions on track, facilitators and team leaders typically receive additional training in group dynamics relevant to their key organizing and coordinating responsibilities.

Implications and lessons learned

Even though, to date, few systematic long term studies of quality circles and EI teams have been documented, the potential short–term gains from using EITs in financial institutions are both feasible and well–developed.

Bankers have achieved and cited intangible and bottom–line benefits of quality circles, as summarized below.

Short run EI benefits reported by banks

- Cost savings that affect bottom line
- Improved service quality and responsiveness
- Documented productivity increases – fewer errors
- Better staff trained at low cost
- Favorable perception of enhanced QWL
- Lower absenteeism among participants.

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Other executives have emphasized gains from operating employee involvement programs beyond two years, as highlighted below.

Long–term EI benefits reported by banks

- Refined cost–saving methodology more widespread
- More committed, service–oriented employees
- More skillful problem solvers and two–way communicators
- Positively focused relationships and teams
- Application of more worker creativity to bank goals
- Expanding employee growth opportunities
- Clearer linkages between QWL efforts and productivity

Two critical long–term success factors

To accomplish these outcomes, two potential challenges to EIT effectiveness need to be considered: ongoing management involvement and training of participants.

Management involvement — First, any program that primarily involves employees at the lower levels of the organizational hierarchy is doomed to failure when it lacks ongoing managerial commitment.

Hitting the wall after two years... The history of quality circles suggests that such encouragement has to be the kind that will help a program survive the critical 24 month start–up period, a time when teams/circles otherwise die out due to significant changes in membership or because management support has lessened as far as observable interest in employee involvement goes.

Ongoing training... Second, at around the two–year point, workers have begun to build in their training and interactions using group skills. They become able to more clearly detect whether employee involvement is becoming a substantive part of an organizational philosophy that combines an interest in soliciting and using people's ideas along with emphasis on their productivity. To a large degree, bank officers exemplify their personal interest in such programs the same ways they expect others to do through their demonstration of an ongoing commitment. When management's example is people–oriented, most employees will follow this lead and show increased interest, loyalty, and commitment to such EI activities over the long term.

Conclusions

Employee involvement team programs clearly have progressed beyond the mere *fad* stage of quality circle development and acceptance in US banks.

In a definitive study of 28 banks by Avatar (a consulting group) in 1985, Johnson found a general rise in the numbers of banks using an increasing number of quality circles. Interviews in 1986, by the Council on Financial Competition with member banking institutions underscored these findings by showing that giving positive time and attention to peoples' ideas can pay worthwhile dividends.

Indications from financial institutions, then, point toward the view that worker creativity flourishes in a climate based on a philosophy of the importance of people ideas and efforts integrated within a reasonable quality of worklife climate. Employee involvement programs, including EI teams and quality circles, have been shown to be fruitful ways to promote employee ownership in their tasks so that workers will then apply more creativity to solving increasingly complex and comprehensive service and related quality problems.

However, long term data on efforts to become more productive and competitive via quality circles and EI teams are only sparsely reported and are mixed. Therefore, we cannot say that EI alone will improve productivity and competitiveness. An underlying philosophy, based on the value of idea assets contributed by people must be balanced with attention to other productivity and performance enhancing vehicles.

Our fabled turtle, still in the contest, did not succeed by boasting, by taking the whole thing lightly, nor by haste. But like the hare that stopped to nap during the race, too often the rest of us have been guilty of under–utilizing the energy of our employees and then wonder how our competitors steadily moved ahead of us. We overlook the power and magnitude of the dividends lost by our failure to capitalize on people's ideas, skills and involvement in matters that often affect them deeply and directly at work. ♦