

DYNAMICS OF COMPANY EXCELLENCE THROUGH MOTIVATION OF EMPLOYEES.

Andrès E. Breiter  
A.B C.- TECNICHE AVANZATE DI GESTIONE  
Via Spallanzani, 15  
20129 MILANO - ITALY

ABSTRACT.

Excellence of organizations over time requires high performance on the job by ever broader groups of employees. As technology evolves and population's education improves typical employees are required less and less frequently to perform mechanical tasks or even to make limited repetitive decisions. The trend is for humans to carry out jobs with an ever greater content of complex analysis, creativity or non programmable decisions or human interactions. These activities can be performed on a consistent level of excellence only by well directed and highly motivated people.

A schematic model is proposed that generalizes observations and actual experience on how management may ensure that the essential conditions for outstanding job performance by all individuals within an organization be realized consistently over time.

Outstanding job performance over time occurs when: an adequate match between job requirements and individual skills and attitudes exists, a strong motivation is felt by all individuals, the social climate is favourable to excellent job performance and adequate equipment to do the job is available. These conditions are the result of complex dynamic interactions within an organization. The model throws new light on these interactions by viewing them as an integrated system.

Employees' motivation, development, growth in responsibilities and mutual trust between employees and management are a key portion of the model. Substantial attention is given to interactive shaping of realistic expectations regarding job conditions, self realization and compensation, both material and psychological.

The management most likely to achieve excellence appears to be the one that sees its role as that of generating wealth, providing wellbeing for employees and distributing wealth fairly between shareholders and employees.

## INTRODUCTION.

Corporate excellence, employees' motivation and new organizational structures command widespread interest as they are crucial to human development and important to psychological wellbeing of people working in organizations.

Corporate excellence usually implies outstanding performance in satisfaction of customers needs and higher than average return on investment. The mechanisms through which this is achieved appear somewhat fuzzy.

When management's main objective is to maximize company's value to shareholders employee's motivation, organization structure and management style are implicitly regarded as instruments to this end.

In other words, according to the above view, unexpected events or plain management mistakes may justify sudden change of policy towards employees if it looks that this will ensure a higher value of the company to shareholders. Faced with the prospect of smaller profits or of outright losses management generally tends to concentrate on the "hard realities" of maximizing company's value in the short run frequently sacrificing those very elements that are essential to maximizing its value in a longer term perspective.

This paper argues that management needs to have a broader view of its role if it is to achieve and maintain corporate excellence over time. This conclusion is based on careful observation of a very successful company and on the experience in transplanting its guiding philosophy to another operation. Other excellent and not so excellent companies have been observed also and these observations farther confirm that the objective of maximizing company's value is frequently misleading.

In our social system corporate management is in fact in a peculiar position. Management is entrusted by society with resources to produce wealth. Wealth that means profits to investors of course but also wellbeing to employees, satisfaction of customers' needs, profits for suppliers and taxes for the government. Management usually is expected to preserve the corporation in a position to discharge its role over time.

The narrow view according to which management's goal is to maximize company's value for the shareholders implies that management is not primarily responsible for employees wellbeing. This is dangerous because except when very carefully applied this view has

been observed to lead to less than excellent performance over the medium and long term frequently undermining company survival. This is so because excellent company performance requires highly motivated and skilled employees adequately equipped to do their jobs.

The current trend for reviewing organization structures and operations of our corporations is based on three arguments:

- In the knowledge age management deals with educated employees who have different sets of needs, skills and motivations than manual workers had in the past.
- In the information age organizations can take a different shape as transmission and consolidation of information can frequently be done mechanically with no limitations on distance. Many decision criteria can also be elaborated and suggested by machines. Both the decision suggestions and any relevant information can be made available to decision maker on the spot without intervention of a human supervisor. Even research and creative activities may be supported at a distance through information input, discussion of output and use of relevant tools.
- In the age of global competition organizations need to take into account the new risks and opportunities and adapt conveniently.

On careful consideration, however, the opportunity for improvement of corporate performance in the struggle for excellence is much greater when a broader view is taken. When management sees itself as responsible for generation of wealth and for its distribution to:

- shareholders maximizing company value,
- employees improving their wellbeing,
- suppliers stimulating them to improve their products, costs and supply schedules,
- customers satisfying their needs ever better,
- society in general.

This broader and longer term view tends to generate the kind of relations that increase material and psychological benefits to all concerned. Admittedly the managers job becomes more difficult because several objectives need to be achieved instead of the single one of maximizing company's value but because of the dynamics involved the benefits to all the parties concerned, including shareholders, appear to be greater and thus in the end the company's value is truly and not sub-optimally maximized.

The dynamics involved in achieving outstanding job performance by all employees and managers will be described in the rest of this paper.

#### COMPANY EXCELLENCE THROUGH OUTSTANDING JOB PERFORMANCE AT ALL LEVELS.

Superior company profitability over time and superior satisfaction of customers' needs are considered the marks of excellent companies. We all know, however, that these are only the externally visible effects of complex processes going on within these companies. We also know that company excellence, even when achieved at a given moment, is extremely difficult to maintain over time.

It can be stated that company profitability and success, thus its value to shareholders, are critically dependent on outstanding individual job performance by everybody working for the company. The prescription for excellence is straightforward indeed. Outstanding management will work out the right strategies, will obtain the needed financing, will design the organization to carry out the strategies, will staff and run the organization so as to achieve its goals. Naturally all levels of management and technical experts down to the humblest employee will see to it that the right decisions are taken and that they are well executed. Management will see to it that everybody is adequately selected and trained for the job, that the tools and equipment required to discharge the jobs are available and everybody is highly motivated.

The above prescription for company excellence sounds simple yet in practice it appears extremely difficult to follow. Why? The benefits to everybody concerned would be very considerable: shareholders would have higher return on investment, employees would have higher incomes and they would find their jobs more satisfying and management could show outstanding results not to mention customers whose needs would be met in a superlative way. Why, given the incentives, are excellent companies so rare? Why are tons of paper written about excellent companies stimulating their imitation with relatively poor results? Why so many would-be searchers for excellence in management turn around in mid-run frequently seeing their ambitions crash? Most intriguing, why so many excellent companies are unable to maintain this position over time?

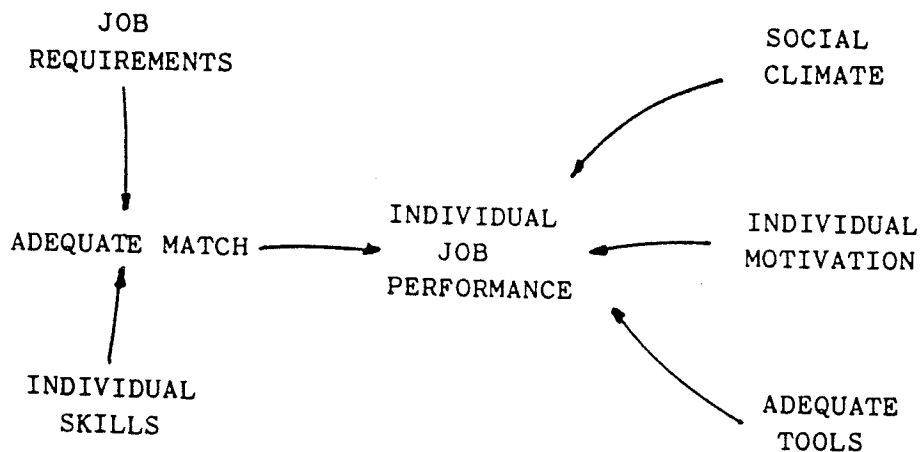
The answer is that the prescription is more complex than it appears and we have made frequently mistakes in labelling as excellent companies that have a good profit and growth record but whose systems do not operate to support these results over time. Lacking a complete understanding of the workings of the system that

produces on occasions high profit record and customers' satisfaction we are surprised that excellent companies at a given time look very much different only a few years later.

Our analysis of the system starts with a close look at what it takes to ensure outstanding job performance at all levels in an organization.

Superlative job performance requires that several conditions illustrated in Fig.1 be met. Ever since Taylor we have known that an adequate match between job requirements and individual skills is essential and at least adequate tools are also needed, better if they be outstanding. Since the Western Electric experiments by Elton Mayo we have known that motivation plays a key role. Other studies have shown that the social climate may also have a crucial influence. Thus the four conditions for an outstanding job performance are a good match between job requirements and individual's skills and attitudes, a high motivation and an appropriate social climate.

Fig.1 KEY CONDITIONS FOR OUTSTANDING INDIVIDUAL JOB PERFORMANCE.



Let us first examine the meaning of these key conditions and how they influence individual job performance.

A system's approach leads us to examine what it takes to ensure outstanding job performance over time by all individuals in an organization. What it takes to achieve a high motivation, to ensure

development of skills and attitudes by individuals and how the social climate can best be established and improved. Last but not least we look at ways of ensuring that all employees are always equipped adequately for their jobs.

Matching job requirements and individual skills.

Any job, be it that of a president in a large corporation or that of the humblest among its employees requires that the individual discharging it possess a certain set of skills and attitudes adequate to the job's requirements.

The company president in order to discharge effectively his duties needs the basic skills required normally from presidents of large corporations. He has to understand the system in which he operates, he needs to have an ability to communicate, to conceive, understand and execute complex plans, to make several levels of employees work in a coordinated fashion in the execution of these plans. But if his performance is to be outstanding in addition to the above he must have the specific skills and attitudes adequate to the job requirements at a particular time. He may need to be a successful negotiator, a team manager, a strategist, philosopher or a top level operations' supervisor. When new technology is about to provide expansion opportunities for his business the president may be required to understand it in depth, he may be expected to be able to evaluate at the highest level which technological path to follow, how to adjust the strategy and to structure the business to make most of the technology. He may be required to negotiate alliances and availability of funds. At other times the president's job may require the attitude of a tough pruner of unprofitable activities rather than an expansion minded individual.

The same changing requirements may arise for all other jobs within the organization the individuals in charge of these jobs need certain sets of skills and attitudes to achieve a high level of performance.

We are used to see job requirements specified in job descriptions. Individuals are then selected to fill these job requirements. If they are found lacking certain specific skills they may be trained to acquire them so as to ensure a better correspondence between their skills and those required by the job. This approach, however, is increasingly inadequate. It was more appropriate when manual workers or employees discharging routine jobs were a vast majority and intermediate level managers were mainly concerned with information collecting, processing and passing up or down and with decisions that were mostly of the routine type. Today a growing number of these repetitive jobs is being taken over by machines.

Employees and managers are ever more required to be creative, to establish communications both inside and outside of their companies, to establish more complex programs for achievement of their objectives, to access information sources extracting the relevant data, to elaborate it in a sophisticated manner and to take a wide range of fairly important decisions within a broadly laid out strategy.

Under these emerging conditions the level of skills needs to be much higher of course but frequently also personal sets of attitudes become much more important than in the past. To a limited extent management may adjust job requirements to available skills through organization of the work but even by so doing it becomes much more difficult to describe job requirements and then to find a person able to fill the job while at the same time fitting into the established social system. A typist or a draughtsman can easily be replaced by another typist or draughtsman. A gifted creative designer or programmer may be unique, replace him and there is a high likelihood that the features of the products will change. The same is true for an ever greater number of jobs. What is now more and more frequently required is human engineering meaning the assembling of teams composed of individuals with complementary features required by jobs structured to be discharged by a group of individuals.

#### Motivation.

Nobody will argue seriously about the key importance of motivation. The issue is not whether but how to attain it and how to maintain it over time.

The basic motivation to obtain means for survival and material wellbeing is progressively less important in comparison with psychological motivation except in some of the less developed countries.

Psychological motivation is the outcome of complex processes, however, some general statements applicable under most circumstances in our industrial culture can be safely made here.

It is easier, however, to start with some common examples of demotivating situations. We all know that individuals get demotivated by certain unexpected changes in job contents contrary to their values and expectations or by management's actions not necessarily because their effects or intents may be damaging to the person but because of the style which may be judged arbitrary and insensible to

### Tools.

Employees must be equipped with the proper tools to do the job well. Never mind whether these tools are production equipment, computers, software, information systems, procedures or organization they need to be appropriate to the evolving job requirements.

Frequently providing adequate tools to all employees involves considerable expense. In a dynamic environment where conditions change and new technologies become available the financial constraints, pressures on management's time and other roadblocks frequently cause delays in needed adjustments. This may be quite demotivating because employees at all levels see the waste resulting from their impossibility to properly discharge their duties lacking adequate tools, training or information. Things are much worse, of course, if they are convinced that the inadequacy of their tools stems from higher management's lacking perception of what is needed.

To avoid this and to proceed timely with providing adequate tools management must carefully and periodically monitor how every job in the organization is discharged and what is needed to ensure outstanding performance. Corrective actions, preferably designed with the participation of the men on the job, need to be taken or valid explanations must be given why they are delayed.

### Individual skills and attitudes.

In a dynamic environment job requirements change over time, as this happens individuals with different skills and motivations are needed. Sometimes the same individuals may be retrained as is the case with many draughtsmen when CAD (Computer Aided Design) is introduced on other occasions the changes are so great that men with wholly different background and skills are needed as when production planning by knowledgeable experienced planners gives way to computer based automatic production planning.

TOP MANAGEMENT'S VIEW OF ITS ROLE AND ITS VALUE SYSTEM IS ESSENTIAL TO ACHIEVING OUTSTANDING JOB PERFORMANCE AT ALL LEVELS.

Top management mainly concerned with maximizing company's value to shareholder will spend little time, effort and resources preserving the trust of employees in hard times or when business activities require quick change of orientation.



The consequences of this choice may be very costly in the medium and long term. If top management commits a breach of trust the effects on motivation tend to linger for months and even for years impairing performance. The damage is considerably higher if the social system is altered in the process turning against cooperation, individual job performance or both.

Management that sees itself as responsible for employees wellbeing as well as responsible for maximizing the company's value to shareholders is more likely to follow policies that in the long run will provide much higher returns to shareholders while making the working place more attractive socially and psychologically. Management's policies and their role in promoting outstanding job performance are schematically presented in Fig. 2.

Among the policies such a management will enact are:

- careful selection and training of all employees,
- periodic review of employees expectations and their moderation if so required,
- assistance to lower level employees when discharging new or particularly difficult tasks,
- creation of a social climate stimulating
  - \* employees growth along multiple dimensions and not only along the ones required to discharge better the current or perhaps immediately following job within the company,
  - \* cooperation and trust among employees,
  - \* respect for facts and reasoning rather than for position or power of individuals,
  - \* openness to new ideas,
- helping employees to prepare for jobs outside the company when need for personnel reductions are envisioned,
- helping employees at the time of search for a new job and providing initial counselling and support at the time of setting into it.
- monitoring regularly with employees' help how jobs are performed and what organizational adjustments and equipment are needed.

Although the above policies imply some costs to the company and they heavily tax management's time and energy the returns, in terms of motivation and social climate, in the few cases where they were observed to be applied were very substantial. Under the observed circumstances productivity was exceptional, so was quality and service to customers. As result return to investors and employee compensation both considerably exceeded the industry average, the figures being better than those of the best competitors finally the product demand was so high because of value for money that at least in one case



quotas for delivery to customers had to be established. These quotas were cleared by customers in good times and in bad ones making the company almost immune from cyclical downturns common in its industry.

In the cases observed by the author the union's role was somewhat unusual. In one case the union was cooperating with management in obtaining better results from company operations. In addition it was involved in helping to organise a score of activities aimed at providing better services to employees working hand in hand with management. Employees' children activities medical services, dining room and consumer cooperative were all union managed. Union was also involved, jointly with management in the organization of courses and employee growth activities not directly related with training for better on the job performance.

In another case when the author took over a company on the verge of collapse a very bellicose and uncooperative group of union representatives was voted out of office 6 months after the new management was installed and three months before the mandate of the officials would have lapsed naturally. All this happened without any intervention from the new management and was solely the consequence of the changed climate in relations with employees. After the change of union officers a new era of management-union cooperation began based on mutual trust.

Such a responsible and constructive behaviour of the unions does not need to be exceptional. It is in fact a response to management's behaviour and attitudes.

Management that enters the road of managing in the interest of employees as well as in the interest of shareholders commits the company to evolutionary change rather than to unplanned and haphazard revolutions. Evolutionary adaptation to external circumstances tends to be less costly even though it requires costs and efforts directed at capturing and elaborating information that will give early warning signals, first of possible, and later of impending change. Management that embarks on this course knows that although it may count on greater employee cooperation in hard times it needs to anticipate them in order to prepare the company, the social structure and the employees psychologically for dealing with changes. Thus it tends to need longer lead times to prepare for new conditions than it would if it pursued only the maximization of company's value. The reward of course is a much better response of the organization to difficult external conditions.

**CONCLUSIONS.**

Management that feels equally responsible for generating wealth for shareholders and for generating wellbeing for employees is likely to run the company in a different way than management only concerned with maximizing company's value to shareholders.

The results for all concerned should be much better when management sees its role as being responsible for generating wealth and for its fair distribution to shareholders and employees while also assuring realization of individual goals by employees through job performance.

Outstanding job performance by everybody working in the organization should ensure its long term excellence. On the other hand short term maximization of company's value may be justified on rare occasions mainly as a first step to be followed immediately by a systematic set of policies leading to company excellence through employee motivation. By itself it is bound to lead sooner or later to a backlash and possibly to a critical situation for the company requiring another surgical intervention to preserve some company value for shareholders.