

UNIVERSAL WOODS

THE BUSINESS LOGIC OF TRUST

By Steven L. Dawson, Senior Advisor to the National Fund
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The workforce strategy of Universal Woods starts here: “We trust the people we’ve hired,” says Paul Neumann, CEO. From that premise flows all major workforce decisions:

- Eliminate the role of supervisor
- Share financial information
- Build team-managed teams
- Invest in everyone’s education
- Encourage participation throughout the organization

“And that logic of trust,” emphasizes Neumann, “extends beyond our 200 employees to every person who has a stake in the success of Universal Woods: our customers, our suppliers, our shareholders, our banker.”

The result of this organization-wide business logic is a company that over the past four years has grown 20 percent per year, doubled the size of its workforce, maintained 95 percent customer retention rate for 10 years, and is the leader in its two major markets. Headquartered in Louisville, Kentucky, Universal Woods now has operations in Ohio, Australia and Belgium, serving over 200 customers in more than 80 countries.

“Our business strategy,” says Neumann, “is to align the economic interests of all our stakeholders—and you can only do that if you share information transparently across all parties—and treat each with respect. If you do that consistently enough, long enough, then those you work with every day will reward you in turn with their trust. And a trusting relationship is incredibly efficient and productive—you’re not slowed down by lawyers, lengthy negotiations, layers of supervision, or assignment of blame.



UNIVERSAL WOODS SHOP FLOOR

Universal Woods manufactures hard-surface panels for the photo, art and personalized/customized gift markets, as well as high-durability mezzanine flooring for the material-handling industry. Product brands include *Unisub*® and *ChromaLuxe*® for the sublimation panels, and *ResinDek*® for the industrial flooring.

For the *Unisub* and *ChromaLuxe* lines, Universal Woods applies an ultrathin, “sublimatable” polymer coating to a variety of hard-surface substrates. Unlike traditional printing, which applies ink to the surface of an object, sublimation uses heat and pressure to bond the image directly *into* the coating at the molecular level. After applying the sublimatable coating, Universal Woods cuts the panel to the desired shape—anything from a name tag to a wall panel—and the customer then applies the desired graphic. The final “sublimated” graphic is remarkably vibrant yet exceptionally durable.

For the *ResinDek* line, flooring panels are custom-manufactured for Universal Woods’ customers. After applying specialized coatings, the resulting industrial flooring durably withstands heavy equipment, rolling carts and pallet jack loads.



TEAM MEMBER PROCESSING AN ALUMINUM PANEL

TEAM-MANAGED TEAMS

Team-Managed Teams are interdependent, highly-trained team members who are accountable and responsible for managing the quality of work that needs to be done to exceed customers' expectations and contribute to the success of the business.

—SIGN ON PRODUCTION WALL

How Universal Woods Invests in its Workforce

- Above-market compensation
- Guaranteed minimum 40-hours-per-week compensation for all full-time hourly workers
- Equivalent benefits for both exempt and nonexempt employees
- Quarterly and annual profit-sharing
- 401K plan
- Emergency loan program
- Applied continual learning—cross-training and classroom, both on- and off-site
- Education scholarships fully paid—whether or not directly related to current position
- Wellness Program—fresh fruit and bottled water, weekly fitness class, reimbursement for all walks/races and more
- Inclusion of all levels of team members at external sales and community events
- Flexibility, with advance notice, for planned absences
- Personal financial planning during first year of employment

At the very core of this strategy are the 200 workers at Universal Woods—men and women of 25 nationalities speaking more than 20 languages, diverse in age, religious beliefs and sexual orientation. Tim Holt, Director Human Resources, puts it simply: “Employees are not a commodity—they’re our primary opportunity to create value.” That diversity, combined with continued workforce investments, results in a highly knowledgeable, highly skilled, and very stable workforce, with an employee retention rate of more than 90 percent over the past five years. Tim Holt continues, “We know our product, we know our customers, and we know how to work with each other.”

Of course, not every individual always contributes 100 percent, and sometimes mistakes are made. Adds Paul Wilson, Production, “But since we trust the vast majority of our employees to do the right thing at the right time—given the right support, training and information—it wouldn’t make economic sense to hobble everyone with inefficient oversight and top-down directives, just to ‘manage’ the occasional few.”

Within this economic logic, the manufacturing operation has an opportunity to become self-correcting. Here is what that looks like on the shop floor: “Soon after I was hired,” recounts Darrell Ash, a team member in production, “I made a mistake on my machine—and I was really worried I would get written up. When I called over the Technical Advisor, I said, ‘Here’s what I did wrong, and this is what I did to fix it.’ My Advisor just said, ‘Great!’ and then thanked me for letting him know.”

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The resulting organizational structure is flat and lean. Charles Hopkins, Organization Development, explains, “Each production and administration area is structured into a ‘Team-Managed Team.’ I was the last supervisor Universal Woods hired—soon after, we eliminated that level of expensive oversight. We instead created the role of ‘Technical Advisor,’ one who acts as a coach and a resource to the teams.” Admittedly, the team structure is still a work in progress: “We started out calling them self-managed teams, but that didn’t have the desired emphasis on ‘team’ concepts,” acknowledges Hopkins. “We now call them *team-managed* teams to emphasize that we expect team members to collaborate and hold each other accountable.”



UNIVERSAL WOODS TEAM

“I was describing how we invest in our employees to an acquaintance of mine who works at another company. She said, ‘Wow, you must have better margins than ours to afford all that!’ I told her, ‘You’ve got it backwards—we have better margins *because* we do all that.’”

—Beth Bliss
Materials Supply

Many employers hesitate to invest in workforce training and education fearing that their workers will take those new skills and go to work for a competitor. That just isn’t a concern for Universal Woods. “In fact, we want everyone here to realize their full value, and to work to deepen that value every year,” says Tim Holt. Since team members consistently see how the investments made in them open up new opportunities *within* Universal Woods, they are constantly rewarded for staying at—and growing with—the company.

Take the story of Binah Jang, who emigrated from South Korea with a degree in international business in 2011. After settling in Louisville in early 2013, Binah took a Certified Production Technician (CPT) class sponsored by the Kentucky Manufacturing Career Center.¹ At a job fair specially organized for CPT graduates, Binah met Tim Holt from Universal Woods, and Binah was soon hired as a second-shift production worker.

¹ Kentucky Manufacturing Career Center is supported by WIRED65 Regional Workforce Partners, a workforce funding collaborative supported by the National Fund for Workforce Solutions.

TODAY’S INVESTMENTS— NONLINEAR RETURNS.

“One important lesson about our strategy of trust and respect is this: You never know when and how an investment in the workforce today might result in a business advantage later on. It’s just not necessarily a linear process. And in fact, that’s its real power: You’re not hobbled by having to justify a direct, linear ROI on every decision you make, because you know that benefits will eventually result, often in unforeseen ways.” —Paul Neumann

Here is one story of how investment made within an environment of trust generated a critically important competitive advantage at Universal Woods:

In October 2008, the Great Recession was forcing companies all across the economy to lay off workers. Universal Woods took a different tack: First, they assembled the entire company—60 workers at the time—and asked for recommendations on how to create efficiencies. One idea came from a production team member: Move to a ten-hour day, four-day work week, shutting down the plant for the three-day weekend to conserve electrical, heating and utility expenses.

That strategy helped, but by March 2009, business still hadn’t improved. So Universal Woods adopted a wide range of additional recommendations including a hiring freeze; reduced hours for nonexempt employees to 30 per week, but paid for 35 hours (if employees did not have five hours of vacation leave available to bring them up to 40 hours’ pay, they were advanced five hours of vacation leave); and a 10 percent pay reduction for all exempt employees. The result: No one was laid off.

The benefit: Just four months later, orders began to pick up, the temporary compensation reductions were restored, and Universal Woods was able to surge back into the marketplace far ahead of its competitors. By not laying off anyone, the company had retained not only its production capacity, but also its knowledge base within its workforce, allowing it to take full and immediate advantage of the market’s rebound. And of course, inviting its workers to participate in solving the company’s challenges—and holding the community of workers together during the economic crisis—only deepened loyalty and trust throughout the organization.

"Interpersonal and communication skills are always emphasized by Universal's 'continual learning' program," said Binah. Taking full advantage of those learning opportunities, Binah soon assumed the role of Production Assistant in marketing. And then, within a year, "During an informal 'lunch and learn' with Paul Neumann, I spoke about my idea for a new job responsibility." Binah knew that Universal Woods was an international company looking to expand its Asian markets. The company responded by creating a new role, and Binah now oversees marketing in Japan and Korea—her home country—and has already traveled to trade shows across Asia.

"Respect" is the word repeated most often by employees when describing their team members at Universal Woods.

"There are no closed doors here," says Ben Yaney, Engineer, who leads the safety focus throughout the plant. In fact, Universal Woods does everything it can to remove distinctions between "collar colors": They offer identical benefits for both exempt and nonexempt employees, have no reserved parking, provide a companywide bonus plan, and make sure all team members have an opportunity to participate in off-site customer visits and on-site plant tours. "When I first was hired here, I was confused—where are the supervisors?" smiles Amr Shalaby, a production worker who emigrated to the U.S. after serving 12 years in the Egyptian military. "Now, I know I am a respected team member here at Universal Woods. I never want to leave."

And there is no deeper sign of respect than the company's efforts to keep employees safe. With forklifts around every corner and massive machines constantly devouring large sheets of materials, safety is a necessity emphasized in every aspect of daily work life. Any worker can stop production for a safety concern, or refuse to undertake a task he or she judges to be unsafe. Safety trainings are constantly updated, and the entire operation is kept orderly and uncluttered. The result: Universal Woods consistently has 40–50 percent fewer accidents than comparable SIC-code businesses.



TEAM MANAGED TEAM MEETING

Returning to the "business logic of trust," Neumann underscores that respect, transparency and shared investment reach beyond the workforce, throughout the company's value chain. "My role is to create an understanding on the part of all our stakeholders that our economic interests are aligned together. For example, we try to limit price increases to no more than material-cost inflation. Near-term that might shave our bottom line a bit, but in the long term we deepen customer loyalty. Along with our investment in continually improving technology and quality, that is the reason that over the past ten years we have retained more than 95 percent of our customers."

"In short, across the value chain, says Neumann,

// We focus on value rather than price. And in doing so, over the long term we grow faster and more profitably than our competitors. **//**



TEL 202-223-8994 | info@nationalfund.org
1730 Rhode Island Ave NW #712, Washington, DC 20036
WWW.NATIONALFUND.ORG

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