

# **Enhanced Employee Performance At Lockheed Martin Corporation**

**November 29<sup>th</sup>, 2001**

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November 9<sup>th</sup>, 2001

Robert J. Tucker  
VP – Human Resources  
Lockheed Martin – NE&SS – Syracuse  
EP 7 - 110  
Syracuse, NY 13221

Dear Sir,

We are offering to Lockheed Martin Corporation, for your consideration, the following comparison study of possible organizational methods to improve employee performance. The team of graduate students at The George Washington University has utilized professional executive decision-making tools to derive a recommended solution for the organizational enhancement of an effective employee performance program. In the report, you will find a comparison of the three most prevalent methods, along with their pros and cons, as seen by employees on the front line of the LMC workforce.

We hope that our report serves to identify the best effective approach to assist all of us in developing Lockheed Martin as the employment corporation of the 21<sup>st</sup> century. As longstanding continuous service employees, the report team has offered a conceptual analysis of organizational structures as well as a recommended method of employee/management interaction that is geared to create and keep an effective work force.

We would welcome the opportunity to discuss this report along with any comments you may have that would be directed to the improvement of employee effectiveness. We have enjoyed the investigation of organizational behavior options in our business practices. Our contributions as both interested graduate students and working professionals at LMC are to be viewed as a positive and participative feedback on behalf of the future generation of Lockheed Martin employees.

Sincerely,

Robert J. Brennan  
LMC- Syracuse, NY

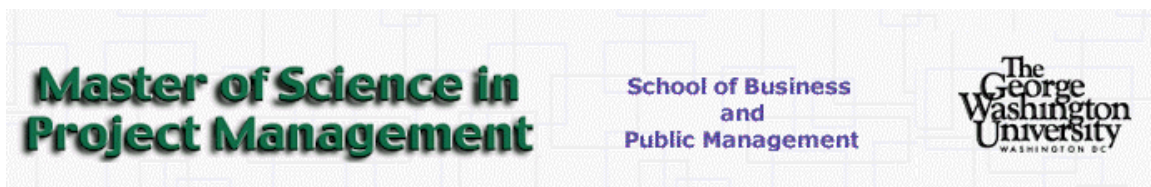
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***Enhanced Employee Performance  
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## **Abstract**

Maximizing the employee contribution at Lockheed Martin facilities involves three mutually linked objectives (Employee retention, employee productivity, and effective communication). Three alternative methods (Human Resource Directed, Managerial Directed, Employee Directed) of enhancing this goal are evaluated with respect to the objectives. The employee directed method is identified as the preferred method and is recommended for implementation.

## **Introduction**

The success of the modern corporation is linked to the employees that perform the daily tasks within the corporation. These tasks are what generate the profits and set the corporate culture for future years. It is employee participation that makes this system work.

Every major corporation in today's highly technical market is suffering from insufficiently low employee retention rates, workforce skill development needs, and interpersonal communications liabilities. Significantly large expenditures go into training new employees only to have relatively few remain years later, while their value increases exponentially with time. This low retention rate causes an excessive overhead cost in hiring and training additional new hires to fill the gaps. The more a corporation can keep its employees actively involved and focused on the corporate direction, the greater the success that the organization can achieve.

The other aspect of this issue is that when experienced employees leave, not only do we lose their skills and knowledge, but also their knowledge and skills are provided to the competition. The successful high tech companies will be the ones that not only maintain their employees within the organization, but grow their employees through improved retention rates and skills enhancement programs.

As we (Dave Blanchard and Bob Brennan) are both Lockheed Martin employees (Locations of Valley Forge PA, and Syracuse, NY), we have a vested interest in the health of our corporate environment. We are in a position to see the present employment situation through our daily work experience with the addition of the knowledge acquired at The George Washington University, we are also in a position to offer a recommendation for organizational improvement and effectiveness.

Included in this article are our observations, analysis and conclusions regarding potential interactive organizational structures designed to enhance employee participation at Lockheed Martin facilities. An employee's career is significantly influenced by three major factors: Human Resources, Functional Management, and the employee's peers. We have concluded that the preferred approach is to emphasize the involvement of employees at all levels in daily communication practices with the support and assistance of Human Resources and Functional Management. This method is by far preferred over other methods where either Functional Management or Human Resources takes a more directive approach.

*Note: Specific retention rates based on Lockheed Martin employment is Company Proprietary information and will not be listed here.*

## **Background**

It has been observed that today's situation is generally that new hires are selected from a scarce employment market and placed on project teams with little coordination to the individual's long-term career preferences. Technology itself changes so fast that human resource organizations have a difficult time in accurately projecting a technical development path for individual careers. The result is that new hires enter a maze of confusion and see no clear direction. As they mature with preliminary experience, they are most often lured away by competitors facing an immediate need for intermediate professional talent.

The work force to which the new hires are exposed is usually the senior staff, which typically has little or no training in interpersonal leadership and mentoring skills. Most teams are formed more by random availability than workforce career design. As a result, senior mentoring tends to be sporadic and not very visible to the general population.

While no one can argue with a "One company - One Team" philosophy, the general workforce becomes disconnected with the overall corporate goals due to the sheer size of the corporation. This discontinuity leads to misdirection and improper interpretation of corporate directives, an atmosphere that yields low productivity and morale. Within this atmosphere, new hires are easily persuaded to explore other opportunities in the job market, which results in a high turn over rate for this organization. In looking at the corporate picture today, one might question if any strategic direction was in place. This, however, is not the case. The corporate human resources have struggled with several factors outside of their control and influence. Historically, the defense industry has experienced large fluctuations in the employment base. As much as 80% reductions have occurred after events such as the end of the Viet Nam war in the 70's and the end of the cold war in the 90's. These swings have shaken the confidence that employees have in a stable career within this industry, resulting in a lack of continuity in the senior staff of most organizations.

As a byproduct of the defense downturn after the cold war ended, many defense contractors have merged and have effectively created a new organizational culture that is still being developed. The result is that there is no history to which new hires can relate. The evolving corporate culture must develop a historical base to which the workforce can re-attach itself.

These factors have largely contributed to the low retention rate that we experience today. As new employees enter the workforce in the defense business, they find little or no reference to past success. To further detract from the business culture, technology changes so fast that product is barely out of the door by the time it is deemed obsolete. New employees need some focus on the future or their minds may begin to wander in the direction of alternative markets and employment opportunities.

## Goal

While the retention of employees is a figure that is of major concern to almost every corporation in today's business world, it is but a measure of the ultimate objective of a proactive plan to enhance employee performance. The plan objective is to get people working together effectively on a daily basis. Communication is the ultimate goal and methods should be developed to enhance employee discussion and cooperation between each other. The interaction of Human Resources, Functional Management, and the general workforce should be optimized to facilitate and promote employee growth. Support from trained resources should be available when they are needed, but not intrusive to hinder the creative development process of the professional employee.

## Objectives

Organizational socialization is the systematic process by which an organization brings new employees into its culture. The general meaning of the term socialization is the process by which older members of a society transmit to younger members the social skills and knowledge needed to function effectively in that society. Organizational socialization has a similar meaning: the transmission of culture from senior to new employees, providing the social knowledge and skills needed to perform organizational roles and tasks successfully.

The organizational socialization process depicted in fig. 1 is followed by many successful corporations and has proven to develop strong organizational culture. While it depicts a generic format that, and must be tailored for the specific cultural environment, the proven success of this method cannot be overlooked.

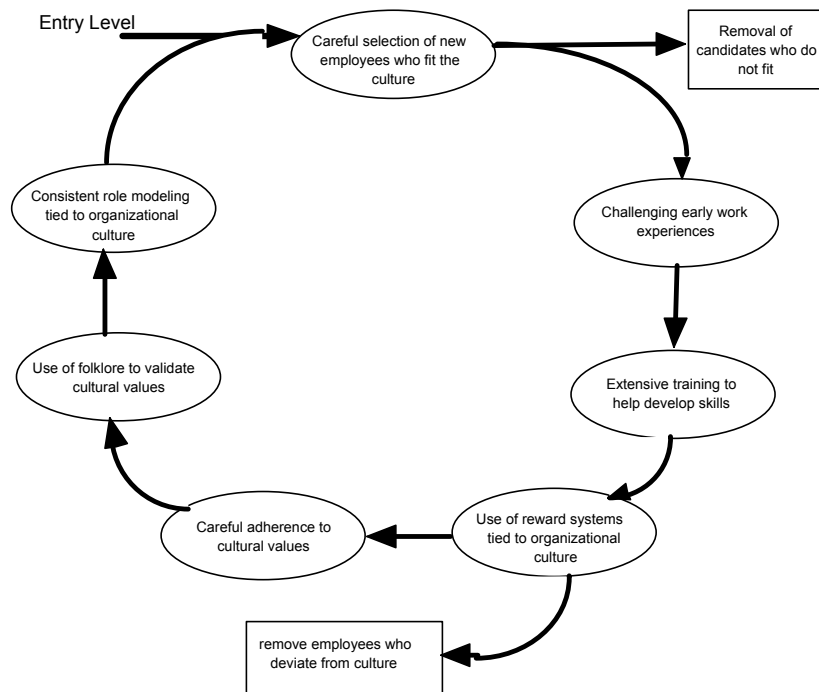


Fig. 1. Organizational Socialization Process (1)

Our primary goal in any employee performance enhancement plan is to improve:

- Employee retention rates of good employees
- Employee productivity coordinated between corporate goals and employee career development
- Interactive workforce communication between senior and junior levels.

Getting people to perform the desired tasks requires more than simply pointing them in a certain direction. The corporate organizational structure is key to workforce continuity. Individual contributors will participate in their particular specialty fields in whatever manner necessary. It is management's function to identify appropriate levels of participation, not only for the individual efforts, but also for achieving the overall coordinated corporate goals.

Defining the roles between functional management and the workforce in completing contractual obligations is analogous to the dinner table. While the prime intent of dinner is to provide nourishment to individuals, its function can be enhanced by those responsible for setting the table. An attractive dinner table tends to yield a rewarding meal. In the same way, creating an attractive and resourceful workplace environment will ultimately serve to stimulate employees towards many years of rewarding service. When employees and management are in sync, profits soar, overhead is reduced and workforce stability is achieved.

### Objective: Improve Employee Retention

Improving employee retention rates will reduce overhead exponentially. Long service employees will require less re-training. They will also serve to promote the corporate culture if surrounded by additional employees of similar background. By retaining greater numbers of employees, a mentorship atmosphere will develop among the workforce and problems will be addressed at the root level where solutions are most effective and least costly. As a by-product, workforce - management consistency will be maximized and a continual feedback loop will develop, once more allowing for management to address forward looking problems in an effective manner while workforce maintains the every day interactions. Employee retention is a three-fold issue. First, you must acquire new, credible employees. They must be incorporated into the culture in which you intend them to perform their duties. With all new hires, there arises a management challenge to train and instill existing corporate cultural values into new human resources.

However, management must not stop there. Once employees are acquired, management must continually revitalize that same workforce, otherwise it will change to something else, and all of the initial hard work will be lost. Existing employees must be made to feel as though they are part of the evolving system. Their skills (both technical as well as personal) must continually be sharpened and enhanced. When new employees look to see what is ahead, they need to see that they will not be forgotten after their indoctrination into the corporate culture.

Thirdly, the working environment must be a desirable place to work. The employee needs to enjoy his work or have no alternative employment in order to stay at a position. Therefore the employer should provide a favorable work environment. This includes an appropriate corporate culture, reasonable facilities, adequate compensation, and most importantly productive and interesting work.



## Objective: Improve Productivity

Whenever the workforce is disrupted, productivity is adversely impacted. When an employee leaves the company, there are multiple effects. The first is the loss of that person's skills and knowledge. The second is the loss of productivity of the organization. The third is the financial impact of replacing that individual. The fourth is the impact on employee morale, depending on the reason the employee left the company.

The replacement of an individual can be a very costly enterprise. If the replacement is a College Direct Placement (CDP), the hiring process is streamlined and the cost of acquiring the employee is minimal. The salary is nominal, relocation expense is little or none, and there is usually no sign-on bonus or headhunter fees. However with a CDP, there is significant loss of productivity. First, the CDP has little knowledge of the corporate culture and must be trained in the policies and practices of the company. Secondly, the employee must learn the necessary technical job skills and the technical history required to function in an effective manner. Based on past experience it takes about 6 to 12 months before a new CDP starts to become effective.

Hiring an experienced professional is a much more expensive and usually more complicated process. The salary can be substantial, relocation can be extensive, and a sign-on bonus or headhunter fees are common. The approval of relocation expenses is at the Department Head/Vice-President level and since the relocation dollars come directly out of the overhead budget, they are always scarce and approval is a time consuming process. The advantages, however, are obvious: The individual is bringing existing skills into the company that can be utilized immediately. or, at the very least, the individual will be a productive member in a few weeks or months. Another reason that hiring experienced workers is a more productive practice is that the senior staff is not required to extensively train the experienced hire the way CDPs must be trained.

## Objective: Improve Communication

While functional instructions and business practices can be formally established, the tendency for people to migrate to where they can address concerns and receive guidance from familiar personnel has most often been the cornerstone of all corporate development. New hires must be made aware of the realistic applications of corporate business practices and how the organizational culture developed. They must be surrounded with examples from previous generations that will foster continued growth and development. Only then can they see hope that their contributions will lead to a rewarding participation within the corporate structure. Senior members of the workforce can benefit directly from the interaction with new hires by improving their skill mix and rejuvenating their interpersonal leadership skills. Maintaining the technical edge in the engineering field has always required continual challenging of traditional ideas and rethinking new ways to achieve objectives. Continual interaction with newly hired employees will tend to extend the senior staff's interest in corporate professional development. For any organization to operate effectively, open lines of communication must flow in all directions. This is easier said than done. The triangle between new hires, senior staff, and management is a complicated matrix of interpersonal communications and teamwork that most often achieves its goal outside of the boundaries that are written.

New hires need to explore their new world and expand their knowledge in an atmosphere that fosters interaction with experienced staff. Management can set up chains of communication, but it is impossible to staff sufficiently to provide access instantly. Yet, daily interaction with their coworkers (senior staff) becomes the best “Go-To” reference for new hires that a corporation could design, and this communication system is in place naturally. Supporting the network of communication channels gives the new hires comfort in the fact that they can be guided into a rewarding career within the organization.

The key to this “Go-To” reference is the credible referent standing that senior staff presents to the organization. If the staff views themselves as an integral part of the organization, they will act in a manner that promotes growth of the younger generation and build confidence and self-esteem in their own careers. This reference standing is an important tool in the continued involvement of employees after their indoctrination into the corporate culture. While the individual work assignments will come and go, it is the long-term organization to which people will become attached

The net result of an effective employee retention program is to foster best practices at the fundamental levels of the organization. Teamwork and participation are key to the daily interaction of employees. The success of any business involves a fully balanced triangle between new hires, Senior Staff, and Functional Management. When all are involved and interacting in every facet of the business, work assignments are accomplished in an effective manner and personnel contribute to the corporate culture growth.

## ***Alternatives***

What options does the organization have to improve the work environment and effect greater employee productivity? By concentrating on the life cycle process and interaction between new hires, senior staff, and management, we can evolve a coordinated program that improves employee retention rates, develops mentoring interaction between skilled workers and new hires, as well as incorporating feedback and communication between the workforce and management.

By focusing on the life cycle of employees, we identified the three most significant professional categories that affect the make-up of an employee’s character relating to the corporate culture. They are Human Resources, Functional Management, and the workforce community of which each employee is a part. This mix is consistent throughout almost every organization; however, the distinguishing trait among companies is which factor a company chooses to emphasize.

(A) Human Resource Tutorial - New hire education and training (See Fig. 2).

A system can be established that selects a new hire and begins the tutorial education process of identifying multiple career paths available to the individual. Then, when the employee encounters project experience, they can determine what avenues they wish to pursue. The facilitator of this type of program comes from the human resources department and is specifically trained to deal with and encourage young employees into rewarding careers with the organization.

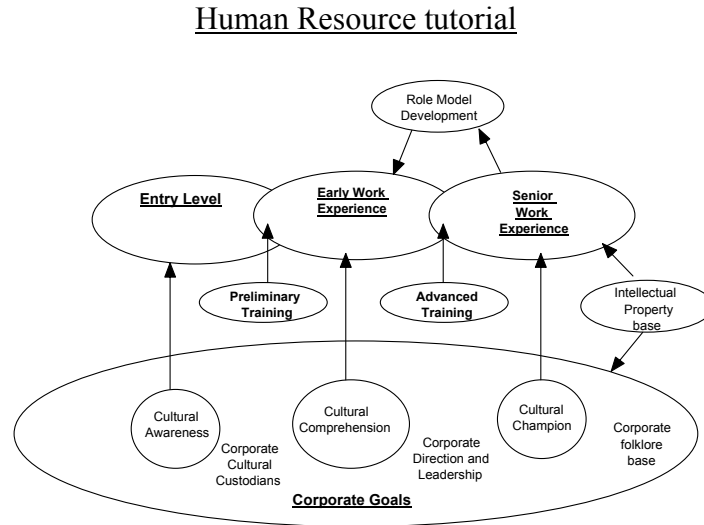


Fig. 2 – Organizational Interaction Under the Human Resource Tutorial Alternative

(B) Managerial Directed - Functional management supervision (See Fig. 3).

A system can be established that places a new hire with a functional manager for an extended period of time. The manager then coaches the employee on individual assignments and promotes the corporate culture to the new employee.

**Managerial Directed Culture**

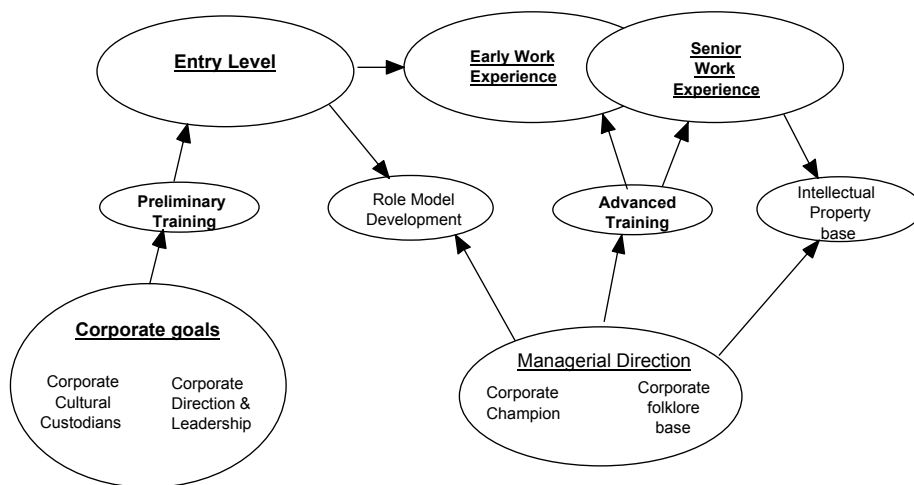


Fig. 3 – Organizational Interaction Under the Managerial Directed Alternative

(C) Employee Directed: Concurrent team building -Leader - follower mentoring (See Fig 4).

New employees are mixed with senior staff on various projects throughout their first few years. The senior staff is educated in mentoring best practices and is encouraged to guide new hires through their careers. In addition, new employees are given side bar education in organizational structure and are made aware of the cultural make-up of the corporation. Then periodic interactive training between management and workforce, supervised by human resources and designed to facilitate feedback and communication, will enhance the organizational environment to effectively increase both employee satisfaction and retention rates.

**Employee Directed**

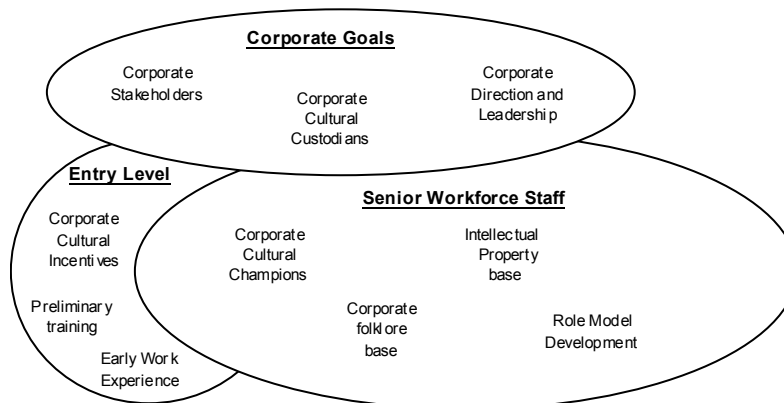


Fig. 4 – Organizational Interaction Under the Employee Directed Alternative

The effectiveness of these alternatives is rated against the objectives using an AHP model.

The first step is to identify the Pros and Cons of each facilitator option.

#### Human Resources Directed

Pros: Educated in interpersonal skills and organizational structure  
Have a better corporate point of view

Cons: Separated from normal work environment  
Does not know the details of how the particular office works

#### Functional Management Directed

Pros: Holder of referent power position with employees and identifies corporate direction.  
Knows the relative importance of the various projects

Cons: Not educated in interpersonal skills and organizational structure  
Impacts an already busy manager.  
Not knowledgeable of the day to day activities of the project

#### Employee Directed

Pros: Daily interaction and knowledgeable with career options in real world terms.

Cons: Not educated in interpersonal skills and organizational structure

The three stages of an employee's career (Entry, Early Experience, Senior Experience) are involved in the corporate culture through the interactions depicted above. As can be seen, in the Human Resource directed method of employee development, the corporate mentorship duties handled by human resources entail a long-term commitment and great amount of interaction at various stages in the employee's term.

Human resources are required in this method to have constant interaction and maintain an awareness of each employee's unique circumstances in the work environment throughout the career. The total number of employees that are present within the corporation magnifies this HR involvement. With the managerial approach, a new hire is given a brief indoctrination to the corporate culture by the HR unit, and then turned over to a functional manager who will track the employee and monitor the career objectives. The manager's prime task in this system will be to maintain a coordinated focus between the employee and the corporate goals. This method requires that the functional manager who can be attached to each individual for an extended time period be identified up front as the new employee enters the system, and then remain in constant contact throughout the term of the new hire's tenure.

The employee directed method involves participation from the masses. The senior employees must buy into the system and be willing to partner with new hires. A leader - follower mentality must be prevalent throughout the workforce. HR can then facilitate the insertion of new hires into the system with minimal cultural education, while functional managers can then act as guiding references for both senior and new hire personnel to consult. With this method, we have achieved an effective circular communication link that is naturally in

place with the present organizational structure. HR effectively addresses the global corporate direction, functional management facilitates the implementation of administering corporate values in the workforce, and the individual contributing workforce becomes actively involved with what they see as a vested interest.

Each of the three alternative approaches has its pros and cons. The selection of the best alternative is determined by the use of the Analytical Hierarchy Process as defined in (2). The software used to generate these numbers is Expert Choice (3).

This is the Goal and the three objectives that are used to evaluate the different alternatives with respect to the goal. Each of the objectives has sub-objectives.

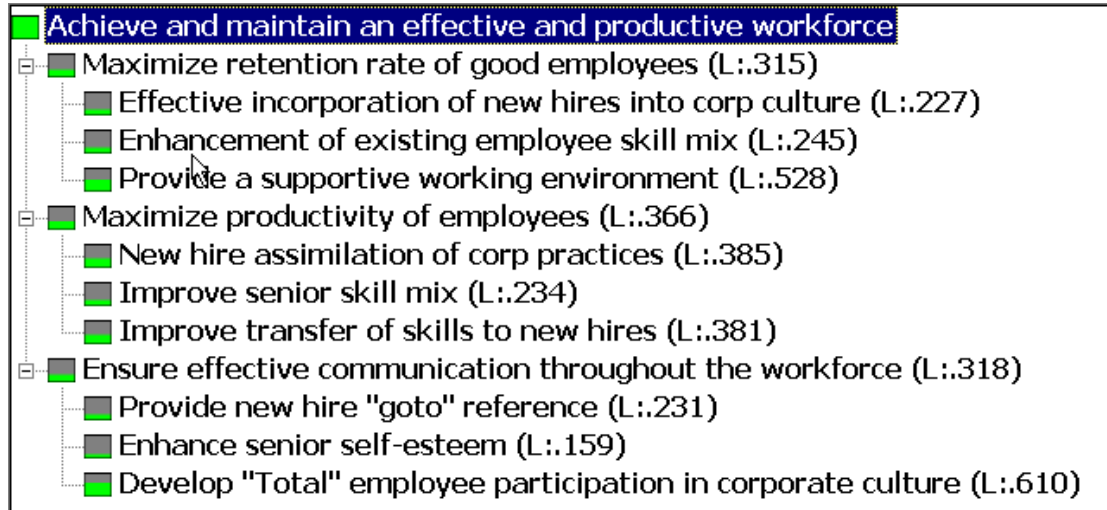


Fig. 5 – Employee Contribution Goal Hierarchy

The three alternatives that were evaluated and their resultant probabilities are:

Human Resource Directed	.219
Managerial Directed	.244
Employee Directed	.537

Fig. 6 – Derived Weight Structure of Objectives

## Recommendations

One of the capabilities of the Expert Choice software is to provide sensitivity graphs, where the performance of each alternative can be visually compared against the other alternatives across the objectives in a pair wise comparison. The software package then summarizes the composite results and produces a sensitivity graph, which identifies the strengths of each alternative per objective. The results of this study are given in Fig. 7.

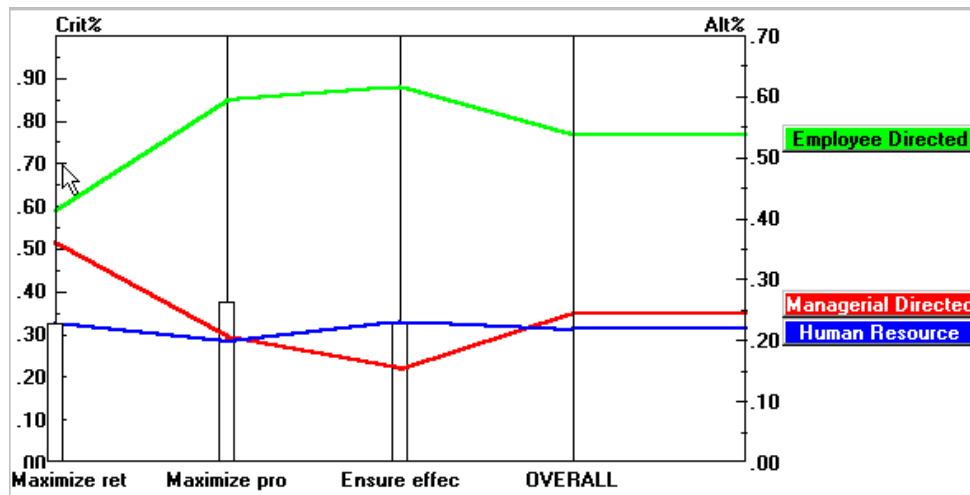


Fig. 7 – Performance Sensitivity Chart for Employee Contribution Study

For each of the major objectives Maximize retention, Maximize productivity and ensure effective communication, employee directed is the preferred alternative. In the review of the objectives of productivity and employee efficiency, the employee directed option is best in all categories. However, a closer look in the retention objective is warranted due to the higher degree of compatibility with all three alternatives in comparison with this objective. This performance sensitivity with respect to maximum retention is shown in Fig 8.

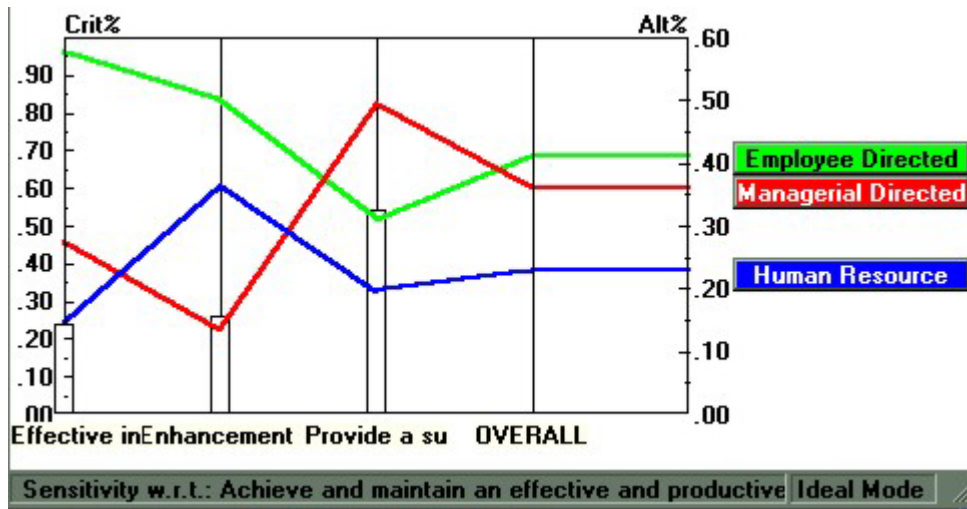


Fig 8. – Performance Sensitivity with Respect to Maximum Retention

Review of the performance sensitivity with respect to maximum retention rates indicates that the employee directed approach is still the preferred approach, although managerial directed approach offers a preference in the area of providing a supportive work environment. With this knowledge, methods could be further explored as to what impressions people have as to why managers are better equipped to handle the supportive environment. Then one could develop a transfer plan towards the employee directed method to enhance this supportive environment.

Clearly preferable is emphasizing a direct employee interaction with daily interpersonal skills. Both HR and Functional Management can assist on an as-needed basis and direct the overall corporate directional message. What is needed is a comprehensive development plan to educate the complement of employees in the interpersonal skills and coordinate this plan with HR and Functional Management assistance. This plan should take into account the daily interactions and challenges that Aerospace employees face. It should also be linked to corporate goals to promote and build the Lockheed Martin cultural reputation of the future.

### Summary

In summation, the analysis shows that incorporating the employees into the mainstream of any system is far preferred over other options. Getting all parties involved at the right moment will ease everyone into acceptance of the overall corporate initiatives. This analysis was performed using Analytical Hierarchy Process methodology along with the Expert Choice software package. These techniques provide a focus on interrelated objectives and established an order to the decision-making techniques used to derive the recommended solution.

### Supplemental: Follow-up Reaction

As a follow up to this report, the feedback received from the Human Resource department at LMC Syracuse was positive. In fact, LMC has been adjusting their corporate structure to accommodate a similar architecture of focusing on employee directed leadership in



LMC. This plan is being released to the LMC community in a 3 month phased implementation to start at the end of this year.

## ***References***

(1) The Organizational Socialization process (page 563) – Organizational Behavior, Hellriegel, Slocum, Woodman 8<sup>th</sup> edition.

(2) Decision By Objectives by Ernest Forman, DSc. and Mary Ann Selly

(3) Expert Choice Software