

## Creating a High-Performing Workplace

By Martin Staubus

It's well known that the Beyster Institute provides consulting guidance to companies and their leaders on the development of effective employee ownership programs. Less familiar to many is the work we do in classroom education. In fact, one of the most important ways that we build understanding and support for employee ownership among business leaders is through the teaching we do in the MBA program at the UC San Diego Rady School of Management. Our offerings include a whole range of classes from Equity Compensation to Managing an Employee-Owned Company. Among those is one especially interesting course with a human resource slant.

Currently, Beyster Institute Senior Consultant Martin Staubus is teaching a course entitled "Creating a High-Performing Workplace," which is offered as an elective course in the organizational development area. In a recent interview, Professor Staubus described the content of the course.

"In *Creating a High-Performing Workplace*, we explore five themes. As a bit extra fun, I play a theme song for each theme – students get extra course credit for naming the song and the artist." The themes are:

**High Performance in the Innovation Age.** Before we can explore *how* to create a high-performing workplace, it only makes sense that we know *what* that is. If you don't know what you're trying to create, how can you talk about the steps to create it? Our first theme, therefore, begins with the observation that, in the U.S. and other developed economies, the Industrial Age that dominated most of the last century has evolved into the Innovation Age of the 21<sup>st</sup> century. Yes, there is still traditional manufacturing in the U.S., and there are workers who do repetitive manual tasks. But the work that really drives economic growth in the U.S. now involves activities that require employees to use independent judgment and creativity and to collaborate effectively with others. There simply aren't many jobs left where employees just carry out the instructions handed down by the boss. If your organization isn't constantly striving to make your customer experience better and/or cheaper, it's unlikely to see long-term growth. An important point here is that innovation doesn't only mean "product innovation" – coming up with the next iPad or other big hit. And innovation doesn't just mean one heroic individual coming up with a brilliant insight. Rather, companies thrive when its people are constantly figuring out lots of small ways to make the company's existing products or services a little better, a little easier to produce or a little cheaper. And most innovation actually results from people interacting, pooling their knowledge, bouncing ideas off each other, and collaborating to come up with improvements on the status quo. In the Innovation Age, then, a high-performing workplace is one in which the people in the organization are proactively applying not only their technical training, but their creativity and good judgment, collaborating as a team to continuously improve their company's ability to deliver value to customers. One of the great challenges of American

business – and the reason for this course – is that the management methods that were developed for the Industrial Age now are very poorly suited to meet these needs of the Innovation Age. Yet American business is being led by old guys (like your instructor) who in turn were mentored in their younger days by executives who cut their management teeth in the heyday of the Industrial Age. Too much of current management remains rooted in Industrial Age practice.

Our theme song? “The Times They Are a-Changin’” by Bob Dylan.

**Historical Development of Workplace Management.** American business didn’t just wake up last week and decide that perhaps it should try to get its workplaces to operate at a high level. In fact, since the industrial revolution, when large-scale production first became dominant, people have been trying to figure out how best to organize people in workplaces so as to achieve high productivity and performance. What have they learned along the way? The “science” of management as an applied technology dates to Frederick Taylor, a man originally trained as a mechanical engineer, who became a management consultant around the start of the 20<sup>th</sup> century. Interestingly, he also was from a Quaker family, and was deeply troubled by the often-bloody workplace conflict that was prevalent in industrial America at that time, as managers Taylor deemed ignorant applied brute force in their efforts to maximize productivity. As might be expected of a mechanical engineer, he conceived of the workplace as a great machine, with efficient productivity being achieved through an engineering process that assigned clear, consistently repeatable tasks to employees, so that they functioned like parts in a machine. In this model, it was imperative that the workers never depart from the assigned process. Not even managers were authorized to engage in improving the production process. That authority was reserved to “industrial engineers” specially trained to design workplaces as machines. Ultimately, Taylor’s methods never did quite achieve his goal of harmonious, high productivity in the workplace. Despite the failure of this approach, the mental model of “workplace as machine,” with top management manning the controls, has had tremendous staying power. As the 20<sup>th</sup> century went on, people with advanced training in human psychology began to study workplace performance issues, and soon identified the fatal flaw in Taylor’s machine model of the workplace: people aren’t cogs, and don’t react well to being deployed that way. Leading thinkers of the time – Abraham Maslow, Kurt Lewin and Douglas McGregor – developed better-informed ideas about fostering workplace productivity, taking into account the unique emotional make-up of human beings that make us so different from machines. Perhaps the biggest flaw in Taylor’s machine model, however, is that it fails to take advantage of the remarkable creative capacity that is in everyone. Indeed, he insisted that employees do only what they are told and nothing more. “Don’t ever change a thing!” was the old message to employees. In the Innovation Age, that command and control system is a recipe for failure.

Our theme song? “We Didn’t Start the Fire,” by Billy Joel.

**Human Motivation in the Workplace.** So people are not cogs and can’t simply be deployed like machine parts. They have wills of their own, and will perform at a high level only if they

want to. So when it comes to motivating employees – to get them to want to – what works? The most popular motivational method traditionally used by business management is a collection of carrots and sticks – more than anything, monetary incentives. These practices endure despite a mountainous pile of research studies showing that monetary incentives are minimally ineffective in most cases – and in fact can be counterproductive, actually lowering output. They are especially ineffective in a context where workers need to be engaged in creative, judgment-based, innovative activity – exactly the kind of work that is central to today’s Innovation Economy. So, if monetary incentives don’t drive high performance in the Innovation Age, what does? This question gets to the heart of the course. The concepts we explore suggest that in today’s innovation-oriented economy, companies foster a high level of performance by:

- First and foremost, establishing a clear sense of mission and purpose that establishes the venture as something meaningful and worthwhile to the people in the organization.
- Second, assembling a group of dedicated people around that mission and purpose – a *community* of people who have come together to pursue that purpose successfully.
- Third, establish operating values, principles and practices for that workplace community that enable people to assume responsibility, deliver valuable contributions, and earn a sense of *achievement and self-worth from what they accomplish*. People want to be part of something worthwhile, something larger than themselves, and as individuals they want to grow, develop and progress. Workplace communities will be highly productive when they enable people, through their contributions and accomplishments, to feel that they are achieving valuable things and that they are respected and appreciated for that by their peers.

Our theme song? “Can’t Buy Me Love,” by the Beatles.

**A Stake in Business Success.** If an organization’s mission is to find a cure for cancer, end world hunger, or create break-through technologies, clearly that’s something that will provide a compelling sense of purpose and meaning to many people who might want to work there. But what about a company with a more mundane mission: supplying commonplace components or providing routine services? How can such a company create compelling meaning that provides motivation and determined drive to the people working there? An answer may be found by looking at what motivates the typical entrepreneur who works hard to build a successful venture. The rewards from doing that are apparent: the creation of personal wealth; providing abundantly for one’s family; a sense of achievement; pride of accomplishment; a sense of identity with a successful venture; satisfaction in making a contribution to the community; etc. Even in industries that aren’t inherently sexy and compelling, then, companies can build a motivated community of employees by drawing them into the challenge and rewards of building and running a successful business. The foundation of this workplace strategy is the practice of employee ownership. The rewards of entrepreneurship, after all, are mainly ones that flow only to those who own the business. Ownership is a formal claim to both the financial and the emotional benefits that are generated by successful business outcomes. Owners claim the wealth that is generated by business success, and also claim the sense of pride,

accomplishment and identity that comes from that success. In short, the cause of building and operating a successful business can provide the sense of purpose that will support the sense of purpose that is needed to support a high-performing venture. A key take-away here is that it's not enough to simply distribute shares of stock among the workforce as though it were pixie dust. People need to understand the rules of the game – how the business works, what the team needs to do to succeed, and how to track progress against budgets and goals to see how well the team is doing. In short, they need to be “business-literate.” This not blazing a virgin trail. It is a well-established strategy known as “open book management.”

Our theme song? “Reasons” by Earth, Wind and Fire.

**Hire for Attitude; Train for Skills.** We have spent most of the course exploring how to build a workplace that encourages and enables employees to deliver their best ideas, their best judgment, and their best performance. Yet logically, even if the people are highly committed and motivated, isn't the capacity of a workforce to perform at a high level going to be constrained by the extent of their knowledge, skills and abilities? Of course it is. So companies need employees who have both: a) excellent technical skill sets; and b) constructive attitudes that foster teamwork, effective collaboration, a willingness to take responsibility and show leadership, and that align with the company's mission, purpose and values. The challenge for business is that few hiring candidates come to your door with all of the desired skills and attitudes. Given that reality, what hiring and development strategies will support a high-performing workplace? Organizations that continue to adhere to the machine model of the workplace, seeing employees as “units” to be plugged into slots, continue to focus on the technical “specs” of the unit. High-performing companies in today's Innovation Economy, however, have found that it is essential to prioritize the constructive attitudes that will fit with the company's innovation culture. Specific skills can be taught; but attitudes about how we deal with others tend to be a fundamental aspect of individual outlook and personality, and thus much harder to change. Ego-driven individualists, for example, are unlikely ever to really dedicate themselves to achievement of team goals. So if a new hire has the right attitudes, but not all of the needed skills, the skills gap can be remedied through training. But if a new hire has the full technical skill set but lacks the constructive, mission-oriented, team-player attitudes that are desired, it may be difficult to turn that person into a high-functioning member of the organization. Thus the motto of these companies is, **hire for attitude, train for skills.**

Our theme song? “Higher Ground” by Stevie Wonder.

That's it! Those are the five themes that comprise the curriculum of Management 269: Creating a High-Performing Workplace as taught at the Rady School of Management at UC San Diego.

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