Motivating employees now

Practical advice for managers on how to keep their teams engaged, motivated, and productive in tough times.

Motivating without money
Matthew Boyle

Keeping employees engaged is critical during an economic downturn. Here are some smart ways to do it.

In the months after September 11, as business activity slowed to a crawl, Steve Kerr, then the chief learning officer at Goldman Sachs (GS), launched a leadership seminar for senior managers that he nicknamed "Motivating Without Money." The daylong sessionsdiscussed how Goldman's managers could use nonfinancial incentives to energize their staff. While well received, the seminar was discontinued when business perked up again a year or so later.

Last fall, however, Goldman brought it back, widening the audience to include Goldman's clients. (It's now called "Motivating Your People in a Challenging Environment.") "We got more people than I expected," recalls Kerr, now a senior advisor to the bank and author of a new book, Reward Systems. As for why bonus-obsessed Wall Street hotshots would be so receptive to his "money isn't everything" message, Kerr says: "I guess any reward in tough times is valuable."

Low morale after layoffs

He's got that right. These days, with layoffs rampant and companies slashing budgets across the board to weather the economic downturn, motivating employees to bring their "A" game to the office every day is harder than ever. According to a survey of nearly 80,000 employees by the Corporate Executive Board, one in every five employees now consider themselves disengaged from their job, compared with one out of ten last summer. What's more, two out of three companies surveyed in late 2008 by market research firm Quantum Workplace had lower overall employee engagement scores compared with a year earlier.

Some managers may feel that unmotivated employees are not a huge problem. After all, where are they going to go in this crummy job market? But such an attitude is short-sighted, says Jeff Summer, who leads the U.S. talent management practice at PricewaterhouseCoopers (PWC). "[The best] employees are still in high demand, so if their organization is not motivating them, they're moving," he says. The challenge, then, is not only to get them to stay, but to shine.

Summers recounts a recent call from a client in the technology industry. The company had conducted a layoff, and soon afterward it lost three employees it had wanted to keep because managers, absorbed in the layoff process, did not effectively communicate to those who remained how they would move forward. "When you lay people off in a recession, those who are left behind have to be more engaged than ever to pull you out of it," says Chester Elton,

co-author of The Carrot Principle, which details how companies like PepsiCo (PEP) and Quest Diagnostics (DGX) use formal recognition programs to keep employees engaged.

Middle managers must lead

At times like this, remember that "CEO" does not stand for chief engagement officer. He or she is too busy figuring out how to keep the company afloat to do much more than transmit a companywide e-mail or Webcast. The responsibility for this falls upon middle managers, whose words and behaviors, studies show, have the most impact on employee engagement (or disengagement.) "Creating a resilient workplace that can deal with trauma and come out engaged on the other end is not a senior executive's role," says Tom Davenport, a principal at Towers Perrin. "It's a line manager's job."

"What matters is understanding what matters to them," adds Summers. "It's almost like you have to re-recruit your talent."

But how? First, managers must be motivated themselves. Body language is the key here—employees won't believe your inspirational missives if you hide in the office all day. "How can you motivate your troops when you're down in the dumps?" asks Joan Caruso, an organizational effectiveness consultant with the Ayers Group of New York who works with banks like Goldman Sachs. "We live in an age of e-mail, and it's easy for managers to hide behind that," says Steve Church, chief operational excellence officer at Avnet, a technology distributor based in Phoenix. "But employees need to hear from us in person."

Creative compensation

As far as what to say, money still talks—at least for companies in a position to dole it out. Both Google (GOOG) and Starbucks (SBUX) have instituted option-exchange programs where employees can trade out-of-the-money stock options for fresh new ones. But such option exchanges "are a sticky issue," says David Wise, a senior consultant and compensation expert at consultancy Hay Group. They can arouse the ire of shareholders, who aren't included in the offer.

Software developer Intuit (INTU) had a different approach. The Mountain View (Calif.) company, maker of TurboTax, mulled several choices in late 2008 to keep employees engaged, including an option-exchange program and a cash-retention bonus. But in the end Intuit decided on accelerating the timing of its annual grant of restricted stock units (RSUs) to February. Such a grant normally would occur only at the end of the company's fiscal year in July.

Intuit human resources vice-president Jim Grenier says he preferred RSUs over stock options because RSUs, unlike options, always have value no matter what happens to the company's stock price. Excluded from the special grant were senior vice-presidents and above, as well as new hires and the lowest-performing 5% to 10% of employees, based on the most recent performance assessment. "We don't want to pay just for pulse," says Grenier, adding that employee engagement scores have not dropped off, even though Intuit conducted layoffs last summer.

Making recognition personal

Not every company is in a position to made a huge equity grant right now. But small gestures can go a long way during difficult times, so many firms have recently turned to an Irish outfit called Globoforce, which designs corporate recognition programs for clients like Intuit, Procter & Gamble (PG), and Dow Chemical .

Globoforce's programs allow employees to choose a reward they want rather than co-workers or managers making the choice for them. A music lover in accounts receivable, for example, might choose tickets to a concert, while a foodie in sales might choose a $50 gift card to Whole Foods. Such freedom of choice can be much more effective than the scattershot, ad hoc recognition (think: pizza parties) that normally takes place in corporations. "Think of it as employee intimacy," says Linda Amuso, president of workplace consultancy Radford Surveys + Consulting. "You hone in on what they value and get it to them."

Such programs are more valuable than ever in a recession, according to a study conducted last fall by Towers Perrin that polled more than 10,000 respondents in 13 countries. (Globoforce, whose U.S. headquarters is in Boston, has closed several deals in the first quarter of 2009 with clients like Celestica and The Hartford.) Nearly half (49%) of U.S. companies have recognition programs, according to a May 2008, study from Watson Wyatt. But those programs only target 10% of employees in the U.S., compared with 36% at European firms, the survey found, so there's an opportunity to enlarge their scope and effectiveness. "This is a very simple way to motivate," says Elton.

There's a risk associated with rewards, however. Charles Jacobs, author of Management Rewired, argues in his new book that when managers dangle monetary rewards, employee motivation can actually suffer. It all has to do with how our brains are wired, he says. When we're focused on the work we're doing now, an area of the brain called the nucleus accumbens releases dopamine, which pumps us up and gets the brain working quickly. Focusing on an extrinsic reward, though, rather than work can be counterproductive, according to Jacobs, as it diverts the brain's bandwidth from the task at hand. "We like rewards and they work," Jacobs says. "But rewards can distract us."

Fulfilling work Is the best reward

Extrinsic rewards are clearly not a panacea—the psychological lift that employees get from doing work that matters to them can be just as valuable. A new tool called the Work Engagement Profile— released by CPP of Mountain View, Calif., the same company that publishes the Myers-Briggs personality assessment—examines the internal motivations that fuel employee engagement. "Research shows that managers underestimate the importance of intrinsic rewards," says Kenneth Thomas, the profile's co-creator. "And now they're in a situation where they cannot use [monetary] rewards as much, so it's a perfect time for this."

Sherif Mityas, CEO of Movie Gallery, the video and game rental chain, is learning on the fly how best to engage his staff. Here's a company whose 25,800 employees have every reason to be in a funk: The company emerged from bankruptcy last May, consumer spending has plummeted, and movie rental chains like Movie Gallery are facing severe threats from online rivals like Netflix (NFLX), DVD vending machines, and video-on-demand offerings from cable companies.

Mityas' plan to keep employees motivated includes a new customer-focused training program to show employees how to sell games not just to teenagers, but to busy moms as well. Not everyone was on board with this—Mityas has replaced as many as 30% of store managers. Those who remain are engaged, in part because the managers who do the best job of signing up customers for the company's new subscription program will earn a trip to Hawaii. But what really inspires employees, Mityas finds, isn't the size of the prize, but the awareness of it among the staff.

"There's a lot of value in being recognized among your peers," he says. "It's about creating the desire to do the right thing every day."

Value-based motivation

Edward E. Lawler III

Recessions can have a big impact on what employees value. Tailoring rewards to those values is is the key to keeping them engaged, says leadership expert Ed Lawler.

The actions of corporations during the current recession can have a significant impact on the motivation of their employees. Doing the right things can motivate them to perform well during and after the recession; doing the wrong things can have short-term and long-term negative effects on their motivation. Before discussing what an organization should do, it is worth taking a moment to briefly state what we know about motivation.

Individuals tend to be motivated to perform in a particular way when they are rewarded for performing in that way. How motivated they are is a function of how clear the connection is between rewards and performance, and how valued the rewards are.

How recessions change values

One thing that makes motivation particularly difficult to manage is that individuals differ significantly in what they value and events can change what they value. What is very rewarding for some individuals, say, a day of golf with the boss or even an all-expenses-paid vacation trip to Hawaii, may not be seen as a reward by others. The same thing goes for praise by the boss and most forms of recognition.

Recessions can have a significant impact on what people value. Not surprisingly, job security, and financial rewards tend to become more important in periods of recession. It is particularly important that organizations skillfully manage these two drivers of employee motivation during recessions. How they manage them needs to be fine-tuned to the business strategy and how a company is affected by the recession.

In a recession, organizations can forego pay increases and bonus payments without risking high turnover, but motivation is at risk. The market for most employees is very weak, and as a result only a few have the opportunity to leave. Often it is only the very best employees that have the opportunity to leave, so organizations should focus on creating a financial reward package that retains the very best employees and motivates all employees.

Rewarding alternatives

What is the right approach? It definitely isn't just pay freezes and cuts, or for that matter merit-based pay increases. Organizations should consider giving stock options or stock grants to all or most employees. Recessions are a particularly good time to introduce stock incentive plans, because company stock often is at a depressed price and as a result employees may end up getting a bargain. Stock can have a long-term and short- term effect on their motivation as well as act as a long-term retention device.

Retention bonuses and performance bonuses for exceptional performers are alternatives that warrant consideration if a firm can afford them. Knowing that there are financial rewards for performance can be a positive motivator. In order to pay for performance, a good performance management system and good data on who the critical employees are is required. If the existing performance management system doesn't provide this information, it is a good time to install one that does.

Job security can be an important motivator of performance. In order to be a motivator, however, individuals must see a connection between their performance and the retention of

their jobs. They are only likely to see this if there is a clear organizational policy with respect to why people are laid off. Seniority-based layoffs clearly do not motivate performance.

The limits to job security

Layoffs that are based on the performance of individuals and/or groups are a different matter. Simply stated, the reality is employees will work harder in order to maintain their jobs during a period of recession only if they see a connection with job security.

The biggest problem with a job performance-based job security approach to motivation is that it may lose its impact once the recession is over and the labor market improves. At that point an organization which has put a major emphasis on performance-based downsizing needs to seriously decrease its emphasis on job security as a motivator and focus on giving financial rewards for performance.

Even the best approach to using pay and job security to motivate performance cannot be successful without the right leadership. Motivating the right behavior requires a clear vision of the way forward and goals to be accomplished. Establishing them requires transparency so people know what is happening to the business and it requires leaders who can build trust and set goals that are motivating.

Keeping employees engaged in a downturn
Peter Cappelli

Cost-cutting and layoffs may be a fact of life in a recession, but organizations lift employee morale with "stretch assignments" that benefit both parties.

Many employers, perhaps most, have been struggling over the past few years to put together a good workforce and then hold onto it. The financial crisis threw their actions into reverse, focusing them on cost-cutting and, in many cases, layoffs. Unfortunately, the challenge of holding onto a good workforce and keeping employees motivated doesn't go away in a recession. While the immediate risk of people quitting certainly declines, the chance that employees could end up demoralized, stop producing, and then jump ship when the economy improves is important to recognize.

How do we keep employees engaged in a downturn? We should begin by thinking through what causes them to be disengaged. We know that there is a relationship between individual commitment and organizational success, but the relationship runs in both directions: Commitment leads to better performance, but organizations that are successful also create commitment among their employees, since everyone wants to be part of a winning team. In a downturn, when it looks like the organization isn't winning any longer, it is easy to lose commitment. Layoffs make the situation worse by creating another set of worries for employees: "Why did I survive," and "Will I be next?"

Address perceptions

The first thing to do, therefore, is to address perceptions about the downturn in organizational fortunes. One sure thing about organizational life is that when we don't know what is happening, we make up explanations. And those explanations tend to be worse than the reality—more conspiratorial, more hopeless. It is important to tell people what is going on as best we know. What happened to put us in this situation, and most important, what is our plan for getting out of it?

People are much more forgiving of problems that are caused by factors outside the organization, so in the current worldwide recession, they are unlikely to blame management for business downturns and layoffs. But expect them to be much less forgiving of management that uses the current context to drive layoffs or other unpopular changes that are not caused by the recession.

Beyond explaining the current situation and presenting a credible plan for addressing it, managers that have had to lay off employees need to explain to the remaining employees why they survived and how they fit into the recovery plan. The worst situation for employees is when they believe that their survival was a matter of luck. First, that's likely to leave them feeling guilty about keeping their jobs when their peers lost theirs. Second, they will be panicked by that thought that they could be next. Fnally, employees will spend their energy either hunting for another job or frozen by fear.

Building commitment in a crisis

These steps simply mitigate some of the damage that the downturn does to employee engagement. There may also be positive steps we can take to build commitment and engagement even in a business crisis.

To do that, it is important to remember that what good employees want are opportunities to advance, to learn new skills, and to take on new challenges that lead to bigger and better jobs in the future. These opportunities build commitment and retention. Business crises create lots of needs, and especially when there are layoffs, there are fewer people to handle them. This is the perfect opportunity to create stretch assignments, the kind that force us to take on new challenges and grow in the process.

The important point here is to "stretch," not overwhelm. Pushing employees into the deep end with problems that are too great for them to handle does no favor to them or to the organization. An appropriate stretch assignment is one that builds on tasks an employee has already handled and, at a minimum, gives a worker the opportunity to call the lifeguard (the boss) for help. What can make a stretch assignment truly great is to get support and guidance along the way and to debrief it at the end: What did you learn from this experience?

Stretch assignments also build morale and commitment, letting employees know that what they are doing in this time of crisis is truly important to the future of the operation. That sense of significance associated with their tasks helps build commitment to the organization: I helped it survive, I care what happens to it in the future. Both sides end up better off in the process.

Making employee engagement fashionable
Robert Polet

The CEO of Gucci says managers need to stay confident, calm, and focused with employees.

The key success factors in an economic downturn are speed, flexibility and innovation, while remaining constantly in tune with customers' needs. These factors will allow a company to perform at its peak, even in a down cycle, and are powered by a common denominator: an organization's talent.

The challenge, in demanding times, is to keep that talent engaged, motivated, and focused on the right goals by fostering creativity at every level of the organization. Employees tend to be both distracted and highly alert. They will look to management for cues about the state of the business, so leaders must be confident, calm, and focused. In the past few months I've started

traveling more than ever before, because people need to see me. They ask: "Is he down? Does he look pessimistic? Or is he looking optimistic and smiling? Does he know where we're going?" When they see for themselves that I'm fine—and that I am convinced that we are going to be fine—they are fine, too.

In addition to setting a tone of calm and control, this is a great time to reiterate the company's long-term goals and brand positioning while discussing any shorter-term adaptations required to maintain performance. Employees need to understand both current and long-term direction, as well their role in it, to remain motivated and engaged. They should be invited to experiment and encouraged to find new and better ways of working within a highly disciplined cost competitive approach.

Sizing up performance

This is also a perfect opportunity to analyze key positions, evaluate performance, and determine whether an individual's skills and capabilities are applied to the best possible role. Our current performance evaluation system was introduced in November 2006. The appraisal is based on our four leadership competencies. This allows for a common language across our brands worldwide. The focus on these behaviors allows us to identify those individuals that have a strong commitment and ownership to deliver results. These are the individuals that will enable us to anticipate our needs for the challenging times and changing circumstances ahead of us. This has also enabled us to quickly move key individuals into strategic positions whenever necessary.

Challenging times are the perfect opportunity for high performers to shine. These individuals are highly motivated and must be challenged to stay engaged. Providing them with a tough issue to tackle, expanded responsibility, or a position of greater authority will give them what they seek while simultaneously benefiting the organization. Involving top performers in problem solving gives them a greater sense of ownership and enhances their commitment and retention. In addition, because high performers are often the thought leaders and role models within a company, they serve to inspire and motivate others. Employees who look to them for direction are likely to emulate the enthusiasm and confidence they see.

Finally, leaders need to step up their role as communicators, sharing information frequently and honestly in order to maintain trust and engagement. For example, to reduce uncertainty, improve productivity, and encourage information sharing, cross-brand connections, and sense of "team," we are currently launching a monthly "Call with the CEO" through our corporate intranet. Through this vehicle, all employees within the Group will be able to engage in a forum where they can share questions and concerns. Once each month I will address these issues and give all employees my informal thoughts on current conditions.

Companies have the unique opportunity now to inform, engage, and empower their talent to unleash a level of performance that can weather any economic storm.

Robert POLET, Robert; CAPPELLI, Peter; LAWER III, Edward E. Motivating employees now. **BusinessWeek**, New York, 24 abr. 2009. Disponível em <www.businessweek.com>. Acesso em: 4 maio. 2009.