# <u>The Long Term Consequences of Organizational Myopia</u>

## **<u>Examining Key Components to Corporate Sustainability via Informal Meta-Analysis</u>**

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**<u>Abstract</u>**

*When attempting to pinpoint the root causes of the current issues plaguing the U.S. automotive industry, the commonly identified culprits are aggressive foreign competition, unfavorable economic conditions, inferior product quality, or a lack of appealing, innovative products. Each can significantly impact consumer demand and require dramatic cost and efficiency actions to be undertaken in order ensure long term survival. Although the situation currently looks bleak for some, others in the industry (most notably Toyota, Honda, and BMW) remain healthy, thriving and expanding. Could the essence of the problems facing the U.S.-based automotive companies be found at a more fundamental level?*

*Basic management practices such as preserving a strong focus on the company's long term mission and vision, maintaining a vigilant awareness of customer needs, executing well-communicated, fully adaptable strategic actions tied to the vision, and having a dedicated, challenged, accountable, talented, and engaged workforce in place to execute these actions would seem critical to successfully navigating through times of significant challenge. Yet it appears that it is at precisely those times that these fundamentals are often abandoned in favor of a.) short term strategies that are rarely connected to the company's vision or long term goals, b.) knee-jerk responses to competitive threats, c.) dramatic and large-scale initiatives designed from the top down in order to gain ground back quickly, and/or, most notably, d.) a retreat to the 'command-and-control' style of management and communication.*

*When significant unforeseen changes occur, some companies seem better positioned to handle them than others. Six potential reasons for why an organization encounters difficulties are presented: a.) it has lost track of its customer's needs, b.) it is resistant to change or is vigilantly maintaining the status quo, c.) it has lost sight of its long term vision, d.) it has failed to make longer term thinking the cornerstone of its success/survival, e.) it has failed to implement effective short term actions that are aligned with its vision and long term goals, and finally, f.) it has failed to have an engaged workforce in place during the period of significant change or instability. A closer look is taken at the impact of significant actions such as downsizing, restructuring, and outsourcing. The evolving loss of employee loyalty is discussed at length, along with a list of six proposed key organizational shortcomings that lead to employee disengagement. They are the organization's: a.) failure to recognize the importance of employee retention, b.) failure to pay proper attention to true employee needs and requirements, c.) failure to provide opportunities for growth through continuous learning and development, d.) permitting of the proliferation of 'dumb jobs', e.) failure to vigilantly nurture a corporate culture that supports employee motivation, and f.) placement of limitations on an employee's ability to shape the future of the organization.*

*Organizations, regardless of the industry they are in, will stumble if they do not have the strength and agility that an engaged workforce provides when discontinuities arise. Thus far, the publicly announced recovery plans of the major U.S. auto manufacturers do not appear to contain comprehensive approaches to reengaging their workforces. Therefore, their ability to execute long term, sustainable visions is highly questionable.*

**Introduction-When The Going Gets Tough…**

In observing the struggles facing the U.S. automotive industry of late, one cannot help but wonder how the situation could get so dire so quickly. With restructuring plans that feature large-scale layoffs, key component sell-offs, plant and office closings, benefit cuts, and even talk of bankruptcy, it is hard to imagine that, just a little more than six years ago, both General Motors and Ford were healthy, thriving, and expanding. Among the largest corporations in the world, they have managed to weather many 'ups' and 'downs'. They have survived in both good and bad economic climates. They have both had their share of product offerings that either a.) disappear quickly in the marketplace due to poor quality or lack of customer appeal or b.) become the cutting edge vehicle everyone desires and wants to drive. So what makes the situation so different now, in 2006? Are these problems emanating from some new and unknown source, or have these organizations allowed a set of underlying issues at the core of these current struggles to develop gradually over time, so that ultimately these companies were simply ill-prepared to handle any dramatic changes to their business environment?

It is intriguing to note that, while the level of desperation is running high in Detroit, other key players in the auto industry (most notably Toyota, Honda, and BMW) are, in fact, healthy, thriving, and expanding. In late March of 2006, Toyota saw its market value exceed $200 billion for the first time, surpassing Wal-Mart as the world's eighth-largest company by capitalization and the world's second-largest manufacturer by value, after General Electric.[i] In July of 2006, Toyota Motor Corp. passed Ford Motor Co. in sales to become the No. 2 automaker in the U.S. for the first time.[ii]

To attribute the plight of the largest U.S. auto manufacturers' loss of market share to omnipresent, aggressive competition is one explanation, but this hyper-competitive environment has been a staple in the market for many years now and really does not represent a sea change. Attributing inferior quality and lack of appealing, innovative products as the chief root causes for low consumer demand and production overcapacity would seem the easy and logical explanation. High cost and low efficiency are perennial candidates for the problems needing resolution for the industry to survive long term. Strained relations and inflexible contracts with labor unions have resulted in significant (and increasing) labor and health care costs. Another charge routinely made in the trade and mass media is that there is a general lack of focus on customers' current 'wants' and 'needs'. Although each of these factors contributes to the market share loss, perhaps something deeper is occurring and the root of this problem isn't particularly unique to the automotive industry.

The corporate culture at Toyota has been described by Dr. Jeffrey K. Liker, as not focused on short term financial goals, but rather, as strategically focused on a long term mission of creating unending customer loyalty and satisfaction and a singular vision of the company's perpetual survival and growth in an extremely volatile industry.[iii] Its mission attaches a high premium on the "...stability and well-being of its team members" and places a particularly strong focus on maintaining trust with its employees.(80-81)[iv] At Toyota, "...a sense of mission and commitment to its customers, employees and society is the foundation for all other principles."(72)[v]

Another recent article (focused specifically on Ford's turnaround plans) points to the fact that, even <u>inside</u> the U.S., Toyota leads all North American auto and truck makers in production efficiency.[vi] What distinguishes Toyota from the rest? The article cites Allan Wilson, an Austin, Texas-based manufacturing consultant to the automotive industry: "There can only be one answer: The management team behaves differently, and the workforce accepts that. The problem does not lie with American workers. It's the way those workers are managed."[vii]

In a similar vein, retired General Electric CEO Jack Welch continues to extol the fundamental importance of 'boundaryless' organizations devoid of the bureaucracy that slows most big companies down.[viii] With nimble, de-layered organizations, you have the benefits of speed, enthusiasm, an entrepreneurial spirit, and above all, employee accountability. Empowering workers at all levels of the organization to a.) get the information they require quickly, b.) make informed decisions, and c.) feel comfortable communicating directly with all key corporate stakeholders unencumbered by bureaucratic roadblocks, ensures optimum organizational execution and remains a hallmark value in the post-Welch GE of today.[ix]

In addition to the oft-diagnosed factors such as adopting a much keener focus on building more customer-desirable vehicles and assuming a true, long term commitment to quality, do the truly significant problems lie at a more fundamental level? Could long range, 'back-to-basics' concepts such as maintaining a strong focus on the company's long term mission and vision, and executing well-communicated strategic actions that are firmly tied to the vision yet are fully adaptable to changes in the business environment, as well as possessing (and fully leveraging) a dedicated and engaged workforce to execute these actions, be the key components missing from the U.S. auto manufacturers which find themselves in such a desperate position today? Could transforming the most steadfastly bureaucratic organizations into 'boundaryless' environments that encourage employee empowerment, engagement, freedom, and accountability be the critical ingredient that is missing, and could this environment in itself foster long term employee commitment? A closer look is in order.

**Things Were Going Great and Then…**

When a company finds itself in a period of prosperity or growth, a multitude of issues and structural problems are easily ignored and can go undetected. Many companies in this mode are able to sweep a large number of systemic ailments 'under the rug' by diagnosing them as attributable to rapid growth or to 'growing pains'. Deeper issues regarding current workforce satisfaction or company mission/strategy tend to be overshadowed by the 'distractions' of quickly hiring additional staff and servicing the immediate spike in business needs. In many cases, decisions that would normally be delayed, over-scrutinized, and perhaps even rejected by bureaucracy or evaluative analysis, are quickly pushed through with little formal analysis or discussion, utilizing the fact that the burgeoning customers' immediate needs might be more rapidly/favorably met as justification. This can potentially give the internal (workforce, management) and external (shareholders, customers) world the impression that the company is much more nimble and prepared than it truly is.

Unfortunately, when the business or economic climate becomes more challenging (or downright disconcerting), these issues raise to the surface and begin to erode shareholder, customer, and managerial confidence like emerging cracks in the foundation of a building. In Paul Strebel's book, Breakpoints: How Managers Exploit Radical Business Change, he notes that 'breakpoints', or sudden radical changes in business conditions that result in business discontinuities, are caused by things such as fluctuating economic conditions, rapidly emerging new technologies or innovations, changes in customer preferences., or political/social unrest.[x] In Confronting Reality, Larry Bossidy and Ram Charan describe the same phenomenon as 'unforeseen changes to their external realities'.[xi] Likewise, former Intel CEO Andrew Grove, in Only the Paranoid Survive, utilized the term 'strategic inflection point' to describe a monumental change or event that causes organizations to have to fundamentally change their business strategy.[xii] In observing those organizations that were unsuccessful in handling this type of unforeseen radical change, Strebel points out that most companies either did not see it coming or were simply unable to cope with it effectively.[xiii]

As demonstrated from our initial example of the recent events in the auto industry, certain companies consistently position themselves better than others to cope with these significant adverse events. Why do some companies have difficulty handling these significant changes in their business environments? Six potential reasons are presented for consideration. They are:

- Their organization has lost track of its customers' needs
- Their organization is resistant to change or is vigilantly maintaining the status quo
- Their organization has lost sight of its long term vision
- Their organization has failed to make longer term thinking the cornerstone of its success/survival
- Their organization has failed to implement effective short term actions that are aligned with its vision and long term goals
- Their organization has failed to have an engaged workforce in place during the period of significant change or instability

1. **<u>Their Organization Has Lost Track of Its Customers' Needs</u>** – This would seem to be the most obvious driver. In his book <u>Value Migration</u>, Adrian Slywotzky explains that the key priorities of a company's customers tend to change naturally over time, but once established, the way a company provides value and utility to that customer in order to make a profit (their 'business design') tends to remain fixed.[xiv] As a result, as customer's needs and priorities change, and "...value migrates from outmoded business designs to new ones that are better able to satisfy customers' most important priorities."(4)[xv] For example, the average purchaser of a new domestic sport utility vehicle (or SUV) in 2004 would probably not have anticipated the extent to which fuel prices have rose by mid-2006. It did not take long for customer priorities to shift. Unfortunately, the key domestic auto producers take far longer to adapt to changes of this magnitude. Therefore, it is critical for companies to spend a substantial amount of resources on monitoring customer priorities, in order to anticipate shifts at the earliest possible moment. In addition, they must explore potential priorities that the customer has not even thought of yet, modeling and preparing potential alternative scenarios in order to provide the maximum amount of flexibility and contingency if conditions do drastically change in the future.

To complicate issues further - *where* the information about customer needs (met or unmet) is derived can also be problematic. For example, if a distribution channel is the primary source for customer feedback, this information could be stale as information does not always flow through these channels smoothly and many are not designed or equipped to gather concise, actionable data. The data might even be purposely filtered to reflect the unique needs of a specific channel.

Although cost can sometimes be a limiting factor, lack of an effective method to maintain a strong understanding of customer's requirements (needs, wishes, likes, and dislikes, etc.) and to be able to communicate this information throughout the organization makes many companies ill-prepared for dramatic changes in business conditions.

2. **Their Organization is Resistant to Change or is Vigilantly Maintaining the Status Quo** – In line with losing touch with the customer's requirements, the second potential reason is the existence of a strong corporate culture that resists making the necessary changes required to continuously meet or exceed their customers' needs. There can be a number of reasons for this change aversion.

Strebel specifies four primary sources when describing the corporate resistance to change: a.) a 'closed attitude' culture throughout the organization (based on either delusions of past successes, strongly-ingrained corporate strategies, or the pervasiveness of a 'not invented here' attitude within the organization), b.) a thoroughly entrenched corporate culture (which, if it is possible to truly change, takes a great deal of time and effort to unlearn and relearn), c.) the prevalence of excessive structure (organizational, industry, stakeholder) and business system rigidity, and, finally, d.) the existence of counter-productive change dynamics (such as the impact of a previous failed change effort).(51-57)[xvi]

In many cases, companies that are most likely to struggle with change aversion are those that have achieved a high level of past success, due to a strong corporate vision and accompanying strategy. Business strategy consultant Roger

Martin points out that the problems occur in an evolutionary manner over time, beginning with a strongly articulated vision from the top of the organization, soon followed by the institutionalization of the vision into 'steering mechanisms' which help to keep the company aligned with the vision (and economic environment).[xvii] The problem arises, though, when markets vary or a change occurs in customer needs. Over time, the company's steering mechanism, in Martin's terms, becomes 'hard-wired' to the original strategy, and acts as a preventative force for adapting the strategy to the new market conditions.[xviii] The strength of the existing steering mechanism prevents most vital feedback from getting back to the organization and that which does is greeted with defensiveness.[xix]

Paul Taffinder used NASA in the early 1990's to help illustrate the point. He points out that the Hubble telescope had failed due to manufacturing mistakes, missed opportunities to apply simple solutions to the problems encountered, and a lack of certain quality checks at key points in the process.[xx] The post-mortem analysis showed NASA was clearly less inclined to recognize its faults and need to transform and was more interested in avoiding any controversy that would threaten to tarnish the exceptional reputation of their team or organization as a whole.[xxi] In other words, a 'culture of pride' can exist so strongly in some organizations that questioning the status quo or raising a critical issue that could potentially cast a negative light on its 'track record' would not be viewed with encouragement or appreciation. Regarding the sense of corporate 'contentment' that past successes can breed, Michael Dell once commented that self-criticism was key to Dell Computer's success.[xxii] "If you sat in on our management meetings", he said, "...you would find that we are a remarkably self-critical bunch with a disdain for complacency that motivates us."[xxiii]

Another reason for change resistance is that the organization itself can simply be tired of 'change' initiatives, particularly if the workforce has failed to see any tangible results from past efforts. Author Jeanie Daniel Duck emphasizes the destructiveness of previous failed change efforts to transformation efforts in the future.[xxiv] She states that "...when a stagnating company attempts one change effort after another, and repeatedly fails to achieve any lasting result, two damaging things occur: management loses credibility and the rest of the workforce becomes change resistant."(43)[xxv]

Finally, in his book Why Companies Resist Change, Charles Fombrun states that, overall, companies generally fail because of powerful inertial forces that make it difficult for their management to detect when there are impending threats requiring action.[xxvi] This 'inertia' causes organizations to entrench into a stable, change-impeding trajectory that gradually builds momentum until rapid strategic direction adjustment becomes virtually impossible when the environment requires it.[xxvii] Fombrun believes that this inertia is derived from the firm's internal capabilities and supporting controls, as well as its culture, because they "...seduce managers to opt for the status quo, favoring established directions that proved successful in the past."(67)[xxviii] He also states that a company's interactions with its business communities and relationships with various institutions (media, government, Wall Street, unions, etc.) strengthens the inertia (and associated momentum).[xxix]

3. **Their Organization Has Lost Sight of Its Long Term Vision** – Even when times are good, the purpose of an organization's vision is widely misunderstood throughout a company and, in many cases, rendered meaningless to the average employee in his or her day-to-day work. But a corporate vision is much more than an exquisitely crafted statement created for shareholder and employee literature; it is (or should be) what the company is all about. Peter Senge, in his landmark work, The Fifth Discipline, writes that "When there is a genuine vision (as opposed to the all-too-familiar 'vision statement'), people excel and learn, not because they are told to, but because they want to."(9)[xxx]

Most students of business agree that, in its simplest form, a company's overall directional vision should simply and concisely reflect why the company has been formed (its mission), what its fundamental beliefs are (its values, from which its corporate culture is derived), and what it ultimately wants to be (its vision). In Good to Great, author Jim Collins describes his unique view of a vision in its simple form as the 'hedgehog concept', which is found at the intersection of the answers to three key questions - 'What can [your company] be the best in the world at?', 'What drives [your company's] economic engine?', and 'What is [your company] deeply passionate about?'.(95-96)[xxxi] Robert Kaplan and David Norton view the establishment of a company's vision as one of the critical initial steps in a continuum from concept (mission, values, vision) to strategic execution (work performed).[xxxii] Donna Neusch and Alan Siebenaler posit that a company's vision should establish its broad goals and possibilities for the future that will "...resonate viscerally" with the organization's employees, while building on the company's values and mission.(51)[xxxiii] They hold that a vision's true value lies in the assumption that a "...company can achieve what it can conceive."(51)[xxxiv]

Collins and Porras, in their book Built to Last, expand on the concept of vision by breaking it down further into two distinct components; the 'core ideology' (the firm's core purpose and values) and the 'envisioned future' (what the firm ultimately aspires to become, to create, or to achieve).[xxxv] What is particularly noteworthy is their conclusion that truly successful companies need to maintain a balance between preserving their fixed core ideology, while constantly moving toward their aspired goal and adapting to a rapidly changing business environment.[xxxvi] A good corporate vision "...builds on the interplay between these two complementary yin-and-yang forces", clearly defining the non-changing 'core ideology', while setting forth a vision of the future which will require much change and progress to achieve.(221)[xxxvii] Wacker, Taylor and Means state that what is critical to authentic vision is that, "...in the face of knowing for sure that the world is going to change, an organization, company or an individual aspires to change with it and stay the same simultaneously."(10)[xxxviii]

When times are challenging, though, many companies find quickly adjusting their strategy to be very easy and staying true to a genuine vision very difficult, particularly when facing external pressures from stakeholders and markets, for example. Ira Jackson and Jane Nelson, in their book Profit with Principles, point out that "When the going gets tough, profits fall, competitors bite, and the economy moves downward, many people feel that a company's fine aspirations and good intentions are the first thing to be jettisoned."(321)[xxxix] Although a vision's key purpose is to help clarify the direction in which the organization needs to move, John P. Kotter states that, in many major failed corporate change initiatives, you will commonly find "...plenty of plans and directives and programs, but no vision."(63)[xl]

On the other hand, organizations that remain too attached to their vision and values and inflexible to the changing customer environment could easily find themselves observing, as Slywotzky puts it, a 'value migration' in which their customers will simply go elsewhere to get what they need.[xli] Take, for example, the downfall of Digital Equipment Corporation in the late 80's/early 90's. In the book, <u>DEC is Dead, Long Live DEC: The Lasting Legacy of Digital Equipment Corporation</u>, the authors state that Digital Equipment's demise in the late 1980's could actually be foreseen by the organization's actions observed as far back as the 1960's, and that much of the difficulty it eventually ran into was "...endemic to successful growth and differentiation, based on a culture and management system that employees really liked, and wanted to preserve at all costs."(10)[xlii] Paul Strebel adds that deep-rooted organizational strategies are typically unresponsive to changes in the business environment because they actually "...form a basis for rationalizing away the importance" of these changes and adds that "...the change simply does not affect the business as defined."(52)[xliii]

Many times, organizations fail to convert their conceptual vision and values into actionable, operational principles. Peter Stephenson suggests that these failures occur primarily because either a.) the vision and value statements many times contain too many extraneous components that weaken the impact or comprehension, or b.) the management simply fails to uphold the vision and values in their day to day work, viewing them as either unrealistic or created for the outside world.[xliv] The latter can actually make matters worse. Peter Senge notes that a vision which is not truly aligned with the genuine values that people in the organization actually live (and work) by each day will not only fail to inspire and enthuse the workforce, but "...will often foster outright cynicism."(223)[xlv] Simply put, it would seem impossible to develop, execute, and adapt effective strategies for achieving a company's long term vision (or a significant organizational transformation) if that vision either does not exist, is ineffective/vague, or is not clearly understood and embraced by the company as a whole.

4. **Their Organization Has Failed to Make Longer Term Thinking the Cornerstone of Its Success/Survival** – Moving back to the concept of maintaining the necessary balance between staying faithful to the company's vision at all times, yet being able to anticipate, accept, and deal with inevitable change along the way - Why do some companies that appear to have a vision and are going strong, falter at the occurrence of a dramatic change in the business environment?

One primary reason could be the 'short term-ism' that is prevalent in most of today's business thinking. Pressures to quickly 'fix' a situation brought on by customer indifference, new competitor threat, or the critical eye of Wall Street can easily cause a rapid reactive response, which may not vitiate the problem, and, in fact, could make the situation worse. Mike Freedman, in The Art and Discipline of Strategic Leadership, explains that taking a reactive, short term (operational) focus is a tempting approach because it contains the seductiveness of quickly getting something accomplished.[xlvi] However, this can often be done at the expense of achieving the organization's shared vision and long term goals for the future.[xlvii] Many organizations get so caught up in dealing with current issues, (e.g., the day-to-day operational 'firefighting', the minor competitive threats, etc.) that they can easily lose sight of their long term vision. David Aacker, author of Developing Business Strategies, adds that an organization requires persistence in order to stand by its strategic vision when facing "…tempting distractions". (151)[xlviii] He adds, "It also requires discipline and eye-on-the-ball focus. Visions that are excessively dynamic are no longer visions at all. There is a very real risk of capsizing when trying to catch the wave."(151)[xlix]

In an article on Salon.com, Andrew Leonard further illustrates this point:

> "Back in the 90's, both Ford and G.M. would have been well advised to prepare for the obviously imminent era of high oil prices by bringing to market stylish, fuel-efficient vehicles instead of rolling out ever more humongous SUV's. But Wall Street doesn't reward companies for long term thinking -- it always puts the premium on what-is-your-stock-price-doing-for-me-now."(Leonard, 2006, ¶2)[l]

In an earlier article, he comments that while Ford and G.M. were reaping the profits from the SUV sales, "Toyota was pouring R&D into new designs destined to flourish in an increasingly energy-conscious world. And now they can't make Priuses fast enough."(Leonard, 2005, ¶7)[li]

But this is not to say that companies need to remain unwaveringly true to a long term vision if that vision is simply unrealistic given the currently known facts. Although all organizations should pursue their long term vision, Jim

Collins also points out that those sustainably successful companies that he highlighted in Good to Great "...continually refined their path to greatness with the brutal facts of reality."(71)[lii]

In addition, a lack of continual analysis and information transfer required for the ongoing revisiting and modifying of strategy simply does not occur in some companies. This can be due to an unreceptive or inflexible corporate culture, absence of resources, or the inability to communicate findings effectively.

When speaking of strategy and planning, images of a formal process occurring at fixed times in the business cycle probably come to mind. This type of strategy formulation tends to be most successfully accomplished during times of stability. In actuality, most strategies are developed as a response to some type of instability (good or bad) that occurs in the business or general environment. Henry Mintzberg, in his book, The Rise and Fall of Strategic Planning, states that "…the process of strategy making must always be dynamic, precisely because it is about change and one can never know when or how environments will change."(244-245)[liii] David Aacker notes that "...strategies and [the] indicators of the need to change them should be continually monitored to avoid being tied to an annual planning cycle."(33)[liv]

Some argue that there are serious downsides to a formal, structured strategic planning process. Jeffrey Pfeffer and Robert Sutton point out that this process causes organizations to incur additional cost in resources and diverts managerial attention away from solving pressing operational problems while this planning occurs.[lv] They point out that even employing a formal strategy at all can a.)

reduce a company's ability to effectively monitor the competitive landscape and b.) limit their flexibility in adapting to unstable environments.[lvi]

Finally, some feel that the most important component of strategy tends to get forgotten in the planning process; ensuring that the ultimate goal of the strategy is tied to the longer term goals of the organization, and ultimately, its vision. Peter Senge: "With its emphasis on extensive analysis of competitor's strengths and weaknesses, of market niches and firm resources, typical strategic planning fails to achieve the one accomplishment that would foster long range actions."(210)[lvii]

Yet in some companies, all this differs. Peter Schwartz, in his work The Art of the Long View, points out that managers at companies such as Motorola and Rubbermaid "…are continually involved in a collective inquiry of their business and how it is changing", and that people at these forward-minded companies are continuously discussing the future in a strategic manner.(221)[lviii] In some cases, companies that face these periods of change view them not with stress and anxiety, but as 'learning opportunities' to improve and refine their strategy. Mintzberg describes the phenomenon:

> "Vision sets the broad outlines of a strategy, while leaving the details to be worked out. In other words, the broad perspective may be deliberate, but specific positions can emerge. So when the unexpected happens, assuming the vision is sufficiently robust, the organization can adapt - it learns. Certain change is thus easily accommodated."(209-210)[lix]

The concept of a 'learning' organization is not a new one. It is based on the fundamental assumption that organizations as a whole must continuously adapt and 'learn' in order to effectively respond to future changes in business conditions that result in business discontinuities and to ultimately achieve sustainable success and to grow. Watkins and Marsick, in their book Sculpting the Learning Organization, state that this learning occurs at the organizational, team, and individual level, and can even take place within the community in which the organization does its business.[lx] They go on to describe that "Learning is a strategically used process - integrated with, and running parallel to, - work. Learning results in changes in knowledge, beliefs, and behaviors. Learning also enhances organizational capacity for innovation and growth."(8-9)[lxi] Peter Senge stresses that, in our fast-moving/changing, hyper-competitive, complex and interconnected world, organizations no longer have the luxury of being able to incorporate a 'top down' strategy setting model that, once the strategy is formulated, it is simply distributed to the rest of the organization for execution.[lxii] Organizations must be constantly learning, adapting, re-strategizing, and executing at all levels of the organization, in order to meet the competitive challenges faced today.[lxiii] Senge states that "The organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels in an organization."(4)[lxiv] This ultimately gives way to a fundamental advantage: greater organizational capability. As Watkins and Marsick explain further, "If people are learning continuously, the overall skill threshold of the organization improves, and greater reserves are created in the learning system. As a result, the capability of the organization to respond to change and do new things improves."(160)[lxv]

Almost all great accomplishments take time and patience, and simply put, many companies do not seem to possess the discipline and resilience to stand by their goals and vision when the going gets tough. Jim Collins points out in Good to Great (in describing his 'flywheel' concept), that organizations that are able to successfully achieve sustainable 'greatness' have done so by following a steady building-up period followed by a clearly recognizable breakthrough.[lxvi] As he observed in all of the sustainably successful companies profiled in his book, the corporate transformations were a "...quiet, deliberate process of figuring out what needed to be done to create the best future results and then simply taking those steps, one after the other…" (169)[lxvii]

Some organizations that were originally focused on their long term objectives have, over time, lost touch with their vision and need to reconnect with their goals and associated strategies. One key culprit in the failure to remain on-track is the lack of an effective and robust methodology to measure their progress in doing so. Kaplan and Norton suggest taking a 'balanced scorecard' approach, which compiles all key vision, goal, and strategy-related financial and non-financial objectives and their associated measurements in one central location, in order for them to be monitored by the entire organization.[lxviii] The 'scorecard' can then be used for general organization communication and clarification of vision, goals and strategies, progress monitoring, new strategy development and even the validation of strategy effectiveness.[lxix] Another culprit is the common practice in most organizations of basing their management's compensation solely on the achievement of short term goals. According to Fombrun, Tichy, and Devanna in Strategic Human Resource Management, truly effective reward systems should take a balanced approach in supporting both long term <u>and</u> short term organizational goals.[lxx]

Others propose simply focusing on the 'here and now' versus dwelling on what caused them to lose track in the first place by taking a 'back to basics' approach to getting back in touch with an organization's vision and goals. Michael Porter suggests looking closely at what the company is currently doing and pinpointing which products or services are most distinctive and/or profitable, which types of customers are most satisfied and/or profitable, and what activities in the company's 'value chain' are most unique or effective.[lxxi] Michael Treacy and Fred Wiersema, in their book <u>The Discipline of Market Leaders</u>, propose identifying the organization's single key 'value discipline' (provide goods at lowest cost, create innovative products or provide excellent customer service) and pursue market leadership in that area.[lxxii] All long term goals and associated strategies should be derived from the chosen discipline.[lxxiii]

Generally speaking, many difficulties seem to lead back to a.) an organization's failure to preserve a strong, well communicated, yet adaptable vision, and b.) its inability to consistently maintain long term goals and shorter term strategies in support of that vision. As the Japanese proverb states, "The failure to have a strong vision without action is a daydream…but action without a vision is a nightmare."[lxxiv]

5. **<u>Their Organization Has Failed To Implement Effective Short Term Actions That Are Aligned With Its Vision and Long Term Goals</u>** – Once a dramatic change or significant instability has occurred in a company's 'world' (and

provided that a company is aware and acknowledges that it has taken place), some type of action needs to be taken in response. In many cases, the business change/discontinuity is well underway by the time the organization is ready to formally address it. Therefore, the luxury of having adequate time to plan and study the issues at hand in great depth is not always an available option.

Therefore, the way that an organization's management reacts to and handles these occurrences in the short term can be absolutely vital to the long term success of the organization. In addition, the approach taken can have a significant impact on how the employees respond, participate, and frame their relationship with the company going forward.

If the company does not acknowledge the seriousness of the situation at hand, it can have undesirable results on the workforce. Jeanie Duck states that companies like this "…refuse to acknowledge the oncoming train of change, and they act as if the strategies that worked in the past will work in the future. In these companies, employees become easily demoralized and may panic."(44)[lxxv]

If the company is, in fact, fully aware of and accepts the gravity of the situation, achieving a harmonious response from the organization becomes the next difficult challenge due to the varied nature to which individuals throughout the organization handle change. Paul Strebel states that a "...business facing radical change is typically full of different kinds of resistance characterized by different rates at which resistance can be overcome."(139)[lxxvi] He adds that in order to successfully bring an organization through these periods with minimal impact to its people "…requires understanding of the different rates at which change can occur on different dimensions."(139)[lxxvii]

One of the fundamental differences that challenge successful responses (and organizational change in general) is how senior management and employees view such change. Executive management, in many cases, tend to approach the action with optimism, decisiveness, and a sense of personal and corporate opportunity, given the fact that this is the level of the organization where the change is being introduced and initially driven from. The rest of the organization's response can run the gamut from confusion to defiance, from anxiety to complete lack of commitment, from defensiveness to advocacy, and from a sense of personal opportunity to a fear of losing one's job. In the article "Why Do Employees Resist Change", Paul Strebel states that, in order for companies to bridge this gap with their employees, they need to look carefully at the existing 'compacts' (which are defined as mutual and reciprocal obligations and commitments that define the employer-employee relationship and determine the responsibilities of both sides to each other) that exist between the company and the members of its workforce.[lxxviii] The employees' understanding of what is expected of them and the determination of their level of commitment to their work and to the company's values all flow from this 'compact'.[lxxix] Strebel suggests that unless management alters the terms of these compacts to reflect the post-change reciprocal expectations and obligations, and then persuades the employees to accept them, it is unrealistic for managers to expect their buy-in (and, ultimately, to expect successful change).[lxxx]

Today's data-driven business world is characterized by many notable systematic and disciplined approaches to problem solving, including Six Sigma, TQM, BPI, Kaizen, etc. Given this, one might expect that when faced with radical change or significant issues affecting the business, organizations would gather as much relevant data as possible in order to fully analyze the situation. Another expectation might be that these organizations would involve the best problem solvers and subject-matter experts to determine the root cause(s), model (if feasible) potential alternative or new approaches, and apply the best possible solution or strategy. Based on personal experience and observation, this does not often occur in practice. In their recent book Hard Facts, Dangerous Half Truths, and Total Nonsense: Profiting from Evidence Based Management, Jeffrey Pfeffer and Robert I. Sutton state,

> "Business decisions, as many of our colleagues in business and your own experience can attest, are frequently based on hope and fear, what others seem to be doing, what senior leaders have done and believe has worked in the past, and their dearly held ideologies - in short, on lots of things other than the facts."(5)[lxxxi]

Perhaps a tangible example will help to illustrate the point. In a 2006 NBGH/Watson Wyatt survey on employer health care costs, the organizations that were shown to be the best at managing the rising cost of employee health care a.) promoted the use of high-quality providers and facilities, b.) used data and hard evidence to plan and implement health care programs, c.) actively provided employees with assistance in better managing their own health, and d.) encouraged the proper usage of medical services. This view differs significantly from the classic corporate approach of employing the lowest cost provider and limiting the (company participating) options for employees.[lxxxii]

In the book Less is More, author Jason Jennings argues that too many companies neglect to ask themselves and answer one simple, yet critical, question before undertaking any major decision: 'What is the good business reason for doing this?'(106)[lxxxiii] Instead, Jennings says, decisions are usually based on the short term pressing needs of the moment.[lxxxiv] In a quote from Nucor's President and CEO Dan DiMicco (interviewed for Less is More), a strong insight was shared - "When you examine everything and make decisions based on asking if it's a good business reason for the long term instead of if it's good for the short term, the answers you get will be very different."(110)[lxxxv]

As mentioned earlier in Pfeffer and Sutton's list, management can adopt an approach, not because of the associated facts or the application of sound logic, but due to deeply held beliefs or principles, regardless on whether those beliefs are erroneous or not.[lxxxvi] When paired with the pressure of coming up with an solution quickly due to the gravity of the situation at hand, similarities can be drawn with the concept of 'thin-slicing' that was so vividly described in Malcolm Gladwell's bestselling book, Blink.[lxxxvii] 'Thin-slicing' is the ability of our unconscious to find patterns in situations and behaviors using very limited 'slices' of experience to come to a rapid conclusion.(23)[lxxxviii] The risk inherent to Gladwell's concept is apparent. In many cases, when we are faced with a critical situation and limited time to act, we often make better decisions with snap judgments than we do with volumes of analysis (i.e., a chief ordering the fireman out of a burning building seconds before the floor collapsed). Unfortunately, there are times when the converse can be true and the wrong decision is made (such as in the case of police killing an innocent man in New York City, where the involved officers' split-second 'thin-slicing' was potentially impacted by stereotypes, prejudices, bias etc. and had tragic results).(232-233)[lxxxix]

In his article "Six Dangerous Myths About Pay", Pfeffer points to G.M. and Ford's flawed assumption that labor costs (how much a company pays its people in relation to how much they produce) and labor rates (straight wages divided by time) are the same thing.[xc] He states that in order to cut costs, Ford did not issue merit increases to its white collar workers in the early 1990's and in 1993, G.M. endured a number of strikes as a reaction to their attempt to cut labor costs through lower-waged, non-union outsourcing.[xci] Pfeffer contends that the decisions from both companies were based on the same flawed assumption; that labor rates and labor costs are the same and as such, labor costs are a significant portion of their total costs.[xcii] Yet Pfeffer points out that in contrast, the 80's NUMMI joint venture between Toyota and G.M.[xciii] (which paid workers the highest wage in the industry and offered a guarantee of secure employment) showed 50% higher productivity than all comparable G.M. plants and, as a result, could have managed to pay the NUMMI workers an additional 10% more in wages and still come out ahead.[xciv]

One common occurrence in pressure-filled environments is the lure of quickly addressing the symptoms of a significant issue versus the more difficult task of identifying and resolving root causes. Tucker, Edmonson, and Spear conducted an observational study regarding how the problem-solving methods employed by front-line workers (hospital nurses) impacted the overall ability of the organization (the hospital) to improve.[xcv] From their results, they concluded that the hospital's time-sensitive environment and culture that encouraged rapid, independent resolution to problems caused front-line workers to rarely participate in the process of removing the root-causes of the problem.[xcvi] On the rare occasions when the nurses did take a greater amount of personal responsibility and effort for permanently eliminating a particular problem, the extra action was usually limited to communicating the problem to their supervisor.[xcvii] "Therefore, only a small percentage of the problems encountered were revealed to others within the organization, dramatically reducing the potential for organizational learning and improvement."(134)[xcviii]

In some cases, developing well-analyzed strategic responses that are in line with the company's vision are not at the root of the problem. The true source of the problem, in fact, lies at the organization's ability to effectively implement or execute these responses. In the article "The Organization vs. the Strategy: Solving the Alignment Paradox", the authors point out that the inability to appropriately address the issues that many companies face is not due to poorly constructed approaches, but is simply symptomatic of deeply seated problems inherent in their organizational models and their ability to effectively render decisions and execute action. They state that "...such problems are inherently difficult to resolve because they are rooted in the economics of organizing, the complexity of which hinders effective decision making."(70-71)[xcix] By temporarily putting strategic fixes aside in order to address the root causes of the constraining problems inherent to the organization model, these companies have been able to truly achieve alignment between themselves, their people, and their strategies and are able to execute these strategies effectively.[c]

In addition to the organizational models employed, individual contributors can also cause execution problems. Ram Charan, in Execution: The Discipline of Getting Things Done, states that "…putting the wrong people in place to execute a key part of a business's strategy (is) common", and that "…far too many leaders don't ask the most basic questions: 'Who are the people who are going to execute that strategy?', and 'Can they do it?'."(143)[ci]

Ineffective communication and lack of feedback seem to also be prime contributors to many unsuccessful efforts. According to a 2002 survey conducted by the Society for Human Resource Management and the Balanced Scorecard Collective, it was found that, although 73% of the companies polled believed they had a "...clearly articulated strategic direction", only 44% of the organizations said that that strategic direction was adequately communicated to the employees who must implement it.[cii] John Kotter states "Without credible communication, and a lot of it, employee's hearts and minds are never captured."(9)[ciii]

Although high level communications regarding the efforts (and how they tie to the organization's vision) will most likely come from the top of the company, the message will often get lost in the mass of communication in the employees' day to day lives (Kotter estimates an average corporate transformation program represents less than 1% of total inter-company communications over three months).(89)[civ] Paul Taffinder stresses that the 'high level' message is very important, but the key (yet often underused) communication channel that should be utilized is through the employee's immediate supervisor.[cv] He indicates that workers generally want to be convinced of the true impact of the message from their immediate supervisor, who is the person they are (presumably) closest and most familiar and with whom, "…there is a level of ongoing interaction and at least a reasonable degree of trust - all the ingredients that facilitate not only understanding of the intellectual content of the message, but also an emotional buy-in to its consequences."(170)[cvi]

When in desperate straights, many companies focus on lowering the cost side of the equation versus implementing plans to increase revenue. World-class operational efficiency is the hallmark of many transformation plans. At Toyota, Jeffrey Liker states that, although remaining cost-conscious is extremely important to day-to day operations, it is not the fundamental principle that drives them.[cvii] Rather, their long term mission is to sustain the company and ultimately bring it to the next level.[cviii] Michael Porter states that although optimizing operational effectiveness is an important part of managing an organization, it is not a strategy, adding that "In confusing the two, managers have unintentionally backed into a way of thinking about competition that is driving many industries towards competitive convergence which is in no one's best interest and is not inevitable"(78)[cix] In other words, it forces everyone to improve their operational efficiency, causing much effort but no real relative advantage for anyone.

In many cases, cost-reduction efforts are made in an unfocused and haphazard manner, such as to reduce budgets across the board by 'x%', regardless of whether or not the activity is integral to the long term goals. Slywotzky states that these efforts often fail due to the fact that they are focused on the cutting, not on what the business should look like following the cuts.[cx] To borrow from one of Steven Covey's '7 Habits of Highly Effective People', the efforts 'fail to begin with the end in mind'.[cxi] Slywotzky adds that most times these initiatives miss the point of making the cuts in the first place, which isn't to achieve efficiencies in areas that have limited impact to their customers, but, more importantly, is "…to alter the business design in a way that matches customer demands and is consistent with the new economic order in your industry."(294)[cxii]

Thus far, we have looked at various types of negative results that can occur a.) when there is a limited amount of time for an organization to respond to a dramatic change and there is great pressure to take swift action, b.) when the organization is unprepared for experiencing or executing actions in response to that change, c.) when there is a lack of thorough, fact-driven analysis behind the decision-making associated with the actions taken, d.) when the actions taken are poorly communicated or executed, and e.) when the employees fail to get behind these actions. Imagine if all of the above problems would converge and plague a single solution. As you might guess, the odds for success would be limited, yet in recent years, companies have tended to employ solutions that feature all of these negative characteristics. Dramatic actions such as layoffs, major organizational restructuring, the closing of operations, outsourcing and consolidations are often employed as primary components of transformation plans in order to get businesses 'back on track' quickly and decisively, by rapidly achieving operational efficiency and significantly reducing cost.

**The 'Quick Fix' Panacea: Downsizing and Outsourcing**

From as far back as the late 1970's, companies have been continuously utilizing the strategy of 'downsizing' in order to increase an organization's overall performance. Yet it has been demonstrated that more often than not, the intended impact of this action (lower costs, enhanced productivity, increased organizational nimbleness, and increased profitability) falls significantly short of the mark. In addition to failing to meet the intended objectives, companies have experienced unintended negative outcomes related not only to tangible financial matters, but less tangible organizational and workforce costs, as well. Organizational restructuring has become a primary driver of worker insecurity regarding their jobs[cxiii], and as Jason Jennings points out, job cuts usually cause organizations more problems than they ultimately solve.[cxiv] He adds that "Casual layoffs, which may have the seemingly happy side effect of momentarily nudging up the stock price, are in fact absolutely counterproductive in the long term."(82)[cxv] According to Pfeffer and Sutton, "There is no solid evidence that using layoffs rather than less draconian methods to cut costs increases performance."(161)[cxvi]

In August of 2006, just as a new round of layoffs were expected to take place at Ford in order to accelerate its ongoing restructuring plan, the following quote by an anonymous employee was published in the Detroit News: "It just makes everyone think that Ford management has no plan. They are just winging it as each crisis hits. It's a never-ending discussion of what can go wrong next, usually followed by a discussion of how close people are to retiring."(1, ¶14)[cxvii]

The oft-referenced 2000-2001 Bain & Company study of layoffs at S&P 500 companies uncovered a number of surprising facts regarding downsizing. The report uncovered that companies that used significant layoffs (10% of their workforce or greater) as a cost-cutting tool saw Wall Street respond with an overall lower stock price, and experienced an extended payback period (over 18 months in some cases) which caused these companies to be out of synch with the average length of economy turns.[cxviii]

In the book, Grow to Be Great: Breaking the Downsizing Cycle, authors Dwight Gertz and Joao Baptisto suggest that companies must move beyond the current wave of downsizing, restructuring, and reengineering and must turn to growth to be truly successful.[cxix] The authors present three fundamental 'foundations for growth' that every company must provide in order to be successful: competitively superior customer value, superior economics across the entire value chain, and excellence in strategy execution through organizational alignment.(127)[cxx] Gertz and Baptisto proceed to make a case for the fact that tools such as acquisitions and downsizing provide only short term benefits at best.(13)[cxxi] They suggest that organizations seeking long term growth should look past acquisitions and on to creating business strategies aimed at satisfying their customers and moving ahead of their competition.(36)[cxxii] They point to a study conducted in 1994 by The Wyatt Company that showed that only a third of the companies surveyed experienced an increase in productivity after downsizing activities.(19)[cxxiii] In another study referenced, conducted in 1993 by the AMA, 80% of surveyed downsized companies experienced a downturn in morale and only 45% of the companies surveyed recognized an increase in operating profits.(12)[cxxiv]

A 1999 AMA Annual Workforce Survey revealed that 36% of the participating firms both created new jobs and cut existing jobs during the same period.[cxxv] In the same survey, 70% of the companies cutting jobs did so for reasons that were not related to current or anticipated market demand, but were primarily done for reasons given such as 'corporate restructuring' and 'reengineering processes'.[cxxvi] According to Peter Cappelli, in many cases employers gain required new skills by 'churning' (the laying off of workers with obsolete skills and replacing them with workers offering newer skills) versus the longer term (and more socially responsible) approach of retraining their existing workers.[cxxvii] Given the current estimates of a replacement cost that can range from 150-300% of the departing employees annual compensation (depending on the level of responsibility and the estimator), one could see how, without careful analysis, these strategies could easily bring unintended negative results.[cxxviii]

Although the theory of perpetual organizational growth as a solution for continued corporate success has been challenged by some, one point that authors on the subject seem to universally agree on is that, if downsizing is employed by a company, it must be done with much planning and performed with the utmost care. In The Headcount Solution: How to Cut Compensation Costs and Keep Your Best People, authors Frederic Crandall and Marc Wallace emphasize that by utilizing downsizing in a quick and haphazard manner, the company faces the risk that the wrong people could be let go as a result, that is, those who possess the "...significant proprietary intellectual capital" and experience that will be required by the company to make it through the critical period.(6)[cxxix] In his article, "The High Cost of 'Dumbsizing'", David Estok adds to this point by stating that due to the common 'two wave' approach of offering early retirement packages first followed by across the board percentage headcount cuts, companies lost some of their most critical employees.[cxxx] He utilizes a quote from Dwight Gertz to summarize: "You lose the older people who had experience and you lose the younger people who have the energy."(¶2)[cxxxi] Susan R. Fisher and Margaret A. White, in their paper "Downsizing in a Learning Organization: Are There Hidden Costs?" assert that "…downsizing, or any restructuring that involves broad-based personnel reduction or movement, may seriously damage the learning capacity of organizations."(249)[cxxxii] Crandall and Wallace also stress that downsizing activity should only be taken as a last resort and after substantial planning has been performed, alternative strategies have been attempted and a formal human capital 'needs assessment' is performed.[cxxxiii] Solomon Bediako, in "The Impact of Downsizing on Employees of Community Health-care Service Organizations", suggests that the key to ensuring a successful downsizing "...lies in an organization's ability to manage the process of downsizing effectively, and give very careful consideration to the human dimension."(6)[cxxxiv] In support of this thinking, Rigby (in the Bain study)[cxxxv], Pfeffer and Sutton[cxxxvi], and Samuel Greengard in his article "Don't Rush Downsizing: Plan, Plan, Plan"[cxxxvii] all recommend performing in-depth analyses questioning the goals of the action, and developing/implementing a structured approach before undertaking a significant change initiative like downsizing, in order to avoid negative results.

An example of the importance of thorough planning and careful implementation: according to an article published in late March of 2006, G.M. had decided to continue its new hire networking program and was considering expanding its new hire accelerated indoctrination initiative 'Jump Start', despite its announced elimination of 30,000 manufacturing jobs in the U.S. and Canada by 2008.[cxxxviii] This type of 'mixed-message' could potentially undermine employee morale, trust, and commitment, by its informal dissemination through employees' social networks.

As a final point regarding the importance of good planning and analysis prior to decisioning, Assa Birati and Aharon Tziner suggested in their article that a formal cost-benefit analysis be performed, and the decision on whether or not to proceed with a downsizing plan will then depend on its comparative quantitative and non-quantitative merits to other alternatives.[cxxxix] Location closures, employee severance, consolidations and other associated restructuring actions have significant costs associated with them, and many are not easily identified or quickly quantified. As an example, just the cost of changing an entire location's forms and stationary to reflect a new address can introduce a significant amount of cost to a project.

Even those in support of downsizing as an effective tool, criticize the approach that most companies take in its implementation. In the article "Best Practices in White Collar Downsizing: Managing Contradictions", authors Kim Cameron, Sarah Freeman, and Aneil Mishra argue that, although downsizing is and will continue to be a necessary tool, many of the observed efforts suffered from ineffective execution.[cxl] "They engaged in downsizing activities that fostered dysfunctional outcomes (e.g. decreasing morale and commitment, increasing conflict and criticism), rather than improved performance."(71-72)[cxli] The authors put the blame for most of this dysfunction on the observed companies' attempts to apply a congruent ('one size fits all') or non-prioritized approach to the implementation, versus a bifurcated and seemingly contradictory strategy of applying both well planned and carefully communicated long term and short term approaches simultaneously.[cxlii] In "The Role of Mutual Trust in Effective Downsizing Strategies", Aneil and Karen Mishra point out that companies that utilize headcount reduction as their chief cost reduction strategy should rethink this position given the negative correlation between pure workforce reduction and organizational performance.[cxliii] They suggest that companies that include job reduction as one component of a much larger systemic change strategy of organizational redesign (e.g., the redesign of jobs, tasks, functions) fare much better.[cxliv]

When a company undertakes a large scale restructuring or downsizing project, it often fails to take into account the more intangible (but critically important) costs associated with the action. Reduction in customer service levels and retention, damage to corporate reputation (as viewed by the public and potential new employees), and most profoundly, the various negative effects on the employees that stay with the company following the action, can all have a detrimental impact on an organization's performance moving forward.

If the true root cause of problems facing the organization is cultural in nature and requires wholesale changes in behaviors and skills, the unlearning/relearning process can be arduous and time consuming. Paul Strebel points out that many companies utilize the method of people 'replacement' as a rapid and easy alternative to retraining, without full consideration of the consequences.[cxlv] He states that the act of replacing (or more likely, eliminating) a significant number of people certainly represents a swift action towards gaining the newly required skills, but it is potentially at the expense of losing many desirable skills and talents within the organization that are still vital and required.[cxlvi]

Customer acquisition, retention, and loyalty are also shown to be strongly correlated with employee commitment and retention. In Frederick Reichheld's book, The Loyalty Effect, he points out in his analysis that long term, more experienced employees are not only better at finding and acquiring new customers for the company and creating strong customer loyalty, but they can be a major source of both customer and new employee referrals.[cxlvii] In the article "Why Deep Layoffs Hurt Long Term Recovery", one telecom company found themselves cutting too deeply in a required technical area.[cxlviii] This not only resulted in the loss of customer confidence due to service issues, but it ultimately required the hiring of additional new workers to help bring service levels back up.[cxlix] In addition to lost customer referrals and rehiring costs, there is also the potential cost of lost business opportunities sacrificed in order to recover from unacceptable service levels and to search for lost talent.[cl]

Restructuring efforts that are handled poorly can have clearly destructive effects on corporate reputation. If you peruse the internet for 'interviewing tips' and perform a search on 'suggested questions to ask in your interview', you will be remiss to find a site that does not highlight the question "Has your company experienced a layoff or headcount reduction in the past two years?" It would appear that most workers want to join a company that offers some baseline level of stability, even if it is simply long enough for the employee to execute his/her short term goal with that company before moving on to the next opportunity. It is in the heart of this question that the erosion of employee loyalty becomes more apparent. As Daniel Pink points out, in Free Agent Nation, "As the churn of jobs, technologies, and companies has intensified, (employees) have responded to this heightened risk by hedging. Today, they do just as they do in their financial lives; individuals are achieving security through diversification."(102)[cli] Putting it simply, they are less likely to put their loyalty in any one 'basket' but their own.

In empirical research performed in 1998, it was shown that, as companies eliminate jobs and layoff workers, they are perceived as being less reputable and less socially responsible.[clii] The Dallas Morning News featured a story regarding the August 2006 layoff of 403 Radio Shack employees in Fort Worth, Texas. The article highlighted the fact that these workers were notified of their impending layoff, not through a traditional face-to-face meeting, but via e-mail.[cliii] In the book, Profit with Principles, the authors point out that the tales of employees who learn of their job loss in these non-customary, impersonal, and insensitive ways (e.g., reading it in the newspaper, notified by memo or electronic mail, finding their security pass inactivated when arriving to work, etc.) "…not only create bad press, but tend to linger in the memories of remaining employees for a long time afterward."(117)[cliv] Jill Andresky Fraser, in her book White Collar Sweatshop, puts it this way:

> "By the turn of the century, the combined impact of all those layoffs in good times and bad, never-ending benefit cutbacks, insane levels of CEO compensation, and unrealistic bottom-line projections had tarnished corporate reputations across Main Street America. Big companies began to

seem less worthy of respect as potential employers, as business neighbors, and, perhaps most significant, as investment opportunities."(205-206)[clv]

Many companies who undertake radical restructuring fail to place the proper importance on honest and frequent communication. Mishra, Spreitzer and Mishra go into great detail on the importance of trust and effective communication to the success of a downsizing effort, particularly during the implementation phase, in order to carefully "...avoid decimating whatever trust and empowerment it has so far preserved" during the process.(92)[clvi] For example, in a 2001 Anderson/KSR survey of layoff 'survivors', nearly half said that they found out about the cuts by 'word of mouth'.[clvii] David M. Noer, in Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing the Downsized Organization, points out that "...authenticity, congruency and empathetic communications" are key interventions in dealing with employees who remain after the layoff, but that managers have a natural tendency to 'control and deny'. [clviii] Noer suggests that, in order to be effective, managers need to resist these tendencies and exhibit "...the courage to engage in straight talk" with those impacted.(117)[clix]

Many times, the information that tends to be under-communicated is the detailed rationalization behind the actions being taken and the specific expectations if a successful implementation occurs. Baron and Kreps, in Strategic Human Resources: Frameworks for General Managers, point to the importance of extensively (and honestly) communicating the details of the restructuring and providing all key details, including the justification for the actions to be taken throughout the entire process, from the planning stage through postimplementation.[clx] By doing this, employees can more quickly come to grips with what the actions mean to them. Yet in many cases, the company's management entrenches into an 'us' (leadership) and 'them' (employees) state of mind, carefully planning what should be communicated and what should not. A sense of concern can overtake management in regard to providing incorrect information or statements that might bind the company to a commitment with employees. Therefore, the leadership falls back on legally reviewed, 'press ready' messages that can negatively impact the credibility of management and erode employees' trust and confidence in them.

This management entrenchment can obviously be seen very clearly in communications and direct dealings with a union-based workforce during restructuring activities. An excellent example concerns General Motor's renegotiation of the Saturn-UAW contract that was completed in mid-2004. As background, the original 1985 Saturn-UAW contract was a historic attempt at radically rethinking the labor-manufacturer relationship in the auto industry. Taking its cue from the earlier success of the NUMMI[clxi] partnership that G.M. had with Toyota, the agreement stressed employee involvement and ownership throughout the process.[clxii] Management and employees would harmoniously work together and share in decision making.[clxiii] The contract literally specified that if the Saturn workers continued to build a quality product, there would never be a layoff.[clxiv] The vehicles were manufactured in a plant in the small town of Spring Hill, Tennessee, to which many G.M. workers relocated.[clxv]

The Spring Hill 'experiment' was successful until the mid-1990's when G.M. turned its attention to sport utility vehicles and pickup trucks and allowed the

Saturn brand to lose momentum in the marketplace.[clxvi] The Spring Hill plant required reinvestment and a recommitment from G.M. in order to survive (and thrive) and neither happened.[clxvii] In 2004, after bowing to pressure from G.M. that the plant might have to close completely unless they agreed to give up the lifetime employment clause, the UAW workers conceded.[clxviii] G.M., in turn, pledged to invest $400 million in refurbishment and capital improvements as a sign that the plant would continue to be a viable concern.[clxix] As of late September of 2006, G.M. had announced that one of the two manufacturing lines in the plant would be closing down, 1,300 of the remaining 5,700 Spring Hill workers had accepted buy-out offers, Saturn vehicles would be no longer manufactured there after Q1 of 2007, and the $400 million that had been pledged had not yet been invested.[clxx] Whether or not the plant would make another product after the last Saturn rolled off the line has still not been announced as of October 2006.

Finally, in the quest to regain employee trust through open communication, one key item should be, but is rarely (if ever), addressed. In order to restore employee confidence and support, the organization's senior management should acknowledge that the company's management holds the responsibility for a restructuring that involves the cutting of workers, or shutting of offices/plants. In his book, The Disposable American: Layoffs and Their Consequences, Louis Uchitelle suggests that, rather than take responsibility for the layoffs (and questioning themselves on whether they are even necessary at all), it's much easier for employers to send the message to workers that somehow it is their own fault because their value was not equal to the wages and benefits that had been provided or failed to acquire the necessary skills and education to qualify for the increasingly sophisticated work that was now needed.[clxxi] Jill Andresky Fraser summarizes that top management in organizations need to stop portraying layoffs "…as some kind of brilliant management decision and instead accept responsibility for whatever it was that, under their watch, produced conditions so disastrous as to necessitate mass firings."(215-216)[clxxii]

The impact of a downsizing or restructuring on retained or 'survivor' employees can be significant and is often forgotten. According to Pfeffer and Sutton, there is significant evidence that layoffs cause damage to the employees that remain as well as those that are laid off.[clxxiii] Commenting on the results of the 2001 aforementioned Anderson/KSR survey, Michael Lyman of Anderson warned of the danger of disaffecting surviving employees due to poor organizational communication during the process.[clxxiv] He states that, "Companies are remiss if they don't keep the needs of employees at the forefront during such a disruptive 'cultural change'.[clxxv] This survey is evidence that many companies have not done enough to minimize the emotional damage for employees who are retained during restructuring."(¶31)[clxxvi]

The negative result of not paying specific attention to the surviving employee's post-restructuring level of engagement can be predictable. In "The Effects of Downsizing on Survivors: A Meta-Analysis", Gladys B. West's work focused on the impact of downsizing activity on surviving employees and confirmed, in the course of her study, a strong positive correlation between layoff survivors' commitment to the organization (their loyalty and morale) and their satisfaction with the job. In addition, she confirmed strong negative correlations between the survivors' intention to leave the company and the following three variables: a.) their satisfaction with the job, b.) their commitment to the organization, and c.) how psychologically attached they are in the performance of their job.[clxxvii] David M. Noer adds that "…survivor symptoms do not automatically go away on their own. They remain, evolve, and often intensify over time."(83)[clxxviii] Reichheld adds that companies who layoff workers when times are bad demonstrate to the survivors that the company cannot be depended on to be loyal to them in future periods of trouble.[clxxix] Given that loyal and engaged employees are a necessity in pulling an organization through a period of adversity, a company "…can almost guarantee that the next time it's in trouble, its most talented employees will jump ship just when they're needed most."(96)[clxxx]

In fact, in the article "Downsizing Outcomes: Better a Victim Than a Survivor?", the authors' study indicated that employees displaced as a result of downsizing who secure new employment actually fare better than the 'survivors', due to a greater sense of empowerment (control), less stress, and fewer negative job strains.[clxxxi]

Among the most important of these negative 'survivor symptoms' are the erosion of surviving employees' trust in the company and its management and a lost sense of empowerment. Aneil Mishra and Gretchen Spreitzer suggest that the amount of trust in their management held by the downsizing survivors significantly reduces their view of the effort as a threat.[clxxxii] They state that if remaining employees do not have trust, they will most likely start to believe that management is putting its own needs ahead of the organization's and the employees'.[clxxxiii] They also suggest that this lost sense of empowerment by survivors may be due to a tenuous sense of job security following the downsizing event and also by management's taking a more active and direct control over the downsizing process itself.[clxxxiv] In a later article, the same authors' research determined that those employees who feel more attached to the organization (as demonstrated by a strong feeling of trust in management, a feeling that the downsizing process was 'fair' on a number of levels, and by their perceived level of empowerment) are more likely to remain with the company in the year following the downsizing.[clxxxv] In a study looking at government workers aged 45 and older that had survived a major downsizing, non-management workers, in particular, reported a significant decrease in commitment to the organization 20 months later.[clxxxvi]

Finally, if one was to feel that resiliency of employees suffering or surviving layoffs is attained through experience, the study "Repeated Downsizing Contact: The Effect of Similar and Dissimilar Layoff Experiences on Work and Well-Being Outcomes" found evidence that repeated number of exposures to direct or indirect layoffs resulted in higher levels of negative work attitudes and health problems in those employees.[clxxxvii] In addition, the study found no evidence to support that employees eventually grow accustomed to layoffs over a number of occurrences or that there is a positive relationship between employee resiliency and exposure to headcount reductions.[clxxxviii] Jeffrey Pfeffer, in his book The Human Equation, adds that, although an organization might be able to restore employee commitment following a single, well executed downsizing, engaging in multiple downsizing events "…make the implementation of high commitment work practices almost impossible…"(187)[clxxxix]

A significant missed opportunity, particularly if the restructuring is well planned and tied to a company's vision and goals, is to not have an adequate tool in place to monitor the progress and success of the action. One would think that this would be a straightforward way to build survivor trust and employee enthusiasm and support; to actually envision progress being made and the company getting closer to its goal. Instead the monitoring of progress or the validation of success often seems to be downplayed or, in some cases, avoided completely. It is understandable that this should occur in poorly planned or misguided efforts, as most companies do not want to promote an unsuccessful strategy. It is less clear why some companies do not make the effort to report this information back to the employees, but instead leave the 'social network' to evaluate its success or failure without facts.

In line with Michael Porter's aforementioned view of operational effectiveness[cxc] driving companies to competitive convergence, the current high level of overseas outsourcing to India and Asia can also be viewed in a similarly critical light. These actions have obvious short term cost benefits for companies, but as competitive demand grows in the long term, wages in these markets should rise and make the cost-benefit equation less clear cut. When coupled with the complexities of managing overseas labor (management control, service issues related to cultural misunderstandings, etc.) and issues related to working in countries where the outsourced business is being performed (infrastructural, cultural, and political, etc.), the economics become much less obvious.[cxci] According to the 2006 Saratoga/PWC Annual Key Trends in Human Capital report, the ability to recruit and retain 'offshored workers' is already becoming more difficult due to greater competition for talent (demand outpacing supply, in the short term at least) and rising wage levels.[cxcii] In a recent news article, Apple Computer shelved its plans to open a large technical support center in Bangalore, with a potential for 3,000 workers hired by 2007.[cxciii] In the article, a source who was familiar with the plans stated that the decision not to put the center in India was cost-driven, and is quoted as saying, "...the turnover is high, the competition for good people is strong" and the company feels it "...can do [such work] more efficiently elsewhere."(48)[cxciv]

The 2006 Saratoga/PWC study also states that companies' decisions to outsource overseas (or to outsource in general) that are motivated purely by cost reduction are providing less than satisfactory results due primarily to not adequately addressing human capital issues.[cxcv] Another risk is that, in the rush to cut cost through foreign outsourcing (and outsourcing in general), companies can, over time, find themselves increasingly more and more dependent on suppliers. In the book, Competing for the Future, authors Gary Hamel and C.K. Prahalad argue that companies that utilize outsourcing of any kind should clearly understand what skills are deemed "...critical to competitive differentiation and growth" and ensure that they are not unintentionally lost to outsourcing suppliers.(219)[cxcvi]

The Saratoga/PWC study also reveals that companies are "...increasingly shifting higher value-added activities requiring specific knowledge or where [a company has] skill shortages to [offshored] suppliers with the requisite resources and experience."(16)[cxcvii] In the article "Where the Knowledge Workers Are", Fay Hansen backs up this point, stating that U.S. companies are moving R&D work at all levels to outsourced suppliers in Asia and Eastern Europe where there is now a greater pool of talent, an opportunity to access a considerable number of new markets and the ability to achieve significant cost reductions.[cxcviii]

In other words, companies that are viewing overseas outsourcing as a necessary measure in operational efficiency in order to remain competitive are taking a dangerously static view of an extremely dynamic situation. Thomas Friedman, in the book The World Is Flat, describes the rapid leveling of the global competitive playing field as a result of the new found ease and transparency, beginning around 2000, by which very diverse individuals can collaborate and compete globally.[cxcix] Friedman adds that new, innovative, and diverse outsourcing opportunities continue to propagate every day.[cc] Yet, in a study from mid-2005, "A Comparison of Service Management and Employment Systems in U.S. and Indian Call Centers", the authors found that India-based call centers generally employ a set of highly conflicting management practices; those being a.) the utilization of highly educated workers, and b.) the utilization of highly standardized work processes, thus leading to a significant underutilization of workforce that they observed. They also point out that Indian call center subcontractors experience high turnover rates primarily due to the high levels of standardization within work processes and the utilization of scripting.[cci] Simply put, as economies, infrastructure, and competitiveness continue to develop in these targeted overseas sourcing locations, the reality of the desirability of these jobs to the highly skilled worker becomes more apparent. To believe that highly educated, English-speaking, college graduates will continue to aspire to work in call centers five years from now, would be extremely short-sighted. As one executive in India was quoted, "The talent is good or better (here) than in the U.S. The large U.S.-based companies now investing in R&D centers in India – Oracle, Intel, and Microsoft, for example - do not view them as adjunct facilities but as labs for original work."(¶13)[ccii]

Friedman summarizes this point succinctly, noting that in today's 'more-flattened' global environment, the youth in China, India, and Eastern Europe are not aspiring to compete with American workers for the lower level work that has heretofore been easily outsourced, but rather:

> "They are racing us [The U.S.] to the top. They do not want to work for us; they do not even want to be us. They want to dominate us - in the sense that they want to be creating the companies of the future, ones that people all over the world will admire and clamor to work for."(351)[cciii]

George C. Elliot, in his article "International Outsourcing: Values vs. Economics", argues that much can be learned from the current problems faced by the U.S. automobile industry.[cciv] He states that, although much has been said about high costs negatively impacting market share, the U.S. consumer seems to be focused on product quality and the overall value proposition as reflected by buyers paying competitive or premium prices for Japanese-branded vehicles manufactured in America.[ccv]

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The first five reasons presented thus far illustrate the issues that can plague an organization that either a.) neglects to establish or maintain a strong focus on the company's long term vision and goals, or b.) fails to effectively communicate or execute strategic actions that remain tied to this vision but yet are capable of adapting to significant changes in the business environment. In the sixth and final point, arguably the most critical cause is covered; the inability to fully leverage a dedicated and engaged workforce to execute these actions.

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6. **The Organization Has Failed to Have an Engaged Workforce In Place During Periods of Instability** – In a January 2006 article titled "Workers at the Wheel" the John Hollon states,

> "If Ford is to be successful in reversing the downward trends and growing losses in its North American operations, it must get the company's most critical asset - its people - fully engaged. That's no small task when management just announced that it is cutting as many as 30,000 workers and closing 14 plants and other facilities."(¶2)[ccvi]

A more recent article from August of 2006, titled "Trickle-Down Despair at Ford", points out that, although the company's current financial and market-related problems are well-known by the public, "...what outsiders can't detect is the depth of employee despair, much of which stems from internal problems such as managerial churn and constant strategy changes."(¶3)[ccvii]

Companies cannot hope to have an engaged workforce in place during periods of instability and significant change if they do not already possess a dedicated and engaged workforce prior to the discontinuity. When utilizing the word 'engaged', Dychtwald, Erickson, and Morison emphasize that the word 'satisfied' cannot be used in its place, although the two terms are related.[ccviii] They point out that whereas a 'satisfied' employee views the job as sufficient to meet his/her current needs, an 'engaged' employee views his/her job with a sense of passion and commitment.[ccix]

In order to fully explore the hypothetical reasons why an 'engaged' workforce is not commonly found in many organizations today, a closer look must be taken at the primary indicator of the problem: the evolving loss of loyalty that companies are experiencing from their employees. From there, a further breakdown of six significant 'root causes' will be proposed and discussed in greater detail. These organizational shortcomings are: a.) the failure to recognize the importance of employee retention, b.) the failure to pay proper attention to true employee needs and requirements, c.) the failure to provide opportunities for growth through continuous learning and development, d.) the permitting of the proliferation of 'dumb jobs', e.) the failure to vigilantly nurture a corporate culture that supports employee motivation, and f.) the placing of limitations on an employee's ability to shape the future of the organization.

### ***<u>The Loss of Employee Loyalty</u>***

In the past, it was not unthinkable to believe that one could spend his or her entire career with a single company. Employees would start at an entry level job and over the course of a career 'work their way up' to a greater level of responsibility. In other cases they might, after a few rotations, find the type of job that really stimulated them, and decide to stay in that area until a level of mastery was achieved after many years. Some might develop into excellent leaders; some reliable followers. Some might become critical subject matter experts and some might become dependable team members executing the tasks for which they were responsible without fail.

Times have changed, however, and the lifelong career spent at a single company is quickly becoming a thing of the past. Dr. Helen Harkness, in her book Capitalizing on Career Chaos, points out that a person's average career today will more than likely consist of two or three occupations and working for more than one employer.[ccx] Like today's savvy consumer, the average employee has a wealth of information at his or her disposal and most leverage this knowledge to their advantage when managing their own careers.[ccxi] Peter Drucker noted that, until the early 1900's, most workers had limited choices regarding the type of work they would perform, and had virtually no chance for upward mobility.[ccxii] He pointed out that with the arrival of the 'Information Age', 'knowledge workers' found themselves with an abundance of choices, and along with the fact that the working life span of people is nearly three times what it was in 1900, people will almost certainly have more than one career in their lifetimes.[ccxiii]

Others have also identified no less than a fundamental societal shift as the key driver in this change in attitude. Dr. Harkness cites the work of futurist Duane Elgin, who's report "Global Consciousness Change: Indicators of an Emerging Paradigm" paints a dramatic picture of the magnitude of the change that is occurring, identifying it as no less than one of civilization's great shifts, similar in scope to the shift from the 'Agricultural Age' to the 'Industrial Age'.[ccxiv] Characterizing this global paradigm shift as an age of "Reflective/ Living Systems", this change in consciousness is marked by a movement towards improved quality of life, and it places less importance on material gain.[ccxv] The world is viewed as one large interconnected 'living' system and bringing all components of life into balance becomes of paramount importance.[ccxvi] Our growing capacity for self-reflection allows us to analyze a situation and have the freedom to make fresh choices for ourselves instead of being locked into society's accepted norms.[ccxvii] In this model, employees are more concerned about making career decisions that fit into a holistic life plan in which the individual is in full control, rather than finding themselves in an organization or job that constrains their freedom and flexibility or impedes the quest for balance in their lives.

Richard Florida, in his work The Rise of the Creative Class, points to a fundamental shift from the period when workers would remain loyal to the companies of the ‘Organizational Age’ (with their command-and-control management approaches and creativity-stifling environments) to a new age where employees who are focused on innovation, generating new ideas, and developing new content are actively sought out; a ‘Creative Age’.[ccxviii] He points out that the large corporations of the previous age were wildly successful in efficiently and effectively creating products and services thanks to innovations based on precise work organization, conformity, and ultimately, bureaucracy.[ccxix] Unfortunately, Florida posits, this great success came at the expense of these corporation’s most important resources — their people.[ccxx] More pointedly, it came at the expense of their people’s ability to be creative in their work.[ccxxi] Florida explains that this shift from an ‘organizational-centered’ system to a more ‘people-centered’ one has occurred due to the fact that, in recent years, human creativity has rapidly become a key economic and societal factor and in Florida’s words, “...the decisive source of competitive advantage.”(4-6)[ccxxii]

Author Daniel Pink takes a similar view of the occurrence of a fundamental societal change. In his view, the next stage that we are now entering, the 'Conceptual Age', is characterized by an abundance of 'creators and empathizers' (as opposed to the previously mentioned 'knowledge workers' of the 'Information Age') who possess strong 'right brain'-oriented skills (creativity, human relationships, etc.) as well as well-tuned, 'left-brain'-based analytical skills.[ccxxiii]

Peter Drucker also saw a dramatically different profile of the workforce in the future. In the mid-nineties, he wrote that organizational workforce attitudes will be largely shaped by the growing number of non-employees (temporary and outsourced employees, independent contractors, etc.).[ccxxiv] He warned that as a result, companies and their management will no longer look for loyalty from their workforce, but rather, "...will have to earn the trust of the people who work for them, whether these people are their employees or not."(71)[ccxxv]

Thomas Friedman stresses that the hyper-accelerated form of globalization that is prevalent today has hastened the death of the 'job for life' mentality.[ccxxvi] He points out that, in today's 'flattened' world, business and government are no longer responsible for providing lifetime jobs for those who want them and perform at an acceptable level.[ccxxvii] He adds, "…lifetime employability is a form of fat that a flat world simply cannot sustain any longer..." (368)[ccxxviii]

In his work Free Agent Nation, Daniel Pink builds on this thinking. He states, "In the old social contract of work, the organization offered the individual security, and in return, the individual gave the organization loyalty. That bargain, we all know, has crumbled…" (102)[ccxxix]

Taylor, Wacker, and Means utilize the concept of a shift from isolated 'tribalism' to 'neotribalism' to illustrate their take on the transformation that is occurring in the workforce. [ccxxx] "Workers who were once loyal to their flag and company [tribes] find themselves [now] loyal to neotribes [A neotribe is a voluntary aggregation who join together to form a values-based community based on common interests and/or experiences]…and their new loyalty is often measurable in direct proportion to how poorly they feel their former loyalty was rewarded."(152)[ccxxxi]

Naomi Klein, in her book No Logo, states that the loss of loyalty has been no more clearly demonstrated than in the younger, emerging workforce.[ccxxxii] Klein states that:

> "Because young people tend not to see the place where they work as an extension of their souls, they have, in some cases, found freedom in knowing that they will never suffer the kind of heart-wrenching betrayals their parents did."(271)[ccxxxiii]

She suggests that younger workers increasingly wonder why they would even want to stay with one company for their entire career or depend on a large corporation to help build their sense of self-esteem and self-worth.[ccxxxiv]

David Noer uses the term 'organizational codependence' to describe the old paradigm; the tying one's self worth to the act of remaining employed with a single company.(235)[ccxxxv] Organization's entire policies and HR-related structures fostered this co-dependency, so that workers have become much more dependent on their company than for just a paycheck.[ccxxxvi]

In the book First, Break All The Rules - What the World's Greatest Managers Do Differently, Marcus Buckingham and Curt Coffman (who work for and performed their analysis on behalf of the Gallup Organization) lay blame on employers erroneously feeling locked in to perpetuating the traditional 'career path' system, which they liken to the climbing of rungs on a ladder; the employee climbing up each rung is the only way for him/her to get ahead.[ccxxxvii] They point out that this system is based on three flawed assumptions: a.) that success in a previous role is an indication of potential success in the 'next higher rung' position, b.) that given the diminishing number of opportunities available as one advances, the conventional career path will always create conflict and competition, and c.) that possessing many varied experiences makes a candidate more attractive.[ccxxxviii] Buckingham and Coffman refute these assumptions by stating that a.) the next higher level job is not necessarily a more complex version of the previous job and that additional, perhaps completely different, skills might be required, b.) that alternative, non-vertical career paths and rewards can be implemented successfully allowing for a greater number of opportunities, and c.) that an employee's self-discovery of their skills and talents versus gaining a slew of marketable experiences is the key to a healthy career.[ccxxxix]

Frederick Reichheld feels that the erosion of employee loyalty can be explained in a different way. He explains that although most organization's management desires employee loyalty just as they desire customer loyalty, very few are willing to invest the effort and cost into building it.[ccxl] He adds, "On the contrary, a lot of companies today pursue policies that discourage or even destroy loyalty."(92)[ccxli]

In short, the death of loyalty is not necessarily inevitable, but, rather, seems to be the direct result of behaviors that corporations choose to employ in order to maximize short term profits and shareholder value at the expense of employee trust and dedication. Moreover, due to the inability of the organization to react and quickly adapt to dramatic changes in their human capital environment (shift of power to employees due to shortage of labor, accelerated globalization, unwillingness to revisit an outdated paradigm of traditional 'careers path' systems, failure to focus on changing needs of employees), they find themselves rushing to develop short term strategies to address this increasingly critical situation. Jeffrey Pfeffer is quoted as saying "Loyalty isn't dead, but 'toxic' companies are driving people away."(¶2)[ccxlii]

Is employee loyalty truly being driven away, or has it, in fact, simply adapted itself to a 'brave new world'? According to research performed by Linda K. Stroh and Anne H. Reilly, although today's manager is extremely loyal to his/her own career and diligently manages it as a 'free agent' in a corporate environment that is not necessarily secure or stable, he or she can still remain very loyal to the organization where he or she is developing that career.[ccxliii]

Edgar H. Schein suggests that the concepts of a career and 'career development' are changing dramatically.[ccxliv] Whereas a worker could once depend on having an 'organizational' or external career (in which an individual's roles and career stages are determined by the organization's policies and societal norms), radical changes in the world's business environment cast doubt on whether this type of career will continue to exist in the future.[ccxlv] Schein proposes that development will need to take place on one's 'internal' career.[ccxlvi] He describes an 'internal career' as one which is held together over a series of different jobs by an individual's own strong self-concept (or 'career anchor').[ccxlvii] Unlike an 'external' career, the development of an 'internal career' is not dependent on the actions of a particular organization and is not impacted by any radical changes that might take place (layoffs, restructurings, etc.).[ccxlviii]

Beverly Kaye and Sharon Jordan-Evans, in Love 'Em or Lose 'Em: Getting Good People to Stay, point out that, unlike the 'Baby Boomer' generation (born between 1943-1960), members of 'Generation X' (born between 1960-1980) are unlikely to give blind loyalty to the organization they are employed by.[ccxlix] They will bring strong loyalty to specific projects, teams, managers/supervisors, a company's mission, and even the company itself if that loyalty is based on the premise of 'mutuality' (that is, as long as they are getting what they need out of the work and you are getting what you need from them in the way of performance, they will stay).[ccl] If the balance is disturbed, they are apt to leave without guilt.[ccli]

Daniel Pink suggests that there is a new social compact between employee and employer based on the fact that the 'vertical loyalty' to the organization and its management that was commonly demonstrated by the employee of the past has been replaced by a new kind of loyalty that is 'horizontal' in nature.[cclii] Pink describes the new employee-employer compact this way: "…The free agent [worker] provides the talent (products, service, and advice) in exchange for opportunity (money, learning, connections)."(102)[ccliii]

In Carol Kinsey Goman's "This Isn't the Company I Joined", the author suggests a shifting view of loyalty that is less characterized by a paternalistic relationship between company and worker and more reflective of a partnership based on mutual trust and respect.[ccliv] Goman points to a new agreement, where the employee provides the company with a willingness to participate in business growth, customer service, development of ideas, and organizational change, and in turn, the company pledges to treat the employee fairly, actively support professional development and provide meaningful work.[cclv]

David Noer suggests that the recommended path for today's workers is to develop immunity to 'organizational codependency' by defining themselves by the work they do, and not where they perform the work.(236)[cclvi] He suggests that employees should eliminate it by moving away from utilizing the company as the single strong source of self-esteem and by deriving it from multiple sources (such as family, community, profession, place of spiritual fulfillment).[cclvii]

Some question whether the concept of employee 'loyalty' should be considered a desirable trait at all. In James Hillman's book, Kinds of Power, he points to loyalty as a method used to control and by its very nature, control constrains freedom.[cclviii] When an organization strives for loyalty, in most cases, it is concerned more about having adequate resources to be able to continue to execute its established strategies and less about activities that encourage engagement (such as the establishment of the strategies, or even voicing an opinion on them). Therefore, employee loyalty is traditionally a form of unbalanced power in favor of the organization.

Richard Florida points out that the concept of staying loyal to one employer for an extended period of time was a fairly recent historical development that originated from the business practices of the 'Industrial Age' through the 'Organizational Age'.[cclix] Prior to that, people were defined, not by the firm they worked for, but rather, individually, by their lives and occupations as farmers, shopkeepers, etc.(109)[cclx] He states that as we progress from the 'Organizational Age' into a new age of creativity, we can look at the move away from long term loyal employment to a single company as a healthy shift of one's identity back to the individual.[cclxi]

Lauren Keller Johnson, in her article "Rethinking Company Loyalty", points out that loyalty should no longer be viewed as an "...either/or proposition."(¶5)[cclxii] She goes on to say that employees can give an organization their best effort and still maintain a focus on furthering their own career.[cclxiii] These two things should not be considered mutually exclusive particularly when there is alignment between the skills that the employee needs to acquire for their career growth and the skill needed by the organization to succeed and grow.[cclxiv] In Entrepreneurship and the Wired Life, Fernando Flores and John Gray state that in today's 'wired' form of working life (fast, globally networked, project-oriented), the notion of lifelong commitment is negatively viewed as "…a way of being stuck, an impediment to personal growth, excitement, and creativity."(22)[cclxv] Robert Reich, in The Future of Success, adds that "As disloyalty is 'normalized', loyalty itself comes under suspicion. Remain too long with one company or one job, and your behavior must be explained."(84)[cclxvi] He goes on to say that organizations that keep the same people for extended periods of time will also be scrutinized and perhaps criticized for being behind the times, stale, or lacking vision.[cclxvii] David Noer states that an employer who continues to hang on to the old paradigm that the act of an employee contemplating (or actually going about) leaving an organization is tantamount to disloyalty is "...unnecessarily burdened and restricted."(172)[cclxviii] He goes on to state that helping an employee gain the required skills and even providing encouragement for employees (at all levels) to leave the organization often turns out to be the best strategy for both the organization and the employee.[cclxix] To use a quote commonly attributed to the author Richard Bach, "If you love someone, set them free. If they come back, they're yours; if they don't, they never were."[cclxx]

Thomas Friedman states that today's employer-employee compact should state that, if the employee provides labor to the organization, the employer will pledge to provide him or her with every chance possible "…through either career advancement or training - to become more employable, more versatile", for as long as they chooses to work for the organization. (375)[cclxxi]

If one makes the assumption that today's apparent lack of visible employee loyalty in many organizations is not the direct result of an intentionally transformed, 21st century workplace, but rather, the result of an unintentional dysfunctional relationship with the employer, it is important to try to identify what is driving this behavior. A closer look at six potential root causes for employee 'disengagement' will be presented for consideration.

***<u>A Failure to Recognize the Importance of Employee Retention</u>***

A key reason that organizations have had issues with employee retention is that the appropriate level of importance simply has not been placed on organizational capability and utilization of human capital assets. Jeffrey Pfeffer, in <u>Competitive Advantage Through People</u>, explains that traditional sources of competitive advantage such as process/product technology, access to financial resources, economies of scale, and protected/regulated markets are less powerful then they once were, thus leaving organizational capabilities comparatively more important in providing a competitive edge.[cclxxii]

Given some of the widely discussed projections of an impending workforce shortage (most commonly estimated at 10 million less workers for jobs available in the U.S. by 2010 to 2013), the luxury of not paying attention to employee retention is no longer a viable option.[cclxxiii] Dychtwald, Erikson and Morison point out that, although there are disagreements in estimating the actual size of the shortage due to intervening factors such as productivity gains, export of jobs, educational trends, immigration policies, and changes to workforce participation rates (particularly in the case of retirees deciding to continue working), the one thing that can be stated with a fair amount of certainty is that there will be a shortfall of required skills and experience in the U.S. workforce over the decade.[cclxxiv] Simply put, there will be too few young workers ('Generation Y' or 'Nexters' born since 1980[cclxxv]) that possess the appropriate level of knowledge and skills to replace the skills and experience being lost through the gradual retirement of the maturing workforce ('Baby Boomers' and older generation workers) over the next decade, given the smaller replacement pool due to the sharp birthrate falloff after the postwar boom ('Generation X').[cclxxvi]

In the article "Why Retention Should Become a Core Strategy Now", Paul Michelman suggests that when (and if) the impending labor shortage begins to take shape, the effect on companies that "...let employee satisfaction and retention strategies take a back seat to seemingly more pressing issues of corporate survival" could be significant.(¶4)[cclxxvii] He adds that companies that employ a strategy based on the premise that employees have no other options will be forced to dramatically adjust their approach.[cclxxviii]

Companies that do not place a high level of importance on employee retention will face substantial costs in replacing dependable, productive employees. In The Loyalty Effect, Frederick Reichheld describes Bain and Company's loyalty model that was developed over ten years of study.[cclxxix] The model consists of seven significant economic effects of productive employee retention.[cclxxx] The effects are: the substantial recruiting investment, new hire training, efficiency gained through time on the job, new customer selection expertise (in sales and marketing-related areas), enhanced customer retention, increased internal customer referrals, and valuable referrals of potential new employees.[cclxxxi] Jill Andresky Fraser adds to this point: "When business leaders learn how much it can cost, in tough times, to buy a substitute for employee loyalty, they may learn to regret its absence."(205)[cclxxxii]

As we touched on earlier with the effects of downsizing, between direct expenses (such as recruiting, interviewing and training), indirect costs (effect on survivor morale, workload, and customer satisfaction) and opportunity costs (lost knowledge and new work not performed while focusing on rehire), the total cost of employee replacement is likely to run double the previous employee's annual salary.[cclxxxiii] One significant, but rarely discussed, intangible cost of employee turnover is the loss of value that is inherent to the relationships that have been developed over the years (e.g., between co-workers, employees and vendors, employees and customers, etc.).[cclxxxiv] Richard Florida points out that we tend to think about retention in terms of the individual, but these relationships and interactions (such as those between sales and support staffs, service representatives and dealers, etc.) are extremely valuable to the organization and are difficult and time-consuming to replace (if even possible).[cclxxxv]

Whether or not companies are even concerned about these potential issues remains questionable. According to the results of Randstad's 2006 Employee Review (a national survey of workplace attitudes taken from the perspective of both employees and employers), only 20% of the employers describe themselves as 'extremely' or 'very concerned' about a shortage in skilled workers (which was surprisingly down seven percentage points from the 2005 survey).[cclxxxvi]

***The Failure to Pay Proper Attention to True Employee Needs and Requirements***

In Good Business, Mihaly Csikszentmihalyi states that the true secret to creating and attracting an engaged worker is to understand why a person wants to work and then provide conditions that fulfill that need.[cclxxxvii] He feels that a manager who emphasizes retention will focus on creating attractive objective workplace/working conditions, fill the job with meaning and value, and will carefully select and reward individuals who will find satisfaction in this work.[cclxxxviii]

Csikszentmihalyi's simple approach does not seem to be a popular one in many of today's organizations. Results of the Randstad's 2006 Employee Review clearly show that workers are less satisfied with their jobs and less confident that their leaders are responsive to their needs.[cclxxxix] Inconsistencies between employee expectations and their employer's meeting of those expectations were shown to have a significant impact on a worker's job satisfaction.[ccxc] Seventy-three percent of the employers felt that employee development was a priority; less than half of the employees felt that leadership was adhering to this practice.[ccxci] In addition, although 86% of employees indicated that feeling valued was a key component of job satisfaction, only 37% said they experienced it in their jobs.[ccxcii]

Workers, like customers, who feel their needs are not being met, will eventually take their 'business' elsewhere. According to a 2005 survey by Walker Information, which conducts research on customer and employee loyalty, negative (or neutral) attitudes regarding how employees view their companies (in regard to worker treatment and value) remain prevalent, and the younger segment of the workforce is still highly mobile.[ccxciii] Only 55 percent of those surveyed said companies treat employees well, and only 41 percent felt their employer views staff as its most important asset.[ccxciv] In addition, the Walker survey characterized 31 percent of all respondents as 'high risk' (having a neutral or negative attitude about the employer and did not plan to stay).[ccxcv] The percentage of 'high risk' responders was even higher when looking specifically at employees aged 18 to 24 (50%) and 25 to 29 (39%).[ccxcvi]

What <u>are</u> these motivating needs and are employers getting them right? Or are they looking at the wrong things because (to borrow from Pfeffer and Sutton) they either a.) think or believe they are right, or b.) they are basing their conclusions on flawed assumptions.[ccxcvii] It might be helpful to briefly look at four basic theoretical approaches to motivation in order to gain some perspective; models from Maslow, McGregor, Herzberg, and Schein.

Many are familiar with Abraham Maslow's research on human motivation and the primary theory he proposed, the hierarchy of human needs.[ccxcviii] To summarize briefly, Maslow theorized that humans are motivated by satiating certain internal needs, which he placed in five (and later expanded to seven and then eight) categorical levels from low to high (a 'pyramid' of needs).[ccxcix] Maslow argued that human beings developed by climbing up the 'levels' of the pyramid, but in order to ascend, the lower levels must be satiated first.[ccc] The levels, from low to high, are 'physiological' needs (sustenance, shelter, sleep, etc.), then 'safety' needs (security, order, stability), followed by 'belongingness and love' needs (acceptance by/affiliation with others), 'esteem' needs (self-esteem, achievement, competency, autonomy, recognition, status, responsibility), 'cognitive' needs (gain knowledge, meaning, discovery), 'aesthetic' needs (beauty, balance, order), and culminating with 'self-actualization' needs (realize one's potential, find self-fulfillment, help others reach self-actualization).[ccci] The first four levels are sometimes referred to as 'deficit needs' as they are only apparent to the person when they are not sensed to be attended to.[cccii] Above the 'deficit' needs are the 'being' needs, which, once engaged, will continue to grow and motivate further.[ccciii] Although the hierarchical and sequential aspects of the model have been disputed (e.g., the starving artist, a protester on a hunger strike, etc.), and cannot be universally applied, the model does serve as an excellent guide to understanding some of the issues that are impacting organizations today.[ccciv]

Douglas McGregor, a psychologist and professor at M.I.T.'s Sloan School of Management, published an influential work in 1960, The Human Side of

Enterprise.[cccv] Deriving the central concepts of his analysis from Maslow's 'needs' hierarchy, he hypothesized that there were two basic and different approaches towards creating a staff of motivated employees; 'Theory X' and 'Theory Y'.[cccvi] 'Theory X' makes the basic assumption that employees are not naturally motivated to work and require motivation to be provided by management.[cccvii] This motivation can be established by fostering an environment of authoritarian control and through the promise of rewards (or the threat of punishment).[cccviii] In this way, management is appealing to the employees' lower level needs in Maslow's hierarchy.[cccix] 'Theory Y', on the other hand, assumes that it is simply not possible to motivate employees. McGregor believed that people are already (and have always been) naturally and inherently motivated to pursue what they need in life (i.e., Maslow's higher level needs).[cccx] He proposed that, in order to maintain a motivated workforce, management must work diligently to provide employees with an environment in which they can fulfill their inherent needs while achieving the organization's goals.[cccxi] Although he suggested that companies could choose to work within either theory, they could expect much better results utilizing 'Theory Y'.[cccxii]

Another notable theory regarding employee motivation was developed by Frederick Herzberg and published in the oft-cited article "One More Time: How Dow You Motivate Employees?"[cccxiii]. He argues that the factors that influence job satisfaction and job dissatisfaction are very different and that they are not opposites, per se.[cccxiv] He asserts that the root of the problem is that companies spend the majority of their time addressing the issues that cause job dissatisfaction ('hygiene' factors such as compensation, work conditions, company policy) and much less time focusing on the components of true job satisfaction ('motivator' factors such as recognition, achievement, the work itself, responsibility).[cccxv] Clearly, there are parallels between Maslow's 'deficit needs' and Herzberg's 'hygiene' factors.[cccxvi]

Edgar Schein identified eight key priorities (or 'anchors') of employees, based on self-perceived abilities, values, and needs, from which they define themselves in relation to their work.[cccxvii] The employee's primary 'anchor' (or self-concept) drives their career choices.[cccxviii] Schein's eight 'anchors' are as follows: autonomy/independence, security/stability, technical-functional competence, general managerial competence, entrepreneurial creativity, service or dedication to a cause, pure challenge and life style.[cccxix] By focusing closely on employees' individual anchors, it becomes easier to begin to create meaningful strategies to address employee engagement.[cccxx]

So provided that the worker's basic needs are met, in order to achieve employee engagement, companies should currently be focused on helping their employees reach 'self-actualization', working to build up 'motivator' factors, and identifying individual employee's 'anchors'. Unfortunately, this does not seem to be the case in many organizations.

Kaye and Jordan-Evans state that when they asked managers and supervisors how they retain good people, many quickly respond that they could do it through additional compensation; a factor that many times is outside their direct control. [cccxxi]

Salary and pay-based incentives for recruiting ('sign on' bonuses) are usually identified as the most important aspect of the negotiations, annual individual performance feedback is usually indelibly tied to compensation, and enhancement of salary is a widely used tool when employees threaten to leave the company. Even outside the workforce, compensation seems to be identified as the panacea for curing a lack of engagement. In Chelsea, Massachusetts, the local high school made news for instituting policy under which students would receive $25 for each quarter of perfect attendance, and an extra $25 for a full year's perfect attendance (Unfortunately, in the first year of implementation, attendance actually went down due to the school's simultaneous loosening of penalties for absenteeism. Once stricter penalties were reintroduced along side the incentive, the attendance levels then improved).[cccxxii]

So does compensation remain the primary motivator? Jeffrey Pfeffer states one key myth that organizations today believe is that people work for money. He responds that, although compensation is a key driver for why people work, "…they work even more for meaning in their lives. In fact, they work to have fun. Companies that ignore this fact are essentially bribing their employees and will pay the price in lack of loyalty and commitment."(112)[cccxxiii] In the book, The 7 Hidden Reasons Employees Leave: How to Recognize the Subtle Signs and Act Before It's Too Late, author Leigh Branham points out that, although most employees tell their employer that they are leaving for a 'better opportunity' or 'increase in salary', in actuality - research shows that between 80% - 90% of workers leave their current jobs because they are unhappy with certain factors in their workplace, such as poor management or an intolerable corporate culture, a mismatch between employee and job, not enough feedback, too few career growth opportunities, stress from work, or a loss of trust in the company's leadership.(3)[cccxxiv]

So is compensation an acceptable excuse for leaving a job, utilized by the worker to remove the anxiety of a potentially uncomfortable employee-employer discussion? Or, perhaps, is there something bubbling up in the lower levels of Maslow's hierarchy?

According to the Randstad survey, after a number of years of employees sensing a large discrepancy between their wage growth and the record profits of their organizations and the excessively large CEO salaries, employee's 'esteem' needs are beginning to feel neglected.[cccxxv] What might soon result is what Randstad refers to as a 'course correction', where employees, who have displayed decreasing job satisfaction over the past few years and yet have stayed employed with their companies, will finally be pushed into finding new, better paying and more satisfying jobs.[cccxxvi] This could potentially be due to the security of having a stable, secure job with health benefits in an increasingly unstable time. Naomi Klein takes a harder line, stating that today's excessive corporate profits, organizational growth, and significantly disproportionate levels of CEO compensation "…have radically changed the condition under which workers originally came to accept lower wages and diminished security, leaving many to feel that they've been had."(260)[cccxxvii]

In 2005, the New York Times reported that, although unemployment rates were at the lowest level they had been since 2001, wages did not keep up with the overall pace of inflation.[cccxxviii] One year later, the situation does not appear to have improved. Results from government data compiled as of the end of the first quarter of 2006 show that, although productivity continues to steadily increase since 2003, the median average wage for American workers has declined 2% since that time.[cccxxix] In addition, the value of workers' benefits has also not kept pace with the inflation rate.[cccxxx] But the report goes on to say that workers at the highest end of the income spectrum (the top 10%) continue to receive salary increases that outpace inflation.[cccxxxi] Finally, recently compiled data shows that, in 2005, the average CEO earned 262 times as much as the average worker, the second highest ratio in forty years.[cccxxxii] As a point of reference, when the data was initially collected in 1965, the average CEO only made 24 times as much.[cccxxxiii]

With large layoffs, plant closures, and much future uncertainty being a reality for G.M. and Ford, how can most employees at all levels of these organizations not be concerned about their 'security' and in some cases, even 'physiological' needs? How can employees concentrate on 'motivator' factors when they have grave concerns regarding the 'hygiene' factors?

Other lower level needs are also appearing to be missed. One oft-neglected area is effective workplace design. In the 2006 Gensler U.S. Workplace Survey, the results reflected that workplace design had a significant impact on both employee satisfaction and perceived worker productivity.[cccxxxiv] However, the majority of the employees surveyed felt that creating a productive workplace was not a priority at their organizations, and that these decisions were primarily driven by cost.[cccxxxv] One of the most interesting results from the survey was the fact that, although the majority of the employees felt that they are more efficient when they work closely with their co-workers, roughly a third of those surveyed did not think their current workspace promoted interaction, collaboration, or cooperation with others.[cccxxxvi] In addition, only half felt their current work area promoted creativity and innovation.[cccxxxvii] Finally, over a third of the survey respondents say their current workplace design does not promote health and well-being, although the providing of healthy and secure working environment is often reported as the most important factor in an efficient working environment.[cccxxxviii]

When employees feel secure, Kaye and Jordan-Evans contend that the factors that truly drive employee satisfaction, engagement, and commitment (those being meaningful work, recognition, a chance to learn and grow) are very much in their control.[cccxxxix] The Randstad survey reflected the following five most important factors for happiness on the job (in order): 'feeling valued', 'recognition and appreciation', 'supportive environment', 'relate to leadership' and 'capable workforce'.[cccxl]

According to Daniel Pink, the primary problem in today's organizations is that they prevent 'self-actualization' from occurring by preventing the individual worker from pursuing one's true potential and finding meaning in one's work.[cccxli] He believes that what is needed to achieve this is freedom, authenticity, accountability, and self-defined success; all things that a traditional hierarchical organization has suppressed.[cccxlii] Therefore, the only way to achieve 'self-actualization' is for one to act as a 'free-agent' and have the freedom to move to wherever the pursuit needs to take place.[cccxliii] Jason Jennings suggests that certain approaches such as addressing the compensation issue by utilizing methodologies such as 'pay for productivity' can actually be tied to the employee's self-actualization quest of being in control of one's own future and financial destiny.[cccxliv]

If an organization does choose to focus on (or is not simply willing to accept the fact that they are not currently able to adequately meet) their employee's needs, they must ultimately find a way to determine what those needs are. This process, like that of the customer, is dynamic and constantly subject to change and, as a result, must be constantly monitored and revisited. Kaye and Jordan-Evans state that one of the easiest ways to determine employee's needs is by simply asking.[cccxlv] As straightforward as this approach might sound, in practice, it is rarely done by managers and supervisors.[cccxlvi] By asking, not only is critical and actionable information gleaned from the exchange, but as a result, the employee feels cared about and valued, and therefore, the act of asking is, in itself, an effective engagement and retention strategy.[cccxlvii]

In the book <u>The War For Talent</u>, which is an overview of the 1998 McKinsey survey of the same name, the authors speak of the importance of creating a compelling 'employee value proposition' or 'EVP'.[cccxlviii] An EVP is defined as the "...holistic sum of everything people experience and receive while they are a part of a company".(43)[cccxlix] The strength of an EVP is measured by how well an organization meets an employee's needs, expectations, and long term goals.[cccl] The authors found that the key components of the EVP were ‘exciting work’, ‘great company’ (good corporate culture, great leaders, well-managed), ‘employee development’ (growth/advancement, commitment to employee) and ‘rewards’.[cccli]

When measuring the strength of the engagement of a workforce, Buckingham and Coffman suggest a simple multi-question survey (now commonly referred to as the Gallup Q12©[ccclii]) that focuses on employee feedback, workplace needs, opportunity to use skills, recognition, coaching, learning and development, work environment/relationships (with co-workers and supervisor), employee involvement, and contribution.[cccliii] There are no questions regarding pay, benefits, senior management, or organizational structure, because, like Maslow and Herzberg, the authors identified these as requirements that are severe ‘dissatisfiers’ when judged to be not up to standard, but do little to improve engagement or retention once they are at an acceptable level.[cccliv]

Once the data are gathered, care must also be taken in formulating implementation strategies. Policies aimed at retaining people in large companies are usually performed in an ‘across the board’ fashion (e.g., enhanced benefits, salary increases, sales incentives), without taking into account that people throughout the organization have different needs and requirements.[ccclv] Keeping a proactive handle on employee needs through continuous communication, by offering many choices for employees in the way of benefits, work arrangements, career paths, etc., and by providing potential hires with a realistic picture of the company and prospective job, provides an excellent defense against unnecessary turnover.[ccclvi]

Furthermore, given the implications of a changing workforce profile, one reality that will need to be addressed in many companies is the inability for the 'Generation X'ers to adequately fill in the gap left by the retiring 'Baby Boomers' (and older generation employees, as well). This will require many companies to significantly adjust their strategies when it comes to handling both mature and younger workers. Whereas in the past, organizations might have focused on a disengagement strategy with the more mature worker, retention and recruitment of these workers will now become extremely important, particularly if there is a significant workforce shortage.[ccclvii] In addition, a failure to aggressively recruit and train younger workers and empower them to play a more critical role in the organization much sooner is also ill-advised.[ccclviii] The paradigms are changing, and too many organizations still take a 'one size fits all' approach to determining employee needs.[ccclix] There are significant differences in what motivates 'Generation Y', 'Generation X', and 'Baby Boomers', and older generation employees who remain working.[ccclx] Companies need to look closely at the distinctions or risk disenfranchising one or more of these segments of their workforce.[ccclxi]

Finally, an emphasis on effective communication might easily rectify employee misconceptions of what <u>is</u> already currently being provided. For one example, a 1985 study that looked specifically at opinions of health care insurance benefits showed that employees were knowledgeable about their own contributions towards these benefits, but were not at all knowledgeable about contributions made by the employer.[ccclxii] The study showed that greater than 90% of employees underestimated their employer's cost and what it might cost them if they were to provide the benefits on their own.[ccclxiii]

***<u>The Failure to Provide Opportunities for Growth through Continuous Learning and Development</u>***

According to Lauren Keller Johnson, today's 'new' loyalty and commitment is gained, not from job security or lifetime employment contracts, but from companies providing employees with the skills that they require for professional advancement, encouraging them to grow out of their old jobs and into new, more challenging jobs within the company.[ccclxiv] In the 1999 AMA Annual Workforce Survey, the results showed a correlation between increased training activity and improved corporate performance, as well as a correlation between increased training and improved product quality.[ccclxv] In the article, "How to Keep Your Company's Star Employees", Edward Prewitt pointed to then-recent studies by three large consulting groups (most notably the Hay Group), which refuted some strongly held beliefs regarding employee retention.[ccclxvi] In the Hay Group survey, it was found that of the 50 factors studied, the opportunity to learn new skills was identified as <u>most</u> important.[ccclxvii] Another top factor identified was the need for performance feedback.[ccclxviii] Particularly interesting about this was that the employees who get the least amount of feedback were those identified as high performers, and ironically, they are the ones who expressed the most interest in receiving it.[ccclxix]

Yet, most employees feel that opportunities for learning and development are a.) not readily available to them and b.) are considered low priority items by their organization's top management.[ccclxx] In the 2006 Randstad survey, only 27% of employees surveyed felt satisfied with the learning opportunities provided to them; down from 43% in 2003.[ccclxxi]

Although there can be significant cost and effort, O'Toole and Lawler note that those companies who are dedicated to "…providing continuing opportunities for employee learning, growth and development - even when those companies make no long term job or career commitments - generate returns on their investments in terms of increased employee initiative, motivation, trust, and reduced turnover."(131)[ccclxxii] As Peter Senge puts it, "Organizations only learn through individuals who learn. Individual learning does not guarantee organizational learning. But without it no organizational learning occurs."(139)[ccclxxiii]

The problem with many of today's organizations, as suggested by Watkins and Marsick, is that their primary purpose is to 'produce' as opposed to 'learn', and their level of profit is often tied to the short term standardization of work.[ccclxxiv] They stress that 'learning organizations' must be able to face the significant challenge of both learning and changing continuously without jeopardizing profits.[ccclxxv] They also stress that key enablers must be present in order for organizational learning to take place: a corporate culture that supports learning (accepts mistakes as a learning opportunity, knowledge sharing, empowerment, etc.), a decentralized, relationship-based organizational structure, entrepreneurial strategies focused on innovation and learning, and adequate resource reserves in place in case of unexpected change.[ccclxxvi] Similarly, Kaplan and Norton suggest that strategies tied to organizational learning and growth "…are the true starting point for any long term, sustainable change."(93)[ccclxxvii] To better clarify the point, the three key components that make up these 'learning and growth' strategies, according to Kaplan and Norton, are as follows: strategic competencies (skills and knowledge needed by employees to execute the strategy), strategic technologies (systems in support of the strategy), and a climate for action (culture required to motivate, empower and align employees behind the strategy).[ccclxxviii]

In addition, simple reapplication of the same, time-tested programs of training and employee development will not be effective as we move into an environment of changing skill requirements and a more difficult employee retention proposition. Dychtwald, Erickson, and Morison suggest that, in order to maximize the potential of organizational learning, companies must not depend solely on traditional 'one-size-fits-all' courses, but should expand their thinking across three distinct channels: organizational training, individual employee development, and knowledge networks (informal inter-organizational human 'networking' that people informally utilize to seek and share information).[ccclxxix]

Flores and Gray suggest that, in the 'post-career' world, traditional training and skill development must be rethought.[ccclxxx] New types of skills that have, in the past, been less commonly addressed, will become increasingly in demand and they will not limited to the skills required to solve various types of problems effectively.[ccclxxxi] For example, more entrepreneurial-based skills that enhance an employee's ability to make offers to produce value for customers such as effective communications, management of commitments, and the development and maintenance of trust will be in great demand.[ccclxxxii] In Daniel Goleman's Emotional Intelligence, the new top performers of organizations today are those people who possess skills in team coordination, consensus building, empathy, and persuasiveness. They should be able to promote cooperation and avoid conflict, be self-managed and self-motivated and most importantly, be trusted by and connected into informal organizational networks in order to quickly and effectively get things accomplished.[ccclxxxiii] Daniel Pink suggests that, in addition to strong analytical abilities, there will be six key skills that will be increasingly required in the future.[ccclxxxiv] According to Pink, people will need the ability to apply good design, tie information into a compelling narrative, synthesize elements together, apply human understanding, inject humor and play into the environment (when appropriate), and find meaning in the work performed.[ccclxxxv]

John Kotter summarizes this section fittingly: "As the rate of change increases, the willingness and ability to keep developing becomes central to career success for individuals and to economic success for organizations."(178)[ccclxxxvi]

***The Permitting of the Proliferation of 'Dumb Jobs'***

Record producer Eric 'Roscoe' Ambel, was recently interviewed for No Depression, a publication focused on modern music.[ccclxxxvii] Ambel, in addition to his primary job as an in-demand 'rock and roll' music producer and recording studio owner, runs his own independent record label, co-owns a local live music venue, has his own band, and plays guitar in the touring band for country artist Steve Earle.[ccclxxxviii] When asked to comment on his primary 'job' as producer, he said "A job is a job. You know, that's something you grow to hate. And I never wanted this (producing music) to be a job. Having the diversity of doing all these different things keeps it from turning into a job."(124 ¶3)[ccclxxxix]

In The New American Workplace, James O'Toole and Edward Lawler point to the insufficient creation of new, more challenging and satisfying jobs for employees ('good jobs') in the U.S., adding that "The United States faces the unprecedented situation in which productivity is increasing but good job creation and average worker incomes are not."(9, 203)[cccxc]

Watkins and Marsick, point out that two contradictory trends exist in today's work environment; organizations continuously reducing (to the lowest common denominator) the number of required skills to perform jobs and the decrease of low-skilled jobs and the increase in the number of jobs requiring advanced skills and requiring employees to exercise more judgment.[cccxci]

O'Toole and Lawler go on to state that "Managers today often fail to realize that the most successful efforts to increase worker motivation involve the design of work itself."(47)[cccxcii] In the article "Danger: Toxic Company", Jeffrey Pfeffer adds, "People are looking for the opportunity to have variety in their work and to tackle challenging assignments. The best companies are figuring out how their employees can have both opportunities -- without leaving.”(¶2)[cccxciii]

Why is there so much dissatisfaction, particularly amongst the rank and file, regarding their jobs? We will briefly look at two theoretical models in order to demonstrate one hypothesis; the proliferation of ‘dumb jobs’ that do not meet the true needs and requirements of the employee.

In 1972, Hubert Dreyfus derived a model, commonly referred to as the ‘Dreyfus Ladder of Competence’.[cccxciv] The model was used to illustrate how human skill development occurs and its seven levels of categorization, in order to provide an applicable operational definition of a true ‘expert’ when proposing a modeling for expert systems and, in turn, suggesting the inherent inability of machines to mimic higher mental functions.[cccxcv] The levels of expertise that Dreyfus identified were as follows: ‘Novice’, ‘Advanced Beginner’, ‘Professional’, ‘Proficient Professional’, ‘Expert’, ‘Master’, and ‘Legend’.[cccxcvi] Dreyfus suggested that in the Novice and Advanced Beginner levels, a person will spend most of his/her time selecting and applying rules.[cccxcvii] He contends that as a person ‘climbs the ladder’ and increases expertise, the dependency on rules decreases and the dependency on holistically responding to situations and their context through embodied actions increases.[cccxcviii]

One popular tool used in job design is Hackman and Oldham's Job Characteristics Model (or JCM).[cccxcix] According to the JCM, there are particular core job characteristics that directly impact an employee’s particular psychological reactions to the job itself which, in turn, directly influence the level to which an employer receives particular work-related outcomes from the employee.[cd] More specifically, the amount of 'skill variety', 'task identity', 'task significance', 'autonomy', and 'feedback availability' a particular job contains, the greater the impact on the employee's 'experienced meaningfulness of work', 'experienced responsibility for outcomes of the work', and 'knowledge of the actual results of work activities'. [cdi] These three factors, in turn, will directly influence the level of internal work motivation, growth satisfaction, overall job satisfaction, work effectiveness, and absenteeism an employer will render from that employee.[cdii]

### The 'Dumb Job' Paradox

Both the Dreyfus and Hackman and Oldham models help to illustrate what we might conveniently call the 'Dumb Job' paradox. The paradox can be described in this way: Companies (particularly larger ones) strive to create rigid, structured jobs that bring tasks down to a measurable, repeatable and reproducible level. In most cases, the purpose of doing this is to enhance productivity and reduce cost. This is achieved in one of three ways; a.) through ultimately automating the task and reducing the associated personnel costs, b.) through the minimization/elimination of variation in the process and reduction of rework, and finally c.) through the reduction in 'time to productiveness' for employees who leave these jobs. This reduction in 'time to productiveness' is extremely significant as these jobs tend to experience excessive turn-over. This turnover can have significant cost to companies on an ongoing basis. Companies design these jobs in the way they do because of the expected rate of turnover in the positions.

This is where the paradox comes in. By their very nature, these jobs never provide an employee with the opportunity to rise up Dreyfus's 'ladder' and achieve proficiency (proficient professional level), or mastery (master level) due to their rigidity and discouragement of deviating from procedure.[cdiii] In addition, the amount of 'skill variety', 'task identity', 'task significance', and 'autonomy' contained in these jobs is minimal. Therefore, according to Hackman and Oldham, the job's impact on the employee's 'experienced meaningfulness of work', 'experienced responsibility for outcomes of the work', and 'knowledge of the actual results of work activities', are all extremely low.[cdiv] This, in turn, lowers the employee's internal work motivation, growth satisfaction, overall job satisfaction, work effectiveness, and absenteeism/willingness to stay with that employer.[cdv] Eventually, the employee leaves to find satisfaction in his or her work elsewhere. The 'Dumb Job' paradox states that the jobs that companies create as a reaction to excessive employee turnover, in fact, ultimately lead to employee turnover.

When a job a.) provides the employee with the freedom to do what is needed to accomplish an assigned goal, b.) demonstrates employer trust by constantly challenging or expanding the responsibility of the employee, and c.) provides for flexibility in working arrangements, it inspires commitment and enhances an organization's retention efforts.[cdvi] Edward Lawler points out that, in order for people to be successful in their work, they need the autonomous ability "…to make the key decisions that that influence the success of their performance."(153)[cdvii] He adds that employees who are not afforded the ability to decide how their work is performed often find themselves in a 'no-win' situation: they get limited credit if they do the job well (they simply were executing someone else's process) and blame if they do not (they failed to execute someone else's process as designed).[cdviii]

In addition to the 'Dumb Job' paradox, another related paradox exists. Kouzes and Posner, in the book The Leadership Challenge, point out that leaders must destroy organizational routine and status quo to prevent atrophy and an inability to compete, yet they still must require routine practices in order to run an efficient and measurable operation.[cdix] They suggest that the critical task for leaders to undertake is to perform an evaluation of all tasks, keeping only those routines that are essential to "...serve the key values of the organization" and removing all others.(44)[cdx]

O'Toole and Lawler suggest that organizations must once again pay attention to the nature of the work performed, stating that too many corporations spend exorbitant amounts on the hiring, training, monitoring, and rewarding of employees but have neglected to place the same effort on the design and structure of jobs and careers.[cdxi]

In the article "Job Sculpting: The Art of Retaining Your Best People", psychologists Timothy Butler and James Waldroop propose that many well-educated and achievement-oriented professionals that come out of business schools today could succeed in virtually any job, but will only stay with a job if it matches their "...deeply embedded life interests", which are described by the authors as "...long-held, emotionally driven passions, intricately entwined with [their] personality."(145-146)[cdxii] These interests ultimately drive what makes them happy, which then translates into commitment, and, ultimately, engagement.[cdxiii] These identified interests (Butler and Waldroop identified eight: applying technology, performing quantitative analysis, developing theories or concepts, initially developing a new product or process production, counseling/mentoring, managing of people and relationships, controlling a process or project, and influencing others through communication), are used to effectively match people with jobs for maximum engagement ('job sculpting').[cdxiv]

Herzberg argues that if a small amount of the time and money that was dedicated to the hygiene factors was instead rerouted to 'job enrichment' efforts (increase employee motivators within job), "...the return in human satisfaction and economic gain would be one of the largest dividends that industry and society ever reaped through their efforts at better personnel management."(96)[cdxv]

According to Schein, traditional job descriptions will lose utility due to their static nature and an inability to describe interrelations with other jobs.[cdxvi] He feels that a job cannot be adequately designed without explicit consideration of the complex set of relationships embedded in any given job, as well as the key stakeholders whose expectations define the work.[cdxvii] The identification of those stakeholders, including their current and forecasted future expectations (based on potential changes in the environment), become critical elements in the designing of work.[cdxviii] As the boundaries of jobs and roles become more fluid and as organizations give their employees increasingly more autonomy and freedom to design and structure elements of their own jobs, both the organization (for effective planning and retention) and the individual employee (for internal career planning) will need to seek out more forward-looking answers (in regard to new skills, new interrelationships, etc.).[cdxix]

Neusch and Siebenaler propose that a major element of redesigning work is the introduction of broadly defined jobs with fewer job levels, built-in team orientation, and broadly-banded salary grades.[cdxx] In addition, it also features a job progression that is no longer exclusively a vertical, "...time-based entitlement", but can also be a horizontal or lateral progression, where rewards and recognition are based on performance and breadth of skills and competencies.(137)[cdxxi] The word 'job' moves from a singular position that is owned by an individual to describing a group of team positions into which employees rotate into, initially to increase their skills, and then, subsequently, whenever the work might be needed.[cdxxii]

O'Toole and Lawler put forward that the concept of a 'job' as we know it is going through a radical transformation into an almost unrecognizable form.[cdxxiii] They go on to say that traditional jobs and job descriptions will be replaced by more dynamic, flexible descriptions that are altered whenever one project ends and workers are provided with new and different responsibilities and assignments.[cdxxiv]

Returning briefly to our original examples in the automotive industry, it is interesting to note that, according to Jeffrey Liker, Toyota has specifically incorporated the internal motivational theories of Maslow and Herzberg into their approach to job design and employee motivation.[cdxxv] Liker points out that the groundwork of Toyota's overall approach is based on Maslow's concepts, emphasizing that its employees must feel they can depend on a certain level of security in their work and that they can feel as if their need to belong is satiated by being a member of a strong team.[cdxxvi] In line with Herzberg's concepts, Toyota also designs jobs to meet their employee's need for challenging work.[cdxxvii] They recognize that their employees need the freedom to feel as if they have control over the job work performed, as well as challenging goals and effective measurement and feedback regard their performance.[cdxxviii]

***<u>The Failure to Vigilantly Nurture a Corporate Culture that Supports Employee Motivation</u>***

In a online interview in late 2005, author Gary Heil stated that he saw two fundamental 'truisms' in today's workplace that needed to be better understood by business leaders.[cdxxix] The first 'truism' is that the majority of workers start their first day on the job excited about the organization they have just joined and wanting to do a great job, and yet somehow, within the first two months of working there, they become less motivated.[cdxxx] The second 'truism' that Heil identified is that people generally want to be part of a community at work that achieves something worthwhile, but in most organizations there is simply not enough meaning in the work performed, beyond the external rewards provided, to give people the incentive to move away from their own self-interest and towards making sacrifices for the good of the business and their work community.[cdxxxi]

As it would seem in most situations we face in life, the environment a person finds themselves in at any particular period in time impacts greatly how one feels, performs, and acts toward others and even how long one chooses to remain in that environment. Yet it is extremely curious to note how few organizations take the time to analyze the environment under which their employees work in; its ultimately positive and negative effects on their work, and what impact these effects have on overall business success. This environment, or 'corporate culture', has been established over time, is usually fairly ingrained and accepted for what it is, and is rarely viewed as something that can be changed.

One reason for this view is the relative difficulty in pinpointing exactly what the essence of a particular organization's culture truly is. Edgar Schein pointed out that corporate culture (the conscious and unconscious values and beliefs shared by members of the organization that guide internal and external interactions) is amongst the most difficult things to change in an organization.[cdxxxii] Schein's culture model consists of three levels featuring a.) a top level of visible indicators apparent to the external world, b.) a middle level of conscious values and beliefs that are offered as explanations for the visible indicators, and, most importantly, c.) a third and deepest level consisting of internalized, unconscious, unspoken, tacit 'world views'.[cdxxxiii]

The values at the deepest level are truly the key drivers of the culture, but they are the most difficult for outsiders to uncover and identify.[cdxxxiv] It is also where most attempts to make significant organizational change fail, primarily because identifying and addressing the true essence of an organization's culture at the deepest level takes more time than can be afforded by most transformation efforts.[cdxxxv]

Gareth Jones and Rob Goffee, in their book The Character of the Organization, state that culture is potentially the "...most powerful force for cohesion in the modern organization."(14)[cdxxxvi] They suggest that management can influence the way an organization's culture evolves in order to position it for sustained competitive advantage, because, unlike innovative products or services, strong cultures aren't easy to copy.[cdxxxvii]

In the book Invisible Advantage, Jonathan Low and Pam Cohen Kalafut point out that the workplace is primarily a social system, and yet, most organizations pay little attention to this aspect of human resource management.[cdxxxviii] They point out that companies that are characterized as 'great' places to work are usually likened to families, where trust, mutual respect, and a sense of caring and support for each other exists between employees.[cdxxxix]

Richard Farson, in his work, Management of the Absurd, states plainly that "...the first job of the leader is to build community, a deep feeling of unity, a fellowship. Community is one of the most powerful and yet most fragile concepts in the building of organizations."(158)[cdxl] Goffee and Jones build on this concept of the corporate culture as community. They take a sociological view and divide the culture or 'community' into two distinct components of human relations; 'sociability' (which measures how well the members of the community interact with one another, or 'get along') and 'solidarity' (which measures the community's ability to pursue shared objectives).(134)[cdxli] The benefits of high, balanced levels of sociability (exemplary morale, openness, more creative, innovative, less bureaucratic, more fun, etc.) and solidarity (increased focus, rapid response to competition, sharing of risk and rewards, increased trust and perceived fairness by employees) are numerous and great (although having too much of either can have specific drawbacks, and a higher concentration of one over the other can also be problematic depending on the type of organization).[cdxlii]

Deal and Kennedy, in Corporate Cultures: The Rites and Rituals of Corporate Life, liken an organization with deep seated traditions and shared beliefs to a 'tribe', with defined social roles, identity, rites and rituals, and even their own 'heroes', who are looked up to and personify the organization's values.[cdxliii] They also emphasize that a short term focus, visible morale issues, fragmentation within the workgroup, and emotional outbursts are clear indicators of conflicting values within the community and a weak culture (just as they would be indications of potential tribal disharmony).[cdxliv]

Potential negative by-products of a tightly-knit community are the loss of individuality and individual growth. Paul Hawken compares a corporation to a cult, stating that both exhibit the same basic characteristics; their people have no freedom of speech, they usually have a charismatic leader, they use a language and dress code that is particular to their belief system, and there is even sleep deprivation![cdxlv] One would be hard pressed to argue that it is extremely difficult to drive change, unique ideas, or innovation from within the membership ranks of the cult. The culture simply does not support these actions and might, in fact, view them as subversive and threatening.

Nonetheless, an engaging work environment and corporate culture is fundamental to maintaining engaged and motivated employees. Starbucks CEO Howard Schultz was quoted as saying "If people relate to the company they work for, if they form an emotional tie to it and buy into its dreams, they will pour their hearts into making it better."(22)[cdxlvi] Kozo Ohsone, credited with leading the Walkman design team for Sony, stated that success is contingent on having "…a respectful and trusting relationship between management and workers" and this is achieved by creating a work environment in which cooperation to achieve common goals is a strongly shared value by all.(228)[cdxlvii]

Data clearly show that there is a tangible payoff for an organization to maintain high employee morale. According to a recent article that highlights a survey by Sirota Survey Intelligence, in both 2004 and 2005, the stock prices of companies with employees displaying high morale (those companies in which over 70% of the employees expressed overall satisfaction with their employer) outperformed similar companies in their same industries by a 2.5 to 1 ratio.[cdxlviii] At the same time, companies characterized as having medium or low morale lagged behind their industry competition by a ratio of more than 1.5 to 1.[cdxlix] Yet only 14% of the companies they studied could be described as having 'enthusiastic' employees.[cdl] David Sirota states in the article that "...morale is the direct consequence of being treated well by a company and employees return the 'gift' of good treatment with higher productivity and work quality…"(38¶4)[cdli]

Paul Strebel points out that there is anecdotal evidence from around the world suggesting that when management is perceived by employees as providing clear direction in dealing with business shifts and is driven by values beyond their pure personal gain, employees will commit.[cdlii]

Kim Cameron looked closely (via empirical studies) at components of corporate 'virtuousness' (compassion, integrity, forgiveness, trust, and optimism) and found that organizations that are rated higher in these areas consistently outperform those that do not.[cdliii] In addition, he points out that a high level of said 'virtuousness' results in two key impacts: a.) it becomes self-perpetuating (people who see these acts of virtue tend to be inspired by them and want to reproduce them) and b.) it tends to provide a buffer against the traumatic effects of organizational trauma (because their people are less threatened by change and are more trusting).[cdliv]

Just as in the case of a new member of a community, a new employee ultimately wants to be treated well, feel a sense of belonging, and feel as if he or she is a valuable part of the company. One important point that David Sirota brings up in his findings is that, by and large, 'enthusiastic' is an employee's 'natural state', particularly when they begin a new job, yet (as alluded to in Heil's first 'truism') the data compiled show a measurable decline in morale in employees after they have been working for an organization for only six months.[cdlv] Employees start out on the right foot, but it does not take long for them to become disenfranchised.

Sirota points the blame on the management of these organizations, who inadvertently destroy this initial enthusiasm by giving employees the impression that they are superfluous through such common actions as considering workers "…expendable at the first sign of business difficulty, treating the vast majority as unmotivated and unreasonable in their demands, or failing to provide adequate recognition and rewards for contributions."(38 ¶7)[cdlvi] The Sirota Survey data also shows that treating employees respectfully has a clear relationship to retention. The study found that 63 percent of those who felt that they were disrespected intended to leave the job within the next two years versus the 19 percent who felt that they were shown respect.[cdlvii]

Failure to foster an environment that maintains the required balance between the social and achievement-focused components of an organization's culture can significantly impact employee morale and motivation in undesirable ways. Overall, according to Goffee and Jones, the problems associated with having too little sociability (intolerant of mistakes/poor performance, low creativity, or patience to develop new ideas), too little solidarity (political, hard to agree on priorities, inter-company disputes, etc.), or too little of both (fractured and fragmented, disagreement on objectives, low sharing of information, low desire to be associated with organization) all can lead to a dysfunctional organization with disengaged employees.[cdlviii]

Even too much of both can cause issues (difficult to sustain, natural tension between both dimensions, etc.).[cdlix]

One key false assumption that exists is that organizations are homogeneous in respect to culture.[cdlx] In actuality, there can be significant cultural differences between departments, teams, units, divisions and even levels in the hierarchy of leadership.[cdlxi] Goffee and Jones suggest that a strong corporate culture can be the key to keeping an organization together during periods of significant change when all else fails.[cdlxii] The keys to maintaining a solid corporate culture are to a.) understand truly where the organization stands in regards to levels of the dimensions of ‘sociability’ and ‘solidarity’, b.) determining whether or not the current culture fits the requirements of the current business environment, and c.) making adjustments to the levels of the dimensions accordingly.[cdlxiii] They suggest that a number things can be done to increase sociability (recruiting people who will fit in with the existing employees, increase informal social interactions, reduce formality between workers, limit hierarchical differences, etc.) and solidarity (build competitive awareness, create sense of urgency, stimulate high level of performance through visible recognition, job movement around teams to stimulate corporate goal ownership, etc.).[cdlxiv]

A human being needs both a heart and a mind to survive, but must have the ability to dynamically apply the right mix of the two to live happily and successfully. Depending on what the current environment calls for, organizations must be able to master the ability to effectively and dynamically adjust the levels of the dimensions of sociability and solidarity in their cultures, as needed.[cdlxv]

Any effort to attempt to bring truly positive change to the organization's culture and move the company towards employee-focused programs (such as flexible work hours, job sharing, etc.) has a low probability of success unless the leadership of the organization truly commits to supporting these programs. Jill Andresky Fraser states that the prevalent practice of management penalization (through the administering of critical annual performance reviews, poor salary increases, etc.) of employees who try to obtain greater work-life balance by resisting the pressure to put in excessive hours and work will continue until the leadership of the organization believes themselves and convinces their upper management that programs focusing on giving balance and quality personal time back to their workers actually can increase worker productivity and bottom line profit.[cdlxvi]

In addition, organizations whose corporate cultures strongly foster diversity, inclusion, and acceptance for all employees tend to a.) attract talent and b.) already have people that want to work in an environment of acceptance. In "Diversity as Strategy", David A. Thomas uses the example of the successful introduction of a diversity task force at IBM by Louis Gerstner in order to demonstrate how an effective initiative focused on employee inclusion, engagement, mutual respect, and an improved understanding of differences can also have significant benefits on bottom-line results.[cdlxvii] This is accomplished through an improved understanding of customers with a range of backgrounds, improved innovation and decision making due to diverse perspectives, and by providing insight into attracting a more diverse customer base through better understanding of needs and requirements.[cdlxviii]

The perception of an organization or corporate culture lacking in ethics or guiding principles can have a direct impact on employee engagement. Having a reputation for strong corporate ethical behavior and integrity is instrumental in attracting and retaining talent.[cdlxix] The rewards of building a more ethical business (corporate-level) and office environment (interpersonal-level) are numerous, according to Nan DeMars, who lists increased employee self-respect, strong employee and organizational reputations, increased retention of high quality people, and higher productivity (due to all of the benefits of a positive work environment culture) amongst the most significant of these benefits.[cdlxx]

Employee office theft can provide a good example of how a lack of a fair and engaging corporate culture can breed uncharacteristically unethical behavior in the workplace. Authors Niehoff and Paul, in their work "Causes of Employee Theft and Strategies that HR Managers Can Use for Prevention", identified three specific levels where employee theft commonly occurs: a.) at the personal level (by unassimilated, part-time, young employees), b.) at the social level (by those who perceive a violation of the employee-organizational compact in the area of compensation, workload, etc.) and c.) at the systematic level (by those who perceive themselves as being unfairly treated in comparison to other employees).[cdlxxi] In all three of these circumstances, the employee either feels ostracized from the rest of the work community, or feels as if the organization has violated their trust and is not providing the appropriate level of respect or care.[cdlxxii] In the initial level, there can be a general sense of resentment towards the organization; at the later two levels, there can be a sense of justification for the action taken, identifying it as a personal form of retribution.[cdlxxiii]

Ronald Sims points out that, a particular organization's a.) predisposition towards unethical behavior, b.) facing of lucrative short term opportunities, and c.) exposure to industry/shareholder pressure can all easily promote (both knowingly and unknowingly) unethical behavior by its employees.[cdlxxiv] He warns, though, that the organization cannot be successful in the long run if its culture and shared values are not in line with those of society as a whole.[cdlxxv] Sims adds that the ability of one's immediate supervisor to act in an ethical manner (and not in conflict with the organization's shared values) is of critical importance, as they act as the primary role model to the employee.[cdlxxvi] The leadership and organization must promote and reinforce an ethical culture, with a particular focus on employee training and the providing of useful and timely feedback.[cdlxxvii] If employees have a clear understanding of the organization's shared values and ethics and are aware of what is expected of them when they face an ethical issue in their day to day work, they will be more confident that a.) taking the appropriate action will be fully supported by the organization and b.) bringing to light observed unethical behavior is the appropriate course of action for one to take.[cdlxxviii]

Whereas traditional corporate cultures tend to encourage individualism in regard to reward, recognition, career growth, etc., most companies have (knowingly or unknowingly) discouraged employing any alternatives, such as active collaborations or non-functional teams, as a viable component of their organizational structure. Michael Schrage suggests that creative collaboration (where two or more individuals with complimentary skills interact to create a shared understanding about a process, product or event that none had previously had or could have derived on their own) and its associated tools have the potential to dramatically change the way we look at the workplace, specifically in the areas of how organizations are structured, where people collaborate, how collaborators are compensated, and how the role of management is changing in relation to collaborations.[cdlxxix]

Another apparent driver in the decrease of sustained employee motivation is the de-emphasis that companies put on providing employees with opportunities for utilizing their own internally motivating skills such as creativity, innovation, and problem-solving. Teresa Amabile, in her article "How to Kill Creativity", speaks about how management unknowingly suppresses creativity in their employees.[cdlxxx] She explains that creativity has three distinct components: a.) the expertise one possesses, b.) the person's creative thinking ability, and c.) and their motivation to be creative.[cdlxxxi] Managers can attempt to build up the employee's abilities in the first two areas by providing additional training, but this activity tends to be a slow and costly process.[cdlxxxii] An area where management can make a difference is employee motivation, but in fact, this is actually where de-motivation commonly takes place.[cdlxxxiii] Amabile, like Douglas McGregor, points out that there are two types of motivation: extrinsic and intrinsic. Extrinsic motivation comes from the outside, and is commonly found in the form of either incentive or retribution; these are items usually under management's control.[cdlxxxiv] Extrinsic motivation 'makes' someone do something, which does not usually breed creativity.[cdlxxxv] Intrinsic motivation comes from inside a person and is characterized by passion, interest, challenge and the sheer enjoyment of performing the task at hand.[cdlxxxvi] With extrinsic motivation, people are motivated by some external factor that is either gained or lost as a result of the work performed.[cdlxxxvii] With intrinsic motivation, the driving factor is the work itself.[cdlxxxviii] Amabile found that, in order to increase creativity through intrinsic motivation, the manager could take the following five key actions: a.) match the person with a job that plays to their skills and expertise but provides a challenge, b.) give the employee the freedom to determine how they are going to achieve a goal, c.) provide the employee with the resources that are truly required to achieve the goal (both physical and in team design), d.) offer constant encouragement for creative efforts, and e.) ensure overall organizational support for their efforts.[cdlxxxix]

Richard Florida and SAS Institute CEO Jim Goodnight, in their article "Managing for Creativity", point out that intrinsic motivation in creative workers can be successfully stimulated through intrinsic rewards (such as providing challenging work and allowing them the freedom to perform their work in the way they feel is best), but each person's intrinsic motivator differs and must be addressed individually.[cdxc] They add that management's primary job is to keep the people constantly challenged, provide them with the best tools to get the job done, and, most importantly, remove all unnecessary obstacles and distractions that prevent them from "…maximizing their creative potential" and ultimately producing the best work possible.(127)[cdxci]

One extremely significant barrier to a motivating corporate culture is the escalating utilization of temporary, contract, and outsourced workers as integral components of the daily workforce. This practice can have a negative impact on both the existing full-time employees (as it lessens their sense of security and trust in organization), the contract workers (who never truly feel a part of the organization), and the organization as a whole (by introducing a disharmonious, segmented workforce). Peter Drucker stated that, although companies claim to utilize temporary and outsourced employees to provide organizations with the necessary flexibility to execute effectively, the more probable explanation for their utilization is that these types of workers relieve companies of the increasing costs and growing burden of rules and regulations required with actual employees of the firm.[cdxcii] But if this trend continues, there could be an unexpected by-product in the form of disloyalty. Naomi Klein writes: "It is in the ranks of the millions of temp workers that the true breeding grounds of anti-corporate backlash will most likely be found."(269)[cdxciii] She points to web sites and magazines in which temporary employees vent their frustration at organizations that "...rent them like pieces of equipment, (and) then return them, used, to the agency."(269)[cdxciv]

O'Toole and Lawler state that, despite the fact that many current workforce practices (such as the increased usage of contingent/part time workers, the apparent preference for younger over older employees, the lack of adequate training budgets, and the continued proliferation of severe executive to rank-and-file salary gaps) appear to lead to decreased employee retention and engagement, companies continue to actively use them.[cdxcv] On the other hand, they point out that a number of best practices that have had positive documented effects on worker productivity and job satisfaction (such as tuition reimbursement, part-time benefits, employee participation in decisions, profits and job redesign, and on-the-job development opportunities) remain widely underutilized by organizations.[cdxcvi]

According to the research from Jonathan Low and Pam Kalafut contained in Invisible Advantage, four key elements must exist in order to achieve a high performance organization with an attractive corporate culture.[cdxcvii] These elements are, as follows: empowerment, open communication, performance management (including participatory goal setting), and passion/ commitment.[cdxcviii]

In an interview with the Harvard Business Review in 1999, AES Corporation founders Roger Sant and Dennis Bakke, stated that they wanted to create a company that embodied principles that, in their words, "...mattered to any kind of community"; those being fairness, integrity, social responsibility, and fun (Note: when describing the component of fun, they were striving to have an organization that is fun to work for precisely because the people are working in a rewarding, creative, exciting and successful environment, are empowered to make decisions and are accountable for them, and are enthusiastic about it).(112)[cdxcix] Their approach helped to make AES one of the most innovative organizations regarding people management during the latter half of the 1990's.[d]

Sant and Bakke implemented many radical changes in their workplace (such as the elimination of staff roles, removal of organizational layers, holistic training for all employees, elimination of specialist functions, and corporate-supported emphasis on social responsibility, just to name a few), but they stressed that without the key component of shared values, it is impossible to implement these actions.[di] This is because a strong set of shared values can be constantly utilized as a vital touchstone when the pressure to abandon change and return to the status quo occurs.[dii]

In the article "Fair Process: Managing in the Knowledge Economy", W. Chan Kim and Renée Mauborgne propose that employees will be committed to management's initiatives, even if they don't necessarily agree with them, as long as the decision making process surrounding the initiative and its ultimate execution is perceived as 'fair'.[diii] The authors define a fair process as one in which employees have a.) been engaged in the decision-making process, b.) have received a clear explanation of why it is occurring and c.) have been briefed on new performance expectations of them after the changes have taken place.[div] If the process is not perceived as fair, the risk is an erosion of trust and employee rejection of the initiative.[dv] Although this sounds simple, the authors point out that most companies do not utilize a 'fair' process when initiating change and face significant issues and challenges as a result.[dvi]

When looking closely at the recent shortage of nurses across Ontario, Canada, Laschinger and Finegan found in their research that the extent of empowerment that a staff nurse has in performing his/her job has a definite impact on their perceptions of the trustworthiness and fairness of management and their feeling of being respected in the workplace.[dvii] These perceptions, in turn, were found to significantly impact their job satisfaction and commitment to the organization.[dviii]

Robert Hurley, in his article "The Decision to Trust", suggests that leaders that take the time to truly understand the components of trust (which measures the quality of a relationship), how a trusting culture is built, and how to manage trust will have a distinct advantage in retaining talent.[dix] Hurley identified an evaluation model based on 10 factors used when one decides whether or not to trust someone else.[dx] By understanding the components of this model, leaders can begin to manage the factors to maximize trust with their employees.[dxi]

Paul Michelman summarizes that "...the one universal truth is that employees are more likely to stick it out in tough times when they feel that they are treated with integrity."(6¶2)[dxii] Jack Welch, when asked about trust, said "Trust, ultimately, isn't very complicated. It's earned through words and actions instilled with integrity."(88)[dxiii]

In the book, The Civil Corporation: The New Economy of Corporate Citizenship, Simon Zadek points out that, although there is very strong evidence that a company that possesses a strong sense of social responsibility can enjoy the benefits of enhanced profitability (due to stronger employee recruitment, retention and productivity, customer loyalty and positive public policy environment), this is not necessarily assured.[dxiv] Zadek states that this will only occur if an organization embraces good corporate citizenship as an integral component of their values and core business strategy, rather than something added as an afterthought or applied as needed.[dxv] In other words, the benefits only come if corporate responsibility is perceived as being woven into the corporate culture.[dxvi]

In the article "Transforming a Conservative Company - One Laugh at a Time", Katherine Hudson describes her approach, as CEO to the Brady Corporation (an industrial sign company), to overhauling a very conservative corporate culture in an overly cautious organization rife with fiefdoms, a lack of information sharing, and a strong 'command-and-control' approach emanating from the very top.[dxvii] Through a concerted effort of injecting fun, humor, laughter, and enjoyment into the workplace, Brady was able to gain a significantly revitalized culture and markedly improved business performance.[dxviii] Innovation and creativity was sparked, workplace stress was reduced, and intra-enterprise cooperation was improved.[dxix]

Stan Richards, who founded the highly successful Dallas-based Richards Group advertising agency, took a radical approach to building a company with a strong corporate culture that minimizes the impact of a type of 'destructive tribalism' (or rather, divisions between individuals or groups, tasks, ranks, disciplines in an organization that leads to 'us vs. them' competitiveness).[dxx] In his book, <u>The Peaceable Kingdom</u>, he describes a work environment focused on removing all physical and psychological barriers that impede the free flowing communication of new ideas, concerns, etc. amongst all employees of the organization.[dxxi] Their workplace features no physical offices.[dxxii] There is a strong emphasis is placed on employee empowerment in a truly flattened organization.[dxxiii] The providing of a safe environment for employees to try new things (even if they might fail) and then celebrating these attempts regardless of the outcome is paramount.[dxxiv] The organization fiercely encourages collaboration and communication between co-workers in order to build respect and acumen, and non-traditional forms of public recognition for loyalty are freely utilized (like naming conference rooms after heavily tenured employees).[dxxv] To summarize, the Richards Group fosters an alternative culture that stresses open communication, creativity, equality, respect and fun.[dxxvi]

Finally, Richard Farson warns that using knee-jerk attempts by leadership to gain worker favor as a strategy to raise workplace morale (and thus improve overall workplace productivity) will most likely fail in the long run.[dxxvii] Dennis Bakke, in Joy at Work, concurs with this type of thinking, stating that employees are savvy enough to tell whether an organization is sincerely committed to a set of shared principles for the right reasons or simply for ulterior purposes (e.g., to make more profit, achieve higher productivity).[dxxviii] Farson suggests that the reverse strategy is more likely to work; by management behaving in such a way that their respect for the employee grows and that they work on appreciating their employees more.[dxxix] By raising their own morale, as managers, they will be more likely to develop a more engaged and enthusiastic workforce.[dxxx]

Chris Argyris summarizes the importance of a healthy corporate culture to employee engagement: "It has been my experience that many employees are willing to become more personally committed if management is really sincere, if the work allows it, and if the rewards reinforce it."(105)[dxxxi]

***The Placing of Limitations on an Employee's Ability to Shape the Future of the Organization***

As mentioned in the previous sections, a primary component of a strong corporate culture and key motivating factor for employees (according to Maslow, Herzberg and Schein)[dxxxii] is an increased level of employee responsibility coupled with increased independence, discretion, and control over the task at hand, or 'empowerment'.

John Kotter points out that those organizations which are too controlling over their workers will often thwart the cultivation of leadership internally by preventing people's ability to grow and stretch their abilities.[dxxxiii] He notes that these types of organizations provide little incentive for employees to lead, take chances, or challenge accepted norms for fear of the company ostracizing them.[dxxxiv] They either decide not to become leaders or learn only to become bureaucratic ones.[dxxxv] Dr. Carole Kanchier notes that employees' dissatisfaction with controlling and authoritarian work environments lead to significantly decreased employee loyalty and trust.[dxxxvi] This is resulting in the gradual erosion of the control an organization has over its employees as they strive for additional empowerment.[dxxxvii]

Peter Senge, in his article "Communities of Leaders and Learners", commented on the eventual demise of the top-down, command-and-control corporate model:

> "Top down directives, even when they are implemented, reinforce an environment of fear, distrust, and internal competitiveness that reduces collaboration and cooperation. They foster compliance instead of commitment, yet only genuine commitment can bring about the courage, imagination, patience, and perseverance necessary in a knowledge creating organization. For those reasons, leadership in the future will be distributed among diverse individuals and teams who share responsibility for creating the organization's future."(32¶2)[dxxxviii]

Richard Florida predicts that companies will be forced to move away from the hierarchical, command-and-control organizational structure in order to survive competitively, and points out that it will be substituted with a structure that "…can stimulate and harness the capabilities of the greatest number of people"(¶26)[dxxxix]

In the article, "Why Hierarchies Thrive", Harold J. Leavitt explains that the hierarchy is found in many organizations, and although it is often criticized as a contributor to employee disengagement and de-motivation, it is an extremely durable structure that is difficult to change.[dxl] This is primarily due to the fact that hierarchical structures are so prevalent and intrinsic to the natural world.[dxli] He suggests that the reason for the hierarchy's continued popularity as the organizational structure of choice is its keen adaptability (most management innovations in the last 50 years have been simply incorporated into the larger hierarchical structure of the organization) and psychological value (it fulfills our Maslow-identified needs for order and security).[dxlii] The inherent problem with hierarchies, Leavitt points out, is they are, by nature, authoritarian.[dxliii] As a result, they carry the unnecessary baggage of hierarchy-attuned behavior ('stepping on toes', etc.) and distorted communication (as messages travel up and down the hierarchy).[dxliv]

Katherine Fulton describes organizations as being caught up in the paradox of 'power' and 'powerlessness'.[dxlv] To the outside world, a large organization looks powerful and unconstrained. From the inside, individual employees in that same organization feel powerless (e.g., small, constrained, unable to control or direct the outcome of anything).[dxlvi]

Kouzes and Posner state that by empowering their employees, management significantly increases their belief in themselves that they have the ability to make a difference in the organization.[dxlvii] They point to five key components to effective power sharing: a.) the surrendering of direct control of tasks to the empowered employees, b.) the providing of greater decision making authority to these employees, c.) the developing of their competencies, d.) the assigning of critical tasks to them, and e.) the visible offering of support to them.[dxlviii]

The role of the employee's manager is critical in successfully fostering an empowering culture. Buckingham and Coffman suggest that, although an employee may join an organization due to its reputation, the relationship with his/her immediate supervisor or manager will determine a.) how well he/she will perform while at the organization and b.) how long he/she will ultimately stay with the organization.[dxlix] Building on that relationship, Kouzes and Posner posit that employees who feel that they are able to influence their leadership "…are more strongly attached to those leaders and more committed to effectively carrying out their responsibilities. They *own* their jobs."(187)[dl] Bossidy and Charan also point to empowerment as being key to retaining talent; "Anything you can do to create more job freedom will yield real gains in morale and performance."(201)[dli]

In the book The Boundaryless Organization: Breaking the Chains of Organizational Structure, authors Ashkenas, Ulrich, Jick, and Kerr describe the four common boundaries found in organizations: boundaries between organizational layers ('vertical'), boundaries between functions ('horizontal'), boundaries between the organization and suppliers, customers, regulators (external), and boundaries between global markets, nations and cultures (geographic).[dlii] They go on to state that when these four organizational boundaries are able to be readily crossed without encumbrance, "…the organization of the future begins to take shape", but when these boundaries are difficult to pass through, "…they create the slowness to respond and lack of flexibility and innovation that causes premier companies to fall."(13)[dliii]

Majchrzak and Wang, in their article "Breaking the Functional Mind-Set in Process Organizations", warn that simply reorganizing work and employees so that functional silos are eliminated and 'cradle-to-grave' process departments are created will not necessarily have the intended successful result of a more efficient, customer-focused process with more cohesive, empowered teams taking mutual responsibility for a quality output.[dliv] The authors found that improved performance and collective responsibility were only achieved in process-complete departments by applying one or more of the following four methods: a.) structuring jobs with overlapping responsibilities, b.) basing rewards on team performance, c.) designing work areas that provide the ability for team members with different jobs to collaborate easily, and finally, d.) laying out the work area so that team members could easily observe other people's work.[dlv] In summary, they point out that collective responsibility is an attitude and a value, and thus, a behavior that needs to be strongly integrated into an organization's corporate culture. Changing the organizational structure is simply not enough.[dlvi]

Since the mid-nineties, the term 'empowerment' has been looked at from both the employee and management with much skepticism; the employee looks at as just another way for the employer to get more work performed from each person with little additional reward, and the organization's management view 'empowerment' as just another corporate catchword and initiative.[dlvii] Richard Hackman provides an explanation of why many empowerment initiatives (and most corporate change initiatives in general) fail. He distinguishes between change programs that truly make a difference in how an organization operates, and those that are simply the 'next new initiative' by utilizing a four diagnostic question checklist.[dlviii] These questions are as follows: "Who decides?", "Who is responsible?", "Who learns?", and "Who gains?".[dlix] Hackman suggests that if an organization's change program alters the answers to these four questions, it may make a true difference in the manner and quality that a company operates.[dlx] If the answers are not altered as a result, then things are likely to stay the same in the long run.[dlxi]

Chris Argyris is also skeptical of most organization's claims of successful implementation of true empowerment in their companies; executives tout the merits it brings to their organizations, but in reality, the employees see these claims as a fabrication.[dlxii] In order to illustrate his view, he points to employee commitment, and specifically, the two ways in which workers can commit; through external commitment and internal commitment (which is similar to the extrinsic and intrinsic motivation[dlxiii] mentioned above in regard to creativity).[dlxiv] External commitment is fundamental to 'command-and-control' organizations where employees simply execute the duties that are expected of them.[dlxv] In order to reinforce empowerment, internal commitment must be developed, which originates from within employees and ideally manifests itself in the employees setting their own tasks, determining how to achieve those tasks, and setting targets for task accomplishment.[dlxvi] In his book Further Up The Organization, former Avis CEO Robert Townsend said "You can't motivate people. That door is locked from the inside. You *can* create a climate in which most of your people will motivate themselves to help the company reach its objectives."(170)[dlxvii]

Argyris points out that the reason that many empowerment initiatives in organizations have been unsuccessful to date is that, due to the innate nature of external commitment in people, the shift to internal commitment is difficult and must be learned, developed, and reinforced.[dlxviii] He argues that there are three key drivers for implementation failure:

a.) formal change programs (with a defined plan to be implemented that actually encourages external commitment, the very opposite of what is being strived for), b.) mixed messages from leadership (he gives an example of a CEO who stated that due to his company's well-defined and controlled processes, the organization's employees were now empowered and there would no longer be a need for a 'command-and-control' approach), and

c.) by allowing the environment to fall back to a command-and-control approach when either the employee gives up too easily, or a problem becomes critical.[dlxix]

Morrell and Wilkinson shift away from the rhetoric and the explicitly introduced empowerment 'initiative' approach and point out that, in practice, there is not really any one single way to even define 'empowerment'. They suggest that what should be encouraged are "...initiatives which empower" employees and they define five general types of these empowering actions: information sharing, upward problem solving, task autonomy, attitudinal shaping, and, ultimately, employee self-management.(122)[dlxx]

Robert Frey, in his article "Empowerment or Else", describes how he dealt with the difficulty in shifting to internal commitment by leaving his employees no choice in the matter.[dlxxi] He did this out of necessity in order for his small canister manufacturing company, The Cin-Made Packaging Group, to survive. His point was that people are usually averse to change of any type, due to the fear and uncertainty that accompanies it.[dlxxii] By forcing his employees to take a more active role in the running of the business and a more tangible responsibility for its success or failure (profit sharing, etc.), they would make the transition that much more quickly.[dlxxiii]

Overall, the Cin-Made gamble was extremely successful and the company continues to thrive as of this writing, but Frey acknowledged that progress was slow in coming and was filled with plenty of contention along the way.[dlxxiv] Most importantly, it is Frey's opinion that, although someone must always force empowerment, it can only truly be implemented "...when workers and managers are capable of taking the power offered them and using it aggressively and well."(94)[dlxxv]

General Electric's 'Work-Out' concept is the facilitated gathering of workers together, without consideration of rank in the organization, to freely air concerns, and to uncover and ultimately be involved in the determination of solutions to key business problems.[dlxxvi] The activity combines the above-mentioned empowering activities of information sharing, upward problem-solving, and attitudinal shaping[dlxxvii] When describing 'Work-Out', Jack Welch made the following statement in 1989, which captures an application of empowerment that transcends the rhetoric and initiatives:

> "We want 300,000 people with different career objectives, different family aspirations, (and) different family goals, to share directly in this company's vision, the information, the decision-making process, (and) the rewards. We want to build a more stimulating environment, a more creative environment, a freer work atmosphere, with incentives tied directly to what people do."(112-120-Q11)[dlxxviii]

**Employee Disengagement When Instability Hits**

Assuming that a company does have an engaged workforce in place prior to a period of instability, negative trends within any of the above six described areas when entering a period of discontinuity can even more quickly erode employee engagement. In addition, it is extremely difficult for an organization to recover from the cultural schism between employees and management that is commonly developed during these periods of significant change. Maintaining hard won employee trust is key, as confidence can be easily lost if doubts begin to surface regarding the motives behind management's actions and the sincerity and honesty of their communications appear contrived. Kouzes and Posner, in their book Credibility, point to four key behaviors that facilitate the building of a reputation of trustworthiness: behaving consistently and predictably, communicating clearly and with meaning, standing by commitments, and displaying honesty and forthrightness.[dlxxix] The familiar duplicity of a corporate leader espousing publicly how critically important the employees are to the ultimate success of the organization and then privately signing off on a layoff impacting a significant portion of that same workforce tangibly demonstrates the lack of these behaviors.[dlxxx]

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## Conclusion

Throughout the course of this informal synthesis, an alternative theory has been suggested as for why the largest U.S.-based auto manufacturers are facing one of the most difficult periods in their history. Although there is much validity in the more common diagnoses (inconsistent or poor product quality, lack of inherent customer desirability in their products, hyper-competition from high profile Asian-based companies such as Toyota and Honda, the toll from years of incentive-based pricing, etc.), perhaps more elementary issues lie at the root of these difficulties. Basic and sound organizational management practices such as maintaining a strong focus on the company's long term mission and vision, maintaining a vigilant awareness of customer needs and requirements, executing well-communicated strategic actions that are tied to the vision but are fully adaptable to changes in the business environment, and having a dedicated, responsible, and engaged workforce in place in order to execute these actions would seem critical to successfully navigating through times of significant challenge and change. Yet it appears that it is at precisely those times that these fundamentals are often abandoned in favor of a.) short term strategies and tactics that are rarely connected to the company's vision or long term goals, b.) knee-jerk responses to competitive threats, c.) dramatic and large-scale initiatives designed from the top down in order to gain ground back quickly, and/or, most notably, d.) a retreat to the 'command-and-control' approach (both in execution and communication) utilized by management towards employees.

In Donald Sull's article "Why Good Companies Go Bad", he hypothesizes that one reason organizations fail to respond effectively when facing significant change is 'active inertia' or, in other words, the organization's inability to take the appropriate action due to its tendency to follow, and even accelerate, its previously established patterns of behavior.(42-43)[dlxxxi] Within this environment, once effective strategic mind-sets prevent organizations from seeing new opportunities, 'world class' processes become routine and are never challenged or improved, key relationships that were integral in the company's rise have now become constraining, and the once 'living' values of the organization have ossified and fail to inspire.[dlxxxii]

In order to recover from 'active inertia', Sull suggests an approach of steady 'renewal' as opposed to a dramatic 'revolution'.[dlxxxiii] This is due to the fact that the 'pull' of continuing to follow established patterns of behavior is so strong, any attempts to disrupt it (by introducing a significant change initiative, etc.) will cause the organization's workforce to be conflicted between the old and the new.[dlxxxiv] Ultimately, they will wind up "...disoriented and disenfranchised, cut off from the past, but unprepared to enter the future."(52)[dlxxxv] If an attempt is made to change too much at once, the risk of losing critical organizational competencies and hard-won cohesiveness within the corporate culture is also much higher.[dlxxxvi] Instead, he suggests, foundations of the past should be steadily built upon while the fundamentals such as processes, relationships, values and strategic mind-sets are rethought and reworked carefully, in stages, in order to face these new challenges.[dlxxxvii]

Whether due to the inability to change firmly established patterns of behavior, the emergence of corporate arrogance, or pure inability/ineffectiveness, organizations will eventually stumble without having the strength and agility that an engaged workforce contributes firmly in place. They lose employee engagement in a similar manner to how they lose customer engagement (through neglect, by losing focus of their needs and requirements, through poor communication, by underestimating their role in the success of the business, by treating them as 'faceless' and easily replaceable resources, etc.)

Organizations that possess truly engaged employees have a critical resource that can be leveraged during periods of significant change. To quote Tom Peters, "There are no limits to the ability to contribute on the part of a properly selected, well-trained, appropriately supported, and, above all, committed person."(342)[dlxxxviii]

On September 8th, 2006, after five years of overseeing Ford through a trying period of financial losses and eroding market share, Chairman and CEO Bill Ford handed the role of CEO over to Alan Mullaly, a former executive vice president of the aviation giant, Boeing Corporation. Mullaly was credited with turning around Boeing's commercial airplanes division and was reportedly brought in to concentrate on what the automaker refers to as the 'strategic repositioning' of the company. He accepted the assignment after a dedicated and illustrious 37 year career at Boeing, for a reported minimum initial year's salary of $20.5 million.[dlxxxix] In his announcement of the handover, Ford stated that he handpicked Mr. Mullaly hoping that his team-building skills and industrial savvy would inspire and embolden employees to help revive the organization. [dxc] Ford is quoted as saying "We have a lot of car guys here (at Ford) already. What they need is permission to be bold."(¶2)[dxci]

Although these significant actions might signal a true turning point for the ailing automaker, they also demonstrate the key issues surfaced in this analysis. A probable theory is that by 'permission to be bold', Ford is suggesting that the company possesses the talent and know-how to turn the organization around, but they have heretofore not been provided with a 'safe' corporate environment to bravely and confidently take the steps necessary to do so, even if the institutionalized 'active inertia' at Ford is almost impossible to stop.

The new CEO faces a number of customer quandaries. One such example - in June of 2006, it was reported that, due to the current environment of high fuel costs, Ford sold 20,000 of its sub-compact 'Focus' vehicles in May of 2006, which was their highest sales performance for that vehicle in nine months.[dxcii] Unfortunately, due to what has been characterized as poor foresight and missed opportunities on Ford's part, the company actually lost $4000 or more on each 'Focus' sold (due to a lack of model 'freshening' that forced them to sell the brand on low price alone).[dxciii] In addition to the loss, Ford's general neglect of the sub-compact segment has left few remaining loyal customers to trade-up to their next level of (small-car segment) vehicles.[dxciv] Toyota, Honda, Nissan and G.M. are competing in the segment with great success, selling many cars at or above sticker price before they arrive at the showrooms due to high demand.[dxcv] Ford is currently working diligently to rectify the situation by 2008 (which will have given the competition, in some cases such as Toyota's 'Scion' brand, up to a full five year head start on the same market).[dxcvi] The 'Focus' problem is indicative of a prolonged period of general neglect by Ford for their core car business at a time when they can ill-afford it. Rising interest rates, increased competition, exorbitant fuel prices, and a rapidly declining housing market are all resulting in significantly decreased demand for SUVs and their staple pickup trucks.[dxcvii]

It could be suggested that this is an example, like many others, of an organization that has not adequately managed to maintain current insight into its customer's needs, one that possesses a corporate culture that has been heretofore steadfastly resistant to change, and has lost sight of its vision and long term goals. One might also suggest that instead of focusing on a long term, steady plan of recovery, they have consistently applied short term efforts that attempt to rectify the current threat or problem at hand (or conversely to seize the current opportunity) as quickly as possible, with little regard for the long term effects on the organization as a whole, its employees, and its vision and long term goals. Most significantly, the organization has allowed employee morale and engagement to 'bottom out' at a time when employee engagement is of paramount importance to the recovery effort, and has permitted many talented contributors to leave the organization.

In a few short weeks after the announcement of Mr. Mullaly's new role at the company, Ford responded to analysts (and shareholders) that said the company must make more significant cuts and accelerate its original 'Way Forward' recovery plan.[dxcviii] Introduced in January, it called for up to 30,000 job cuts and the closing of 14 facilities by 2012 in order to bring its factory capacity in line with a declining market share.[dxcix] It was now announcing at least two additional plant closings and a further cut of 10,000 white-collar jobs above what had already been planned, culminating in trimming of one salaried worker out of every three.[dc] Ford also projected a 14-15% market share of U.S. auto sales going forward, starting in 2007, which would likely put the company permanently behind Toyota for the number two position (behind G.M.).[dci] At the announcement, now-Chairman Bill Ford's statement included the following quote:

> "These actions have painful consequences for communities and many of our loyal employees, but rapid shifts in consumer demand that affect our product mix and continued high prices for commodities mean we must continue working quickly and decisively to fix our business."(¶18)[dcii]

On October 16th, 2006, a full month after the additional plant closings were announced, Ford began offering buyout and early retirement packages to all 75,000 of its U.S. U.A.W. hourly employees.[dciii] Although workers will have until the end of

November to decide whether or not to stay with the company, the decision-making process for many will be certainly impacted by the fact that Ford had yet to identify the specific locations of the additional plant closures.[dciv]

In contrast, a recent profile of BMW pointed out that the organization has hired 12,000 new workers since 2000, receives in excess of 200,000 job applications annually, and has an extremely strong, long-running relationship with its unionized workers.[dcv] BMW's labor agreement provides for an extremely flexible workforce that allows them to dynamically adjust output to meet demand, yet pay no overtime or institute layoffs. (76)[dcvi] It prides itself in having an "entrepreneurial culture…with few hierarchical boundaries to hinder innovation", and "almost unparalleled labor harmony…lets the company provide unprecedented job security."(72, 76)[dcvii]

In the book, Small Giants, author Bo Burlingham discusses how certain companies he identified managed to uncover the key variable in creating a motivated and engaged workforce.[dcviii] He suggests that the special quality that sets a great company apart from the rest of the pack is a direct result of the relationship between the company and its employees.[dcix] He proposes that unless the majority of employees love their workplace, "...unless they feel valued, appreciated, supported, and empowered, unless they see a future full of opportunities for them to learn and grow…unless they feel great about what they do, whom they do it with, and where they're going" - a company's achieving that type of distinctive greatness is not likely to occur. (96)[dcx] He also suggests that this motivation is not only about morale or compensation, but about intimacy and a strong sense of belonging.[dcxi] Burlingham clarifies that by 'intimacy', he means that employees in these organizations have such a close relationship with their employers that they trust that the company, its leadership, and the others that they work with personally care about them and will stand by them in good and bad times, as long as they honor their side of the compact.[dcxii]

Thus far, the publicly announced recovery plans of the major U.S. auto manufacturers do not appear to contain comprehensive approaches to reengaging their workforces and it remains to be seen whether or not they are forthcoming. Regarding the recent round of job cuts at Ford and G.M., it is fair to ask the question Jason Jennings discussed, 'Is there a good long term business reason for doing this, or is it simply being done to address short term needs?' and one would hope that a sound reason could be provided and thoroughly communicated to the people who remain with the company.(110)[dcxiii] If the answer provided is not viewed as satisfactory and sincere, the ability to execute a long term, sustainable vision with a disengaged workforce is deeply questionable.

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iv Ibid(80-81).

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