

compliance *to*



ommitment:

developing authentic loyalty

by Mark F. Herbert

I have spent nearly thirty years as a consultant, executive, and manager in sectors ranging from mining to high technology, and from financial services to behavioral research. During my journey, I have consistently seen one theme recur over and over again: employers that successfully engage their employees outperform their competitors by a significant margin.



When I speak of engagement, I am not talking about “happiness” or average tenure. I am talking about organizations where employees have a clear understanding of the mission and goals of the organization and actively embrace that mission as their own.

We have all heard about these kinds of organizations and we hold them up as ideals. This list of companies includes Google, Starbucks, Disney, Nike, and other powerhouse brands. People jokingly refer to these companies as “cults” rather than businesses. There is some justifiable criticism of corporate cultures which, at their worst, create a fascistic culture with unrelenting adherence to brand identity and a mission that becomes a religion. However, at their best, these and similar companies can survive destructive market forces, prevail over competition, and become woven into the cultural fabric of society. They can embody success.

After investing significant time studying these successful companies and organizations. From three decades of diverse experience and research, I've developed modalities and systems into a focused model to help my employers and clients gain a competitive advantage. I call this model Compliance to Commitment™.

In his 1991 book, Why This Horse Won't Drink, Ken Majtejka describes commitment: *"Commitment is the act of being physically, psychologically, and emotionally impelled. It means that employees gladly give up other options."* Employees choose you and your organization over any of their other available choices; you have become partners in your organizational mission! This creates a powerful image. If you are a CEO or a business owner, it almost sounds like a fantasy. I would submit to you that creating and sustaining this kind of commitment can indeed occur, but you must commit as a leader to take a systemic approach and follow through to see it become reality.

Roger Deprey created a well-known model, the Human Resources Pyramid, a series of six questions that he believed every employee asks in a particular order. Deprey further stated that less than 15% of organizations in the world have their employees reach the top of the pyramid, asking the key question:

***“you must
commit as a
leader”***

“a direct correlation between loyalty and productivity”

How can I help? I studied this model twenty years ago and my experience has convinced me that Deprey was right. Unfortunately, I don't think that organizations have made particularly meaningful or measurable progress with Deprey's principles.

A 2004 study by the Hudson Institute supports my concern; they reported that in a national, multiple industry survey with several thousand respondents, less than 50% felt “loyal” to their employer, and 33% indicated that they did not expect to be with their current employer longer than another 18 to 24 months. The situation was even more pronounced in certain industries including transportation, communications, public administration, and government, where the dissatisfaction numbers were over 60%. They also identified a direct correlation between “loyalty” and productivity.

Here is a sobering truth: there is something worse employees can do than leave when they are unhappy or disenchanting... they can stay with your organization. If a competent employee stays, you clearly want to move them from a compliant attitude to a committed team member and brand advocate.

As a context for my Compliance to Commitment™ model, it is helpful to review Deprey's six questions:

- What is my job?
- How am I doing?
- Does anyone really care?
- What is our function/mission/goal?
- How are we doing?
- How can I help?

Think about your own organization and whether or not your employees have the answers to the first five questions, and if they are asking themselves or their manager the last question. If you can say yes, congratulations, you have a committed team positioned for change and success. If not, you may want to continue reading.

In my experience, corporations and organizations spend an enormous amount of time and money talking to employees, shareholders, and other stakeholders about mission, vision, culture, and values as abstract principles. Before employees can embrace your vision or mission, they need to understand where they personally fit in the organization and how you, as an executive, see them and their contributions. That may not be very sexy, but it is reality! Another reality: the vision and mission must be embraced at the frontline (customer-facing) level, which requires frontline supervisors to both embrace and reinforce the values through actions. Remember that employees live with their boss every day. They see the reality of actions contrasted with the abstractions of vision and mission statements.

“vision and mission must be embraced at the frontline”

“reality of actions”

For the typical employee, we are much weaker at answering Deprey's first three questions.

I have seen system after system that describes our values and culture. However, that same system reinforces a different set of values through its actions: hiring and promotion, performance management, and related operations.

I support Deprey's key point that in order for employees to really sign up and support the corporate vision, you must answer the first three questions. Just as starving people do not focus on self-actualization, employees who do not understand the basic context of their job and how their role are not going to focus on the corporate mission.

Typically, you get the results for which you manage; if you manage for excellence, you get it. If on the other hand you manage for "good", you get average. The critical path here is the behavior for which you manage at the frontline level! Rarely do I encounter C-level executives having daily conversations with frontline employees about where they fit into the big picture. That is not your role as an executive; however, your role is to ensure that the systems and culture are in place to reinforce the values and behaviors you want to see in your company. Do your frontline managers understand the criticality of their role in this process?

*“if you manage
for excellence,
you get it”*

Are they being hired, trained, and rewarded for these skill sets or for their “technical” skills?



I would like to describe a system that moves companies and their employees from little “c” – compliance – to big “C” – commitment. We will start with the problem of operating out of compliance and then explore the solution of moving to commitment provided by the model.

the problem

Compliance is essentially fear-based. When people stay with an organization or support an objective only because they are afraid of the consequences, you will not get their best effort. In so many cases, our models are based on “do this or you will be terminated,” or compensation or advancement is withheld. This is a win-lose model. You simply do not get sustained, excellent performance by using fear or sanctions.

Employees who stay with you because they do not see an alternative will ultimately cost your organization millions of dollars annually through healthcare expenditures, absenteeism, and other direct costs. Or worse, they spread their discontent using pseudonyms on blogs! They can also block other employees from achieving peak performance in the workplace.

Statistics show that 50% of employees who quit leave their supervisor not the organization. They are not signed-up; they are being compelled not impelled! In the best case scenario, compliance produces poor to average results, never superior results. Think about situations in your own career where you came to work every day because you did not recognize a meaningful alternative. There are numerous studies linking compliance-based models to high turnover, excessive utilization of health care benefits and excessive “sick” time. You have seen the statistics and the numbers support common sense.

It makes equal sense that commitment produces better results. Contrast the compliant (or disenfranchised) employee culture with organizations that have employees coming in each day committed to the job with a clear, working understanding of the mission. I am referring to organizations such as Nordstrom's, Les Schwab Tires, and similar business cultures that have earned reputations for customer service with dedicated, engaged employees. Why do we shop them rather than their competitors even when we know it may cost more? The employees win our business with their commitment as brand advocates living their organization's mission.

Your "brand" is only as good as how your employees represent it. In order to truly "embed" your brand promise, your employees must commit to it and believe in their commitment. They are your daily brand ambassadors regardless of your business sector.

the Compliance to Commitment™ model

There are five distinct elements to my model, and I believe each to be essential and directly correlated to Deprey's questions. These are the elements:

- Respect
- Responsibility
- Information
- Rewards
- Loyalty

*“dedicated,
engaged
employees”*

“daily brand ambassadors”

I will examine each of these distinct elements separately, define how they work together, and provide suggestions for achieving a committed group of employees.

RESPECT

Respect is the cornerstone of any healthy relationship and is especially important in the employment environment. Respect means that you describe my job to me in a way that has context and I can see where my role fits into the bigger picture. It means that there are clear performance expectations and that I receive balanced, meaningful feedback as to how to improve my performance and contributions. If I am not meeting expectations, that information is presented to me in a timely and constructive manner with the objective to eliminate the variance between my expected and actual performance. It also means that I am held accountable for working up to my potential and meeting expectations.

Respect means we have a social contract between equals. I do not expect you to “parent” or take care of me. I am not just talking about diversity here. This value must be consistently reinforced by every level of management every day. We must be prepared to explicitly state to employees, “I respect you too much to tolerate less than your best performance. I respect you too much to nag you to independently execute your tasks and responsibilities. I will not be co-dependent with you.”

RESPONSIBILITY

Similar to respect, responsibility means that I have clear expectations, periodic feedback and a reasonable level of control over as many dimensions of my work as possible. I am allowed to demonstrate personal curiosity and creativity and that you, the management or executive, measure my work in terms of the results as well as the process. In concert with respect, responsibility means that I carry out my activities independently and competently to the best of my ability. If I need assistance, I ask for it. If I am unclear, I ask for clarification.

I hear a lot about empowerment. I like to say to employees that the flip side of empowerment is accountability. If you “own” the process, you also “own” the result. We should not let employees off the hook for simply appropriate performance. Employees who “own” the process and the result demonstrate higher levels of productivity, lower absenteeism and reduced turnover. All of these results increase the bottom line. This refers again to clarity of purpose: What is my job? How does it fit in the Big Picture? Management owns the responsibility for clearly answering these questions.

INFORMATION

Information is critical to creating an atmosphere of commitment. I have often said to employees that I reserve the right to answer a question they ask me in one of three ways:

- I know the answer and it is _____.
- I don't know the answer, but I will do my best to obtain it for you.
- I know the answer, but I am not able to share it with you for reasons of confidentiality or related concerns.

My experience has always benefited by sharing as much relevant information with employees as possible. By providing them with context, they arrived at solutions that were much more effective than what I could design working in isolation. By creating an environment of collaboration, they feel invested in the solution.

Marcus Buckingham, author of First Break All The Rules and other new leadership “bibles”, states very eloquently in his book, The One Thing You Need To Know...About Great Managing, Great Leading, and Sustained Individual Success: “Effective leaders don't have to be passionate. They don't have to be charming. They don't have to be brilliant [...] They don't have to be great speakers. What they must be is clear. Above all else, they must never forget the truth that of all the human universals [...] our need for clarity is the most likely to engender in us confidence, persistence, resilience, and creativity.”

Richard Rumelt, professor of Management and Strategy at UCLA’s Andersen School of Management, puts it even more succinctly in his article, Strategy’s Strategist: An Interview with Richard Rumelt in the McKinsey Quarterly Report: “The most important role of any manager is to break down a situation into challenges a subordinate can handle. In essence, the manager absorbs a great deal of the ambiguity in the situation and gives much less ambiguous problems to others... In a highly focused organization, the CEO does this for the entire organization by examining the overall competitive environment and providing enough guidance to let the organization get to work. The CEO defines the business problems for everyone else.”

What both of these gentlemen are talking about is providing appropriate information. If you don’t provide clarity and remove the ambiguity, you will not get genuine and sustained commitment. I am not saying that every employee participates in every decision or needs access to all of the data that goes into each decision, but they should have information that provides meaningful context and directly contributes to their ability to excel at their job.

REWARDS

Rewards are always an interesting area to explore. In my definition, rewards include appropriate compensation as well as other areas that directly relate to employees sense of fairness and equity. I include everything from base compensation and incentive programs to awards for excellence and access to specialized training. I recommend to my clients that they ask their employees, “What represents meaningful rewards and recognition to you?”

It is interesting to me how few senior managers, much less employees, can describe with any degree of confidence their organization’s compensation and reward philosophy and system.

“appropriate compensation”

Sibson and Company, an international compensation and rewards consulting organization, surveyed 18,000 employees in 2003. The results support my point:

- While a significant majority of employees surveyed -65% indicated they were satisfied with their pay level (their salary range compared to other positions) and 71% indicated they were satisfied with their current pay, 57% of the employees surveyed indicated that they were dissatisfied with the way their employer awarded pay. For the purpose of this study, process means the determination of individual pay increases, promotion decisions and progress through the pay structure.
- 16% of the employees also indicated that they were highly likely to leave their current employer.

An interesting insight from this survey is that these results crossed gender and generational boundaries.

I have made the statement that what is most important about any organization's compensation and rewards strategy is that the strategy clearly articulates the compensation and rewards to the stakeholders, describes the process and connects the compensation and rewards to an objective standard. I have a personal bias towards market-based compensation and performance-based compensation. There are hundreds of salary surveys and other tools to create a sense of objectivity and frame of reference for your compensation decisions. When you can say to an employee that the rate of compensation for your position was determined using information from x sources, it is much more objective. When you define performance standards before the fact, you have discrete measures to describe how a raise was determined. It provides clarity!

By market-based compensation, I mean that it is "competitive" within the environment where you compete for the skills, abilities, and knowledge we "rent" from our employees. I define that market as "who do you recruit from?" and "who do you lose people to?"

Another consideration is that you only break-even with compensation and rewards. Rarely will an employee who feels you are “overpaying” them work extra hard because they feel guilty. Employees will, however, withhold personal initiative or potential performance contributions if they feel underpaid.

I believe in communicating with employees the specific reasoning of compensation philosophy (i.e. who we see as our competitors, our “target” market, and other related areas). I also tell employees that “market compensation” is an artificial value that the market imposes on a particular set of skills and abilities based on supply and demand, as well as criticality to the mission of the organization. Compensation is not meant to represent the value of the employee. Are doctors and professional athletes “better” people than anyone else? If we use the standard of compensation to determine the value of a person, drug dealers are at the top of the food chain and people like Mother Teresa at the bottom.

When I talk about performance-based compensation, I mean that there should be a direct link between organizational and individual performance and their compensation. Employees should have a clear understanding and some dimension of control over actions that differentiate excellent from average performance. Great compensation systems exist where the employee is knowledgeable enough about the pay system that there are no surprises at times for performance review or for the distribution of incentives.

Rewards should also encompass work environment, training opportunities, and other non cash factors such as recognition. The more personalized, the better. People are very different and your reward systems need enough elasticity to accommodate those differences. Some people like to be publically acknowledged, others would be abhorred by that exposure. The reward system needs to be appropriate to the organizational culture and personalities of the employees.

The most important dimension of rewards is the perception of equity. In this context, I mean equity in terms of perceived fairness, not actual ownership.

One of the most important concepts we grow up with is fairness. Do I feel that my compensation, promotional opportunities, etc., are consistent with my contributions? How did you decide to pay me? Why did someone else get the promotion rather than me? Can you explain it to me? That wording is critical, explain it rather than justify it.

I don't like "bonuses". They seem arbitrary and capricious if they are not tied to specific events or behaviors that are within the employee's control. If the employee doesn't know why they received it or how it was calculated, it isn't likely the behavior will be repeated. When an employee clearly understands the relationship between how "success" is measured and it correlates to something that is meaningful to them, it is almost self-managing. At the leadership level, you can inject the concept of job security, i.e. implementing this strategy or program increases our market share. This translates into increased job security, promotional opportunities, and larger incentive pools. Employees get this!

I read an article a few years ago written by a very successful plaintiff's attorney (representing employees) who indicated that more than 70% of the lawsuits he was involved with were matters of perceived fairness not legality. He stated that, in the majority of decisions, the jury used the standard of fairness in awarding the verdict. He had a success rate percentage in the high eighties.

LOYALTY

I often hear that the Gen X and Millennials are not loyal. I disagree. The new generations have a different view of loyalty. They expect reciprocation. They will give their loyalty to organizations that invest in them. They understand the concept of "at will" employment at its most literal. They stay with an organization as long as they see the relationship as being mutually beneficial. They do not subscribe to blind loyalty to authority. Is that wrong?

My definition of loyalty: while someone is working in my organization or in collaboration with me, our relationship has integrity and respect.

We hold each other accountable and meet our mutual obligations. I do not measure loyalty in terms of tenure or “obedience”. Loyalty is a personal relationship. Typically we are “loyal” to individuals or groups with whom we have shared values and whom we trust. To the average employee, his or her direct report is their “world”. If they feel that their immediate supervisor has their best interest in mind and treats them with respect and fairness, their loyalty will be earned and authentic (i.e. not political loyalty).

I enjoy sharing an unconventional example with groups: Ross Perot and his tenure as CEO of EDS. During the Iran Hostage crisis, a number of his employees were taken hostage. Some of us remember that the U.S. government failed miserably in their efforts to recover the “official” hostages. Mr. Perot hired former Special Forces operatives who successfully recovered his employees. You can bet that those rescued employees and their families had a loyal bond to EDS.

The key to authentic loyalty: you earn it through action and time. I also submit to you that if the organization does a good job of executing on the first four elements of respect, responsibility, information, and rewards, loyalty will follow.

I believe that if you examine these five elements, you will see the interrelationship between them and the parallels with Deprey’s pyramid. You see interplay such as the effect of the communication process on compensation. You will notice that the individuals in Deprey’s survey did not have particular issues with the amount of their pay; they simply did not understand – and therefore did not trust – the decision-making process. No clarity, therefore no trust.

*“The key to authentic loyalty:
you earn it through
action and time.”*

Information that I have garnered on the “emerging” workforce – our future employees, customers, shareholders, and stakeholders – make these issues even more relevant. From an employment standpoint, Gen X and Millennials have stated five requirements for them to form a meaningful relationship with an employer:

- Satisfying work content.
- Association with an organization that they respect and that respects them.
- Mutual commitment to them and their careers.
- Meaningful and timely feedback to help them improve their skills.
- Equitable compensation.

In addition to desiring feedback, they also describe four other elements in an optimal employment environment:

- Maximum delegation.
- Personal responsibility and “ownership” of their projects and tasks.
- Clear boundaries and a sense of the big picture.
- Shared ownership (credit) for end results.

Maybe I was just born too early as a “Boomer”, but I don’t think these expectations are unreasonable. I think that if we are honest with ourselves, we all desire those same things. In addition, the new work environment calls for integrated decisions and more team oriented approaches.

The key difference: these new generations see themselves much more as “partners” and they take the concept of employment “at will” literally, “either party may terminate the employment relationship at any time for any legal reason, with or without notice.” Gen X and Millennials understand this concept having grown up in households where “lifetime” employment was a fable, a legacy lost to the previous generation.

emerging environmental factors

In this era of globalization, proliferation of knowledge, and accelerating rates of change, the younger workforce understands that there are no guarantees. The proliferation of “knowledge” is both a positive factor and a negative influence. (The reason I put “knowledge” in quotation marks is that internet information can be wildly inaccurate and equally malicious.) Information is available at an astonishing rate of speed to millions of potential customers. Employees who are unhappy with their employer can turn to social networking sites such as FaceBook and MySpace to vent their displeasure. They voice their objections in popular blogs to communicate what cannot be said within the workplace. Many of these employees have demonstrated a willingness and talent to use new online venues to bypass official “channels” and go directly to stockholders, partners, senior management, and others to present issues and concerns. This rapid deployment of opinion demands action; the management team who tries to “wait out” a situation and allow it to “blow over” is rarely successful.

Of course, the reverse scenario can be a tremendous boost to viral marketing: employees can be brand evangelists via social networking sites and blogs.

*“information
can be wildly
inaccurate and
equally
malicious”*



Referrals and friends can exponentially promote products and services. This is where an employee in today's world can demonstrate the highest level of loyalty and commitment. We no longer compete in a "local" or national economy. We are competing in a global market in which "cheap" labor is a competitive advantage that we in the USA do not possess.

We do, however, possess a huge "intellectual property pool" in the collective skills, abilities and knowledge of Gen X and the Millennials. They are much more predisposed than other generations to be comfortable working with diversity and technology. They have grown up with blended families and the internet. In many cases, they are also seeking structure in organizational values that resonate with their personal values.

*“they are seeking structure
with organizational values
that resonate
with their personal values”*

A NEW MODEL

Here are my recommended actions to drive compliance (little “c”) to Commitment (big “C”):

- Treat your employees with respect by providing clear expectations, meaningful feedback, and an opportunity to collaborate with you in achieving your goals and theirs.
- Treat them as intelligent adults by holding them accountable for performing their tasks independently and competently given clear direction and guidance. Provide clear boundaries of acceptable and unacceptable behaviors and performance, and enforce them consistently.
- Provide them with the big picture and context of how their jobs, skills, and activities fit into the larger purpose of the organization- answer their question “What is my job?”
- Provide a clear “line of sight” between their performance and their compensation and rewards. If it takes you longer than 20 minutes to explain the basic structure of how you make decisions about employee compensation, it is too complicated. If you are afraid to explain the targets you use and how you make decisions, it is similarly flawed. Remember that human nature is to distrust what we do not understand.
- Do not expect more “loyalty” than you are willing to provide. I define loyalty as a mutual agreement that, while someone is my employee, they commit themselves to being engaged 100% and fulfill their responsibilities with our mutual respect. If they need additional clarity or information, they make me aware of that, and if they have an issue, they allow me to address it. Envision loyalty as an agreement between adults: we will continue in our relationship as long as it is mutually beneficial to both parties.

By treating employees with respect, providing them with context and ensuring that your hiring, performance management and reward systems reinforce your desired values, you address Deprey’s questions and invite employees to join you in a mutually beneficial social contract. They become partners in brand advocacy. (Frederick Taylor’s model of “scientific management” in which employees perform rote operations over and over again is no longer relevant or desirable.)

You also need to create your own organizational model. Neither Jack Welch nor Ross Perot would be identified as “touchy-feely” leaders, but, if you examine their organizational models, they incorporated meaningful answers to Deprey’s six questions and achieved a high degree of success. As Buckingham and Rumelt previously discussed they provided clarity and removed or decreased the ambiguity. They answered the six questions and they linked their organizational systems to the mission. It became a cohesive world in which commitment became viable. Here are things to avoid when developing authentic commitment:

- Avoid creating a model of corporate socialism where everybody is involved in every decision. In today’s environment, we don’t have the luxury of providing everyone with the training, experience and information to participate in every decision. We can, however, provide “boundaries” or circles of decision making that are appropriate to the person and position. This defines when being inclusive can be relevant and productive.
- Avoid enabling your employees and tolerating performance or behavior that you find unacceptable. When I hear employers talk about “taking care of their employees”, I find that well-intentioned but fundamentally disrespectful. Your employees are adults. You “take care of” someone with diminished capacity, not someone contributing to your success.
- Avoid compromising fiscal confidentiality. It is not necessary to open your books. A certain degree of transparency about business decisions creates trust, but you can be accountable while retaining appropriate confidentiality to protect competitive and other business information.
- Avoid paying everyone the same or disclosing personal salary information. As part of the respect premise, I have found that when I disclose how I make compensation and reward decisions as objectively as possible, employees respect my perspective. They feel they are being given an opportunity to make an informed choice and to evaluate rewards and compensation in the context of their total employment.

- Avoid promising your employees lifetime employment or expecting a similar commitment from them. I constantly remind leaders that we work for our employees, not the other way around. This is a paraphrase of Buckingham and Rumelt, who both talk about leadership's role in creating clarity and removing ambiguity. By understanding this principle and creating that "line of sight" between an employee's personal goals and objectives as well as the organization's goals and objectives, you create mutual loyalty and address the questions in Deprey's pyramid. Is expecting answers to his six questions really all that unreasonable? Are the five "requirements" expressed by the new generations unrealistic?

My partner and I have "field tested" the Compliance to Commitment Model over a period of thirty years with consistent results in diverse sectors ranging from public education to high technology and from manufacturing to behavioral research. I would like to summarize with some key drivers for this model:

- This is hard work. It takes time and commitment.
- This approach must be applied systemically. You cannot pick and choose from the five elements. They are interrelated and mutually dependent.
- This approach requires a team effort; it cannot be implemented or sustained by the power of a charismatic leader. The critical link is at the front line.
- The results are worth it!

Consider this: a workforce that is physically, psychologically, and emotionally impelled! You can create an environment in which employees gladly give up other employment options to be on your team. I'll close with one of my favorite quotes:

*"Inside my empty bottle I was constructing a lighthouse
while all the others were making ships."*

--Charles Simic

Mark Herbert is a principal in the firm of New Paradigms LLC and has assisted organizations including Honeywell, Spectra Physics, Mobius, Oregon Research Institute, and Oregon Community Credit Union build *their* lighthouses. To learn more about the Compliance to Commitment model, Mark can be reached at mherbert@MarkHerbert.com.