

Creating an Energized Workplace

By Bob Nelson, Ph.D.

American management is discovering that the traditional methods of motivating employees—either with carrots (bonuses, raises, stock options) or with sticks (coercion, fear, firing)—no longer work. As Peter Drucker has observed, “Economic incentives are becoming rights rather than rewards. Merit raises are always introduced as rewards for exceptional performance. In no time at all they become a right...The increasing demand for material rewards is rapidly destroying their usefulness as incentives and managerial tools.” Negative management techniques are likewise becoming a less useful option. In our legalistic culture, firing an employee—or even giving an unflattering reference—is often an invitation to a lawsuit.

On the plus side, employee motivation may represent one of the last frontiers for organizational leverage. This is true for several reasons. The business environment has fundamentally changed. Years ago, disparities in technology, market access, and production capability separated businesses from one another. However, as we near the end of the millennium, the gaps that have separated companies—and countries—are shrinking dramatically. Today, most companies have access to the same technology, markets, methods of production, and channels of distribution. The result is that traditional measures of business performance such as return on investment (ROI) and return on assets (ROA) have less significance today than does return on people (ROP). When leaders look beyond purely

financial yardsticks and measure their organization’s productivity, responsiveness, innovation, and knowledge base, they are measuring their ROP. Increasingly, it’s that ROP that provides the most significant competitive advantage.

With the shifting business environment, we are also seeing massive change in the global workforce—both in composition and attitude. Skilled, knowledgeable employees are becoming more difficult to find, manage, and motivate. The changing demographics of an aging, more diverse, and more demanding workforce are challenging the traditional notions of management and work itself. As a result of these changes, managers have essentially two approaches to increasing their ROP. They can try to squeeze more and more output from a less and less tractable workforce, or they can energize employees, encouraging them to better direct their own efforts. Given the realities of today’s workplace, leaders have little choice.

The Limits of Management

Traditional management practices produce diminishing returns due to seven business trends:

The need for greater employee initiative. Employees are increasingly being asked to be self-directed, autonomous, and responsible for their own work, acting in the best interest of their customers and employers.

The changing role of managers. Managers have fewer ways to shape employee behavior—coercive and authoritarian behavior is no longer an option. To be effective, today’s managers must create supportive work environments that can influence, but not ordain, desired behaviors and outcomes.

The impact of workplace technology. Many workers now interact more closely with their computers than with their managers and colleagues. As author John Naisbitt observed, the more “high-tech” we become, the more “high-touch” we need to be in our professional relationships.

The increasing speed of business. As the pace of business quickens, managers need to consciously make time to focus on people. Finding “quality time” is as great a challenge at work as it is at home.

The need to build trust after layoffs and downsizing. Employees need to reconnect after layoffs or reorganizations to regain a sense of security, perspective, and grounding—and they need to reconnect mostly with their managers.

The growing need to have meaning in work. Workers today struggle to achieve more balance in their jobs and family life, and are demanding work environments that they find personally rewarding.

The need for low-cost options for motivating employees. CEOs aside, most employees are not collecting huge bonuses or raises, even in good years. Fortunately, simple forms of recognition and praise have proven to be effective, low-cost means for influencing performance.

The New Work Environment

As old management styles focusing on tasks and procedures become less effective,

No-Cost Ways to Energize Employees

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Some of the most effective things you can do to develop and sustain motivated, energized employees cost nothing. They are a function of the daily interactions that you have with employees at work. Consider the power of “the five I’s”:

Interesting Work. Everyone should have at least a part of their job be of high interest to them. As management theorist Frederick Herzberg put it, “If you want someone to do a good job, give them a good job to do.” Find out what tasks your employees most enjoy and use that information in future work assignments. Second, 72.9 percent of managers reported that they received the results they expected when they used non-monetary recognition either immediately or soon thereafter and 98.9 percent said they felt they would eventually obtain the desired results.

Information. More than ever, employees want to know how they are doing in their jobs and how the company is doing in its business. Open channels of communication to allow employees to be informed, ask questions, and share information.

Involvement: Involving employees in decisions making, especially when the decisions affect them directly, is both respectful and practical. Those closest to the problem typically have the best insight as to what to do about it. As you involve others, you increase their commitment and ease in implementing new ideas or change. It’s true: Both managers and employees agree that recognition really does work to get desired behavior and performance!

Independence: Most employees appreciate having the flexibility to do their jobs as they see fit. Giving people latitude increases the chance that they will also perform as you desire—and bring additional initiative, ideas, and energy to their jobs.

Increased Visibility: Everyone appreciates getting credit when it is due. Occasions to share the successes of employees with others are almost limitless. Giving your employees new opportunities to perform, learn, and grow as a form of recognition and thanks is highly motivating for most people. No-C

leaders are learning to get results through people. Bill Hewlett, cofounder of Hewlett-Packard, has observed, “Men and women want to do a good job, a creative job, and if they are provided the proper environment, they will do so.” How does one create an energized organization? The experiences of hundreds of high-performing enterprises suggest that leaders must focus on five strategies.

1. Make Communication a Priority

Employees have a deep-rooted need to be informed about what’s happening at all levels of their organization. Especially during times of turbulence—which today is almost a constant—employees need to know what changes are taking place, how the changes affect them, and the benefits of the changes to them and the organization. Not all employees will agree with every change, but they will feel more secure understanding them. You can no longer rely on the chain of command or a company-wide memo to do the job for you. Instead, you must find new ways to connect with employees personally. For example:

Scott Mitchell, president of Mackay Envelope in Minneapolis, has a one-to-one, 20-minute discussion with every employee about ideas, improvements, or whatever is on the employee’s mind. Mitchell devotes more than 170 hours to this every year, which he says is time well spent.

Palmer Reynolds, CEO of Phoenix Textile Corporation, an institutional linens distributor in St. Louis, invites employees from each of the company’s five departments to join her for breakfast every month. By getting to know her and each other, employees are often better able to work out problems. At one such breakfast, the sales department learned that the production department also had quotas to meet, ending a long-standing tug-of-war and helping the

company grow revenues from \$1.4 million to \$24 million in just six years.

2. Develop a Sense of Ownership

To act like owners, employees need to be treated as owners. Mostly, that is a function of your attitude toward employees. People want a voice in the decisions that affect them and their jobs, and the means to act in the organization’s best interest, on a daily basis. Hundreds of companies also take employee ownership literally, through employee stock programs, with impressive results. Starbucks Coffee, for instance, offers full benefits and stock options to full and part-time employees. Senior managers conduct quarterly open forums where they discuss expansion plans and financial results, and invite feedback. As a result, employee turnover at Starbucks is about one-quarter the industry average.

Other elements that create a sense of ownership include:

- Having an opportunity to develop an idea from concept to reality, as is common practice at 3M Company.
- Knowing how one’s job relates to the products and services delivered to customers, and to the viability of the organization.
- Understanding and identifying with the organization’s mission and values.

3. Establish an Improvement Orientation

Despite the lip service given to employee involvement, too many managers resist suggestions from the front line, perhaps because they feel threatened by workers entering what was once their province. By contrast, Boardroom, Inc., publisher of Boardroom

Reports and other business publications, encourages everyone to think about the way they work and how to do better. Founder and CEO Martin Edelston asks employees to contribute two ideas every week (versus the national average of one suggestion per seven employees per year). Simple suggestion forms are available at every meeting and at key spots throughout the office. Once a week, the ideas are collected and assigned to a senior manager to review. Nominal cash rewards (\$2 or \$5) are distributed on the spot to idea contributors, and a monthly report on suggestions and their implementation is distributed to the entire staff. In one case, a shipping clerk noticed that trimming one-sixteenth of an inch from the pages of Boardroom's books would lower its postage costs—by \$500,000 in the first year alone. That's return on people.

The point is not to look for home runs every time out, but to build a culture of improvement. For Boardroom, paying minimal rewards is a way to focus employees on all opportunities for improvement, big or small, and to build cooperation by eliminating the fear of having one's idea stolen by a coworker.

For suggestion systems to be successful, leaders have to personally set the tone and hold their managers accountable for soliciting and implementing suggestions. Ron Kiripolsky, former president of a 500person division of PSA Airlines (now part of USAirways), used to empty the suggestion box every day, read each suggestion, and meet with the employees and their supervisors that same day to discuss the suggestions and work out implementation. (In PSA's case, the program may have worked too well; its efficient service and loyal customer base made it an attractive target for acquisition.)

4. Encourage Flexibility

Where yesterday's organizations were typically rigid, bureaucratic, and rule-bound, today's successful competitors are flexible, fast, and dependent on their frontline employees to act independently in the best interest of the organization. Instead of depending on policies and procedures to force employees to do the right thing, smart organizations depend on them to do the right thing on their own.

When a subsidiary of candy maker Mars, Inc., headquartered in McLean, Virginia, replaced its inch-thick set of policies with a new five-page version, employee grievances plunged from average for the industry to just a trickle. At Sprint Corporation headquarters in Westwood, Kansas, employee teams visiting a nearby utility company to study its practices were shocked by its informal culture. When the Sprint teams asked about attendance policies and dress code, their host responded that its policies were "come to work," and "wear clothes." According to Sprint benchmarking manager Jeff Amen, "We got the biggest whack on the side of our head by the answers to those two questions. We were surprised to discover their attendance policy was not 28 pages like ours. We obviously had a long way to go to make it three words."

5. Make Recognition a Way of Life

Research tells us that you get what you reward. Although employee recognition is a common-sense notion, it is far from common practice. As Tom Peters has observed, "Our problem in the U.S. isn't overemphasis on incentives; it's that so few companies offer them at all."

Ironically, the most powerful forms of positive incentives are also the easiest and least expensive to do. In one recent study of more than 1,500 employees in a variety of work settings, Gerald Graham, professor of manage-

ment at Wichita State University, found that the most powerful motivator was personal, instant recognition from managers. According to Graham, “Managers have found that simply asking for employee involvement is motivational in itself.” In one of his studies, Graham determined that the most effective ways to motivate others include:

- Congratulating employees who do a good job
- Writing personal notes about good performance
- Publicly recognizing employees for good performance
- Celebrating group successes

Despite this fact, 58 percent of employees in the study report that they seldom if ever have been personally thanked by their managers for a job well done, and about 75 percent seldom if ever have received a positive note, a public acknowledgement, or group recognition from their managers. Is it any surprise that many employees today lack the motivation to be full contributors to their organizations?

The Role of Leaders

Does your organization systematically “catch people doing something right”? Or are managers’ interactions with employees mainly about mistakes, problems, and criticisms? If so, instead of nurturing employee initiative and inspiring people to be their best, you will only convince people to do what they’re told—and no more.

Remember, too, that money is not the No. 1 motivator. In dozens of studies, employees rarely rank money among the top five incentives. As Rosabeth Moss Kanter has noted, “Compensation is a right; recognition is a

gift.” CEOs sometimes describe the impact of small, public recognition on frontline employees. These stories—which usually involve an employee waiting years to be acknowledged—are meant to be heartwarming, but they are more often sad. That T-shirts and trinkets can mean so much reminds us how little it takes to honor hard work, and how rarely it is done.

The five energizing strategies, in themselves, are not a sure recipe for success; they embody a necessary attitude. You can dramatically improve your return on people by clearing the obstacles standing between employees and the organization’s goals. To produce more results with fewer resources—as every enterprise must—effective competitors reward their people in creative and visible ways. For example:

- At American Express Travel Related Services, former president Lou Gerstner established a Great Performers program, which featured posters picturing employees, describing their accomplishments, and seeking ward nominations from their peers. The nominated employees’ initiatives led to new markets, products, and services that helped increase net income 500 percent in 11 years.

- An Amoco refinery in Texas City has saved \$19 million in two years by publicly awarding idea suggesters with gift certificates during lunch breaks, thanking them on the plant’s internal TV system and in local newspapers, and entering them monthly in an annual employee contest.

- American Airlines supports a 70-person staff for its employee-suggestion program, which it considers as important as any program or service the company offers. It shares 10 percent of the first-year savings with the idea contributor. A few years ago, its “Help Us Buy an

Airplane” campaign yielded one-year savings worth \$50 million—enough, indeed, to buy a Boeing 757.

Now it’s your turn. The old ways of motivating employees no longer work. Creating energized employees demands a new set of leadership priorities. By sharing information, control, and glory, you’ll create an environment that allows employees to do their best work and achieve the best results for you—and them—in the

process.

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