

## Section Four: Engagement

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### Introduction

[Suzanne Cummings](#) is project manager for *Invested* and Regional and Community Outreach at the Federal Reserve Bank of Boston.

Many savvy business owners believe that a company is only as successful as its employees. For those who lead businesses centered in philosophy and practice on the needs, ideas, and advancement of their workers, meaningful engagement fuels and expands that success. This section of our issue on worker voice explores how employee engagement and shared values can shape the culture of an organization, drive creativity and collaboration, build leadership, and inspire trust, solidarity, and enthusiasm—all while yielding strong profits and greater success for both businesses and individuals.

One proven way to engage workers is to share the company's profits and growth with them. Here, an expert on employee ownership and profit sharing describes a mechanism for spreading the wealth known as an employee stock ownership plan, or ESOP. We learn about how these plans came about and how they work, the impact they have on employers and employees alike, and some of the key factors that can make them a valuable tool for reaping shared rewards in many businesses.

Next, an employee-owned airline based on Cape Cod presents an example of a successful ESOP model stemming from a belief that “human beings should share in the rewards of what they create.” This philosophy drives ownership right to the front lines of the company and helps its employees understand how the decisions they make affect not just themselves, but everyone around them—their coworkers, their customers, their suppliers, and their business as a whole. Several of the airline's employee owners take us behind the scenes to reveal how their company's philosophy of participatory management and extending voice—as well as a piece of the pie—to workers has helped them grow and thrive together.

We conclude by speaking with training and education specialists based in Providence, Rhode Island, who explain how their novel approach of uncovering and harnessing the specific strengths of individual workers in an organization has helped build community leaders and improve engagement among employers and employees in workplaces across the state.

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*“ESOPs work best in companies that create an ownership culture by trying to give employees more voice, information, and training and make them really feel like owners so that they get the best benefit out of employee ownership.”*

**Douglas Kruse** is a distinguished professor at Rutgers University in the School of Management and Labor Relations, a research associate at the National Bureau of Economic Research, and a research fellow at the Institute for the Study of Labor. This interview was conducted on January 18, 2018, and has been lightly edited.

**Q: What is an employee stock ownership plan (ESOP) and how does it work?**

**A:** The employee stock ownership plan was created through the 1974 federal Employee Retirement Income Security Act (ERISA), which covers all pension plans. It's a plan in which workers are given accounts that have company stock in them. The company makes contributions to employees, as they do in any pension plan, but in this case the contributions are put primarily into the company's stock, and the employees receive that stock when they leave the company or retire.

The one really novel thing about ESOPs is that they can borrow money to buy stock in the company. That's what happens in many ESOPs, especially when owners are retiring and want to sell the company to the employees. As the loan is paid off, the stock is put in employee accounts. Employees don't have to put up their own money or collateral because it's all based on the future earnings of the company, with the company as collateral.

**Q: How many companies nationwide have ESOPs?**

**A:** There are about 6,500 companies that have ESOPs. That's not a large number of companies, but they tend to be big. There are about 10.5 million workers who are participants in ESOPs, which is roughly 9.5 percent of the private-sector workforce in the United States.

**Q: Where did ESOPs come from, and how long have they been around? Did they evolve out of another employee ownership model?**

**A:** There is a rich history of employee ownership and profit sharing in various forms in American public policy. George Washington actually built profit-sharing incentives into the first big piece of U.S. economic-development legislation. The British had basically destroyed the cod-fishing fleet during the American Revolution. The United States, a new country at the time, had to build up the cod-fishing fleet, so Washington established tax incentives to encourage companies to build the ships. The company owners were happy with the incentives, but the sailors and their representatives countered that the tradition in the industry had always been that everyone "shares in the catch." Washington, Alexander Hamilton, and Thomas Jefferson were all quite convinced by this argument, so they wrote up legislation that required a portion of the tax credit to go to the shipbuilding workforce, and the company had to establish a profit-sharing plan for the workers.

The idea was later found in a lot of other efforts. For example, the Homestead Act of 1862 was a way of broadly distributing capital in the form of land, and many industrialists like Charles Pillsbury, William Procter, and George Eastman, the founder of Kodak, created different forms of sharing plans for their employees in the late 1800s. In the 1930s, Senator Arthur Vandenberg held extensive hearings on profit sharing. Louis Kelso, a

lawyer and investment banker, invented the ESOP model. He set up a few ESOPs in the 1950s and '60s, and then worked with Senator Russell Long in the early 1970s, when they were enshrined into federal law.

**Q: Do you think that ESOPs are better suited to certain kinds of companies or workplace structures?**

**A:** They are slightly more common in some industries—for example, utilities and information technologies—and I think what's going on there is that such companies rely a lot on human capital and there's strong emphasis on getting value out of the company through creative teamwork and innovation. There are other companies that just set up ESOPs as a kind of financial retirement vehicle but don't really work to create an ownership culture. ESOPs work best in companies that create an ownership culture by trying to give employees more voice, information, and training and make them really feel like owners so that they get the best benefit out of employee ownership.

**Q: Why do companies decide to adopt an ESOP model or another form of profit sharing?**

**A:** Some may do so out of an altruistic idea of wanting to share the company with the employees. Some do it as a tax-favorable way to give their employees a benefit. But I think the most common reason for ESOPs is as a solution when business owners retire. The retiring owner can sell the company to some outside investor, but the problem there is that the company may get swallowed up or shut down and its assets moved elsewhere. Most of the time, owners want to leave a legacy, and they want to see the company they built up continue to thrive. It's this sense that you've worked with your employees to build your company up and now you sell it to those employees and they continue that work, and that's part of your legacy going forward.

I should mention that there's an incentive at the federal level to do that: retiring owners can defer capital gains taxes if they sell at least 30 percent of a company to an ESOP. My colleagues and I have been working with the New Jersey legislature this year on a bipartisan basis on a bill that would eliminate capital gains taxes for retiring owners if they sell at least 30 percent of the company to an ESOP. The idea there is that we want to encourage employment stability and community stability, because employee-ownership companies do seem to be more stable and have fewer layoffs, helping to sustain and build purchasing power that helps keep the economy stable.

**Q: Are companies that have an ESOP more likely to offer other kinds of enhanced or unique benefits to their employees?**

**A:** One study we did a few years back found that ESOP companies were four times more likely to have a defined-benefit pension plan than non-ESOP companies. We also see higher training levels in employee-ownership companies, which is not surprising because if you really want to create an ownership culture, you need to increase workers' skills and commitment and treat them like part of the company.

**Q: Have you observed any impact on employee retention or the productivity of the company?**

**A:** There's a new meta-analysis—an analysis of combined results from lots of studies—that just came out this year in the *Human Resource Management Journal* looking at 102 studies over the past 25 years, with about 56,000 companies studied. Consistent with other reviews that I've done, they found that there's a statistically significant positive effect of employee ownership on productivity. But there's a lot of dispersion: some firms do fantastically with employee ownership, while others do not fare so well. So a lot of our energy has been focused on identifying what it is behind that split. We find that the firms that really do well are the ones that create that ownership culture, giving employees more voice, more information, more training, and so on. There does seem to be a causal effect here as shown by a variety of research techniques.

We also find that there's greater employment stability in employee ownership firms and a lower chance of the firm disappearing. Employee-owned firms were more likely to survive the last two recessions. We can't prove causality here, but clearly if you're an employee-owned company and you're trying to create an ownership culture, you don't want to lay off lots of workers and make your employees feel just as disposable as they might be at any other company.

**Q: Are there particular workers who could benefit most from being an employee owner?**

**A:** ESOP companies typically make contributions to the plan based upon your salary—so, one percent, three percent of your salary, something like that—but there's a salary cap as part of the formula. That means that low- and moderate-income workers are especially likely to benefit; someone who's making \$1 million at a company doesn't get 20 times the amount of someone making \$50,000.

**Q: Are there common misconceptions about ESOPs that might make employers wary of trying them?**

**A:** Yes, there are some common misconceptions. One is that workers are buying the company and they have to pull money out of their pocket or out of their paycheck to do so. But as I said earlier, most ESOPs are leveraged, so the workers can buy the company based on a loan from a bank and then as the loan gets paid off the stock gets allocated into workers' accounts. So workers are not really paying for it.

Some people, economists in particular, think that workers are indeed paying for it out of a belief that they will have to accept lower wages. There's a theory called compensating differentials, which says that workers are kept at lower pay levels because they're accepting a benefit like this. We don't tend to see that, though. It appears that companies are giving workers ESOPs and other forms of employee ownership largely on top of other benefits, as I mentioned before, so it's not that workers are sacrificing for it. It seems to fit the economic theory of efficiency wages, in which worker performance is improved by above-market compensation.

Some of the research that Richard Freeman, Joseph Blasi, and I have done indicates that that's in fact how employee ownership works best. If you cut wages and give workers stock, they don't like it—surprise, surprise! But if you give them some stock on top of their standard pay, that's when you're most likely to see positive effects on employee attitudes and behaviors, and they're most likely to encourage, help, and cooperate with each other. That kind of environment is, in turn, where you're most likely to see productivity go up, and the workers are getting compensated for that extra productivity through the stock they're getting.

**Q: Do you think that an increase in the prevalence of these kinds of profit-sharing and ESOP options could have an impact on income and wealth inequalities in our country?**

**A:** Yes. I don't have a good sense of the magnitude of the effect, but we do see that when low- and middle-income workers receive company stock or a share of profits, that can become a big share of their current income and wealth. An ESOP is inherently wealth leveling, given the extreme inequality in wealth in the United States.

But I suppose a larger point here is that low- and middle-income workers are at greatest risk of seeing their jobs disappear as technology progresses, as technology often does substitute for manual labor and lower-skilled work. One solution for them is to get more education to become more highly skilled, but even the high-skilled workers face risks from technology. My colleague Richard Freeman says, "If the robots are taking away workers' jobs, then the workers should own the robots." He makes a good case that we need to find new ways for workers to share in capital ownership so that if we do see technology meeting more of our needs in the next 50 years or so, and we consequently have less need for human employees to do that work, then those workers should have ownership of some of that capital in order to sustain their incomes. If we don't make that happen, we'll continue to see this great bifurcation between the top 10 percent owning the capital and reaping tremendous rewards from it and the other 90 percent living in a precarious employment situation with low incomes.

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*"You don't create a culture by sharing ownership; you celebrate a culture by sharing ownership, and I think that's an important distinction. So really to have a successful ESOP, you have to have a good foundation first." – Dan Wolf*

**CAPE AIR** is an employee-owned airline based in Hyannis, Massachusetts. **Dan Wolf** is the founder and CEO, **Linda Markham** is the president and CAO, **Michael Migliore** is the CFO, **James Fletcher** is the director of pilot relations and sourcing, **Curt Curry** is the manager of information technology support, and **Barbara Melanson** is the station manager for Cape Air at Barnstable Airport.

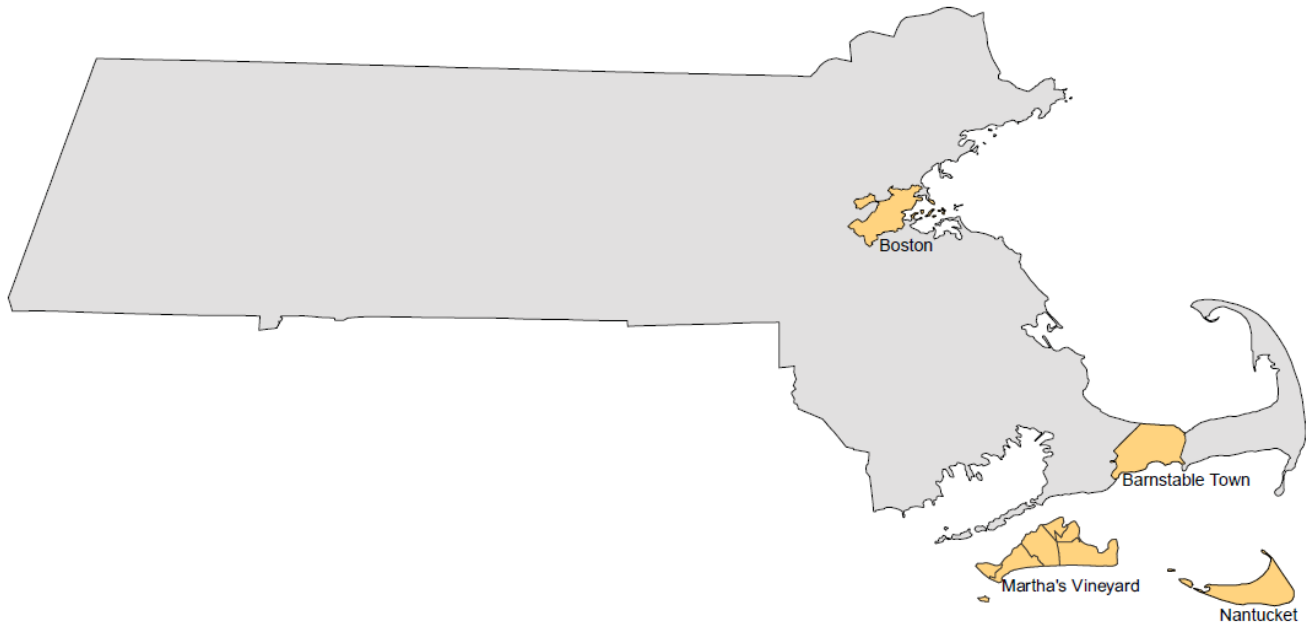
**Q: Please tell me a bit about Cape Air and its development over the years.**

**DAN WOLF:** We started the company in 1989 with eight people and grew consistently over the next 28 years. Now we have about 900 employees, and we serve about 40 destinations all around the world. We embraced employee ownership about 22 years ago.

**JAMES FLETCHER:** I started here in 2000, which was when Cape Air was really starting to grow beyond New England. So I've seen us grow not just on the pilot side, but also our fleet has grown and expanded to different types of aircraft. We started operations in the Caribbean and Micronesia, which was huge for us.

**LINDA MARKHAM:** The company has changed a great deal. We have almost 100 aircraft that we fly now. Our revenue has grown. But even though we have evolved dramatically, I would say the one thing that hasn't changed is our philosophy about putting our employees first.

## MASSACHUSETTS



**Q: Why did Cape Air decide to adopt an employee stock ownership plan (ESOP) model and why is it important to this company to embrace employee ownership?**

**DW:** We started the ESOP in 1996 as soon as the company began to be successful. We didn't really start making a profit until the early 1990s, and that was when we decided to share ownership and share our success with our employees. I think the general understanding of employee ownership is upside down. It's not that an ESOP creates a culture; it's that there are certain businesses where an ESOP is really almost a logical extension of the culture and the values of the company. You don't create a culture by sharing ownership; you celebrate a culture by sharing ownership, and I think that's an important distinction. So really to have a successful ESOP, you have to have a good foundation first.

**MICHAEL MIGLIORE:** I think employee ownership works very well for Cape Air. Giving our employees the opportunity to have a vested financial interest in the company makes a lot of sense for us. Whether you're a gate agent or you're senior management, to be able to say that you own a piece of the company goes such a long way. We try to convey to our employees that when they make decisions, they should make decisions like this is their own company, because it is.

**DW:** There are two important reasons why an ESOP resonates in a culture and a company like Cape Air. The first is more philosophical, which is a belief that human beings should share the rewards of what they create. The second is really practical, which is that employee-ownership models drive ownership right to the front line, and an airline is very frontline oriented. It's all about what happens at the ticket counter and what happens in the airplane. So to have frontline employees who are literally invested—who are owners—really changes the dynamic of how you provide the service.

**JF:** The ESOP program is great because it emphasizes to us that each of the decisions we make in the day and throughout our time here at Cape Air makes a meaningful difference, obviously to the bottom line of the company, but also to our overall work environment. I think making people feel like they are part of something bigger than just their job, which is what the ESOP does for us, really promotes a lot of new ideas and encourages people to speak up and give voice to their opinions.

**CURT CURRY:** It's life changing to be a part of a company that's employee owned. It's hard to describe, honestly, but I will say this: I instantly feel a change in viewpoint, a change in perspective. As an employee owner, every decision I make is not only for myself but for everyone around me and every other department around me. There's a real connection. There's a real desire to take things to another level and to be a part in making the best possible decisions, not just around personnel but also equipment issues and issues of fiscal responsibility. So I think it truly transforms your relationship with your company.

**BARBARA MELANSON:** I love that we have an ESOP. I talk to my employees about how important it is, how it really builds a sense of community. If someone asks you, "Who's the owner of this company?" you can reply, "I am an owner," and it's a great feeling. And you're contributing to that ownership every day. I tell my employees something that my father said to me when I was a little girl: When you work at a company, whether you own it or you don't, act like an owner. Act like an owner, and you'll be successful. Even if you don't get something back right away, it will come back to you in time. So the ESOP here is kind of that success that comes back to you. I'm always talking with my employees about how wonderful it is to have a piece of Cape Air and how proud we should be to have that.

**Q: Would you recommend an ESOP model to other companies?**

**LM:** I would highly recommend an ESOP model for other companies, with the caveat that the ESOP model would probably be somewhat challenging for a lot of organizations if it's not planned carefully. It's really important to understand and make clear to your employees the reason why you're instituting an ESOP. Cape Air implemented an ESOP because of the ownership model and our passion around sharing ownership with our employee group. Other organizations may do it for tax advantages. I think for our culture, being an employee-owned company has really benefited us in many, many ways. It certainly has provided opportunities for our employees to grow, not only financially but also professionally here at Cape Air.

**DW:** Employee ownership is not necessarily always the best model for expressing the culture and values of a given company, but there are a lot of companies out there where shared employee ownership through an

ESOP is a great answer and will resonate with the culture and build on existing success. It's a great model to include employees and incite and incentivize collaboration. I'm a huge enthusiast of the ESOP, but it's got to work financially for the company, and it's got to fit relative to the culture and long-term goals of the company.

**MM:** There are financial reasons to adopt an ESOP and tax advantages that you receive depending on how your ESOP is structured. But the main reason to do it, I think, is for the employees, as Cape Air has done. It really creates a sense of ownership for every employee in the company and encourages a mindset that I think is just so different than if you're just working for somebody and you really have no vested interest there.

**Q: Are there challenges that you've experienced with the ESOP?**

**LM:** The language around ESOPs is pretty technical, so a lot of people just end up thinking it's a stock ownership plan and that's it. At Cape Air we really view it differently. It's about sharing the prosperity and ownership of the company with our employees, so communicating that core reasoning behind why we have an ESOP in a way that doesn't sound so technical is probably the biggest challenge that we have.

**MM:** I think most people generally understand what employee ownership is, but they want to know the details, like what value there is for them in becoming an ESOP member, how you actually get the shares, how you vest, what to do when you need to exit the ESOP, and so on. So communicating that information has been one of the things we are still perfecting.

**BM:** I sit on the ESOP committee, a handpicked group that communicates to all the employees what it means to have an ESOP. A lot of people don't know what it really means when they start working here. They have no idea, for example, that it's a gift from Cape Air and that they don't have to pay for or contribute anything into the plan. When they find that out and really understand the ESOP, they often think it's a wonderful concept, and they get it. And once they know that they have this little "piece of the rock," as I call it, they truly become better employees because they're part owners.

**Q: Not all of the employees at Cape Air are employee owners when they start their careers with the company. Does the ESOP still impact them in any way?**

**DW:** There's a vesting period like there is with so many employee benefits, so the employees will get stock over a period of time and then there might be a gap between when there's more stock that's distributed out. So some of our employees join Cape Air and they're not employee owners right away, but over time they'll become owners. But the beauty of it is that you don't have to be an owner yourself to benefit from being part of a company where employee ownership is central to the culture. Everybody naturally takes care of each other here. It's a very different internal environment from the usual business.

**LM:** Cape Air is about 30 percent employee owned, and you can definitely see that pride of ownership among our team. When I joined Cape Air in 2002, I came in as a nonowner. But when I came through the door and I had a chance to communicate with all the frontline employees, one thing that came through time and time again was the pride that they showed not only in the company, but in the work that they did. And even though



I was not technically an owner, I felt part of that ownership pride in the company right away. I think that has been a huge success for Cape Air in terms of employee ownership—that even if you’re not an employee owner, you want the company to be successful because in an employee-owned company, that success is not only going to benefit you, but the rest of the organization as well.

**Q: What does career development and advancement look like at Cape Air and how does it relate to the company’s culture?**

**LM:** It’s really important not only to support your employees while they’re here at Cape Air, but you also want to support them during their transition if they have another opportunity. For many people, pilots in particular, Cape Air is a stepping point for them to move into their career in aviation. Other employees find that their job with us will be a longtime career for them, like many of our technicians here in the hangar. We really want to have those employees stay with us for a long period of time, because it takes a while to get them trained and developed and to know our aircraft. Being able to keep them here in a supportive, employee-owned environment for a long time is a real benefit for the organization.

**JF:** For my team in particular, our number-one goal is to increase the amount of pilots we have. There’s an industry-wide pilot shortage right now that we’re dealing with, so in order to work around that, we’re really looking at all aspects of aviation and all different types of pilots. Collegiate aviation is huge for us. We realize that a job with us can be the type of job that people can come into right out of college, really, and build a lot of important skills. And then on the other end of that, we are able to hire retiring airline captains so they can continue flying. So it’s really a full-circle-career type of place.

I think one of the best examples of the company’s commitment to career development is our Internal Gateway program, which is for employees who have some flight experience but never finished their flight ratings and licenses to get over that last hurdle and become professional pilots. Cape Air was generous enough to pay for a lot of my flight training toward the end and get me prepared to get my last couple of licenses—that’s how I moved out of crew scheduling and became part of the pilot group, and that’s how I ended up where I am today. I think that Cape Air understands the value of employees who are well rounded and want to take the next step in their careers. Programs like Internal Gateway are a way to retain really quality employees who want to make a difference in the company but might otherwise find other ways to move on to their ultimate goals in aviation. Cape Air provides them the opportunity to stay here and still grow.

**BM:** We have an internship program set up with the Barnstable and Yarmouth high schools. I would say half of the interns that came here to do work study with me through that program are now captains, some with Cape Air. Some are in management roles in aviation, some are flight attendants, and they all started here. We also have a program to become an A&P [airframe] mechanic, and we have an outstanding, award-winning maintenance department here for trainees to grow into. Some of my former employees have also gone into aviation management. There are many opportunities here to really build your career and learn all the sides of the industry.

**DW:** It might sound paradoxical, but one of the most exciting things to me is when I get into a JetBlue or United or American Airlines airplane and I look up front as I go in and I see an ex-Cape Air captain or first officer flying, and I'll wave to her and she'll wave back, and it's just a beautiful expression of who we are. Welcoming employees to come here as part of a broader life plan, to support a family and to go after their own dream, that's the best part of my job.

**Q: What role do community engagement and service play in the corporate culture at Cape Air?**

**DW:** One of the principles we share here at Cape Air is servant leadership, and I think when you have a culture like that internally it reflects itself onto the communities and customers you serve. So I'm very proud of the fact that Cape Air staff come together to engage with each other and our communities. We take on beach cleanups, environmental projects, energy projects, human service involvement, and involvement with the schools in a lot of the communities we serve. I like to think the footprint of Cape Air goes way off a balance sheet and way beyond the borders of where we literally serve transportation needs, and out into those communities in other ways. It's a ripple effect, and again it's all tied into employee ownership—that's the excitement, engagement, enthusiasm, and empowerment of the employees.

**BM:** When I met Dan, I felt as though we had the same values about the community, and I see that day to day in how Cape Air embraces community service. We have a volunteer program where employees can spend 20 paid hours every year volunteering with a nonprofit or a cause they believe in, which I think is outstanding, and a lot of my colleagues take advantage of that. Cape Air is also involved in medical flights. If someone is ill and needs immediate help in one of our regions, we're here for them to get them to the help they need.

**MM:** What I'm most proud of at Cape Air is the work we do as a company to serve communities that need air service and the way our employees in all our regions embrace our company culture and philosophy. When you look at some of the communities we serve, we're the only service there, whether it's Rota in the Northern Mariana Islands, Guam, or places designated as Essential Air Service communities, where air travel is very limited. When we go out to visit each of the regions, we can clearly see how our staff members there really take on the Cape Air culture even in these remote regions.

**JF:** We are a very large employer here on the Cape. Everybody around Cape Cod, Martha's Vineyard, and Nantucket knows us, and we're literally a lifeline a lot of times to the islands because we're the only option for getting to and from certain parts of the region.

**CC:** We have something we call the Care Fund, which is a 501(c)(3) that we've established. A pilot came up with the idea to have a fund to help staff experiencing personal emergencies, such as staff members affected by the hurricanes last year in the Caribbean as well as a bad situation in Micronesia the previous year. Staff can also use the fund for family emergencies.

Sustainability is also important to us at Cape Air. When I first came on board, I wanted to do something to address the fact that IT products age, and then you end up with pallets and pallets of this equipment made of plastic and metal which should not just be thrown into a landfill. So I worked with our sustainability people

here, and we now have a zero-landfill policy system with another company. That's just one of many opportunities I've been given.

**Q: What does being a good leader and working in a good company mean to you, and how do you think Cape Air embraces those values?**

**LM:** My general philosophy is to focus on employee engagement and make sure that we stay in tune to what our employees need. It's all about empowerment, trust, and ensuring that we give our employees the right tools and the support they need from leadership to do their jobs well. We really believe in the inverted pyramid of leadership here, where leaders are at the bottom of the pyramid supporting our employees.

**CC:** The things that make a company a good place to work are their vision and their relationship to their people. Corporations in general are beholden to shareholders, but the thing about Cape Air is that there's a clear balance between being an airline and a company where profitability is a goal, and the human side of things, caring about each employee and their full lives at work and outside of work, and helping them to grow in the company. I think Cape Air's actions and consistency around its mission and philosophy are what make it great.

**DW:** There's a collaborative aspect to business. So often we celebrate the people at the top—the people who are supposedly the great minds who grew these great enterprises. But to me, great leadership is really about sharing success, building a great organization as a team, and allowing others to succeed and excel. I think a great CEO has the ability to look at both the next day's business and also what's on the horizon—where do we want to be in the future? A great CEO will always want to leave their organization better than it was when they got into it and will want to ensure there are great opportunities for everyone involved. It's not just making money for the investors today, but creating opportunities for the next generation.

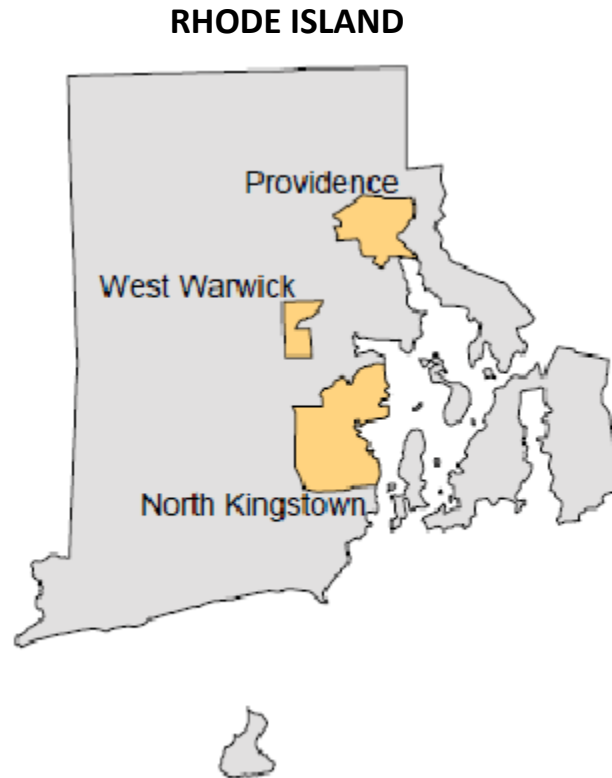
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*“The beauty of an approach based on strengths is that everyone has them. It's a great equalizer among workers because it doesn't matter if you're the leader of the company or a middle manager or an associate—whatever your position, you have strengths that you bring to the table.” – Kevin Cooper*

**MAKE RHODE ISLAND (RI) STRONGER** is a strengths-based training and education initiative launched in 2014 by the Providence-based non-profit organization Leadership Rhode Island (LRI) to transform workplace engagement among employees and employers across Rhode Island.

**Kevin Cooper** is the strengths expeditor at LRI and manages the Make RI Stronger initiative, **Michelle Carr** is the deputy director at LRI, **Marcus Jannitto** is an athletic coach, retired U.S. Air National Guard brigadier general and an LRI strengths coach, **Michelle Saunders** leads organizational development for Ocean State Job

Lot and is an LRI strengths coach, **Priscilla Gonzalez-Santos** is the human resources manager at Edesia in North Kingstown, RI, and **Ross Nelson** is the Northeast region vice president for Cox Business in West Warwick, RI. These interviews were conducted on February 14, 2018, and have been lightly edited.



**Q: What does Leadership Rhode Island do?**

**MICHELLE CARR:** LRI was founded in 1981 out of a movement to build leadership in communities across the country. Community leadership organizations such as LRI started sprouting up in the late 1970s and early '80s and have continued to grow. There are now approximately 800 leadership programs around the country, with over 700,000 alumni who all serve as leaders in their local communities and in their professional lives.

The Core Program is our longest-standing program, in place since 1981, and brings leaders together from a variety of sectors, industries, life experiences, and generations. All of the employees who go through our program have demonstrated leadership that has been recognized by their employers or other people in their lives. The goal of the program is to provide them with the space and time to reflect on their leadership and to learn from others who have different styles and approaches while also exploring Rhode Island's most

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**Section 4: *Invested* – Series 1, Issue 2, 2017-2018**

Amplifying Workers' Voices in an Evolving Economy

[www.bostonfed.org/publications/invested.aspx](http://www.bostonfed.org/publications/invested.aspx)

significant issues. They are then able to take their experience and what they've learned back to share with their employers, organizations, and communities. And we hope to inspire action.

**Q: Why did the Make RI Stronger initiative begin, and what does the initiative address?**

**KEVIN COOPER:** In 2013 the research and consulting company Gallup produced a national State of the Workforce report that said Rhode Island had the highest percentage of actively disengaged workers in the entire country. One in five Rhode Islanders was actively disengaged. These are the workers who suck managers' time, breed negativity, and are just extremely unhappy in the place where they spend so much of their time. We wanted to improve that statistic.

**MC:** We viewed this issue against the backdrop of the oft-mentioned concern that Rhode Island suffers from a pervasive cynicism and negativity, which our alumni, since we opened our doors in 1981, have told us has held the state back. We wanted to tackle that negative psyche.

**Q: Why are so many employees feeling so disengaged at work?**

**MICHELLE SAUNDERS:** I think for many employees, they are disengaged because they don't feel recognized for their work and abilities. A lot of times there's miscommunication between an individual contributor and their manager about what they bring to the table.

**MARCUS JANNITTO:** It comes down to leadership at work. Very few times will an employee be disengaged because of who *they* are—it's more about how they're treated at work, how they're appreciated at work, and the perceived value that they can bring. I remember in the 1970s, '80s, and '90s in the Air National Guard we said, "Why *isn't* this the best place to work? We're on a four-day work week, we're doing a great mission, we get to travel and take our mission overseas—how could this not be the best place to work?" And we really looked at it and realized it was because of our leadership. We had people in leadership positions who were great at flying airplanes, but probably shouldn't be leaders. And as I always say, progress occurs one retirement at a time. So culture change takes a while, but developing better leadership pools for positions and then really looking at developing those people into better leaders really was the key to our success in making the Rhode Island Air National Guard a world-class organization. That conversation is very typical of any business or organization.

**ROSS NELSON:** I think it goes to leadership. If leaders are focused on weaknesses and negativity, that will drive a disengaged workforce. But if you focus on strengths, you're far more likely to get more out of the employees because they're in a positive work environment receiving positive reinforcement, and you're focusing on what people do well individually.

**Q: What is strengths-based training in the workplace and how do the Make RI Stronger trainings work?**

**KC:** We start out by conducting an engagement survey for participating employees from an organization—and ideally we'd be working with the entire organization. That survey takes five to 10 minutes, and it's completely

anonymous. We use it to get a baseline of where employees are when we start the program with a company, because if we don't have that, we can't measure progress. Then all of the employees take the strengths assessment, which is administered online.

**MJ:** The assessment itself takes about 30 minutes to complete, and it's very simple. You are shown 177 paired-response questions and you pick the one that you think best describes you. It's a little disconcerting initially because you only have 20 seconds to answer each question, and some people have a hard time choosing, but that's how the assessment surfaces your natural abilities. The assessment reveals your top five areas of strength out of 34 different themes.

**KC:** Once everyone's had the chance to do that assessment, we do an orientation for the full staff. One of our 26 strengths coaches works with them to dive deeper into their own individual strengths, how those strengths show up in their work, and how they could be more intentional about using their individual strengths. Then the strengths coach transitions into what all of that means for the employees' teams. We ask them to think about how they can rely on each other so that they each don't have to try to be great at everything. The questions for participants at this point really are threefold: how can I recognize the things that I do really well, how can my colleagues recognize what they do really well, and then how together can we leverage that knowledge so that we can be stronger moving forward in pursuit of what it is we're trying to achieve?

The next step would be a specific training for managers to equip them with knowledge, resources, and tools to be able to continue having these conversations about strengths with their employees. Managers play a key role because they have so many touch points with their direct reports. We provide them with the tools to integrate strengths into those touch points so they don't have to keep relying on us to come in. Ultimately we'll embed a trainer within the company's culture so that they can be the champion of the strengths movement within the organization.

**Q: Who are the strengths coaches leading the Make RI Stronger trainings?**

**MC:** Several of our Core Program alumni came back to work with us on this effort because they believed it could change Rhode Island in a positive way, and some of them became strengths coaches. We deliberately trained people who come from a variety of sectors and industries, including youth services, human resources, education, retail, and manufacturing. We know that innovation happens when we mix ideas from people that wouldn't normally get together and we further cultivate that possibility through ongoing continuing education for our coaches.

**MS:** I'm an LRI alumna, and given my background, when the call was put out for strengths coaches I knew it was something I wanted to be connected with. I love going into organizations and helping them see what they're good at, and to help individuals realize their strengths and their self-efficacy, which then leads to group efficacy in their workplace.

**MJ:** Being a strengths coach is a natural outgrowth of what I do now and what I did for many years in my career. I've spent probably 20 years of my life as an athletic coach, so this just seemed to make sense. A lot of

my job in the Air National Guard and in the Air Force was developing leaders and getting out into organizations to identify what they do right or wrong and help them perform their mission better. So being a Leadership RI strengths coach is a great combination of the two.

**Q: What kinds of Rhode Island companies and organizations have done the Make RI Stronger training and why did they choose to do it?**

**MC:** Companies come to us to work through a variety of different pain points or to enhance their existing culture. Some might be experiencing turnover, while others are focused on talent retention and attraction. Some are already hyper-focused on employee engagement and are always seeking ways to ensure their employees feel valued and appreciated.

**KC:** Because every system is a little bit different within each organization—a state agency looks very different from a nonprofit, which in turn looks very different from a manufacturing company—we work to support them within the operations and systems that they have in place. Organizations tend to get pretty overwhelmed when they think they have to implement this philosophy as a completely new initiative, but really it's about reframing how they're approaching existing operations to make them more strengths based.

**RN:** Cox is a full-service telecommunication provider in Rhode Island. We provide video, internet, voice and data services along with 24/7 business security and monitoring on the business side, serving family-owned small businesses all the way up to major hospitals, state government and municipalities. On the residential side, we provide video, internet, and phone service to residents, along with Homelife security monitoring and automation in support of tomorrow's smart home technologies.

I graduated in the 2006 Core Program class at Leadership RI. When they first rolled out the Make RI Stronger idea in 2014, we got involved in a committee to talk about it and see how it was going to get rolled out. And it really struck me as this is something we can do for our employees. Rather than just training them on technology or something that helps their day-to-day life, this focused more on making them a better person.

**PRISCILLA GONZALEZ-SANTOS:** Edesia opened its doors in 2010 to produce our first line of products for USAID. We produce ready-to-use foods that are peanut based and range from those intended to treat severe malnutrition all the way to preventative products. The beauty of these products is that they have a two-year shelf life, they don't need to be refrigerated, and they also do not need to be diluted in water. They're primarily going to places where you find war, drought, floods, and earthquakes. We produce for about 50 countries at this point—primarily in West Africa, some countries in the Middle East, some in Asia, and a small quantity of Latin American countries as well.

I'm a 2017 alumna of Leadership RI. I learned about Leadership RI through a couple of my colleagues here at Edesia, but I got to know more about the Make RI Stronger program as a member of the Leadership RI class. After finishing up my training with Leadership RI I wanted to find a way to incorporate the strengths-based

approach I had learned back into Edesia, to really maximize what we were already doing and to put a language behind it.

**MJ:** I facilitated a training at a restaurant in Providence working with the servers, owners, and managers. So everybody from the bartenders to the waitstaff to the owners are all sitting in there with the training as this great equalizer, and realizing, we all have things we're good at; let's figure out what they are and put people in places where they're going to leverage that.

**KC:** The Rhode Island Department of Labor and Training (RI DLT) has really embraced our program and piloted a strengths-based training approach with unemployed individuals in 2015. Rhode Island was hit really hard by the Great Recession, and many middle-aged Rhode Islanders who had one career for their entire lives lost their jobs. Their identity was tied to the role that they had, and they were having a hard time reimagining who they are and what they can do with their talents moving forward. So we launched this pilot program with RI DLT so that we could help unemployed folks better understand that they had talents that had made them successful in their previous career, and that those talents and strengths could be used to their advantage as they were looking for a new job. It was incredibly rewarding for us to work on that effort, and now RI DLT is working on embedding coaches within their department who will continue that work.

**Q: What do the trainings look like in different companies or organizations?**

**PGS:** All 70 employees at Edesia have taken the assessment at this point. We had two initial trainings with managers to allow them the chance to understand the strengths language first and how to incorporate that into the review period. I personally met with each individual employee who didn't participate in the initial trainings and went through their top-five strengths reports with them so that they had a chance to ask questions and so I could explain it in a way that was understandable to them. It went really well, and now we're really looking forward to having all of our employees take a training together to try to bring more awareness into the strengths discussion that we started last year.

**RN:** Our employees were a little skeptical before the training. They were probably thinking that this would just be the next training du jour. You know, it was that attitude of, "If I just hold my breath for three days I can probably get through this and never have to think about it again." But because the training was so engaging, they warmed up to it and had fun with it, and now it's on me and my senior team to really make it part of our everyday culture.

We had frontline employees up through managers and directors all in the same classes together. After the training when we asked ourselves what we should do next with the program, we realized we needed some people on our team who had done the training to help make this real within the building. We found six diverse employees from different departments who volunteered to champion the strengths roll-out at Cox, and they will complete LRI's train-the-trainer strengths program.

**MS:** I try to facilitate in a way that allows people to interact with others and talk to other people about themselves. At one of our recent trainings I was really happy to see the insight we had around, "Wow I



definitely want to stay where I'm working, but I might have different opportunities to do other things in my workplace." It is contagious when you can take the things you've learned from one session and share them in the next session. When I can share that so many Rhode Island companies are doing similar training, then participants feel part of something larger.

**Q: In what ways does the strengths-based training and philosophy help companies and organizations to improve engagement?**

**MC:** Companies take the strengths language and materials and incorporate them in a variety of different ways. Some of them have incorporated it into their work plans. Some of them also looked at employees' job descriptions and tried to see how they can better match them to employees' strengths and tweak or even build a job around that person's strengths and the talent the person brings to the table. Companies have infused the strengths philosophy into their culture, intentionally thinking about and developing ways that strengths can build confidence and provide a sense of stability for employees in terms of knowing what they bring to the table and what's expected of them. That in turn builds trust between employees, managers, and leadership.

**PGS:** Most of our managers especially appreciated having this strengths language with which to provide feedback, so we've incorporated it now into our employee reviews. Now that we know what each other's strengths are, we can also rely on each other more in projects and be able to say, for example, I really don't understand how to analyze this data or how to put it together—let me look for a person that has that type of strength within the team. We've become more intentional about that because now we understand the language behind it and can use that to solve problems.

We have an operations team that is charged with visiting our customers throughout the year to learn about the issues that are on the horizon for them and to figure out what conditions would translate into more need for our product. Having an awareness of the different strengths within our workforce allows us to determine what type of person we can pair with each customer meeting, and that makes us more productive and efficient. Especially given the many different kinds of external relationships that we have, it has been useful to have this knowledge of our employees' strengths to plan meetings and site visits and know who we should send into a given situation. And being a very lean organization—we're a nonprofit organization, so we don't have departments of five or 10 people—we do need to think more strategically about who we're sending to Rome or Copenhagen, who would be the best, most productive person to send to fulfill that need.

**RN:** We focus on diversity here as a company, but in terms of diversity among people, not necessarily diversity of thought. The trainings helped us develop a plan to ensure people with diverse ways of thinking participate in different meetings or interviews or panel discussions. So you could have a mid-level manager who's very strategic and invite them into your senior leadership strategic planning session and end up with a better plan that will have more of an impact. We otherwise might not have had someone of that level there. This approach is an opportunity to look at people's strengths and not their titles.

It's funny how strengths has transformed how we approach and communicate with each other here. For example, if you put a group together and somebody's deliberative and context oriented and you try to pull them into a brainstorming session, their natural tendency given their strengths would be to avoid that. But if you get other people in the same room with the right strengths for that task, they're going to fire it out there. So the strengths approach gives you the permission to say, okay, I understand who you are now, I don't expect you to dive in. Without an understanding of that, you might be frustrated and disappointed that the context-oriented employee wasn't participating enough.

**Q: What have the outcomes of the Make RI Stronger initiative been so far, and how are you planning to expand your program?**

**KC:** Rhode Island is no longer the most actively disengaged employee base. In Gallup's 2017 State of the Workforce report Rhode Island moved from 50th to 15th on that engagement scale and from 49<sup>th</sup> to 1<sup>st</sup> on the workplace performance measure: "At work I get to use my strengths to do what I do best." We're now recognized by Gallup and the global strengths community as the first strengths-based state in the country. According to Gallup, the shift from bottom to top amounts to \$112 million dollars added back into the Rhode Island economy.

Since Make RI Stronger launched four years ago, LRI has itself transformed. We've created new dimensions of performance for all of our programming by embedding strengths psychology into all aspects of the nonprofit, from staff and board development, volunteer recruitment and engagement, and leadership development opportunities for career professionals and college students in RI. Over 400 influential leaders from roughly 275 companies and organizations have been assessed and trained. We've also brought strengths to our College Leadership Rhode Island program, instilling confidence in more than 150 student leaders from every college and university in RI as they prepare to enter the workforce.

Our next major expansion is launching strengths-based tours of Rhode Island. These tours are intended to answer the question we've consistently been asked: "what's next?" The tours will offer an opportunity for visitors from the U.S. and internationally to see local Rhode Island businesses, nonprofits, and government agencies where strengths-based practices are flourishing, and will spark ideas for those people to bring back to their own environments.

**Q: Why is engagement an important consideration for Rhode Island, its businesses, and its workforce?**

**KC:** Employee engagement is such a hot topic right now, not just in Rhode Island or in the U.S. but globally. The beauty of an approach based on strengths is that everyone has them. It's a great equalizer among workers because it doesn't matter if you're the leader of the company or a middle manager or an associate—whatever your position, you have strengths that you bring to the table. More and more companies are trying to pull out that knowledge from their employees.

**PGS:** No matter what industry you're in, if your workforce isn't engaged and bought into what you're doing, you can't accomplish the goal that you've set for the organization. And in our line of work, that can mean the

difference between life and death for the people we serve. I always give the example of the person sanitizing our equipment: if that person is not fully engaged in their job and doesn't fully understand the work that they're doing and the level of impact that they're having, that could mean cross contamination of a product that then goes to feed a child who is already severely ill, and that can be life threatening.

An engaged workforce is also an educated workforce. You need to take the time to talk with employees and explain the why behind the work they're doing. It's not just about coming in, punching in, and getting your work done. In order for you to be engaged, you need to be educated on the purpose and impact of what you're doing.

**KC:** When we launched Make RI Stronger, we were looking at how we could help companies, individuals, and communities recognize their strengths. We knew that the people within our programs are accomplished leaders and know themselves pretty well. What we didn't expect was that they didn't consider the strengths of others around them. Surveys have told us that their mindsets have shifted from being focused on knowing themselves better to now being curious to know what the strengths of other people are, and what the strengths of their teams are. When you consider that these are leaders from industries all across the state who influence so many other people in Rhode Island and elsewhere, that mindset shift among them to really change the way that they view people is transformational.

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