

HRfocus®

20760

AUGUST 1996

AMERICAN MANAGEMENT ASSOCIATION'S HUMAN RESOURCES NEWSLETTER

QUICK QUIZ
What are the main
obstacles to
better productivity,
according to
large-company CEOs?
See page 6

INSIDE THIS MONTH

3 THE FMLA AND ABSENTEEISM

The ruling in a recent FMLA case shouldn't deter employers from discharging workers who abuse attendance rules.

9 LIFE IN THE JOBLESS ECONOMY

In an interview with *HRFocus*, author William Bridges says individuals and companies must prepare for the demise of those discrete, stable work arrangements we know as "jobs."

12 HEALTHCARE: QUALITY COMES UNDER SCRUTINY



Many employers are striving to restore the desirability—and thus competitive advantage—of providing health benefits. Their strategy: measure the quality of managed-care plans to ensure they meet employees' perceived needs and provide superior clinical results.

17 CAN WE BE FRIENDS?

Most companies discourage manager/employee friendships, but these relationships can be beneficial for all involved.

22 THE DOWNSIDE OF DIVERSITY

As the number of ethnic groups in the workforce grows, your company must prevent various forms of national origin discrimination.

DEPARTMENTS

- | | |
|------------------------|---------------------------|
| 7 Benefits Briefing | 16 Training Tips |
| 8 Washington Update | 19 Health & Safety Today |
| 11 HR News Capsules | 20 Professional Resources |
| 15 Compensation Report | 21 Legal Insights |

EMPLOYEE MOTIVATION

Creating A Motivated Workforce

How do you create a motivated workforce? This question has bedeviled managers and HR professionals for decades.

Some say money is the answer—"Pay 'em more and they'll be motivated." Others say recognition is the key—"Give 'em pats on the back, awards and gifts when they achieve business objectives, and they'll be motivated."

Those with a more Machiavellian view of human nature believe that people are motivated not so much by material rewards but by a desire to increase their power and prestige in the corporate hierarchy. Still others say that the work environment is critical—that providing employees with interesting work and treating them with respect will motivate them.

Each of these theories has some truth to it, of course. But no single theory adequately explains all human motivation. The fact is, human beings are complex creatures. They are not purely economic animals. Nor are they purely political or psychological beings. Most people have a complex set of needs and desires—part material, part social, part emotional—that must be met if they are to be motivated. The answer is never as simple as, "Give

continued on page 4



EMPLOYEE MOTIVATION

Creating a Motivated Workforce

them more money” or “Give them more interesting work.”

AN URGENT QUESTION

The question of what motivates workers is more urgent today than ever before, for at least two reasons.

First, workforce morale is at a low ebb. Rocked by downsizings and job instability, American workers are in a funk. According to a recent survey of 905 workers by Kepner Tregoe Inc., a Princeton, N.J.-based management consulting firm, only one third (37%) feel that their bosses know what motivates them (see chart). “We would guess that these individuals are probably less motivated than they were in the past,” says T. Quinn Spitzer, CEO of Kepner Tregoe. “They’re more concerned, more apprehensive.”

Secondly, the old methods of motivating people—through command-and-control—are no longer viable options. Organizations no longer have layers of management to hover over workers and push them. If companies are to succeed today—in the de-layered, service-oriented economy—they must have motivated workers. “We need to motivate people to want to satisfy customers and solve problems, and use more of themselves, which is not just performing a task, but actually being motivated to care about the business and its success,” says Michael Maccoby, author of *Why Work? Motivating the New Workforce*.

THE REAL WORLD

Given the limits of the various theories of human motivation, it is useful to turn our attention to the real world and some exam-

ples of what is working. Southwest Airlines Co., AptarGroup Inc. and Chick-fil-A Inc. are three companies known to have highly motivated workforces, evidenced by their low turnover rates, high employee productivity and consistent profitability. Each, it should be noted, puts a high priority on selecting motivated people to begin with.

CHICK-FIL-A

In an industry where turnover rates of 300 percent are the norm—the fast food industry—Chick-fil-A Inc., the Atlanta-based chicken chain, enjoys a turnover rate of 40 percent. Why so low? According to Huie Woods, vice president for human resources, the following factors make Chick-fil-A a very pleasant place to work.

► **Strong corporate culture.** Chick-fil-A’s corporate culture is rooted in the biblical principles of its founder. “That doesn’t mean we cater to any one class of people or denomination,” says Woods. “We just

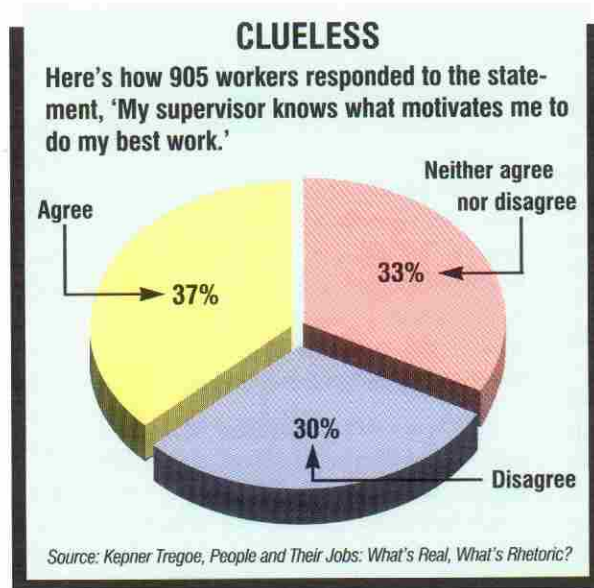
emphasize certain general business practices—fair play, pleasing the customer, a willingness to go the extra mile, hard work... Things you would find in a lot of different places.”

Trust is a critical part of the culture. Employees and store operators are not closely supervised at Chick-fil-A. “As long as you do your job, they’re going to leave you alone,” says Woods. This lack of “bossy bosses,” as Woods calls them, motivates people.

► **A stable work environment.** Chick-fil-A has never laid anyone off. It has been able to avoid furloughs because it has successfully pursued a strategy of gradual growth. “We don’t grow that fast,” says Woods. “We don’t add a bunch of employees and then cut back a bunch.” Providing a stable work environment has helped Chick-fil-A rid its workplace of one of the worst demotivators: employment insecurity.

► **Good pay.** Employees at the home office of Chick-fil-A earn competitive salaries and enjoy company-paid benefits, a pension plan and profit sharing. Notable but unremarkable. The most interesting aspect of the compensation system—in terms of motivation—is the arrangement with operators. Under the arrangement, the company builds the store for the operator, leases it to her and then splits the profits with her. All that is required financially of the operator is \$5,000 in startup capital. “The \$5,000 is a token amount,” says Woods. “We’ll put them in business and split the profits with them. What a tremendous incentive that is!” This pay structure has allowed Chick-fil-A operators to earn twice as much income as operators at some other fast-food establishments.

► **Good perks.** As a private company, Chick-fil-A can offer some perquisites to its employees that would be difficult for a



Motivation

Perqs Stability Growth Culture Incentives

public company to offer. Every year, for instance, the company takes its entire 225-person home office staff—plus their spouses—to the company convention, free of charge. Last year the event was in Bermuda. Next year it will be in Orlando, Fla.

Chick-fil-A also gives away cars to store operators who increase sales by 20 percent in one year. Last year the firm gave away 18 cars. And store employees—most of whom are high school or college students—can get \$1,000 scholarships from the parent company. To qualify, all they need is a recommendation from the store operator and proof of their enrollment in an accredited institution.

SOUTHWEST AIRLINES

Southwest Airlines, Dallas, prides itself on being a fun place to work, having an “amazingly low” turnover rate (7.5 percent) and a highly productive workforce. “We have the most productive workforce in the industry,” boasts Sherry Phelps, director of corporate employment. The reason: its workers are highly motivated. And here’s why, according to Phelps.

► **Strong company culture.** Southwest is a company that encourages its people to express their individuality. “We don’t tell anyone: ‘You have to be an entertainer in your job’ but, if that is your natural bent, then you can use any creativity and talent that you have to get your job done,” says Phelps.

That is why flight attendants at Southwest have been known to sing the safety instructions and why pilots have been known to tell jokes over the PA system. “Every time that happens, the crowd loves it,” says Phelps.

Southwest’s culture also deemphasizes hierarchy. “Elitism isn’t looked

upon very highly here,” says Phelps. “Titles are not that important.” She adds, “If somebody in the field has a great idea for something, they can go directly to that department head and say: ‘Have you ever thought about this?’”

► **Job stability.** Like Chick-fil-A, Southwest Airlines has pursued a strategy of steady growth. “We’ve never wanted to be the biggest,” says Phelps. “We just want to be the best, in the markets we serve.”

And also like Chick-fil-A, that strategy has allowed the company to offer job security. In its 25-year history, Southwest Airlines has never furloughed anyone. “We won’t staff up for peak and then furlough people once the peak season is over,” says Phelps. Employees have been known to forego higher pay at other airlines in exchange for more security and a better work environment at Southwest.

► **Opportunities for growth.** Because employment at Southwest Airlines is relatively stable, employees can be reasonably sure that they will have the time—and the opportunities—to grow at the firm. Pilots, for instance, can look forward to a steady stream of promotions over the years—from flight engineer to first officer to captain—provided they acquire the requisite skills and flying experience.

Other employees, likewise, can advance their careers by attending classes at the “university for people,” run by Southwest’s “people department.” The university offers a wide variety of classes designed to “help people reach their personal best,” according to Phelps.

► **Incentives.** Because Southwest is an airline, it can offer employees one particularly attractive incentive:

discounted or free travel.

Those employees with no absences or late arrivals over a three-month period, for instance, receive two free, space-available airline tickets from the company. They can use these tickets any way they wish; even give them away to a friend. “That is a very valuable incentive,” says Phelps. “It costs us nothing, because it’s space available. But the value to our people is enormous.”

► **Compensation.** Southwest Airlines is 83 percent union, so most of its salary and wage structure is determined by union contract. In that respect it is quite similar to the pay structures of other airlines and therefore unremarkable.

What is unique about Southwest is its profit sharing plan. When the company is profitable, as it has been in each of the past 24 years, a certain percentage of that profit is put into the company’s profit sharing fund. That money is initially invested in Southwest stock but, after five years of service, each employee of the company is fully vested and may direct the money into several different funds.

As a result of the investments—and Southwest’s excellent financial performance over the years—a number of employees have become millionaires after 18 or 20 years of service.

APTARGROUP INC.

Few employees leave AptarGroup Inc., the Crystal Lake, Ill.-based manufacturer of aerosol valves, finger pumps and other caps for shampoo and suntan lotion bottles. The turnover rate at the firm is about 10 percent, half the local average, a clear indication of a highly motivated workforce.

What’s more, many of those individuals who do leave the firm actu-

EMPLOYEE MOTIVATION

Creating a Motivated Workforce

ally return fairly quickly. "It is very common to see people reapplying to the firm within a year," says Rob Revak, director of human resources at Seaquist Perfect Dispensing, one of Aptar's divisions. Why do they return? Well, there are many reasons, some of which are outlined below.

► **Employment security.** While it does not have a formal policy on job security—doing so could "get us into difficulties," according to Larry Lowrimore, vice president, HR—it does have a long track record of providing steady employment.

When business slows down, as it does from time to time, Aptar prefers to ask people to voluntarily take time off rather than cut jobs. Generally, enough people opt for voluntary time off to tide the company over until business picks up again.

► **Communication and employee involvement.** Aptar management believes that open communication and employee involvement in the workplace are central to motivating its workforce. The efforts to achieve these goals occur regularly.

Each quarter, for instance, the president of each division holds a staff meeting to which all division employees are invited. At the meeting, the president discusses the financial state of the division and assesses how much progress has been made toward business goals. He or she also presents customer feedback that has been collected and asks for employee feedback on business issues. "Our employees know what's going on," says Revak.

Aptar employees also participate in work teams. "Each team sets its own goals and reports on its progress to senior management," says Revak.

"That, I think, has helped to motivate the workforce," he adds, "because they set their goals, strive toward them, and are very proud when they achieve them and can present their accomplishments to top management."

► **Recognition.** The quarterly staff meetings at AptarGroup also provide an arena for publicly recognizing outstanding employee performance. At each meeting, one "quality employee of the quarter" is selected. The winner receives a couple of awards and some words of congratulation from his or her manager.

While awards of this kind might not motivate all workers, they certainly do motivate some. "I've seen employees stand up and say, 'Thank you, this is the greatest award I've won in my life,'" recalls Lowrimore. "So, it means something to these people."

Aptar also offers less formal perks like pizza parties, extended lunch hours and brief work shutdowns to show that it appreciates outstanding work.

► **Compensation.** Aptar pays competitive salaries and offers a competitive benefits package. "We do an annual salary survey, and we are usually right near the top in terms of average wage," says Revak.

But in addition to paying good wages, AptarGroup allows employees—all employees—to earn bonuses as well. The formulas used to calculate the bonuses vary from division to division, of course. Some are based on financial results, some on quality measures, and some on safety measures. But they all send the same message, namely: when the company does well, the workers also do well. This is motivating.

► **Opportunities for advancement.** In addition to offering above-average compensation, Aptar also offers people opportunities to advance within the company. "I once did a little study of how many people had been promoted in the preceding three years," says Revak. "And although I can't remember the exact percentage, it was an amazing number. So, there is a great deal of opportunity within our company, and I think people realize that."

CONCLUSION

It is interesting to note that none of these companies rely heavily on elaborate new incentive plans or high base salaries to motivate employees. Pay is competitive at all the firms—and there are opportunities for individuals to augment their salaries with bonuses, stock and profit sharing—but money is not at the center of the motivation strategy.

Rob Revak of AptarGroup may have come the closest to summarizing the consensus of these companies on the issue of motivating when he said, "Money is important, but if I had to rate it on a list of ten items that motivate people, I would put it somewhere in the middle... Once pay is at a respectable level, then I think those other things, like a good work environment, a safe place to work, a feeling of security, opportunities to progress in the company and how management treats employees, would be weighed by the average person much more than money."

—DONALD J. McNERNEY

QUICK QUIZ ANSWER

In a poll of 53 CEOs of large companies, these obstacles to increased productivity were cited most often: employees' resistance to change and inability to transcend traditional thinking (21%); difficulty in hiring and retaining quality employees (19%); employee attitudes and motivation (19%); and poor communications (17%). The survey was conducted by William M. Mercer Inc., a New-York based consulting firm.