

# Dollars Last Days ... Purpose Increases Value

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Even before the Hawthorne Studies in 1932, society has recognized that employees are not just inputs to the production of goods and services. Business owners have moved to creating 'relationships' with employees as a motivational tool. However, to support the pace of growth in our economy, employees struggle to find repeating value in the 'soft side' of motivational tools like "employee of the month" programs and look more to being an integral part of planning their own success. Later studies, based on MBO (Management By Objectives), concluded that employee effort will lead to performance and performance will lead to rewards, and rewards cause motivation. In this article we share a belief that a pragmatic balance between both the subjective (intangible goals), and the objective (tangible, goals), provide the optimal mix for lasting Employee Motivation.

Our economy has flourished as our thinking has moved away from treating human resources as commodities toward viewing them as strategic business resources. However, how can we expect performance from these strategic business tools, if few businesses provide their workforce with participation in the creation of their own strategic plans and goals?

In a world of limited natural resources, our economic and social progress continues to be sparked by the unlimited nature of the human spirit. More and more successful organizations feed this spirit by adapting such simple, time-honored concepts as this popular Chinese proverb;

*"Give a man a fish, he will eat for a day,  
Teach a man to fish, and you feed him for a lifetime."*

Several area businesses have successfully translated concepts like this one into their own businesses. One such adaptation is expressed as, "You can direct a man with a specific task, and he only produces today's product, but when you involve an organization in designing its collective plan for success, you set in motion the

synergies that make us competitive."

If employees never changed jobs, the issue of Employee Motivation and retention would not be on everyone's radar screen. Several recent studies estimate the real cost of replacing one employee is from 35% to 70% of their total annual compensation. This would explain why the area of Employee Retention and Loyalty has become a multi-billion dollar industry in our economy.

As this issue of the Family Business Report addresses one of the most important, but highly challenging, areas of non-owner Employee Motivation, we find the interpretation of what defines motivation is as vast as the 100 years of research that is available on this topic. As business owners are faced with weeding through everything from the 'touchy-feely teamwork' side of motivation, to the strictest interpretations of the 'management by objective' philosophy, we find it is usually more realistic to find a healthy balance between the two by using some simple tools.

Like building blocks (all necessary for a good foundation), Employee Motivation is often summarized within four main components; Compensation, Praise, Ownership and Purpose. If you consider the progression of employees in your own business, we often start with providing compensation for tasks performed. Then we progress to providing occasional Praise for a series of well done tasks. Next, we tend to consider sharing ownership with certain key employees as a method of reward (and retention) for those employees' skills that would be hard to replace. Finally, after some series of rewards, the employee tries to justify the basis on which each of these steps was taken to his benefit or decrement. Unfortunately, because most reward systems are considered ad-hoc, the employee is unable to

really understand what they did to deserve the benefits they received. More often than not, the employee is faced with similar decisions about employees, who now work for them. At this point, the more senior employee must motivate others and begins challenging their own Purpose and pathway for success.

This traditional model views Compensation and Praise as the most immediate tools of motivation, while Ownership and Purpose provide a long-term support for maintaining a motivated workforce. Note that these components can be divided into immediate and long-term motivating tools as well as tangible and intangible forms of reward

	Immediate	Long-Term
Tangible	Compensation	Ownership
Intangible	Praise	Purpose

However, we find that several successful companies have found that somewhat the inverse of this priority is a better strategy for fostering lasting Employee Motivation.

Traditional Model	Balanced Model
Compensation	Purpose
Praise	Compensation
Ownership	Praise
Purpose	Ownership

Most employees receive both Compensation for their daily duties and occasional Praise for noted success, but, when asked directly, rarely are employees motivated by an understanding of their true purpose to the organization. When asking most employees if they understand how they can achieve success within the organization, we find a common response is;

*"I will succeed if I work hard, keep our customers happy and get along with others"*

Although this notion sounds like an admirable mission statement, it often falls short of providing a pragmatic way for the employee to prioritize and execute the thousands of activities it often takes to achieve

these goals. Instead, as each employee pursues their own interpretation of accomplishing each goal, some degree of chaos or conflict ensues resulting in a de-motivated workforce. All too often owners of small and large companies alike desire their employees to share the owner's unfettered life commitment to the business they own. However without some objective mechanism to create and follow together when two or more people are involved, conflict is likely.

In recent years as our economy strives to stay ahead of global competition, our work force consistently invests over 50% of their waking hours in their work. With such an increasing personal investment of time and talents, employee expectations from their investment in their work are on the rise.

These concepts are close to home in privately held family businesses where employees are often initially attracted to the culture, the people, and the promises of success these often smaller organizations provide. However, over time the lack of tangible goals coupled with an increasing desire to participate in the planning and measurement of their own success, overshadows the initial benefits of the smaller company in the eyes of the employee.

## LEADERSHIP WITH PARTICIPATION = MOTIVATION

Many successful companies today provide every level of employee with not only a role in creating an objective way to define their contribution to the organization but also with the tools through which to measure their own success. They have replaced the day when an employee's performance was defined by the owner's recall of the employee's most recent actions (good or bad) with days when the employees collectively understand their effect on the overall business.

Owners and leaders often share the vision and direction for the organization, while many realize they also bear the responsibility of leading, creating, and communicating an objective plan to turn their vision into reality. Some leaders enjoy the motivation they

continued on page 7B

cause by subscribing themselves and their employees to the same plans and goals. Such plans that go well beyond, *“work hard, follow my direction and I will reward you eventually... somehow... with something.”* When owners and employees together build a road map for their mutual success, then they approach each passing decision with commonality of Purpose and direction. Compensation in any form should not be a surprise, no matter how pleasant. It needs to be built into our understanding of the business, such that every step along the way we know how we are measuring up. To tie it all together the organization as a whole should share a few common objectives against which they can all measure and judge their progress, so as to take corrective action at the earliest moment.

Therefore, at the core of Employee Motivation is each person, to varying degrees, participating, contributing and buying into the objective plan for their success. Yes, that means some kind of strategic business plan must exist which provides the roadmap for each persons success, culminating in a success plan for the business in total. Writing a meaningful strategy and plan that objectively defines how you will collectively succeed, converts the employees from feeling like commodities into employees invested in the company's purpose and goals.

All too often, especially in recent economic conditions, we hear announcements of cutbacks, expense controls, and corporate hardship. When negative things happen, businesses clearly take extraordinary steps to communicate why they have taken negative action against their loyal employees. As we go to great lengths to explain the negative reaction to current conditions, we should go to even greater lengths to create and share our plans for creating positive outcomes. We often find when employees have no objective plan by which to measure themselves, employers are indirectly communicating a message that there employees are just a commodity, and their only value is in the next unit of production. Let's show our employees their real purpose and the pathway to be successful, so the accolades and praise are not a secret, but a proud result of a well managed investment of time and talent.

To create a plan together, owners and non-owners provide benchmarks by which to understand the employee's pathway to success. Owners and employees alike, by taking steps to build a plan for the business, have by its very nature, provided a venue for each employee to understand their purpose and prospective rewards for reaching the established goals. Remember,

**COMPENSATION = TODAY'S PRODUCTION...BUT,  
PURPOSE = MOTIVATION = ORGANIZATIONAL MOMENTUM  
= INCREASED BUSINESS VALUE.**

