ETHICALLY ENGAGING AND EMPOWERING EMPLOYEES
LEARNING OBJECTIVES

After reading this chapter, you should be able to

11.1 Explain the extent and benefits of employee engagement.

11.2 Describe different ways to ethically engage employees with their work tasks.

11.3 Compare how to ethically empower employees who possess each of the three different work attitudes and behaviors.

11.4 Facilitate an effective team problem-solving process.

11.5 Describe how three group-based financial incentive systems operate and empower employees.

WHAT WOULD YOU DO? UNPRODUCTIVE SENIOR MANAGER

After graduation, you obtain a job with a consulting company. Three years later, you are promoted to manage a team working on a large government contract. All hours worked are charged to the appropriate client contract and audited annually.

Bill, a senior manager, has been assigned to your seven-member team. Bill sacrificed and contributed a great deal during the company’s early formation. Unfortunately, Bill has lost his enthusiasm and works slower than anyone else. His work ethic and abilities have declined over the past 2 years, and he’s not keeping up with the latest technology. Officially, Bill has a ‘project manager’ title, but he no longer manages details well. This is awkward because Bill has been with the company for 20 years and does not plan to retire for another 5 years. He is one of the company’s highest-paid employees, and his salary is 100% charged to your government consulting contract.

More and more, other team members must spend a greater amount of their time finishing Bill’s work and correcting his mistakes. His large salary has a significant negative impact on your budget, and his recent work efforts are detrimental to overall product quality. From your perspective, you would rather that another, lesser-paid employee be given the work that you’ve assigned to Bill and that Bill be transferred to another part of the company.

When you meet with the senior leaders to discuss Bill’s performance and your budget concerns, they seem to listen well. Senior leaders meet with Bill to discuss his insufficient contributions to the contract and encourage him to keep up to date and do more work. Bill promises to do so but does not follow up on his promises.

You again assign Bill to manage a specific project on the government contract. After 3 weeks, Bill is already floundering. You can let him fail and use his failure to document poor performance with the hope that he’ll be removed from your team. Or you can do what you’ve done in the past, which is to somehow reassign Bill’s work to already overextended team members to ensure that the work is done on time and with high quality.
Critical Thinking Questions

1. What could you do?
2. What would you do?
   a. Continue to hold Bill accountable for the assigned work, which will negatively affect contracted performance but provides documentary evidence of his poor performance
   b. Delegate his work to other, already overextended, team members, which constrains budgeting and resource allocations
   c. Something else (if so, what?)
3. Why is this the right option to choose?
4. What are the ethics underlying your decision?

A high-performing ethical organization is a community of people where each employee has a sense of belonging and ownership, and feels respected and accountable.

How do great workplaces achieve better results? As discussed in Chapters 4 and 5, the first steps in creating high-integrity organizations consist of selectively hiring ethical job candidates and engaging them with a meaningful and transformative code of ethics. High-performance employees are also deeply engaged with their work tasks and assignments and committed to accomplishing goals. These employees are provided information necessary to perform their jobs well, are empowered to control their immediate surroundings, and have the authority to do what needs to get done. At Google, for instance, managers trust software engineers to use up to 20% of their time on unapproved projects, which has contributed to the creation of AdSense, Gmail, and Google Maps.

Some management systems treat nonmanagement employees with greater respect than other systems do by actively involving employees in the decision-making process. Organizations with engaged and empowered employees emphasize two-way communication with participative management processes. Trusting relationships, accompanied by a strong sense of meaningful work, literally increase energy at work by stimulating the production of oxytocin in the brain, resulting in a happier, more productive, and loyal workforce. Conversely, researchers report, top-down one-way communication and decision-making processes make subordinates passive and reactive, rather than proactive.

This chapter examines how to ethically engage employees by meeting essential human needs, ensuring organizational justice, and providing meaningful work. The chapter also explores different types of work attitudes and how to ethically empower employees by giving them decision-making authority, providing relevant information about organizational operations, and sharing the financial benefits generated by their efforts.

Twelve of the best practices for engaging and empowering employees presented in this chapter are listed in the following Ethical Systems Model Survey. Complete the survey for your current or previous employer and learn how to continuously improve these best practices as you read the chapter.
### Ethical Systems Model Survey

Rate your organization or work unit against the following best practices in ethics management discussed in this chapter. Mark either “Yes,” “Sometimes,” or “No,” according to your current situation. Which is your strongest best practice, which is your weakest, and how can you transform your weakest into a strength?

<table>
<thead>
<tr>
<th>Engaging and Empowering Employees</th>
<th>Yes (1)</th>
<th>Sometimes (0.5)</th>
<th>No (0)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employee satisfaction surveys are conducted and results used to inform continuous improvement efforts.</td>
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<tr>
<td>2. Employees are passionate about their work and the organization.</td>
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<tr>
<td>3. Managers request employee input on decisions that directly affect their work-life balance.</td>
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<tr>
<td>4. Go-getters are provided with autonomy and leadership opportunities.</td>
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<tr>
<td>5. Managers continually increase work expectations for fence-sitters.</td>
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<td></td>
<td></td>
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<tr>
<td>6. Adversarial employees are confronted by managers, and plans are developed for changing their behaviors.</td>
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<td></td>
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<tr>
<td>7. Team members are trained in group dynamics and collective problem-solving techniques.</td>
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<tr>
<td>8. Employees are provided with key data, including financial information, relevant to improving work unit performance (i.e., open-book management).</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>9. Appreciative inquiry techniques are used to address organizational issues.</td>
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<tr>
<td>10. At the end of the day, employees reflect on their performance and develop plans for the following day.</td>
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<tr>
<td>11. Employees solicit and review suggestions for improved work unit performance, and have the authority, within reason, to make changes as needed [Scanlon-type gainsharing plan].</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Employees share in the profits they help to generate (i.e., profit sharing and stock options).</td>
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<td></td>
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</tbody>
</table>

**Subtotal for items 1–12**

**Strength:** Choose one strong best practice item from the list above and explain why and how it is a strength.

**Weakness:** Choose one weak ("No" or "Sometimes") best practice item from the list above and explain why and how it is a weakness.

**Improving the weakness:** For the “weakness” item noted above, explain what needs to be done, and by whom, to improve the organization or work unit’s performance regarding this one weak item.
POLL: GROUP-BASED FINANCIAL INCENTIVES

Which of the following group-based financial incentives do you think you would feel the most empowered by?

- Gainsharing
- Profit sharing
- Stock options or purchase plans
- I’m not sure.

Feedback: Employees are motivated and feel empowered in different ways. Each of these options are discussed in the chapter, explaining how they may empower employees and how that may benefit the organization as a whole.

EXTENT AND BENEFITS OF EMPLOYEE ENGAGEMENT

LEANING OBJECTIVES

11.1 Explain the extent and benefits of employee engagement.

Organizations need talented employees committed to high performance, organizational goals, and the organization itself. Employee engagement is an emotional bond or attachment an employee has to the work task, organization, and its members. For engaged employees, work is a meaningful experience they feel passionate about. Engaged employees perform at high levels and are less likely to quit because of high levels of job satisfaction.

A strong link exists between ethical organizations and employee engagement. Employees in organizations whose managers and supervisors have high ethical integrity, open and honest communications, and high levels of accountability are more engaged in performing work tasks. Engaged employees are more likely to report ethical misconduct, which reduces the company’s ethical risks.

Gallup’s 2018 Great Workplace Award winners, based on employee engagement survey data, included 12-time winners ABC Supply, Hendrick Medical Center, and Winegardner & Hammons Hotel Group, and 9-time winner Mars. These companies are committed to employee engagement. Many employees in the American workforce, however, claim to have low levels of employee engagement.

Since 2000, the Gallup Organization has annually monitored employee engagement. The 2017 report is based on data collected from more than 195,600 U.S. employees. Unfortunately, only 33% of employees were engaged in their work, whereas 51% were not engaged and 16% were actively disengaged.

Employee engagement An emotional bond or attachment an employee has to the work task, organization, and its members.
The most engaged employees were managers and executives (38%), and the least engaged were manufacturing workers (25%). Organizations with fewer than 25 employees had the highest levels of engagement (41%), and large organizations with 5,000 or more employees had the lowest levels (29%). A disheartening 51% of U.S. employees surveyed were actively looking for a new job or watching for job openings. Common explanations for wanting to leave included career growth opportunities, pay and benefits, manager or management, company culture, and job fit.

Disengaged employees are bored employees. An Office Team survey of professionals found that they were bored an average of 10.5 hours a week, an equivalent of 13 weeks a year. Instead of working, these professionals are doing crossword puzzles, playing online games, paying bills, browsing the Internet, checking social media, and job searching.\(^7\)

How does level of employee engagement associate with organizational performance? Gallup researchers compared the performance of the top 25% highest-engaged business units with the lowest 25%. They found that the top 25% had

- 21% higher profitability,
- 20% higher sales,
- 17% higher productivity,
- 40% fewer quality defects, and
- 41% lower absenteeism.

ETHICALLY ENGAGING EMPLOYEES

LEARNING OBJECTIVES

11.2 Describe different ways to ethically engage employees with their work tasks.

How can managers organize work so employees are more engaged with job tasks and organizational goals? This section explores how to engage employees by meeting human needs, improving job satisfaction, ensuring organizational justice, responding to unethical bullies, and providing meaningful work.

Human Needs

Some developmental psychologists and organization theorists maintain that individual behaviors are driven by the desire to fulfill fundamental human needs. Respecting others requires that managers recognize and address fundamental human needs at the workplace.
Paul Lawrence

Paul Lawrence, using evolutionary and brain science research findings, suggests that our decisions are greatly influenced by four innate, subconscious drives: (1) the drive to acquire objects and experiences that improve our status relative to others; (2) the drive to defend ourselves, our loved ones, our beliefs, and our resources from harm; (3) the drive to bond with others in long-term relationships of mutual care and commitment; and (4) the drive to learn and make sense of the world and ourselves. These four drives, which contribute to our general sense of happiness, need to be balanced. Our emotions tell us when one of these four drives is deficient or in excess.

These four employee drives require managerial attention. Employees are driven to expand and defend their spans of control, which can cause turf battles and excessive growth detrimental to the company. Employees want to bond with others at work, learn new things, and apply what they know. Failure to do so leads to dissatisfaction, poor performance, and turnover.

According to Lawrence, misguided CEOs and managers fulfill some drives and suppress others. The drive most often suppressed is the drive to bond, a key employee engagement factor. The worst CEOs and managers, Lawrence notes, are those who suppress their own drives to bond by not associating with employees hierarchically lower and by preventing subordinates from bonding with each other. These misguided CEOs and managers are often concerned with fulfilling only their own drives to acquire, defend, and learn, not those of other employees, which is detrimental to everyone’s moral development.

Abraham Maslow

Developmental psychologist Abraham Maslow conceptualized a hierarchy of needs that differentiated five categories of needs every individual has: physiological, safety, social, self-esteem, and self-actualization. Maslow maintained that these five needs form a hierarchy in which individuals first seek to fulfill lower-level needs, beginning with physiological needs, and then incrementally progress up the hierarchy, culminating in fulfilling self-actualization needs.

As shown in Figure 11.1, all of these needs can be addressed at the workplace.

Maslow's needs hierarchy can be applied to life in organizations. An engaged employee, one who has an emotional bond to the work task and organization, is typically experiencing the three highest-level needs—social, self-esteem, and self-actualization—at work. But the higher-level needs that contribute to employee engagement are difficult to tap into unless the first two foundational needs—physiological and safety—are experienced.

Employees, for instance, need rest breaks to replenish their bodies and adequate wages to purchase essential goods. If the organization does not meet these basic needs, most employees will quit when a better-paying job opportunity becomes available. After physiological needs are met, the employee becomes more concerned with safety needs: safe working conditions, job security, and retirement benefits. A fully engaged employee, however, is someone who develops friendships at work, is recognized for personal achievements, and undertakes challenging and
meaningful work, which deepens an employee’s identification with the job task, work unit, and organization.

Chip Conley, founder of Joie de Vivre Hospitality, condensed Maslow’s five need levels into three: survival, success, and transformation. Physiological and safety levels represent “survival,” which creates employee security. Social and esteem levels represent “success,” which creates employee loyalty. Self-actualization represents “transformation,” which creates inspiration, where work is a calling, not just a job or career. Conley applied this model to create peak experiences for his employees, customers, and investors.

David McClelland

The work of David McClelland differs from that of both Lawrence and Maslow. Instead of balancing needs, or a hierarchy of needs, McClelland noted that individuals have three types
of needs—affiliation, achievement, and power—and the desire for each need may differ and can be rated high, moderate, or low. For instance, some people might have a high need for achievement and power and a low need for affiliation, whereas others might have a high need for power and affiliation and a low need for achievement.

Managers can best engage an employee by matching the individual’s most dominant need with its associated motivating factor. Generally,

- employees with a high need for achievement are motivated by challenging work;
- employees with a high need for power are motivated by managing other people; and
- employees with a high need for affiliation are motivated by collegial work environments.

Have employees assess their own need profile:

1. Is your need for achievement high, moderate, or low?
2. Is your need for power high, moderate, or low?
3. Is your need for affiliation high, moderate, or low?
4. Does your current work match your need profile? If not, what could be done to reduce the mismatch?

A need mismatch can result in suboptimal performance and dissatisfaction. An employee with a low need for collegiality may not perform well on a team, and those with a low need for power may not desire a promotion and might perform poorly when given a leadership opportunity.

**Job Satisfaction**

As discussed in Chapter 1, human beings are pleasure seekers and desire to experience happiness. Employees will not maintain long-term engagement if they are not satisfied with their jobs. The Conference Board has been monitoring employee satisfaction since 1987. Its latest available survey reported that 54% of Americans were satisfied with their work, the highest in over two decades. That also means about half were not satisfied on an annual basis for more than 20 years. One third or less were satisfied with their performance review process, recognition, and possibility for future growth.

Job satisfaction is an essential aspect of work. The relationship between job satisfaction and employee productivity, however, is complex. Satisfied employees may work hard, but some employees may have high job satisfaction because they don’t have to work hard. Make sure that your best, not worst, employees are satisfied. Job dissatisfaction leads to turnover as dissatisfied employees search to experience more personally rewarding work elsewhere.
ETHICAL SYSTEMS MODEL: BEST PRACTICE

1. Employee satisfaction surveys are conducted and results used to inform continuous improvement efforts.

Frederick Herzberg examined factors that contribute to job satisfaction and dissatisfaction. He concluded that job satisfaction is not a linear concept whereby the presence of some factors results in job satisfaction and their lack contributes to job dissatisfaction. Instead, factors contributing to job satisfaction are separate and distinct from factors contributing to job dissatisfaction.

Job satisfaction factors, which Herzberg called “motivation factors,” are related to what people do at work. As shown in Table 11.1, motivation factors are primarily psychological; employees become satisfied when their jobs are psychologically enriching, such as providing a sense of high achievement, recognition, and responsibility. Job enrichment programs engage the employee’s mental processes, thus improving the individual’s psychological well-being and overall job satisfaction. A lack of motivation factors, however, is not the primary driver of job dissatisfaction.

Job dissatisfaction factors, which Herzberg called “hygiene factors,” are related to the work environment, such as unfair policies, low wages, and poor relationships with supervisors and coworkers. A good working environment, however, rarely contributes to sustained job satisfaction. Employees appreciate higher pay, but the satisfaction associated with higher pay is typically short because employees become accustomed to the higher pay.

In the Conference Board 2019 survey, wages ranked only 10 of 23 among a list of satisfaction drivers. The potential for growth ranked first.

Organizations rated highly in Fortune magazine’s “100 Best Companies to Work For” annual list are those that successfully address Lawrence’s conception of employee drives, Maslow’s needs hierarchy, McClelland’s three needs, and Herzberg’s job satisfaction factors.

<table>
<thead>
<tr>
<th>Motivation Factors Affecting Job Satisfaction</th>
<th>Hygiene Factors Affecting Job Dissatisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Achievement</td>
<td>1. Company policies and administration</td>
</tr>
<tr>
<td>2. Recognition</td>
<td>2. Quality of supervision</td>
</tr>
<tr>
<td>3. Work itself (doing a complete job)</td>
<td>3. Relationship with boss</td>
</tr>
<tr>
<td>4. Responsibility</td>
<td>4. Working conditions</td>
</tr>
<tr>
<td>5. Advancement</td>
<td>5. Base wage or salary</td>
</tr>
<tr>
<td>6. Growth</td>
<td>6. Relationship with peers</td>
</tr>
</tbody>
</table>
These workplaces also provide psychologically rewarding jobs, which motivate employees to achieve superior performance. They also provide good wages and a safe working environment, which eliminate dissatisfactions.

Have employees assess to what extent they experience Herzberg’s motivation and hygiene factors, and provide feedback on how they could be improved.

**Organizational Justice and Fairness**

Employee engagement is more likely to occur when employees perceive organizational policies, procedures, and outcomes as fair or just. As discussed in Chapter 6, justice is often considered the most essential moral value. Unabated injustice results in the collapse of communities. Ethical managers must ensure that justice is a highly valued attribute of organizational operations. Employees disengage from job tasks and the organization when workplace injustices occur and managers do not respond appropriately.

**Organizational justice** is a multidimensional concept. Scholars distinguish among four forms of organizational justice—procedural, informational, interactional, and distributive:

- **Procedural justice.** Decision-making procedures are fair. Employees can provide input, procedures are unbiased and applied consistently, and decisions can be appealed.
- **Informational justice.** Information is conveyed fairly. Employees receive relevant and accurate information in a timely manner.
- **Interactional justice.** Employees treat each other fairly. Employees are treated with dignity by supervisors, peers, and subordinates.
- **Distributive justice.** The distribution of outcomes is fair. Pay, benefits, promotions, and workloads reflect individual capabilities and efforts.

Organizational justice is influenced by ethical leadership at the institutional and personal levels. Implementing formal justice systems, such as fair performance appraisals, must be complemented with informal justice experiences, such as coworkers being fair with one another. A strong sense of organizational justice by employees generates organizational citizenship behaviors and commitment to supervisors. Employees are more willing to help coworkers who have heavy workloads, or are struggling with work-related problems, when they themselves have been treated fairly and with integrity.

Unjust managers, conversely, inspire deviant and retaliatory behaviors from employees, including production disruptions and theft. Employees treated unjustly claim that the organization no longer deserves their best efforts and disengage from organizational activities. For instance, employees become unmotivated when managers give comparable or higher pay to those who do not work as hard or accomplish as much, or when they observe managers treating other employees or customers unjustly.
Managers may not intend to be unfair to employees. They are simply not thinking about fairness due to competing work pressures. At times managers treat employees unfairly because heavy workloads make managers too busy to be fair, or companies do not reward managers for being fair. Companies tend to reward managers for focusing on technical tasks rather than relationship tasks, though both are essential, and that’s how managers allocate their time. Fairness behaviors need to be included in performance evaluations, bonuses, raises, and promotions to increase their significance.

**Unethical Bullies**

Unethical bullies create a range of injustices at work. Workplace bullying is a form of social domination and has detrimental effects on trying to develop an ethical work culture. Employees usually cannot perform at peak productivity when they are being bullied by peers, subordinates, or supervisors.

The Healthy Workplace Bill, which has been submitted for consideration to Congress and state legislatures to end bullying and harassment, describes *bullying* as repeated verbal abuse, or abusive conduct, that is threatening, intimidating, or humiliating. Rude ness is not the same as bullying. For instance, it may be rude to interrupt people or show little interest in the opinions of others, but these are not necessarily bullying behaviors.

Bullying can take many forms, including hostile and insulting remarks about appearance or lifestyle, hurtful jokes and pranks, taunting, excessive teasing and ridicule, continual false accusations, public criticisms, and angry outbursts. Bill Gates, for instance, was prone to publicly calling Microsoft employees “stupid idiots,” although some insisted the hostile name calling was an endearing term that inspired them to work harder.

According to a Workplace Bullying Institute survey of 1,000 employees, 27% of respondents had been bullied and another 21% witnessed it. If extrapolated over the 139 million labor force, then 37 million U.S. workers have been subjected to abusive conduct. Among those bullied, 49% were bullied by managers, 29% by peers, and 14% by both managers and peers, with 61% of the victims either quitting or getting fired. More than two thirds of the bullies were males.

Bullying has many negative impacts on overall organizational performance. Bullying is associated with low levels of job satisfaction, organizational commitment, and morale, and high levels of absenteeism, psychological distress, and turnover. Bullying can lead to illegal forms of harassment and discrimination, and it can threaten employee safety. Unethical bullies create stress among recipients and witnesses. Victims feel frustrated and anxious, which can lead to clinical depression. Being in a workplace that allows bullying has a negative impact on stress, absenteeism, productivity, self-esteem, depression, anxiety, emotional exhaustion, and insomnia.

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*Bullying* Repeated verbal abuse, or abusive conduct, that is threatening, intimidating, or humiliating.
Excessive bullying by managers can lead to tragedy. In a 2019 landmark case, three France Telecom executives—the former CEO, the second in command, and the HR director—were found guilty of “institutional moral harassment” that led to 35 employee suicides, some of whom left notes blaming the company. Each executive was sentenced to 1 year in prison, but 8 months of it suspended, and fined $16,000. The company, now called Orange, was fined $83,000, the maximum amount allowed by law.

How did this happen, and what did the executives do? The former state-owned telecommunications monopoly started to privatize in the 1990s by selling shares to investors. In 2003, the executives were directed to go entirely private by 2005. At the time, the company had 120,000 employees and an overwhelming $50 billion debt, making it difficult to compete in the changing market. Executives needed to eliminate 22,000 employees to survive, but two thirds of them were categorized as government civil servants who could not be fired. Voluntary separation packages were offered and accepted, but many who needed the extra income and job at a time of high unemployment refused.

The next management step proved fatal to some employees. The CEO was recorded as saying he would achieve the 22,000 layoff figure “one way or another, by the window or by the door.” Management made work conditions miserable to force targeted employees to quit. Strategies included demeaning work, isolation, undesirable reassignments, and severe micromanaging. Thirty-five employees reacted to the inhuman treatment by committing suicide. They hanged themselves and jumped out of windows, off bridges, and under trains. One suicide victim raised public awareness by setting himself on fire.

In the United States, the Healthy Workplace Bill would allow employees to sue organizations for creating an “abusive work environment.” In the bill has been submitted to more than 30 state legislatures, but none has passed the legislation in its entirety.

Rudeness, or incivility, also has negative employee engagement and performance outcomes because employees’ passion for work declines due to anxieties and dissatisfaction. In a survey of 800 managers and employees in 17 industries, among workers treated in an uncivil manner:

- 80% lost work time worrying about the incident,
- 66% said that their performance declined,
- 47% intentionally decreased the time spent at work, and
- 25% admitted to taking their frustration out on customers.

What can managers do about bullying and incivility? First, managers should become aware of their own uncivil or bullying tendencies. Perform a self-assessment and obtain feedback from others. Model good behavior and benchmark your progress. Next, ensure that civility is a hiring criterion and addressed as an expectation in training workshops. Respond quickly and decisively, yet fairly, when employees report bullying. Managers must counsel bullies and hold them accountable through performance evaluations. Reward good behavior, and penalize bad behavior. Then address the issue again in departure interviews.
What if you are being bullied and have no power over the bully, or your boss is unethical? These are difficult situations, particularly if your job options are limited. Six strategies to consider are these:

1. **Be positive and have the attitude that you need to manage your manager, rather than simply be a “victim” of an unethical manager.** Hope only ends when you stop trying.

2. **Don’t be afraid to push back.** But do so in a nice, humble way. Sometimes the unethical boss does not realize that what she or he is doing is unethical, or is unaware of the consequences of his or her unethical behaviors. Present the problem in terms of the “bottom line” impact of the unethical behavior (e.g., high turnover, potential lawsuits, lost customers) and present the solution as a question: I was wondering if you thought it would significantly (reduce costs or increase revenue) if we did X or Y?

3. **Determine whose opinion at work the unethical boss respects.** Contact the person the unethical boss respects and sensitively outline the problem and your proposed solution in hopes that she or he can speak with the unethical boss, or the boss’s boss. If nobody at work qualifies, how about his or her golf partner, drinking associate, or spouse?

4. **Always have an organizational mentor.** If you are not assigned a mentor, request one. Meet once a month to discuss your work experiences, including workplace relationships and things you think may be unethical. Sometimes your mentor can solve the problem for you, or have wise advice on how best to address the unethical boss.

5. **Outline the power coalitions within the work group.** Be honest about who has the most formal and informal power, and the strengths and weaknesses those with power possess. Which people with formal or informal power can you trust with your honest feelings? Form a relationship with that person so that she or he is available to chat with when you need a wise listener.

6. **Consistently form coalitions with other ethical managers or colleagues to discuss these types of issues and develop strategies within a support group.** Then, if necessary, a group of people, not just you, can approach the unethical boss.

### Meaningful Work

Every job task and organization can be a meaningful experience. What does meaningful work mean? **Meaningful work** is typically defined as spending time at work to achieve something personally desirable.[^34] Meaningful work has been conceptualized as a fundamental human need, not just a personal preference.[^35] When work is personally meaningful, an employee passionately engages his or her entire intellectual, physical, and emotional energies in the work

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[^34]: Meaningful work Work that is personally desirable.
that needs to be done because it is what he or she feels destined to do. Employees feel usefully alive in a way that benefits the organization and their own personal development, and they feel pride in their accomplishments.

### ETHICAL SYSTEMS MODEL: BEST PRACTICE

2. Employees are passionate about their work and the organization.

Mihaly Csikszentmihalyi refers to this phenomenon as a person’s “flow,” wherein an employee can invest his or her entire self—mind, body, emotion, and spirit—in work. Life makes emotional and logical sense, the individual feels at peace with the situation, and the employee’s job fits his or her self-determined destiny.

An individual’s job task is aligned with his or her “self-concept.” Meaningful work can be experienced in any job an employee finds enriching and at any level of organizational operations. Imagine a manager, salesperson, or janitor so wrapped up in their work or the organization’s mission and aspirations that the job task reflects and becomes the core of his or her being. The epitome of such oneness is the NASA custodian who, when questioned by President John F. Kennedy about why he was working late, replied, “Because in not mopping the floors, I’m putting a man on the moon.”

Marjolein Lips-Wiersma and Lani Morris provide a broad conceptualization of what makes work meaningful by using a 2 × 2 matrix (see Figure 11.2). These four distinct themes were derived from discussions with employees working in a wide range of organizations.

According to Lips-Wiersma and Morris, the following are four primary sources of meaningful work:

1. **Serving others** by truly helping customers and making a difference in the lives of others by providing products and services that enhance human well-being
2. **Experiencing unity with others** by working together, sharing values, and having a sense of becoming
3. **Developing and becoming self** through moral development and personal growth, and by being true to self
4. **Expressing one’s full potential** by creating things, achieving tasks, influencing others, and being excited by available work opportunities.

Combined, these four sources of meaningful work contribute to the development of a highly motivated and engaged workforce. As diagrammed in Figure 11.2, the four sources can be understood along two continuums: (1) being and doing and (2) self and others. A tension exists along each continuum that requires carefully balancing the two extreme positions.
For example, employees need time for reflection (being) and action (doing). In addition, employees must care for their own self-actualizing needs (self) and for the needs of coworkers and customers (others). Always acting for the benefit of others can contribute to employee burnout. Always reflecting about self can lead to employee isolation and disengagement. All four concerns are essential to experience a deep sense of meaning and purpose at work, collectively working to achieve the organization’s mission.

The four sources in Figure 11.2 are encircled by “Reality.” As emphasized throughout this book, we do not live in an ideal world. Reality is such that every person and organization has a unique set of flaws and weaknesses. Many times managers cannot implement the ideal solution to a problem because of limitations in employee capabilities and organizational resources. The desire for a meaningful existence, however, motivates engaged employees to move the organization toward the direction of the ideal.

Have employees assess their work experience for each of the four dimensions. Questions to address include the following:

For example, employees need time for reflection (being) and action (doing). In addition, employees must care for their own self-actualizing needs (self) and for the needs of coworkers and customers (others). Always acting for the benefit of others can contribute to employee burnout. Always reflecting about self can lead to employee isolation and disengagement. All four concerns are essential to experience a deep sense of meaning and purpose at work, collectively working to achieve the organization’s mission.

The four sources in Figure 11.2 are encircled by “Reality.” As emphasized throughout this book, we do not live in an ideal world. Reality is such that every person and organization has a unique set of flaws and weaknesses. Many times managers cannot implement the ideal solution to a problem because of limitations in employee capabilities and organizational resources. The desire for a meaningful existence, however, motivates engaged employees to move the organization toward the direction of the ideal.

Have employees assess their work experience for each of the four dimensions. Questions to address include the following:
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- What did you do, or experience, in your work the past week or month that was meaningful to you in terms of service to others, unity with others, developing the inner self, and expressing my full potential?

- In terms of your meaningful experiences at work, what percentage out of 100% do you experience in each of the four quadrants? Are they evenly balanced? If not, what can be done to provide greater balance?

- What are all the things about your work that frustrate you? Which of these frustrations are within your control? What can you do to eliminate or minimize these frustrations?

- What are all the things about your work that inspire you? What work incentives motivate you, and what new ones can the organization provide to support your inspiration?

A seven-dimension Comprehensive Meaningful Work Scale is also available for employee assessment, discussion, and planning.\(^41\)

**Measuring Employee Engagement**

Marcus Buckingham and Curt Coffman explored the Gallup Organization’s extensive employee engagement database to determine what talented employees wanted most from the workplace.\(^42\) More than any other factor, what they desired most was to work for an excellent manager. The relationship talented employees had with their immediate supervisors mattered more than anything else.

The Gallup researchers then analyzed the survey responses to determine the attributes that differentiated “excellent managers” from “average managers.” According to the most talented employees, an excellent manager treated every employee as an individual, focused on an employee’s strengths rather than weaknesses, and measured and rewarded outcomes. Excellent managers selected talented job applicants, established high expectations, and then developed their subordinates for advancement within the organization.

The researchers interviewed excellent managers about their techniques for managing people. They heard a common refrain about their subordinates:

People don’t change that much.

Don’t waste time trying to put in a person what was left out.

Try to draw out of a person what was left in.

That is hard enough.

According to Buckingham and Coffman, “Excellent front-line managers had engaged their employees and these engaged employees had provided the foundation for top performance.”\(^43\) The researchers concluded that 12 core elements must be experienced at work to attract, engage, and retain talented employees.
The 12 core elements appear in Survey 11.1 (online) and can be administered to determine if a workplace fully engages its employees. The survey results can serve as a benchmark for continuous improvement and compared with Gallup’s 2017 national database.44

Similar to the theorists discussed earlier in this section, the Gallup Organization researchers found that pay is not among the most important motivational factors contributing to employee engagement and productivity. Pay matters, but the most productive workers can usually obtain equivalent or higher pay elsewhere. Talented employees remain with an organization because they are fully engaged in their work tasks and workplace relationships.

**ETHICALLY EMPOWERING EMPLOYEES**

**LEANING OBJECTIVES**

11.3 Compare how to ethically empower employees who possess each of the three different work attitudes and behaviors.

Employee engagement contributes to, but does not necessarily require, employee empowerment. Engagement is an emotional connection to the job task, work unit, or organization. **Empowerment** refers to giving employees decision-making input and authority, which can be further solidified with an ownership stake in the organization.

**ETHICAL SYSTEMS MODEL: BEST PRACTICE**

3. Managers request employee input on decisions that directly affect their work and work–life balance.

“Ethics in Action” provides a list of empowerment mechanisms implemented by Whole Foods Market.45 When Whole Foods began to economically falter in the mid-2010s due to market pressures, activist investors pushed through a new cost-cutting inventory control system that centralized product selection decisions and required more paperwork. Employees initially resisted, then adjusted. Amazon acquired Whole Foods in 2017 and continued implementing

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**Empowerment** Refers to giving employees decision-making authority, which can be further solidified with an ownership stake in the organization.
the centralized inventory control system, and has allowed the empowerment mechanisms to remain in place.

**ETHICS IN ACTION**

**WHOLE FOODS MARKET EMPOWERMENT MECHANISMS**

*Employee Autonomy and Teams*
- Every employee is assigned to one of the store's eight work teams.
- Teams are responsible for operating decisions, including pricing, ordering, in-store promotions, and staffing.
- New employees must obtain a two-thirds majority vote from team members to become a full-time employee.
- Stores are encouraged to buy locally.
- Operating and financial data are available to all employees, including daily store sales, team sales, product costs, and store profit.
- Performance data on all employees are shared among the teams and compared with performance data at other Whole Foods stores.

*Compensation Issues*
- Salary cap limits executive pay to no more than 19 times the average employee salary.
- Everyone knows one another's hourly pay or salary.
- Profit per labor hour is calculated for every team in the store, and then for every individual on the team; bonuses are earned by teams that exceed a certain threshold.
- Ninety-three percent of stock options are granted to nonexecutives.

**Empowering Go-Getters, Fence-Sitters, and Adversarials**

Before deciding how to empower employees, managers must first decide which employees to empower. Not all employees should be, or want to be, empowered. Each employee has different capabilities and attitudes toward work. As discussed in Chapter 10, some employees are more competent and committed to the organization than are others.

Some managers design systems to control for underperforming employees and, in the name of fairness, erroneously impose the same control system on all employees. When this happens, best performers quit for employment with an organization that will treat them with the respect they deserve.

Being fair means providing all employees with the opportunity to be empowered if they meet certain workplace criteria. Best performers deserve to be treated differently, such as providing them with more autonomy and decision-making authority—they have earned it. Provide greater decision-making authority to underperforming employees only after they meet or surpass expectations.
As shown in Table 11.2, employees can be categorized according to three types of workplace attitudes and behaviors.46

1. Go-getters, who are fully engaged with the work experience
2. Fence-sitters, who put in a good day’s work for a good day’s pay
3. Adversarials, who have an unfavorable attitude to both the nature of work and authority

Organizations of high integrity and superior performance are able to attract and retain a large number of go-getters. The average organization, however, typically consists of a handful of go-getters, many fence-sitters, and a handful of adversarial employees. Managers should manage the three employee groups differently.

**Go-Getters**

Go-getters are task-oriented employees with a “can-do” attitude. They enjoy working, are proactive, appreciate new challenges, and seek to excel in all they do. They tend to be exemplar organizational citizens. Go-getters are satisfied with their jobs, deeply engaged with their work, trust supervisors, and perceive fairness in organizational procedures and outcomes.47 They have plenty of ideas for continuous improvement and want the freedom to implement their creative solutions.

Empower go-getters and groom them for managerial positions. Many go-getters prefer to work on their own or with other go-getters. They find fence-sitters uninspired and adversarial employees too negative. Nonetheless, assign go-getters to work with fence-sitters and adversarial employees as part of management training. Go-getters can teach fence-sitters easier ways to

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**TABLE 11.2** **Workplace Attitudes and Behaviors**

<table>
<thead>
<tr>
<th>Type</th>
<th>Prevalence</th>
<th>Attitude &amp; Behavior</th>
<th>How to Manage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go-getters</td>
<td>Some</td>
<td>Task oriented</td>
<td>Freedom and autonomy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Can-do attitude</td>
<td>New challenges</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enjoy working</td>
<td>Leadership positions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Praise and extra rewards</td>
</tr>
<tr>
<td>Fence-sitters</td>
<td>Many</td>
<td>A job is a job</td>
<td>Increase performance expectations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Meet performance expectations</td>
<td>Team up with go-getters</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9–5, then punch out</td>
<td>Separate from adversarials</td>
</tr>
<tr>
<td>Adversarials</td>
<td>Some</td>
<td>Managers are ignorant</td>
<td>Confront and discipline</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Work is a nuisance</td>
<td>Team up with go-getters</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Convert fence-sitters</td>
<td>Separate from fence-sitters</td>
</tr>
</tbody>
</table>
perform their work tasks and offer adversarial employees a more constructive way to frame organizational events and apply their energy. Go-getters may be impatient for promotions and should be mentored by a manager.

**ETHICAL SYSTEMS MODEL: BEST PRACTICE**

4. Go-getters are provided with autonomy and leadership opportunities.

**Fence-Sitters**
Fence-sitters meet managerial expectations and go no further. Unlike go-getters, fence-sitters do not try to self-actualize through work. A job is a necessary burden to pay expenses. Enjoyment is to be experienced outside work hours, not during work hours. Fence-sitters put in a solid work effort and meet performance expectations to avoid terminations. Fence-sitters watch the clock and count down the minutes until departure.

Empower fence-sitters only under restricted conditions. Challenge fence-sitters by continually increasing performance expectations. The more that is expected of fence-sitters, the more they will accomplish. Go-getters can show fence-sitters how to achieve results effectively and efficiently. Separate fence-sitters from adversarial employees, who typically try to distract fence-sitters from putting in a good day’s work.

**ETHICAL SYSTEMS MODEL: BEST PRACTICE**

5. Managers continually increase work expectations for fence-sitters.

**Adversarial Employees**
Adversarial employees do not like work and have negative attitudes toward others, particularly managers and go-getters. They often slack off when not under managerial observation and encourage fence-sitters to do likewise. Adversarials view managers as the enemy and criticize managers whenever possible. Adversarial employees find creative ways to not perform work tasks, leave work early when they can, and then brag about it to one another and the fence-sitters.

Do not empower adversarial employees. Instead, confront and discipline them. Otherwise, they will not change their attitudes or behaviors. Sometimes an employee is adversarial because the job fit is inappropriate. In this case, assign the adversarial employee to a different task, work group, or manager.
Closely supervise adversarial employees because they cannot be trusted to act with the organization’s best interests at heart. Document the behavioral impacts of their negative attitudes, such as failure to cooperate with managers or go-getters. Require that adversarial employees receive counseling through the organization’s employee assistance program to get at the root of their negative work attitudes, which may be grounded in childhood experiences. Develop a jointly determined deadline for adversarial employees to change, and dismiss them if the agreed-on change does not occur.

An adversarial employee can be rebelling against being overly controlled. Within clearly defined parameters, managers can experiment by giving an adversarial employee more responsibility and monitor what happens. If the adversarial employee does not respond as hoped, end the pilot project.

Adversarial employees have leadership skills, though they direct other employees toward the wrong ends. When adversarial employees do change, they can become go-getters. Reformed adversarial employees are grateful for being given another chance.

Finally, go-getters can be adversarial at times. Rarely is anyone a go-getter, a fence-sitter, or an adversarial all the time. An individual’s work attitude may fluctuate based on context, which requires careful managing. An employee can be a go-getter for tasks and meetings they find desirable, do the minimum possible for tasks they believe others can or should perform, and adversarial when they believe a task is wasting their time.

Human beings are complex, so every employee’s needs differ. As highlighted in “Up for Debate,” self-actualizing and financial incentives both matter, but managers still dispute which one motivates employees the most.

**ETHICAL SYSTEMS MODEL: BEST PRACTICE**

6. Adversarial employees are confronted by managers, and plans are developed for changing their behaviors.

**UP FOR DEBATE**

**EMPLOYEE MOTIVATION**

You manage 20 employees, 17 professionals and 3 support staff, at a company that pays average market wage rates. Based on performance evaluations, you classify 8 as go-getters fully engaged in their work, 10 as fence-sitters who put in a good day’s work for a good day’s pay but rarely go beyond performance expectations, and 2 as adversarial with negative attitudes about management and work.
Your department has performed better than expected this year, and the company provides you with an unanticipated one-time $40,000 discretionary fund. The money can only be spent on bonuses or an extensive meaningful work intervention known to increase employee engagement and performance. The $40,000 is enough money to make a worthwhile impact in one of these areas but not both. You must decide how to allocate the money.

**Critical Thinking Questions**

1. How would you allocate the money?
   - a. $2,000 bonus for every employee
   - b. Based on a merit calculation
   - c. Extensive meaningful work intervention
2. Why is this the right option to choose?
3. What are the ethics underlying your decision?

**Measuring a Manager’s Empowerment Behaviors**

Empowerment techniques go beyond just providing employees with the authority to make decisions. They also entail delegating specific tasks, providing access to relevant information, and allocating appropriate resources and funds. Empowered employees develop the mind-set of a manager by taking on some managerial responsibilities and accountabilities.

A wide range of management behaviors that foster employee empowerment appear in Survey 11.2 (online) as an assessment instrument. The survey can be applied to all direct supervisors, from a frontline supervisor to the CEO.

**EMPOWERING THROUGH TEAMS**

**LEANING OBJECTIVES**

11.4 Facilitate an effective team problem-solving process.

Every work unit is a team or small community. Teams need to be engaged and empowered. Management consultant Gary Hamel asks,

> When in life have you felt the most joyful and the most energized by work? . . . Whatever the particulars of that episode in your life, I bet it involved a group of people who were bound by their devotion to a common cause, who were undeterred by a lack of resources and undaunted by a lack of expertise, and who cared more about what they could accomplish together than how credit would be apportioned. In short, you were part of a community.
Empowering Effective Teams

Some teams are effective; some are not. Developing a high-performing team and becoming a good team member takes practice. Employees need to be trained in group dynamics and collective problem-solving techniques.

ETHICAL SYSTEMS MODEL: BEST PRACTICE

According to Patrick Lencioni, the most effective teams consist of members who (1) trust one another, (2) engage in constructive conflict, (3) personally commit to goal accomplishment, (4) are accountable for their behaviors, and (5) focus on collectively achieving their assigned tasks. Conversely, ineffective teams suffer from five dysfunctions: absence of trust, fear of conflict, lack of commitment, avoidance of accountability, and inattention to collective results.

Lencioni maintains that each factor is a necessary condition to accomplish the succeeding factor, beginning with trust. Trust serves as the foundation for effective team performance. Managers must create a safe environment where employees are free to ask for help or admit shortcomings and deficiencies without it being held against them. Teams will not effectively accomplish the goal if members do not trust one another. Trustworthy team members are honest, capable, and caring, and their words can be acted on without concern about misrepresentation or a hidden agenda.

Employees who trust one another are psychologically safe to express differences of opinion. Engage employees in constructive conflict rather than artificial harmony. When disagreements arise, focus on the issue at hand rather than on personalities or inconsequential concerns. The time to raise concerns about a decision is during the constructive conflict stage of team development, not after the decision has been made. Make sure that all concerns are addressed respectfully. Individual team members need to understand why their ideas or recommendations are being rejected.

Goal commitment occurs when team members believe that all of their concerns have been addressed. It is difficult for a team member to commit to a goal or strategy that he or she disagrees with. By expressing their disagreements, team members deepen their understanding. Otherwise, trust evaporates. If it becomes clear that the team decision is wrong, then raise the issue again at the next team meeting.

Team members committed to a goal can be held accountable for their behaviors and accomplish the collective results. It is difficult to hold people accountable if they have not fully committed to goal accomplishment. Once held accountable, the likelihood of achieving the collective result increases.
Conflict is normal in both simple and complex organizations. Highly engaged and committed employees will disagree about the best way to manage a situation. The pinch theory technique is a useful tool for preventing team conflicts from escalating. A pinch situation is one where there is a difference between employees regarding expectations, values, opinions, or goals. Both parties enter the following 10-step reconciliation process. The first six steps help clarify the conflict, and the last four steps help resolve the conflict.

**Conflict Clarification**

**Step 1:** Theresa, the party calling the “pinch,” goes first—“I’m calling this pinch because you always give me your project work to review late in the afternoon. Sometimes I find things wrong in your analysis. We all make mistakes, so that is not why I’m calling this pinch. The problem is that when I find mistakes in your analysis, I end up having to work late to make corrections.”

**Step 2:** Tom, the second party, repeats the information—“You said that I make mistakes in my project work, which makes you have to work late.”

**Step 3:** Theresa confirms or clarifies the repeated information—“That’s close but not what I said. You always give me your project work at the end of the day. So when I find mistakes, I end up having to work late.”

**Step 4:** Tom gives his side of the story—“I don’t mean to make you work late. I just have a busy schedule. I usually wait until late in the day to complete our project work, which is why I give it to you at the end of the day. Sorry about that.”

**Step 5:** Theresa partly repeats the information—“You said that you’re a busy person and wait until the end of the day to do the project we’re working on together.”

**Step 6:** Tom confirms or clarifies the repeated information—“Yes, and I also said that I was sorry about this causing you problems.”

**Conflict Solution**

**Step 7:** Theresa, the first party calling the pinch, proposes a solution—“If you can give me your project work at 3:00 instead of 4:45, I wouldn’t have to stay late to finish my portion of our project work.”

**Step 8:** Tom accepts or offers a different solution—“Getting the project work done by 3:00 is pushing it for me. It’ll create extra anxiety and stress for me. I feel more confident about getting you the project work by 4:00 than 3:00.”

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**Pinch theory** A technique useful for preventing team conflicts where there is a difference between people regarding expectations, values, opinions, or goals.
Step 9: Theresa and Tom continue to offer solutions until a resolution is reached—“Here’s what. If you know it’s going to be later than 4:00, let me know by 3:30 so that I can reorder my own end-of-the-day work tasks and still finish on time.”

Step 10: Upon agreement, the parties write out the solution, sign the document, and keep it on file—“Tom agrees to drop off his project work no later than 4:00. If running late, he will give Teresa a warning by 3:00.”

Many work problems can be solved effectively and efficiently by a well-coached team of subordinates. Team leaders must obtain relevant ideas from all team members. Employees have diverse personalities. Extroverts are willing to publicly share their ideas, while introverts are reticent to speak and tend to be more sensitive to criticism. If not appropriately managed, team discussions will be dominated by the viewpoints of extroverts.

A **team problem-solving process** involves two or more employees working together to find a solution to a problem. The team problem-solving process discussed next helps access each member’s unique knowledge—that of introverts as well as extroverts—and generates solutions with the highest likelihood of achieving superior performance.

The process begins with a nominal group technique (first four phases), subjects that information to a brainstorming technique (Phase 5), filters that information through an affinity grouping technique (Phase 6), and assesses that outcome using a devil’s advocate technique (Phase 7) to generate the best possible solution (Phase 8).52

**Phase 1: Present the problem.** Present the problem to all team members and address clarifying questions so all key issues are understood.

**Phase 2: Define individual solutions.** Each team member individually writes down possible solutions to the problem.

**Phase 3: Present individual solutions.** Each team member reads his or her solution to the entire team, and a list of potential solutions is recorded. Team members listen carefully without responding.

**Phase 4: Clarify individual solutions.** Each team member explains his or her solution in greater detail and responds to clarifying questions. The solutions are not judged as good or bad. Criticizing solutions during this step will inhibit introverted people from further participation.

**Phase 5: Brainstorm.** For 3 minutes, team members should spontaneously propose as many solutions as possible, no matter how odd or impractical they might initially seem. New ideas can amend solutions already mentioned. Do not critique these new solutions yet. This step is likely to be dominated by extroverts. Make sure that introverted people are given an opportunity to express their new ideas.

**Team problem-solving process** involves two or more employees working together to find a solution to a problem.
Phase 6: Group and prioritize solutions. As a team, organize the list of potential solutions according to common themes and prioritize them according to the greatest likelihood of success or greatest impact. Consider ease of implementation and costs, or impact magnitude, when prioritizing the solutions. Develop action plans for implementing the best solutions.

Phase 7: Play devil’s advocate. Assign one team member the role of devil’s advocate. This person should state all the reasons why the highest-priority solution is likely to fail. Other team members should respond to these concerns and develop plans for how these obstacles and shortcomings could be managed.

Phase 8: Implement and monitor. Have teams implement high-priority solutions that fall within the boundaries of their authority and monitor the outcomes. Team members should present complex and costly solutions or solutions that affect the operations of other work units to the appropriate manager for further analysis.

Open-Book Management

Employee empowerment requires providing them with the information they need to make individual or team decisions. Information sharing and transparency are essential elements of trust building. Open-book management is a technique whereby managers share relevant financial and operational information with nonmanagement employees so they can better understand the organization’s financial situation and operational issues and make better informed decisions.53

ETHICAL SYSTEMS MODEL: BEST PRACTICE

8. Employees are provided with key data, including financial information, relevant to improving work unit performance (i.e., open-book management).

More than 10,000 companies use some form of open-book management, including units at Allstate Insurance, Sprint, and Amoco, and highly rated small businesses. Open book means what the term implies—opening the financial books to all employees. The information shared could include balance sheets, revenue, profit, cost of goods, customer returns, on-time shipments, and so on (see “Ethical Applications”).

Trusting nonmanagement employees with previously confidential financial and operational information enables them to behave more like managers. A global travel-management company

Open-book management A technique whereby managers share relevant financial and operational information with nonmanagement employees so they can better understand the organization’s financial situation and operational issues and make better informed decisions.
piloted open-book management for 1 year in three of its multiple branches. Whereas none of the other branches met budget numbers, the three branches with open-book management exceeded profit goals by 10%, 17%, and 20%, an accumulation of more than $1.7 million in extra earnings.\(^5^4\)

Determine which data are critical for employees to know. Meet with teams to jointly establish challenging goals aligned with organizational goals for the key variables. Display scoreboards in public areas that measure progress toward targeted goals. Consider complementing open-book management with other incentives to improve an organization’s financial performance.\(^5^5\)

Open-book management is particularly useful during recessionary periods or a slowdown in the business cycle. Greater access to planning and budgeting information enables employees to foresee the need for change. Employees usually assume the organization is earning substantial profits and are often surprised when they see small profit margins or operating losses. At one company, employees were shocked to learn that heating a warehouse cost $5,000 a month; they made changes that reduced the amount to $900 a month.\(^5^6\)

**Ethical Applications: Open-Book Management**

To optimize open-book management success, provide employees with the following:

1. Relevant financial and operational information for decision-making purposes
2. Training to understand the numbers critical for tracking organizational performance
3. Training to understand how their daily activities affect the financial and operational targets
4. Authority to make decisions that will enable the work unit to reach the targets
5. A financial stake in the organization’s success, such as a bonus tied to meeting targets or profit sharing

**Appreciative Inquiry**

A key task for managers is to empower employees by aligning employee strengths with the organization’s mission so that employee weaknesses become irrelevant. **Appreciative inquiry** is a team-based management technique that focuses on the strengths of both the employee and the organization, rather than dwelling on weaknesses.\(^5^7\) What are the employee’s and organization’s strengths, and how can these strengths be leveraged to achieve superior performance?

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*Appreciative inquiry* A team-based management technique that focuses on the strengths of both the employee and the organization, rather than dwelling on weaknesses.
Appreciative inquiry is a four-phase process where employees (1) identify organizational processes that work well (discover), (2) envision processes that would work well in the future (dream), (3) plan and prioritize processes that would work well (design), and (4) implement the proposals (destiny). Appreciative inquiry has been applied in all types of organizations—large and small businesses, manufacturing facilities, retail stores, hospitals, churches, nonprofits, and government agencies.

The heart of an organization’s mission is to serve customers. The following eight-step appreciative inquiry workshop can empower employees to achieve superior customer service based on organizational strengths.

**Step 1: Individually reflect on superior customer service (Discover).** Each employee independently responds to the following prompts. Describe:
- A situation when you received superior customer service.
- A situation when you provided superior customer service.
- A situation when a coworker provided superior customer service.
- Other ways the organization has provided superior customer service.
- Other ways the organization can provide superior customer service.
- Changes that have to be made in the organization to achieve this.

**Step 2: In a small group, determine the essential elements of superior customer service.** Each team member shares stories about receiving superior customer service, providing superior customer service, and observing others in the organization providing superior customer service. Then determine the most important elements mentioned in these stories that enabled employees to achieve superior customer service and share with the larger group.

**Step 3: Develop a collective vision of what is needed to achieve superior customer service (Dream).** Each team member describes other ways the organization can provide superior customer service and changes that would have to be made to accomplish this. Develop a compelling image of how the organization can achieve superior customer service in the future, and share with the larger group.

**Step 4: Create a draft of a new organizational mission statement that emphasizes superior customer service at every level of operations.** Each team member independently composes a one-sentence mission statement and presents it to the team. Achieve consensus on a one-sentence mission statement that meets the following four criteria:
Would you want it?
2. Is it stated in affirmative and bold terms?
3. Is it clear and achievable?
4. Does it challenge the organization in a desired direction?

Share the mission statement with the larger group.

Step 5: Determine the organization's current "positive core." Each team member independently determines two or three core aspects of the organization that already support the mission statement and superior customer service. For each aspect, provide an example. Reach consensus on the core aspects, and share with the larger group.

Step 6: Make personal commitments (Design). Each team member independently lists what he or she will do more of, or differently, to deliver superior customer service. Share this information with team members and the larger group, and hold each other accountable.

Step 7: Make organizational action recommendations. Each team member recommends initiatives for how the organization can achieve superior customer service. How can the vision and image (Step 3), mission statement (Step 4), current strengths (Step 5), and personal commitments (Step 6) become a highly integrated reality? Further develop these recommendations and share with the larger group.

Step 8: Have management follow up (Destiny). As an example of superior customer service and accountability, managers commit to providing feedback on this information within a reasonable time frame.

Daily Performance Huddles

Empowered team members should address problems as they arise, participate in long-term planning, and share their daily accomplishments and lessons.

Team "huddles" often occur at the beginning of the workday to motivate employees. Schedule a team huddle for 10 to 15 minutes at the end of the day for each team member to process daily events and prepare to manage ongoing problems the following day. Have one employee address the following four issues, and then the next employee in the huddle does likewise until all team members have shared:

1. A performance accomplishment or satisfaction experienced during the day
2. A problem that arose during the day and was solved
3. A lesson learned from the accomplishment or problem that might benefit other team members
4. A problem that still needs to be addressed
ETHICAL SYSTEMS MODEL: BEST PRACTICE

10. At the end of the day, employees reflect on their daily performance and develop plans for the following day.

Beginning the daily performance huddle with a success story makes other team members aware of how each employee has made a difference in organizational operations. Discussing how a problem was solved, and lessons learned, deepens employee empowerment. Concluding with an ongoing problem allows others an opportunity to offer potential solutions and gives the employee hope that the situation can be resolved soon.

EMPOWERING THROUGH GROUP-BASED FINANCIAL INCENTIVES

LEARNING OBJECTIVES

11.5 Describe how three group-based financial incentive systems operate and empower employees.

Employees can also be empowered to behave as managers and owners by providing financial incentives that reward them as if they were managers and owners. Researchers examining the “100 Best Companies to Work for in America” application database report that firms with group financial incentives have higher levels of employee engagement, increased information sharing and trust in supervisors, and a more positive workplace culture.59 Three group-based financial incentives to consider are Scanlon-type gainsharing plans, profit sharing, and stock option and stock purchase plans.

Scanlon-type Gainsharing Plans

Scanlon-type gainsharing plans empower employees by delegating institutional responsibility and accountability for improving operations to employee teams.60 Work unit teams elicit, evaluate, and implement continuous improvement suggestions. Cost savings for surpassing historical performance standards are then shared between the organization and its employees based on an agreed-on formula.

Scanlon-type gainsharing plans Plans that empower employees by delegating institutional responsibility and accountability for improving operations to employee teams.
ETHICAL SYSTEMS MODEL: BEST PRACTICE

11. Employees elicit and review suggestions for improved work unit performance, and have the authority, within reason, to make changes as needed (Scanlon-type gainsharing plan).

Gainsharing plans were initially implemented in manufacturing facilities and spread to other types of organizations, such as restaurants and government offices. The New Jersey Hospital Association obtained approval to use gainsharing for hospitals and physicians serving Medicare fee-for-service patients. During the first 2 years, the 12 hospitals that joined the program saved $89 million from more efficient supply chain management, improved adherence to pharmacy protocols, better optimization of bed management in intensive care units, and reduced length of patient stay.

Five Scanlon-type gainsharing plan features are a gainsharing coordinator, suggestion system, gainsharing team, review board, and group-based financial bonus.

**Gainsharing coordinator.** The gainsharing coordinator is responsible for managing the gainsharing system. The coordinator is typically a go-getter nonmanagement employee or human resources manager. Nonmanagement employees tend to trust the gainsharing system more if a member from their group is managing the system. Coordinator duties include managing the suggestion system process, training team members, attending team meetings, and maintaining records. This can be a full-time position or amended to an employee's current job duties.

**Suggestion system.** Employees submit written suggestions to the gainsharing coordinator on how to improve efficiency, reduce costs, and increase revenue. The suggestions are listed in a computer file and sent to the appropriate work units.

**Gainsharing team.** Depending on the size of a work unit, a gainsharing team consists of either all nonmanagement employees in a work unit or work unit representatives voted to the team. Teams can be determined based on common job tasks (a nurse team, physician team, facility team) or location (everyone on the third floor of a hospital). Teams meet weekly or monthly to review relevant suggestions and brainstorm solutions. The teams are allotted a monthly budget to implement suggestions that fall within their domain. Suggestions that exceed the team's monthly budget, or that affect other work units, are forwarded to a review board.

**Review board.** The review board consists of one representative from each gainsharing team, the gainsharing coordinator, and relevant managers. The nonmanagement representatives report on changes their team implemented and respond to questions. Review board members reach a consensus on whether a team should implement a suggestion that exceeds its monthly budget or involves another work unit.
Group-based financial bonus. A group-based financial bonus calculation is devised that compares projected costs and actual costs for a given period of time, usually a month. The projected costs are based on historical performance, usually an average of the previous 3 years. The cost calculation can be broad (e.g., the total value of goods and services divided by labor costs) or narrow (e.g., electricity costs divided by labor costs). When actual costs are lower than the projected historical cost, the financial difference is shared between employees and the organization, typically 50/50.

Half the nonmanagement employees’ share is then distributed as a bonus for that month. The other half is set aside in a year-end reserve pool that accounts for months when actual costs exceed projected historical costs. Any amount remaining in the reserve pool at the end of the year is distributed among the nonmanagement employees.

Profit Sharing

Providing employees with a share of company profits is also ethical, motivating, and empowering. When the company does well, the employees benefit financially. As a result, employees feel empowered to work as if they are owners. Researchers report that profit sharing has positive impacts on employee cooperation, turnover, productivity, costs, and profits. Profit sharing also positively affects organizational commitment in all sizes of firms but is strongest among small firms. Sharing profits with all employees is a natural extension of sharing financial information through open-book management and involving employees in the decision-making process.

**ETHICAL SYSTEMS MODEL: BEST PRACTICE**

12. Employees share in the profits they help to generate (i.e., profit sharing and stock options).

Profit-sharing plans are governed by the Employee Retirement Income Security Act (ERISA). Profit sharing supplements, but does not replace, an employee’s base pay. Employees earn wages based on skills and labor market conditions and then participate in the distribution of profits generated by their work efforts. Employer contributions cannot exceed an average of 15% of an employee’s salary during any 2-year period. Employers can deduct profit sharing as a business expense.

Profit-sharing companies set aside a percentage of profits beyond a targeted amount into a bonus pool. Some companies distribute profits as a percentage of compensation, under the assumption that higher-paid employees contribute more to the financial outcome. Other
companies create a multifactor calculation that allows bonus fluctuations based on team and individual accomplishments.

Profits are distributed in cash or stock at the end of the fiscal year, or as deferred compensation. The deferred compensation is not taxed until accessed by the employee, usually upon retirement, death, disability, or employment termination. Employees can borrow money against their profit-sharing accounts.

Profit-sharing plans enhance organizational loyalty by lengthening the time required for an employee to have full access to the funds. Typically, an employee is fully vested after 3 to 6 years. If an employee leaves the organization before being fully vested, the amount remaining in the employee’s profit-sharing account is redistributed to the other plan participants.

**Stock Option and Stock Purchase Plans**

Stock options, historically reserved for executives, are now offered by many public and private companies to all employees.66

**Stock options** give an employee the right to purchase a specific number of company shares at a fixed price by a particular future date, typically 10 years. The number of stock options an employee receives is based on a formula, usually determined as a percentage of compensation to total payroll and performance accomplishments. This is because employees earning higher pay, and more accountable for profitability, have access and can afford to purchase, more stock options.

Employees often have full vesting rights after 3 to 5 years and are taxed on the profits earned when they buy and sell their stock. In 2000, 25 years after Microsoft was founded, the company’s stock option plan had created more than 10,000 millionaires.67

An *employee stock purchase plan* is slightly different from a stock option plan.68 Under an employee stock purchase plan, employees request to have deductions taken out of their pay and put into an account to purchase stock at a discount, usually 15%, by a specified date. Some companies will match a certain percentage of the employee deduction. If an employee decides not to purchase the company’s stock by the expiration date, the employee gets his or her pay deductions back.

Some privately held companies, whose stocks are not sold on the open market, offer employees *phantom stock*.69 An independent appraiser determines the phantom stock value of privately owned companies. Publicly held companies that do not want to dilute the ownership rights of existing shareholders can also issue phantom stock.

Similar to stock options, phantom stock has a specified expiration date and can be structured in different ways. Many companies use the phantom stock as an employee bonus linked to firm profitability. Employees earn a cash bonus equal to the increase in the phantom stock’s value between the day issued and the day exercised.

**Stock options** A benefit that gives employees the right to purchase a specific number of company shares at a fixed price by a particular future date, typically 10 years.
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SUMMARY

Superior-performing organizations place a high value on trust and responsibility. Employees in these organizations are deeply engaged in work tasks, empowered to make decisions, and committed to the organization. Trust increases when employees are treated like managers or owners, and the barriers between management and nonmanagement employees have been minimized.

This chapter explored a wide variety of management systems and techniques for involving employees in the organization’s decision-making processes and providing financial rewards for improved organizational performance. In an empowered organization, employees make and implement decisions daily that improve organizational operations and share in the cost savings and profits they help generate.

KEY WORDS

Appreciative inquiry  Open-book management
Bullying  Organization’s justice
Employee engagement  Pinch theory
Empowerment  Scanlon-type gainsharing plans
Hierarchy of needs  Stock options
Meaningful work  Team problem-solving process

CHAPTER QUESTIONS

1. How engaged are American workers, and what are the benefits of employee engagement?
2. As a manager, how can you ethically engage employees with their work tasks?
3. Describe different techniques for managing go-getters, fence-sitters, and adversarials.
4. How would you facilitate a team problem-solving process? What are its advantages?
5. Explain how three group-based financial incentive systems—Scanlon-type gainsharing plans, profit sharing, and stock option and stock purchase plans—operate and empower employees.