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BUILDING PAY ENVIRONMENTS TO FACILITATE HIGH-PERFORMANCE TEAMS

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Dynamic change and increased competition, which characterize business in the 1990s, most likely will accelerate the trend toward high employee involvement. High involvement increases the role employees play by giving them opportunities to assume more responsibility for organizational results and directions (Lawler 1992).

Teams are essential to effective high-involvement work environments because they take advantage of the skills and abilities of people who share accountability for results. How teams are formed and structured is critical to developing team performance (Katzenbach and Smith 1993).

At the same time, quality initiatives are receiving close attention because organizations believe that quality has a positive influence on financial results (Port and Smith 1992). In fact, some businesses are proposing that quality is a reason for dramatic improvements in their success (Kearns and Nadler 1992).

Because of the complexity of quality improvement, teamwork and collaboration are essential to making quality initiatives successful. To be credible, quality initiatives as well as employee teams must generate measurable, meaningful results to demonstrate that the time and energy expended is worth the effort. Teams must progress beyond the process and training elements of quality to attain organizational goals.

FORMING ECONOMIC PARTNERSHIPS

All team members must be economic partners in the results generated by high-performance teams, the outcomes that effective quality initiatives contribute to overall organizational success, and all other results (Zingheim and Schuster 1992). Furthermore, to form a win-win economic partnership between employees and organizations, pay must be linked to the results of team performance. "New pay" solutions, rather than traditional pay, are central to making quality important to organizational success and encouraging the formation of high-performance teams (Schuster and Zingheim 1992).

While "quality" has been cited as an example of an area in which organizations seek improvement, quality could be replaced by any organizational initiative that is designed to improve performance in the areas of speed, effectiveness, productivity, customer value, innovation, learning and so on. Any of these performance-improvement methodologies may be substituted for or combined with quality in the context of providing a pay environment that is supportive of generating high-performance team results.

When competitive advantages are shifting dramatically, addressing issues of quality (or any performance-improvement initiative), high involvement and new pay in unison is essential. While organizations used to be able to gain advantage from a single strategy such as quality or speed, these advantages now provide only a basic method of entry into the business competition game. Leading and winning economic competition in the future will require innovation along many strategic and tactical fronts at the same time (Kiernan 1993).

CONCERNS ABOUT MEASURING QUALITY

Quality initiatives are drawing fire from those who believe that traditional quality approaches may be dysfunctional to organizations that are hard pressed to deliver bottom-line results. Some believe quality undertakings detract from the ability of organizations to compete or innovate advantageously in key product and service areas. Following is a discussion of general areas of concern.

Excessive Emphasis on Internal Quality Measures

A common error is focusing only on improvements over historical internal performance rather than comparing or benchmarking performance to the current results of successful organizations. Emphasis on external measures is necessary to generate practical results that are central to becoming and remaining competitive.

Unless current external information is used to develop measures and goals, organizations may respond to outmoded customer needs and obsolete technical information. Furthermore, the value of many quality initiatives may be diminished by an organization's failure to emphasize measures of the bottom line and improvements that measurably impact business performance. For example, selecting measures of performance that correlate with important financial indicators, or using the actual financial indicators, is better than using measures based only on improvements in methods and how tasks are performed.

KEY ISSUES
CONCERNS ABOUT MEASURING QUALITY **Excessive Emphasis on Internal Quality Measures** Focusing only on improvements over historical internal performance rather than comparing or benchmarking performance to the current results of successful organizations **Reliance on Meeting Minimum Performance Standards** A lack of focus on the level of excellence required to catch up or to maintain a lead may result in a perpetual "follow the leader" strategy

Reliance on Meeting Minimum Performance Standards

During a time when American organizations must generate outstanding results to gain a global advantage, it does little good to strive for performance levels that other organizations already have exceeded. A lack of focus on the level of excellence required to catch up or to maintain a lead may result in a perpetual "follow the leader" strategy.

A better strategy is to base performance expectations on required future performance rather than on past results. This requires a strong external focus to obtain information and use this information in developing measures, standards and outcome milestones (Harari 1993).

Because of the potential advantages for American businesses that improve quality, it is important to find solutions that encourage organizations to adopt meaningful quality-improvement initiatives. Such initiatives entail the formation of high-performance teams that generate advantageous outcomes.

LINKING QUALITY MEASURES AND HIGH-PERFORMANCE TEAMS TO PAY

Because quality directly influences the economics of an organization, and because organizations depend on people for success, it is essential to share economic gains from quality with the teams that create high levels of performance—linking quality measures with employee pay. While some believe pay should not play any role in quality initiatives (Orsini 1987), it seems impractical to avoid associating pay with key priorities such as quality.

Traditional pay, which is based on tenure and entitlement, is not compatible with the formation of high-performance teams or with excellence in quality. However, new pay, which emphasizes real-team formation, the creation of win-win employee-organization partnerships and situational flexibility, can help quality initiatives deliver meaningful outcomes.

Organizations can address possible quality-initiative dysfunctions by forming "real teams" and using variable or incentive pay to reward meaningful team outcomes. Pay is a strong communicator of organizational values and directions, and it can be used as a lead element in making quality an important strategic priority (Lawler 1990).

REWARDING RESULTS OF TEAM PERFORMANCE

Meaningful quality improvement requires the use of measures such as customer retention and satisfaction, delivery time, accuracy, recovery from failure or error, reliability and consistency, warranty adjustment, and timely development of products and services the customer wants (which, in turn, means growth and market share). These quality measures can be used to tie team awards to results (Zingheim and Schuster 1992).

KEY ISSUES
• Employees indicate the quality training they receive is valuable
• Members of quality teams believe they are generating results that benefit their organization
• Employees, however, do not believe they have the authority to implement the results of their quality efforts
• Employees also do not believe they are rewarded for results, even when important team results are generated that are of value to the organization

For many businesses, the team-reward linkage may not be as strong as necessary to address possible dysfunctions that arise from improperly structuring quality initiatives. A recent survey sponsored by the Association for Quality and Participation indicates how quality initiatives are viewed in several large organizations:

- Employees indicate the quality training they receive is valuable.
- Members of quality teams believe they are generating results that benefit their organization.
- Employees, however, do not believe they have the authority to implement the results of their quality efforts.
- Employees also do not believe they are rewarded for results, even when important team results are generated that are of value to the organization (Resnick-West unpublished).

MOVING TOWARD HIGH-PERFORMANCE TEAMS

Forming teams is an important alternative to traditional hierarchical organizational structures. Rewards should be patterned around the type of team formed based on organizational structure (Lawler and Cohen 1992). The type of team formed (parallel, project and work teams) has implications for the relationships between base pay, performance-recognition alternatives, involvement and communications.

It is critical to ensure that teams clearly generate results. Team culture, including the team's performance focus, affects the formation of high-performance teams. Pay can be used to support the development of real teams, which, in turn, can become high-performance teams.

All small groups are not real teams. Some differences among teams are related to such factors as whether they do work that is basic or tangential to the organization's main business; whether they have power, knowledge and information; and whether they are permanent or temporary (Lawler, Mohrman and Ledford 1992). Other differences in how small groups get things done also are important. Many small groups lack the characteristics necessary to become high-performance teams.

Small employee groups may be placed under three broad categories based on performance focus or culture: gaggles, work groups and real teams.

"Gaggles," or False Teams

These small groups commonly are formed under the banner of creating a collaborative work environment. They are created when the need exists for collective action and specific results; however, for a wide range of reasons, neither a work group nor a real team is formed. Instead, group members go through the motions of working together and appear to outsiders to be cooperating effectively, although group members may not believe that collaboration is occurring.

Gaggles detract from effective individual employee performance without improving group outcomes or helping form a work group or real team. While the importance of individual performance is downplayed, and team play is advocated, actual mutual efforts and shared accountability for results do not occur. Neither individual nor potential collaborative efforts exist.

If gaggle members cannot be focused on real collaboration or at best successful individual performance, gaggles should be disbanded to permit increased emphasis on individual performance. However, the quality-initiative culture often prevents change and sustains nonproductive gaggles.

Work Groups

Most small group efforts probably occur at this level. With work groups, no bonding into a real team exists.

Work-group interaction emphasizes sharing information, assigning individual accountabilities, evaluating alternatives, providing traditional leadership and supervision, exchanging views, and helping each individual work-group participant perform as effectively as possible. No mutual accountability or sharing of commitment to goals occurs. Only individual performance is emphasized, resulting in accountability for individually generated outcomes.

Work groups can outperform gaggles because participants have goals, they are individually accountable for results, they exchange information, and they are managed traditionally.

Work-group support magnifies individual performance by providing the individual member with a wide range of resources. High levels of individual performance depend on the ability of work groups to prepare individuals to contribute. The individual and the work group have limited power to initiate change, although they most often are provided with enough information and knowledge to have the opportunity to perform more effectively as individuals.

KEY ISSUES
3 TYPES OF TEAMS **"Gaggle" or False Team** While the importance of individual performance is downplayed, and team play is advocated, actual mutual efforts and shared accountability for results do not occur. **Work Group** No mutual accountability or sharing of commitment to goals occurs. Only individual performance is emphasized, resulting in accountability for individually generated outcomes. **Real Team** Members share accountability for team results. A common purpose requires complementary skills and knowledge to achieve. The key is mutual responsibility for generating performance outcomes.

Real Teams

Members of real teams share accountability for team results and strong mutual bonding toward a common purpose that requires complementary skills and knowledge to achieve. The key is mutual responsibility for generating performance outcomes.

Real teams can exist only when the organization requires demanding results and holds group members jointly accountable. Demanding goals require active collaboration, and they cause teams to bond. When real teams are elements of quality initiatives, meaningful outcomes are important to sustaining the quality undertaking.

Members of real teams help each other succeed. Rewards are based on team outcomes. Individuals rely on their contribution to team results for recognition. Teams distribute individual rewards for contributions to team success and form economic partnerships between employees and the organization.

To become a high-performance team, a real team must achieve results of broad-based value to the organization by means of mutual effectiveness in integrating skills, knowledge and information. High-performance teams generate valued outcomes (Katzenbach and Smith 1993).

The advantage of real teams trying to become high-performance teams is that they are organized and motivated to evaluate the consequences of dysfunctional quality initiatives and to do something about them. While gaggles and work groups depend on individual performances—and because there is no self-management—it is unlikely that gaggles and work groups will challenge dysfunctional quality initiatives.

TEAMS AND EFFECTIVE PERFORMANCE MEASUREMENT

Real teams have information about what makes organizations successful—a focus on demanding external measures, an understanding that minimum performance is not enough, the knowledge that quality czars must either be accountable or replaced, the belief that top-management commitment is key to quality, and the realization that actual bottom-line results are needed.

Real teams know what is necessary to change for the better—how external measures can be deployed in a quality initiative, what constitutes performance excellence, what level of shared actual accountability for quality results is necessary, how to make quality a reality, and a realization that if the entire organization is not financially viable, all the quality initiatives in the world make little difference.

Real teams have the power to make change rather than merely to operationalize a quality program that has the superficial appearance of importance while not adding true organizational value. Real teams are accountable for outcomes.

Quality gaggles or false teams are a key possible source behind the downfall of quality initiatives. This is true because these small groups give the appearance of team and collaborative behavior while failing to reinforce individual performance. Organizations must uncover gaggles or false teams and either return to a focus on the individual or encourage progress toward the formation of work groups and, hopefully, real teams.

The work group is effective because, although not a real team, it involves a sense of collectivism that provides individual performers with the benefit of support from other work group members. Sharing information, practices, results and experiences are important. However, traditional leadership typically coordinates the process and makes decisions concerning who will do what, who will know what, and what parameters of influence the work group will have. The external authority structure of traditional reporting relationships is likely to protect quality-measurement dysfunctions because of hesitancy to criticize a quality initiative—even when the work group recognizes the lack of linkage between a quality initiative and organizational performance expectations.

The real team is the goal of true quality initiatives. When real teams are successful in improving organizational performance, they become "high performance" teams. Three strategic moves are essential on the part of an organization that hopes to stimulate the creation of high-performance teams:

- **Reward the formation of real teams.** Hold teams accountable for meaningful results. Make it difficult for gaggles or false teams to exist by granting rewards only for collaborative outcomes. Value real teams more than work groups by having individual rewards result from team contributions determined by peer ratings. Encourage team members to help each other succeed.

- **Measure real team performance using external measures of success.** These measures should provide for real competitive advantage, including bottom-line results. Index performance to best performers, and correlate measures with financial success.

- **Implement new-pay strategies that involve the use of external and bottom-line measures.** Reward the formation and maintenance of real teams. Use pay to form an organization-employee partnership that makes high-performance teams and needed outcomes likely.

Organizations can evaluate current total compensation programs to see where they facilitate or hinder progress toward making quality initiatives more effective at the team level.

KEY ISSUES
STIMULATING REAL TEAMS TO BECOME HIGH-PERFORMANCE TEAMS Reward the formation of real teams Measure real-team performance using external measures of success Implement new-pay strategies that involve the use of external and bottom-line measures

PAY ENVIRONMENTS AND TEAMS

New pay requires a total compensation view at both the organization and team levels. A best-use test for pay is whether a given compensation element helps link employees to teams as well as to the organization. Each element of total compensation plays a different role in melding the employee-organization partnership:

- *Base pay* can provide the foundation for a new-pay total compensation strategy by reflecting the market value of jobs and the strategic value to the organization of critical skills and knowledge. Properly designed, new base pay encourages employees to focus outside the organization as well as on horizontal career growth in terms of the acquisition of high-value skills and knowledge.

  Traditional base pay has limited value as a potential tool for team performance recognition. "Merit" pay confuses performance recognition with many other reasons pay increases are granted—internal equity, competitive practices, promotions, cost of living and so on. Traditional base-pay increases are not sufficiently flexible to support team-based quality initiatives.

- *Indirect pay or benefits* communicate the value of health care and retirement plans, and they reward wellness. Aggressive cost-management activities can control the inflation of fixed-benefit costs. Clear communication of benefits programs can indicate that the organization's success influences its ability to pay for benefits.

  Indirect pay has some value as a new-pay tool at the total organizational level to the extent to which qualified profit-sharing and 401(k) plans are used and funding or matching is based on organizational performance. Funding of these plans should be based on an organization's ability to pay rather than on making the plans an employee entitlement.

- *Variable or incentive pay* is the key quality-pay link because it can be designed to reward formation of real teams and recognize high-performance teams. Team contributions can be aligned with quality initiatives as well as other business, financial and human resource priorities.

  By permitting pay dollars to be reused, variable pay does not become an "annuity." Instead, variable pay provides organizations with the opportunity to form win-win partnerships between employees, teams and the total organization. Variable pay also can lead to shared accountability for results at the team level and extended employee line-of-sight, which provides employees with a broader understanding of what is necessary for individual employees, real teams and the total organization to succeed.

  Base pay and indirect pay have limited reward value because they are not able to facilitate the formation of high-performance teams or to encourage the use of meaningful quality measures. Because variable pay is flexible and adaptable to changing circumstances, it can provide powerful reward support for the formation of high-performance teams.

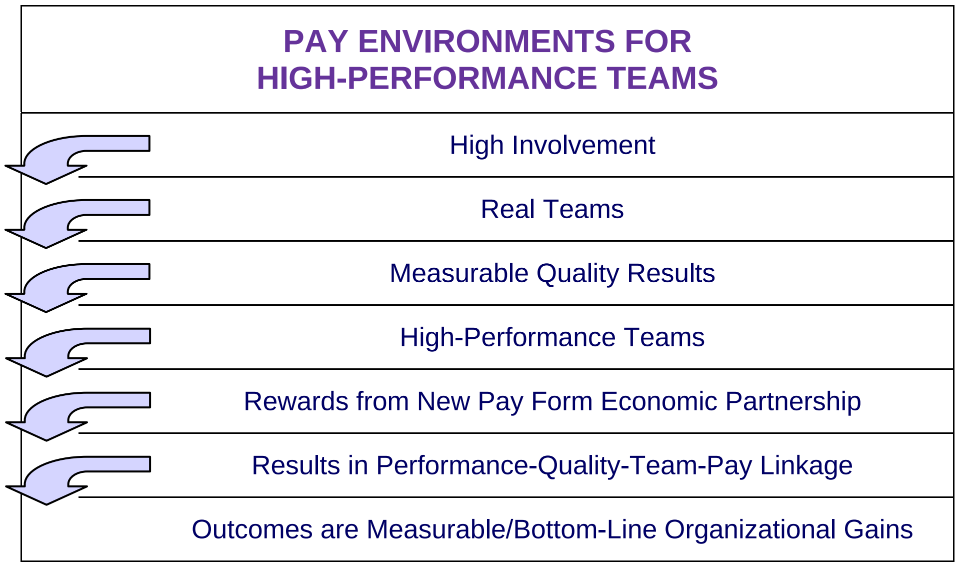
PAY ENVIRONMENTS FOR HIGH-PERFORMANCE TEAMS

Figure 1, on the following page, shows the relationships among the key variables for success in a high-involvement setting that is focused on quality improvement through high-performance teams. To get the results necessary to making quality initiatives contribute to organizational excellence, high-performance teams must become a reality. For this to occur, the organization must provide a high-involvement environment where information, knowledge, power and rewards are moved lower in the organization. High involvement should discourage gaggles or false teams and encourage the formation of real teams. Real teams, in turn, are accountable for meaningful and measurable results in key performance areas, including quality.

High-performance teams result from the combination of real-team formation, real-team accountability for measurable results, and teams achieving the needed outcomes. For this to be sustained, employees must become stakeholders in organizational gains, and this requires the formation of a partnership between employees and the organization.

Because quality involves economic goals and because pay is the economic link between employees and the organization—and subsequently the organization's customers—pay must meld the employee-organization partnership. Team or group variable pay best serves the employee-organization linkage; traditional pay does not serve this linkage effectively.

Figure 1



EFFECTIVE QUALITY-TEAM-PAY LINKAGES

New-pay strategies that tie quality and teams to pay are based on essential principles that may not be present in organizations that use traditional pay systems. These principles involve variable pay design, performance benchmarking, general pay management and executive pay. A description of these principles follows:

- **Variable pay.** Group variable pay should be the organization's prime financial reward tool and focus at the real-team level. Variable pay may employ a wide variety of qualitative and quantitative measures, and it can change reward direction as specific circumstances change.

  Variable pay encourages team performance and rewards individuals as contributing members of a team. Rewards depend on the team assuming accountability for results achieved, which is a necessary characteristic of high-performance teams. When work groups offer the potential to become real teams, group variable pay can create the need for work-group members to share accountability for results.

- **Winsharing.** Meaningful goals that give organizations competitive advantages are central to ensuring that quality initiatives realize their potential. Quality initiatives must not be separated from the realization that the overall organization must remain financially strong to survive.

  Winsharing plans are designed so that a portion of variable pay in all quality-reward plans are funded at least in part by bottom-line results or by performance measures that directly correlate with bottom-line results. For example, while a range of measures and goals in addition to financial results may be used, rewards should communicate strongly that quality and total organizational financial success are associated directly.

  Connecting quality with the operational realities of running a business means establishing key linkages with the financial bottom line. This ensures that everybody understands why the organization exists and that customers have to want to buy a product or service at a particular price in order for the organization to be successful.

- **Pay only for top quality.** Challenging quality measures and goals is central to making quality a practical business priority. If top management cannot attribute meaningful outcomes to quality initiatives, these initiatives may be eliminated.

  Aligning pay with quality permits organizations and employees to benefit from the results of high-performance teams. It is not enough to hope that real teams are formed and that these teams become high-performance teams. It is essential to reward constructive change through new pay. Tools such as traditional merit pay, which emphasize only the individual and respond to differences in tenure and entitlement, cannot accommodate an organization's needs for high levels of team performance.

APPROACHES
NEW-PAY STRATEGIES
Variable Pay
Winsharing
Pay Only for Top Quality
Benchmarking Best Results
Strategic-Team Formation Goals
Manage Base Pay
Limit Individual Incentives
Link Executive and Employee Pay

- **Benchmarking best results.** Quality initiatives often involve the benchmarking of outstanding practices. Organizations may visit pacesetters known for doing specific things well so they can import these practices.

  Benchmarking best results also is important to retain a necessary and strong external focus on how exceptional organizations perform. Organizations on benchmarking visits often are impressed with dramatic changes in process and procedure, and they assume that these changes are related to performance improvements. However, the important value-added information to obtain is why the benchmark organization believes these practices have bottom-line value. The goal is to look for before-and-after results information attributable to the best practice.

- **Strategic-team formation goals.** Variable pay plans should involve the use of strategic goals that reward the transition from gaggles to work groups, at least. These goals also will reward the change from work groups to real teams. Proper goals and award opportunity can make it valuable to become high-performance teams.

  Organizations that undertake quality often are so pleased that groups of people appear to be working together, they do not ensure the formation of real teams. The key is to reward the linkage of individuals to teams so team members will make sacrifices for team success in order to realize the rewards from team excellence.

- **Manage base pay.** While most merit plans are really cost-of-living-increase plans (which actually may be called "pay for performance" plans), even the few merit plans that differentiate between levels of performance do so based on individual performance (Kitsuse 1992). This practice may hinder the formation of real teams and quality initiatives because individual pay plans can create internal competition and lack of information-sharing in place of cooperation.

Base pay should reflect a combination of external competitiveness and skill- or knowledge-based pay to encourage horizontal capability growth. This means managing base pay so it does not reward employees if their individual performances are not consistent with real-team results.

Avoiding traditional merit plans that send mixed messages is important. Instead, base pay should encourage skills that facilitate real-team formation. The transition from an organizational focus on base pay to variable pay is difficult to undertake but essential.

- **Limit individual incentives.** Members of high-performance teams should receive rewards from the team. Individual incentives should be limited to sharing real-team results among team members to support a combination of team and individual contributions to quality initiatives. In some situations, high-performance teams may elect to use individual variable pay to recognize the contribution to team results that are generated by an individual team member.

  Traditional individual incentives can undermine the formation of real teams by making it more important to contribute individually than as a team member. Thus, individual incentives can have nearly the same negative impact as merit base-pay increases. The only advantage of individual incentives over merit increases is that errors are easier to correct. Individual incentives are a reusable form of pay; rewards do not become employee annuities, and mistakes may be corrected during the next performance period.

- **Link executive and employee pay.** Champions and role models are essential to developing effective quality initiatives, forming real teams that generate excellent results and become high-performance teams, and leading the difficult transition from traditional pay to new-pay initiatives.

  Executives and senior managers need to do more than merely appoint a quality team or a new-pay czar and subsequently abdicate accountability for results. Executives must have a serious financial stake in the results achieved from these initiatives.

  Executive-pay strategies should make organizational leaders economic partners with team members through participation in new pay. Executive and management pay should include a combination of long and short-term measures that are shared throughout the organization. Rewarding executives and managers for results will create an economic partnership between leaders and employees.

OPPORTUNITIES FOR COMBINING INITIATIVES

Figure 2 outlines the characteristics of three pay environments that are intended to improve team performance. These changes in how rewards are managed will make all employees stakeholders in the success of their organization. The key is putting substance into reward systems and ensuring that they correspond with other important organizational priorities.

Whether high involvement is an organization's key strategy, and quality and new pay are elements of that strategy—or quality is the key strategy supported by high involvement and new pay—the linkage among these three elements is obvious and important.

Organizations must consider the interactions among the elements of teams, quality, new pay, customer focus and organizational performance. Furthermore, they must select the right mix of these initiatives for their situation. Ignoring the relationships among these elements of success could result in missing the opportunity to compete effectively in the 1990s.

Figure 2

PAY ENVIRONMENTS TO IMPROVE TEAM PERFORMANCE				
TYPE OF SMALL GROUP	**CULTURE OF GROUP**	**MEASUREMENT OF RESULTS**	**REWARD SYSTEM THAT REINFORCES GROUP TYPE**	**POSSIBLE PAY SOLUTIONS TO IMPROVE TEAM PERFORMANCE**
"Gaggles" or False Teams	Gaggles give the appearance of work groups or real teams. While the team is advocated over the individual, neither team nor individual accountability occurs. These groups detract from performance because no team or individual goals or outcomes are required.	Gaggles detract from individual results by pretending to be work groups or real teams. Outcome requirements are missing.	Messages are unclear about the link between pay and performance because of a lack of measurement and clear accountability for individual or small group outcomes.	The formation of work groups or real teams should be rewarded. Measures should be based at least on some team accountability. As quickly as practical, move to team variable pay, starting with a few key outcomes as measures.
Work Groups	Work groups represent a cooperative small-group effort with shared information, assigned accountabilities on an individual basis and traditional leadership. There is not mutual accountability.	Work groups have a collective focus on helping members meet individual goals. Individual results are magnified because of group assistance.	Information-sharing and "best results" are rewarded. Individuals are accountable for results based on individual measures. Supervisors determine rewards.	Move to team measurement and extend employee line-of-sight. Group variable pay focuses on the team while limiting the use of individual variable pay and merit increases. Leaders should be paid based on team outcomes.
Real Teams	Members of real teams share accountability for results, and they care for each other. Demanding goals are set; team results are valued more than individual performance. Individuals are rewarded by their teams.	Emphasis is placed on external measures and contributions to the bottom line. Employees have extended line-of-sight as well as the power to make changes. The team is the center of all outcomes.	Team outcomes generate team rewards. The team then measures and rewards individual contributions to team results. The team is the center of rewards.	Winsharing team variable pay, along with challenging team measures and outcomes, can improve performance. Best external results should be benchmarked. Employee line-of-sight should be extended to increase concern for the whole organization. Skill-based pay can encourage individuals to acquire new capabilities that are compatible with teams.

XEROX PROGRAMS TARGET CUSTOMER SATISFACTION

Since 1983, Xerox Corp. has been successful using total quality management practices as part of its competitive business strategy. Xerox's Business Products and Systems organization earned the Malcolm Baldrige National Quality Award in 1989, as have other Xerox units around the world.

Company leaders attribute Xerox's consistent excellence in the 1990s to strong quality initiatives, said Lawrence G. Robinson, Director of Corporate Compensation in Stamford, Conn.

Key components of the company's total-quality initiatives have been the formation of work teams, the empowerment of the work force, and the continuous improvement of work processes, Robinson said.

Cultural Dimensions

The company's innovative work processes are based on the primary objective of achieving 100-percent customer satisfaction in all 130 countries where Xerox does business, Robinson said. In the United States, overall customer satisfaction is in the low 90s, which Robinson calls a "benchmark rating" among peer companies. Newly introduced initiatives are aimed at converting U.S. customers from "satisfied" to "very satisfied."

As new work processes are developed, they are measured against eight "dimensions" that characterize the desired organizational culture. Every new process must incorporate each of the following characteristics before it is implemented:

- market-connected
- absolute-results oriented
- action-oriented
- line-driven
- team-oriented
- empowered people
- open and honest communication
- organization reflection and learning.

As these dimensions were established, senior management began a process of continually communicating these definitions to the entire work force. Employee teams are expected to assess processes continuously in terms of business priorities and the eight cultural dimensions, Robinson said.

"The formation of work groups and real teams is a continuing goal," Robinson said. "Xerox believes team formation is critical to generating quality results that are measurable and meaningful. A strong linkage between rewards and recognition, quality and teams is essential to sustaining our future."

"I've identified eight dimensions which characterize the organizational culture that we're seeking to create," CEO Paul A. Allaire said Feb. 4, 1992, in his remarks concerning a plan for "Xerox 2000." "Each of us will need to work to understand how our own actions and behavior either contributes to or diverts us from creating the culture that we require to succeed."

Striving for Customer Satisfaction

Recently, the company held a compensation symposium involving human resources and line representatives from divisions and operating companies worldwide to discuss how compensation can lead and support change, and to share practical experiences. One action item resulting from this symposium was an initiative to develop a companywide "new pay" strategy for total compensation. This strategy will be tied to the achievement of optimal customer as well as employee satisfaction.

Xerox is composed of nine business divisions and three customer sales and service organizations. These units are at varying stages in the use of new-pay techniques, including skill-based pay and group variable pay to encourage the formation of teams and to emphasize quality measures. This will provide a competitive performance advantage at all organizational levels, Robinson said.

Customer satisfaction is measured through surveys of customers who actually use the equipment purchased or leased by their organizations. In the United States alone, nearly 500,000 surveys are mailed out every year—or about 40,000 surveys a month, Robinson said.

Achieving high customer satisfaction is a component of the reward system for every employee who receives variable compensation, Robinson said. For example, of the more than 30,000 employees in the U.S. Customer Operations organization, more than 70 percent have variable pay that is determined in part by customer satisfaction. Work teams share the goals of their supervisors, creating a "super team approach" to reaching the company's objectives, Robinson said.

Reward and Recognition Principles

Xerox has aligned how it pays its top executive team with key reward and recognition principles it believes are critical for the future, Robinson said. These principles, which have been applied throughout the organization, include

- supporting organization, cultural and behavior changes
- treating all employees as financial partners with shareholders
- fostering teamwork
- emphasizing incentive/variable compensation
- targeting competitive compensation with premiums for overachievement
- enhancing effectiveness through design simplicity and ease of communication.

"These principles will form the foundation of new pay because Xerox believes strongly that quality and our people are essential to world-class productivity," Robinson said. "Our divisions and customer-operations groups will continue to link rewards to performance."

Robinson says the company will continue to initiate breakthrough improvements in work processes.

"This means sustained emphasis on customer satisfaction, employee satisfaction and productivity improvement, with the formation of teams that are rewarded for making our customers successful," Robinson said. "We know that quality is linked to an empowered work force."

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