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WHEN COMPANIES MANAGE THE RIGHT PROBLEM

By Marvin R. Weisbord

Several years ago Frederick Herzberg, a psychologist now at Case Western Reserve University, asked 200 accountants and engineers in the Pittsburgh area to describe times when they felt especially good about their jobs, and especially bad. What was happening? What were they doing? How did their feelings affect their work? Herzberg said he picked these professionals because "their jobs are rich in technique," and they constitute "two of the most important staff groups in modern industry."

Herzberg's conclusions, which he called a "two-factor theory" of motivation, have had a major impact on the way some companies organize work. This is what he found:

The things which people gripe about on the job are in an entirely different class from those which motivate them to produce.

The professionals in Herzberg's study complained about poor pay, narrow company policies, inadequate supervision and insecure jobs. They expected decent treatment in these areas. Getting it, however, did not motivate them to work harder. It simply removed the cause for complaint.

What stimulated top performance was interesting work, recognition for a job well done, responsibility and a chance to achieve and grow professionally. Some of the men had refused better pay elsewhere because they felt good about these motivators in the jobs they had. One accountant, for example, described his satisfaction at installing a new computer system—how he felt when the hardware worked right and the statements came through on time. His section, he said, was functioning better than ever before.

"Apparently," commented Herzberg, "the feeling of growth in stature and responsibility is still the most exciting thing that happens to someone in our society."

You don't have to be a social scientist to test whether Herzberg's findings make sense. Take a minute to think back on a time in your own professional life when you felt especially good about your job. What was the occasion? Probably you'll find that it was a time when your own and the Firm's goals appeared to be in close harmony.

In nearly every job there are moments when man and organization seem in tune with each other. Since World War II many studies have reinforced the notion that when personal and company goals run parallel, not only do men feel good about their work, they are also at their most productive. In consequence, a number of companies have set out deliberately to create conditions which lead to growth and responsibility for their employees, hence high productivity for the organization. Practical attempts to enrich jobs, modify policies and change structures, based on theories about conditions under which people do their best, have led to startling results in several firms—lower costs, reduced absenteeism and turnover, higher production, and increased job commitment on a scale managers would not have thought possible twenty years ago.

To get these results, however, a company has to manage the right problem. Too many companies, unfortunately, are still trying to manage the wrong one. They attempt, for example, to make people conform to company policy or practice, even when doing so makes it hard or impossible for the employees to do the best job they know how. One executive insisted that a group of professionals in his employ punch time clocks, just like the clerks. The professionals threatened to quit, considering this policy beneath their dignity. The man was managing the wrong problem. Instead of asking himself how to create conditions under which his employees could do their best, he was asking how he could compel them to conform to an unsuitable role.

It is difficult to build an organization in which people want, like and are rewarded to do what the company needs to have done. But firms which zero in on this task are managing the right problem. Here are eight important management issues and examples of ways in which creative companies deal with them:

1. Is the company organized properly for the job it is trying to do?

You'd be amazed how many are not. Two Harvard Business School professors, Paul R. Lawrence and Jay W. Lorsch, studied matched pairs of plants, one effective, one mediocre, in various industries. They found that managers of the effective plants deliberately set up such diverse tasks as sales, research and production with different policies, structure and standards. The sales department, for instance, gave high priority to rapid deliveries, whereas the production department emphasized efficient scheduling. These differences caused conflict.

The effective plants lived with and deliberately managed this inevitable conflict. They didn't suppress it, or gloss it over. Instead, they set up integrating departments with real authority to mediate issues from a company-wide standpoint.

Lawrence and Lorsch also found that the more unpredictable the job was, the more freedom and responsibility people needed to do it. The more effective companies had found ways to provide such freedom without losing coordination or control.

Although not in the study, one excellent example of this principle is the Systems Group of TRW, Inc., a California firm. TRW literally runs two organizations, one superimposed on the other, with employees playing roles in both. As a physicist or engineer, a man reports to his functional work group boss. As a member, with other specialists, of a project team, he reports to a project boss. He negotiates raises and job transfers with both bosses. Admittedly, this causes problems, but they are the ones TRW would rather manage. Why? Because this "matrix" organization offers professionals greater growth and flexibility. It leads to better performance and lower costs. TRW has only half the professional turnover rate of similar firms in the Los Angeles area. Instead of watching its trained people move on, it tries to guarantee them high mobility where they are.

2. Is there a great gap between what the company says its policy is, and what its people actually do?

Many companies are sabotaged by an active guerilla force, people who put most of their creative energy into defeating policies they can't understand. Some firms choose to live with the consequences of this foot-dragging, blaming it on "human nature." Others try to find out why people subvert the rules, and then do something about it. At times the rules prevent people from doing their best work.

The highest-producing plant manager in one of America's industrial giants had an inviolable rule of his own: "There is no policy or procedure in this plant that I will not change if I can't explain it in a way that makes sense to people." One day four employees had an auto accident on the way to work. Supervisors treated the incident differently, one excusing the absence and paying the men, another calling it "unexcused." This inconsistency caused resentment. The plant manager immediately called a supervisors' meeting to discuss the policy. It was decided that henceforth all absences would be excused, for whatever reason: it was the responsibility of each supervisor to see that the privilege was not abused. In other words, he made a decision to administer a realistic policy rather than an unrealistic one.

3. Does the company make an effort to enrich jobs by altering them so that people have more responsibility, or a sense of wholeness, or a greater chance to learn?

Most companies work hard at fitting the man to the job, seeing to it that he has the skills and temperament and experience. Relatively few ask whether the job really has anything in it that motivates people to want to do it better, and thus benefit the company.

Bell Telephone, in several of its operating companies, has asked the motivating question with surprising results. Robert Ford, the Bell System's manpower expert, discovered from exit interviews during 1965 that people wanted more job responsibility. In the stockholder inquiry department, for example, the women, 70 per cent of them college graduates, demonstrated low morale and did poor work under close supervision and narrow policies. Ford involved supervisors in redesigning the job. They gave the women research to do, and more freedom to compose and sign their own letters.

The results were almost unbelievable. Turnover dropped 27 per cent, and twenty-four clerks soon did the work that had required forty-six people to do before. In eighteen months the department estimates it had saved $558,000. The company has since moved to enrich the jobs of customer service representatives, keypunch operators, telephone operators and other employees. Today Bell, convinced that it is managing the right problem, runs company workshops to train supervisors in methods of enriching jobs.

4. Does the company reward people for performance as well as for staying power?

Nothing is more controversial, nor so poorly understood, as the role of money in motivating people to work. Herzberg in his studies found that an adequate salary was not a motivator. People expected to be paid fairly for their work and to receive regular raises.

When does money motivate? Under two conditions: when a person doesn't have enough to live decently; and when money is seen as a reward for performance or recognition for an exceptional job. Companies which tie bonuses to growth or productivity tend to have more highly motivated employees than those which give automatic annual bonuses. Ordinary profit-sharing plans, which serve many useful functions, may motivate employees to remain with a company, but they won't motivate them to do a better job. It takes a faster payoff, and one more closely tied to performance, to have impact on motivation.

One successful compensation idea that works well in certain companies is the Scanlon Plan, devised by a labor leader, Joseph Scanlon, in the 1930s to help save a steel company. Scanlon Plan companies share cost savings with their employees, rather than profits, over which employees have much less control. Management and labor together work out a standard unit cost, or ratio, based on the product and past performance. When the plant beats the ratio, everybody finds a bonus check in his pay envelope.

The plan requires active employee participation in decisions. It encourages cooperation among employees, since the payoff is plant-wide, based on overall productivity. Anything a man does to improve performance helps increase the bonus. One Scanlon Plan company, Donnelly Mirrors of Holland, Michigan, has had a compound growth rate of 14 per cent a year since 1952, when the plan went into effect, and a substantial increase in profitability. The average annual bonus has gone from 4.3 per cent of wages to 12.1 per cent in the same period. Admittedly, a Scanlon Plan is very hard to manage—but the problems it gives its managers are all the right ones. The solutions tend to bring greater harmony between company and personal goals.

5. Is the company taking into account all the information it needs to manage its assets?

Does it just count profit? Or does it consider how to measure motivation, and the effects of management behavior on performance? Perhaps the most innovative approach to management information is being taken by a Columbus, Ohio, firm, the R. G. Barry Corp., which has set up the nation's first internal accounting system to measure the costs of people. (The system is based on the work of Dr. Rensis Likert, director of the University of Michigan's Institute for Social Research.) Barry holds its managers accountable in five result areas: profit, solvency, physical assets—the traditional ones—plus customer and organizational (or employee) assets. It is not enough that Barry managers show a profit. They must also show that the worth of the people in their employ—as measured by motivation and investment in their growth and development—has been retained or enhanced.

This way of thinking about people has changed Barry's climate in many ways, throwing greater emphasis on developing managers and investing in them, than is the practice in companies which only measure more traditional costs. Using its human resources accounting data, Barry even has terminated technically able managers whose behavior, over a period of time, seemed to have a negative effect on the development of their subordinates.

In short, Barry is trying to develop as sophisticated an understanding of people costs as it now has about cash, buildings, land and equipment. Admittedly, this is a complex information problem, but Barry finds it worth the effort.

6. Does the company use information only for control purposes, that is, as evidence of dirty deeds which must be punished?

Or does it feed information back to people, teach them to understand and use it, and urge them to learn from their mistakes so that the employees become self-regulating? One mail-order billing department used a computer printout of Flexo-writer errors to fix blame for mistakes, for which the operators—who did about 250 bills a day—were severely reprimanded. As an experiment in using data for self-control, the supervisor taught the operators to read and interpret error records and to keep score on themselves. Within three months the error rate dropped dramatically, while production rose to nearly four hundred bills a day.

7. Do employees have a hand in setting their own goals and objectives?

Despite much fashionable talk about "management by objectives," relatively few firms follow the logic of the idea, which is that only the man himself can say with any certainty whether an objective is realistic or not. To the extent that people can influence the decisions which govern their working lives and have a say in setting goals and evaluating their performance, they will perform better.

Admittedly, this throws an extra burden on management. It's much easier to tell people what their goals are for the coming year than to engage them in a dialogue about what makes sense. Some of the results achieved the latter way, however, have been truly astonishing.

Consider this case reported by M. Scott Myers, when he was in charge of management research and development at Texas Instruments Inc. The company, building radar equipment on a low bid, was losing money. An astute foreman, attuned to managing the right problem, pulled ten women off an assembly line and took them into the conference room. He put the component on the table. "We're in trouble," he said, "and I need your help." He explained that the unit required 138 hours to make, but the engineers said they had to do it in 100 just to break even. "How do we cut the time?" he asked.

The women listed forty changes in work procedures which could cut the time to 86 hours. "We'll make the changes," said the foreman. Within weeks the women, shooting at their own objective, were down to 75 hours a unit. But they still weren't satisfied. They invited the engineers to help them with other changes, set a new objective of 65 hours, and brought the unit in at 57 hours. Soon they had involved the department which preceded their operation. Eventually, they produced the unit in 32 hours, which was previously a theoretically impossible task. It was accomplished because the company gave its people responsibility for their own objectives and altered the job as required.

8. Does the company concern itself with employee growth off the job as well as on?

"When you hire a man," one wise personnel executive said recently, "you hire all his problems, whether you like it or not." If a man has certain goals and ambitions outside the company, it will do little good to tell him he must give them up. He may do so, but he may also give up on doing the best job he knows how.

Many companies, for that reason, encourage employees to work in community activities or on social issues that concern them. Some give time off for the purpose, on the theory that both the man and company benefit when an employee puts some of his time into improving his corner of the world.

Other companies send employees to school and pay their tuition, sometimes even when the schooling is not directly related to the job. For executives in certain fields, part of a man's compensation plan may be several days off a year when he can accept outside consulting jobs or speaking dates which contribute to his personal growth. Each of these policies is grounded in the belief that a man's self-interest need not be in conflict with his company's.

When a firm builds jobs around people, gives employees a hand in setting goals, encourages a free exchange of information, manages conflict creatively, and gives people a chance to grow and achieve, it will—if it is really serious about these things—have a great many problems. But these will be all the right ones. Companies which strive to harmonize their own and their employees' goals have good reason to expect high performance from their people. And they generally get it.

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