

RELIA, INC.

BACKGROUND

Relia is a 70-year-old auto parts manufacturer based in Toledo, Ohio. Its 33,000 employees manufacturer and/or sell parts in all 50 U.S. states for most automobile makes and models including cars, SUVs, trucks, and other vehicles. The company has experienced normal ups and downs over the decades along with the rest of the industry. The COVID-19 pandemic, though, has been unusually hard on all auto-related companies, with a chip shortage severely disrupting the entire supply chain and over 1 billion fewer miles driven by employees working from home or now unemployed. All that said, in 2022 so far, Relia is performing well.

Five years ago, Relia's long-time CEO announced his retirement. After a nine-month search, his successor, Mindy Lane, was a surprise choice by the Board of Directors in that she's an outsider, she's relatively new to the industry, and she's ... a she. Mindy is the first female CEO in the company's history. Today, four years into her tenure, the board and market analysts couldn't be happier with the hire.

Eighteen months ago, it was Mindy's turn to lead a big hire, as Relia's longtime head of HR left to join a competitor. Mindy and her executive team made a similarly novel, strategic decision by hiring Arun (pronounced "uh-ROON") Neene. Unlike Mindy, his background is in auto parts, but in India, so the United States is a relatively foreign market to him. That said, he earned both his undergrad and M.B.A. degrees in California, so he's been keeping his eyes on the U.S. auto parts market for years. The ultimate deciding factors in the hire were Arun's business intellect, his extraordinary vision for a new type of Relia workforce, and the reputation he's earned as both an innovator and disruptor.

NEW LEADERSHIP, NEW VALUES

With Arun on board, Mindy feels for the first time that Relia's executive team is complete. One of his first proposals is to update the company's values. While there are risks associated with tampering with original values, Arun showed the executive team that an update is a necessary step toward evolving the workforce into what Relia and its customers need for the future. Mindy joined Arun for his presentation to the Board of Directors, making a compelling argument that the world and the automotive parts market are changing, and it would be wrong for the company to prioritize tradition over the need to continuously update its strategy for the future.

The company's previous values, which date back almost 40 years, were: Quality, Customer Service, Return on Investment, and Loyalty. The end result of the new values initiative is: Quality, Innovation, Accountability, Service, and Integrity. Among the reasons behind the changes: executive management wants Innovation—employees, especially salespeople, to continuously think about new products and services that will meet the evolving needs of customers. Similarly, regarding Service, the company wants more than simply responding to customer requests. Relia employees should research their customers' businesses and anticipate their needs so well that they arrive to customer meetings one step

ahead, innovating today to meet current and future customers' needs and wants tomorrow. And Service should include more than only customers: suppliers, distributors, and other stakeholders need to feel and know that Relia cares about their success as business partners.

Accountability also involves multiple stakeholders. First, accountability to the company: more employees will be given greater freedom to run with ideas and manage their own budgets—in return, management needs employees to deliver accountability to their management chain and the company's strategy. Second, accountability to shareholders and investors: Relia must deliver on its business plan so it can gain access to greater levels of capital that will allow it to grow and thrive. Third, accountability to customers: serve them knowing that customers make significant investments based on Relia's promise of Quality. And fourth, accountability to society: Relia is an important member of dozens of communities around the country. At the local, state, national, and global levels, the company is accountable for demonstrating business leadership and ethical practices.

Finally, Integrity means what it does at all organizations: a specific, daily commitment by each employee to honor the other four Relia values as often and as well as possible. Too many people are cynical about corporate values because they see and hear a lot of words but too few actions that follow. To Relia, Integrity means all members of the workforce must "walk the talk." In fact, one of the outcomes of Arun's values initiative will be that, beginning this year, all members of the workforce must write paragraphs during quarterly and annual performance reviews that detail examples how they demonstrated Quality, Innovation, Accountability, Service, and Integrity during the reporting period.

INTERNAL COMMUNICATIONS

Following the values initiative, Arun began working on his next big effort—an employee survey. As common as surveys are at a lot of companies, Relia hadn't used the tool for at least 20 years. Knowing that a key reason Mindy hired him involved helping her craft a new HR strategy, surveying employees would provide a good baseline for where things are as well as reveal their visions of what the company could achieve. The survey Arun custom-designed asked about Relia's culture and employee satisfaction, as well as employees' reactions to a series of new HR ideas.

Before the survey was scheduled to go out, Arun received a visit from Scott Andersen, steward of one of Relia's largest unions. He asked if he could see the survey and Arun obliged. After perusing it, Scott expressed discomfort with the apparent direction management was heading. Arun asked Scott if he believes management has done anything to violate the collective bargaining agreement. Scott said "no," but said, "There is more to Relia employee satisfaction than the agreement."

Scott explained that a big part of Relia's many years of success involves elements of company culture not captured in the agreement. For example, current employees are made aware of available positions first, well before they're externally published. As a result, Relia has benefited greatly for years hiring friends and family members of current employees as well as those of customers. This has reduced turnover, Scott added, and created a much more consistent workforce than competitors.

Arun thanked Scott for the information and said he would keep it in mind. He added there are a few laws and regulations the company must follow about posting new positions and overall hiring. Then he asked Scott his thoughts about the benefits of diversity, inclusion, and equity. Scott curtly replied that he's not against diversity or anything like that—he just wants Arun to understand there are hundreds of up-and-coming young people out there who have been assured, and whose parents have been assured, there will be a job at Relia when their child graduates from college.

Scott got up to leave, but added one more point, “Listen, I’m just trying to help you. We’re all in this together. But if you and Mindy envision a different type of workforce, I hope you know that the bargaining agreement is very specific about the circumstances under which union members can be fired or laid off. More importantly, beyond the union, this place runs off the experience of our current, long-term employees, especially in Sales. Don’t think for a second that you can simply get rid of them in favor of a diverse or different type of employee population.”

Almost on cue, two hours later, Arun received an unexpected visit from Dirk Hempstead, Head of Sales. As the conversation progressed, Arun realized Dirk shared many of the same feelings as Scott. “I bumped into Scott,” Dirk reported, “who said he had a great conversation with you in anticipation of your survey. There’s a couple of things I want you to know given how new you are. Regarding diversity, I get it—it’s the hot thing right now. But also remember that one of your new values is Service, and that means continuing to provide our customers a Sales team that maximally meets their expectations.”

Arun replied, “I’m not sure what you mean, Dirk. Tell me more.” “What I mean,” Dirk responded, “is that, over the years, we’ve figured out what our individual customers want, and a lot of times what they want is to work with someone like them, who they can relate to. One time, I went to The Home Depot to buy a washing machine, and the salesperson helping me had such a thick accent that I could barely understand a word she said. Now, I’m not talking about your accent, Arun, which is fine, but I’m concerned about talk about diversity when the talk should exclusively be on pleasing our customers.”

“I definitely want our customers to be happy, Dirk,” Arun countered, “but my experience is that hiring a diverse workforce has many, many more advantages than the rare concern about an accent.” “You know what I mean,” Dirk interrupted. “I’m trying to tell you that the Sales team we’ve built over the years is just fine as it is. It doesn’t need any tinkering. And if you try to change things in a way that threatens anyone’s career, you’re going to be inviting problems.” “Excuse me, Dirk?” Arun replied in a bit of shock. “I’m saying,” Dirk calmly continued, “for the changes you and the rest of upper management seem to be considering, you need the support of current employees, and that support isn’t automatic unless you meet them half-way.”

“Give me an example,” Arun followed. “For one,” Dirk responded, “the way Sales leadership measures success here. We’ve been using a proven formula for years, focused primarily on sales numbers, the way it should be. But I’ve begun to hear rumors of changes you’re thinking about, like the paragraphs on the new values in performance evaluations, which, to be frank, I think treats our Sales team like children. This is a business that needs to pursue profit to stay alive and compete in the marketplace.

Introducing anything else into the way in which we rank and reward our Sales team is a big step in the wrong direction.”

EMPLOYEE SURVEY

One week later, Arun distributed the workforce survey. By the end of the first day of its release, Mindy had received a petition signed by approximately 500 Relia employees calling for a halt to any strategic changes.

Within days, she and Arun met with a group of employees who had signed the petition. They listened to the employees for over an hour, and then Mindy restated what was written in the e-mail that accompanied the survey: no workforce decisions would be made immediately—management was simply using the survey as a tool to listen to employees and gather helpful information for the future. While most attendees arrived to the meeting expecting management would apologize for the survey and cancel planned changes, they instead realized Mindy and Arun had anticipated their reaction and, strangely, it almost seemed to be part of their plan.

The truth is, beyond many positive aspects of Relia that Mindy discovered in her first four years, the most-overwhelming negative has been a larger-than-normal percentage of the workforce that seems reactive and lazy. While the departure of Arun’s predecessor, Jane, was unexpected, Mindy was quietly happy to receive the news. Jane was the only member of executive management who never bought into Mindy’s new strategy, despite its demonstrated success.

Jane was proud of the culture Mindy believes is holding Relia back from what it could be. Jane often spoke, for example, of Relia’s long-term employees—approximately 100 salespeople who have been with the company for more than 35 years each. Mindy appreciates loyalty and longevity as much as any executive, but when she met many of these individuals they came across as complacent and lackluster—“just going through the motions.” Jane frequently celebrated camaraderie and rituals: for example, one group of six salespeople, for over 20 years, traditionally combined the trip to Toledo for the Annual Sales Meeting with a hunting and camping trip. Each year, highlights of the trip were shared among all attendees of the meeting.

Mindy, in contrast, has heard from many more than 100 employees who couldn’t get Jane’s attention. The hunters, for example, succeeded in persuading Jane never to hire a woman in their territories. Why? Because a woman might expect to go on the camping trip, which would be “impossible” because the guys sleep in shared tents and bathe in the lake. Sadly, Jane catered to a lot of situations like this, where the overall value of new employees was de-emphasized in favor of consistency with the past. While Jane kept arguing that her approach leads to low turnover, lower expenses, and fewer disruptions, Mindy showed Jane data that Relia’s turnover is actually higher than its competitors, mostly because new employees often leave within 18-24 months when they realize there are little-to-no advancement opportunities.

At the heart of Mindy’s concerns is a workforce where there appears to be a problematic imbalance between the effort many employees give for the company’s best interests versus those focused

primarily on self-interest. Where Mindy sees the need for innovative thinking and an attitude toward growth, Jane's attitude was "if it ain't broke, don't fix it" and a sense that Relia's profits somewhat keeping up with its competitors means the company is as successful as it needs to be.

NEXT STEPS

After the survey closed and the results were tabulated, Arun and Mindy met to discuss them and their respective visions of a better workforce. Compelling findings from the survey include:

1. Many employees complained of nepotism and other conflicts of interest in hiring, affecting not only employees but interns, temps, contractors, and suppliers. Jane's prevailing attitude that "pleasing the customer" was the top priority led to hundreds of instances over the years when she approved hiring the son or daughter of a customer whether or not s/he was qualified for the job. The same thing is happening with a lot of children and friends of "old guard" Sales employees.
2. The second priority in hiring is attractiveness. In many of the company's markets, decisions were made long ago about the type of salespeople the local market wants. One employee even sent Mindy a hand-written document that lists which markets—there were dozens on the list—are to hire only young, attractive women; others only "cowboy-type" men; and so on. Other markets on the list didn't address who should be hired but, instead, who should not be hired. Various ethnicities, genders, and races appeared including "Black, Asian-American, and Native American".
3. A number of survey responses detailed abuses of the company's gifts and entertainment policy. Apparently, some salespeople have found ways to manipulate the expense reimbursement process so they can spend on their customers beyond policy limits without getting caught. There were anecdotes about first-class trips to NASCAR events, bachelor parties paid for by Relia, visits to strip clubs, and other violations of Relia's *Code of Ethics*.
4. Employees shared other instances of Relia salespeople skirting the law, including alleged agreements not to support Tesla and a few other car companies, based on requests from current customers. This was yet another example of salespeople ignoring the best interests of Relia to maximize their personal relationships with customers and, thereby, their personal commissions and bonuses.
5. One response explained the real reason why, the previous year, Relia lost one-quarter of its revenue in the third-largest U.S. market. The employee anonymously submitted evidence showing that the company's largest customer in the region asked to discuss why Relia's costs were higher than its competitors (this happened to be the territory featuring the highest-spending salesperson for gifts and entertainment). The customer left Relia because the salesperson and his manager never reported the request up Relia's management chain and, therefore, she never received a response.
6. Among the worst feedback was a large number of employees who communicated, in one way or another, that Relia's HR practices lack transparency and demonstrate overt unfairness. Basically, you're an FOJ ("Friend of Jane") or you're not. Employees regularly derided the annual performance review process as a waste of time and an insult, as everyone could easily guess from year to year who would receive the highest bonuses, the best promotions, and even

the Sales awards. A simple formula to becoming an FOJ is: never complain or question a manager's or HR's decisions, and always do what you're told (no matter what, even if it violates policy or is illegal).

In a sad way, Arun and Mindy weren't surprised, but they still felt overwhelmed. On reviewing the survey's demographics, Arun noted that many of the helpful, revealing comments are from employees with fewer than five years of service, while most employees with 20-plus years said everything is great as it is—no changes needed.

A NEW HR STRATEGY

The two executives proceeded to focus on the future, discussing their mutual vision of what they felt Relia could and should achieve. First, they both saw salespeople as much more than simple means to revenue. They sought to emulate companies that hired the best and smartest into Sales, even engineers, since they would more likely see new opportunities first-hand as they regularly interacted with customers.

Second, instead of repeatedly praising the same employees who have spent 35 years in the same territories, Mindy and Arun want salespeople willing and excited to move around the country, learning different regions and the different needs of each market. Third, beyond participating in local Rotary and Kiwanis clubs, they want businesspeople who pursue leadership roles in national and international professional associations, who will present at conferences and learn from the brightest peers at other companies. And fourth, to combat the effects of years of hiring family members and friends, they want real diversity—salespeople with different backgrounds who will bring different, creative viewpoints to the Relia table.

In short, Mindy and Arun want Sales to evolve into a team that's truly reflective of Relia's new values. The challenge, of course, is how to get from where the company is today to where it needs to be, and how quickly. For example, it would be ideal if management could find many of its desired salespeople within the current team, even if it required new training, educating, and/or skill-building. More likely, though, the answer will involve a heavy dose of new recruits. But how many years would it take for natural attrition to achieve the goal, and can or should Relia management wait that long? Are there alternatives?

During their highly productive conversation, several other obstacles were discussed, including the risk that even more than the 500 petition employees will react badly if changes aren't communicated or implemented well. Arun added that, based on his meetings with dozens of employees and their bosses, too many managers at Relia don't know how to hire the best candidates and don't know how to manage their direct reports. Arun explained that a lot of Relia managers earned their roles not because they have managing skills—including hiring and interviewing skills—but simply because they were FOJs or the most ambitious individual within a group of internal candidates. This helps explain, Arun concluded, why so many managers hire the best candidate not from Relia's perspective but from the manager's self-interested perspective.

THE ASSIGNMENT

As their meeting was drawing to a close, Arun asked Mindy's support for the following plan:

- a. Given the many other tasks and responsibilities he's facing right now, Arun would like to hire a consulting firm to help him prepare a new HR strategy for the executive team's approval. He'll share with the consultants the six items from the survey, plus other notes from today's meeting, and ask them to deliver a presentation that answers the following questions.
- b. What should Relia's new people strategy be, and what are the right steps to get from where the company is today to where it needs to be? In other words, explain in detail the plan you think executive management should follow, including your answers to the questions below.
- c. What ethical principles or criteria should be used to decide what Relia's workforce should evolve to look like? Create a ranked list that reflects the following:
 1. What are the most-important qualities, characteristics, skills, and experiences that should be considered as management envisions the best-possible Relia Sales team?
 2. Given the issues identified in the survey, how should the new company values and ethical considerations factor into this list?
 3. How should Relia pay and otherwise incentivize its Sales team in line with this list?
- d. What ethical and legal issues should be considered when updating Relia's HR strategy?
- e. Even though most of management's focus involves Sales, the new strategy will affect all current and future employees. Given that Relia works with two large unions, how should it engage them as it proceeds toward its new HR strategy?
- f. What risks should be acknowledged and factored into the plan, so they can be effectively mitigated?
- g. The new strategy likely will affect the careers of many current employees. At what pace should Relia management implement the new strategy, knowing there will be a tradeoff?

This document was prepared for the Daniels Fund by Tim C. Mazur. Over his 30-plus years in business ethics, Tim has served as an ethics officer in four companies, an ethics consultant to over 50 organizations, a lecturer in the MBA programs of eight universities, and an executive of the Ethics & Compliance Officer Association (ECO).