SURMOUNTING FIVE COMMON BARRIERS TO BUSINESS COOPERATION[1]

Marc Bendick, Jr.
October 2000

Bendick & Egan Economic Consultants, Inc.
4411 Westover Place, NW
Washington, DC 20016
Phone: (202) 686-0245 Fax: (202) 363-4429
bendickegan@mindspring.com www.bendickegan.com

I. Introduction

The watchword today in public employment and training initiatives is cooperation among the public, non-profit and private sectors. This approach is fundamentally correct, and it represents a major advance from the "stand alone" efforts of previous decades. However, it forces us to confront the difficulties inherent in cooperation between partners with *organizational cultures* as different as private employers and public or nonprofit employment and training agencies.

The problem is not unique to public-private cooperation, or to employment and training programs. The same issues abound in the current wave of mergers, acquisitions, and strategic alliances among major corporations. Imagine the challenge in forming today's Fleet Bank from 150 predecessor banks, making Mercedes and Chrysler one company, or ensuring uniform standards of customer service in a strategic alliance of ten airlines. Among one sample of recent corporate mergers and acquisitions, seven out of ten do not live up to their financial promise, and 73 percent of respondents to a survey of participants cited cultural incompatibility as the largest single source of this failure.[2] Although I have no empirical data on success rate in encouraging private employers to hire, retain, or advance low-wage workers, I would guess they are similar.

This paper explores five cultural barriers that public or non-profit employment and training providers often encounter when encouraging business firms to hire, retain, or advance low-wage workers. For each, I suggest ways that these barriers might be ameliorated by "learning to speak business' language."

II. First Barrier: "The business of business is business."

---

[1]An earlier version of this paper was presented at The Urban Institute in May 1999. It draws in part on research sponsored by the Committee for Economic Development and the Ford, Russell Sage, and Primerica Foundations, and insightful comments from Mary Lou Egan. However, all opinions and errors are my own.

[2]Robert J. Grossman, ACorporate Courtship: Irreconcilable Differences,≅ *HR Magazine* (April 1999), p. 2.

When we go to conferences, the luncheon speaker is often a public spirited CEO who proclaims the importance of a well trained workforce to the nation's future. But don't let that fool you into believing that the CEO's company will create job openings because people need jobs, modify its hiring requirements to accommodate ill-prepared workers, pay more than productivity justifies, or invest unusual amounts in employee training or support services. That is because *the business of business is business.* Firms have always faced competitive pressures to stay focused, but technology, globalization, deregulation, consolidation, shifting demand, aggressive supply chain management, and similar developments now make these pressures even more intense. Consider the former regulated electrical utility now competing against HydroQuebec, the mom and pop grocery store now that Safeway has discovered profits in inner-city retailing, or the manufacturing subcontractor struggling to become ISO-9000 certified. Large or small, businesses are feeling squeezed.

This principle implies that employers can be convinced to cooperate in your employment and training initiative (e.g., hire your clients or coordinate with your support services) if they are approached in a certain mode: The sales pitch must be that *we offer to solve a problem for the employer* ("We can fill those vacancies that have been open for six months."); it cannot be that *we ask the employer to solve a problem for us* ("These people leaving welfare need jobs."). For example, suppose that our objective is to convince employers to create more career ladders that encompass workers with very limited initial skills. It would not be very effective to suggest to employers that these career paths would help workers escape poverty and dependency. However, employers might be persuaded by the experience of New York's Cooperative Home Care Associates, where creation of career paths among home health care aides led to documented improvements in staff turnover, productivity, service quality, and market share.[3]

III. Second Barrier: "I can only give you thirty seconds of my time."

Traditionally, employment and training providers have worked with counterparts in companies' human resource functions. But in many large firms, HR departments are being stringently downsized -- fringe benefit administration computerized, recruitment contracted out, policy development nationally centralized -- leaving little counterpart local staff. In many small firms, there never was a separate personnel department; HR is simply another informal duty of the owner/manager or perhaps that owner/manager's administrative assistant.

In such circumstances, *user friendliness* of our employment and training products (such as potential employees, tax credits, and support services) is essential, not merely cosmetic. We must have simple, clear documentation. We must offer to do the paperwork. Each firm needs a readily-available single point of contact.

---

[3]Marc Bendick, Jr., and Mary Lou Egan, "Worker Ownership and Participation Enhances Economic Development in Low-Opportunity Communities," *Journal of Community Practice* 2 (1, 1995), pp. 61-85.

In addition, we need constantly to *update our products* to keep them compatible with current HR processes. For example, the monthly advance payment option can greatly increase the wage supplementation effectiveness of the federal Earned Income Tax Credit, but it is currently used by only about 1 percent of EITC claimants.[4] Has anyone at DOL (or the Treasury) spoken to PeopleSoft, makers of the nation's most popular comprehensive HR software, to see whether the advance payment option is incorporated in the software? A second example involves the rapidly-growing HR role of the Internet. Why are there no hyperlinks from the home page of the Society for Human Resource Management to DOL or Treasury information on, for example, the Welfare-to-Work Tax Credit?

IV. Third Barrier: "Shoes are a very cultural business."

Perhaps because we in the employment and training community are really only interested in firms as employers, we often speak as if they were all simply "in business." Companies do not typically think of themselves that way. As business strategist Michael Porter formally states it, "*The industry is the arena of competition.*" A veteran shoe industry executive put it more pithily using the words in this section title. What both are pointing out is that the companies in each industry tend to rely on the same information sources, share the same production technologies, react to the same environmental circumstances, draw on similar past experiences in forming their judgment, and therefore see each other as their principal business peers.

One implication of this principle is that channels of effective communication and persuasion are *industry specific*. Many managers who pay little attention to the generic business press (*Business Week*, the *Wall Street Journal*) may avidly absorb employment and training coverage in their industry-specific trade press (*Iron Age*, *Progressive Grocer*, *Aviation Week).* They may also be reached through sessions at industry conferences and trade shows, particularly by presentations based on the experience of firms in that industry. Industry-specific outreach is more painstaking and resource-intensive than disseminating generic information, but it is likely to have more impact.

A second implication concerns the design of service delivery systems such as "one stop shops." Employers often find programs or institutions tailored to their industry are particularly useful, and reciprocate with greater cooperation. One impressive example is WIRENET, a publicly-funded technical assistance/staff training/ joint marketing service that works exclusively with small metalworking manufacturers on Cleveland's Near West Side.

V. Fourth Barrier: "That's just the way we do things at Microsoft."

Individual firms also have very strong *corporate cultures,* formally defined as the interdependent system of beliefs, values, and ways of behaving that are common to a workplace and informally defined simply as "the way we do things around here." Some researchers try to

---

[4] *Welfare Reform and Beyond: Making Work Work* (New York: Committee for Economic Development, 20000), p. 37.

rationalize all corporate personnel practices as uniquely efficient decisions made under stringent competitive pressure by thoughtful, well-trained managers.[5] But in reality, these practices mix that sort of efficiency and rationality with generous doses of irrational risk avoidance, ignorance, stereotypes, “group think,” and simple inertia.[6]

One implication is that a high degree of *tailoring to the circumstances of individual clients* is often the key to obtaining cooperation (“Join ‘em, don’t fight ‘em.”). For example, one skill upgrading initiative in Los Angeles’ Koreatown sought to increase the productivity and widen the employment alternatives of non-English speaking restaurant personnel. To obtain employer cooperation, ESL training was delivered at a restaurant during the slack period between lunch and dinner.[7]

A second implication concerns the importance of *no-risk trial periods* in overcoming employers’ resistance to hiring the clients of employment and training initiatives. Social psychologists call it *cultural contact*, while commercial employment agencies call it *temp-to-perm*, but the principle is the same: Employers’ stereotype-based aversion to your clients often can be surmounted by arranging for firm to get to know individual clients in their actual work situation. For example, to encourage employers to hire welfare recipients, America Works offers employers a four month period of trial employment during which clients remain on America Works’ payroll with employers reimbursing their salary but not payroll taxes.[8] During this period, the employer avoids personnel costs, paperwork, and potential legal liability if dismissal proves necessary.

VI. Fifth Barrier: “You just want a job placement; we want a supplier relationship.”

Often, the goals of employment and training agencies’ job development staff are defined in stark numerical terms: Place X number of job seekers per month in positions paying at least $Y per hour that will last at least Z months. That approach tends to emphasize one time transactions over the building of long-term relationships, making hard work for the job developers who have to re-create a constant flow of such one-time transactions. It is equally unsatisfactory from the point of view of many employers, who are used to dealing with vendors from whom they procure goods or services on a long-term basis. As part of developing and maintaining those long term relationships, these client firms pay attention not only to vendors’ costs but also their *quality, dependability, and adaptability*. They often demand that vendors participate in *a continuous process of adaptation,*

---

[5]See, for example, Edward Lazear, *Personnel Economics* (Cambridge: MT Press, 1995).

[6]Marc Bendick, Jr., Mary Lou Egan, and Suzanne Lofhjelm, *The Documentation and Evaluation of Anti-Discrimination Training in the United States* (Geneva: International Labour Office, 1998), especially pp.10-11.

[7]Marc Bendick, Jr. and Mary Lou Egan, “Linking Business and Community Development in Inner Cities,” *Journal of Planning Literature* 8 (August 1993), pp. 3-19.

[8]*Welfare Reform and Beyond*, p. 33.

based on feedback about the supplier's performance and shared information on the user's changing requirements.[9] Thus, vendors have to invest in making these relationships work. In particular, they must carefully screen individuals they recommend for placement, to guard against erosion of their reputation (sometimes referred to as *brand equity*). But the rewards are often substantial – access to a continuous flow of employment opportunities, often including higher-quality openings, and often assistance from the buyer in strengthening the vendor's capabilities.[10]

In the low-wage employment and training community, perhaps the premier practitioner of such *relationship marketing* is the Center for Employment Training in San Jose. This organization has enjoyed close supplier relationships with numerous industrial clients for twenty years or more.[11] CET trainees in large numbers move smoothly into well-paid employment with these client firms. In turn, the firms provide advice, equipment, and other assistance to help CET better serve the firms' needs.

One implication of this perspective is that, in establishing performance criteria on which employment and training agencies will be judged and payments based, credit might be given to actions that build long-term supplier relationships, separately from the immediate placements they generate.

VII. Conclusion

My intention in this paper has not been to provide a "one minute MBA," but only to convince you that understanding businesses' way of viewing the world is essential *before* trying to enlist them as partners. The employment and training community -- federal, state, and local -- needs an explicit strategy for developing and maintaining this understanding and needs to invest resources in such efforts. Don't underestimate the potential returns.

[9] Mary Lou Egan and Ashoka Mody, "Buyer-Seller Links in Export Development," *World Development* 20 (3, 1992), pp. 321-334.

[10] *American Workers and Economic Change* (New York: Committee for Economic Development, 1996).

[11] *Welfare Reform and Beyond*, p. 49.