Engagement, Empowerment, and Motivation

Performance Excellence Profile: Saint Luke’s Hospital of Kansas City

Founded in 1882, Saint Luke’s Hospital (SLH) is the largest hospital in the Kansas City, Missouri, metropolitan area. Affiliated with the Diocese of West Missouri of the Protestant Episcopal Church, it is a not-for-profit comprehensive teaching and referral health care organization that provides 24-hour coverage in every health care discipline. SLH is driven by its vision, "The Best Place to Get Care, The Best Place to Give Care," and its core values of Quality/Excellence, Customer Focus, Resource Management, and Teamwork. Under the leadership of Chief Executive Officer G. Richard Hastings, SLH employs 3,186 staff and 500 physicians.

From 1999 to 2002, SLH’s financial performance steadily improved, showing that pursuing and implementing innovative treatments is compatible with sound business practices. In total margin and operating margin, SLH currently ranks among the top 5 percent of the nation’s hospitals. In total revenues, SLH outperforms the Council of Teaching Hospitals top quartile.

Saint Luke’s Hospital accomplishes its mission of “providing excellent health services to all patients in a caring environment” by listening to its customers and designing new and improved ways to deliver health care. SLH uses a continuous-loop model, known as the Performance Improvement Model, to plan, design, measure, assess, and improve the way it delivers health care services. Used in all hospital departments, employees are introduced to the model during orientation and process owners and PI team members receive extensive training on its use.
Saint Luke’s “Listening and Learning” process helps to determine patients’ requirements. The process includes formal methods, such as surveys, focus groups, and follow-up calls, and informal ones, including daily conversations that SLH employees have with patients, families, and others. A customer satisfaction research program continuously gathers customer and market requirements and helps measure customer satisfaction.

Saint Luke’s “Leadership for Performance Excellence Model” captures all of the elements that drive its focus on performance improvement and excellence, including the strategic planning and performance management process, process improvement model, and a commitment to excellence assessment model based on the seven Baldrige performance excellence categories. Saint Luke’s vision, mission, core values, and strategy sit at the top of the model and influence all of the organization’s plans and processes.

A robust strategic planning approach consists of three phases and seven steps that integrate direction setting, strategy development and deployment, financial planning, and plan management. At a series of retreats, the leadership team develops strategy and a 90-day action planning process to deploy the strategy to all departments. The balanced scorecard process produces a measurement system that aligns all departments with the strategy and ensures the proper focus in key performance areas throughout the organization.

A highly empowered, high-performing workforce is key to Saint Luke’s success. To ensure that everyone is in tune with the hospital’s focus, all employees take part in the Performance Management Process. The process helps employees develop action plans and goals that are aligned with the organization’s strategy and core values and identify personal commitments which contribute to SLH’s values. The process also defines primary customers and competencies needed for each position and sets expectations for each employee. A Process Improvement Model provides employees with the information they need to effectively design, manage, and improve hospital processes.

Factors that determine employee well-being, satisfaction, and motivation are uncovered through formal surveys, open forums with senior leaders, targeted focus groups, senior leader “walk rounds,” “staying” and “exit” interviews, and the Peer Review Grievance Process. An intense focus on ensuring that its workforce reflects the diversity of the
COMMUNITY, INCLUDING DIVERSITY TRAINING FOR ALL EMPLOYEES AND "LUNCH AND LEARN" SESSIONS ABOUT DIVERSITY-RELATED TOPICS, HAS LED TO AN INCREASE IN MINORITY MANAGERS AND PROFESSIONAL STAFF, FROM 3 PERCENT IN 1998 TO ALMOST 10 PERCENT IN 2002. EMPLOYEES ALSO ARE STAYING AT SAINT LUKE’S LONGER, ANOTHER INDICATOR OF GROWING EMPLOYEE SATISFACTION. FOR THE PAST FIVE YEARS, RESULTS FOR EMPLOYEE RETENTION HAVE EXCEEDED THE SARATOGA INSTITUTE’S MEDIAN AND IS APPROACHING 90 PERCENT.

In 1988 Takeo Miura of Hitachi Corporation made the following statement to a group of senior U.S. business executives:

We are going to win and the industrial West is going to lose out; there’s nothing much you can do about it, because the reasons for your failure are within yourselves. . . . With your bosses doing the thinking while the workers wield the screwdrivers, you’re convinced deep down that this is the right way to run a business. For you, the essence of management is getting the ideas out of the heads of the bosses and into the hands of labor. We are beyond the Taylor model: business, we know, is so complex and difficult that survival for firms . . . depends on the day-to-day mobilization of every ounce of intelligence.²

Miura threw down the gauntlet to American business: bring the brainpower of your entire organization to the competition, or prepare to lose permanently. High-performing organizations like Saint Luke’s Hospital have recognized that engaged employees (associates, team members, stakeholders, or whatever term may be used to describe employees) deliver better performance and generate satisfied customers. However, the Gallup organization estimates that over half of the nation’s employees are not engaged and a significant percentage are actually actively disengaged in their work. This chapter will:

• explain the scope of employee engagement,
• explain the importance of empowerment and principles of successful empowerment,
• provide examples of firms practicing employee engagement, and
• link engagement and empowerment to theories of motivation.
EMPLOYEE ENGAGEMENT

Businesses have learned that to satisfy customers, they must first satisfy employees. FedEx, for instance, has found direct statistical correlation between customer and employee satisfaction; a drop in employee satisfaction scores precedes a drop in customer satisfaction by about two months. Heskett, Sasser, and Schlesinger of the Harvard Business School have conducted research in a number of service operations in industries ranging from communications to banking to fast food, and they observed similar relationships. They found that as employee satisfaction increased, so did customer satisfaction and loyalty to the organization. If employees were satisfied with their working conditions and jobs, they stayed with the company, became familiar with customers and their needs, had the opportunity to correct errors because the customers knew and trusted them, and had outcomes of higher productivity and high service quality. Customers of these firms became more loyal, thus providing more repeat business, were willing to complain about service problems so that employees could fix them, and benefited from the relationship by seeing lower costs and better service, thus leading to a new cycle of increased customer satisfaction.

So how can organizations create more satisfied employees? One way is to engage them in their work and make them a part of the “fabric” of the organization. Employee engagement simply means that workers have a strong emotional bond to their organization, are actively involved in and committed to their work, feel that their jobs are important, know that their opinions and ideas have value, and often go beyond their immediate job responsibilities for the good of the organization. Engagement leads to greater levels of satisfaction among the workforce. Furthermore, engagement improves organizational performance. A survey of 55,000 workers by the Gallup Organization found that four key employee attitudes, taken together, correlate strongly with higher profits:

- Workers feel they are given the opportunity to do what they do best every day.
- They believe their opinions count.
- They sense their fellow workers are committed to quality.
- They’ve made a direct connection between their work and the company’s mission.

Related research supported the conclusions that employee satisfaction and engagement is strongly correlated with business-unit outcomes of customer satisfaction, productivity, profit, employee retention, and employee safety, and that these results generalize across organizations.

The benefits of employee engagement have become obvious to many managers, such as Art Wegner, president of Pratt & Whitney, a producer of jet
engines: “If I try to make a lot of decisions with the goal of reducing costs by 30 percent, I’m not likely to understand all the issues very well. But if you get everybody—all those people in the organization—asking themselves, ‘How am I going to get 30 percent of the costs out of there?’ the power of that is unbelievable.”

Engagement is manifest in Deming’s concept of “pride and joy” in work. A compelling example occurred in 2002 when former Southwest Airlines CEO Herb Kelleher sent a letter concerning the current fuel cost crisis to the home of every employee. “Jet fuel costs three times what it did one year ago. Southwest uses 19 million gallons a week. Our profitability is in jeopardy,” he wrote. He asked each worker to help by identifying a way to save $5 a day. That would, he explained in the letter, save Southwest $51 million annually. The response was immediate. A group of mechanics figured out how to reduce the costs of heating the aircraft. Another department offered to do its own janitorial work. Within six weeks of the letter being sent to the employees, this large organization found ways to save more than $2M.

Although engagement is relevant for all aspects of organizational performance, it plays a special role in quality improvement. Total quality requires people to make real changes in the way work is done and relies on in-depth understanding of the current system. Only employees involved in the system day to day possess such an understanding, which is why so many managers see involved employees as an integral part of total quality. As one survey concluded, “Employee involvement . . . may be viewed as creating the organizational context needed to support quality improvement processes.” The relationship between engagement and quality is summarized in Figure 9.1.

Organizations that provide an environment in which workers can do their best every single day foster engagement. This includes providing the

**Figure 9.1 HOW ENGAGEMENT LEADS TO QUALITY**

- Continuous Improvement
- Engagement
- Quality Products and Customer Service
- Job Satisfaction
right tools and equipment to do a quality job, providing recognition for a job well done, managers and supervisors showing sincere care and encouragement along with effective communication, providing a healthful and safe work environment with satisfying social relationships, and providing developmental opportunities to learn and progress. As Hal Rosenbluth, president of Rosenbluth Travel, puts it, “By maintaining an enjoyable, bureaucracy-free work environment, one that encourages innovative thinking . . . and honest communication, people are freed to concentrate solely on the needs of the clients.” (See box “Pixar’s Fun House” for another perspective.)

Employee engagement is rooted in the psychology of human needs and supported by the motivation models of Maslow, Herzberg, and McGregor. Employees are motivated through exciting work, responsibility, and recognition. Engagement provides a powerful means of achieving the highest order individual needs of self-realization and fulfillment. Employee engagement offers many advantages over traditional management practices as it:

- Replaces the adversarial mentality with trust and cooperation
- Develops the skills and leadership capability of individuals, creating a sense of mission and fostering trust
- Increases employee morale and commitment to the organization
- Fosters creativity and innovation, the source of competitive advantage
- Helps people understand quality principles and instills these principles into the corporate culture

Pixar’s Fun House

Pixar Animation Studios, creators of such innovative feature films as Toy Story and A Bug’s Life, clearly recognizes the Deming principle of bringing pride and joy to work in their workplace environment. A Bug’s Life generated enough profits for Pixar to build a new studio in Emeryville, California. From the street, it looks like an early-twentieth-century factory, but inside it’s literally a fun house. Animators whiz around on scooters down hallways that double as an employee art gallery. They watch dailies in the Bay Area’s snazziest cinema and eat lunch in an atrium outfitted with a trattoria. Anything goes for office décor. One animator created a Hawaiian tiki lodge; another built a ’60s style “love nest” complete with disco lights. As Steve Jobs stated, “[W]here you work defines you. Even though we use computers, our films are handmade, and we wanted the building to reflect that.”

Everyone in an organization is an asset, albeit an asset whose value is not automatically realized. If money is put into a closet instead of a bank, it will not gain interest. Employees who are put into jobs that are like being in a closet (in the dark, isolated) similarly will not provide value to the organization.
• Allows employees to solve problems at the source immediately
• Improves quality and productivity

Engagement begins with involvement. **Employee involvement (EI)** refers to any activity by which employees participate in work-related decisions and improvement activities, with the objectives of tapping the creative energies of all employees and improving their motivation. Tom Peters suggested involving everyone in everything, in such activities as quality and productivity improvement, measuring and monitoring results, budget development, new technology assessment, recruiting and hiring, making customer calls, and participating in customer visits. Pete Coors, CEO of Coors Brewing, explained it simply, “We’re moving from an environment where the supervisor says, ‘This is the way it is going to be done and if you don’t like it, go someplace else,’ to an environment where the supervisor can grow with the changes, get his troops together and say, ‘Look, you guys are operating the equipment, what do you think we ought to do?’” EI approaches can range from simple sharing of information or providing input on work-related issues and making suggestions to self-directed responsibilities such as setting goals, making business decisions, and solving problems, often in cross-functional teams.

EI initiatives are by no means new. Many programs and experiments have been implemented over more than 100 years by industrial engineers, statisticians, and behavioral scientists. Early attempts influenced modern practices considerably. Unfortunately, these approaches lacked the complementary elements of TQ, such as a customer orientation, top management leadership and support, and a common set of tools for problem solving and continuous improvement.

One of the easiest ways to involve employees on an individual basis is the suggestion system. An employee suggestion system is a management tool for the submission, evaluation, and implementation of an employee’s idea to save cost, increase quality, or improve other elements of work such as safety. Companies typically reward employees for implemented suggestions. At Toyota, for instance, employees generate nearly 3 million ideas each year—an average of 60 per employee—of which 85 percent are implemented by management. Suggestion systems are often tied to incentives.

Wainwright Industries developed a unique and effective approach that has been benchmarked extensively. Suggestion programs were viewed as neither systematic nor continuous, and not woven into the fabric of daily operations. Their approach was designed to overcome these shortcomings in the following ways:

• Focusing employees on small, incremental improvements within their own areas of responsibility and control
• Recognizing all employees for their level of participation regardless of the value of the improvement
• Scaling team-based improvement efforts in a way that minimizes downtime and provides people with the tools and techniques to produce successful outcomes
• Positioning supervisors as the catalyst for cultural change through a coaching and support role in the employee involvement and improvement process

The process contains two main components: individual implemented improvements and team-based system improvements. Rather than submitting suggestions for someone else to approve and implement, employees are provided with training and given the responsibility to take the initiative to make improvements on their own without prior approval within the scope of their main job responsibilities. Upon making improvements, they complete a form to document what they have done and present it to the supervisors, whose role is not to approve or disapprove, but to acknowledge the improvement and to point out any issues that the employee needs to understand. All forms submitted during the week are placed into a random drawing for some type of award determined by the individual unit. At the end of each quarter, every individual who met his or her goal of implemented improvements receives some type of valued recognition. The team-based approach breaks large initiatives into smaller manageable projects. Breaking down large tasks allows employees to understand how their individual jobs fit into the big picture and maximizes participation reduces time requirements for any particular employee. Wainwright was able to cite more than 50 implemented improvements per employee per year, far exceeding those of most American and Japanese companies.

Fostering employee creativity has many benefits. Thinking about solutions to problems at work makes even routine work enjoyable; writing down the suggestions improves workers’ reasoning ability and writing skills. Satisfaction is the by-product of an implemented idea and a job made easier, safer, or better. Recognition for suggestions leads to higher levels of motivation, peer recognition, and possible monetary rewards. Workers gain an increased understanding of their work, which may lead to promotions and better interpersonal relationships in the workplace.

**Empowerment**

Empowerment represents the highest level of engagement. **Empowerment** means giving someone power—granting the authority to do whatever is necessary to satisfy customers, and trusting employees to make the right choices without waiting for management approval. The objective of empowerment is “to tap the creative and intellectual energy of everybody in the company, not just those in the executive suite . . . to provide everyone with the responsibility and the resources to display real leadership within their
own individual spheres of competence."\textsuperscript{15} By empowering employees, organizations bring decision making down to its lowest possible level. Empowerment allows organizations to flatten their organizational structure because fewer managers are needed to “direct and control” employees. Giving employees responsibility for their own work has led not only to improvements in motivation, customer service, and morale, but also to improvements in quality, productivity, and the speed of decision making.\textsuperscript{16}

Empowerment is a natural extension of employee involvement concepts. In some companies empowerment is used as the umbrella term for increasing employee involvement in decision making. Empowerment is more than another term for involvement, however. It represents a high degree of involvement in which employees make decisions themselves and are responsible for their outcomes. This is a more radical change than having employees merely participate in managers’ decisions, even when they are given some influence (see Figure 9.2).

Examples of empowerment abound. Self-managed teams discussed in the previous chapter are perfect examples. Workers in the Coors Brewery container operation give each other performance evaluations, and even screen, interview, and hire new people for the line. At Motorola, sales representatives have the authority to replace defective products up to six years after purchase, a decision that used to require top management approval. Hourly employees at GM’s antilock brake system plant in Dayton, Ohio, can call in suppliers to help solve problems, and manage scrap, machine downtime, absences, and rework. See box “Stuff Happens” for a good example.

One survey found that more than 40 percent of the largest U.S. corporations are moderate to high users of employee involvement practices such as empowerment.\textsuperscript{17} Manufacturing, especially in the chemical and electronics industries, has tended to empower employees more than service organizations, although the financial services industry has taken a leading role.

Empowerment has even played a role in such business successes as the Ford Taurus program.\textsuperscript{18} Employee ideas were responsible for reducing the number of different welding guns on the assembly line from three to one and for developing a standard screw size for use in the car’s interior plastic moldings. Although these changes may not sound very dramatic, a Ford executive estimated that such ideas often are worth more than $300,000 each.

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**Figure 9.2** CONTINUUM OF EMPLOYEE INVOLVEMENT PRACTICES

<table>
<thead>
<tr>
<th>Participation</th>
<th>Empowerment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
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<td>Small</td>
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Change from Traditional Organization
The need to empower the entire workforce in order for quality to succeed has long been recognized, even if it is only recently coming into practice. Five of Deming’s 14 Points relate directly to the notion of empowerment.

Point 6: Institute training.
Point 7: Teach and institute leadership.
Point 8: Drive out fear. Create trust. Create a climate for innovation.
Point 10: Eliminate exhortations for the workforce.
Point 13: Encourage education and self-improvement for everyone.

Juran wrote that “ideally, quality control should be delegated to the workforce to the maximum extent possible.” Empowerment resembles Juran’s concept of “self-control.” For employees to practice self-control, they must know their unit’s goals and their actual performance and have a means for changing performance if the goals are not being met. Although it is a difficult struggle, organizations are increasingly meeting these conditions.

Stuff Happens

Jim Kelly, UPS chairman and CEO recounted an example of empowerment in a speech at Rutgers University:

At UPS, we’ve got thousands of heroes every day. Not the kind that make headlines, but the kind that do make a difference.

For instance, there’s the story of an account executive who took responsibility for a damaged parcel that was packed incorrectly. This particular parcel was a rare numbered art print sent by an elderly home-bound couple in Florida to their son in Wisconsin.

The print was valued at $350, but it had much greater emotional value. It was a beautiful limited edition of an elk in a forest, and the couple sent it as a best wishes offering to their son who raised elk on his farm. It arrived in Wisconsin badly damaged. The elderly couple was devastated.

However, our account executive in Wisconsin wanted to help. A wildlife art collector himself, he knew that most artists keep a couple of extra unnumbered prints around for such misfortunes. He contacted the artist in Florida, had a new print renumbered and shipped back to Wisconsin. He then personally delivered it to the delighted son. The son was impressed. His parents were overjoyed. The point is, one of our people took a lot of initiative and responsibility for a problem he didn’t even directly cause. He took a bad situation and turned it into a customer-for-life situation.
For empowerment to occur, managers must undertake two major initiatives:\(^{(23)}\)

1. identify and change organizational conditions that make people powerless, and
2. increase people’s confidence that their efforts to accomplish something important will be successful.

The need to do both of these implies that organizational systems often create powerless employees and that these systems must be changed first. Examples of systems in need of change are those that specify who can (and cannot) make certain types of decisions and systems of standard operating procedures (and who can override them). Even when systems are changed to permit empowerment, individuals who have lived under those systems are not readily able to operate in an empowered manner. The other need in empowering people is to deal with the psychological aftereffects of powerlessness by convincing people that they are in fact able to “make a difference.” Empowerment is an application of the teamwork principle of total quality, embodying “vertical” teamwork between managerial and non-managerial personnel. If employees are given important responsibilities—and the authority that goes along with them—it is more realistic to describe their relationship with management as teamwork than it would be in a hierarchical system. After all, people can hardly be seen as team members if they only execute decisions made by others.

The traditional treatment of employees by American managers led W. Edwards Deming to plead with managers to drive out fear—defined as “feeling threatened by possible repercussions as a result of speaking up about work-related concerns.”\(^{(24)}\) Today managers in quality-oriented companies, hampered by decades of policies encouraging employees to keep their ideas to themselves, struggle to find ways to encourage employees to take responsibility for their work.

**Principles of Empowerment**

Although many organizations have undertaken the journey toward empowerment, many have become lost along the way. Empowerment may sound easy, but there is a lot more to it than telling employees they are (poof!) empowered, like the Fairy Godmother’s transformation of Cinderella before the ball. A number of principles are involved in successfully giving power to employees.

**Empower Sincerely and Completely**

It should go without saying that empowerment must be done sincerely. It cannot be done superficially. One executive observed that in many large companies, empowerment is 90 percent psychological and only fractionally real.\(^{(25)}\) To gain its benefits, managers must empower for its improvement value, not for its public relations value. As Dan Ciampa, a consultant with
expertise in empowerment, puts it: "Simply bringing employees together once a month and exhorting them to work harder to achieve the business’s objectives is not enough."26

A process is needed that enables them to make significant improvements in their own work area that help meet the business imperatives in a way that will satisfy the needs of the individual employee.27 Furthermore, nothing could be worse for employees than to be told they are responsible for something, only to be jerked back at the first sign of trouble or uncertainty. Managers must think long and hard before making the commitment to empowerment—once done, it can’t be done halfway. Semi-empowerment just doesn’t work. Senior managers need to ask three critical questions:

1. How can I make fewer decisions, thereby letting others become more involved in managing the business?
2. How can I teach others how to make solid decisions once they’re given the chance?
3. How can I recruit others to be more aware of changes that need to be made in order to keep our company competitive—and then help them feel they can make these changes without begging for permission each and every time?28

This does not mean that there should be no limits. On the contrary, managers must be clear on exactly what responsibility and authority rests with employees. Questions such as “What procedures can we change?” and “How much money can we commit?” must be answered ahead of time. Finally, managers must be willing to wait for results, as miracles do not happen overnight.29

Establish Mutual Trust

As Juran has put it, “The managers must trust the workforce enough to be willing to make the delegation, and the workforce must have enough confidence in the managers to be willing to accept the responsibility.”30 Trust is not created just by saying you trust someone; it must be backed up by actions (see box “All You Need Is Trust”).

In one plant utilizing self-managed teams, trust was symbolized by giving each new employee a key to the plant, a highly unusual practice.31 The ultimate issue for many employees, however, is job security. They must trust that management will not take advantage of productivity increases to cut the workforce, in effect working themselves out of a job. Firms embarking on employee involvement activities often make explicit commitments to this effect to employees.32 Southwest Airlines, for example, has never downsized a single employee, even through jet fuel spikes, recessions, and the Gulf War.

Even in the aftermath of the September 11, 2001, terrorist attacks, when competitors announced job cuts of 20 percent, Southwest managers schemed
how to cut costs by delaying deliveries of new planes and scrapping plans to renovate headquarters. CEO James F. Parker noted, “We are willing to suffer some damage, even to our stock price, to protect the jobs of our people.” Think employees are fiercely loyal? You bet. And empowerment is a major principle of the airline’s philosophy, as the example in Chapter 4 illustrated.

Provide Employees with Business Information

For empowerment to succeed, it must focus on making the organization more competitive.34 Empowerment can contribute to organizational performance only if employees have access to the necessary information about the

All You Need Is Trust33

Texas Nameplate Company (TNC), a small (fewer than 70 people), privately held firm founded in 1946, makes nameplates, the small metal tags with etched lettering that get riveted to refrigerators, computers, high-pressure valves, and military equipment. When serious work started on reducing nonconformances through statistical process control in 1992, total nonconformances amounted to about 15–18 percent of billing—a significant amount of lost profit. Improvement activities were able to drive that rate down to 3.7 percent by 1997, in an industry that averages around 10 percent. But Dale Crownover, the company president, wasn’t happy.

TNC started a gainsharing plan that distributed bonuses equally to all employees, beginning with nonconformance rates of less than 5 percent. Results were posted daily. By the end of 1997, TNC employees whittled nonconformances down to 1 percent. In January 1998, in an attempt to further carve away at the problem, TNC did away with its quality control department. In the first month following that move, which Crownover said was part of the company’s strategic plan, nonconformances were cut in half.

Quality improvement now comes through DOIT—Daily Operation Innovation Team—consisting of supervisors who meet every other week to discuss accomplishments and opportunities for further improvements. They are charged with sharing information discussed at meetings with their employees.

“People on the floor can figure out what’s happening and make adjustments the fastest,” says Troy Knowlton, company operations manager. He added that they are quick to help out when one person is having a problem; they know what’s at stake. “People listen to peers more than supervisors. We tried that for 45 years, and it didn’t work. We have found the value of letting people do the work, with management providing the guidance.” Not surprisingly, in 1998 TNC became the smallest company ever to win a Baldrige Award and repeated this accomplishment a second time (see the opening Performance Excellence Profile in Chapter 7).
business and its performance, such as their personnel files and resources such as the quality improvement budget.³⁵ Information about the employees’ department or other subunit is particularly necessary, as this is the level of performance that they can affect. Sharing business information with employees relates directly to quality, customer service, and competitiveness.³⁶ At DuPont’s Delaware River plant, for example, management shares cost figures with all workers.³⁷ By sharing this information, management believes that workers will think more for themselves and identify with company goals. To help employees make decisions on issues affecting production, a department manager at Texas Eastman Chemicals Plant supplied operators with a daily financial report that showed how their decisions affected the bottom line. As a result, department profits doubled in four months and quality improved by 50 percent as employees began suggesting cost-saving improvements.³⁸

In the absence of appropriate information, empowered employees may squander their power on problems that are not very important. As Peter Senge has put it, “Empowering the individual where there is a relatively low level of alignment [between organizational and employee goals] worsens the chaos and makes managing . . . even more difficult.”³⁹

The criticism of misplaced goals was often leveled at earlier employee involvement efforts, such as quality circles. Although managers formerly blamed employees for having the wrong priorities, sophisticated managers today recognize that they are responsible for providing employees with the information necessary to develop educated priorities.

**Ensure That Employees Are Capable**

“You can’t empower incompetence,” says one manager. If employees are going to take on important organizational responsibilities, they must be prepared to do so. To operate in an empowered, TQ environment, employees must possess not only technical skills (including statistics) but also interpersonal and problem-solving skills (see box “Spilling the Beans: Secrets of Starbucks’ Success”). Unfortunately, many people entering the workforce today lack even the most basic skills in reading and math, let alone these relatively advanced skills.⁴⁰

Employee capability can be ensured through selection and training processes. Unless the human resource processes are adapted to provide capable employees, empowerment cannot succeed, and management’s worst nightmares will be realized. Unfortunately, many employees are not trained in these areas, which helps explain the mixed results many organizations have had with empowerment.⁴¹

A Corning Glass plant in Erwin, New York, exemplifies this principle.⁴² The union agreed to replace 21 different jobs with one “specialist” job. Employees were placed in teams and given broad authority over production scheduling and the division of labor. Did a bright new day dawn at Erwin?
Not exactly. Conflict and confusion went up, and productivity went down. Plant manager Gary Vogt concluded: “We took steps to empower people, but the desired outcomes were not reached because we had not prepared them.” An elaborate training program was created, and workers now become certified for the various tasks in the operation through testing. The promise of empowerment is now being fulfilled, and quality and productivity have increased.

Empowerment also requires that employees understand their appropriate limits of discretion. While we have noted before that Ritz-Carlton employees can spend up to $2,000 to satisfy a customer, they are trained to do this appropriately. Whenever they apply this privilege, they must complete a report that explains the problem and actions taken, which is evaluated to determine why the problem occurred, take preventive measures, and ensure that the empowered action taken was appropriate.

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Spilling the Beans: Secrets of Starbucks' Success

Starbucks Coffee, which grew from a small Seattle retailer to a national phenomenon, can be found in cities and airports across America, as well as up in the friendly skies. Its consistency and precision stem from its employee training program. All “partners,” as employees are called, complete five classes during their first six weeks with the company, including “Brewing the Perfect Cup,” “Coffee Knowledge,” and “Customer Service.” All partners have to memorize and practice the rules. Milk must be steamed to at least 150° F but never more than 170° F. Every espresso shot must be pulled within 23 seconds—or tossed. Trainers demonstrate how to wipe oil from the coffee bin, open a giant bag of beans (“In a sanitary manner! You never put your hand in there!”), and clean the milk wand on the espresso machine (“It’s like blowing a little boy’s nose”). They demonstrate how to fill sacks with coffee and affix a sticker exactly one-half inch over the Starbucks logo. Practicing on lattes, the trainer cries out, “Fabulous foam! It’s okay to practice in your stores. Pull ten shots and dump ‘em. And what does it taste like when the milk in your latte is 190° F? Be a mad scientist behind the bar . . . you’ll understand why customers complain.”

Three guidelines (Star Skills) govern interpersonal relations: maintain and enhance self-esteem, listen and acknowledge, and ask for help. Throughout the training, partners are encouraged to share their feelings about selling, about coffee, about working for the company. They also learn relaxation techniques so they can focus on the cappuccinos, to take personal responsibility for the cleanliness of the coffee bins—even when it’s someone else’s job—and to treat partners respectfully and do the right thing when one of them spills a gallon of milk.
Don’t Ignore Middle Management

A well-known principle of organization theory popularized by Deming is that organizations are systems. When changing one part of an organization, it is necessary to consider the effects of the change on other parts of the system. Thus, managers must consider how empowering lower-level employees will affect middle managers. If the needs and expectations of middle managers are ignored, empowerment will be confusing at best and disastrous at worst. One manager described the situation with middle managers in his company like this:

We pretty much promoted people because of their technical knowledge, not their management skills. Therefore we have a group of people in supervisory positions who aren’t people-oriented; they don’t know how to get the ideas and the solutions and better ways of doing things out of their people. And they are not receptive to employee-involvement programs, they are not receptive to too much change in their lives, they feel comfortable in this doing role rather than a coaching or facilitator’s role. So therefore we have to train these people to think differently and manage their departments from a management point of view rather than a doer’s point of view. . . . It’s the middle management transition from the old style of management to today’s new style of management that’s the problem, that stops companies from getting where they need to be as fast as they need to get there.

Among the roles for middle managers in organizations with empowered workforces are:44

• maintaining focus on the organization’s values,
• managing solutions to system-level problems (those that involve many functions and departments), and
• acting as teachers and coaches.

It’s tempting to think of middle managers faced with empowerment efforts as dinosaurs, rapidly becoming extinct because the world has changed too quickly for them. However, remember that most middle managers are a product of their organizations and have attained their level of success in an environment that rewarded different things than are needed from managers now. Given a new set of instructions from top management, backed up by new performance appraisal criteria, many (but far from all) managers will be able to make the necessary transition.

Change the Reward System

Rarely can substantial organizational change be created without changing the reward system. When organizations ask employees to assume new
challenges and responsibilities, the question “What’s in it for me?” ultimately gets asked. The reward system includes all of the rewards that employees receive, as well as the criteria for distributing these rewards. An organization is to its reward system like a boat is to its anchor: unless the reward system is changed, the organization may drift a little bit in one direction or another, but it won’t get very far.

It is hard to specify exactly what kind of reward systems will be needed to complement empowerment. Some of the practices common to organizations utilizing employee involvement include pay-for-skills, in which employees’ pay increases as they learn new job-relevant skills, and profit-sharing, in which employees receive bonuses related to the profits of their organization. Nor should intrinsic rewards be overlooked: simple but sincere expressions of appreciation by supervisors, a picture in the company newsletter, or an evening of celebration upon a major accomplishment may be of tremendous value to employees who have seldom received any recognition at all in the past (see box “Caught Doing Things Right”). In fact, a Conference Board survey found that noncash recognition for hourly/production workers was found to be effective to “great/some extent” by 84 percent of business units in contrast to only 63 percent for cash recognition.

Caught Doing Things Right

When the chicken strips at a KFC sold out that day, a customer had to wait while employees cooked up a fresh batch. One employee working the lunch shift, apologized for the delay and offered the man a free side item so he wouldn’t go hungry. She and her team members “were just so attentive to me,” the customer recalls. It was no ordinary customer experience—and the man, it turned out, was no ordinary customer. As senior VP of public affairs at Yum Brands Inc. (formerly Tricon Global Restaurants), KFC’s parent company, Jonathan Blum was in a position to recognize employees going the extra mile. Blum hurried back to nearby Yum headquarters, grabbed one of his signature awards—a seat belt on a plaque, symbolizing the “roller coaster” nature of the restaurant business—and returned to the KFC to fete Gardner. “In front of all her peers, I said, ‘You didn’t know that I work at Yum. I want you to know how proud I am of you.’” Today, a photo of a beaming Gardner hangs in Blum’s office.

In Yum parlance, they call it “catching people doing things right”—taking time to notice and publicly reward employees who exceed expectations. “People innately want to be recognized for their hard work,” says Yum chairman and CEO David Novak.
As one example, in October 1994, Continental Airlines’ new CEO Gordon Bethune calculated that late and canceled flights were costing the company $6 million per month to put passengers on rival airlines or send them to hotels. He declared that if Continental ranked among the top three airlines for on-time performance in any month, he would split half the savings (about $65 per person) with all non-executive employees. Within two months, Continental was first. To ensure that the bonuses made a vivid impression, Bethune issued the checks separately and traveled around the country to distribute thousands of them personally. The behavioral changes are best illustrated by a story executives like to retell. A catering truck pulls up to a plane but is 10 meals short. In the old days, the flight attendant would have told the driver to get the extra meals while the plane sat at the gate for 40 minutes. The newly gung ho flight attendant, however, crisply tells the catering guy not to screw up again and shuts the cabin door. The plane pushes back on schedule, and she finds a bunch of investment bankers and offers them free liquor in place of the meal.48

**Employee Engagement in Action**

We present three examples of how empowerment is practiced followed by some observations as to its lack of universal appeal.

**DynMcDermott**

DynMcDermott (DM) Petroleum Operations Company was profiled at the beginning of Chapter 4, as the sole contractor responsible for managing the U.S. Strategic Petroleum Reserve for the Department of Energy. DM addresses many of the factors discussed in this chapter with respect to employee engagement and empowerment. Cooperation, initiative, innovation, and empowerment are the basis of their high performance values-based culture. All employees are empowered to innovate and improve processes and complete their work in self-directed informal and formal functionally diverse work groups and/or teams. Formal teams are chartered, managed, and members trained just in time during the Performance Improvement (PI) process, which uses Six Sigma and lean tools to systematically analyze processes and reduce variation and waste.

DM adapts to changing business needs through individual empowerment and authority and when additional resources are required, uses teams with members from different functions, disciplines, and locations, including supplier/contractor personnel, to capitalize on diverse skills and facilitate interdepartmental cooperation. They use teams for major initiatives, continuing responsibilities, and improvements. One major DM initiative, Vapor Pressure, was a new requirement developed as a result of using leading indicator measures. To maximize cooperation, coordination, and ensure that appropriate skills were in place to support this initiative, this project was
managed by a cross-functional project team. This included development of work task assignments, job descriptions, recruitment, and training resulting in a successful start-up of the Vapor Pressure plant in April 2004.

The DM employee performance management system uses performance evaluations to manage an employee’s career, set work goals, reinforce and reward good performance, provide timely feedback to each employee on their performance, and to establish Individual Development Plans (IDP) that ensure the employee has support for career development. DM strongly supports training and allots resources for individual development. Employee performance evaluation procedures require that employees’ goals directly support organizational goals, action plans, and reinforce an understanding of how their performance contributes to DM’s success. Periodically, HR also conducts a complete review of each job to ensure that job descriptions remain relevant to the DM mission and that employee skill requirements remain aligned with business needs and customer requirements. This systematic process provides each employee with the opportunity to participate in the overall evaluation process; supports employee job ownership in support of DM’s action plans to achieve the Mission; and facilitates the timely identification of employee training and development needs, as required, to maximize agility and responsiveness to changing mission requirements. One of the most important rewards is employee profit sharing based on DM’s performance fee received from DOE, which is based on overall company performance.

As part of DM’s annual merit increase funding process, HR conducts a comprehensive evaluation of the compensation program, which includes a thorough review of industry practices and measurement of key program components, such as salary range structures to ensure that this program is capable of attracting and retaining high-performing employees with the appropriate skills. DM participates in a number of national salary benchmarking studies to support this effort and, by using this comparative benchmarking data, DM is able to gauge the competitive market and determine adjustments needed to sustain its competitive position as defined in its Compensation Plan.

DM recognizes the need to maintain a highly talented workforce, especially due to the special needs of the SPR and recent budget reductions. To accomplish this, each manager works with his employees during the performance evaluation process to review organizational goals and personal goals in relation to the employees’ position. They review the previously agreed-upon training plan and update it to enable the employee to achieve his/her stated goals. DM offers a continuing education reimbursement program for employees. Employees are able to pursue undergraduate, graduate, and single course study programs. In addition, employees can choose conferences and seminars to develop their potential. Job and career development are part of the annual performance evaluation process. Employees work with their managers to select development objectives for the coming year and together review accomplishment of the previous year’s goals.
The Ritz-Carlton Hotel Company, L.L.C.

“Ladies and gentlemen serving ladies and gentlemen.” That’s how Horst Schulze, former president of The Ritz-Carlton, described customer service in his company. Although in some companies the emphasis on customers might seem to diminish the importance of employees, The Ritz-Carlton has found a way to treat both groups with dignity and respect. Its efforts in this direction were rewarded with a Malcolm Baldrige National Quality Award.

Living out the ideal of respect for both customers and employees requires some subtle compromises. Many guests, whose schedules are very demanding, want breakfast delivered to their rooms within 30 minutes after it is ordered. However, chefs work at different paces, and not all menu items can be prepared within this time. The solution was to offer only certain items with a half-hour guarantee and to provide time ranges for others, so that different chefs can work in their preferred manner. In this way both customers and chefs are satisfied.

Schulze dramatizes the importance of employees when he introduces himself to them: “My name is Horst Schulze. I’m president of this company; I’m very important. [Pause.] But so are you. Absolutely. Equally important.” Employees’ feeling of importance may be responsible for a turnover rate that is less than half the industry average.

Ritz-Carlton relies heavily on employees’ suggestions for quality improvement. Its goal is to have twice as many employee complaints as customer complaints—the rationale being to resolve problems before customers experience them. Sometimes managers have to take a deep breath before implementing employee suggestions. Schulze himself received a proposal from a room service waiter to spend $50,000 to implement a recycling program.

The company’s commitment to empowerment was sufficient to make the investment, which has really paid off: weekly garbage pickups have been reduced by two days, and The Ritz-Carlton now sells its cardboard and paper, rather than paying someone to take it away. The changes save $80,000 a year, so the initial investment was quickly paid back.

Los Alamos National Bank

Los Alamos National Bank (LANB) is the largest independent bank in New Mexico. In the mid-1990s, employee survey results revealed that workers did not understand their role in the bank’s strategic direction. Under the leadership of LANB’s Quality Council, which has members from every area and level of the company, the performance appraisal system was redesigned to magnify the direct link between job performance and corporate performance.

The form used for this system lists corporate goals, departmental objectives, and the annual and long-term goals of the employee, which he or she writes in consultation with a supervisor. Employees also complete a personal self-assessment of their strengths and of opportunities to improve their
customer-service skills and technical competence. Once they complete the annual appraisal process, employees have a complete snapshot of what they must do to perform at a high level and to earn the attendant incentives and rewards, which include profit sharing and employee stock ownership. Such incentive payouts average over 21 percent of an employee’s annual salary.

Employee empowerment is vital to accomplishing LANB’s goals for performance improvement and double-digit growth in annual income. Management consciously acts to distribute leadership responsibilities throughout the organization. In fact, over 90 percent of LANB’s employees received leadership training in 1999 as compared to 8 percent of bank employees nationally.

Employees are expected to create value for customers, and they are given the authority and resources to act proactively and decisively. For example, all workers have the authority to resolve complaints on the spot. Also, high lending limits and flexible underwriting standards enable loan officers to respond innovatively to loan applicants with special circumstances. Yet, LANB’s charge-offs for loan losses (as a percentage of average assets) have been declining since 1997 to about one-third the average percentage for local competitors. The bank’s empowerment strategies were clearly evident during the 2000 Cerro Grande fire that ravaged over 48,000 acres and destroyed 280 homes, when employees set up shop without direct supervision in schools and other locations to keep the bank running and provide extraordinary measures to help the community overcome the crisis.

**When Empowerment Doesn't Work**

Beverly Reynolds thought she wanted to be an empowered worker. After nine months at an Eaton Corporation plant, however, she left for another job. Although she liked the idea of being her own boss, she hated the headaches that came with it—fixing broken machines and having to learn a wide variety of jobs.

Many workers prefer the old-style approach with narrowly defined tasks and find that an empowered organizational culture is simply not for them. Saturn Corporation, for instance, found that many job candidates from old-style General Motors plants just couldn’t adjust to a new style of work. This provides a big challenge to organizations to recruit the right people at the outset.

Other efforts at empowerment have failed because of the inability of management to understand and implement it properly. Among the reasons for failure are:

- Management support and commitment is nonexistent or not sustained.
- Empowerment is used as a manipulative tool to ensure employees complete tasks and assignments without giving them any real responsibility or authority.
- Managers use empowerment to abdicate responsibility or task accountability, accepting accolades for successes and assigning fault to others for failure.
- Empowerment is deployed selectively, segmenting the workforce into those who are empowered and those who are not.
• Empowerment is used as an excuse to not invest in training or employee development.
• Managers fail to provide feedback and do not recognize achievements.

These problems can be avoided by applying the principles discussed earlier in this chapter.

Motivation

Without willing, sustained, individual effort and coordinated teamwork focused on meeting organizational goals, TQ is an impossible dream. However, when organizations ask employees to assume new challenges and responsibilities, the question “What’s in it for me?” ultimately gets asked. Understanding human behavior and motivation are major elements of Deming’s Profound Knowledge discussed in Chapter 1. Deming spoke of motivation as being primarily intrinsic (internal), and was suspicious of extrinsic (external) forms of motivation, such as incentives and bonuses, even though they are popular with business organizations and appear to positively reinforce employees.

Both extrinsic and intrinsic rewards are vital to sustained individual efforts. As managers in a TQ environment increasingly take on the roles of coaches and facilitators, their skills in motivating employees become even more crucial. There is no such thing as an unmotivated employee, but the system within which people work can either seriously impede motivation or enhance it. Compensation, recognition/reward systems, and the work environment must be carefully designed to motivate employees to achieve organizational as well as personal objectives.

Compensation

Compensation is always a sticky issue, closely tied to the subject of motivation and employee satisfaction. Although money can be a motivator, it often causes employees to believe they are being treated unfairly, and forces managers to deliver negative messages. Eventually, it diminishes intrinsic motivation and creates win-lose situations. The objectives of a good compensation system should be to attract, retain, and not demotivate employees. Other objectives include reducing unexplainable variation in pay (think about Deming’s principles) and encouraging internal cooperation rather than competition. Most companies still use traditional financial measures, such as revenue growth, profitability, and cost management, as a basis for compensation; more progressive organizations use quality measures such as customer satisfaction, defect prevention, and cycle time reduction to make compensation decisions.

Many companies link compensation to company track records, unit performance, team success, or individual achievement (see box “Compensation for Motivation”). For instance, Medrad bases its pay range on market
Nucor Corporation, one of the nation’s largest steel producers, is well-known for having succeeded in attacking quality, productivity, participation, and compensation issues. Nucor has more than 6,000 employees in plants in the United States. All employees, from the president on down, have the same benefits; the only differences in individual pay are related to responsibilities. Workers at Nucor’s five nonunion steel mills earn base hourly rates that are less than half of the going rate for unionized steelworkers. Nucor uses pay incentives designed around groups of 40 to 50 workers, including secretaries and senior managers. They offer four basic compensation plans:

1. **Production Incentive Plan**. Employees involved directly in manufacturing are paid weekly bonuses on the basis of production of their work groups, which range from 20 to 40 workers each, and can average 80–150 percent of the base wage. The bonuses are paid every week to reinforce motivation. The average worker at Nucor earns several thousand dollars per year more than the average worker in the industry, whereas the company is able to sell its steel at competitive worldwide market prices.

2. **Department Manager Incentive Plan**. Department managers earn incentive bonuses paid annually based primarily on the return on assets of their facility.

3. **Nonproduction and Nondepartment Manager Incentive Plan**. Participants include accountants, engineers, secretaries, and other employees. The bonus is based on the facility’s return on assets. Each month every operation receives a report showing progress, which is posted in the employee cafeteria or break area to keep employees appraised of their expected bonus levels throughout the year.

4. **Senior Officers Incentive Plan**. Senior officers do not receive profit sharing, pension, discretionary bonuses, or retirement plans. A significant part of their compensation is based on Nucor’s return on stockholder’s equity above a certain minimum earnings. If Nucor does well, compensation is well above average, as much as several times base salary. If the company does poorly, compensation is limited to base salary, which is below the average pay at comparable companies.

During downturns, managers at Nucor frequently find that their bonuses are cut, even while hourly workers continue to receive theirs, based on production rates. However, even in tough times, Nucor maintained its policy of no layoffs as it had throughout the history of the current company. More about the Nucor story can be found on its Web site at [http://www.nucor.com](http://www.nucor.com).
pricing rather than on an internally focused job evaluation process. In 2001, a cross-functional project team developed a market-based compensation system that reinforced the goals and objectives of the company and pays base pay in the top quartile of similar positions in the market. The team redesigned the pay structure to:

- Retain and attract high performance individuals at all levels of the company;
- Align individuals and teams with corporate goals;
- Support Medrad’s culture and employee growth and development; and,
- Maintain the view of base pay as one component of total compensation that also includes variable incentive pay, gainsharing, benefits, and other rewards and programs.

Medrad uses role profiles to match all jobs to market salary data. The new pay equation combines market value for a given job with the unique qualities of the individual. Every job now has a market range with a target zone. Medrad’s goal is to move employees to their target zone over time, based on their performance and experience.

Team-based pay and gainsharing, an approach in which all employees share savings equally, are gaining in popularity and importance. Compensation for individuals is sometimes tied to the acquisition of new skills, often within the context of a continuous improvement program in which all employees are given opportunities to broaden their work-related competencies.

**Recognition and Rewards**

Special recognition and rewards can be monetary or nonmonetary, formal or informal, individual or group. These rewards might include trips, promotional gifts, clothing, time off, or special company-sponsored awards and events. Most important, rewards should lead to behaviors that increase customer satisfaction. Whatever the recognition, it should have symbolic value that employees can inspire employees in the future. A Conference Board study found that a combination of cash and noncash recognition works better for clerical and hourly workers than for managers and professional/technical employees; for these groups, compensation-based incentives such as stock options are more successful.

Recognition provides a visible means of promoting quality efforts and telling employees that the organization values their efforts, which stimulates their motivation to improve. Employees should contribute to the company’s performance and recognition approaches. L.L. Bean, for example, gives dinners or certificates exchangeable for merchandise. Winners of “Bean’s Best Awards” are selected by cross-functional teams based on innovative ideas, exceptional customer service, role modeling, expertise at their jobs, and exceptional management ability.56
Certain key practices lead to effective employee recognition and rewards:

- Giving both individual and team awards. At The Ritz-Carlton, individual awards include verbal and written praise and the most desirable job assignments. Team awards include bonus pools and sharing in the gratuity system. Many companies have formal corporate recognition programs, such as IBM’s Market Driven Quality Award for outstanding individual and team achievements in quality improvement, or the Xerox President’s Award and Team Excellence Award.

- Involving everyone. Recognition programs should be available to everyone in the organization, including both front-line employees and senior management. A Monsanto Company chemical plant ties worker bonuses to results at individual units and rewards workers for helping to prevent accidents. What is particularly interesting is that different programs exist in different Monsanto plants—all developed with the participation of workers. Bonus plans that failed had been ones decreed by corporate headquarters, rather than those formulated in cooperation with employees.

- Tying rewards to quality based on measurable objectives. Rewards should lead to behaviors that increase customer satisfaction and quality. When Custom Research, Inc. attains a specific corporate goal, the entire company is taken on a trip to destinations such as San Francisco and Disney World!

- Allowing peers and customers to nominate and recognize superior performance. Employees at FedEx who receive favorable comments from a customer are automatically nominated for the Golden Falcon Award. Recipients chosen by a review committee receive a gold pin, a congratulatory call from the CEO, recognition in the company newsletter, and 10 shares of company stock.

- Publicizing extensively. Many companies recognize employees through newsletters, certificates and pins, special breakfasts or luncheons, and annual events such as competitions. Making recognition public reinforces its significance, and having top managers preside in giving recognition sends an important message that they really understand and appreciate employees’ efforts.

- Making recognition fun. Domino’s Pizza stages a national Olympics, in which teams from the company’s three regions compete in 15 events based on 15 job categories, such as doughmaking, driving, answering the telephone, and delivery. Winners, standing on platforms while the Olympic theme is played, receive medals, checks, and other forms of recognition. The finals are broadcast live to commissaries around the country.

**Work Environment**

Working in an organization that cares for its employees is perhaps the best form of motivation (see box “Working for the Best”). Most companies provide many opportunities to enhance the quality of working life. They
can provide personal and career counseling, career development and employability services, recreational or cultural activities, daycare, special leave for family responsibilities or for community services, flexible work hours, outplacement services, and extended health care for retirees. Johnson & Johnson’s Ethicon Endosurgery Division, in Blue Ash, Ohio, has a Wellness Center with exercise rooms and equipment to support employees in their manufacturing and R&D facility. Employees can use the center before or after working hours or during their breaks. In addition, those workers who are assembling products get regular, programmed “ergonomic” breaks every few hours, where they are required to do exercises designed to prevent repetitive motion injuries. All of these opportunities contribute to creating a more productive, safer, and more enjoyable in work environment.

**EMPLOYEE ENGAGEMENT AND THEORIES OF MOTIVATION**

The TQ perspective of employee engagement, and empowerment in particular, are quite consistent with organizational behavior (OB) theory. In fact, most TQ-based thinking about empowerment and motivation is derived, directly or indirectly, from OB theory. Managers’ willingness to accept these ideas and put them into practice, however, has been greatly increased by the incorporation of these ideas into the total quality package.

A few examples should serve to make our point. The idea that quality problems are usually attributable to management-created systems rather than employee motivation was proposed by organizational psychologist Chris Argyris. Rensis Likert described an organizational system he called “System IV,” which featured empowered workgroups and cross-functional
teams. Douglas McGregor developed the well-known “Theory Y” approach to managing employees, which is based on the assumption that people wish to do a good job and emphasizes that people in organizations should make decisions for themselves. These are the fundamental principles of the human side of performance excellence, but they were developed decades ago by theorists concerned with reconciling the psychological needs of people and the economic needs of businesses.

The performance excellence philosophy is also consistent with several more recent theories of work motivation. This means that implementing the principles of TQ should result in increased employee motivation, because the kinds of changes that TQ represents are among those that theories say will result in increased effort on the job. Specifically, the following sections discuss performance excellence in terms of job characteristics theory, acquired need theory, and goal setting theory. The theories themselves are not described in detail, as they are covered in OB and management textbooks. Here they are compared to total quality practices.

**Job Characteristics Theory**

The job characteristics theory (JCT) states that people will be more motivated to work and more satisfied with their jobs to the extent that their jobs possess certain core characteristics: skill variety, task identity (doing a meaningful unit of work), task significance, autonomy, and feedback. If jobs do not have such characteristics—that is, involve few skills and give workers little control over what they do—most employees are likely to be unmotivated and dissatisfied. This theory, developed by Hackman and Oldham, is described in Figure 9.3.

In general, we would expect a performance excellence focus to increase the motivating potential of jobs through increases in the foregoing task characteristics. In fact, performance excellence practices resemble some of the steps recommended by job design experts for making jobs more motivating. For example, getting people involved in problem solving and other quality improvement activities should increase both the variety of skills they use in their jobs and their perception of doing a meaningful unit of work. Empowerment should increase the degree of autonomy people feel they have in doing their work. Focusing their efforts on increasing customer satisfaction should increase people’s perception of the significance of their roles in the organization.

Three factors have been identified that will influence the way people react to jobs that have high levels of the task characteristics: knowledge and skill, growth-need strength, and satisfaction with contextual factors. Knowledge of how to do one’s job should be enhanced by the training that often accompanies performance excellence initiatives and empowerment. Growth-need strength, by contrast, is rooted in people’s personalities and is unlikely to be affected by TQ. Satisfaction with contextual factors (company
policies, working conditions) may increase with implementation of performance excellence, as various groups in the organization make improvements to satisfy internal customers. This means it is likely not only to increase the levels of task characteristics that people find motivating, but also to change two of the three factors that influence how people react to these characteristics, in such a way that they are more likely to find such jobs motivating. Such work design practices prevalent in high-performing organizations as job enlargement, job rotation, and job enrichment are supported by this theory.

**Acquired Needs Theory**

Another perspective on employee motivation states that people are motivated by work that fulfills their needs. Specifically, the need for achievement, the need for affiliation, and the need for power have been the subjects of extensive research. People who have a strong need for achievement will work hard to reach a high standard of excellence. The need for affiliation refers to the desire to have close relationships with other people, for example as part of a team. The need for power is the desire to have influence over one’s environment and the people in it.

How will the implementation of performance excellence, including empowerment practices, influence people who are motivated by these needs? As research has not addressed this question, we can only speculate. The need most likely to be fulfilled by participation in quality-based initiatives is
the need for affiliation. The most obvious way this would occur is through the formation of self-managed or cross-functional teams. A TQ focus promotes close relationships between people in the same or different subunits, and even in different organizations in the customer-supplier chain.

The connection between quality and the need for achievement is a bit murkier. Effective utilization of quality principles should allow organizations to achieve higher levels of performance in such areas as quality and customer satisfaction, but these achievements are likely to come through team, rather than individual, efforts. Thus, the opportunity to participate in such efforts is likely to motivate people with high achievement motivation only if they can see the relationship between their own work and team performance and feel a sense of achievement on that basis. Performance excellence and empowerment are likely to be motivating for employees with a high need for power. In fact, employees with a high need for power are likely to be quite frustrated with traditional organizations that give them little influence. Empowerment, if it follows the principles described in this chapter, should go a long way toward reducing this frustration and provide newfound motivation for individuals with a high need for power.

However, empowerment can be a double-edged sword. Middle managers whose subordinates are being empowered may feel that their own needs for power are less fulfilled in a performance excellence environment. This need not occur, as empowerment of lower-level employees should be accompanied by finding new and fulfilling roles for middle managers. Many organizations will not be able to accomplish this, however, and even if they do, a certain number of middle managers with a high need for power will miss the old “command and control” type of organization.

Goal-Setting Theory

The central insight of goal-setting theory is that people whose goals are clear will work more quickly, perform better, and generally be more motivated than people who lack clear goals (you might look back on the Los Alamos National Bank case as a practical example of this concept). A great deal of research has been performed on goal-setting theory and generally supports the theory’s predictions. According to the theory, goals will be motivating to people when they are specific and difficult, and people accept them as their own. However, goals should also be attainable; specific, challenging goals that seem impossible are demotivating.

How does goal-setting theory relate to total quality in general and empowerment in particular? This connection has not been the subject of research, but we can offer some conjecture about it. One likely link between empowerment and goal setting is the goal-acceptance aspect of the theory. Although there has been some debate about this among scholars, it seems that people who set their own goals (as in empowerment) are likely to be more motivated by them than are people whose goals are set by others (as in
the traditional organization). People who set their own goals may also find that their goals are clearer (to them, at least).

The principle that goals should be specific and difficult can be related to total quality and empowerment. In general, the principle of breakthrough improvement leads to fairly difficult goals. In traditional management, when an acceptable level of performance is reached, people simply try to maintain it. In a quality-focused environment, an acceptable performance level would be a stepping-stone to further improvements. Therefore, the difficulty of goals would be enhanced by performance excellence approaches. Goals need not be impossible; even incremental (and thus seemingly achievable) improvement goals supported by the kaizen philosophy fall into this realm. One wonders whether this compromises the long-run specificity of goals.

Continuous improvement is a noble ideal, likely to spur heroic efforts in many cases. When, if ever, is the goal reached? Can workers be motivated by a goal of eternal improvement or must milestones be placed along the way to maintain motivation and enthusiasm? Perhaps as organizations gain more experience with performance excellence, such questions will be answered. Given the increasing importance of continuous improvement for competitiveness, organizations will need to find ways to motivate employees for sustained improvement in order to be economically viable in today’s complex business environment.

### Review and Discussion Questions

1. Describe how the practices at Saint Luke’s Hospital in the Performance Excellence Profile illustrate principles of employee engagement, empowerment, and motivation. What does SLH do to foster employee engagement? How might employee engagement activities be linked to its performance improvement, customer-focused, and strategic planning processes?

2. Explain the concept of employee engagement. How does it differ from employee involvement?

3. What might you see in an organization that provides evidence that employees are truly engaged?

4. Provide several examples of employee involvement. How might these fall in the continuum shown in Figure 9.1?

5. What is employee empowerment? What do you see as the most important barriers to employee empowerment?

6. How might the concept of empowerment be employed in a classroom?

7. Have you ever experienced fear in the workplace? What impact did it have on your performance? Is a little bit of fear a good thing for motivating performance?
8. Are there circumstances in which employee empowerment would hurt rather than improve quality? Why would this occur?
9. What risks does an organization face in empowering its employees?
10. How will employees know when they are empowered?
11. What sort of performance appraisal process would be appropriate for empowered workers in a total quality company?
12. Which of the principles of empowerment do you think is most important? Why?
13. Have you ever received exceptional service from an empowered employee? What happened? How did you react to it?
14. In what ways do DynMcDermott, Ritz-Carlton, and LANB exemplify the principles of employee engagement?
15. What can managers do to mitigate the risks of failure associated with employee engagement?
16. Which theory of motivation do you see as most consistent with empowerment? Why?
17. Philip Atkinson tells the story of a government agency that fired up its employees to do great things with a wilderness training experience. One young man, on his return to work, noticed some parking spaces owned by the organization in a busy part of the city. The spaces were always free and could be rented for a substantial sum. The young man made a proposal to do so, but it was rejected out of hand. Undeterred, he rented the spaces himself, only to find that there was no mechanism to deposit the checks into corporate accounts. Eventually, the young man left the company to work for one in which people’s ideas were taken more seriously, and initiative was valued. How does this story illustrate the principles of empowerment discussed in this chapter?
18. Think of a job you have had. Apply the Hackman and Oldham model to evaluate how the job design impacted your motivation and satisfaction, as well as organizational effectiveness.
19. How does empowerment differ from such approaches as job enrichment and other forms of employee involvement?

**CASES**

**The Frustrated Manager**

A professional colleague who teaches total quality concepts received the following e-mail from a former student:

I was wondering if you could offer me some thoughts on a particular situation that plagues the company I work for. Our workforce is unionized and has a long history of anti-company sentiment. Upper
management has set up the assembly area as an example of employee involvement and the blossoming empowered workforce to show off to customers. They often bring in customers to help gain future contracts. One customer in particular is very sensitive to cost, quality, and schedule, and has had some bad experiences with us in the past. The customer has clearly told us that it wants to see an empowered work force making key decisions. If this does not happen, it will not award the contract. This information has been relayed to the work teams in the area, but several work teams, in their team meetings, tell us they don’t want to be empowered. The attitude (as I see it) appears to be as follows: “We know how to build our products, the customers do not. So, get the customers out of our business and tell them to take the product when we’re done with it, regardless of how we choose to build it.” As many times as I inform them that customers will not buy our products in that manner, I am given the same answer. How would you suggest I get these teams to take the gun away from their own heads? They have a management who is willing to hand over the power. They have the tools necessary to make informed decisions on the shop floor. They just don’t have the inspiration to take the power and to run with it. My question is simple: Is it possible to create an empowered workforce in an old union environment?

How would you advise him?

The Insolent Night Clerk (Reprise)

Review the story of the Insolent Night Clerk in Chapter 4. Do you think his actions were the result of lack of empowerment or other factors? If he were truly empowered, how might he have acted? Write an alternative story of how the scenario might have occurred if the hotel were practicing TQ and empowered its employees.

Landmark Dining: Employee Engagement and Motivation

We suggest that you first review the Landmark Dining case in Chapter 2 before continuing with this case.

Landmark Dining closely monitors employee turnover, the rate of completion of individual development plans, absenteeism, sales per server, results from exit interviews, and the work environment. When declining results occur in any of these areas, they are investigated and improved through the use of cross-functional improvement teams. For example, last year, a team investigated a decrease in the completion of exit interviews. The team found that the lower numbers reflected a large decline in interviews with servers and then linked this to a lack of time for the Business
Excellence Director to manage the interview process. The methodology was streamlined and the process was delegated to Staffing Solutions, Inc. The current completion rate has improved to higher levels than in previous years.

However, the company doesn’t feel that this information, being somewhat passive and after-the-fact, provides a complete picture of employee satisfaction. Thus, it believes that it should develop a formal employee satisfaction survey as the key tool for determining employee satisfaction. What specific factors should it address in such a survey? (See the Landmark Dining case in Chapter 8 also for a description of team processes that may be relevant here.) How should it use the results in conjunction with the Voices system (see the Landmark Dining case in Chapter 4)?

The MBA Candidate

Gretchen Faulkner was interviewing for an MBA program. She was a liberal arts major in college, and for the last several years had worked at the art museum in the city where she attended college. During the conversation, the MBA program director asked her why she decided to quit and pursue an MBA. “Actually, I had been quite happy with the job,” she said. “After I’d been there for three years, I was able to work more autonomously, troubleshooting problems, taking steps to resolve those problems, and taking the initiative to improve my job. Guided by the mission statements of the museum and my department, I felt empowered to make changes or take steps to achieve the museum’s strategic goals. After a while, I learned that my job wasn’t entirely about following strict procedures. It was a real epiphany for me to figure out that I could make decisions and think on my feet to benefit a visitor, a volunteer, a co-worker, etc. For example, every year in May, the museum experiences a rush of school tours. It’s the busiest time of year with school groups touring every day, Tuesday through Friday, on the hour or half-hour. The more years I worked through this crunch, the better equipped I was to promote positive changes for the ‘spring rush.’ Two years ago, the museum had a spring exhibit of Egyptian artifacts that was expected to attract many school tours. Working with many other departments like Security and Marketing, I was able to help implement school tours on Mondays when we were normally closed to the public and relieve some of the problems associated with the high demand. That said, though, I ended up leaving the museum because there was no place for me to go in my position.”

How does Gretchen’s job relate to the Hackman and Oldham job characteristics theory? What aspects motivated her? What positive outcomes in the model were evident? What aspects of the theory explain her decision to leave?
ENDNOTES

7. The Employee Involvement Association’s e-newsletter *Ideas & Inspirations*, which gave credit to: *The CEO Refresher* by Freda Turner, PhD. http://www.bcpublicservice.ca/awards/ai/ai_index/emp_engage/emp_engage.htm.
14. From materials provided by Mike Simms, former plant manager.
27. Ciampa, ibid.
34. Ciampa, *Total Quality*.
49. 2005 Malcolm Baldrige National Quality Award Program Application Summary.
66. My thanks go to Professor James Thom of Purdue University for sharing this anecdote. The actual letter was edited to preserve the confidentiality of the company.