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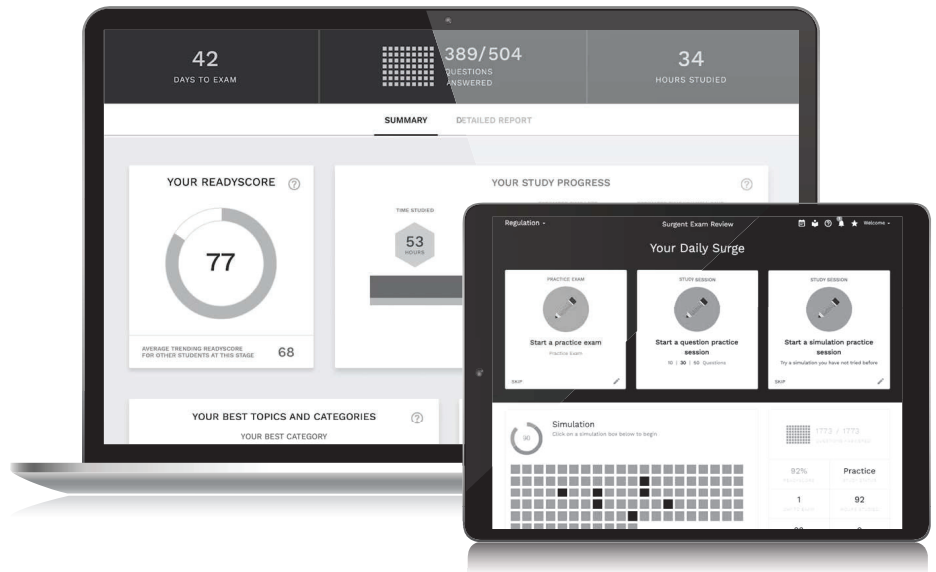
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Revised February 2023

Introduction

Introduction

Let's take a few moments to talk about what to expect in this program and why it is being produced.

I. Goals of the program

A. Make you more valuable

Simply put, the objective is to make you, the finance professional, a more valuable asset to your organization. To accomplish this task, we will work on making the organization more successful and giving you the opportunity to suggest those changes. Naturally, to accomplish this we will need to agree on what success is, and that will lead off our discussion in the first chapter.

B. Be prepared for change

We recognize that the world is constantly changing, and consequently we need to be changing with it. For that reason, in each chapter and for each subject we will talk about the trends that are occurring in that particular discipline. Change has never been more obvious than in this recent time with the pandemic as well as economic changes. We are still experiencing changes in every part of our organizations, many of which started with the response to COVID-19. This idea of change often develops a great amount of controversy since generally, people don't like change. It's never terribly comfortable and usually means transforming thoughts and behaviors using methods with which we are not familiar. For this reason, we ask you to be open-minded. You might not like the suggested changes, nor might you agree. But, please consider them since they are proven and have worked for many organizations over time.

Please look at the alternative. Ask yourself this key question.

Is your organization changing as rapidly as the world around it?

Obviously, that is a question of opinion, so there is no right or wrong answer. Stop and think about the consequences. If the organization does not change as fast as the world around it, you can make a very good case that the organization will eventually fail. That is, it will eventually go out of business or be merged into another organization that may be making faster changes. We will come back to this question several times during this program, since it comes up in virtually all subjects.

Throughout this program we will discuss the changes to the organization, the economy, and society as a result of the pandemic. Rather than handle it one chapter, which we could call "what we have learned from COVID-19," we will look at what has changed, and is changing, as we discuss each subject and handle each chapter.

C. Be challenging

I can guarantee that you will not agree with everything discussed in this program. But, I can also guarantee that it will make you think. Already, I stated that an organization that does not change as fast as the world around it will eventually fail. When I ask this question in class, I probably get 75 percent or more of the participants saying that their organization is not changing as fast as the world around it. If that is you, I can promise that you are not happy about either the question or the answer. But I can also promise that it will get you thinking about the concept of change and may even motivate you to talk with the other senior people in your organization about what should be done to increase your ability to make changes.

II. Organization of the course

A. Two parts

Finance professionals need two types of skills to be successful -- technical skills and leadership skills. Often the leadership skills are seen as less important; however, if we think about it, when finance professionals hit an area where they lack the required skills, those lacking skills are usually related to leadership. Automatically, we tend to stay up on the technical skills, but we often fall behind in the leadership skill area.

For this reason, we will concentrate on leadership in this program in this program. We will spend a good amount of time understanding which ideas work, which don't, and what changes are occurring in the leadership and management area. We will conclude our time talking about the economy, and especially what has occurred in the last year or so, and what we might include over the next couple of years.

B. For all types of organizations

Since probably the majority of organizations represented in our seminars are for-profit, obviously, the concepts apply directly to them. But we also recognize that governments and non-profits also are important organizations in our economy and need to be addressed. The concepts presented here will apply to all three. Organizations need to be successful, regardless of who they are. Yes, sometimes the definition of success is unique to the type of organization, but the need to be successful is still there.

C. Designed for the decision maker

Almost all finance professionals are decision makers at their own level. If you are the CFO, obviously you are part of the leadership team. On the other hand, if you are the controller, you may also be the only finance individual in a small organization, or you may be a department head in a larger organization. At any case, you make decisions affecting people. For this reason, this course will not use the titles "controller" or "CFO," but instead will use "finance professional" to include us all.

D. What do we need in order to succeed in this changing environment?

According to a recent article in *Business Insider*, finance professionals need the following traits to succeed in today's environment. We must:
1. Become analytical wizards.
2. Manage increasing risks.
3. Adapt to new technology.
4. Be better at leading people.
5. Guide decisions in a politically charged atmosphere.
6. Manage big data.
7. Make effective decisions from data from outside the organization.
8. Understand business drivers from outside the organization.
9. Make better hiring decisions.

In this program, we will attempt to take a close look at each one of these areas.

III. Never equate simple with easy

This program is meant to be easy to understand, in plane language, and actually present very logical and seemingly simple concepts; however, do not make the mistake of thinking that the suggested changes and idea are easy to accomplish. On the contrary, in most cases they are very difficult. But, they are well worth the effort!

How To Achieve Success

How To Achieve Success
Learning objectives

Upon completing this chapter, the reader will be able to:
- Understand what is needed for organization's success;
- Know who are and who are not the customers;
- See a quick way to improve customer service
- Understand what has happened to customer service with the pandemic

I. What is success?

All organizations want to be successful, but often there is huge disagreement about what constitutes success. Even more important, that definition often changes over time. Not many years ago, success could usually be defined in terms of profit for the for-profit organization; however, more recently various stakeholders have wanted to revise that thinking to include other aspects of success more desired by employees, as well as the world as a whole.

Activity: How would your organization define success?

A. Measuring success

Regardless of how success is defined, it is necessary to find a way to measure success. If not, you will have no idea if you have achieved success or even if you are moving in that direction.

Activity: For your organization, how do you propose to measure success?

II. What is needed for success?

While we often believe that operating an organization is complicated and highly complex, the truth is exactly the opposite. In fact, there are actually only two things that an organization has to do to be successful. If it does these two things it will be successful, and if it fails to do either of these things, it will fail. It's really that simple. Okay, then what are the two things that every organization has to do?

Here are the only two different actions needed for organizations to be successful:

1. **To serve their customers well**
2. **To accomplish that in an efficient fashion.**

Believe it or not, it's really that simple, but we never said that it was easy. As said earlier, simple and easy are not synonymous. The devil is in the details, and we will take a few moments to sort out some of those details.

In defending our position that these are really the only two things that have to be done, we need to make a case where all organizations must achieve these two things. The fact that for-profit corporations and businesses are required to achieve these two things is more obvious due to competitive pressures; however, some would argue that non-profits, monopolies such as utilities, and governments do not need to achieve either customer service or efficiency. After all, often they do not have the competitive pressures, and consequently don't have to be customer-friendly or efficient.

A government worker would quickly disagree with that statement. While it is obviously true that they don't have the same amount of competition, I would suggest that, in the long run, they have just as much to gain or lose. In the long run, there is competition for almost everything in our economy. The local public school district may have a monopoly in education, but not so fast. Many states now allow parents to take their children to other districts, there are private schools, and even an increasing number of parents are turning to home school. Does the school system have competition? You bet!

But what about the government? If the government does not serve its customers in the long run the elected officials will be voted out of office. If the taxpayers do not believe that the government is efficient in its use of funds, they will pass legislation prohibiting the government from increasing taxes.

The fact is that every organization must serve its customers well, and it must do it efficiently. If it doesn't, it will lose to the competition. It's really that simple.

A. Who are the customers?

If we accept the two premises, then we need to agree on who is the customer. In one way of thinking, it's simple. The customer is the person or organization who receives the product or service being distributed by the organization. Recently, there has been an interesting disagreement about who is the customer in the public-school arena. Is the customer the student who is learning and the parents of that student? Or, is the customer of the school the community in general that benefits from educated students. This is a key question to ask, discuss, and agree upon. If not, the organization will not be able to agree how to proceed. In the case of for-profit organizations this question is usually relatively easy, but in the case of the nonprofit, such as the school, it is far more complicated.

In the case of a government, the job of defining the customer is easier when broken into departments. In our small town, I am the customer of the public works department as I drive on the roads. Trust me, I don't like potholes. In the case of the police department, I am the customer as I have the need for a safe environment.

For the commercial enterprise, the customer is usually the one buying the product, but this also can be confusing. For example, a manufacturer might sell its product to a wholesaler who, in turn, sells to a retailer, who in turn sells to the end user customer. In this case, which one is the customer? The answer is all three, but the company must carefully consider all three steps and see what is wanted in the way of customer service at each step.

The above examples consider external customers, but what about internal customers? If you are the accounts payable clerk who is paying expenses, is the customer the person requesting reimbursement or the supplier being paid? Or, is it your boss, the internal auditors, external accountants, or someone else?

One smart executive once said that in his company, "Everyone either serves the customer or serves the person who serves the customer." That philosophy sets up the culture that the organization is in the service business. Customers are either internal or external, but they are customers, and they need to be served well.

1. Stakeholders are not customers

As we look at the customers, we see that there are several other people within the organization who are important and have a stake in the outcome of the business, but they are not customers. The head of accounting, the external auditors, various regulators, and other similar people are important. In fact, they are crucial. But they are not the customers. They have a major stake in the organization. They need to be satisfied and kept happy, but they do not buy the organization's products and services. They do not contribute revenue to the organization. Consequently, they are not customers.

B. Customer service is mostly about systems not people

When we have a discussion about customer service, people often jump to the conclusion that the issue is nicer people or training the employees to be nicer to the customers. That couldn't be further from the truth. If an organization has systems that cause problems for a customer, all of the nice customer-service agents in the world won't improve the situation. Think about when you have tried to connect a piece of equipment to the Internet or have an appliance fail to operate as it should. All the nice people in the world will not improve the customer service. What you want is an item that works as you anticipated it should. There is no better example than in the medical field when you are waiting for an appointment and the doctor is running an hour behind. Regardless of the quality of the healthcare, the bad customer service

was caused by the decision to overbook the available time for the provider. It may make the clinic more money, but customer service suffers.

C. How do customers determine value?

Once we have determined who are the customers, we need to determine how they look at value. Is it always based on cost? How important is customer service? Is product quality that important, or is price more important? What does speed have to do with value?

Both external and internal customers react by how they determine value. For example, I personally prefer Apple computer products to other PC brands. The reason is simple: I appreciate that Apple's customer service and help lines are mostly domestic, and not offshore where I have a difficulty understanding the person helping me and where my call is often disconnected. To me, that has a lot to do with value, and I'm willing to pay more for the product to get that value.

Generally, the marketing and sales departments have the most to do with this thinking within the organization, but all departments must analyze this aspect of customer service when thinking about internal customers. The payroll department deals with the employees in sending pay information and answering questions. Those other employees are the customers. How do they determine value? If the organization is to have a culture of great customer service, and be successful, it must constantly look at the internal customer service. Every person in every department must ask who the customer is, and how that customer determines value.

D. Improving customer service

While we will not spend much time on improving customer service, we must understand that it is easily half of what is needed to be successful. Remember, all we have to do is better serve our customers and do so efficiently. Improving customer service is easily a course in itself, and not usually under the area of responsibility of the finance professional. However, we must remember that customer service must be improved for internal and external customers alike. For the finance professional, the customers are usually internal customers.

E. Customer service or compliance -- Which is more important?

In an organization, this simple question often comes up because there is no simple answer. Obviously, both are important. But, when looking at organizations, it becomes relatively easy to see which have placed more emphasis on one over the other. As a seminar leader and consultant, I have the opportunity to get on and off a whole lot of airplanes in a typical year. Consequently, I have become rather critical of certain airlines and far fonder of others. Obviously, the airline industry must focus on compliance. As a passenger wanting a safe flight, I certainly hope so. But I also want to be shown a degree of respect, and therefore I am interested in customer service.

In my experience, I believe that Southwest Airlines places more emphasis on customer service than most of the others. While all of the airlines are under the same regulations, it is obvious that Southwest seems to allow its employees more latitude in following those rules and more personal authority in handling situations. The customer service, complaint, and similar rankings all show Southwest at or near the top in the eyes of the customer.

A perfect example of this is the typical pre-flight cabin announcements. Obviously, the flight attendants are required to say certain things. In all of the other airlines, I hear the required verbiage with nothing more. On a Southwest plane, I'm apt to hear some creative way to make the same announcements to the point where I actually pay more attention and enjoy it. In my opinion, that's a perfect example of where the company has decided to be compliant and more focused with customer service at the same time.

Different departments in the company often have different views of the relative importance of customer service and compliance. Probably the marketing or sales group would say that one has to focus on customer service since without customers there would be no company. The accounting department, on

the other hand, may say that compliance is most important since the government will shut us down in a second if we are not compliant with the rules.

Because of this anticipated disagreement, it's necessary that the subject be discussed at the highest levels of the organization where both marketing and accounting are equally represented. Both are needed, and one cannot be put above the other. To be truly successful, we have to be both excellent in customer service and compliance.

Improving the level of customer service within the organization and/or the department is really relatively easy. It usually does not require great pains, expenses, or training. While it might require some of these, the main thing is for the organization or department to be aware of the need and have the desire to do something about it. Companies that are great with customer service obtained their positions because of their awareness and commitment. If the organization does not place a high value on customer service, the level of service will be poor.

Activity

There is a very simple way to improve the customer service for any department within the organization. This works for those departments with internal customers, external customers, or both.

    a.   In this first step, at a department or team meeting, make a list of every regular process that is done by the department. At this point, don't worry about anything other than getting each and every task down on paper.

    b.   After the list has been made, draw vertical lines following the list so you have three columns after the list. Label the columns, "wow," "average," and "poor."

    c.   Now, go back to the list and, one-by-one ask the simple question, "what could we do that would "wow" the customer with this particular task? Or, what could we do that would give average customer service? Or, what would constitute poor customer service? Once all of the items on the list have been covered, review your list and you will have put into place a plan for improving the customer service of the department.

Customer Service Improvement

Item	Wow	Average	Poor
Collect from customers			
Collection calls			
Mailing statements			
Paying bills to suppliers			
Sending payroll checks			

F. Customer service and COVID-19

The COVID pandemic has had a huge change in how we interact with people, and therefore a huge change in how we handle customer service. With far less face-to-face contact, many people are craving relationships. Consequently, reaching out to them on a personal basis can make a larger difference than it did in normal past times. We have found that the telephone and personal conversations are often more appreciated than e-mails, and video calls are even more appreciated so that we can actually see someone for a change. This change in customer service is for both internal and external customers.

G. How about efficiency?

Now that we have spent some time talking about customer service, how about the other side of the coin -- efficiency? The fact is, to be an excellent organization, we have to do both. We need to concentrate on customer service, and we also need to concentrate on efficiency.

Since this is a seminar for accountants, I must admit that the latter is more "near and dear" to the hearts of the typical accountants. Efficiency is usually where most accountants are focused, and that part of the equation is where the entire rest of the day will take us. Literally, the rest of the book and the rest of the course will concentrate on efficiency. So, please don't think that we have forgotten that side of the issue.

Understanding Why Organizations Are Successful

Understanding Why Organizations Are Successful

Learning objectives

Upon completing this chapter, the reader will be able to:
- Understand the keys to an organization's success;
- Know the different organizational cultures;
- See the advantages and disadvantages of the different cultures; and
- Understand the trend in organizational cultures.

I. Introduction

As we dive into this coursework, we must start in the broadest fashion looking at the organization from the 50,000-foot level. We must ask ourselves, in the broadest sense: What makes some organizations successful while others fail or go out of business in a relatively short time? Why do some organizations seem to thrive for a couple of years, and then fail? We can even extend these questions to governments and nonprofits since all organizations need to be successful to stay in existence and satisfy their stakeholders.

A. Exercise 3-1

Take a few minutes and make a list of successful organizations. Don't worry too much about how you are defining success but be sure to include other than for-profit organizations as you are considering your list. (When I do this exercise in class, the list most often includes Apple, Google, Southwest Airlines, Amazon, Walmart, and many others.) After completing this, next to the first list, make a list of unsuccessful organizations. While it is tempting to only list companies that have gone out of business, such as Enron, be sure to include some that are still in business. Often it is helpful to contrast organizations in the same industry. For example, UPS and FedEx might be on the successful list and the USPS might be on the unsuccessful list. Southwest Airlines contrasted with many of the other majors, and Walmart contrasted with K-Mart or Sears, would be other examples.

After you have made the two lists, get a good brainstorm session going about why. What makes some organizations more successful than others?

II. Historical studies

Writers, analysts, academics, and other industry experts have been studying this subject under different headings for years. People like Skinner, Maslow, Taylor, and others have been writing about the area for over 100 years. Many people consider the answers to be classified under the "fix of the week." Authors like Peters and Waterman have written books such as *In Search of Excellence*, and William Ouchi developed "Theory Z Management."

I've read theses, and many other works, in search of the "silver bullet" spelling out organization success. What I've discovered is that these authors are all talking about the same thing, while using different terms.

About thirty years ago, different authors started narrowing down their thoughts on the meaning of success with a new focus on the word "culture." Without a doubt, organizations have very different cultures, and the cultures seem to correlate with success. In observation, management consultants have found that the organizations with the strongest and healthiest cultures will be the organizations with the most success. On the other hand, organizations with toxic and dysfunctional cultures will struggle to be successful.

For this reason, this chapter will delve into the culture issue, see how different cultures can be measured, and then try to correlate different cultures and success.

III. What is culture?

A. How the organization works

Some organizations work quickly, make fast changes, are always evolving, and always keep up with ever-changing markets. Other organizations, however, seem to take forever to change. To get them to change a process or procedure, even when the need is obvious, seems to be more like getting an act of Congress passed. Some organizations have strong leaders who are very prominent, while others have leaders who are very reserved.

Everyone seems to know how things work within a certain organization. Ask any employee who has been on the job for more than a couple of weeks, and that person can tell you exactly how to get things done, how to get proposals accepted, and who will be the next to be promoted.

B. How decisions are made

In some organizations, the decisions are made by the top person or by a few people who seem to be on the top of the organizations. This organization may be diagrammed like a steep pyramid with most of the power concentrated at the top. On the other hand, decisions in other organizations are made by committee and it seems like every decision must move through the bureaucracy from committee to committee with each one studying the merits before passing the idea along. Finally, in other organizations decisions are mostly made by teams where people discuss the merits, but then make the decision rather than passing it along for another team's decision.

C. Who gets hired, fired, and promoted

In some organizations all personnel decisions are made by the top management. In others, detailed rules are established about who is eligible for employment and who gets promoted. In other organizations, teams make the hiring and firing decisions depending on who will work best with the others on the team and has the skills to do the job.

D. How people are motivated

Does the organization motivate its best people with raises and increases in benefits, or does it stick to a strict salary schedule that rewards people for the number of years they have been with the organization as well as their education, having nothing to do with their contribution to the organization? Finally, there are other organizations that reward strictly due to a person's contribution to the team.

In many cases one way of doing things is not necessarily better than another, just different. But, we can all see that when we add up all of these things, they spell out the culture of the organization.

E. Who knows culture?

For years it has been difficult to explain or describe an organizational culture, but when you experience it, you know it. If you have worked for an organization, as an employee you certainly can feel the culture. In fact, you quickly know how to act, how to make suggestions, and what you need to do to survive.

It's also fascinating to feel the organizational culture when you are a customer. I often ask classes about the difference between Southwest Airlines and several other major airlines. Most answer that they enjoy the culture of Southwest better than that of the others.

For example, not too long ago I was traveling on the light rail train from a remote parking location to the terminal at Sky Harbor Airport in Phoenix. The terminal serves Southwest and American (then America West). As I was riding, I overheard two TSA agents talking about their morning assignment. One said that he was on the Southwest side and the other said he was going to American. The one going to American commented on how lucky the one going to Southwest was.

After we got off and were heading to the gates, I stopped one and inquired about why they apparently preferred to work the Southwest side. He told me that the passengers riding on Southwest were friendlier and more relaxed than the ones on American. Interesting! Do you think that it might have something to do with the different cultures of the two airlines?

IV. Charles Handy and culture

In my opinion, the British management consultant and prolific author Charles Handy has written the most and done the most work in the area of organizational cultures. While several of his books mention the topic, his book entitled *Understanding Organizations* does the best job of helping us understand cultures.

Following a lot of research, Handy breaks all organizations down to having one of the following dominant cultures. He emphasizes that no organization only has characteristics of one culture; however, there is one dominant culture that identifies the organization. There is no particular importance to the order in which he describes the cultures, but I'll present them in the same order as does Handy.

A. Power culture

The power culture (sometimes referred to as autocratic culture) organization is often a smaller, more entrepreneurial-type organization that was started and is still led by a single individual. The culture depends on a central power source, which is usually the founder, owner, and his or her immediate staff. The boss is truly the boss, and power is vested in his or her office. Hence, power generally rests at the top of the organization, and most important decisions are made either by the leader or one of a few of his or her direct reports.

The organization tends to be rather small since growth can be difficult in this culture. The leader isn't against growth, but he or she has a tendency to control power rather than delegate it; consequently, it is difficult for the person to have a large span of control. The organization depends on trust among the employees and a rather informal method of communications is developed among the people of trust.

Sometimes the culture is referred to as a "spider" culture for several reasons. The channels of communication are relatively informal, perhaps resembling a spider web. Also, the culture will tend to develop "in" and "out" groups. The groups most favored by the boss or top management team will be

seen as more favored and given more perks, whereas members of the less-favored groups will sometimes be seen as outcasts. This can be a major problem if and when the financial side of the organization can be viewed as obstructionist to ideas put forth by the marketing side of the business. Finance professionals can tend to be more exacting over meeting standards, and if this behavior is perceived as getting in the way of the marketing team, the financial group can be seen as being out of favor.

B. Role culture

This culture gets its name from everyone having a role in the organization. Procedures, policies, rules, and regulations dominate this culture. It is often seen as the bureaucracy; however, that word has become so negative that Handy chooses to use the present name.

Unlike the power culture, which tends to be smaller, the role culture organization tends to be larger. Like the power culture, this organization chart also is relatively top-heavy with most of the power coming from the senior staff; however, the leaders tend to disseminate this power through rules and regulations rather than through executive statement.

In this culture, the position held in the organization is more important than the person who occupies it. In the power culture, the person is more important than the position. Consequently, competence above that which was necessary to occupy the position is not required in the role culture, whereas in the power culture, the individual is evaluated.

The role culture can be very successful as long as it is in a stable environment. When there is relatively little change and the organization has a protected position in the market through monopoly or oligopoly, the life of the organization will be long. On the other hand, when the environment is changing rapidly and the organization must change quickly to keep up with the market, this culture will suffer.

Role cultures often offer a protected and stable work environment for the employee. Raises and promotions are most often based on seniority, and as long as the employee doesn't do anything terribly wrong, he or she can be relatively sure that the job will not be in jeopardy. However, this trait of the culture can be a detriment since it promotes a relatively riskless culture where people are reluctant to take any risk with a new idea. This is one of the important reasons that role cultures tend to be slow to change.

The role culture is often found in several specific areas. First, when the regulatory environment is very high, there is a tendency for role culture. The government is generally a role culture, and that often extends to where governments regulate. Airlines and medical institutions are good examples of this, but there are some interesting exceptions that will be noted elsewhere. The culture is also often found when economics of scale are more important than quick change and flexibility.

C. Task culture

This culture, often referred to as the team culture, is represented by organizations that are groups banded together to accomplish a particular task. While the culture will usually have a CEO, that person is more of a coach than either a dictator or the head of a bureaucracy. The culture seeks to bring the best people together to fulfill a specific mission or accomplish a particular task. This culture primarily concentrates on tasks, and less so on the process.

The culture is very flexible because teams can often change relatively quickly, being empowered by the leaders of the organization. Individuals have a high degree of control over their work and autonomy is accepted as long as the task is met. Because of this flexibility, these organizations are well suited to fast-changing competitive markets where the organization must change to keep up with society.

One interesting thing about the task culture is its need for resources. When the teams of the task culture have sufficient resources to get the job done, the culture runs well. But, when the resources become scarce, top management tends to want to control those resources similarly to how it may be done in a power culture, or the organization sets down the same procedures and rules used in a role culture. The bottom line is that the task culture is hard to maintain in difficult times.

D. The person culture

This culture, sometimes called the individual culture, is far less prevalent than the other three. Often, we see the culture in smaller professional firms such as legal and accounting firms. In this culture, the individual professional is the central point. Often groups of professionals will combine to share offices and clerical staff; however, they still operate as individuals. They still "do their own thing," keep their own hours, and make their own decisions. They may say that they act as a team, but in reality, they usually act individually.

V. Specific aspects of organizations

In the following, we will take a good look at several specific aspects of all organizations and discuss how differently they act within those areas depending on their respective cultures.

A. Leader

Within the power culture, the leader is often referred to as the "jungle fighter." This person is extremely well known to everyone and is seen as the key person who will fight for the organization. In the role culture, however, the leader is the company man or woman who has risen through the ranks of the organization. In this case the position is important -- rather than the person being well known, as is the case with the power culture.

In the task culture, the leader of the organization is seen more as a coach, providing the teams and employees the necessary raw materials and education to get the tasks accomplished. Finally, in the person culture the leader is rather difficult to find. Since the culture is made up of professionals and their staff, often no individual wants to take the leadership position.

B. Goal

Every organization has a goal; however, that goal may be expressed in several different ways. In the power culture, the goal is generally around a crisis. It seems like the power culture is always fighting one fire or another and the task keeps everyone focused on the common mission. The role culture generally has the goal of producing a product or delivering a service to the customer. The culture is generally focused on that delivery, with everyone carefully moving onto that purpose. This is especially true for healthcare or airline organizations. They are highly regulated, and therefore, everything must be directed to fulfilling that mission.

The team members in a task culture have the goal to solve problems together. In the same way, the team members focus on delivering products and services, but they often see these tasks as problems to be

solved or processes to be improved. While the role culture will often operate with the slogan, "If it ain't broke, don't fix it," the motto of the task culture might be similar to the title of a book published a few years ago: "If it ain't broke, break it."

In the personal culture organization, the goal totally revolves around the profession. The goal is to serve clients and make people well.

C. Employee identity

In any organization employees have their identity and will describe their positions according to how they see themselves. In the power culture, they will often express that they work for Ms. Xxxx or Mr. Xxxx. Since the personality of the leader is often paramount, that personality transfers over to the employee. In the role culture, on the other hand, the employee is identified with the company. The employee is more likely to say, "I work for X Company."

In the task culture, being much more team oriented, the employee is identified more with being on a particular team. For example, the accountant might express that she is part of the financial team. Finally, the person in the personal culture will probably identify with the profession.

D. Change

All organizations occasionally change; however, they do so at different rates and in different ways. The power culture organization can change very quickly and often does so by recruiting new people. If something isn't working, rather than attempt to fix the system, the power culture will usually fire the responsible person in the area and replace him or her with a different person. This can have its advantages of quick change, but sometimes can cause the organization not to look at systemic problems.

In the role culture, change is very slow, often evoking the metaphor of turning a large ship. The role culture must go through several steps to effect change. First, someone has to have suggested the change, and even that is difficult since suggesting change constitutes risk for that individual. Since the culture is run on rules, after change is determined, new rules and regulations are put in place attempting to force everyone to change.

The task culture organization changes relatively easily through the teams. When a team sees a need to change, that team usually has sufficient autonomy to make the change. The stimulus for the change becomes convincing the others on the team that the change is needed. Finally, the personal culture will change when there is change in the professional requirements or popular literature of the profession.

E. Values

Different cultures will value different things as being the most important. In the case of the power culture, statements made by the leader will be the things most valued by the employees. The breakroom and other employee spaces often display quotes and statements attributable to the boss. In the role culture, on the other hand, stability is probably the key value. Employees are taught not to rock the boat, and to keep all things stable. The task or team culture will value a variety of tasks since solving problems often requires taking many actions. People who work in this culture should be the kind who get bored with repetition, whereas the people working for the role culture probably don't mind that type of stability. In the case of the personal culture, the key value is personal freedom. The professional in this culture works more as an individual and therefore will want to go and come as he or she pleases.

F. Control

Every organization must control itself, yet the method of control is very different depending on the culture type. The power culture will be controlled from the top and loyalty to the boss is paramount. If an employee is seen as less than loyal to the boss and her mission, then that person probably will be happier in another organization. In the role culture, the control is maintained by rules and regulations. In both cases, power emanates from the top; however, this power comes from individuals at the top in the power culture, and from rules from the top management team in the role culture.

The task culture is very different. Here actually the power comes from the teams and the organization is controlled not by edict or rule, but by measuring the results. The task culture makes extensive use of measurements, metrics, and standards to measure if the tasks are being accomplished in a satisfactory way and in an efficient manner. Efficiency and effectiveness are important in all cultures, but in the task culture the results are measured. Another contrast is between the role and task cultures. In the role culture, the organization attempts to control the processes through rules about the processes. For example, the role culture school may try to control the effectiveness of education and measure success by measuring the class size and how much money is spent on education. The task culture school will measure success on how much the students are learning. The role culture organization will be more apt to measure process, whereas the task culture will measure results.

G. Learning

How the organization and its employees learn is another interesting way the cultures are differentiated. In the power culture, learning stems primarily from the boss or others in the senior management team. They are deemed to know the most about anything within the organization, thus they do the teaching and give the employees new instructions. In the role culture, learning takes place from a training program that is properly approved by the human relations department, is certified, and probably comes from a training director.

In the task culture, learning comes primarily from others in the team. They, as individuals, may pursue unique online training alternatives such as free online college courses, YouTube videos, and TED Talks. If that learning is good and works, the team members then share the information with the team. Finally, in the personal culture, learning almost always takes place by the individuals through reading peer-reviewed professional papers pertaining to a particular subject. Learning in the individual and task cultures are similar; however, in the task culture the learning usually goes further down the hierarchy of the organization.

H. Focus

Each culture has a dominant area of focus. In the power culture, most people focus on and talk about the competition. This culture is apt to be more combative and see the competition as the enemy. I used to have a partner in a business who was always saying that we have to "beat they." He was always talking about how our beating the competition was the most important part of our business. He was obviously most comfortable in a power culture.

The role culture will generally focus inward and upward. When the employees are thinking inward, they are analyzing the internal processes with the idea of improving them. When they are focused upward, they are always looking to see what the boss or board wants. The task culture will primarily focus on the customer. Those employees understand that the customer is the most important part of the organization's

sphere, and therefore, this culture generally gives the best customer service. The personal culture will generally concentrate or focus on the profession.

I. Trust

Every culture will trust something more than everything else, and that aspect of trust will have a lot to do with shaping the culture. In the power culture, the employees will mostly trust the boss. That strong leader will generally dictate what is to be done, and if done well, the employees will trust that this good action will continue. For that reason, trusting the boss is what holds the culture together.

In the role culture the procedures, rules, and regulations are most trusted. After all, those rules have been vetted by many leaders and committees, and therefore must be right. The task culture trusts people the most. Those people may be part of the organization in the form of teams or they may even be the customer. As a customer, when you interface with the task culture, you feel trusted. Finally, the personal culture trusts the profession itself and the peer-reviewed papers coming from the profession.

J. Hiring policy

We will devote a complete chapter to how to hire the best people for the organization, but we should also quickly review the cultural differences on how people are selected to work for the company. In the power culture, the boss or other members will generally decide on who gets hired and promoted. As with almost everything else, decisions come from the top. In the role culture, the people having the best technical skills will usually get the best jobs. In many cases, standardized tests are administered to see who is selected and who gets promoted.

In the task culture, the primary determinant of who is hired and promoted is the person who will fit best with the culture of the team. In fact, in most cases, the team, along with the team leader, will make the final decision. That decision will ensure that the person has satisfactory technical skills, but also possesses the personal skills and attitude to fit with the group. For this reason, the task culture usually has the lowest employee turnover -- people are more apt to enjoy their jobs. In the personal culture the hiring decision will be made on the basis of the applicant's professional skills.

K. Work rules

One of the most important trends we are seeing in organizations today is a shift in how and from where employees work. Does everyone come to the office at 8:30 and leave at 5:00, or is work scattered and often done from home? Well, like almost everything else, it depends on the culture of the organization. The power culture will generally allow the most senior people great amounts of flexibility; however, since the trust level in this organization is relatively low, most employees are not trusted to work hard when not supervised. In the role culture, there also is relatively little work flexibility, but for a different reason. Role cultures tend to be most concerned about "fairness," and therefore will only allow flexibility when everyone can have the same flexibility. That makes things difficult when we realize that we can't allow our receptionist to work from home.

The task culture is exactly the opposite. The employers have determined that they want to pay people to work rather than put in time. Consequently, the culture will allow the workers to accomplish that work from wherever and however it is best accomplished in the most efficient fashion. For this reason, we see the most work flexibility in the task culture and the least in the role culture. In the personal culture, there is tremendous work flexibility at the professional level, but relatively little further down in the organization.

L. Dress code

Believe it or not, even dress codes are very different depending on the culture. In the power culture, the boss will determine the dress code, ether by memo or just by example. Because everyone will be looking at the boss, they will quickly figure out that his or her wishes about dress will show, and therefore should be followed. In the role culture, the dress code will be relatively formal and will be carefully spelled out in the employee handbook.

In the task culture, the dress code will be set informally by the team and will depend on what works best with customers and clients. For this reason, employees who do not interface with clients may be working in shorts and jeans while those with customer contact may be formally dressed. In the personal culture, while the professionals will have the freedom to dress the way they wish, the rest of the staff will generally be more formal. An interesting example about the difference between culture and dress can be seen in the airline industry. The flight attendants on Southwest (a task culture) will generally be far more casually dressed than those working for the other lines (role cultures).

M. Information

All organizations handle information, but different cultures do it very differently. The power culture will generally guard information at the top with only the top management disseminating it. This trend has led directly to trouble for more than one power culture when the CEO speaks to the press without good advice. In the role culture, information is also guarded at the top, but with a lot of rules and procedures. Most role cultures have Public Information Officers or official spokespeople who are the ones in charge of public information.

The task culture tends to be much more open with information. Because these cultures are far less political, everyone is free to share information both internally and externally. This also has a lot to do with the higher trust level of the organization. In the personal culture, communication tends to be direct and the culture is relatively tight with information.

N. Parking

As a consultant dealing with cultures, I am often asked how a person can tell his or her organization's culture. While all of the above are indicators and can be felt, this final aspect might seem rather silly but is quite telling. That is the parking lot. In the power culture, there may or may not be assigned parking places, but even if they are not formally assigned, everyone knows where the top people park and are cautioned not to take those spots.

In the role culture, the parking is almost always assigned, and the spots change often depending upon promotions and demotions. The highest-ranking people always have the best spots. In the task culture, there are generally no assigned spots and the spots closest to the door end up going to the first ones who arrive at work. Finally, the personal culture is more like the role culture.

1. Case Study 3-1

A new CEO was selected to lead a large organization having several thousand people at the headquarters. This was a strong role culture organization, and the new CEO knew it from previous visits and interviews. He was coming from a task culture and wanted to introduce that culture into this new organization.

As would be expected, when he arrived on his first day, there was a reserved parking place with his name on it right by the back door. He parked there, went up the elevator, greeted his new administrative assistants, went into his office, and closed the door. A few minutes later he reappeared from his office dressed in old coveralls. He didn't say anything, but walked past his assistants, rode the elevator down, got into his car, and left.

At this point, the place was buzzing. What was going on? Where was Mr. Smith going?

About 30 minutes later, he returned, parked in his parking place, but didn't go all the way to the front of the space. He got out, popped his trunk, retrieved two paint cans and some brushes, and proceeded to his knees to paint the parking spot. He painted out his name, and painted in the words, "for the first one here." He then replaced the tops to the cans, put everything back into the trunk, and proceeded to drive to the far corner of the parking lot. Here he parked, walked back, up the elevator, past the assistants, into his office, and closed the door. Ten minutes later, he reappeared in his grey suit and tie more fitting the CEO of a large corporation.

It is said that he never spoke about this to anyone and never sent out a memo. But it is also said that no fewer than 2,000 people were watching him paint out his name. They say that the following morning, there was not one reserved parking place in the lot.

Did he change the culture with that one symbolic act? It is said that was not the only thing, but that one act started the ball rolling. A year later the culture was significantly different, and the company was far more successful.

VI. Best cultural fits

While it is obviously possible to have any of the four cultures in any type of organization, certain cultures seem to be the best matches for certain organizations. That may be because of what the organizations have always been or for some other reason.

A. Power culture

Most smaller entrepreneurial organizations start as power cultures. This is for several reasons, but mostly has to do with the leader. These leaders are probably high-risk-tolerant individuals and are probably more assertive personality types. Consequently, such a person will be more apt to take a dominant role. In addition, the person will have the most knowledge about the field and be the one to teach the others as the organization grows.

In addition, because the organization is either new in a field or in a completely new field, it will probably face competition and need to move quickly to change according to the market environment. Consequently, it must change quickly. Many of these traits are also true of the organization that is in crisis. This organization will often need to quickly shed employees and reduce expenses to correct a negative cash flow. This is usually done best by one individual who calls the shots and makes the changes happen.

B. Role culture

This culture is generally best suited for the large organization, often in a highly regulated industry that does not need to change quickly. This may be a financial institution, healthcare institution, or part of the

old-line manufacturing environment. Often more traditional organizations are in this group. These organizations often have monopoly or oligopoly positions in their industries and don't have a need to quickly respond to market changes.

There is another group of organizations that are usually role cultures for a different reason. These are many non-profits and most governments. These organizations may need to respond to the markets; however, they frequently do not have a high trust level. These organizations are led by boards of individuals, and the boards attempt to control the organizations through rules and regulations.

C. Task culture

Most of the technology organizations are of this culture. They are in rapidly changing markets and constantly have to adjust to the times. They have a highly educated workforce that is often young and enjoys working in a team environment. The culture, and its employees, enjoy flexible work arrangements and love working hard to serve the customer well. Customer service is required in their industries and is usually most attainable in a team environment.

D. Personal culture

As said earlier, these cultures are rare and almost always small professional organizations.

E. Exercise 3-2

Take another look at the list of successful and unsuccessful organizations you made at the beginning of this chapter. Now that we have a better understanding of organizational cultures, do you see any correlation between culture and success?

VII. Trends in cultures

As previously stated, most organizations start as power cultures, but as they expand, they tend to outgrow the culture and must impose more controls, rules, regulations, standards, and procedures. As this happens, the role culture is born. As long as the organization has good control over its market advantage that has allowed it to grow, it gets away with the additional overhead expenses required of the role culture. But, as the market matures and more competition is interjected into the market, the role culture organization starts to feel the earnings pinch. At this point, it must either change to more of a team or task culture or it will eventually fail.

For this reason, at the present time, we are seeing a major shift from role to task culture. We need to remember that we started this discussion by saying that there were only two things that an organization needed to do to be successful -- serve the customer well and do it efficiently. Research has found that generally (not always), the task culture serves the customer best and is the most efficient. That is the reason for the shift.

VIII. Proactive approach to culture

For years, most organizations have taken a reactive approach to their culture. It has generally evolved over years and often depends upon the senior leadership. Now that we understand more about culture, and especially that culture may well be the most important single thing determining the success of the organization, many institutions are taking a much more proactive approach. This is accomplished in two steps: (1) determining what culture we want to have; and then (2) determining a strategic plan on how to

achieve the task. These steps are relatively simple, but in no way easy. Cultures develop over time, are made up of long-held beliefs and values and become very difficult to change. Everyone knows that change is difficult, and there is probably nothing more difficult in an organization than trying to change its culture. For that reason, the first thing management needs to determine is if all of the effort is worth it.

A. What do we want?

The first decision to be made is to determine the desired culture. If we are a relatively new entrepreneurial organization headed by a strong and somewhat authoritarian leader, we may be facing some of the negatives that often go along with that culture. We may have high turnover, low morale, and many employees feeling that there are groups that get favored over others. In addition, the growth of the organization may be limited due to the concentration of power at the top and the lack of delegation and empowerment.

In addition, that organization may also have trouble developing effective governance, separation of duties, and other aspects of adequate controls. You, the finance professional, may easily see that the organization would be far better if it had more controls, more accountability, and if the employees were more aligned. For this reason, you see that becoming more of a team or task culture would probably improve the future.

On the other hand, possibly you are part of a large bureaucratic organization that is having trouble keeping up with the rapidly changing markets and economy around it. While management produces good ideas, implementing those ideas down through the organization seems almost impossible. People just don't want to change.

Morale in this organization is also rather poor because of the constant politics that seem to go on just under the surface. Everyone says that everything is just great, but everyone also knows that it isn't. We keep making more rules to correct things, but things don't seem to get fixed. Customer service is relatively poor, and the organization seems to be getting less efficient as it grows. As a finance professional you know that many of the expenses should be fixed, but your total expenses are actually going up faster than income and your margins are falling. Consequently, you think that becoming more of a task culture organization might improve things.

Finally, you may be totally happy with the culture you now have. You are growing in both income and profits, your employee engagement and morale are high with low turnover, and you are meeting your objectives. In this case, it is suggested that you stay with the culture you have. Obviously, it's working. In the first two situations, however, you may consider a plan to change the culture.

B. How do we get it?

Let's assume that you would like to move your culture from where it is to more of a task culture. How will you go about it? First, understand that movement is slow and difficult, and won't happen overnight; however, as with any change, sticking to the course is the first step. You may not become a total task culture like Google, Apple, or a healthcare organization like the Mayo Clinic, but you can move far toward that ideal. Once again, it's simple, just not easy.

1. Look at how each decision will affect culture

The most important step to changing culture is to determine that you want to! It should be a conscious decision that is well publicized among the entire staff. It is only that way that everyone can be held

accountable to directing the organization toward the desired culture. Once you do that, then make sure that culture is brought up in every decision that is made.

For example, let's say that the attorney tells you that your organization needs an employee handbook to ensure that everyone understands the work policies and has agreed to abide with them. Should it be a large, exhaustive book or a simple one? Believe it or not, the nature of the employee handbook has a huge effect on the culture of the organization. For years, the well-known retailer Nordstrom was famous for having what could be the shortest employee handbook around, essentially saying, "Use your best judgment." It's important to note that, at the time, Nordstrom had the highest sales per square foot as any similar retailer.

So, when deciding on what your employee handbook should resemble, ask the question, "How will our handbook affect our culture?" When drafting their handbook, most organizations wouldn't ask that question. Organizations that want to change the culture will. In fact, those organizations will ask that question for almost every decision made by the company.

2. Plan unintended consequences for all decisions

We all know that almost every decision we make, or our organization makes, will have unintended consequences. That's nothing new, and smart organizations spend a lot of time reviewing those consequences attempting to either avoid or mitigate the problematic ones. When we are changing cultures, it is most important to factor culture into that decision making. How will the decision affect the culture?

For example, let's say the company was considering raising the salary level or instituting a generous bonus system to encourage senior management. The analysis that would go into such a decision would probably center around motivation to return on the investment to determine if the plan would be worthwhile. But, if the organization was also trying to become more of a task culture, it would also ask the question about how such a bonus for senior management and not the lower-level people would affect the overall culture of the organization.

3. CCO

We are well familiar with the CEO, CFO, and COO, but what is the CCO? It is the Chief Culture Officer, and it is probably the hottest trend in "C"-level management. Probably the best-known CCO is Google's, but Southwest also has one, as do many other organizations. Most importantly, the trend is growing. The job of the individual is simple -- but again, not easy. This person has the responsibility to keep the culture on target and going in the direction planned by the senior team. This person makes sure that virtually every decision being made by the organization takes into consideration what that decision might do to the culture of the organization.

IX. Has culture been affected by COVID-19?

The simple answer is yes. We would suggest that while the pandemic probably hasn't changed the culture of the organization too much, how the organization has adapted to COVID-19 is very different depending on its culture. Most of these changes affect how the organization has delt with change. Power culture companies adapted depending on the owner/CEO. If she saw the future and what the organization should do, changes were quickly made, and the organization had a better chance of survival. Unfortunately, role culture organizations had the most difficult time with the pandemic because they are usually the slowest to change. The team culture organization generally changed quickly with the needs

and managed to remain open and serving the customer. This is because the changes were made at the department level where they could be made quickly rather than from the top where they had to receive numerous approvals.

Having the Best People

Having the Best People
Learning objectives

Upon completing this chapter, the reader will be able to:
- Recognize the best employees we need to have an excellent organization;
- Gain interview skills to get the best employees;
- Understand personality types; and
- See how emotional intelligence is vital to success.

I. Introduction

Okay, we have determined that the most important thing for an organization is to be successful, and that the finance professional has as much to do with achieving that success as anyone. Then, we established that there is a good chance that the culture of an organization is the most important aspect to determine that organization's success. Following that, we learned about different types of cultures along with the advantages and disadvantages of each of them. From there, we can get together with the senior management group of the organization and start to strategize on how we want to achieve the ideal culture for us. This section will delve further into that strategy and look at how the people, including the staff and possibly even volunteers, will determine the culture and therefore the success.

The chapter is broken into two parts. The first is to determine what we want in employees. We recognize that to have a successful organization, we have to have the best people, but how to we define what is "best." Here we will explore the differences of opinion from organizations, and attempt to help you come up with the definition of the best employee for your department and organization. The second half of the chapter will be devoted to how to obtain those people. While compensation is an important part of acquiring employees, it is also an important part of retaining employees. Consequently, that subject will be held on to the next chapter.

A. Reactive or proactive

All too often, as managers or leaders, we accept the staff we have been given either from a former leader or from the human-relations department. We are then asked to motivate those people to achieve the best customer service in the most efficient way. This program assumes that we need to be proactive rather than reactive and just accept the team we inherit or are given. Here we will look into who the best employees for our team are, and then how to obtain them. In the next section, we will look at the latest ways to motivate and keep them.

B. What's new from COVID?

Acquiring, interviewing, on-boarding, training, and almost every other aspect of dealing with new employees has changed due to the pandemic. As many of us have learned to deal with working from home, we have discovered creative ways to locate new employees, and we have also learned how they may want to be treated from the trauma they have experienced. Let's be clear about our experiences of 2020, for many people this has been true trauma, and they will have developed ways for dealing with that trauma which will last for a long time. As employers, we need to recognize that fact.

We will see those effects of trauma in a small, but significant number of situations. When we are interviewing a possible employee, he or she may not want to conduct the interview in person, so we need to be ready to do it on Zoom. Or, even if in our office, where, in the past, someone was perfectly comfortable with being two or three feet apart, now that person may feel that you are invading their space if you move within six feet. We need to expect this.

II. Who are the best employees?

Before we go out and seek the best employees, we must define what makes them the best. Obviously, different organizations will seek different types of people; however, there are certain traits that are wanted by almost all. For the first designation, we must ask ourselves: are we most interested in particular

technical skills, or are we most interested in particular attitude or personality types? The obvious answer is that we want both. Most jobs require specific technical skills, such as a reasonable acumen for numbers for the person on the finance team or good medical training for the doctor. But, in addition to those skills, we also want people who will fit well into our organization. Probably every one of us have had the experience of having to work with or lead a person who is really good at his job, but is a jerk who no one likes.

A. Types of skills

Determining the types of skills and attitudes we want for our employees is a key to our success. Not surprisingly, that list has changed in the past few years. As mentioned above, we once wanted a technically proficient person who did a job well. That was much more important than having the person get along with fellow workers or working well on a team. Today, things are different. We now know that the culture matters and having people who get along well and work well on creative teams contributes to that culture.

The trick is to get employees into the organization who both possess the technical skills to do excellent work, and also have personalities causing them to be creative and get along with others.

1. Technical skills

The technical skills needed for a financial position might include things like numbers ability, math, computer skills, and accounting skills. We might test these abilities through looking at grades, education level, certifications, degrees, and even specific tests that we might administer. We also usually correlate technical skills with experience level, figuring that a person with 10 years of experience in an accounting department probably has a better skill set than one directly out of school. While assessing experience we will also evaluate the reputation and stature of the experience, figuring that a person with experience with a more prestigious company would be more highly skilled than one from a local business.

The same is true regarding an applicant's school. If a person has a degree from an Ivy League university, we might figure that he or she has a better education than an applicant who went to a state school. But then we can also look at grades as a determinant. Many organizations will also use testing to determine if the applicant has the technical skills required for the job.

2. Attitude, interpersonal skills, and creativity

The other type of skill needed in any position is defined as "people skills." These represent a person's personality, how well he or she gets along with people, how well he or she works in teams, how creative he or she may be, and his or her general enthusiasm and attitude toward a job.

    a.   **Desire --** Personally, I would suggest that the most important personal trait that a person should have in relation to a job is his or her desire to have the job. I'm not talking about the desire to have any job that makes a reasonable living, but rather the desire to have that particular job or to have a job at a particular organization. Loving one's job is probably the most important thing about doing a good job. If the person is just taking the job because it puts food on the table, that person will probably not do a very good job. But, if the person really loves what he or she does, there is a much better chance that the job will be done well.

    b.   **Excitement --** Excitement is similar. If a person is excited about the challenges of working for a particular organization or in a particular position, then the chances are that the job will be done well. Excitement is not always easy to measure, and different people will show it in different ways, but it is an important quality to attempt to determine.

    c.   **Compatibility --** How well does a person appear to work with others? In today's work environment, we must get along and work with others. If we have abrasive personalities, there is apt to be friction in the office.

    d.   **Collaboration --** In the old-style organization, many jobs were solitary and didn't require much interaction with others. That's not the case today. In almost all of our positions, people, have to work with others in collaborative teams.

    e.   **Creativity --** In my seminars I often ask the question, "Which is more important to you: obedience or creativity?" Several years ago, almost everyone would say that obedience was more important; however, that has now changed. While we don't want disobedient people, we need people who are good problem solvers and can find more creative ways to serve the customer better and do it more efficiently.

3. Requirements from other organizations

In an interview in 2022 Apple's CEO Tim Cook stated that the four most important traits of an employee were: ability to collaborate, creativity, curiosity, and expertise. He explained that these four traits nicely combine ambition with the desire to support the organization's culture.

Several articles have been written about Google's requirements, including one done in 2022 which stated that they are looking for Humility, clarity of vision, leadership, teamwork, cognitive ability, and algorithmic thinking. Please note that of this list, two are more technical skills and the other four are more interpersonal and attituded traits.

B. Which is more important?

The technical skills will often determine how well a person does a job, whereas the people skills will often determine the culture of the organization. Theoretically, it's possible to have a group of employees who are great technicians, but no one gets along, and the culture of the organization is terrible. On the other hand, it would be possible to have a wonderful friendly place to work, but no one would know what they are doing and be terrible technicians. This work environment might be fun, but not very efficient.

The author has conducted numerous informal surveys on this question. The following questions are asked:

1. **When hiring an entry-level clerk for the accounting department, which is most important, technical skills or people skills?**
2. **Which is easier to train?**
3. **For which do we usually hire?**

The answers to the questions are interesting. People usually say that people skills are more important, technical skills are easier to train, and technical skills are for what we usually hire. Obviously, that logic is faulty. If people skills are more important, and technical skills are easier to train, we should hire for people skills and train in the technical skills. Why don't we do that?

Most companies make the mistake of paying too much attention to the technical skills with too little emphasis on the people skills. The reason is twofold. First, it's generally easier to test for technical skills. Grades, degrees, and certifications are easily quantifiable. It's easy to see how much experience a person has, what grades she received in school, and if he has passed his CPA exam. It's much more difficult to determine if the person will get along well with the accounting team. Technical skills are more easily determined analytically whereas people skills are mostly subjective. Consequently, since it's easier to determine technical skills, we usually place more emphasis on that factor.

The other thing is the fear of discrimination and litigation. If we stay completely objective with our interviewing and hiring decisions, we feel that we are far less apt to be brought into a job-discrimination lawsuit. So, what do we do? We make our decisions completely objectively and based on technical skills. The result, however, is that we often end up with people who don't get along and are less enthusiastic about their jobs, and we end up with a less productive culture.

C. Hierarchy of Human Capabilities

Just as in 1943, Abraham Maslow came out with his, now famous, hierarchy of needs; recently, author and consultant Gary Hamel introduced his Hierarchy of Human Capabilities. As we see the following list, we can easily see the benefits of having people who would score on the top of the hierarchy.

1. **Obedience** -- These people don't do much extra than the regular work assigned, but it's almost impossible to fire them because they are obedient.
2. **Diligence** -- These people probably work a little harder than the obedient because they put in a little extra time. Their productivity is high, and you have little room for complaint.
3. **Expertise** -- Members of this group are not only obedient and diligent, but also have a good feel for the work and must be considered to be very competent at what they do. They have the expertise for the job.
4. **Initiative** -- This group of people has all of the first three, but they also are the ones who seem to always step in when something needs to be done. They don't just do what they are asked, but they have the initiative to move into what they have not been asked to do.

5. **Creative** -- This group has all of the above attributes, but they also show a special creative spirit. While they are obedient, they are also willing to buck the trend and ask the critical questions that are needed for real creativity.
6. **Passion** -- This person is at the top of the list. He or she has all of the other skills and attitudes, but also has a special passion for the job. If you could have a company of these people, you obviously would have a winning organization. But there can be a drawback. You have to keep these, and similar people challenged, or they will quickly go elsewhere.
7. **Can do attitude**—My father, who was my most important business mentor, used to say, "don't tell me why we can't do something, tell me how we can." A saying that goes along with that attitude is the moto developed by the Army Corps of Engineers during WWI. This says, "the difficult we do immediately, the impossible takes a little longer."

D. Importance of diversity

Often a discussion about diversity will concentrate on observations such as race, religion, gender, and other protected class issues; however, the most important thing about diversity is having a difference of thought. I will never forget how the admissions standard changed at Colgate University during my four years there. When I applied, Colgate was seeking the, "well rounded student." When I graduated, the official statement was that the university was looking to create the, "well rounded student body."

Our most successful organizations have discovered the same thing today. If they only attract and employ a certain type of person, they will have relatively narrow thinking and experience in their decision making. If, on the other hand, they have a very diversified employee base, discussions and collaboration will have several backgrounds and thinking represented. Especially when the organization's customer base is diversified, it is good for the decision makers in the organization to have diversified thinking.

E. Understanding and the importance of EQ

Similar to IQ, standing for a person's intelligence quotient, EQ has become an important measurement for how well an individual might fit in with the organization. EQ stands for "emotional quotient," and generally is meant to describe how intelligent a person is with respect to handling both his and another's emotions.

Let's face it. Some people just seem to be smarter with respect to how to handle emotions and others seems to be totally "out to lunch" in this area. The end result is that the higher-EQ people tend to be easier with which to get along, and the others don't seem to care how well they get along with others. When most of the employees worked alone, and only had to be productive, EQ was not as important. Now we need our employees to work in collaborative groups and therefore to get along with others. This is a skill, and theoretically, can be measured in the form of EQ. There are four attributes to EQ as follows.

1. Self-awareness
   You recognize your own emotions and how they affect your thoughts and behavior, know your strengths and weaknesses, and have self-confidence.
2. Self-management
   You are able to control impulsive feelings and behaviors, manage your emotions in healthy ways, take initiative, follow through on commitments, and adapt to changing circumstances.
3. Social awareness
   You can understand the emotions, needs, and concerns of other people; pick up on emotional cues; feel comfortable socially; and recognize the power dynamics in a group or organization.
4. Relationship management
   You know how to develop and maintain good relationships, communicate clearly, inspire and influence others, work well in a team, and manage conflict.

Clearly, looking at these aspects of EQ, we can see that being better at these four things will make us more successful in life, and especially within the work environment.

III. Understanding ourselves and others

Please note that the following discussion relates to a personality test to discover aspects of a person's personality. Many organizations in many states are administrating this and similar tests as an attempt to better choose employees; however, caution must be used in deciding to use the information for that

purpose. People have successfully sued organizations saying that the tests are discriminatory, and some states might not allow their use prior to employment. Thus some organizations use the tests after hiring to better place the person in the organization. I happen to absolutely love this test, but before using it pre-employment I would carefully check with HR.

One of the best psychological models explaining how EQ can work is the SOCIAL STYLE Model, developed by the Tracom Group from Denver, Colorado.

The following material is developed from their work and is used with permission.

Many years ago noted psychologist Carl Jung did pioneering work on personalities, and since then, many others have continued his work giving us valuable tools to help us better understand our fellow and future workers.

A. Basics of the model

The model starts with a basic understanding that we can all observe the behaviors of individuals. From that observation, we can predict their behavioral style. Once we make that prediction, we better understand them, and can further predict how they might behave in certain situations.
The process is simple:

- **Observe behavior;**
- **Predict SOCIAL STYLE;**
- **Predict how people will react in certain situations.**

According to the SOCIAL STYLE Model, everyone can be measured on two separate and different scales, Assertiveness and Responsiveness.

B. Different -- not either wrong or better

As we discuss the SOCIAL STYLES of individuals, it is crucial that we recognize that one style is not better than another – it is just different. Both my wife, Carroll, and I have been tested under the model, and I have used it in my consulting practice for over 30 years. I can honestly testify to you that what I have learned has probably had more to do with the fact that we have been happily married for over 50 years than almost anything else.

Prior to my learning about the model, I used to think that the things that she did were "wrong," and I should show her the "right" way to behave. She also would think that the things that I did were "wrong" and try and change me. After we both learned the model and more about our own SOCIAL STYLES, I learned that her behavior was not "wrong," but just typical of Amiable behavior. She, on the other hand, learned that my behavior was not necessarily wrong, but typical of a Driving Style. As we present the SOCIAL STYLE Model in the following pages, you will have a better understanding of what we learned and how you can use the skills in both the workplace and in your personal lives.
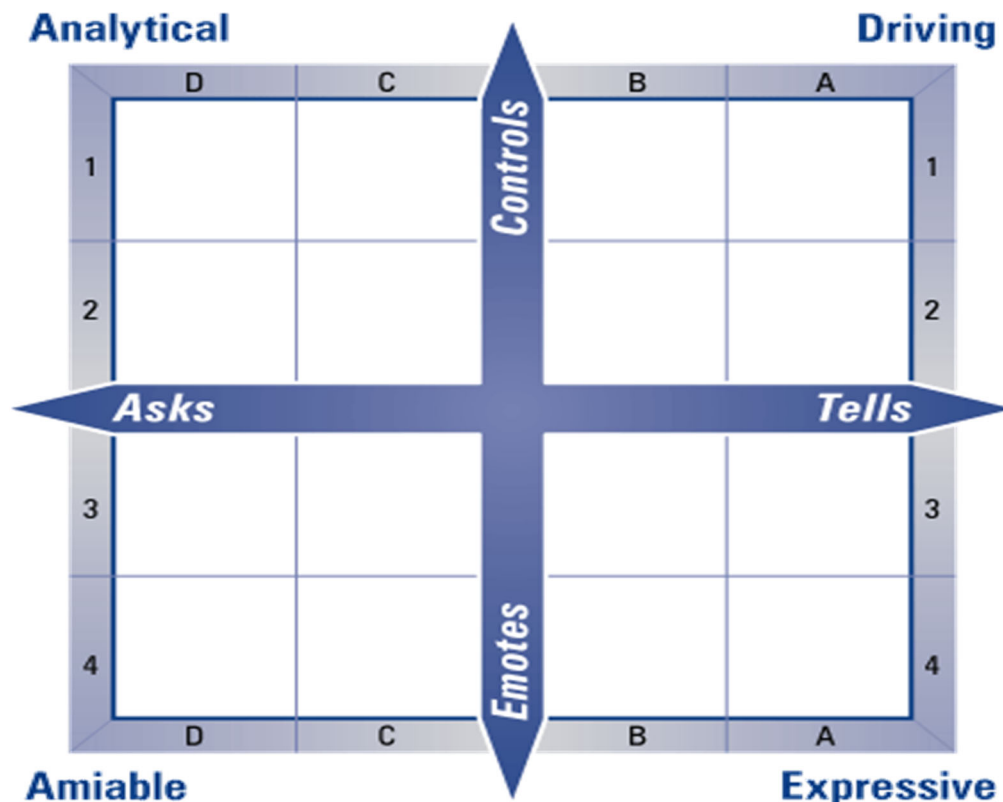
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1. Assertiveness

I have found that the easiest way to understand the Assertiveness continuum is that it is mostly about speed. Assertive people tend to do things faster. They move faster, talk faster, make decisions faster, and generally do almost everything a little faster. Regarding speech, they not only talk faster, but they probably also talk louder and more.

When we see that speed is the key to Assertiveness, we can go to a public place and watch groups interact. I love to watch small groups in an airport and try and pick out the more 'Tell' Assertive people in the group. They are usually the ones talking faster and getting more of the "airtime." Others are doing more of the listening, thinking, and reacting slower. These are the more 'Ask' Assertive people. Neither end of the continuum is wrong -- they're just different.

2. Responsiveness

The other continuum on which we can all be observed and measured is Responsiveness. This is a little more subtle, but still relatively easy to see. We all feel emotions equally, but some of us tend to show our emotions, whereas, others tend to control their emotions. The ones who show are said to "emote," whereas, others tend to "control." While not always the case, people who tend to show their emotions are often called "people" people, and the ones who tend to control their emotions are said to be more "fact" or "task" people. Again, neither is right or wrong -- just different.

The easiest way to determine on which end of the Responsiveness continuum someone might reside is to watch the face. Some of us will quickly show our emotions through facial expressions; others are far more difficult to read. Other indicators of "emote" people are talking with their hands, more flamboyant dress, and anything else about them that shows what they are feeling. Again, like anything else, being on one end or the other of this continuum is not right or wrong – it is just different.

Next time you are in a public setting, watch groups. Look for the ones who are showing emotion, and the ones that are controlling their feelings. You will find it relatively easy to determine.

C. Put the continuums together

The SOCIAL STYLE Model takes the Assertiveness continuum and places it on the horizontal scale and places the Responsiveness continuum on the vertical plane creating the model, giving us the four quadrants of Driving, Expressive, Analytical, and Amiable styles.

D. Details of the four SOCIAL STYLES

1. Driving style

The person with the Driving Style, is on the right side of the Assertiveness continuum and the upper end of the Responsiveness continuum. He or she tends to make fast decisions based on facts. How many facts? Only enough to make the decision. This person loves productivity and seems to be always doing something. The person doesn't like delays but will tolerate them if given a way to remain productive.

One of my favorite ways to describe the Driving Style person is that he or she probably has at least one or two cell phones going all the time. If caught in a traffic jam, the person won't necessarily get too frustrated, but will find a way to utilize the time by making some phone calls or answering emails on the smart phone. I would have to guess that the smart phone manufacturers have to sell more to this Style.

Working with people is a bit of a challenge for the Driving Style, but actually this person is a good delegator. Because efficiency is important, delegation is often the road to that efficiency. The biggest challenge for this person, however, will be spending the necessary time to nurture the rest of the team.

The Driving Style will often embrace the new-style organization because of its efficiency; however, he or she might have a more difficult time embracing some of the team and collaborative things needed for the new organization to work well.

The greatest need of the Driving Style is results.

2. Expressive personality style

The Expressive is as assertive as the Driving style but is more of a "people" person and shows much more emotion. I often describe this person as the "cheerleader" of the group. The person loves to do team and group activities and has a great ability to stimulate team behavior. The Expressive tends to be a fast decision maker with much of the decision based on gut feelings. This Style tends to have great intuition.

Similar to the Driving, the Expressive will not like delays. But he or she will be more apt to personalize the delays and strike out at the person causing them. If the Expressive is caught in a traffic jam, he or she is more apt to be looking for the car that caused the mess.

Because the Expressive is both highly productive and loves to work with people, he or she often finds himself or herself in a marketing or sales role; although, we need to avoid stereotyping and understand that someone from any of the SOCIAL STYLES can be successful in sales. It's just that the selling will often be done in a different manner.

The Expressive loves to do "fun" things but can easily postpone or even procrastinate the things that are not fitting within the normal behavior. That is probably the greatest reason why Expressive salespeople will so often be late in handing in expense reports. They are not fun!

The greatest need of the Expressive is personal approval.

3. Analytical style

This person is 'Ask' Assertive, and also controls emotions. He or she is very fact-oriented, loves to analyze things, and often enjoys history. The person tends to be a slow decision maker based on facts. In fact, this person wants all of the facts. When making a presentation to the Analytical, be sure to have all of the details because you will need them.

The person can often tend to be a perfectionist and is seen by all as extremely competent. Work is generally completed very well because the Analytical will take the time to make sure it is right. Delays don't really bother the Analytical too much since they are often necessary for things to be right.

Working with people can be a challenge for the Analytical because he or she wants things to be done correctly. Consequently, the person will often do it himself or herself. The Analytical can often have a problem with the new-style organization due to his or her Style. The new-type organization tends toward more risk management and less risk avoidance. The Analytical tends to be less of a risk taker because of the desire to have things correct.

The greatest need of the Analytical is to have things right.

4. Amiable style
I take pride in being an expert on this SOCIAL STYLE. Not because I am one, but because I have been married to one for a long time. Trust me; do not get this style wrong. Often people see it as a more subdued style because it is both 'Ask' Assertive and tends to be very people oriented. But, don't kid yourself – this person is very strong in a unique and non-combative way. The Amiable will go with the flow on the surface issues but dig in his or her heels with the important things.

This person is very easygoing, loves to work with people, and is very cooperative on a team. He or she will volunteer often, but sometimes have trouble saying no. The Amiable is relatively slow to make decisions and will make them with gut feelings. Intuition is very high.

Delays are generally not a problem for the Amiable, especially if they are caused because of relationships and dealing with people. After all, to the Amiable, people come first.

The primary need of the Amiable is personal security.

E. Versatility, the key to success
According to the SOCIAL STYLE Model, the word Versatility has a very important definition. It is the ability of an individual to reduce the tensions in others. Essentially, that means the ability to play in the court of others or adapt his or her behavior to effectively accomplish tasks. For example, an Expressive salesperson might normally approach a prospect in a relatively aggressive and strong manner. But, the highly versatile salesperson might see that the prospect is an Amiable, and therefore, proceed slower and win the prospect over with trust before trying to close the sale.

The concept of the model is that there is no right or wrong with styles, and people can be equally successful in life and business from any of the quadrants. Versatility, however, is a different matter. There is a correlation with success. The person who has skills of reading people and shaping behavior to appeal to their style will tend to be more successful in accomplishing tasks.

Therefore, the best way to practice versatility is to understand the quadrants, what the people want and need, and how to adapt one's behavior to better get along. This is especially true with the new-style organization that recognizes the importance of employees and makes every effort to improve the organization by improving relationships.

F. SOCIAL STYLE and EQ
Understanding about ourselves, others, and how both we and others react is both the key to Versatility and also the key to EQ. In fact, in my opinion, EQ and Versatility are synonymous. We can have greater EQ when we better understand the aspects of SOCIAL STYLE.

Activity

Situation

Tom Smith was recently hired as the controller/CFO of a small, family-owned company that manufactures a specialty product for the construction industry. Tom was recommended by the company's banker for this position and was told by the banker that the company needed a lot of help in the back office. In fact, the banker had told the owner that a financial person was a requirement for the bank to increase the line of credit.

The company has been quite profitable and has nicely survived the construction downturn; however, after close inspection Tom quickly knew that he had his work cut out for himself straightening out the back office.

One of the first things Tom saw was that the company apparently had no serious policy about travel and entertainment expenses. While the salespeople and executives would turn in sheets and some receipts for reimbursement, there seemed to be no organized system. There was no form – with most of the requests for reimbursement written on yellow pads and then submitted to accounting. Some had receipts for expenses as small as $1.00, while other requests were missing receipts for large dinners costing over $200.

Tom reports directly to the CEO, Susan Tompkins. She is a relative to the ownership family, but the only one in management.

Assignment

Your job is to present Susan with a case for a T&E expense policy including a form. You know that there are many good reasons for such a policy and form, including increasing profit and legal compliance. Additionally, you have been informed that Susan is in a specific SOCIAL STYLE Model group. She will be a Driver, Expressive, Analytic, or Amiable. (Randomly select one for this exercise.)

Based on that social style, your job is to answer the following three questions:

1.   What is the primary argument you will use to convince Susan to adopt your policy?

2.   List some of the things that you would include in the policy.

3.   Briefly describe the look of the form you will design.

Remember to answer these questions based on Susan's social style.

IV. How to obtain the employees we want

We have discussed what we want in employees, not it is time to discuss how to obtain them. The obvious secret is to have employees with both interpersonal skills and technical skills. In most cases the interpersonal and people skills are the most important, but often they are overlooked. The trick is to recognize the objective and put into place a program to make it happen and fashion a workforce that both has the technical skills for excellence and also the people skills to be creative, work well in teams, and be high contributors to the organization.

In achieving this, the first part is to determine the objective technical skills needed for the particular job, and then determine the benchmarks to make sure of obtaining those objectives. For example, if you want a CPA with 10 years of experience and a degree from a top school, stipulate those objectives. Then, do your advertising, both internal and external, stating those requirements for the job.

Verification of the technical matter is important, as there has become more and more incidence of résumé fraud. In my opinion, that kind of verification cannot be done through an interview but must be accomplished through outside means.

Technical skills – Resume
People skills - Interview

Once we have the verified technical skill information, it is time to determine the people skills. This part is more difficult. While some have developed some testing instruments for teamwork and personalities, with one important exception mentioned below, most of this has to be done through interviewing. Yes, interviewing is both time-consuming and expensive, but is crucial if we want to hire the best people.

Descriptions of the habits of the best companies all point out that they take more than the normal time to interview and determine that they have the best people who will fit well into the organization. When we read about top-rated organizations such as In-N-Out Burger and the Ritz Carlton Hotel organization, we learn that they schedule multiple interviews, having perspective employees meet with many different people to get a wide cross-section of opinions. Achieving the top culture requires extensive interviewing to make sure that we only hire people who fit into our culture. That kind of extensive interviewing is expensive, but many organizations have found that the expense pays off in the long run.

When asking yourself if such a practice of extensive interviews is worth it, just think of how much time you have spent trying to manage an employee who does not fit in well with the team, causes friction, and is disruptive. You have spent hours coaching, leading, pleading, and every other trick in the books. Now compare that with the time that could have been spent finding out more about the person in several interviews and avoiding the problem. Usually the choice is simple.

1. Who should interview
Often hiring decisions are made with only the department head doing the interviewing and making the decision, but unfortunately, this only gives one perspective. We would suggest two other particular areas. First, others on the team where the person would work should be part of the interview process, either as observers or as interviewers. Remember that we are interviewing for interpersonal traits, and those are important to see if this person will work well with the team.

The second group to interview would be other department heads in the organization. After all, this person will be interacting with others in the organization and it's a good idea to get their thoughts before the person is hired. If you are going to have others in the interview process, they must be trained well to be sure that they don't ask questions that could open the organization to potential litigation; however, that isn't really that difficult to achieve by requiring that people stick with approved questions.

2. Interview questions
Developing interview questions that test attitude is tricky, but by no means impossible. There is an excellent book in print by Mark Murphy called *Hiring for Attitude*. Murphy suggests a multi-step process that I will summarize here.

a. **Determine the trait that you want.** You will probably want several attitude-related traits in your employees. Such things as desire to learn, creativity, cooperation, honesty, and many others will all fill out the list. For this step, make a list of the most important traits, and perhaps even put that list in the order of importance.

b. **Develop an interview question that seeks to determine that trait.** In this step, write down a question that you think will give you a good idea of whether that person fulfills that particular trait. For example, if you are seeking a person who enjoys working on teams, then you might ask a question like, "Tell us about a time when you were particularly stumped for the right answer to a problem. How did you go about finding the answer?"

c. **Determine how you will grade the answer.** One of the reasons why attorneys often don't want us to interview for attitude is that the interview process is primarily subjective, and that leaves the organization open to discrimination lawsuits. In my opinion (I'm not a lawyer, so don't consider this legal advice), you have less risk of such suits if you objectively evaluate the answers to the questions. For this reason, I would suggest that you determine ahead of time the answer you want, and then immediately following the question, rate the answer on a scale of 1-5 or 1-10. If you do that equally for each applicant and be sure to ask each applicant the same questions, you will be working toward turning a subjective process into more of an objective process.

3. Case studies used in interviewing

A very effective way to determine how a person would handle a situation is to present them with a case study and ask them for their reaction. The reactions can be answered either in written or verbal format while telling the company a lot about the person. Personally, I love case studies and like to have the prospective employee answer both in writing and verbally for different case studies. Not only can we get a good understanding of how the applicants would handle a situation, but we also learn how well they express themselves either in writing or verbally.

Use the same process in determining the "right" answer for a case study as you did for interview questions. Determine the answer you want ahead of time and then rank the answers on some kind of scale.

Activity

Assume you are the controller of an organization and team leader of the accounting department. You are seeking another person in the department who will be in an entry-level position to handle any assigned task. You have written the following case study to help with the interview. Each applicant will read the case study and then answer what they would do in the particular situation.

Here is the case study, including the answer choices. Consider the case study and what each of the possible answers says about the applicants.

Accounts Payable Case Study

You are the accounts payable clerk for a relatively large organization. Your job is to pay the accounts as you receive them. They have already been approved, so approval is not your job. Many of the accounts you pay come as expense reimbursement requests from the sales department. In such cases, all you have to do is to double check and make sure that the requests have been approved by the head of accounting and also the sales manager. If those approvals are on the request, your instructions are to pay the request.

One day you get a request that seems familiar. Because you are curious, you check in the file and find that the same salesperson submitted a request last month listing the same customer, at the same restaurant, and for exactly the same amount. The only difference is that the backup to the request this month was a credit card receipt and last month it was the restaurant receipt.

Please select which of the following choices you would pick:

1. Do nothing. Your instructions are to pay the invoice, not to approve it.

2. Go to the salesman and alert him that he probably made a mistake.

3. Go to your boss and ask her what to do.

4. Go to the sales manager and report a possible fraud.

V. Job descriptions

Job descriptions have often been seen as a crucial part of any company's HR policy. They tell the employee what is expected and what the job entails. However, more and more companies are seeing the detrimental effects and are designing creative ways to achieve good communications and fairness in some other way.

We have all heard stories about employees saying, "It's not in my job description," when asked to do something. The obvious way to correct that problem is to include some line in the descriptions like, "…and everything else asked to do by the supervisor." Theoretically that line works, but it then does away with the desire to narrowly define the position duties.

What more and more companies are doing today is to be sure to have goal-oriented rather than task-oriented job descriptions. For example, one aspect of the job description for the head of accounting might be:

"Monthly prepare a balance sheet, income statement, and flow of funds statement by the 10th of the month and present to the board of directors."

Another similar job description might say, "Keep the board of directors informed about the financial condition of the company."

If you saw these two job descriptions in two different companies, for which would you rather work? When asked this question in seminars, I overwhelmingly get the answer that people would rather work for the company having the latter description. Why? Because it indicates more flexibility giving the employee more latitude on how he or she would fulfill the requirement.

Some companies, such as Edward Jones and Company, have done away with traditional job descriptions and created what they call "responsibility statements." These are mutual agreements between the employee and company where both agree upon the goals and the ways that the attainment of those goals will be measured. With this system, the company finds that the employee feels more in control of his or her situation and therefore, is more motivated to achieve the objectives.

We are seeing a major trend in this area where employees are having more of a say in what they accomplish, how the goals are accomplished, and how they will be measured. Later we will discuss "autonomy" as an important aspect of motivation. This trend in job descriptions is clearly a step in that direction.

Trends in Employee Motivation

Trends in Employee Motivation

Learning objectives

Upon completing this chapter, the reader will be able to:
- Determine what causes employees to be motivated;
- Understand how to structure an incentive system;
- See how to organize the department for productivity; and
- Discuss what to do with a problem employee.

I. Understanding employee motivation

A traditional understanding of employee management is with the old "carrot and stick" system. The carrot is money, and the stick is unemployment. If you do well, I will pay you more, and if you don't do well, then I will fire you. The system is based on fear and greed, and we are now finding that it doesn't work very well. Essentially, that is extrinsic motivation.

Intrinsic motivation is when a person does a better job because he or she wants to because it meets an intrinsic need. For several reasons, which we shall discuss, there is a major trend moving from extrinsic toward intrinsic. However, extrinsic motivation or money is still very important.

This section will be divided into two parts: the first which we shall call salary policy and the other will deal with extrinsic motivation.

A. Monetary compensation

In our capitalistic system, salary or money is still the most popular method of employee motivation; however, for many of the worker classes, it has been found to be far less effective. Studies have discovered that, at the lower salary levels and entry-level positions, money is still probably the best motivator. However, at the higher ranges and most jobs above the entry level, there are other non-financial motivators that have been found to be more effective. Age also has a factor as it is found that the younger generations are more apt to be motivated by extrinsic factors than intrinsic.

The reason why money is most important at the lowest levels is for two reasons. First, the most basic necessities must be satisfied before a person can be terribly concerned about some of the other aspects of life. You have to eat and be clothed before you are going to be overly concerned about our personal freedom. As Abraham Maslow postulated with his famous "hierarchy of needs," you have to take care of the basics before a person can be overly concerned about some of the other aspects of life.

The other reason why money is such an important motivator for the lower positions is that they often require less creativity and thinking, and are usually more boring. There is far less thinking with these jobs, and far more repetition.

In the accounting department, we are finding fewer of these jobs around – most of them have either been automated or shipped offshore to places of lower cost wages. What we are left with are the jobs requiring more creativity and more thinking. Consequently, we need to understand how these employees want to be motivated.

1. Pandemic and motivation

Covid-19 caused many organizations to quickly develop systems allowing employees to work from home. Some employees liked the change and others did not, but almost everyone had to do it. We are now in a position where we can evaluate to see how working from home worked and how it affected both the employee and the organization.

While doing seminars during the pandemic, I would ask the class a simple question, "in your opinion, has having employees work from home increased or decreased the productivity of the company?" Overall, I would estimate that the findings were 50-50.

Probably one of the most important things coming out of the pandemic was that many employees enjoyed the taste of flexibility that was afforded by working from home. Then, when asked, (or sometimes commanded) to return to the office, they sought other employment. Work/life balance is a subject talked about a lot more after the pandemic than before. Consequently, organizations are forced to consider those factors in motivation.

2. Compensation and fairness

While compensation may not be a motivator at the higher levels, it is certainly a *de*-motivator if it is seen as unfair. The problem is that fairness is such a nebulous word, meaning different things to different people. Some think that compensation is fair when all people are paid the same amount if they have the same seniority or education level. Others think that fairness has nothing to do with seniority or education level but should only be determined by the output and productivity of the individual. Which is "fair?"

Questions to ponder:

> If your boss were to tell you that you were to receive a 15-percent raise for next year, would you be happy with that increase?
>
> If you later found out that the majority of your peers were receiving a raise for next year of 20 percent, would you still be happy?
>
> I have done this little exercise in my classes many times and always get the same result. Most people are totally happy with the 15-percent raise until they find out that their peers are receiving more. Consequently, this proves the point that most people aren't really motivated by the money; rather, they are more motivated by how well the company thinks of them, and the proof of those thoughts are proven by the amount of the raise. Thus, fairness is a larger motivator than the funds.

3. Salary administration choices and culture

Different cultures treat both monetary and non-monetary compensation very differently. As with all aspects of culture, as we learned earlier, nothing is true 100 percent of the time; however, the following is generally true. In power cultures, the monetary compensation system is usually up to the boss. It tends to be somewhat disorganized and usually favors who the boss likes for whatever reason. People in the "in" group are usually compensated better and are given more non-monetary compensation than those who are not in as much favor with the boss. In the power culture people are generally paid on the basis of contribution, which is what we often call a "meritocracy." But the boss may be the one who determines the amount of contribution rather than basing it on some objective measurement.

The role culture usually compensates based on "time-in-grade." This type of system rewards people for being in the organization longer and having a higher level of education or rank. An excellent example of

this system is in education, where teachers are usually paid on a step system based on seniority and education. Often union work is paid on this kind of system. Role cultures have relatively little non-monetary compensation -- such as autonomy -- since they are very rule-based.

Task cultures often compensate using methods exactly opposite the role cultures. These organizations have a lot of meritocracy compensation; however, unlike in the power culture, the amount is more often set by objective measurements. In addition, these cultures have a lot of non-monetary compensation -- especially autonomy.

As an example, most school systems and local governments are role cultures. Employees usually receive similar raises for similar jobs, and the only way an employee can get a more substantial raise is to receive a promotion. That works fine until an employee reaches the top of the organization such as the school superintendent or the town manager. In both cases, even though the person might be doing an absolutely terrific job and be loved by everyone, he or she will not get a significant raise in salary without moving to another school or town. This is one of the big reasons why the tenure of either position has been shown to be relatively short.

The compensation question is one of the most important that the organization has to address. How will we compensate our employees? The following short case study is an example of such a discussion.

Activity

Two women work in the same department for the same organization. Susan is 46 years old, has had 15 years' experience in the organization, and has a master's degree. She would be rated a "good" employee; however, sometimes fellow employees complain about her negative attitude. Her immediate supervisor says that she does an adequate job, but seldom volunteers for additional responsibility or work.

Ann has essentially the same job as Susan. She is 30 years old, has an undergraduate degree, and has seven years' experience with the organization. She would be described as an "excellent" employee with great support from everyone on the staff. They especially enjoy her positive attitude and willingness to pitch in and help. Her immediate supervisor praises her attitude as well as her productivity.
In your opinion, who should be making a higher total compensation? How would you describe "fair" salary administration in this situation?

4. Compensation and motivation

When determining your compensation system, it's important to make sure that you are motivating the right things and not motivating the wrong things. That's obvious, but unfortunately, many organizations do it. Allow me to give you some examples. Let's say that you are compensating hourly workers in tasks that directly lead to the productivity of the firm. If you are paying them to put in a fixed amount of time with no additional bonus for productivity, they are actually being incentivized to be non-productive. After all, if they can work slower, and therefore need more time to get the job done, they will need to put in overtime and gain the reward for the extra time at the overtime rate. For that reason, you need to have supervisory staff to make sure that the people work hard.

But what if you added a bonus for greater efficiency or somehow paid them for the work being done rather than the time being spent? Then, they would be incented to work faster and be more productive. You might even save money because you might not need the supervisory staff and thus save even more money. So, a key question has to be how you will accomplish your motivation with monetary compensation.

5. Gain share and incentive systems

Systems designed to reward employees for contributing to the profitability of the organization actually combine several motivational techniques. Certainly, they are based on financial rewards, but they also allow the employee to see the direct results of his or her contribution and in that way, appeal to autonomy. The programs also relate back to the relevance issue since the employee can see how his or her efforts make a difference.

Surveys show that almost 60 percent of the most significant recognition techniques cost very little money. But they are important because they telegraph to the employee a very important message:

What I do counts!

With gain share and incentive systems the meaning is more important than the money. Simple things like cards of thanks, concern, and similar gestures say to the employee that the organization considers him or her an individual who is important to the organization.

Many good organizations purposely budget an amount that is set aside for department incentive systems at the discretion of the department head. This serves both as an autonomy incentive for the department head, but also as a bonus for the employee. Naturally, to do this the company has to trust the integrity of the department head to use the funds in a fair and equitable manner. Some companies have that level of trust; others do not.

Activity: Gain share case study

The Last Manufacturing Company has an accounting department consisting of five employees. The company has total sales of $20,000,000 and the accounting department has direct expenses of $300,000. As of now, the accounting department is an expense department, but to make it into a profit center only requires giving it income. If we decide to give it an amount of income that will directly cover its expenses, we could give it 1.5% of company sales. Using sales as a way to give the department income is fair since the accounting department serves the entire company.

The first column of the attached worksheet shows that situation with the accounting department making 0% profit, and therefore the employees not receiving any bonus for any profit.

Now, let's say that the company grows in sales by 20% next year, but through good conservative effort, the accounting department is able to support the growth with only a 10% growth in expenses. Then, by keeping the income percentage the same for the department, it would obviously make a profit of $30,000. If the gain share system specified that the employees get 10% of the gain, they would get $3,000 and that would be divided by the 5 employees with each receiving $600.

One might say that people wouldn't really change behavior for only $600 per year, but others say that they would, since accounting department people generally have not received a bonus based on efficiency.

Now, let's say that one of the employees, Harry, is going to retire. Let's also say that he has been around a while, is 70 years old, and is far less than totally productive. In a normal situation, the other employees will immediately be talking to the boss about who will replace Harry since no one wants additional work required to cover Harry's share of the department labor.

But, under the new gain sharing system, we will often see a different attitude. The employees are not stupid. They quickly see that if they can eliminate Harry's salary and benefits, which we can assume amount to $50,000, the expenses will be lower, the department profit higher, the bonus pool higher, and the pool will be shared by one less person. The results are shown in the third column.

	A	B	C
Company sales	20,000,000	24,000,000	24,000,000
Accounting dept. direct expenses	300,000	330,000	330,000
Number of employees	5	5	4
Average salary	50,000	50,000	50,000
Income percent for accounting	1.50%	1.50%	1.50%
Department income	300,000	360,000	360,000
Department expenses	300,000	330,000	280,000
Department profit	-	30,000	80,000
Employee share %	10%	10%	10%
Employee share	-	3,000	8,000
Each employee share		600	2,000

B. Intrinsic motivation

More recently, leaders have found through vast amounts of research that people are motivated by many things. We will now look at some of these other aspects of motivation, how they may apply to our organizations, and how they might be changing. An important source for much of this chapter is one of the best books on employee motivation written in many years. That book is *Drive*, by Daniel Pink.

1. Autonomy

We have found that employees today want to have more to say about their own destiny, their jobs, and how they do the jobs. In short, they want to be able to use their own creativity in finding out the best way to accomplish the task. We refer to this as autonomy.

There are a lot of different ways that people exercise their autonomy, and companies are finding new ways every day. Probably one of the most significant ways is to evaluate for what we pay people. Do we pay them to do work, or do we pay them to put in time? The obvious answer is that we pay them to do work, but I would question that. In fact, since we are paying them to put in a particular amount of time, we are really paying them to put in time. Naturally, we would like to think that they are working while they are putting in the time, but that may not be the case. That is why, in many situations, we have to hire supervisors who are paid to make sure that the workers work while they are putting in the time.

Why do we pay people?

Do work

Put in time

Ask yourself a simple question. "What would happen if we paid people for the work they did, and not the time they put in?" Then, if they were finished with their work, they would be free to do some other work, play, go home, or anything they wanted. After all, they did the work for which they were paid, and therefore, as employers, we should be happy.

Such an idea is considered to be quite radical to most but is being tried in more and more companies today. More and more companies are discovering ways to pay for work and then trust the worker to find the best way, the best time, and the best detailed method of accomplishing the task. Allowing the employee this freedom to think for herself is actually giving autonomy – a prized way of motivation.

We hear of companies like Google, which is at the top of the *Fortune* magazine list of the best places to work, who have rooms to take a nap, game rooms, and even company-sponsored massages for the employees. Why would a company ever want to have a place for employees to play games instead of working? The answer is simple. **They pay their employees to do work, and not to put in time**. Consequently, they really don't care what they do with their time as long as the work gets done. If they want to take a nap, play a game, or take a massage break in between projects, that's up to them. After all, only the work is measured – not the time.

Google is certainly at the top of the list of companies that have learned how to motivate using autonomy and how to pay for work and not time. Other, possibly less drastic ways include job-sharing, flextime, flexible hours, and similar programs. All of those ideas have one thing in common – they are based on the idea of paying for work, and not time.

I would suggest to you that this this is possibly the most important change that we have learned from the pandemic. Many organizations have had no work-at-home programs, didn't have the computer ability, really didn't want to allow it, and the culture was against it. Suddenly, it was thrust upon them, and they had to adapt if they wanted to stay open. Consequently, the IT staff met the challenge, and management discovered that employees could and would work efficiently from home. Most importantly, many employees enjoyed the greater freedom from the exercise, and will no longer be willing to work a "normal" 9 to 5 job in an office. They have enjoyed autonomy.

I am not saying that this is for everyone. Many have hated being at home balancing young children not being in school, helping the older children with schoolwork, and making constant Zoom calls with team members. They certainly can't wait for the children to be back in school, and often are looking forward to the social interactions at the office.

Moreover, many organizations have found the system to be better. The major retailer, REI, had just build a new campus in Belleview, Washington, only to put it on the market when they found that having people work from home actually improved the organization. While I don't pretend that this has been a scientific study, over the past year as I have conducted seminars in a "virtual" format, I have consistently asked a key question, "has having employees work from home caused your department to be more or less efficient?" At the beginning of the pandemic, it was probably 70% reported that it had hurt efficiency. Now, it has moved past 50% saying that the change has improved efficiency, and the number is clearly rising.

We have learned that autonomy is a very important motivator, and I believe that many organizations will never go back to the old system. Obviously, working from home or with more autonomy will never work in all situations, but I can guarantee you that many organizations have found that it can be made to work in ways that were never before deemed possible.

Another important aspect of autonomy is giving the employee the opportunity to experiment, make mistakes, and learn from those mistakes. Autonomy is the exact opposite of micromanagement. Organizations and bosses, who are unwilling to take risk and refuse to allow employees to mess up, are organizations that have little autonomy and generally relatively unhappy employees. Creative people especially don't want to work for these organizations because they aren't given the opportunity to learn. Think about it – what fun is it to have everything told to you without any opportunity for creative problem solving? This is not a job I would want, and it certainly isn't one that allows autonomy.

Activity
Take a few minutes and make a list of some ways that you could allow more autonomy in your department.

2. Mastery
Another important non-financial way to motivate is mastery. This is the life-long learning desire that is inherent in most people. Naturally, we want to learn. We want to master different subjects, and we want to be constantly improving. Some jobs seem to encourage learning more than others. While most bosses would say that they want their employees to learn to do their jobs better and even learn to grow into a more difficult job, some organizations do not actually foster and encourage learning.

Ask yourself, does your organization encourage learning? Does it offer incentives and opportunities for people to take courses, read books, and otherwise improve themselves? When I went into the job market,

banks regularly offered to pay for graduate school for their employees as part of the fringe benefit program. Some paid for the entire program including books, others only paid for higher grades, and others paid only a portion of the tuition. The point was that they encouraged their people to continue their education.

Today, education is both more expensive but also filled with more options. Now, it is possible to take many courses and even receive credit for online courses. Some of those courses are even far less expensive and even free.

Creativity is an interesting aspect of work that transcends both autonomy and mastery and has a lot to do with how engaged people are in their jobs. If we think about some of the best jobs we have had in our careers, we will usually list jobs where we were asked to be the most creative in finding solutions to problems. Thus, creativity correlates well with engagement, requires a degree of autonomy, and satisfies our desire for mastery.

Question to ponder:

What are some of the things your company or your department can do to encourage mastery?

3. Relevance

Relevance simply asks the question, does my work matter to society? In the old-style organization, the company really didn't care what employees felt regarding the importance of their work. Today, however, employees are more sophisticated and want to know that their work matters to their fellow man. Most want to work for a company that produces a product of service that benefits mankind and does something to improve society.

In addition, they also appreciate the opportunity to personally do something to benefit society. Fortunately, we live in a country that highly values generosity. Consequently, many people want to give of their time and talents in addition to some of their available money.

Smart companies today use this important motivational aspect in creative ways for the benefit of the company, the employee, and society. They encourage employees to volunteer for projects, and even make company time and resources available for such projects. These companies have been pro-active in encouraging employee volunteerism, donating corporate funds to projects, making employee time available for the volunteer work, and capitalizing on the project through smart public relations. In these cases, the employee wins, the company wins, the charity wins, and society wins.

Following is a Facebook post by Southwest Airlines about some of the charitable work done by their employees.

> *Today, a child received the chilling diagnosis of a life-threatening disease. Can you imagine facing this battle with your child, knowing that they may never win? The outcome is incomprehensible; the solution unknown. You would do anything to give your child a fighting chance. But what if the best treatment for your child is across the country? How do you afford the travel or find a place to stay? How do you find hope when you are simply fighting for another day?*

> *These families are facing what may be the most challenging time of their lives, and, at such a time, the Ronald McDonald House (RMH) provides what they need most—a place to call home.*

For little or no cost, Ronald McDonald House provides families with a place to stay near the hospital where their child is receiving medical attention.

Not only does Ronald McDonald House provide a home away from home, but it also provides three warm meals a day often provided by caring members of the community. Each month, Southwest Employees across the system are those caring members of the community, giving their time to create and share a meal with RMH families. From shopping for the groceries to preparing the food and sharing the meals together, our Employees are involved every step of the way, displaying the Servant's Hearts that have always set us apart. I am proud to work for a Company that has supported Ronald McDonald House charities for 27 years.

I served my first meal at the Ronald McDonald House ten years ago, and since then have had the privilege of sharing my passion with our Company. As a member of the Teams who do Community Outreach for Southwest, I not only manage our partnership with Ronald McDonald House, but also plan the LUV Classic, our annual golf tournament that has raised more than $13 million benefitting Ronald McDonald Charities for nearly three decades. This year's LUV Classic will be held on Friday, October 5—stay tuned for more details on how to get involved!

*If you haven't had the opportunity to provide a meal to those who need it most, I would encourage you to get involved. If you are interested in volunteering, please contact your local Ronald McDonald House by visiting **www.rmhc.org**.*

Question to ponder:

Does your company encourage volunteer participation by employees? Should it?

Activity

Consider the four types of employee motivation: money, autonomy, mastery, and relevance. Now consider a middle-level person in the accounting department. Of those four aspects of motivation, what is probably the most important for that employee?

II. Empowerment

Empowerment is defined as the giving or delegation of power or authority. When we empower an employee, we give him or her the power to get the job done. When we fail to empower the employee, we generally put the employee under severe frustration since they have the responsibility for the work, but don't have the power to see it through.

Interestingly, it directly relates to the three aspects of motivation mentioned earlier. When an employee is empowered, he or she has the ability to make decisions and do the necessary work to meet the requirements. That is autonomy.

Mastery comes into play when the person is empowered to make decisions and learn more and more to better make the required decisions. Finally, relevance is impacted because the person better understands how the decisions impact society.

When we delegate, we need to remember that it's important to equally delegate responsibility, authority, and accountability. To see how they work together, let's look at the definitions. The responsibility is the

job. Authority is like empowerment in that it is the power to make the necessary decisions for the job. Finally, accountability means that the person rises or falls depending on how the authority was used.

For an organization to run well, all three things have to go together. If a person gets the responsibility, and especially if he or she also has the accountability but without the authority, there is great frustration. If we delegate the responsibility and the authority, but the employee has no accountability, then things don't work well. An example of the first problem is in a bureaucratic organization where the department head does not have the authority to make decisions and is greatly frustrated. An example of the second often occurs in an organization where poor employees can't be discharged because of union contracts or other employment rules. In both of these cases, the organization is dysfunctional.

A. Respect

Another important motivational term relating to autonomy, mastery, and relevance is the term respect. If the employee feels respected by the organization, he feels that his or her ideas matter and that comments and ideas are heard. If the person does not feel that the ideas are respected, then he or she won't feel motivated by either autonomy or relevance.

It is interesting how this concept directly correlates to customer service. Organizations in which employees feel respected and their ideas matter generally give much better customer service to the public. Where the employees do not feel respected, then often those feelings are transmitted to the public in the form of bad service. If you want your employees to treat your customers better, you must make sure that they feel respected.

B. What employees desire

Over the past number of years, companies have surveyed employees to find out what they want in the way of an employer and what makes them happy. These kinds of surveys have helped managers understand what motivates people. In a recent book, *The Great Workplace*, author Michael Burchell discusses those things that employees want. Theoretically, he is an expert since he is with the organization that conducts many of the surveys and produces the lists of 100 best employers in the country or in a particular city.

One can easily ask the question, "Is it important that my company be considered by employees to be an employer of choice?" The fact is that we are all competing in the employment market for the best people. If one company has the reputation for being a better place to work, it will obviously have an easier time attracting the best people and may be able to do so at a lower cost. Consequently, we should pay attention. The following is a checklist of things that a manager might ask in determining if he or she is maintaining a workplace where people are happy working.

1. Honest feedback

The traditional method of working with employees calls for an annual review where the boss and the employee discuss work performance issues and then the boss usually tells the employee what the raise might be for the coming year. Unfortunately, we all know that these sessions are tense at best, and worthless at worst.

In a good employer/employee relationship, there is never any guessing. In fact, the communication should be so great that there may be no formal reason for the review since the parties have been discussing performance any time it is needed. The fact is that employees want to know where they stand

and how they are doing within the organization. They also want to know the direction they are going and even what plans the organization might have for their career.

Unfortunately, most organizations don't give honest feedback to the employees and the review procedure is primarily political. This then leads us back to the issue of mastery. Since people want to improve, they need to know how that improvement should be made and in what direction. For this reason, good leaders today are more like coaches who give honest and timely feedback.

2. Caring for employees

The best employers today have developed vast and sophisticated systems designed to care for employees. In the old days, there was an old saying that employees should leave their troubles at home and never take problems to work. Today, we understand that the old theory is impossible, and if we want good productive employees, we have to care for both their business and personal needs.

Southwest Airlines has an intelligence system operated by several full-time employees that enables headquarters to know about what is happening in the field. If a Southwest employee or spouse has a baby, it is said that there is a personal note and gift from the Chairman at the home within a day or two. And that is only for the great celebrations of life. If an employee has a problem, he or she is directed for help. Southwest considers its 35,000 employees to be "family," and has systems in place making sure that the employees feel like they are part of the family.

Some of the things that companies do today to show support and care for the employees include counseling services, special health programs, gyms, stress-reliever programs, childcare, and many more creative things. Do they pay off? According to the experts, they have a very high ROI.

3. Support

- • I enable people to get the training and development they need for their career success.
- • I give honest and straightforward feedback.
- • I know the career "next steps" for each person I supervise, and I create opportunities for them to get relevant experience to meet their career goals.
- • I make sure people have the resources they need to do their jobs well.
- • I recognize that mistakes are a necessary part of doing business.
- • I support people in testing their ideas, even if it has a temporary, negative effect on productivity.
- • I talk with people regularly about their growth and development, not just during performance appraisal time.
- • I tell people when I think they've done a good job or expended extra effort on a task.

4. Collaboration

- • I ask that my team members gather input from people, in our department and others, before making decisions.
- • I create opportunities for us to decide together on the best course of action.
- • I follow up with people who have shared ideas and feedback with me.
- • I make sure people are involved in the decisions I make that affect them.
- • I seek input, suggestions, and ideas from my team.

5. Caring

- I allow people to take time off when they need to.
- I attend to the collective stress of my workgroup, be it due to personal, time-management, or financial causes.
- I encourage people to balance their work and their personal lives.
- I have an understanding of the benefits the organization offers, and I help people to understand how they can best take advantage of them.
- I know what people in my workgroup enjoy doing outside of work.
- I role model a healthy work-life balance.
- When possible, I attempt to bring the personal skills and passions of people into the workday.

The above checklist was first published by Michael Burchell in his excellent book, *The Great Workplace: How to Keep it, and Why It Matters*, published in 2010 by John Wiley and Sons.

III. Employee engagement

For years organizations have been surveying their employees to see if they are happy and like their job. As of late, we have seen that the question is not a good one in that it doesn't measure what is truly important. Anyone can tell you how you can immediately sharply increase the happiness of your employees -- give them a 50-percent raise. But that will probably not increase their productivity or some of the other things that you truly want.

Recently, organizations have developed surveys to determine the amount of employee engagement in the organization. The term "employee engagement" has been defined in several different ways by several different experts; however, it seems to be something like the amount of emotional commitment the employee has to the organization and its goals. This means that engaged employees truly and emotionally care about their jobs and the companies that employ them.

The Gallup public opinion company has been surveying employee engagement for several years, and has concluded that overall, in the United States, employee engagement rests somewhere in the 30-to-35-percent range. The rest of the employees are less than fully engaged and show up to work for the pay, not because they truly are engaged. Most importantly, it has been found that there is a direct correlation between employee engagement and the success of the organization. Consequently, we need to look at some of the things our organization can do to increase the level of employee engagement. Some of the more recent trends in engagement are as follows.

1. Employee engagement is increasing, although very slowly. Over the past few years we have seen a slow increase and we can expect that to continue.
2. As millennials become a larger portion of the workforce, we have to appeal to their wishes. As a group, they are much more interested in corporate culture, open communications, involvement with causes, and achieving personal fulfillment.
3. As we have said before, motivation methods have shifted from the old "carrot and stick" system to a more compassionate leadership style. That shift will increase employee engagement.
4. Work/life balance will continue to be more important in a worker's life.
5. Technology will focus more on the employee and allow more employees to accomplish more creative work and less repetitive work.

IV. Motivation by leadership

Everything we have been discussing in this chapter revolves around leadership; however, much has changed on the related topics over the past several years. Many of our organizations have moved from management to leadership. There have been many books written, and there are more still being written, about the difference between the two. But I often consider the difference to be that managers push while leaders pull. That is, leaders pull their teams along more like coaches, rather than trying to push them with something like the "carrot and stick" method mentioned earlier.

To lead, the leader must have a place to which he or she is leading the team. Consequently, the team needs to have a concrete *vision* -- the place where they want to end up in this future. That timeframe may be one year up to 10 years away, and the plan probably should include all of the years in between. In the task culture, the leader will not be totally responsible for determining that place or that vision, but the leader will formulate the spot with the assistance of the team.

Once we figure where we want to be (vision), we need to determine how we are going to get there. That process we will call the *mission*. The mission will tell us how we are going to achieve the vision. It will include such details as what we will need, including people, fixed assets, and other types of resources.

Finally, the leader will present the core *values* of the organization or department. These are the values that will not be violated as we are moving through our mission to reach our vision.

While these three things may not seem to be terribly important, I can promise from experience that vision, mission, and values (VMV) may be the greatest motivators an organization has. That is especially true when the team members themselves are part of the process in determining the VMV of the team.

V. When trouble develops

When trouble develops and things just aren't working, obviously the first thing to do is find out why. Unfortunately, many organizations have a habit of wanting to find blame and find the person or department that is responsible. The fact is that when problems develop, they are usually the result of systemic problems and not people problems. While it may look like a person is not doing his or her job, the real problem is often that the systems in place do not allow the job to be accomplished correctly. To discover this is relatively easy. It is just a matter of bringing the team together, broaching the fact that something is not working correctly, and then asking the group for help in finding a solution. The ones doing the work are usually the ones knowing the best solutions.

A. Problem ownership

Another problem that frequently develops in organizations is that they attempt to solve problems without ever really determining where the source of the problem is. For example, let's look at the following case:

Harry has been an employee for the company for the past 15 years with most of them being in the accounting department. Sam is the new controller and manager of the accounting department. Over the past several weeks, Sam has noticed that Harry has habitually been coming in about 20 minutes after the assigned starting time of the department, which is 8:30. Sam has determined that the situation has need of corrective job counseling and has called Harry into his office and shut the door.

Before we go further, let's realize the stakes here. Certainly, Harry works for us, and we have the right to insist on certain behavior. But, if the conversation gets difficult and Harry feels under a lot of stress, then most of us will recognize that the conversation will not go well and our objective of changed behavior may not be realized. On the other hand, if we are able to keep Harry's tension level low, we might have better success.

So, given that objective, what would be the first words out of your mouth if you were Sam?

Write several possible first sentences below.

_____
_____
_____
_____
_____
_____
_____
_____

When I do this exercise in a seminar, several of the common choices given are as follows:

Harry, do you know what time it is?
Harry, why were you late?
Harry, do you have car trouble?
Harry, do you have commuting trouble?
Harry, do you have any other trouble?
Harry, what is your problem?

When we think about it, with all of those first sentences, the tension level is high. But the reason we use them is that we want to find out what poor Harry's problem is. The fact is that he doesn't have a problem. He loves coming in late. The person who really has the problem is Sam. After all, the problem isn't Harry's - it is Sam's. He has a problem, and that problem is the work that isn't getting done.

The correct answer to the exercise is to use the sentence,

"Harry, I've got a problem."

When we say that, stop and think of what is going through Harry's head. In most cases, he wants to help. He might have been expecting to be dressed down for coming in late, and instead, Sam asked him for his help.

Harry's obvious next question is, "What is it?"

At that point, Sam states that the problem is the work that isn't getting done, and that he needs Harry's help in finding the solution. Obviously, Harry knows that the solution is for him to come in on time, but surprisingly, the system works.

While the "I've got a problem" system works really for employment situations, it is also wonderful working with a team, a boss, or even a spouse or children. Consider what you might say to your team if you have to ask them to shoulder more work in a coming change. "I've got a problem. We have this additional work that needs to be accomplished, and I need your help."

Or, in a situation where the CEO wants you to do something that you feel is outside your ethical standards, you go to your boss and say, "I've got a problem." After all, it's not really the boss's problem. It is your problem. The boss's behavior may be causing the problem, but the problem is yours. Problem ownership is the first, and most important, step in problem solving.

B. Terminating employees

Sometimes, even after all the wonderful management and leadership techniques employed, sometimes we just have to terminate an employee for cause. Sometimes, there is just not the fit, and the employee is not the one for the job or for the company.

Before entering into this territory, I must give the required disclaimer. I am not an attorney. I am not a human-resources expert. And, I probably don't live or work in your state and understand your labor laws. Consequently, I can discuss a concept, but before putting it into action, I sincerely urge you to talk with an attorney with good employment knowledge. What has always worked for me, may not be what you should do in your situation or your state.

Second, I want to hold this part of the conversation to situations where the employee isn't doing anything illegal or otherwise deserving of immediate termination. In those situations, such as gross dishonesty and defalcation, obviously you terminate immediately. But my experience is that most of the terminations actually are far less obvious and therefore, more difficult.

Usually these terminations are needed because the employee just is unwilling to change behavior and work according to what is needed by the company. In those cases, my tactic is to allow the employee to actually terminate himself. For example, let's say that we need to terminate the employee for constantly coming in late. I might say, "Harry, let's make sure that we understand something. Coming in late is not tolerated, and we both know that you have made it a practice over the past two months. Let's have an agreement that if you choose to come in late one more time, then you are making the choice to terminate your relationship with the company."
Notice that I didn't fire Harry. He made the choice to come in late again, and by doing that, he made the choice to disassociate himself with the organization. I made sure that Harry understood that being terminated was his choice, not mine.

VI. Compensation is a choice

In this chapter we have examined how people want to be motivated and how an organization can motivate its employees in the most effective manner. At this point, it's important to step back and take a look at a couple of factors.

1.   What culture do we want to be?

2.   What is our compensation strategy?

3.   Is our compensation strategy in line with the culture we want to become?

Economic Update

Economic Update

Learning objectives

Upon completing this chapter, the reader will be able to:
- Recognize key emerging economic trends;
- See how micro and macroeconomics work together;
- Understand how new things like the cloud and social media affect our organizations; and
- Better predict what may happen to our business.

I. Introduction

In many organizations the CFO or controller has the responsibility to being the chief economist. The reason is simple – economics involves numbers, and you are probably the senior numbers person. Consequently, staying up to date with what's going on with the economy is an important part of your continuing training. In this section, we will look at both micro-economics (the study of the firm), as well as macro-economics (the study of the national economy), to see how each can and will have an effect on your organization.

II. Micro-economics

Microeconomics is the study of what is likely to happen (tendencies) when individuals make choices in response to changes in incentives, prices, resources, and/or methods of production. In short, as the world changes, how those changes affect how the organization reacts to those changes to continue to operate successfully. While we will not talk about all of the new things happening in our economy, we will discuss a few of them to better understand what is happening and also how those changes can affect the strategy of your company.

A. Globalization

Everyone has been talking about globalization for years. In his 2005 economic bestseller, *The World is Flat*, Thomas Friedman focused on this as a major trend that had, and will continue to have, a huge effect on our markets. Largely due to advances in both transportation and communications, geographic boundaries are far less important than they were only a few years ago. This is also true within the United States.

A great example of this is when you drive through a McDonalds restaurant in Colorado, and someone comes on the speaker to take your order, that person may be in Texas and not inside the building that is right next-door. Why? Because it is more efficient and practical to have those people in a room taking care of multiple locations.

For this reason, knowledge is quickly becoming more of a commodity and less of an aspect of differentiation. Not long ago, our firms prided themselves on hiring and retaining the best and most knowledgeable people. Today, many companies are purchasing that knowledge offshore from the lowest bidder. Do you need a programmer, web designer, or engineer? You no longer have to recruit, hire, and keep that person happy. Today, you can get that knowledge from India or China at a much lower rate.

The pandemic caused change in some of the thinking about globalization. As countries shut down and international commerce was slowed, supply chains and delivery times were stretched. Customers suffered, and some companies started to think about new sources of raw materials. As these materials are being written, supply chains have improved, but probably not to the point where they were before 2020.

B. From the industrial to the knowledge economy

Another huge economic trend is the movement from the industrial to the knowledge-based economy. In the industrial economy, ushered in during the 1800s, the name of the game was economies of scale, build more for less, manage both operations and people, and value obedience over creativity. The fact is that things have changed now. We are no longer a manufacturing economy—we have switched to an information economy. Even in manufacturing operations, we more highly value creativity and knowledgeable work since most of the regular production line work has shifted to the machines.

This trend has many ramifications. The thing to realize is that it is real, and we have no choice. Unfortunately, many organizations do not seem to know that we have changed. They are still managing their operations in ways to constantly gain productivity through scientific management and trying to force people to become more productive. Unfortunately, it doesn't work, and those organizations are suffering as a result.

The ramifications of this huge change are felt in how we recruit and lead people, how we go about trying to increase productivity, and even how we institute controls in our organizations. This has everything to do with the trend from bureaucratic to more collaborative organizations.
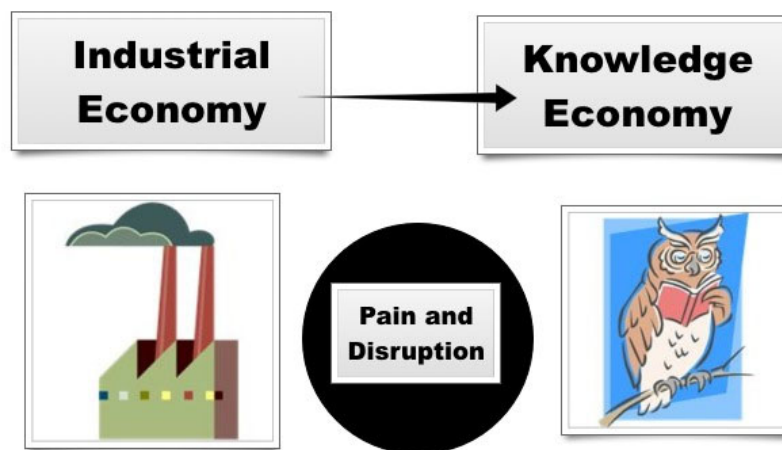
C. The connected economy

Only a few years ago, we found ourselves in our community, our jobs, and maybe one or two social groups. Today, chances are we are involved in LinkedIn, Twitter, several other business social networking groups, and probably have hundreds of friends on Facebook. Regardless of what we think of social networking, the phenomenon is upon us and probably won't go away for a while.

Not only are individuals far more connected, but businesses are far more connected, mostly through the internet. Snail mail has been replaced by electronic transmission in almost everything from invoices to receipts for expense reports.

The Connected Economy

1. Social media

Probably the most obvious aspect of the connected economy is the social media revolution. While Facebook is by far the dominant player, YouTube, LinkedIn, and others are important. Social media is a product of a quote from an Alvin Toffler book, *Future Shock*, when he talked about hi tech and hi touch. His point was that, while the world was obviously moving toward a high-tech environment, people still wanted to be individually connected. Why did we spend hours watching a group of people sitting around a bar and talking in *Cheers*? The answer is simple. We wanted to be connected, and we felt connected with the characters and their lives. The connections have been lost in many cases. We have walls around our homes and don't know our neighbors; however, we have 300 friends on Facebook. Humanity has found a high-tech way of being connected.

We either can have a don't-play policy with Facebook, or we can embrace the media and make money with it. We can use it for marketing, recruiting, and even news gathering. We can encourage private and closed groups on Facebook that work toward team building. Or, we can try and eliminate the risk, and discourage people from going on the site. Do we really think that will work?

D. Nonemployee employees

Recently the U.S. Census Bureau reported that 21 million workers represented workers in the economy who were really independent contractors. The census further said that it expected that number to grow much faster than "normal" employees. The reason is simple and is not based on tax laws. A major trend we are seeing in the employment economy is toward a system of meritocracy – where people are rewarded not for how long they have been around or whom they know, but how much they produce for the organization.

The other reason for the rapid increase of this kind of employment is the desire for autonomy. We naturally want to be rewarded for what we produce, and not necessarily for how much time we sit in our seats.

As our country changes administrations in power and different political thinking takes over, we see changes in this trend. For example, several years ago traditional taxi cabs faced new competition from Uber and Lyft. Some states and cities have regulated these to the point where they are not much different from traditional taxis, but other states have allowed the drivers to stay as independent contractors and thus avoid some local regulations. This is an area where you have to watch for changes in political thinking to forecast what will happen in economic thinking.

E. Retail moving to the Web

After every Christmas season for the past several years we have heard the same thing from the economists – retail sales have been relatively flat with only a small increase. But internet shopping has increased by double digits. I live in a small town, and I just marvel at the retailers wringing their hands complaining about sales because of the bad economy. I have news for them: they don't offer sufficient inventory, I get hassled if I want to return something, and they are expensive. So, I go online and buy it from Amazon.

Of course Amazon is not the only player in the field, but they sure are the biggest with the most impact. For years people have talked about Walmart and how they are hard on suppliers, ruin towns, and don't pay fair wages. You won't have to worry about Walmart as they continue to lose market share to Amazon.

A study in how Amazon has operated is fascinating. First, they retailed books. While we have no real way of knowing, I would imagine that they picked that particular product because it had a relatively old-fashioned delivery system that could quickly be exploited by new ideas and technology.

Next was the Kindle where they could wirelessly deliver the book to a device where all the books could be stored in some place other than home. This solution solved several problems including speed and ease of delivery.

Not satisfied with books, the company then started selling just about everything else. They started with more expensive things with a high value to weight ratio, and later moved into less expensive and more commodity-like products.

They then introduced "Amazon Prime," which is a system where the customer pays an annual fee and receives two-day shipping on everything. This not only makes shipping easier on the customer, but more importantly, it increases the loyalty of the customer to the point where he or she is more apt to go to Amazon and buy something that could be obtained at the local store. After all, if shipping is seen as free, and if it will arrive at my door in two days, why not buy that bottle of shampoo from Amazon rather than traveling up to the drug store?

F. Technology to the cloud
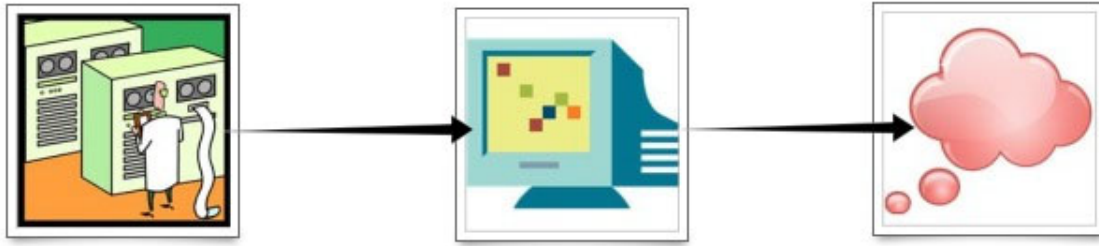
Each year we see more and more internet storage and applications moving to the cloud and away from in-house servers. For the past few years I have been asking my live classes who has applications in the cloud, and the percentage has increased each year. When I ask why some companies haven't moved to the cloud, the most frequently mentioned reason is security. Yet, when we look at the most noteworthy breaches of security or internet hacks, we see that they are most often from server-based applications rather than cloud-based. I hate to be branded a skeptic, but I have to ask if the people pointing out possible dangers in the security of the cloud-based programs may also be the same people who are concerned about potential job loss if the organization moves to the cloud.

G. Employee creativity needed

Because our businesses are becoming more complex, we have need for more creative employees to solve problems. The problem is that our education system generally favors teaching a rule-based system where people learn facts and not necessarily how to solve problems. Even in financial fields where rules are paramount, we need people to come up with better ways to maintain controls and increase productivity. If our workers only follow rules and keep their heads down, we will not have those increases in production that are needed for international competition.

Because of this trend, we are seeing more and more organizations recognize the need and develop ways to increase the creativity in their own workplaces. These may be problem-exercises, team building, case study training, or giving people special time to think of creative solutions to problems.

H. Spoiled customers

Regardless of liking it or not, our customers are spoiled. But we better not knock it too quickly, because we are part of that group. Due to technology, training, and creativity giving better customer service has become a major differentiator. No longer is average customer service adequate. Our customers have become used to world-class service, and now they demand it from us.

Customer service has always been a moving bar in business, and now the bar is moving upward even faster. We might not like this trend, but it is upon us and it is only getting worse.

1. Hyper-competition

Monopolies are few and all of our organizations are finding the competition to be greater. More importantly, it is coming from more places and from all around the world. For this reason, our organizations must recognize the two required things in business: to serve the customer better and to do it more efficiently. We must constantly be putting those two things in front of all decisions. If we don't, we will fall to the competition.

Is this even true in theoretical monopolies like government? The answer is yes. Relatively few years ago public services such as trash collection or electric distribution were considered businesses of the utilities or governments. Now, more companies have come into the market and are actually starting to compete with the traditional sources of the services.

I. Disintermediation

One of the most important changes in microeconomics is disintermediation. This is the cutting out of the middleman. Modern communication, and especially the internet, has caused companies to be able to reach their ultimate customers directly rather than requiring them to go through several layers of the supply chain. For example, not long ago if a manufacturer in China developed a new hand tool for a roofing contractor, it would sell it to an exporter, who would sell it to a distributor, who would sell it to a retailer, who would sell it to the contractor. Today, the manufacturer can introduce the new product through a web page directed to contractors, either directly sell through that website or ship to Amazon and have the contractor purchase it there. At any case, the supply chain of the disintermediated model is quicker, more efficient, and cause the tool to cost less. But, less business will be flowing through the exporter, distributor, and retailer.

This trend of disintermediation has been going along for several years; however, the recent pandemic with its supply-chain problems, will probably speed up the trend. We will see this trend accelerate especially in industries where there are many steps to the supply chain and where creative entrepreneurs can devise more efficient ways of doing business.

Activity

Take your organization or another with which you have worked on a professional level. Then, reflect on what aspects of the future economy will affect that business and in what way. Take a special look at how disintermediation could affect your organization.

III. Macro-economics

Before we can look at where we have been and where we are going, we need to understand what macro-economics is and how it can affect our organization. Then, we will attempt to see what factors change our economy and some of the political decisions that affect those factors.

A. How our organization is affected by macro-economics

In the case of most organizations, the connection is simple. When the economy is stronger as measured by Gross Domestic Product (GDP), there are more people employed at higher salaries, they have more

money to spend, and the demand for our products and services will be higher. Non-profits are also affected by the economy. Then GDP is strong, they receive more donations and often people will use their services more (such as an arts center); however, for some non-profits that serve the poor, their demand my increase in times of a slow economy since people need more social services. At any case, finance professionals need to keep an eye on the economy.

B. Money supply

Possibly the most important single thing affecting our economy is the amount of money in circulation. When there is more money, the demand for goods and services is increased. The relationship is simple. When you have received a nice raise and have more money in the bank, you naturally have a tendency to purchase some of those items that have been delayed. More money-more demand-stronger economy.

But, too much money supply can also have a detrimental effect. If there is too much money in the economy, to the point where the growth in the money supply is greater than the amount of the goods and services, then the old law of supply and demand takes over. Demand is greater than supply thus causing prices to go up. We call that inflation.

Money is defined as a medium of exchange and/or a store of value. The Federal Reserve defines money as cash and currency plus demand deposits (checking accounts) at commercial banks. (Technically, when the Fed measures the money supply it has several different levels, but we will not go into that detail at this time).

There are two totally different ways that cause the amount of money supply to change. The first is due to decisions made by the federal government having to do with spending and taxing. The other is by banks which increase they money supply when they make loans.

C. Fiscal policy

This policy has to do with Washington's taxing and spending decisions. If we think of our federal government as a big business, we see that it takes in income primarily from tax revenue and spends that money for its operations, security, funding wars, and everything else it does. Theoretically, it would be great if it took in the same amount that it spent, but that is usually not the case. During some times, it spends more than it takes in, and in those times, we have what we call a "deficit." In a business we would call that a loss.

If our business has a deficit, it has to fund that loss either by eating into reserves or borrowing more. It is the same with government. When it runs a deficit, it has to borrow more money to fund the loss. The federal debt represents the accumulated deficits.

Our federal government has an advantage that we don't have in our business or homes. They can print money. They do that by selling treasury bonds, notes, and bills on the open market. Those notes are eventually converted into money, and our money supply is increased.

Fiscal policy has an effect on our economy because, theoretically, the economy is stimulated when the government spends more money than it takes in. When it spends money, more money goes into the system in the form of wages, supplies, equipment, and similar items. When more money is going out than coming in, it makes up for that deficit by printing more money, thus increasing the money supply, and thus stimulating the economy.

From all indications, we can probably assume that spending will be greater and thus, we can expect larger deficits until there is a significant change of heart in Washington. So, we can probably expect that fiscal policy will have a stimulating effect on the economy.

One significant problem of this forecast, however, is that the Washington climate is becoming more and more polarized thus causing the expectations to become more uncertain. Uncertainty has the opposite effect on the economy since businesses are more reluctant to make long-term decisions without knowing which way the political climate is going.
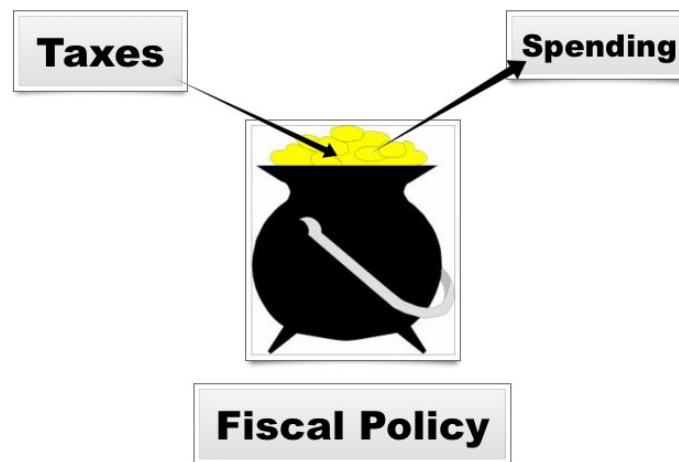
D. Monetary policy

The other major economic policy is monetary policy. This is the workings of the banking system that have great effects on interest rates, money supply, and the workings of the economy. In fiscal policy, the government creates money when it needs to spend more than it takes in. In monetary policy, money is created by the banking system and is controlled by the Federal Reserve System.

Better known as the Fed, the Federal Reserve Bank functions as the country's central bank deriving its power from Congress with its creation in 1913. Despite its close ties to government, technically it is an independent central bank, in that it is owned by its member banks and neither the executive nor the congressional branch of government controls its day-to-day policies.

This is very significant understanding of the huge powers the Fed has over economic activity. Because it is a central bank, it has powers to create money and place it into the system. It does that by purchasing government bonds in the open market and then paying for those bonds in the form of reserves. When bank reserves are increased, banks have more money to lend, and that lending increases the overall supply of money. Theoretically, this creation of money in the system will stimulate economic activity as individuals and businesses spend it.

Some interesting problems develop when we recognize how everything ties together. People who want to stimulate the economy would like to see money creation; however, when money is created faster than the goods and services in the economy, the price of those goods and services generally will increase since demand is greater than supply. The other side of the same conflict is with the price of money. When

money creation is greater than money demand, the price of that money decreases. The price of money is interest rates.

The key strategy therefore is to carefully balance the growth of GDP with the growth of money supply. If money supply is too small with a given GDP, that means that the demand for money will be higher causing the price of money (interest rates) to which will have the effect of slowing down the economy. If, on the other hand, there is too much money being created, then the prices of goods and services will increase manifesting itself in inflation.

E. What's happening now?

Prior to the pandemic, the fed was following an expansionary policy with creating a lot of money to stimulate the economy and support strong economic growth. Fiscal policy was also expansionary with deficit spending, but the two policies were working together, and we saw a strong and stable economy.
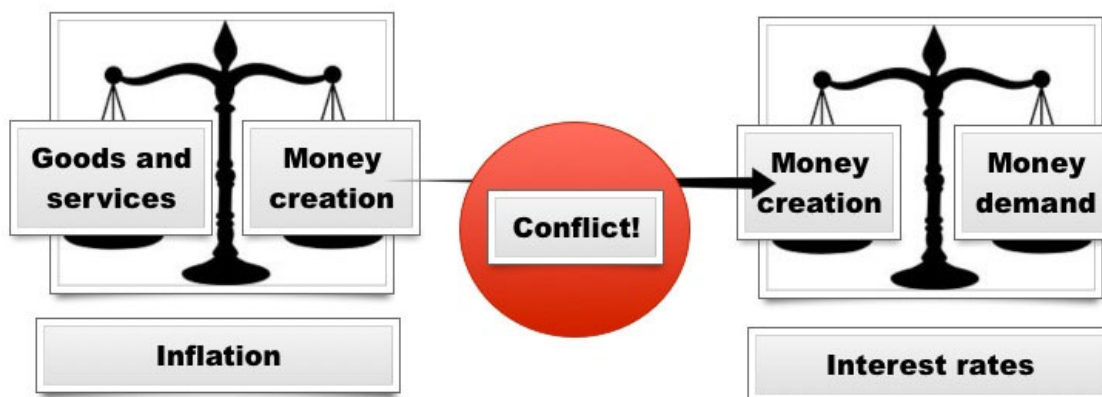
When the pandemic came, things rapidly changed. Governments closed major parts of the economy for health and safety reasons causing the GDP to crash. At the same time, the federal government sharply increased its deficit spending with social programs to help people and businesses that were affected by closing the economy. Unfortunately, this was totally uncharted territory and Congress really had no idea of how much money should be given to these people and businesses and what the effect might be. The legislation was more of a, "shot in the dark." The unintended consequence was that there was a lot more money created than was needed to stay in balance with inflation being the result. Then, as a result of the inflation caused by the fiscal policy, the Fed stepped in with a monetary policy strategy of curtailing money supply growth thus causing interest rates to go up in the hope of slowing the inflation. As we write these materials, that's exactly where we are now. In the next section, we will talk about what the economists are predicting for the next year or so.

F. Economic predictions

1. Economic growth

During the past year we had two quarters of declining GDP, which has traditionally been the definition of a recession. However, the labor market has remained strong along with corporate profits, causing some to deny a recession. But, there are two factors that would both indicate that the economy will either slow

down or at least increase at a decreasing rate. Interest rates are at the highest in recent times, which must curtail industries where borrowing is an important part of the business model such as housing. The other major factor is a divided government which will most likely curtail deficit spending and the expansionary aspect of fiscal policy.

2. Interest rates

The current level of inflation has caused the Fed to curtail money supply growth resulting in higher interest rates. Their goal is a "soft landing," and they are now starting to slow down their interest rate increases which would indicate that they are seeing the fruits of higher interest rates working. Consequently, most economics see further increases in rates for the next year or so, but with those increases being at a slower rate.

A major factor which has had very little public attention is the carrying cost of the national debt. As bonds mature and are rolled over at higher yields, the cost of that debt increases giving less available funds for disposable spending without major increases in deficits which congress will try to avoid. This will probably cause less spending and thus a decrease in money supply growth from fiscal policy.