10.9: Trends in Employee Motivation

8. What initiatives are organizations using today to motivate and retain employees?

This chapter has focused on understanding what motivates people and how employee motivation and satisfaction affect productivity and organizational performance. Organizations can improve performance by investing in people. In reviewing the ways companies are currently choosing to invest in their human resources, we can spot four positive trends: (1) education and training, (2) employee ownership, (3) work-life benefits, and (4) nurturing knowledge workers. All of the companies making *Fortune*'s annual list of the "100 Best Companies to Work For" know the importance of treating employees right. They all have programs that allow them to invest in their employees through programs such as these and many more. Today's businesses also face the challenge of increased costs of absenteeism. This section discusses each of these trends in motivating employees.

Education and Training

Companies that provide educational and training opportunities for their employees reap the benefits of a more motivated, as well as a more skilled, workforce. Employees who are properly trained in new technologies are more productive and less resistant to job change. Education and training provide additional benefits by increasing employees' feelings of competence and self-worth. When companies spend money to upgrade employee knowledge and skills, they convey the message "we value you and are committed to your growth and development as an employee."

CATCHING THE ENTREPRENEURIAL SPIRIT

Everyone's a CFO

Andrew Levine, president of DCI, a New York public relations firm, wanted to implement a more open management style at his company, so he added a financial segment to monthly staff meetings, during which he would share results and trends with his employees. Much to his surprise, employees seemed bored. During one staff meeting he asked his employees how to calculate a profit, and only the receptionist, Sergio Barrios, knew how. Levine was astounded, both at his employees' general deficit in math concepts and at Barrios' knack for figures. Levine then decided to require employees to present the financial reports themselves.

For the next staff meeting, Levine appointed Barrios the chief financial officer (CFO) of the day. Barrios explained the terminology in ways laymen could understand. Since then, Levine has watched his employees become financial whizzes. Each CFO of the day meets with DCI's real CFO for only one day before the meeting. They review income, expenses, and all manner of financial ratios and statements. They discuss revenue projections and general financial trends. The CFO of the day then presents this information at the monthly staff meeting. Maria Mantz, a junior employee, thinks the training is extremely beneficial. "I'm a new, young employee, and I'm being trained not only as a PR executive, but also as a business executive." When Mantz's turn came around, she stood before 30 of her colleagues and began detailing accounts and asking her audience to refer to the revenue table in their handouts. She asked if anyone know what the five clients who showed an increase in activity had in common, and awarded the coworker who knew the answer (they were all performance-based accounts) with a gift card to a local sandwich shop. Then she opened the floor for debate by asking, "Is that a good thing or a bad thing?"

"CFO of the day" has definitely been a good thing for DCI, which has been profitable ever since Levine instituted the program. Employees stay an average of five years, up from two-and-a-half years before the program. And customers are also sticking around longer—the length of the client relationship has doubled to over four years.

Levine has embraced the lessons of open management, or participative management, pioneered by Jack Stack and Springfield Remanufacturing Corporation. Whether the term is CFO for a day, participative or open-book management, or great game of business, the goal is to teach employees about business, thereby engaging them in the business. Companies that embrace these practices believe employees will be more productive if they understand financials and feel like owners. And in the example of DCI, employees are no longer bored during the financial review section of the monthly meeting.

Sources: Peter Carbonara, "Small Business Guide: What Owners Need to Know about Open-Book Management," *Forbes*, https://www.forbes.com, accessed January 19, 2018; Peter Carbonara, "Gaming the System: How a Traditional Manufacturer Opened Its Books and Turned Employees into Millionaires," *Forbes*, https://www.forbes.com, accessed January 19, 2018; Nadine Heintz, "Everyone's a CFO," *Inc.*, https://www.inc.com, accessed January 15, 2018; Bill Fotsch and John Case, "The Business Case for Open-Book Management," *Forbes*, https://www.forbes.com, accessed January 19, 2018; Louis Mosca, "The Dangers of Opening Your Books to Employees," *Forbes*, https://www.forbes.com, accessed January 19, 2018.

Critical Thinking Questions

1. Do you think a CFO-of-the-day program is a good idea for all companies? Why or why not?
2. How comfortable would you be leading the financial discussion at a monthly staff meeting? What could you do to improve your skills in this area?

Employee Ownership

A trend that seems to have leveled off is employee ownership, most commonly implemented as employee stock ownership plans, or *ESOPs*. ESOPs are not the same as stock options, however. In an ESOP, employees receive compensation in the form of company stock. Recall that stock options give employees the opportunity to purchase company stock at a set price, even if the market price of the stock increases above that point. Because ESOP employees are compensated with stock, over time they can become the owners of the company, an attractive exit strategy for current owners seeking a smooth transition. Behind employee ownership programs is the belief that employees who think like owners are more motivated to take care of customers' needs, reduce unnecessary expenses, make operations smoother, and stay with the company longer.

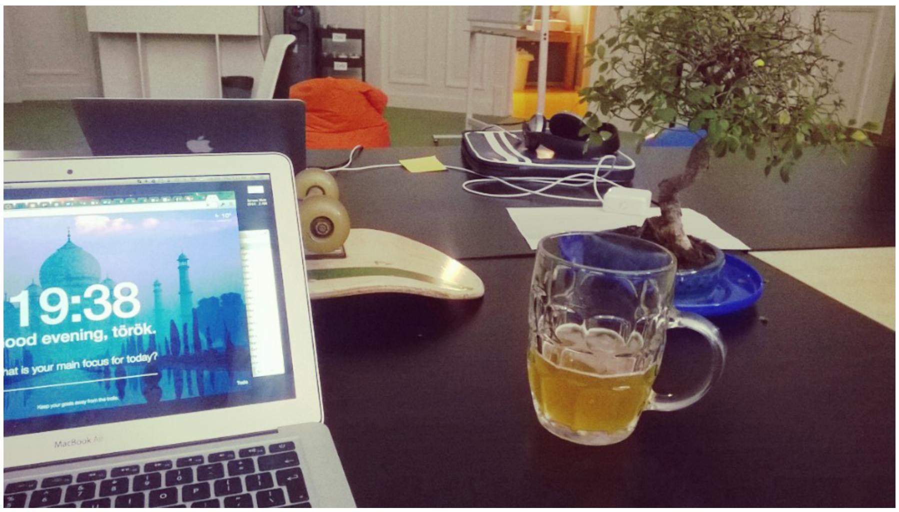

Exhibit 9.8: Companies sometimes create unusual perks to help attract and retain talented workers. Timberland employees receive a $3,000 subsidy to buy a hybrid automobile. Worthington Industries offers workers on-site haircuts for just $4. And at SC Johnson, retirees receive a lifetime membership to the company fitness center. One company even has a beer tap that it offers after 3 p.m. every Friday to get workers off to a relaxing weekend. *What trends are emerging in the ways companies seek to motivate workers and keep them happy on the job?* (Credit: nyuhuhuu/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

According to the National Center for Employee Ownership, there are roughly 6,717 ESOPs in the United States, with a total of 14 million participants.[21] Despite changes in tax laws that resulted in a decrease in the number of publicly traded companies with ESOPs and the closure of dubious plans, the amount of stock held by ESOPs continues to increase.[22] Multiple studies over 30 years conclude definitively that employee ownership results in a powerful competitive tool when combined with participative management.[23]

ESOPs, however, also have drawbacks. The biggest concern is that some employees have so much of their nest eggs tied to their company's ESOP. If the company's performance starts to decline, they risk losing a significant portion of their wealth. This is what happened at Piggly Wiggly Carolina, a chain of grocery stores. Business started to decline. Employee and retirees watched as senior management made decisions to raise prices and then sell stores. The share value started declining each year, losing 90 percent of its value, until employees received notice the company did not have enough value to pay distributions that year. The notice stated that trustees planned to continue selling assets in the hope of making future payments. Former employees filed a lawsuit alleging senior management decisions resulted in lining their own pockets at the cost of the company's value.[24]

Still, many companies successfully implement ESOPs. Axia Home Loans, a national residential mortgage lender based in Seattle, experienced record-breaking production and was able to attract top talent in the first year after creating its ESOP. After taking questions from non-managing shareholders about exit strategies, Gellert Dornay, president and CEO, looked into an ESOP and thought it would fit with the company's innovative and forward-thinking culture. "Studies show that employee-owned companies experience increased employee satisfaction, retention, and productivity gains," Dornay said, adding, "an ESOP rewards employees who contribute to the company's success by allowing them to share in the company's future increase in value."[25]

So what enables one company with an ESOP, such as Axia Home Loans, to be more successful than another, such as Piggly Wiggly? It has a lot to do with the way companies treat employees. You can't just call an employee an owner and expect them to respond positively. You have to do something to make them feel like an owner and then involve them as owners. Piggly Wigglyillustrates that employee ownership is not a magic elixir. "When employees run the company, our decision methodology is different. Everything is in the primary best interest of the shareholders, who are the employees," Dornay said.[26]

Work-Life Benefits

In another growing trend in the workplace, companies are helping their employees to manage the numerous and sometimes competing demands in their lives. Organizations are taking a more active role in helping employees achieve a balance between their work responsibilities and their personal obligations. The desired result is employees who are less stressed, better able to focus on their jobs, and, therefore, more productive. One tool companies are using to help their employees achieve work-life balance is the sabbatical. Sabbaticals can be traced back to the need for an incentive that would attract potential faculty members to Harvard University in the late 1800s. Today, sabbaticals can mean time off of a month or more, paid or unpaid. In today's business environment, companies are juggling cutting costs and increasing profits while simultaneously battling to keep employees motivated and positive about work. Sabbaticals can be an important tool to help managers achieve this balancing act.

Reports vary on whether the use of sabbaticals is rising or declining, but all agree that everyone benefits when employees take them.[27] One benefit is that employees return refreshed and recharged. Morris Financial Concepts, Inc., a small financial planning firm, offers all full-time employees a paid, month-long sabbatical every five years. Kyra Morris, president and owner, says employees were working during vacations, even when discouraged not to. They are required to unplug during sabbaticals. Morris says sabbaticals work for both millennials and older employees and are a great recruiting tool.[28] Zillow, the online real estate giant, offers six-week half-paid sabbaticals to employees at all levels of the organization after six years. Amy Bohutinsky, Zillow Group's chief operating officer, says the company wants to reward long-term employees, encourage them to have a life outside of work, and have them come back recharged.[29] Another benefit is the opportunity to learn new skills, which can be an alternative to layoffs. Buffer, a social media management platform, avoided laying off an employee by creating a 12-week, in-house sabbatical at 50 percent pay for him to learn new skills—skills the company needed—to successfully transition into another department. Learning sabbaticals fit the company's value of self-improvement.[30]

Nurturing Knowledge and Learning Workers

Most organizations have specialized workers, and managing them all effectively is a big challenge. In many companies, knowledge workers may have a supervisor, but they are not "subordinates." They are "associates." Within their area of knowledge, they are supposed to do the telling. Because knowledge is effective only if specialized, knowledge workers are not homogeneous, particularly the fast-growing group of knowledge technologists such as computer systems specialists, lawyers, programmers, and others. And because knowledge work is specialized, it is deeply splintered.

A knowledge-based workforce is qualitatively different from a less-skilled workforce. Increasingly, the success—indeed, the survival—of every business will depend on the performance of its knowledge workforce. The challenging part of managing knowledge workers is finding ways to motivate proud, skilled professionals to share expertise and cooperate in such a way that they advance the frontiers of their knowledge to the benefit of the shareholders and society in general. To achieve that auspicious goal, several companies have created what they call "communities of practice."

Exhibit 9.9: Employers seeking to stem the rising tide of absenteeism are developing innovative, flexible benefits for their employees. SC Johnson offers workers on-site childcare, an in-house doctor, and paternity leave. Prudential allows employees to take time off to care for sick children and elderly parents. Hewlett-Packard boasts a range of flexible work options to fit employees' hectic lives. *Do flexible options and benefits adequately address the root causes of absenteeism?* (Credit: MarylandGovPics/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Coping with the Rising Costs of Absenteeism

With today's companies trying to do more work with fewer employees, managers must be attentive to two major trends that affect the performance and morale of their employees: absenteeism and turnover. According to the Bureau of Labor Statistics, the absence rate for full-time workers has remained relatively steady in recent years, slightly below 3 percent, for absences due to the employee's own illness, injury, or medical problems; child care problems; other family or personal obligations; civic or military duty; and maternity or paternity leave.[31] Every day almost 3 percent of the full-time workforce does not show up for work, and this costs companies billions per year.[32] However, not all reasons for unscheduled absences are genuine. CareerBuilder, a global end-to-end human capital solutions company, reports that 40 percent of unscheduled absences in 2017 were due to employees calling in sick when not. The top two reasons employees gave were a doctor's appointment and just didn't feel like going to work. Needing to relax, needing to catch up on sleep, running errands, catching up on housework, and plans with family and friends were also listed.[33]

While some employees are taking a day off, employees covering for unscheduled absences are pushed to do more. The result is lower productivity and lower morale, especially if chronic absenteeism is not addressed. In addition to an attendance policy, offering incentives for attendance, wellness programs, employee assistance programs, and other benefits that show care for employees can lower absenteeism rates.[34]

MANAGING CHANGE

Using Communities of Practice to Motivate Knowledge Workers

Communities of practice (CoP) have been so named since the early 1990s as a way to motivate knowledge workers. One company that has experienced tremendous success with CoPs is Schlumberger Limited, an oil-field-services company with nearly $28 billion in annual revenue. As with all CoPs, what Schlumberger calls Eureka groups are comprised of similar professional employees from across the entire organization. Employees participate in one or more of 284 Eureka groups ranging from chemistry to oil-well engineering.

Before the establishment of the communities, Schlumberger's engineers, physicists, and geologists worked well on individual projects, but the company was ignorant of how to help its employees develop the professional sides of their lives. Since the company sells services and expertise, motivating and cultivating its knowledge workers was a critical success factor. Former CEO Euan Baird felt he had tried everything to manage and motivate the company's technical professionals—and failed. That's when he decided to let them manage themselves. He ordered Schulmberger veteran Henry Edmundson to implement communities of practice.

Schlumberger's Eureka communities have been a tremendous success and helped the company leverage its knowledge assets. Today, self-created CVs are posted on the company's internal website, allowing employees across the 85 countries where the company operates to consult the résumé of nearly every company employee to find someone with a particular area of knowledge or expertise. Another reason the Eureka groups are so successful is that they are completely democratic. Participating employees vote on who will lead each community. An employee who is backed by his or her manager and at least one other community member can run for a term of office that lasts one year. The elected leaders of Schlumberger's Eureka communities cost the company about $1 million a year. "Compared with other knowledge initiatives, it's a cheapie," said Edmundson.

John Afilaka, a geological engineer who was a Schlumberger business-development manager in Nigeria, stood for election to the head of the company's rock-characterization community, a group of more than 1,000 people who are experts in determining what might be in an underground reservoir. He beat an opponent and spent 15 to 20 percent of his time organizing the group's annual conference and occasional workshops, overseeing the group's website, coordinating subgroups, and so forth.

Retired CEO Andrew Gould says the self-governing feature is crucial to the Eureka communities' success. Technical professionals are often motivated by peer review and peer esteem, he says, implying that stock options and corner offices aren't sufficient. The election of leaders, he says, "ensures the integrity of peer judgments."

Schlumberger's use of CoPs is known worldwide. The company has been cited a dozen times in the European MAKE (Most Admired Knowledge Enterprises) study and declared the overall winner three times, most recently in 2017.

Critical Thinking Questions

1. How do you think communities of practice help companies like Schlumberger manage in dynamic business environments?
2. Although communities of practice are commonly thought of in regard to knowledge workers, could they successfully motivate other employees as well? Why do you think as you do?

Sources: Rory L. Chase, "2017 European Most Admired Knowledge Enterprises MAKE Report," *Teleos—The KNOW Network*, http://www.theknowledgebusiness.com, accessed January 24, 2018; "Schlumberger Cited for Knowledge Management," https://www.slb.com, accessed January 24, 2018; "2016 Annual Report," Schlumberger Limited, 2017; "John Afilaka," www.zoominfo.com, accessed January 24, 2018; "RezFlo Services Company Limited," http://www.rezflo.com/, accessed January 24, 2018; Olivia Pulsinelli, "Reemerged Energy Co. Hires Halliburton Exec, Names Former Energy CEOs to Board," *Houston Business Journal*, https://www.bizjournals.com, accessed January 24, 2018.

Another trend related to employee morale and absenteeism is turnover. The number of employees who are job-searching is on the rise. A recent Gallup survey found that 51 percent of current employees are looking to leave their current job, but an IBM survey found only 16 percent are actively seeking new employment.[35] Both figures are great cause for concern. A high rate of turnover can be expensive and dampen the morale of other employees who watch their colleagues leave the company. The biggest reasons behind increasing turnover rates: career opportunities elsewhere and to get away from a bad manager.[36]

High rates of turnover (or absenteeism) at the management level can be destabilizing for employees, who need to develop specific strategies to manage a steady flow of new bosses. High rates of turnover (or absenteeism) at the employee level compromises the company's ability to perform at its highest levels. In order to stay competitive, companies need to have programs in place to motivate employees to come to work each day and to stay with the company year after year.

CONCEPT CHECK

1. What benefits can an organization derive from training and educational opportunities and stock ownership programs?
2. Why are sabbaticals growing in popularity as work-life balance tools?
3. How are knowledge workers different from traditional employees?
4. Why are absenteeism and turnover rates increasing, and what is the impact on companies?