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Business and the Spirit: Management Practices that Sustain Values

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BUSINESS AND THE SPIRIT:

MANAGEMENT PRACTICES THAT SUSTAIN VALUES

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One would think that managing people in ways consistent with building and maintaining their spirit would be an uncontroversial idea. After all, there has been increasing interest in workplace spirituality and management practices that help develop people (e.g., Ashmos and Duchon, 2000; Mitroff and Denton, 1999; Mirvis, 1997). This interest derives in part from the importance of work organizations in people's lives today—"people are spending more of their time working and number among closest friends their coworkers" (Mirvis, 1997: 198). At the same time, waves of downsizing (Cappelli, 1999), increased turnover, more people working as temporaries and contractors (Pfeffer and Baron, 1988), and more frequent changes in ownership have created less loyal and committed and angrier and more disaffected employees working in places characterized by "fear, pressure, and impermanence" (Mirvis, 1997: 198). Even as these changes in the workplace are occurring, writers have argued that organizations that are values-based and values-driven are "built to last" (Collins and Porras, 1994) and are better able to engage the hearts and the minds of their people (O'Reilly and Pfeffer, 2000).

Because people spend a lot of their life at work and partly derive their social identity from their workplace, what happens to them on the job is important for their mental and physical health and well-being (e.g., Cartwright and Cooper, 1997). But aside from any social value benefits from managing people better, there is a very substantial and growing body of evidence that suggests that the management practices organizations use with their people have both statistically and substantively important effects on numerous economic outcomes such as quality, productivity, and profitability (e.g., Pfeffer, 1998; Becker and Huselid, 1998). Although the specific dimensions identified by various researchers vary somewhat, most of those writing about high commitment or high performance management practices identify at least the following as constituting the foundations of such a model: 1) employment security and mutual commitment, 2) selective recruiting for cultural fit as well as skill, 3) an investment in training and developing the skills and capabilities of employees, 4) decentralization of decision making and the delegation of substantial responsibility, often to self-managed teams, 5) pay and other rewards that are contingent on group and organizational, as well as individual, performance, and 6) sharing information broadly with people inside the company (e.g., Pfeffer, 1998). The argument is that these management practices elicit discretionary effort from people as well as making it possible for people to both learn and develop and use their skill and knowledge to benefit their organizations.

The positive effects of using high performance or high-commitment work practices have been observed in numerous industries including: automobile assembly (MacDuffie, 1995), apparel manufacturing (Dunlop and Weil, 1996; Bailey, 1993; Appelbaum, Bailey, Berg, and Kalleberg, 2000; Abernathy, Dunlop, Hammond, and Weil, 1999), oil refineries (Ricketts, 1994), integrated steel manufacturing (Ichniowski, Shaw, and Prennushi, 1997), steel minimills (Arthur, 1994), semiconductor fabrication (Brown, 1994; Sattler and Sohoni, 1999), telephone call centers (Batt, 1999), medical electronic instruments and imaging (Appelbaum, et al., 2000), banking (Delery and Doty, 1996), as well as in multi-company studies that span industries (e.g., Huselid, 1995; Welbourne and Andrews, 1996; Burton and O'Reilly, 2000; Hannan, Baron, Hsu, and Kocak, 2000; Youndt, et al., 1996).

Nor are the positive effects of employing high performance work practices limited to companies operating in the United States. The positive economic benefits of using high commitment or high performance work arrangements have been observed for organizations operating in other countries such as Germany (Bilmes, Wetzker, and Xhonneux, 1997), Korea (Lee and Miller, 1999), Japan (Ichniowski and Shaw, 1999), and the United Kingdom (Wood and Menezes, 1998). Moreover, the importance of how firms manage the employment relationship has been found not only for large, established companies but for small, entrepreneurial firms as well. For instance, a longitudinal study of entrepreneurial companies in the Silicon Valley found that those founded under a “commitment” model had 12 times the likelihood of advancing to a successful initial public offering during the study period (Burton and O’Reilly, 2000), while *no* firm founded with a commitment approach to managing people failed during a five year period (Hannan, et al., 2000).

The study of high technology companies by Burton and O’Reilly (2000) speaks to the importance of values as well as management practices in affecting organizational outcomes. Their research found that there was an effect not just of specific management practices but also of the founder’s values on success, measured as time to the initial public offering. Companies with people-centered values, operationalized by the founder’s espousing a commitment model of attachment between the company and its people, performed better. There was also an effect of high commitment organizational practices on performance, as well as an interaction such that companies with both people-centered values and high commitment practices enjoyed even greater performance.

These results help to account for some recent findings (e.g., Cappelli and Neumark, 2001) that did *not* uncover a positive relationship between management practices and company financial performance. The work by O’Reilly and his colleagues (Burton and O’Reilly, 2000; O’Reilly and Pfeffer, 2000) suggests that management practices, by themselves, may not be enough to ensure improved performance. Employees look not only at *what* is done, but also at the motivations and beliefs that underlie management approaches. If managers are trying to do the right thing, people will give them some room for mistakes, and conversely, good management practices implemented with malevolent intent may not produce such positive results. As George Gallup noted long ago, people are judged by their intentions, not just by their results: “People tend to judge a man by his goals, by what he’s trying to do, and not necessarily by what he accomplishes or how well he succeeds” (quoted in Edelman, 1964: 78). If management approaches are premised on nonemployee centered beliefs, people will see through that and the company may not benefit from implementing the management techniques.

Although the *idea*, *concept* or *theory* of managing people in ways that build and sustain values and their spirit may not seem controversial, when this idea or intention is confronted with the realities of what is actually going on in many work places as well as much conventional wisdom about management practices, there are enormous discontinuities. Terkel's (1985) interviews with working people showed that many people work in places that wound their spirits. Just such a workplace is Cerner Corporation, a health care software development company whose CEO, Neal Patterson, sent an e-mail to his employees complaining that they weren't working hard enough (the parking lot was too empty early in the morning and in the evening as well as on week-ends) and threatening them with layoffs, cuts in benefits, and other potential punishments if they didn't shape up (Wong, 2001). He also gave them a deadline: "You have two weeks…Tick, tock" (Wong, 2001). This incident is just an example of the many companies that manage through fear and stress (e.g., Pfeffer and Sutton, 2000).

Not only are many managers and their companies doing things to destroy people's spirits, many widespread and widely advocated management practices are also destructive of the spirit and values. In this chapter, I first review what the research literature suggests *are* important characteristics that people seek in their work. I then propose some management practices that are consistent with building values and enriching people's spirit, and contrast them with what is currently both occurring in organizations and is often advocated by management consultants and writers. Finally, I make the argument that because people spend so much of their time in formal organizations and organizations are so important to their social identities, there is an imperative to make organizations more consistent with human values and psychology, and as a byproduct, more effective as well.

WHAT PEOPLE VALUE AT WORK: DIMENSIONS OF THE SPIRIT

We should probably begin with a definition of “spirit”: “spirit comes from the Latin word *spiritus* meaning ‘breath.’ It is defined as ‘the vital principle or animating force traditionally believed to be within living beings’” (Anderson, 2000: 16). What elements define this vital force, at least as it is manifest in organizational workplaces? According to an interview and questionnaire study of human resource and line executives, the most important thing that gives people meaning and purpose in their jobs is “the ability to realize my full potential as a person” (Mitroff and Denton, 1999: 85). Abraham Maslow (1954) described this as self-actualization. Most people love to learn and develop competence and mastery. That’s what impels little children to learn to walk and to explore the world in which they live. One of the reasons developing skill is so important is that it provides a way of enhancing one’s self-concept, and the self-enhancement motive is quite strong (Steele, 1988; Tesser, 1988). So, people often seek in their work the ability to develop and master new skills and competencies and to learn new things, thereby becoming more competent and knowledgeable and realizing their full potential.

Many people seek not only competence and mastery in their work but also to do work that has some social meaning or social value. A study of 696 people in four Midwestern hospitals, undertaken to develop a measure of workplace spirituality, concluded that having work that was meaningful and purposeful was one of the most important dimensions of this construct (Asmos and Duchon, 2000). Two items in the meaning at work scale were: “I see a connection between my work and the larger social good of my community” and “The work I do is connected to what I think is important in life” (Asmos and Duchon, 2000: 143). This workplace dimension is clearly consistent with building organizations that stand for something and that have an overarching purpose or mission, a theme prominent in contemporary writing about building great companies (e.g., Collins and Porras, 1994).

A third important dimension that people value at work is being able to feel part of a larger community or being interconnected. “Part of being alive is living in connection to other human beings” (Ashmos and Duchon, 2000: 136). People value their affiliations at work. Having good colleagues and being associated with a good organization were both highly rated dimensions in Mitroff and Denton’s (1999) study of what provided people meaning in their work. Both case and survey evidence are consistent with the view that one’s colleagues are an important source of job satisfaction (Locke, 1976; Smith, 1992). Particularly as people spend more time at work (Schor, 1991) and as work becomes an ever more important source of social identity, who one works with and, more importantly, the nature of those social relations in the work place loom ever more important. As Mirvis (1997: 198) has noted, “lacking continuity and connection in so many other settings, many naturally look to their organization as a communal center.”

The fourth important dimension of what people value at work that is quite consistent with building the spirit is being able to live and work in an integrated fashion. The advent of bureaucracy and scientific management were designed to separate ascriptive, personalistic dimensions from the workplace. People were to be judged on what they did and how they performed, not who they were. Although bureaucratic control (Edwards, 1979) embraced the laudable goal of ending the evaluation of people based on irrelevant characteristics such as race, gender, social background, and social ties to higher level managers, as it was implemented the result came increasingly to be the requirement for people to leave part of themselves at the door and to become someone else at work. People are not only rational, sentient beings but also have emotions and feelings that obviously affect their attitudes and behavior. To deny this aspect of people on the job meant that “managers and other employees were expected to complete their allotted tasks without involving their essential self" (Ackers and Preston, 1997: 678).

But leaving part of oneself at the doorway to work every day is quite difficult, effortful, and at, times, stressful. Kahn, et al.'s (1964) classic study of role conflict described one form of conflict as inter-role, the contradictory demands made for behavior by the different roles a single individual occupies, such as the conflict between being a good parent and being a good employee, to take a much-discussed contemporary example. Kahn and his colleagues also described person-role conflict, which occurred when people's work roles required them to do and be things that were inconsistent with their basic beliefs and self-concept. The Kahn, et al. study documented the stress that occurred when individuals faced conflicting demands and had to somehow resolve them. Trying to compel people to be "different" than who they are on the job is not only stressful and uses energy, it essentially sends a message that who people really are is not what the organization wants or desires on the job. Such a message obviously contradicts people's desire for self-enhancement and their drive to maintain self-esteem. And, the message is quite destructive of the human spirit in that it denies the value of people as they are, sending a signal that they need to be someone different, and compelling them to behave in ways different from their essential nature.

MANAGEMENT PRACTICES THAT BUILD—AND SOME THAT DESTROY—VALUES AND THE SPIRIT

We can examine and evaluate management practices on the basis of how each is logically (and empirically) consistent or inconsistent with the four fundamental dimensions of what people seek in the work place: 1) interesting work that permits them to learn, develop, and have a sense of competence and mastery, 2) meaningful work that provides some feeling of purpose, 3) a sense of connection and positive social relations with their coworkers, and 4) the ability to live an integrated life, so that one's work role and other roles are not inherently in conflict and so that a person's work role does not conflict with his or her essential nature and who the person is as a human being.   Using this perspective provides a somewhat different, but nonetheless complementary lens on a number of management practices.   These ideas about what people want at work also help us understand why some management practices work, and why others do not.

Mission, values, and the dictum to maximize shareholder value or profit. It has come to be taken as accepted wisdom and good management practice to run companies solely for the benefit of shareholders, with the concomitant emphasis on maximizing shareholder value and profits. Although many companies have adopted statements of mission or values, for too many these are simply platitudes to be hung on walls or put on small cards to be carried in wallets, but not something to be actually implemented and lived. Commenting on how few companies took their mission statements seriously, author Eileen Shapiro described a mission statement as "a talisman, hung in public places, to ward off evil spirits" (Shapiro, 1995: 15).   There are, however, several problems with managing just for the interests of shareholders and ignoring the importance of mission and values.

First, maximizing profit or shareholder value is not an objective that very often stirs people's imaginations or emotions, even if the employees are also shareholders. People want to make a difference in the world and to engage in meaningful activities, and the mere accumulation of value or assets—which will invariably and inevitably be left behind at death anyway—does not provide a compelling rationale or motivation to inspire people. Second, it is not clear why, in the contemporary world, maximizing shareholder value makes strategic business sense. Most observers of the contemporary scene maintain that what is really scarce is not capital, but talent and knowledge. If we are indeed in a "war for talent," to use the McKinsey phrase (Chambers, et al., 1998), then it would seem that focusing solely on returns to capital makes little or no economic sense. If the winners will be those companies that are best able to attract, retain, and motivate their people, then management practices or philosophy that ignore or downplay people compared to capital can not be a recipe for success.

Third, as Aoki (1988) has demonstrated using a game-theoretic approach, operating companies for the benefit of both shareholders and employees can lead to better decisions than simply trying to maximize share price. That is because "in order to generate the organizational quasi rent [exceptional profits], both bodies [shareholders and employees] need each other's commitment to the accumulation of financial and human assets" (Aoki, 1988: 155).

Fourth, it is not at all clear, from either a legal or a logical standpoint, why capital should receive a higher priority than other stakeholders in the company, such as labor. As Dennis Bakke, the CEO of AES, the largest independent power producer in the world and a company that does live its values, points out, where does capital come from? If you earn income, some you spend and some you save. Those savings can be used to purchase stocks, bonds, or other financial instruments. In other words, capital, for an individual or a country, comes from the residual of income earned but not spent. But seen in that way, capital is simply the result of past labor. Why should *past* labor receive a higher priority than *current* labor?

Nor is there some legal obligation to maximize stock price without regard to other constituencies (Bagley and Page, 1999). "Thirty states have enacted statutes intended to permit (and, in the case of Connecticut, to require) consideration of other constituencies" in corporate decision making by boards of directors (Bagley and Page, 1999: 921). These laws have been passed in part in recognition of the fact that share prices do *not* always reflect a company's real value or profitability, so that making decisions only on the basis of capital market considerations is unwise. "Delaware courts, among others, have continually expressed skepticism over the accuracy of viewing the trading prices of shares as a reflection of the corporation's 'intrinsic value,' and consequently, the degree to which directors can use those trading prices as a guide to action" (Bagley and Page, 1999: 920).

Finally, stock price and profits are *outcomes*. Not focusing on the processes, including managing by using values that engage the hearts and minds of people, that produce those outcomes causes problems. Reichheld (1996) has shown that superior profit performance comes from having loyal customers, and loyal customers come from having loyal, long-term employees. By focusing on building employee and customer retention, companies outperform their peers—but this is a result of how they manage the value proposition they create. Southwest Airlines did not begin with an objective to build a company that is worth more than the rest of the U.S. airline industry combined—although it currently is. It began with an objective of taking care of its people and its customers, and the rest followed as a consequence. Not focusing on the processes that produce results, but instead obsessively focusing on the goal, is a prescription for frustration and management problems.

Companies that excel at engaging the hearts and minds of their people not only *have* values, they *live* them, thereby providing an element of the sacred in the everyday working environment. AES, for instance, has four core values of fun, fairness, integrity, and social responsibility. The company evaluates itself partly on how well it is succeeding in living its values, something it discusses in its annual report. And the company will adhere to its values even at the cost of profit, a fact that has caused the Securities and Exchange Commission to ask the company to list "adherence to AES values" as a risk factor in its offering prospectus. AES also has a general objective to carefully steward resources, a more specific mission to help provide electricity to the world, and a goal to be the leading global power company. The company operates all over the world including in places, such as Brazil and Argentina, that experience periodic currency crises and economic problems that adversely affect the price of AES's stock. When the company is questioned about why it operates in such economically risky places, it answers in terms of its mission to provide electricity to the world, something that can fundamentally change people's lives and their economic well-being. "The essence of AES's mission to the world makes it inevitable that we will endeavor to serve in areas that some consider unstable" (AES, 1998: 15).

How does living by its mission square with a company's achieving profits? Profits are obviously necessary for a company to survive, but to Bakke and the people of AES, profits are not the be all and end-all of a company:

> Profits are to a corporation much like breathing is to life. Breathing is not the goal of life, but without breath life ends. Similarly, without turning a profit, a corporation, too, will cease to exist (Bakke, 1996: 5).

The rationale for AES's existence as a company is "to help individuals make a difference in the world that they could not otherwise make" (AES, 1997: 6). This way of operating infuses work at AES with meaning. As one AES person stated, "I am comfortable in the knowledge that we are making a difference and that what I do matters. I am proud to be a part of the team" (AES, 2000: 5). The result is a company where people stay even when they can afford to leave and a competitive advantage in attracting and retaining talent that has produced remarkable financial results.

Autonomy and decision making responsibility. If you think carefully about it, most management practices such as setting budgets, annual performance reviews, meetings and reports charting progress toward some goal, and measurements and incentive compensation schemes are about controlling and directing behavior. These management practices are not simply for providing feedback so that people can guide their own actions more effectively.

Indeed, the very definition of management includes: "to control and direct" and "to make and keep (one) submissive" (Merriam-Webster, 1981: 1372). But such an approach is inconsistent with individuals realizing their full potential and achieving a feeling of mastery and competence. In a world in which some are told what to do by others, the self-esteem of those doing the telling may be enhanced, but those being told are not likely to develop much belief in their worth, competence, or value.

That is why studies of job design have typically found that autonomy is the most important factor influencing motivation and job satisfaction (e.g., Hackman and Oldham, 1980). And that is why one of the more important management practices to build people's spirits involves letting them actually make decisions—important decisions—about organizational direction and resource allocations. Most companies are run under the principle of hierarchy: those higher up must know more and be more competent and therefore, most important decisions should be left to them to minimize the risks of mistakes. But operating in this way, although consistent with Taylorism and the idea of separating planning from doing, leaves the majority of people as passive recipients of direction rather than as active decision making agents.

This is not how AES operates. In that company, the maintenance group in the Thames, Connecticut, plant volunteered to be responsible for investing about $12 million in debt reserves; Paul Burdick, a mechanical engineer without an MBA, led the financing for the $404 million Warrior Run project in Maryland; a financing of about $350 million in Northern Ireland was managed by a team led by two control room operators; and Oscar Prieto, a chemical engineer who had worked for AES for just two years in his first job in the electric power industry, was given the task of leading AES's involvement in Brazil, and after eighteen months was in charge of about one-quarter of the company's total assets (O'Reilly and Pfeffer, 2000: 163). At AES, supervisors are taught to give away their power and to become servant leaders. This is because AES believes that if someone's supervisor makes a decision for that person, the person doesn't have a job. Part of being human entails making decisions and exercising responsibility, and if someone can't do that, the person can not really experience full humanness.

At New United Motors (NUMMI), the Toyota-General Motors joint venture that took over a closed GM manufacturing plant in Fremont, California, and improved productivity by about 50 percent while dramatically improving quality, absenteeism, and turnover, the key to success was simple: engage the minds, as well as the hands, of people who had worked in the plant for decades and consequently possessed vast stores of tacit knowledge. Not only did unleashing the knowledge of front-line people enhance business results, it improved the spirit in the plant and turned a work force plagued by alcoholism and drug abuse into a model for the industry.

There is little doubt that management practices that take responsibility and decision making away from people harm their spirit. Conversely, delegating real autonomy to people permits them to flourish and grow, thereby realizing more of their untapped potential.

Self-managed teams. Implementing self-managed teams has several desirable effects. First of all, the research evidence strongly suggests that teams are an effective way to organize work. "Two decades of research in organizational behavior provides considerable evidence that workers in self-managed teams enjoy greater autonomy and discretion, and this effect translates into intrinsic rewards and job satisfaction; teams also outperform traditionally supervised groups in the majority of…empirical studies" (Batt, 1996: 340). A longitudinal field study of the implementation of self-managed teams in a manufacturing plant observed a 38 percent reduction in the defect rate and a 20 percent increase in productivity (Banker, et al., 1996).

Second, teams provide peer-based monitoring and control, which is both more acceptable and less costly as well as being less threatening to self-esteem than hierarchical control. "Instead of management devoting time and energy to controlling the workforce directly, workers control themselves" (Graham, 1995: 97). At NUMMI, front-line people appreciated the fact that they were able to organize and direct themselves and that the front-line supervisors were seldom visible on the factory floor.

Teams also provide social support and advice to people exercising responsibility and making decisions. Being able to access others for their expertise and advice helps to assure better quality decisions, as the research literature suggests that collective judgments are often of higher quality (Davis, 1969). And, teams take some of the burden and loneliness off of people who need to exercise judgment in uncertain situations. In fact, Festinger (1954) noted that people seek social support under conditions of uncertainty. A team-based structure automatically puts such social support close at hand.

With respect to what people seek in their work environment, a team-based structure provides several things. Most obviously, it helps people achieve a sense of connection to others, because they work with others to achieve joint objectives. The literature has shown that working together toward a common objective helps build interpersonal liking and stronger interpersonal ties (Leavitt, 1978: Ch. 20). Second, by substituting peer support for hierarchical control, self-managing teams help to maintain self-image and a feeling of worth. Although team-based control is still control, being guided by one's peers in a joint decision making exercise maintains more autonomy and sense of control over one's work environment than being told what to do by the boss. In these ways, a team-based structure helps to build people's spirit at work.

Collective forms of reward and recognition. Although individual pay or recognition for individual performance is a popular prescription for the design of compensation and reward systems (e.g., Lazear, 1995), more collective forms of reward are at once frequently more effective and more consistent with people's desires to achieve connection with others in the workplace.

One of the most frequently heard complaints from human resource managers and compensation and other consultants is how hard it is to get supervisors to differentiate in their raises between the best and worst performers. Instead of seeing this behavior as some sort of "problem," one might ask: what does this tendency to pay people more equally (than the experts suggest you should) suggest about people in organizations? One thing that it certainly suggests is that, left to their own preferences, people prefer a more equal distribution of rewards, which is precisely what various studies have found (Leventhal, 1976; Leventhal, Michaels, and Sanford, 1972). Given a choice, for instance in an experimental setting, subjects will invariably allocate rewards more equally than would be warranted if they based reward allocations strictly on performance differences (Leventhal, et al., 1972). The literature suggests that these more egalitarian reward allocations are undertaken in an effort to enhance social solidarity and the maintenance of positive social relations. In other words, people, when given a choice, make decisions about reward allocations that help maintain closer interpersonal ties, and these allocations are frequently more equal than implied on the basis of differences in performance.

And, there is evidence that more egalitarian reward allocations may not be completely misguided decisions on the part of people who obstinately refuse to reward differential individual performance differentially. In a study of the consequences of different reward distributions in academic departments, Pfeffer and Langton (1993) found that the larger the amount of pay dispersion (more inequality in pay), the lower the job satisfaction. They also found that paying for performance and greater pay inequality were associated with *lower* research productivity and a smaller likelihood of working collaboratively. This latter result means that pay inequality diminishes the social ties in the work place, something that most people, seeking connection with others on the job, do not prefer. Other studies of the effects of reward distributions have found that more inequality promotes more turnover, particularly for those farther down in the salary distribution (Pfeffer and Davis-Blake, 1992). Bloom (1999) found that inequality in the salaries paid to baseball players on a team negatively affected a number of different outcomes ranging from won-loss percentage to attendance as well as measures of individual player performance.

One need not pay people without regard to performance, however. The important distinction is to pay people more collectively rather than individualistically on the basis of how well the whole organization or their subunit performs. This fundamental idea underlies pay systems such as profit sharing, gain sharing, employee stock ownership, and bonuses based on plant or company-wide performance. In each of these instances, pay is very much at risk. But pay is not determined by how well one person does in competition with another, but instead by how well the total system performs. A more collective reward structure diminishes the internal competition that retards knowledge sharing and helping others (e.g., Pfeffer and Sutton, 2000; Lazear, 1989), a big problem in interdependent systems. It also helps to develop a greater sense of community and common fate, thereby increasing the strength of social bonds of people to the organization and to each other.

Letting people be who they are and use and develop their gifts and skills. Consider the following paradox. Many companies hire experienced executives and experienced technical people for their knowledge and skill, acquired through years of practice. But once hired, these people are frequently subjected to rules, procedures, controls, and told "that's the way we do things here," as a consequence denying them the ability to fully use the very experience and knowledge that caused them to be hired in the first place. The implicit assumption behind much of what organizations do seems to be that people can not be trusted to use their talents in the interests of the organizations, that instead they need to be told what to do and monitored to be sure that they do it. Moreover, the presumption is that people ought to be molded into some predetermined view of what a good employee is.

But such an effort to control and tell people what to do as they are being molded confronts the reality of psychological reactance (Brehm, 1966). Reactance theory holds that people rebel against constraints, in part to assert their freedom. It is the psychological equivalent of the law of physics that states that every action causes an opposite and equal reaction: attempts to mold, shape, and control provoke resistance. In turn, this resistance then justifies even more elaborate efforts to control and mold, and so the cycle continues. Moreover, attempts to control and monitor also unleash the self-fulfilling prophecy (Archibald, 1974) and a mutually reinforcing cycle of behavior. As Strickland (1958) nicely described the process, the only way to know if you can trust some one is to trust them. In his study, subjects who randomly monitored one subordinate (actually a confederate of the experimenter) more closely came to believe that this person needed more close oversight and could not be trusted as much. And someone who is monitored may come to believe he or she can not be trusted and, as a result, act in an untrustworthy way. Consequently, “views about human nature have important practical consequences….[O]ur beliefs about human nature help shape human nature itself” (Frank, 1988: 237).

Organizations that seek to nurture people’s spirit in the work place don’t just let them do anything they want or act without direction. Instead, they help people understand what is expected and what they need to do to contribute to the organization, but they let the individuals decide how to accomplish the tasks and how to contribute in their own way to the collective effort. Three examples illustrate the point.

At The Men’s Wearhouse, the highly successful retailer of off-price tailored men’s clothing such as suits and sport coats as well as casual wear, the company believes it is in the people business, not the suit business. This means "the company's job is to help people understand others, listen better, and develop excitement about helping themselves and their teammates reach their potential as persons" (O'Reilly and Pfeffer, 2000: 85). Much of the training at Suits University is not just about how to sell or the specifics of men's clothing, but about how to be a better person and more available and accessible for one's friends, family, and colleagues. The company's mission statement includes "having fun and maintaining our values. These values include nurturing creativity, growing together, admitting to our mistakes, promoting a happy, healthy lifestyle, enhancing our sense of community and striving to become self-actualized people" (O'Reilly and Pfeffer, 2000: 86). The company believes its success lies in unlocking the untapped human potential present in all people. At one time, Charlie Bresler, in charge of human resources, had the title of Executive Vice President of Human Development. Unlocking individuals' potential involves letting people be creative and become self-actualized. The company's success comes from its outstanding levels of customer service and its relatively low losses due to theft. These results, in turn, come from having people who are not only proud to be at the company, but feel that they are becoming better people for their experience of working at The Men's Wearhouse.

SAS Institute, the largest privately owned software company in the world, believes that its employees will have three or four careers over their working lives. The company wants them to have all of their careers at SAS. The company encourages people to learn and develop—there is a lot of training—and it also encourages people to move laterally as their skills and interests dictate. As David Russo, formerly the head of human resources, explained:

> There are no silos….Everything is based on a tool kit. If your tool kit fits this division's model for business and you want to do that, chances are pretty good you'll get to do that. And if two years later you see something else you want to do and its across three organizational boundaries, you get to do

that (O'Reilly and Pfeffer, 2000: 115).

Note that the company's idea of career planning relies heavily on people finding their own interests and expressing them as they move across activities at SAS where a) they can contribute to the company and b) they can fulfill their own desires for what kind of work they want to do.

As a third example, consider the Wild Hare restaurant, run by executive chef Joey Altman and recognized as one of the premier restaurants on the San Francisco peninsula. When someone is hired into the Wild Hare, Joey explains his vision for the restaurant, the kind of dining experience he is hoping to create, not just with the food but also with the ambience, the service, the entire experience. Then he lets people figure out how to use their particular talents and interests to make that vision come alive. As he explains his management philosophy about service:

> As far as service goes, I realize that I have ten waiters and ten different people. I don't want Darrell to be like Joanie, and Joanie, I don't want you to be like Susie, and Susie, I don't want you to be like Paul. Paul, I want you to be the best Paul you can be. Susie, I want you to be the best Susie you can be. I just want you all to be knowledgeable and use your strengths of your personality to be the best.

None of these organizations is inefficient or out of control. Each operates on the premise that people will do a good job if they know what they need to do and are given the tools and training to succeed. Each provides direction and information about what the business objectives are and then helps people find a way—their own way—to contribute to the organization's success. In this way, each of these companies let people be themselves even as they connect with their teammates and contribute to the success of the whole.

Providing a way for people to fulfill their family and other social obligations*.* Particularly in the Silicon Valley, high technology culture of the late 1990s, working long, almost endless hours was a sign of one's importance—if you had to be on site all the time, it must mean the company could not survive without you. Working long hours was also presumably a signal of commitment to one's employer, indicating that work came first, before other interests and obligations. It got to the point where people would come to work after hours or the week-end, for instance, at Apple Computer, just to sign in and then leave to do other things. Note, for instance, the Cerner CEO's comments equating hours with the quality of work and commitment to the company: "We are getting less than 40 hours of work from a large number of our…EMPLOYEES…The parking lot is sparsely used at 8 a.m.; likewise at 5 p.m.…NEVER in my career have I allowed a team which worked for me to think they had a 40-hour job" (Wong, 2001: 1). Neal Patterson's recommendation: "I STRONGLY suggest that you call some 7AM, 6PM and Saturday AM team meetings.…My measurement will be the parking lot…The pizza man should show up at 7:30 PM to feed the starving teams working late" (FuckedCompany.com, 2001).

Although one's job is important, we have important social ties with others not in the workplace, people such as spouses, friends, children, parents, and so forth. Organizations that compel people to choose between having a successful career and a life, between loyalty to the company and the commitments to one's friends and family, not only create role conflict but potentially impoverish people's lives and their spirit. I recall seeing a former Stanford MBA student about nine years after she had graduated. "How's your social life?" I inquired. "I don't have one," was the response, "I'm married to Apple Computer."

The relentless time demands of work, particularly by many so-called "new economy" companies, has had the unintended and undesirable effect of essentially foreclosing those companies to women. Relatively few female Stanford MBA graduates are still employed full time ten to fifteen years after their graduation, and this is a population of immensely talented, highly educated, and motivated people who nonetheless can not resolve the conflicts between being an employee and having a life and commitments outside of work. Many of the accommodations made to enhance work-life balance, things such as health clubs and concierge services at the job site, merely make it easier to never leave work. Cell phones, computers at home, and other technologies that enhance access have increasingly blurred the boundaries between work and non-work. It is hard to know how studies that demonstrate the increasing time devoted to work can actually be reliably completed, given that for many people, particularly in managerial and professional occupations, being on-call or involved with the company are activities that easily interpenetrate presumably non-work and even vacation time.

But none of this—the excessive time demands, the forced choice between the company and one's life, and the role conflicts thereby created—are inevitable or even useful. SAS Institute, located in Cary, North Carolina, is the largest privately owned software company in the world with sales in excess of $1.1 billion. The company's software provides statistical analysis and data mining and data warehousing, and is used by more than 80 percent of the *Fortune* 500 and more than 90 percent of the 100 largest companies in the United States. Although SAS is in a highly dynamic and competitive market, SAS is famous for its 35-hour work week, its generous, family-oriented benefits, and its on-site day care. People are encouraged to visit their children during the day, to eat lunch with them in one of the company cafeterias, to coach their sports, to be involved in their education. More than a few SAS employees are married to other people who work for the company. The spacious grounds are used for picnics on the week-ends, and the company's facilities, including its swimming pool and athletic facilities, are open to families as well as the employees. The philosophy is simple:

> The best way to produce the best and get the best results is to behave as if the

> people who are creating those things for you are important to you….It just means you take care of the folks who are taking care of you (O'Reilly and Pfeffer, 2000: 107-108).

SAS realizes that the people who are important to its employees are their family members, domestic partners, and those for whom they have responsibility. Recognizing this fact, SAS Institute removes much of the workday stress and strain from employees, in part by providing benefits and services that help them effectively meet their family commitments, but more importantly, by recognizing that people have lives and interests outside of work and honoring those obligations also.

SAS Institute has enjoyed more than 24 consecutive years of double-digit growth, a license renewal rate of more than 95 percent, and many product awards. The company has won numerous awards for its workplace practices. The two things are connected—its employee loyalty has enabled it to achieve outstanding customer satisfaction and customer retention. The way SAS manages has produced a turnover rate that has always been below five percent and a workplace that attracts more than 30, and frequently more than 50, applicants for each vacant position—all of this in the software industry that is not known for its low turnover, surfeit of talent, or being family-friendly. By building a company where people can have both a job and a life, SAS Institute nurtures the spirit of its people and creates a more benign world for them even as it produces better results for its customers.

Driving fear and abuse out of the workplace. W. Edwards Deming's (1986) prescription to drive out fear seems to be honored in the breach in many contemporary work places. And no wonder. Some of the meanest, most abusive bosses have been lauded in the business press and on Wall Street. When Al Dunlap, nicknamed "Chainsaw" for his massive layoffs at Scott Paper and Sunbeam, was hired by Sunbeam, the stock price soared by 60 percent, "the largest jump in the exchange's history" (Byrne, 1999: 11). Frank Lorenzo, who took Continental Airlines into bankruptcy twice and destroyed Eastern Airlines as he fought implacably with the unions and the employees, was hailed by the press as a business genius, and even sought out as a source of advice on labor relations, of all things, by the head of Air France—even after his horrible track record. *Fortune* used to run a list of the toughest bosses. Somehow it must seem macho, tough, or hard headed to inspire fear in the work force. I have had more than one manager state that without a certain amount of fear, people get soft or lazy. An occasional layoff or firing, an occasional tirade, keeps people on their toes, so the theory goes.

But a management style based on fear ultimately doesn't work. First, it discourages people from telling the truth and bringing news, including bad news, to the boss. This means that companies operate without knowing what is actually going on. Second, fear encourages people to look out only for themselves and their immediate self-interest. They will not worry too much about the company, or their colleagues, in their drive for self-preservation. Third, fear drives good people out of the organization, thereby depriving the company of the talent required to prevail under competitive conditions. Fourth, fear demoralizes people, causing them to withdraw and give up even if they stay in the company, thereby reducing efforts and knowledge applied for the organization's benefit.

All of this can be seen in the case of Linda Wachner, the now-deposed CEO of Warnaco, an apparel maker that wound up in bankruptcy. Her management style made liberal use of fear, intimidation, and abuse:

> Mrs. Wachner also developed a reputation for demoralizing employees by publicly dressing them down for missing sales and profit goals or for simply displeasing her. Often…the attacks were personal rather than professional (Kaufman, 2001: 1).

The consequence: poor performance that many observers directly attributed to her approach to managing people:

> …Mrs. Wachner's style has hurt and perhaps even killed the company…. her personal criticism of employees…has led to excessive staff turnover and robbed the company of talent it needed to maintain quality operations. Warnaco has, for example, employed three chief financial officers at the Authentic Fitness division in five years, five presidents of Calvin Klein Kids in three years and three heads of Warnaco Intimate Apparel in four years (Kaufman, 2001: 1).

Nor are these results an unusual consequence of fear. Dunlap was fired from Sunbeam when a massive accounting fraud was uncovered, a fraud encouraged by his drive for "numbers" at any price. Frank Lorenzo lost his job at Continental and has been precluded from holding an executive position in the airline industry because of a management approach that sought victory over the company's employees at any price, a scorched earth policy that ruined customer service as well as financial results.

Fear and intimidation are anathema to building spirit in the work place. Fear makes people feel bad about themselves, each other, and the company. It breaks them down, not as part of some socialization process, but simply for the joy it gives those doing the intimidating in seeing others squirm and suffer.

Companies that build spirit treat people with dignity and respect, as people not simply as economic agents or as factors of production. Southwest Airlines will fire employees who are rude to customers or cruel to each other. AES has built a culture of forgiveness, and The Men's Wearhouse has admitting mistakes as one of its core values. At SAS Institute, almost no mistake is punished, because the company wants to encourage creativity and innovation. Companies would be well served to model themselves after these examples, and rid themselves of managers who succeed at the expense of the dignity and happiness of others.

AN AGENDA FOR WORK PLACE CHANGE

We spend a lot of time at work. We have and make friends at work. We are identified, in part, by where we work and what we do. The vast majority of people earn their livelihoods at work, in a job where they work for others. Although this was not always so (Boulding, 1968), it is now taken for granted. The economic well being of ourselves and our communities depend on the decisions organizations make, about how to organize, where to locate, and how to compete with other organizations both nearby and in other countries. It is obvious but true—organizations are important.

But there is an implication of these truisms that people sometimes don't want to face: if organizations are ubiquitous and important, then we can not be neutral as to what goes on in them and their effects on those who work in them. Roy Adams (1999: 1) has stated this position most elegantly:

> In the 1930s and 40s a lot of bad things happened in the world. The holocaust is probably the most well remembered…at the end of the war the nations of the world agreed to establish an international moral code of right and wrong behavior…..The code said that racism and sexism were wrong…It said that no one should be victimized for practicing a religion or for expressing their political convictions… It said that it was wrong to exploit children for monetary gain and it was wrong to use force or threats to compel people to work without their willing consent. The code said that "human rights and fundamental freedom are the birthright of all human beings."

These fundamental human rights and moral precepts do not disappear when one becomes an employee. We have, therefore, a moral obligation to work to ensure that our places of employment build rather than break down the human spirit. Max De Pree (1989: 9), the former chief executive of furniture manufacturer Herman Miller, commented on the role of leadership in organizations: "Leader's don't inflict pain; they bear pain." These are words to keep in mind as we observe contemporary work places.

We have come to somehow, almost unconsciously, accept the idea that the ends justify the means. If organizations need to be centralized, lean and mean, impermanent, and control-oriented in order to succeed in the marketplace, this is the way it is and we need to accept these facts. What this chapter has suggested is that the premise is wrong and so is the conclusion. As to the premise, the evidence continues to grow that organizations that have and live by their values, that put people first, and that manage using high commitment work practices outperform those that don't. Levering and Moskowitz (2000: 83), who compile the *Fortune* list of the 100 best companies to work for in America, reported that "public companies on the list rose 37% annualized over the past three years, compared with 25% for the S & P 500." In 1998, Grant (1998: 81) reported that "of the 61 companies in the group [on *Fortune*'s best places to work list] that have been publicly traded for the past five years, 45 yielded higher returns to shareholders than the Russell 3000." How much evidence do we need before we begin to act on the basis of these data?

And the conclusion is also wrong. An individual's desire and right to be treated with dignity at work, to be able to grow and learn, to be connected to others, and to be a whole, integrated person can not simply be sacrificed for economic expediency. For once we start down that path, where do we stop in justifying the treatment of people for economic results?

We have an obligation, a duty, to build organizations that help build people's spirits, not destroy them. Just such an organization was ServiceMaster, the enormously successful provider for home and industrial services such as termite control, home warranties, lawn care, and cleaning. The company's former CEO, William Pollard, wrote a book entitled *The Soul of the Firm*. Excerpts from that book, printed in the company's 1995 annual report, speak to how we should and must think about companies and their relationships with their people:

> If we focused exclusively on profit, we would be a firm that had failed to nurture its soul. Eventually…firms that do this experience a loss in direction and purpose of their people, a loss in customers, and then a loss in profits. Both people and profit are part of our mission… Business is not just a game of manipulation that accomplishes a series of tasks for a profit with the gain going to a few and with the atrophy of the soul of the person producing the results….The soulless, adversarial… environment should not be the model of the future (ServiceMaster, 1995: 18).

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