

Beyond the Bucks, the Banners, and the T-Shirts: Motivation/Rewards Is About Mutual Respect and Developing People

Move organizational and individual performance to a higher level; beware the superstitious pigeon dance and the jackass fallacy.

Lea A.P. Tonkin

How "engaged" are people in your organization? Do they understand and buy into corporate improve-

ment initiatives? Are they willing to go the extra mile to achieve organizational goals? Maybe you've explored alternative rewards systems — tweaking the bonus plan and pay ranges, rethinking stock options for selected personnel, plunking more dollars into your recognition program (even more colorful T-shirts are on order!). The trouble with such strategies is that they fail to attack the social currencies of cultural change: trust, equity, true communication, and the sense that you're making a difference. Leadership needs to encourage and nurture these elements of cultural transformation, as reflected in the following comments from several leaders.

In Brief

Motivation can be a powerful force in organizational improvement. Yet many companies turn off employee "engagement" through misguided schemes. Effective leaders create a culture of equity and participation, merging the needs of the individual and the organization. When you treat people with respect and as individuals, you encourage development of high-performing people in an environment of trust, sidestepping the stench created by the jackass fallacy of motivation.

HUI: Encouraging Accountable, Highly-Functioning People

"You can't make people accountable. They either are or they aren't. You *can* create an environment where there is a higher likelihood that people care. You can encourage accountable, highly-functional people. That's what we try to do, as simply as possible, by creating and articulating objectives and measurements that tell us if we are having a good day or a bad day," said Dan Ruedinger (email druedinger@huimfg.com), president of HUI in Kiel, WI. Employees of this contract manufacturing organization provide services such as design and metal fabrication, powder coating, assembly, and supply-chain management.¹ "From my experience, most people inherently want to have good days, to win. The problem in many organizations is that there is no consistency. For example, a customer service person may say that a good day is not getting many calls — but in reality, it may be a bad day for the organization because communication about market performance is lacking. You're trying to create alignment of people throughout the organization, a sense of what the company is trying to accomplish. Accountable people love to work in that environment, while that environment will repel others."

Financial rewards do not motivate high performers on a long-term basis, although providing competitive rewards for your industry/region is a must, Ruedinger counseled. "You're not looking for the response, 'If we have a good quarter, I'm gonna get a bonus.'" Through communication and sharing information, you are building an understanding of the business," he said. "By not making things too complicated, so 95 percent of your workforce can understand it, you share reality about strategy and how we are doing. Sometimes people make things too complicated. There are probably five or six measurements that are the true indicators for your company. They will vary from one company to another, and you may not get it right the first time. Then you learn to present information in a manner that people understand, such as orders, shipments, efficiencies, through-

put per direct labor hour, and inventory turns, on a trend basis. When people review this information in a fairly simple format and understand it, they know what they need to do and where to improve.

"The biggest demotivator for people is a culture that makes them feel they are just there to do a job," he continued. "You want to create a culture where everyone feels they can make a contribution each day to the success of the organization. If you share reality and what your strategy is to deal with it, people feel that they have a story they can share with their family about what we are trying to do, and they will have a better understanding about whether they will have a job three to five years from now. In the end, nobody can make any promises about employment. What we do have control over is creating an environment that allows people to learn, gain skills, and become better people. That is the best we can do for our individual futures and a powerful driver for the company as well."

HUI does offer profit sharing and wage incentives tied to efficiency measures — things that people have control over. "It's always changing for us," Ruedinger said. "We will continue trying different ways to teach and share information."

Landscape Forms: Respect for People

Long-term focus on respect for people and enhancing their capabilities is also reflected at Landscape Forms, a Kalamazoo, MI-based company whose employees design, manufacture, and market outdoor furniture and accessories. In this seasonal business, a hefty percentage of sales and shipments during warmer months is followed by a slower winter season — a potential damper on employee engagement. The company has about 200 employees (about 160-180 in Kalamazoo and the rest in sales offices throughout the United States). "We expand and contract as needed with seasonal people and overtime. We've been using the Scanlon Leadership Network principles for so long that it's part of the fabric here."²

Seen Any "Superstitious Pigeons" Lately?

Just about the time you thought you'd heard everything when it comes to motivating and rewarding performance, along comes another curious anecdote. It seems that while military folks were working on development of better guidance systems for missiles years ago, psychologist B.F. Skinner came up with the idea of training pigeons to guide anti-aircraft missiles.

At first the trained pigeons did well homing in on their targets. But the idea of having pigeon-guided missiles on the fly never took off. So Skinner began training pigeons placed in a box to take food by pressing a lever. Uninformed about the cause for the appearance of their vittles, the birds sometimes behaved oddly. For example, they might replicate their behavior — such as stretching their neck, or walking in circles, or sticking their head in a corner — that preceded a previous feeding. What Skinner called superstitious behavior may have been their association of a specific behavior with the appearance of food.

Does this kind of behavior ring a bell? Perhaps there is a lesson here: Clarity about rewards is a good thing. Or perhaps the pigeons just didn't like the odds of guiding missiles as a career and decided to go into the entertainment field instead. The website www.spring.org.uk/2007/06/pigeon-guided-missiles-superstitious.php offers more information about the pigeon-guided missiles episode.

Everything is run through that filter," said Becky Fulgoni (email beckyf@landscape-forms.com), vice president for people and manufacturing. "Understanding the business is one of the key elements of the Scanlon principles. We try to be consistent in developing this understanding. Another element of Scanlon is that you will be competent in your area. What that means in our business is that you cannot fade into the background, and we do not have extra people doing things.

"People and design are two key values in the company," Fulgoni said. "Rewards and motivation are tied to the idea that making a contribution is a reward. It is rewarding to be listened to and to make a difference. It is not a money thing. It is intrinsic pride — being part of the whole picture."

One of the ways people at Landscape Forms cultivate this sense of meaningful participation is giving improvement suggestions. Everyone is expected to make a certain number of suggestions in a year's time, and to bring their ideas to their own work group for feedback before going to others.

Fulgoni said a major "lesson learned" was that their former suggestion system process was too cumbersome and slow (various levels of feedback and approval had been required before a suggestion

could get the "OK" nod for implementation). "It was bureaucratic," Fulgoni said. "We reevaluated what we were trying to do, then recognized that most of the changes people want to make, such as using a new size container or shadow board, can be handled within their own work group. Now the work groups have their own expense budgets and can go ahead with changes they agree upon. If the idea crosses over boundaries into other areas, then the work group can coordinate the idea with a manager. We've doubled our implemented ideas because of the change." For example, one of the work groups worked through several versions of ideas for equipment (a custom press for bending seat panels) modifications to cut changeover times. Using additional feedback from manufacturing engineering, they reduced changeovers from 45 minutes to five minutes. Then they saw a way to decrease their time even further to almost a minute. "They took it on themselves and asked for overtime to work on the changes," Fulgoni said.

Equity is a Scanlon principle guiding relationships within Landscape Forms. "Respecting people's need to know is one important area of equity," Fulgoni said. "We can't hold you responsible for making good decisions until you have the information you need. We try to make as much infor-

mation available as possible. Otherwise, we would be preempting people's best judgment." Company-wide meetings are held quarterly and current readings on takt times, orders, on-time delivery, etc. are posted frequently and financials are posted monthly. "Our finance department figured out how to do a one-day close so our information has gotten much better," Fulgoni said. Sharing information extends to suppliers and customers as well. Suppliers sometimes participate in kaizen events at the company, building mutual energy and enthusiasm.

"One of the most tangible things reflecting equity is our bonus system," continued Fulgoni. "Our system is successful because of its simplicity. So many organizations have attachments and hurdles built in. Ours is paid quarterly. When we began with the bonus system in 1982, we figured how much we put back into the business for new product development, etc. and then decided to put 28 percent of profits into the bonus pool every month. The pool builds over the quarter and is shared with employees (not seasonal people) who worked during the quarter. The biggest change in the bonus system is that we pay 28 percent of profit, not of revenue (the original method). It's pretty straightforward. That's been enduring, uncomplicated, and motivating. If you mess with people's money too much, it becomes a trust thing.

"When I think of trust, it's kind of like a bank account," Fulgoni said. "You can add to it, usually in small increments, but withdrawals can be huge. You have to be careful that you don't cause withdrawals you didn't count on." During kaizen (improvement) events, for example, Fulgoni counseled that it's important to *ask* employees what they are doing — seeing what's there and then looking at potential improvements, rather than *tell* employees about perceived problems they need to fix. "Get people involved in making changes," she said. "There's a whole different level of buy-in and commitment to making the changes permanent."

Reality as the Ultimate Motivator: Scanlon Leadership Network

Motivation for change can go various ways — sometimes unintended. "A riot is a group of very motivated people. You need to motivate people in the right direction," noted Paul Davis (email pdavis@scanlon-leader.org), president of Scanlon Leadership Network, a non-profit association. Network members look at means to equitably share financial benefits from employee involvement, leadership engagement, continuous improvement, customer focus, innovation, and integrated strategic and tactical planning.

To divine what motivates people, learn from the research of Abraham Maslow,³ Douglas McGregor's Theory X and Theory Y,⁴ and others, suggested Davis. "Money is not the greatest motivator! Reality is the ultimate motivator," he said. "Individual motivation and organizational culture depend on the leadership of the organization. Are employees viewed as people to be developed, or as a cost to be reduced?"

The "jackass fantasy" of motivation, according to Davis, still pervades too many organizations. Described by management psychologist Harry Levinson in his book, *The Great Jackass Fallacy*⁵ and in the book, *Harry Levinson on the Psychology of Leadership*,⁶ it is the old carrot-and-stick method of getting people to do things. Levinson said the unconscious assumption behind this approach is that managers are dealing with jackasses to be manipulated and controlled. Levinson added that by interesting coincidence, the characteristics of a jackass — stubbornness, willfulness, and an unwillingness to go where someone drives them — also mark the unmotivated employee. Problems stemming from the jackass fallacy are compounded by a bureaucratic organizational structure based on rigid control at the top.

Dangerous Creation: Servant Leadership

Leadership's attitude about people *is* critical. Viewing employees as objects to be manipulated creates far different results ("Give them a pizza and they'll make transmissions faster" — it's called piecework and it causes a host of unwanted behaviors, including hoarding and jackknifing inventory levels, Davis believes) from a culture marked by challenge, trust, and the willingness to share financial and operations information ("being in the game"). "The best leaders are servant leaders," said Davis. Such leaders flatten hierarchy, reflect trust, and listen to others, he said.

As noted in the book, *Being the Change*, by McGee-Cooper, Loper, and Trammell,⁷ Robert Greenleaf (author of the 1970 essay, *The Servant as Leader*) explained how he created the term "servant leadership" this way: "As I ponder the fusing of servant and leader it seems a dangerous creation: dangerous for the natural servant to become a leader, dangerous for the leader to be a servant first, and dangerous for a follower to insist that he be led by a servant."⁸

High-achieving leaders and organizations understand human psychology. They know that people are not simply motivated by money. For example, people have basic affiliative needs (the need to be with other people and to work in groups, with Toyota as a model), Davis continued. Another key motivator cited by Davis: making sure that people understand what is going on and are engaged. "That means sharing information," he said. "How are we doing financially? What are our competitors doing? What is our performance in quality, shipments, etc.? What are the expectations of our investors, customers, and employees? How do we involve everyone in the organization in making it better, so we can respond to our reality?" Kaizen events, effective work teams, etc. can play a key role in this strategy.

"It also means making sure that issues of *equity* are responded to," Davis continued. "How do we insure equity between our stakeholders, to make sure that our

investors, suppliers, employees, and customers and community are treated fairly?" He did not suggest that employees will be motivated if their pay is lousy and their boss talks a good line about equity. "Research overwhelmingly shows that, when basic needs (including financial) are satisfied, believing that you can make a difference and being involved in decisions that affect you will pave the way for a higher level of involvement and self-actualization," said Davis. "*Good to Great*"⁹ shows that many of the great companies are led by people who are not solely motivated by money. Watermark Credit Union, a member of the Scanlon Association of Companies, was recently recognized as one of the top 100 best places to work in Washington State. They have eliminated all their executive bonuses, yet they are able to attract and retain talent." Conversely, motivation is destroyed when employees feel that they are being harassed and their contributions are disregarded.

Many reward schemes gum up the possibility of motivating employees when they lavish rewards and recognition on a few "stars" and everybody else stifles a groan when they hear how "People are our most important asset." "You've got to make a choice. You cannot reward some people and not others, pitting people against each other," Davis said. "In most cases, people don't expect to be paid the same as everyone else, but they want rewards to be equitable." Employees lacking a clear understanding from leadership of how they can be successful in an organization can come with some pretty creative ideas on their own, Davis said. He noted that it's something like the "superstitious pigeon" behavior recorded years ago by B.F. Skinner when the birds repeated random behaviors that previously resulted in a reward. (See the box, "Seen Any 'Superstitious Pigeons' Lately?") Contrast this approach with the collaborative, dynamic gainsharing culture and alignment of customer, employee, shareholder, etc. needs.¹⁰

Financial Rewards Don't Fix Organizations

Using monetary incentives can backfire, particularly if they are used to drive behavior. That's the viewpoint of Jeffrey Pfeffer, the Thomas D. Dee II professor of organizational behavior in the Stanford Graduate School of Business. "Incentives should be used not to drive behavior but instead to provide recognition and to share the company's success with its employees," he wrote in the July/August 2007 issue of *The Conference Board Review*. "There are, unfortunately, few shortcuts in leadership — and using financial incentives to fix companies isn't one of them." Pfeffer's article is based on a chapter in his book, *What Were They Thinking? Unconventional Wisdom About Management* (Harvard Business School Press, 2007).

Pfeffer noted a Hewitt Associates (compensation and human resources consulting firm) report indicating that the percentage of companies participating in a 2003 salary survey offering at least one plan linking pay and performance climbed from 51 percent in 1991 to 77 percent in 2003. The belief that "if employees were just compensated appropriately, virtually every organizational and management problem could be solved" can be misguided, Pfeffer said, citing examples of related experience.

Awarding stock option grants to top executives also causes problems, according to Pfeffer. "There is evidence that the higher the option grants to senior executives, the more likely it is that their companies will have to subsequently restate their financial statements," he said.

Although financial incentives can play a role in motivating employees, the key is to build a supportive culture in the organization, Pfeffer suggested. He added, "One can change a pay system or a set of financial rewards fairly quickly and easily. It is much harder to change organizational culture, people's mindsets and beliefs, their knowledge and skills, and how effectively they work and communicate with each other." (See the website www.gsb.stanford.edu/news/research/pfeffer_commissions.html for more information.)

Thomson-Shore's Culture of Ownership

At the Thomson-Shore organization based in Dexter, MI, such alignment of leadership and others in the organization *is* their culture.¹¹ "I work for everyone in this company," said Myron Marsh (email myronm@tshore.com), president and CEO of the book manufacturer. Although he characterizes relationships inside and outside the company as "a learning process," their experience has brought understanding of what motivates high performance and loyalty. "Servant leadership demands more of leadership," said Marsh. "For example, start by asking questions rather than by telling people what to do. You are here as a leader to help people to learn. Although business is not a democracy — people should be able to contribute to the level of their competence — we've always had a highly participative workforce and culture." The company is 95 percent ESOP (Employee Stock Ownership Plan)-owned and five percent owned by other employ-

ees.^{12,13} The average tenure among the 260 employees is 15 years.

The concept of *equity* (a culture of ownership, and value for all share owners) guides decision-making about business strategies (whether to invest in new ventures, for example) at Thomson-Shore. "We spend a lot of money on education, building understanding about customer needs, finance, etc.," added Marsh. "We also have daily stand-up meetings, quarterly meetings where company financials are discussed, employee ownership meetings, and other activities to build a sense of *identity*. We also drive involvement through our hoshin process (a planning process that begins in the fall of each year). We use a catchball process to gain employee feedback, and then we use that feedback in developing the goals and strategies of the organization. Then, when plans are achieved, employees earn a bonus on top of their increasing stock value."

Innovation presents a tough challenge. "When new designs are developed, we have to determine whether we can eco-

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Dr. Ann McGee-Cooper

nomically produce those designs. With our hard- and soft-cover books, we look for ways to take cost out of the process, and where we need to change our process," Marsh said. "One of the things we've learned is to set targets in one or two areas, to challenge ourselves. A time commitment forces action. Otherwise you can debate what to do and meander around for a long time. It's also important to share information about the business. When people understand the numbers, then needed changes happen."

Accountability for actions and results builds employee buy-in, Marsh believes. "We use the concept of accountability, so that people understand that they are treated fairly," he said. "Everyone in the organization understands that they are accountable for results, and they have access to information that will help them make decisions." Through an intranet "equity café," "barristas" selected by fellow employees field questions about company issues. "As much as you do to communicate, you need to do more," Marsh said. "You need to appreciate the questions received, and to adjust your communications to answer them."

Transformation, and Nurturing Relationships: Ann McGee-Cooper, EdD

"As leaders empower people to take ownership of the business, they hear more ideas on how to grow and improve the organization," according to Dr. Ann McGee-Cooper (email ann@amca.com), of Ann McGee-Cooper and Associates in Dallas, TX and co-author of the book, *Being the Change* (which profiles six servant leaders). She works with clients such as Southwest Airlines, TD Industries, etc. to build creative, high-energy, "leaderful," listening cultures where all Employees are motivated to contribute their best efforts and ideas. (She uses a Southwest Airlines tradition of capitalizing words such as Employee, Customer, Supplier, etc. to show respect.)

"The barrier in many organizations is the assumption that the person at the top has all the answers," McGee-Cooper said.

"When you block information and send signals that others' ideas don't matter, then you invite gossip and other negative behavior. Leaders need to listen with respect, to make it possible for everyone to participate on an ongoing basis. What is your telling versus your listening ratio? How often do you respond to others' ideas or challenges with respect and build on them by asking for more information? It's changing the paradigm to truly understand others." She noted that Southwest Airlines Chairman Herb Kelleher learned servant leadership while working as a manager in a soup factory, making the personal investment to learn everyone's name and something about them, then listen and ask good questions. By growing people and involving them as partners, they will take ownership for the success of the enterprise.

"Servant leadership is about reciprocity: I can't win unless you win," McGee-Cooper continued. "It's a great leap in maturity. If I use my skills to grow others, then together we can grow a great place to work, where Customers are loyal and we are mindful of the community. When our deepest self feels honored, when management looks for ways to benefit Employees by helping them to grow their skills instead of manipulating them, work takes on a deeper, more fulfilling meaning."

Don't forget to bring Customers and Suppliers into this circle of support and innovation, counseled McGee-Cooper. "It doesn't stop in the workplace; it extends to marriage and the community," she added. "It's about transformation and understanding ourselves as leaders. We're all leaders in some areas of our lives. One of the reasons servant-led organizations are so high-energy is that when everyone feels they are making a difference, you get creative breakthroughs and you and your work are suddenly transformed. It stimulates your endorphins, like when you are laughing playfully with colleagues."

Fun powers even stronger bonds of engagement and creativity, said McGee-Cooper. "When you invite others to be part of a solution, you are honoring them; it's fun to be part of a breakthrough solution."

When you're part of a high-performing team, you open up to each other and nurture each other," she said. "It's a way to test yourselves and increase your creativity. You cut across hierarchy, looking for diverse ways to have fun so everyone is included (for example, creative ways to have a five-minute party to celebrate a milestone). When a leader demonstrates fun at their own expense (no belittling of others), it makes it possible to get past our own fears," she continued.

McGee-Cooper's list of "do and don't" ideas for motivating people in an organization include:

1. Eliminate negative humor. Find positive ways to make it safe to be real.
2. Do a lot more listening and less telling. The greatest way to reward people is to honor them and their ideas. Care about them and what's going on in their lives, and about making them successful. Ask for feedback on what you can do to be more successful. Make it safe to give and receive respectful feedback.
3. Learn to park your ego.
4. Search for the genius in yourself and each person around you. For example, if someone likes to scuba dive, use metaphors from that sport. Learn why it is fun for them and what captures their imagination. Search for ways to bring their unique passion and talents into the workplace.

"The least meaningful rewards are those that some people think are most important, such as financial," she continued. "It is important to pay fairly. But the greatest motivation for most of us is being in on things, being listened to, and having your ideas count. And when you are part of a high-performing team, you care deeply about each other, instead of watching your back. You have the capacity and courage to find dignity in your work, so that it doesn't suck the life out of you. It becomes a transforming spirit. If you dare to believe that your work is your calling, then that is the biggest reward of all."

The Antioch Company: Employee Ownership

Encouraging team spirit, as well as creatively and consistently developing the skills of hourly and professional people are key strategies in The Antioch Company (Creative Memories scrapbooking supplies, etc.) according to Ole Dam, vice president global operations (email odam@antioch.com). "We are building overall excellence in the company by creating pockets of excellence, as people build their capabilities they can use in their job at this company or at another job," Dam said.

Asked about the role of pay and rewards in the spectrum of motivators for high performance, Dam said, "I learned a long time ago that you have to be fair and pay comparable, competitive rates for the same area, and that if pay isn't right for the area you are in, it can be a demotivator. A key for us is the ESOP environment we have had for a long time. We have profit sharing which we pay out on a six-month basis, if we make more than ten percent operating income as a percentage of net sales; the difference goes into a pool. Everybody gets the same amount, based on the size of the pool, so the material handler gets the same amount in profit sharing as a senior executive. It works like an enhanced 401k. The more successful the company is, the more goes into profit sharing, making it more interesting and profitable for everyone."

With fewer than a thousand employees worldwide, the company uses profit sharing as an enticement to encourage lean ways. In addition to eliminating waste in all areas of their processes, associates may think twice about leaving the lights or the copier turned on, for example. "An educational process needed, so that everyone could read and understand their ESOP statement," said Dam. "So we have a three-hour class for new employee-owners three times a year. It works to enhance the overall atmosphere of the company." Dam noted that when margins shrink and profit sharing (which has been as high as \$2600) slips, there can be grumbling in the ranks. The company has also implemented a flex-

**... Trust is
a valuable
currency.**

ible pay system that rewards employee-owners who pursue additional training and skill certifications. "The benefit is that as they grow and learn, they become more valuable to the organization and to themselves," said Dam. "For those people who are more aggressive and will become our next supervisors, we encourage them any way we can.

"A real important thing is that your boss is doing right for you and respects you, and you have respect for him or her," he continued. "Then you will continue to do your best. We are also building trust. We talk about team building, doing the right thing, and the best that you are capable of. We also take folks to AME and other educational events, and emphasize the Toyota production process. Our priorities are safety, quality, delivery, and cost containment, in that order.

"Be positive and respectful with people," Dam counseled. "With open book access to all our financial statements on our internal website, and in other ways, we share information. We treat people as employee-owners — which they are. The challenge is to find the balance between the employee-ownership and the perception of entitlement of business decisions that comes with being an 'owner.' It is always interesting!"

**Aubrey Daniels: Leadership
Inspiring Individual Action**

Leaders need to learn how to create and nurture a culture of consistent trust and respect for individuals based on an understanding of human nature from a scientific perspective, according to Aubrey Daniels (email adaniels@aubreydaniels.com), chairman of Aubrey Daniels International. "You need a positive culture, with positive reinforcement for people," he said. "The whole approach to rewards and motivation is generally not very sophisticated in many organizations. If you think you can have a negatively-oriented workplace and then transform it with some form of rewards or bonus program, then you are mistaken. There are cheaper ways to upset people. If rewards and

recognition are not an extension of the way you manage day to day, then it is a waste of time and money."

Trust is a valuable currency, Daniels believes. "I look at trust as a correlation of what you say and what you do. Leaders need to understand that showing appreciation — simple little things every day — will make a difference to people. Financial reward is only a backup, and not very effective in motivating people if you do not recognize and appreciate what they do on a daily basis."

Daniels favors development of effective teamwork — if it does not eliminate individual recognition. "Celebrate team results, but understand that meaningful recognition of individual behavior is important," he said. "Rewarding and recognizing only the team and not the individual is a bad strategy, as it is punishing to the best performers and reinforces the poor performers for substandard work. Such a strategy eventually leads to mediocrity. Find ways to reward all performers who meet organizational goals. Annual profit sharing and bonus plans where money is distributed by pay grade or job function as opposed to individual performance or accomplishments, for example, do more harm than good. You need to recognize the actions of outstanding performers. We all want to be treated as individuals."

Organizational improvement initiatives such as lean and Six Sigma cannot be sustained unless accompanied by a system of positive reinforcement of the behaviors wanted by leadership, according to Daniels. He added, "Employee behavior is always telling you something about leadership. You need to reexamine your behavior to see whether you are rewarding cooperation or loafing. Leadership's behavior and example are critical to the long-term success of your organization, in the manner they inspire *individual* action."

Is Your Workforce Your Greatest Source of Untapped Potential?

Engaging employees *is* critical to the overall success of an organization. Gone are the days when some leaders presumed that an occasional pat on the back or year-end bonus sealed employees' commitment to the organization. A recent survey of nearly 90,000 people in 18 countries by Towers Perrin,¹⁴ for example, used an analytic model to calculate workers' engagement levels and the impact those levels have on organizational performance.

Many employees do not believe that their organization or senior leadership does enough to build engagement or the companies' success, the Towers Perrin survey results indicated. A measly 21 percent of employees around the world said they are engaged in their work — willing to go the extra mile to help their companies succeed. Another 38 percent said they are disengaged. The study responses also indicated that companies earning the highest levels of employee engagement are more successful in retaining their most valued employees. "It is impossible to overstate the importance of an engaged workforce on a company's bottom line," said Julie Gebauer, managing director and leader of Towers Perrin's Workforce Effectiveness consulting practice. " ... at a time when companies are looking for every source of competitive advantage, the workforce itself represents the largest reservoir of untapped potential." She noted that a regression analysis of company financial results against engagement data showed that companies with the highest percentage of engaged employees collectively boosted operating income 19 percent and earnings per share 28 percent year to year. For companies with the lowest number of engaged employees, year-to-year decreases in operating income averaged 33 percent and earnings per share dipped an average 11 percent per share.

"One of the study's key findings is that the organization itself is the most powerful influencer of employee engagement," Gebauer said. "Personal values and work experience factors have less of an impact

on engagement than what the company does — particularly the extent to which employees believe senior management is sincerely interested in their well-being. This was the number one element driving engagement on a global basis and also in the United States." She said survey findings suggest three areas for companies seeking to encourage employee discretionary effort: 1) Employees need senior leaders to demonstrate inspiration, vision, and commitment; 2) employees want to give more to their companies and jobs, but want a clearer picture of what's in it for them; and 3) employees want to work for a company that is seen as a leader.

Creating and nurturing a culture that encourages productive behavior without generating unwanted consequences is a daunting challenge for leaders. Employees, customers, and others take action when three elements are present, according to Ludwig von Mises: 1) dissatisfaction with the current situation, 2) their vision of a better future state, and 3) their belief that they can achieve the better state.¹⁵ Management's problem and opportunity, as described by Abraham Maslow, is "how to set up social conditions in any organization so that the goals of the individual merge with the goals of the organization ... (This) includes the needs for meaningful work for responsibility, for creativeness, for being fair and just, for doing what is worthwhile, and for preferring to do it well."¹⁶

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Lea A. P. Tonkin, Woodstock, IL is the senior editor of Target Magazine.

Footnotes

1. *Target* articles about HUI include, "HUI Expands Self-Directed Teaming to the Office," by Jim Tennessen and Lea A.P. Tonkin (Sixth Issue 2005, pp. 35-39), and "HUI: What to Do When You Discover that Most of the Wasted Efforts and Delays Were Not on the Shop Floor," by Lea A.P. Tonkin (First Issue 2007, pp. 36-40).
2. Wilhelm, Karen, "Scanlon Principles Lay the Groundwork for Lean," *Target* magazine, Sixth Issue 2007, pp. 25-31.

3. Maslow's Hierarchy of Needs, proposed in his 1943 paper, "A Theory of Motivation," was published in *Psychological Review* 50, 1943. Maslow proposed that an individual's physiological needs at the lowest level of a pyramid (food, water, breathing, sex, sleep, etc.) must be satisfied before safety needs (security of body and employment, health, property, etc.) can be met, followed by higher-level needs (love/belonging is the next rung up the hierarchy, followed by esteem and self-actualization at the top of the pyramid). "Deficiency needs" are at the lowest level and "growth needs" at the higher level drive personal growth.

4. Douglas McGregor's work on human motivation, developed at the MIT Sloan School of Management encompassed the Theory X and Theory Y theories. Theory X assumes that employees are lazy and cannot be trusted; hierarchical structure, a narrow span of control at each level in the organization, and the assumption that employees' only motivation is money mark this theory. Theory Y conversely assumes that employees can be motivated, eager to accept greater responsibility, and turned on by autonomy and self-empowerment; their managers can enhance their performance by removing barriers to their creativity and achievements. Although the rigidity of these assumptions is questioned, they stimulate debate and potential learning about positive approaches to improving the culture and development of organizations.

5. Levinson, Harry, *The Great Jackass Fallacy*, Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1973.

6. Levinson, Harry, *Harry Levinson on the Psychology of Leadership*, A Harvard Business Review Paperback, Boston, MA, 2006, pp. 129-140 ("Asinine Attitudes Toward Motivation").

7. McGee-Cooper, Ann, Gary Looper, and Duane Trammell, *Being the Change; Profiles from Our Servant Leadership Learning Community*, Ann McGee-Cooper and Associates, Inc., Dallas, TX, 2007, p. 10.

8. Robert Greenleaf believed that true leaders are chosen by their followers, and they possess qualities such as awareness, foresight, and listening. He continued writing about servant leadership, organizations, management, and other topics until his death in 1990. More information about Greenleaf and his works is available at the website www.greenleaf.org (The Greenleaf Center for Servant-Leadership).

9. Collins, Jim, *Good to Great; Why Some Companies Make the Leap ... and Others Don't*, HarperBusiness, New York, NY, 2001.

10. Related findings on pay and the changing role of human resources, etc. are included in the book, *People, Performance, & Pay: Dynamic Compensation for Changing Organizations*, by Thomas P. Flannery, David A. Hofrichter, and Paul E. Platten, published by The Free Press, A Division of Simon & Schuster, New York, NY, copyright 1996 by The Hay Group.

11. More information about Thomson-Shore is available at their website www.thomsonshore.com.

12. Information on the ESOP Association, a trade organization for ESOP companies, can be found at

their website www.esopassociation.org. (See also the National Center for Employee Ownership in the Resource List.)

13. Employee ownership benefits and pitfalls are explored in the book, *Equity; Why Employee Ownership Is Good for Business* by Corey Rosen, John Case, and Martin Staubus (Harvard Business School Press, Boston, MA, 2005).

14. The Towers Perrin Global Workforce Study; the company's website is www.towersperrin.com.

15. von Mises, Ludwig, *Human Action*, Regency Company, Chicago, IL, 1963, pp. 13-14; as noted in the book, *The Science of Success: How Market-Based Management Built the World's Largest Private Company*, by Charles G. Koch, CEO of Koch Industries, Inc., John Wiley & Sons, Inc., Hoboken, NJ, 2007, p. 144.

16. Maslow, Abraham, *Toward a Psychology of Being*, John Wiley & Sons, Hoboken, NJ, 1988, pp. 244-245; as noted in the book, *The Science of Success: How Market-Based Management Built the World's Largest Private Company* by Charles G. Koch, John Wiley & Sons, Inc., Hoboken, NJ, 2007, p. 135.

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