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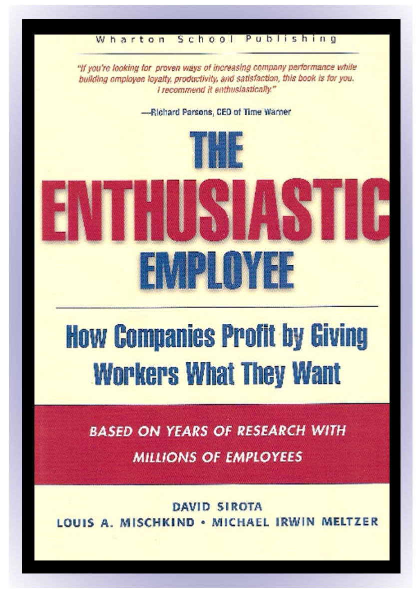
Volume 23, Number 31

The Enthusiastic Employee

How Companies Profit by Giving Workers What They Want

By David Sirota, Louis A. Mischkind and Michael Irwin Meltzer

ISBN: 0-13-142330-4



Reviewed by Jennifer Cuthbertson

Introduction

Companies must pay attention to their bottom lines, but many companies do not realize or forget that paying attention to their employees will positively impact their bottom line. What motivates employees to perform, to go the extra mile, to care about satisfying the customer? Insight gained from years of working as top corporate executives and experience administering employee surveys is provided in **The Enthusiastic Employee by David Sirota, Louis A. Mischkind and Michael Irwin Meltzer**. Every manager should understand what every employee wants, and many managers will be surprised at just how easy it is to turn an ordinary employee into an enthusiastic employee.

PART I: WORKER MOTIVATION, MORALE, AND PERFORMANCE

Trying to understand workplace motivation is the subject of many conversations by managers and of much research as well. Managers who make inaccurate assumptions about motivation could damage morale and their company's business. Using assumptions and theories based on research protects managers from their personal bias. But then, the problem is determining what assumptions and theories to believe.

Why not ask employees what motivates them? In their experiences with employee satisfaction surveys, the authors have found that the "norm" for job satisfaction is 76 percent and that management across all industries is more positive than non-mangement--83 percent versus 74 percent. If 76 percent of employees generally like their work, then why are some more motivated than others? And, why, despite basically liking what they do, are others not motivated at all?

The authors believe that there are three primary goals of people at work. They are ***equity, achievement, and camaraderie***. These elements are what the authors term the *Three Factor Theory of Human Motivation* in the workplace. They believe that:

- These three sets of goals characterize what the overwhelming majority of workers want.
- No other goals are nearly as important.
- These goals have not changed over time and they cut across cultures.
- Understanding these goals and setting organizational policies and practices in tune with them is key for high workplace morale.

Equity means being treated justly in relation to the basic conditions of employment. The basic conditions of equity are 1) physiological--a safe working environment; 2) economic--a reasonable degree of job security; and 3) psychological--being treated respectfully. These are not surprising things for employees to want, but they are not included in many theories of management. How does a manager enlist the cooperation of a workforce that does not have a sense of elemental fairness?

Achievement has to do with being able to take pride in one's accomplishments by doing things that matter and doing them well. Employees want to receive recognition and want to know that their organization is accomplishing things as well. The authors have found several sources for achievement at work. They are:

Key Concepts

A short course on giving guidance to employees:

1. Do not equate performance feedback with the annual performance appraisal.
2. Do not assume that employees are only interested in receiving praise for what they do well and resent having areas in need of improvement pointed out to them..
3. An employee whose overall performance is satisfactory and appreciated by the organization needs to be made aware of that.
4. Comments about areas that need improvement should be specific and factual rather than evaluative, and directed at the situation rather than the person.
5. Feedback needs to be limited to those aspects of employee behavior that relate to performance.
6. When giving performance feedback, encourage two-way communications.
7. Remember the goal of feedback is action that improves performance.
8. Follow up and reinforce.
9. Provide feedback only in areas in which you are competent.

* * *

Information about the author and subject:
www.enthusiasticemployee.com

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By: Sandra Burud, Marie Tumulo

The New Workforce
By: Harriet Hankin

- challenge of the job itself--employees want to feel that their intelligence, ability, and skills are being well used;
- chance to acquire new skills;
- receipt of the training, direction, resources, authority, information, and cooperation necessary;
- being recognized for their performance; and
- working for a company that the they are proud of.

Camaraderie means having warm, interesting, and cooperative relations with other employees in the workplace. Positive interaction is gratifying and necessary for mental health. Work is a community that can and should satisfy social and emotional needs of its members. Camaraderie is affected by friendliness, but also by the competence and cooperativeness of co-workers. The authors say that "a friendly slacker is an oxymoron; being unhelpful to co-workers is by definition, unfriendly." This is an area where workers' needs for positive interpersonal relationships are congruent with an organization's need for high performance.

The authors believe that the need for equity, achievement, and camaraderie are universal and that there is not a split between categories of workers--male versus female or younger versus older workers. Equity, achievement, and camaraderie also work in combination with each other, and if all three factors are satisfied, an employee's enthusiasm is directed toward accomplishing organizational goals. As more needs in each category are satisfied, the percentage of very satisfied employees increases exponentially.

"There is one key to profitability and stability during either a boom or bust economy: employee morale."

- Herb Kelleher, Southwest Airlines Founder

However, one of the factors counts more than the others,and that is equity. The authors state, "If people are not satisfied with the fairness with which they are treated, satisfaction of either of the other two needs has a relatively minor effect on morale." Conversely, if employees feel they are treated equitably, then the other two factors--achievement and camaraderie--do not matter as much.

Is employee enthusiasm important? In most organizations unless there is a connection between what workers want and what organizations need--such as bottom-line results--then there is no point pursuing the subject. The authors have worked with companies such as Starbucks, Intuit, American Express, and others. On the face, these businesses have little in common other than high morale, higher than in most companies. In fact, most businesses that have experienced long term success have high employee morale.

Large organizations are complex with distinct cultures and practices and can exhibit variability in internal morale. The range of employee satisfaction scores within a company can be vast. Corporations like the ones mentioned above look and sound different when their statistical data and employee comments are analyzed. Here's a sample of what

About the Authors

David Sirota is founder and Chairman Emeritus of Sirota Consulting. He previously served as IBM director of behavioral science research and application. He has taught management at Cornell, Yale, MIT, and Wharton, and was a study director at the University of Michigan's Institute of Social Research. His work has been featured in *Fortune* and *The New York Times*.

Louis A. Mischkind has been involved with organizational effectiveness for over 35 years. Prior to joining Sirota Consulting, he was Program Director for Executive Development at IBM, Advisor on Human Resources to the President of IBM's Genera; Products Division and in charge of opinion surveys and management assessment for IBM's technical community.

Michael Irwin Meltzer joined Sirota Consulting full time in 2001 as Managing Director, after serving as its General Counsel for 20 years. He has advised businesses ranging from financial consultancies and real estate developers to sales, distribution, and construction organizations. He has also served as an Adjunct Professor at Pace University, teaching business organizations, real estate law, and trusts and estates.

enthusiastic employees at highly rated businesses sound like:

- "We are totally committed to our customers. This is the passion of this company from the executive suite to my colleagues on the front line."
- "We are a dynamic company with first-class leadership. Our boss is the best. Her word is her bond."
- "I feel like I've died and gone to heaven here. If things stay this way, I'd like to spend the rest of my working life here."

The concerns and frustrations of these employees even sound differently with comments like, "Keep the improvements in communication going," or "We should eliminate redundancy and unnecessary paperwork to speed up the approval process. It's gotten better, but it's not good enough."

There is marked difference between the enthusiastic employee and the moderately satisfied employee. Comments from moderately satisfied employees sound like this:

- "The pay is not bad and the benefits are competitive."
- "My manager is a considerate person and I like her."
- "I love the location."

Enthusiastic employees are totally caught up in the organization and identify with it. Company successes and failures become employee success and failures. The company becomes part of the employee's self-image.

"Enthusiasm is not a recipe for perpetual bliss or automatic success, and it has little in common with contentment."

At Intuit, a 20 year old software development and sales firm, overall employee satisfaction measures at 83 percent. The company asks its employees to rate management on equity, achievement, and camaraderie. Specifically, they ask employees whether management is respectful and treats employees with dignity. Employees are asked if they are encouraged to be innovative, and whether or not they have a sense of belonging to a group that works well together. The normal ratings for these factors are 67 percent for equity; 61 percent for achievement; and 63 percent for camaraderie. Intuit scores 88 percent for equity, 79 percent for achievement, and 83 percent for camaraderie.

Management takes the surveys seriously and the employees know it and recognize this by having a 90+ percent participation rate.

Enthusiastic employees are beneficial to a company because they produce more than the job requires, working all kinds of hours to make it happen. They want to improve things rather than just react, and they help each other and welcome change. In contrast, a moderately satisfied workforce has passive loyalty to a company.

Employees in their first year of employment generally have a higher level of enthusiasm, which begins to drop after the first year. Usually the percentage of very satisfied workers drops after six months, and the unsatisfied group steadily increases. This shift would be more pronounced if first-year attrition were factored in--those employees who leave because the job or company is not a fit.

In companies that are continually rated as good places to work, the decline in employee satisfaction after the first year is much less. These companies have policies and programs in place that help keep an employee's initial enthusiasm high.

There is evidence that enthusiastic employees help a business succeed. *Fortune Magazine* publishes a list of *America's Most Admired Corporations* and the *100 Best Companies to Work For in America*. There is a strong correlation between the two lists. In 2001, of the 15 most admired companies, nine are on the list of best companies to work for.

Business performance does have a major impact on employee morale. Well-performing organizations generate employee pride and optimism about job security and opportunities for advancement. The question that this book focuses on is whether the reverse is also true--does employee morale impact a business' performance?

The authors' have what they call the *People Performance Model*, which contains all of the key business variables--leadership and management and morale and performance. The key points of this model are:

- People and their morale matter tremendously for business success, including customer satisfaction.
- Employee morale is a function of the way an organization is led and the way that leadership is translated into daily management practices.

- Success breeds success. The better the individual and organization perform, the greater the employee morale, which, in turn, improves and sustains performance.
- The management practices that matter most boost an employee's sense of equity, achievement, and camaraderie.

PART II: ENTHUSIASTIC WORKFORCES, MOTIVATED BY FAIR TREATMENT

There are many policies and practices that help boost employees' enthusiasm that have to do with equity. When the collective treatment of workers relates positively to fundamental and generally accepted societal standards, such as employees receiving a living wage; having adequate non-wage benefits; being laid off in a sensitive manner; experiencing safe working conditions; and having equality of employment opportunity, the morale is generally higher.

"Perceptions of equity are not limited to the obvious physiological and economic factors that are normally the focus of collective bargaining."

The authors do not advocate a lifetime employment guarantee to ensure high employee morale, but they do believe that an organization that wants enthusiastic employees must understand that employees are not objects. Lay-offs hit employees hard and how they are handled impacts employees' job satisfaction.

The way that employees view lay-offs is affected by how equitable the lay-offs are. Another thing that can impact how an employee views them is how quick a company moves to lay-offs. Is it the first thing a company does, or is it the last resort? Employees will sense procedural injustice if layoffs happen with little notice and minimal assistance is provided after the layoff.

According to the authors, "How companies deal with job security is one of the defining characteristics of a company in its employees eyes. It is a defining characteristic because, in addition to its economic effects, a decision to lay off people sends a message of fundamental importance to the workforce about the way a company views its people: as assets or as costs (necessary evils)."

Employers can boost morale by deciding not to downsize even when other companies in an industry are doing so. It is not a universally accepted model and not always a feasible one.

Layoffs often result in short term spikes in stock prices, but long term impact may not be as rosy. Downsizing may not prove as cost effective as some companies think ,because the projected cost savings are usually overestimated. The reality is that layoffs are costly because of 1) severance payments; 2) future higher training costs; and 3) decreased morale making employees unwilling to sacrifice for the company.

When it comes to equity and job security, employees expect that their welfare is part of the consideration. They expect employees to look to the long term and not just this quarter's earnings or stock prices. Companies that are committed to providing employees with stable employment follow these best practices:

- Exhaust all possible alternatives before laying off employees.
- When layoffs cannot be avoided, ask for volunteers.
- When there are no more volunteers, act generously and decently.
- Communicate honestly, fully, and regularly throughout the entire process.
- Recognize the impact on the survivors and take steps to minimize the negative impact.

Compensation is part of the equity issue. It is important for employee morale and performance. Workers view money as the way to provide for their basic and material needs. It equals a fair return for their labors. It is one measure of their personal achievement, and it is a potent symbol of the value an organization places on the contribution of its workforce.

Many executives assume that employees will never be happy with their pay, and they understand that extreme dissatisfaction hampers the achievement of an organization's goals. Executives might be surprised to learn the following attitudes that workers have about pay. 1) Level of pay and the method that it is determined and distributed are of equal importance. 2) People want to earn as much as they can and it is rare for workers to feel overpaid, and most workers rate their performance as above average. 3) However, only about 23 percent actually express dissatisfaction with their pay. 4) The higher the level of an employee, the greater their satisfaction with their pay. 5) The most negatively rated area surrounding employee compensation has to do with the degree to which organizations that profess to pay for performance actually do.

It is difficult for a company to have loyalty from its employees, when it is seen as a low-paying company within its industry. But, for most workers, job security comes first. If they have to make a choice, they will moderate their pay demands to preserve their job. It does not take a huge increase in pay to make most workers happy. In fact, workers express satisfaction if they consider their pay competitive and great satisfaction if they consider their pay to be even a few percentage points above the competition.

Workers view of pay is affected negatively if they receive a pay increase that is lower than past ones or one that does not keep up with inflation. A company's perceived financial condition also plays into what an employee sees as an acceptable raise, In companies where workers trust their employers and where financial information is shared, employees are generally satisfied with their pay increases.

Productivity is impacted by wages. There are four reasons for this:

1. **Worker reciprocity and morale**—the reward of higher pay is reciprocated by the reward of higher productivity.
2. **Lower turnover**—employees generally do not leave higher paying companies.
3. **Decrease in shirking**—for employees less inclined to work hard, higher pay means dismissal is a greater penalty.
4. **A better pool of applicants**—higher pay attracts more and better applicants.

The authors provide some basic guidelines for pay-for-performance systems. They believe that employee compensation should include both base pay and variable pay, and base pay should be competitive and keep up with inflation. Variable pay should be on top of base pay and be based on performance of groups rather than individuals, and it should be distributed as a percentage of base salary.

Job security and pay are the two biggest components of equity, but respect is the most important non-financial component. Workers in companies where employers perceive a lack of respect make comments like, "My boss acts like a prison guard and we're the chain gang." But, at companies where valuing employees is more than a slogan, employees make comments like, "My supervisor is honest and forthright and has had to make and deliver difficult decisions, but has done so with sensitivity and respect."

The treatment of individual workers is at the heart of respect—how do people with higher incomes and greater power treat those at the lower levels? Respect without competitive pay does not go very far. If employees are treated with respect, but not paid competitively and fairly, then they view the respectful treatment as a sham. Respectful treatment of employees can be distinguished as humiliating, indifferent, and negative.

"Many American companies now seem to operate by essentially using downsizing as a strategic maneuver rather than as a last resort compelled by economic necessity."

Thankfully, humiliation is relatively rare. Employees who are humiliated are blatantly treated as a lesser being, as incompetent, untrustworthy, or as a member of a servant class. In some cases, a boss might ridicule an employee's work. In some cases, the humiliation is built into the organization. The structure gives workers no decision-making authority. Humiliation often harms a company by causing labor conflicts.

Indifference is more often present than humiliation, and at best, it can be termed benign neglect. Indifference implies that workers are not worthy of management's time and attention, which causes workers to feel insignificant. As the authors state, "Indifference is a sin of omission involving what management does not do—rather than as a sin of commission, such as humiliation." Workers' response to indifference is less anger than disappointment, withdrawal, and anxiety—because they receive little feedback about performance.

Workers who are treated respectfully know that management values them, because management's actions and words match. The authors cite the example of an employee handbook as one way to distinguish a company that truly respects its employees. In some companies, though that manual is page after page of rules and regulations causing employees feel as if they are considered problems from the beginning.

By contrast, look at the one-page manual that Nordstrom department stores issue. It states simply, "Welcome to Nordstrom. We're glad to have you with our company. Our number one goal is to provide outstanding customer service. Set both your personal and professional goals high. We have great confidence in your ability to achieve them." The only rule mentioned is "Rule #1: Use your good judgment in all situations. There will be no additional rules."

Other aspects of respect are

- **good physical working conditions**—is it safe and clean?
- **status distinctions**—are the executive given better offices, separate dining rooms, etc?
- **job autonomy**—are workers allowed latitude to do their jobs and to make decisions?
- **communications**—is information shared at all levels of the organization?; and
- **day-to-day courtesies**—does management say hello to employees when they see them?

PART III: ENTHUSIASTIC WORKFORCES, MOTIVATED BY ACHIEVEMENT

It is critical for employees to have an inspiring organizational purpose. It gives workers a reason for going to work. The authors' research notes a strong correlation between pride in the organization and the overall satisfaction of workers with the organization. There are four main sources of pride 1) excellence in the organization's financial performance; 2) excellence in the efficiency of how an organization's work gets done; 3) excellence in an organization's products; and 4) excellence in an organization's moral character.

Every worker wants competent managers and most agree that they do not want to work for unethical management. Working for a company that has ethical managers and outstanding product quality is the difference between a worker who is merely contented and one who is enthusiastic. How many workers will get up in the morning and be enthusiastic about going to work somewhere that exhibits unethical practices?

Good ethics equal good business. There is much evidence that companies that "do good" show better long-term performance. In a review of top performing companies all have a strong moral component in their company ideology. Consider 3M who stands for "absolute integrity and General Electric who improves "the quality of life through technology and innovation. " Companies with a strong moral compass have a solid reputation, which impacts their bottom line and attracts top performing employees.

"If the washroom isn't good enough for the people in charge, then it's not good enough for the people in the store."

- Marcus Sieff, former chairman Marks & Spencer

A strong sense of business ethics is not only about compliance with the law and donating to charity. Ethical companies are interested in strong relationships with all of their constituencies—employees, customers, suppliers, etc. One important distinction must be made. Ethical companies do more than just talk, they act. Many companies have good intentions, but they lack senior management's true commitment, or they lack a methodology for implementing their policies.

Companies who treat employees ethically have:

- strong and visible top-management support;
- clear, enforceable policies;
- internal processes that enable the policy to be carried out;
- full communication of the policy and rationale to the workforce;
- training of workforce in how to implement the policy;
- tools that the workforce needs to carry out the policy;
- the workforce's participation in developing the means to carry out the policy;
- measurement of results; and
- a reward system geared to the results.

Another part of employee achievement has to do with job enablement. People want to feel that their efforts are accomplishing something. Workers who cannot get their job done because of faulty equipment are every bit as frustrated as the executive who spends his or her day in endless and pointless meetings.

In most cases, employees know what they are supposed to do, but there are organizational barriers to being able to carry it out. A lot of times this is not coming from the top down, but from the middle down. The middle of an organization is where coordination and control takes place. Departments that do not interact well or supervisors who are unable to make decisions are two examples of barriers in the middle of an organization. The number one bureaucratic obstacle is the decision-approval process. A close second is a perceived obsession with rules and the enforcement of rules.

A management style that can bypass these problems is the participative style of leadership. It is an active style that stimulates involvement. No one *is* in doubt about who is in charge, but the person who is in charge expects employees to think, to exercise judgment, and not to just do. Participative leadership gives employees autonomy and fosters a sense of achievement.

"The kind of respect that we have in mind does not come from deference to power or the expectation of reward, but from a sense of the intrinsic worth of human beings."

Workers also want to feel challenged. Employees tend to know their strengths and weaknesses, and for the most part, tend not to take on jobs involving skills that are not their strong suit. In other words, few employees volunteer to fail. Workers want to have pride in their job and pride generally comes from three sources 1) performing well; 2) using valued skills; and 3) doing work that is significant.

Employees who receive timely feedback tend to feel a greater sense of pride in their work. Most employees are lukewarm when it comes to rating their company on giving feedback. Feedback has many uses and is generally the vehicle for guidance, evaluation, recognition, reward, and direction. There are some key guidelines for giving good feedback.

- Do not equate feedback with the annual performance appraisal.
- Do not assume that employees only want praise and resent having constructive criticism.
- An employee whose overall performance is appreciated by the organization needs to be made aware of that.
- Comments about areas that need improvement should be specific and factual rather than evaluative,and directed at the situation rather than the person.
- Feedback needs to be limited to those aspects of employee behavior that relate to performance.
- When giving performance feedback, encourage two-way communication.
- Remember that the goal of feedback is action that improves performance.
- Follow up and reinforce.
- Provide feedback only in areas in which you are competent.

PART IV: ENTHUSIASTIC WORKFORCES, MOTIVATED BY CAMARADERIE

Human beings have a need for membership and identification with others and deriving pleasure from giving and getting help. Humans spend much of their time in groups with family, friends, and work associates. Some managers still have problems with employees who socialize on the job. But the authors believe that interaction is healthy.

The reality is that the vast majority of employees do not want to waste time. In fact, they are frustrated when they perceive that time is being wasted. As the authors state it, "Work breaks are no more a waste of time than vacations."

In companies that truly incorporate practices that enable workers to feel that they are treated equitably and to have a sense of pride in their jobs, employees "greatest satisfaction comes from interacting as a team on the job in the service of common performance goals." If analyzed, a lot of the time socializing is work related. Where there is good teamwork, the boundary between work and breaks becomes blurred.

There is enormous interdependence among workers. Teamwork is needed to do just about every job at just about every level. Cooperation is required and "is the glue that binds the parts of the organization."

Uncooperative workers do not just frustrate management; they frustrate their fellow employees as well. Employees are also frustrated when they believe that management does not effectively deal with uncooperative employees. These kinds of situations can lead to conflict among workers and that is when managers must step in and exercise strategies of conflict management and work on building partnerships.

PART V: BRINGING IT ALL TOGETHER: THE TOTAL ORGANIZATION CULTURE—AND HOW TO CHANGE IT

Changing an organization is neither an easy nor a quick process. To bring about lasting change, the authors contend that the organization must be thought of as a system that is governed by its culture. To turn an organization into a partnership, the following components must be incorporated:

- It must be perceived as a win-win situation.
- There must be basic trust at and between each level.
- Everyone must have an eye on the long-term.
- Performance goals must be set high.
- All parties must have confidence in each others competence.
- There must be joint decision-making.
- There must be open communications.
- All involved must listen to and be influenced by others.
- Everyone must help each other perform.
- Everyone must recognize each others' contributions.
- All concerned must treat each other with consideration and respect.
- If the endeavor is meant to bring financial rewards, everyone must share in those rewards.

The partnership concept is powerful for an organization and can be applied to its relationships with all of its constituencies. Suppliers, as an example, are often treated as untrustworthy adversaries who must be continually and closely monitored, and from whom every last nickel must be squeezed. They may also be treated as transactions—someone whom a company pays for delivery of goods and services.

What would happen if they were treated as partners? Studies have shown that companies who treat their suppliers as partners benefit by receiving better quality, service, and delivery from their suppliers.

To bring about the culture change necessary to institute partnerships, everyone involved needs to know that the actions taken will help the organization and minimize risks. There are five principles that a company should adhere to when taking the steps to institute a culture change. They are: 1) Do not lose sight of the business goal; 2) Where partnership has worked best, the primary business goal has been improved products or services for the customer; 3) Introduce change using partnership principles; 4) Avoid assuming that people naturally resist change; and 5) Maintain continual senior management attention and involvement in the process.

Partnership organizations with enthusiastic employees emerge when leadership has the "foresight to see what can be and not just what is." It involves seeing and treating employees as allies in achieving change.

* * *

A chapter-by-chapter summary and a bibliography are provided.

Remarks

The Enthusiastic Employee by David Sirota, Louis A. Mischkind, and Michael Irwin Meltzer is a comprehensive look at what it takes to have not only enthusiastic, but motivated employees. It explains the concepts behind building an enthusiastic workforce, and defines the philosophies behind the concepts as well as how to change corporate culture and implement programs.

There is a lot of evidence for why enthusiastic employees are important to a company and there is lot of advice on how to implement policies and programs that will produce an enthusiastic employee. For a manager or management team who are just starting to explore employee motivation or who are revisiting the issue, this is the perfect book. In either case, take the book a section at a time.

Anyone who wants to know the why and how behind motivating employees will learn a lot. The Appendices are a manual by themselves. Managers can learn about administering surveys and take a Readiness Questionnaire to determine their views on partnership policies and practices.

Reading Suggestions

Reading Time 10-12 hours, 363 Pages in Book

The book provides research gathered from employee satisfaction reports and anecdotal evidence from survey comments. Anyone looking to go to the nuts and bolts, might be tempted to skip the comments and research, and go straight to the how-to. And, they will still gain great insight. However, the research and comments are worth reading as they are very perceptive, and provide insight into how employees think about their workplace and their managers.

Part One provides a thorough explanation of the concepts, programs, and policies that produce enthusiastic employees. There is an abundance of research that should be studied carefully. Other sections break down the authors' Three Factor Theory for Human Motivation in the Workplace and offer practical guidance.

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Business Book Review, LLC
1549 Clairmont Road, Suite 203
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ISSN 0741-8132