

# Chapter 13 Motivations

## *13.0 Introduction*

Early in this book I asserted that the most important asset of an Enterprise or project is its people and their motivation. This is particularly true of the largest segment of the work force that creates and builds the products of the Enterprise. We talked about the job of the integral manager in balancing the needs of all stakeholders. We discussed some of the incentives that are used to motivate the senior managers in an Enterprise to meet the objectives of the share-holders, and the implications of these diverse and seemingly conflicting forces. But how about lower and middle management and other employees? How do incentives at various levels of the Enterprise motivate desired behavior?

## *13.1 Financial Incentives as a Motivation for the Workforce*

Unless you are at the highest level of management -- where by the SEC definition you are "an insider", the price of a share of stock is almost entirely beyond your control. We used to think that earnings per share drive share price, but so do many other factors. Recently, the perception of future stock appreciation, sometimes based on pure speculation has driven technology stocks even in the absence of earnings.

What you and everyone who reports to you can affect directly is profit of your part of the Enterprise. Saving cost increases profitability, and profit after tax is earnings. Managers and employees sometimes make decisions about use of company or customer resources in their care that don't support the goals of the Enterprise. It has always seemed to me that the proper way to operate my portion of an Enterprise was to consider the Enterprise resources that I was entrusted to manage as if they were acquired by my sweat equity. Spending them wisely was as important as spending my own hard-earned money. I have been surprised and disappointed to see that some managers don't share that philosophy.

It is top management's job to establish the proper motivations for everyone in the Enterprise to work toward, and here is where they often screw it up. Accountability for commitments made in response to these motivations is an important part of this problem.

What motivates the first line manager in today's environment? And what effective motivations are available to the work force? One element is clearly being appreciated as an important member of the team with an opportunity to grow to higher levels of responsibility and compensation in the organization. Twenty to thirty years ago, participative management, management by objectives, and collaborative management teams were popular concepts to motivate lower levels of management in this context, but for some reason they have lost their lustre since then. Stock options are the most popular incentives today, particularly in start up companies. Today with mergers and buyouts, first line and middle management have far less confidence about their long term prospects with any company, and this has a chilling effect on both enthusiasm for the Enterprise objectives and the trust for higher levels. If this is to change, a major change in today's short-sighted philosophy of management will have to take place. The employees will have to be treated as a valued resource in stead of an annoying expense.

I am convinced by experience that people want to succeed and have high self-worth,<sup>10</sup> and will work beyond your fondest expectations if they understand the goal, feel valued, and are treated fairly. I recall an occasion, while in one of our manufacturing shops, I was introduced to a long time lead technician who was also a union shop steward. He described a problem that had been going on for some time with an electronics package design that required re-work of every unit. He proposed a solution that, if successful, would simplify the design, and also would eliminate his job. Because of his seniority, he wasn't worried about losing his job, but I was struck by his sincere desire to fix a problem that was costing us money unnecessarily. He had thought about that problem and tried to get the design modified, but the engineers were "too busy" with other problems to fix it.

As a result of that discussion, some priorities were reordered. This individual was not unique among long term shop employees or employees in general. Most of us like to be part of a winning team with the pride of accomplishments we make. A key part of feeling valued is getting sincere recognition for our contribution.

Many organizations have programs that recognize outstanding work or ideas with cash awards or plaques. These are fine, but can become distorted or diluted by over use, misuse, and game playing. Employees can usually participate to some extent in a company's stock performance through their tax-deferred retirement savings accounts like employee stock ownership plans (ESOP), IRAs or 401k plans. But that typically is a future benefit and far removed from their day to day performance.

An effective approach to team building in my view is some form of profit- sharing by every non-management employee having more than say, three years of seniority.

### ***13.2 Sharing the Benefits of Success.***

Where is it written that only management is smart enough to make the right decisions in an Enterprise? I have seen ample evidence that today's work force is knowledgeable to an extent never seen before. Employees are capable of participating in the operation of the Enterprise and making improvements in their part of the operation when management doesn't even recognize a deficiency exists. Why not enlist their help and let them share in the rewards of the improvements that result, remembering that we said the job of management included coaching.

One implementation might be to establish a profit target for the measurable business unit that represents a normal expected result. If that target were exceeded for the year, 20 % of that additional profit would go to a fund that would be divided among all non-management employees within the business unit.

As an example, consider a business unit with annual sales of \$1.5 billion and 6,000 employees, 5500 of which are eligible for the program. Assume a target profit of 10% and a realized profit of 15%. 20% of the difference of \$75 Million would be \$15M represents an average of about \$2,700 in profit sharing per eligible employee.

Aside from the direct tie to performance, two other benefits would accrue. First is involvement. When you share the rewards, you also share the responsibilities. Second, it might mitigate the oft heard complaint that the company is making a big profit and rewarding the management at the expense of the work force.

### ***13.3 Conclusion***

The following table, a reprise from Chapter 1 serves to remind us what engenders effective team performance. If you want employees to exhibit the first four elements of integrity, you must foster an environment that Provides the last four elements. Those are the motivators for good work and a good work environment. Being a member of the team includes xharing in the financial stake of that team's performance.

| <b><i>WHAT'S IMPORTANT</i></b> | <b><i>KEY ISSUES</i></b>   |
|--------------------------------|--|
| • PROJECT SUCCESS              | • FIRST AND FOREMOST   |
| • PERFORMANCE                  | • RESULTS AND MEANS COUNT<br>• IT'S ABOUT PEOPLE   |
| • INTEGRITY                    | • INITIATIVE<br>• PLANNING<br>• COMMITMENT<br>• OWNERSHIP<br>• COMMUNICATION<br>• HONESTY<br>• TEAMWORK<br>• RECOGNITION |

**Figure 13-1 Elements of Project Integrity**

Profit sharing seems a good way to financially back up the phrase "valued employee."

### **References**

10. see *The Professional Manager* by Douglas McGregor, McGraw Hill 1967

and *The Human Side of Enterprise* by Douglas McGregor, McGraw Hill 1960

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