Leading Organizations as if People Matter: Humanist Approaches

Leadership Matters and People Matter

Leadership matters. Napoleon Bonaparte (1769–1821) famously demonstrated empathy with his rank-and-file soldiery when he asserted that “an army marches on its stomach.” An army needs to have its members at the utmost state of readiness, whether physical, mental, or in terms of equipment. This is especially so when the army is set to do battle (as was often the case for the French army under the leadership of Napoleon). Soldiers whose diet is deficient are unlikely to be at peak fitness to engage in combat.

Leadership matters, especially to employees. Astute leaders know that employee well-being is an essential precondition to generating high levels of motivation required to do their work tasks to any level of quality. Psychological capital (known as PsyCap), the development of positive human traits in the workplace, is predicted to have a positive influence on desired outcomes such as increased performance. Positive workplace environments are acknowledged to contribute to employee confidence, hope, optimism, happiness, and emotional intelligence (making the acronym CHOSE). The leader’s tasks include ensuring that employees work in a positive environment. Even the provision of on-site refectories or cafeterias may make a difference in employee motivation. Singly and together we have worked in institutions where on-site eating arrangements were poor. In one institution that we know well the food service facility is tolerated by employees, as the location is convenient and the food is cheap (albeit limited in cuisine). And, regardless of complaints to senior executives, the situation has not changed. This has given rise to several knock-on effects. First, employees regard their senior managers as insensitive and uncaring about their welfare and seek out other examples from their daily work to confirm their grievances. Second, employees take longer lunch breaks, for example, to travel to nearby shopping centers where the choice of eating places is diverse. Extending the conventional lunch break period is regarded as a way to get back at their institution. Third, employees unfavorably compare their own working conditions with
other organizations and competitors that they know. One situation has thus become a touchstone for a wider range of employee-related grousing. Such was the depth of feeling that this has become a talking point with new and existing employees. New employees bring their recent experiences to the discussion. Employee ill feeling can easily spread through an organization, a sort of oil spot effect when a small stain spreads slowly and seeps into the fabric. Ill feeling damages employee motivation in the short term, and in the longer term may harm the reputation of the organization. If there is any positive effect, it is that such a situation can be interpreted as a means whereby colleagues reinforce their solidarity. However, this may in turn open and then reinforce a schism between senior managers and employees (a cultural perception of them and us). Fourth, managers make a point of taking visitors to lunch elsewhere and explaining to them that the in-house eating facilities are unsuitable.

Over time, several people within the organization took jobs in a competitor institution. They then realized how poorly their personal needs had been served in the former institution. A month or two after taking up their new posts, and asked about work conditions at their new institution, one person said, “Wow! We couldn’t believe it. They have three choices of menu, Thai, Indian, and Western, and they change the menu every day. Friday is a banquet lunch. This is enough to get me out of bed in the mornings.” As is frequently the case in organizations, the concerns of executives and senior managers, such as grand strategy, building international alliances, gaining market share, pricing strategy, and structures, are a world away from the everyday concerns of employees. It is likely that addressing these everyday concerns, such as refectory food, comfortable workspaces, and amenable colleagues, would give the executives and managers a more committed workforce willing to dedicate themselves to addressing and delivering the big picture concerns. When the world outside the workplace is increasingly characterized by uncertainty, turbulence, and persistent change, employees feel that their employers should be caring. Similarly, employees remunerated “on the cheap” are likely to become demoralized, especially if the pay scales are poor in comparison to those of competitors. As the popular saying in business and management has it: you pay peanuts, you get monkeys.

Employee commitment is defined as “an employee’s identification with and agreement to pursue the company’s or the unit’s mission.” Competent leadership ensures that the organization has a workplace climate and environment that supports employees (at all levels) in their work. This is one task for an organization’s leaders. Arguably, it is one of their most important tasks. It is also one of the more difficult tasks facing a leader. A number of authors and commentators advocate that there is a range of key activities on which organizational leaders should focus their attention and efforts. The suggested range is neither wide nor diverse, and there is (more or less) consensus of what these should be.
Leaders’ tasks include setting a vision, building coalitions, developing a positive organization culture (sometimes called energizing), mobilizing employee commitment, developing employees (e.g., through empowerment), teams, and future leaders, aligning organizational goals with remunerations and incentives, and adapting the organization to changing environments. In essence, leaders are tasked to focus on delivering ends (the expressed strategic goals of their organization) by mobilizing the available means. Ends include managing the organization’s objectives and motivating the workforce by enabling individuals to achieve their own and their organization’s ambitions.

Competent leaders develop a vision for their organization and design relevant workable strategies to achieve this vision. Publicizing the vision through channels of communication is an essential element in gaining employee sign-up for future direction of the organization. The famed Italian Renaissance polymath Michelangelo (1475–1574) is alleged to have described his relationship to his art by saying that he envisaged the beautiful statue imprisoned within every block of marble. His artistic genius was to be able to identify the contours of the eventual figure and to sculpt the marble to free it so that others could see the beauty as he himself saw it in the raw block of marble.

The Humanistic School of Management

The leadership styles of Richard Branson, Vineet Nayar Ricardo Semler, and Ralph Stayer echo the philosophies of key management thinkers of the twentieth century. These include Mary Parker Follett (1868–1933), Elton Mayo (1880–1949), Abraham Maslow (1908–1970), and Frederick Herzberg (1923–2000). For each of these influential thinkers the theory and practice of management should incorporate the human side of work and the workplace. Although their separate focuses are diverse, their work has a common thread. In their own ways, each of these management thinkers perceived the workplace as essentially a social setting in which human relationships played a large part. For this reason, their work is known collectively as the humanistic school of management. By definition, humanism is “an outlook emphasizing common human needs and is concerned with human characteristics.”

The humanistic school of management thought was in marked contrast to theories about workplace efficiency (designing work around processes and machinery to optimize output) and workplace effectiveness (optimizing output by designing work around people). Mary Parker Follett’s writings focused on the roles and functions of people in organizations, particularly people working in group settings and employees’ involvement in decision making. Her theories, which seemed to be ahead of her time, earned her the epithet the “prophet of management.” In her writings, Follett is notable for
describing the benefits of what is now called empowerment. Her perspective on this topic is that group membership helps individual employees attain their true potential, both as people and as employees.\textsuperscript{15} With group membership there is a symbiosis between the group and its constituent members: the group functions through its individual members, while each individual member gains self-esteem through being a member of the group. This is especially so when the group is recognized for its achievements.

Follett advocated that organizations should discard the dichotomy between leaders and employees (in essence, them and us), or constructed hierarchies. Instead, organizations are advised to move toward collaborative participatory practices that are better able to help employees reach their potential.\textsuperscript{16} Elton Mayo is best known for a five-year series of experiments conducted from 1927 to 1932 with workers in the Hawthorne Electric Plant of Western Electric in Cicero, Illinois, near Chicago. Called the Hawthorne studies, the focus of these experiments was to analyze and assess changes in worker productivity in response to changes made to their work environment. Mayo and a team of co-researchers from Harvard University made changes to lighting (brighter or dimmer), the length of the lunchtime breaks, and the length of the working week.\textsuperscript{17} Findings from the experiments can be summed up in the sentence: “A human problem requires a human solution.”\textsuperscript{18}

The humanistic approach to management studies in the workplace represented a gradual change of focus in management thinking. Early twentieth-century thinkers on business and management were F.W. Taylor (1856–1915), Frederique Fayol (1841–1925), and Henry Ford (1863–1947), whose work focused on work processes.\textsuperscript{19} The overwhelming emphasis on well-functioning machinery to the detriment of the well-being of people was lampooned in Charlie Chaplin’s 1936 classic silent film \textit{Modern Times}. Chaplin’s little tramp character is assigned a manual job tightening nuts on a factory production line. The speed of the line is increased on the orders of the boss. The work is repetitive and the little tramp tries to keep up his pace of work. Driven crazy by the routine, he slides along a conveyor belt and becomes parts of the cog wheels of the machine. The film is well worth watching for its critique of production line processes.

A key role for an organization’s leaders involves communication. In this context communication is multidirectional and multichanneled. Communication needs to be effective in both form and function. Form to address relevant audiences and stakeholders, whether these are inside the organization (such as employees with various roles or tasks) or outside the organization (such as customers, suppliers, investors, and government representatives). Communication within the organization is crucial to its effective operations. Alignment of internal resources toward specific stated goals is, in the final analysis, the task of the organizational leadership. Relevant and effective communication helps ensure success. When communication is a weak link in an organization’s processes, anomalies tend to occur. It is important to avoid the situation (undoubtedly apocryphal) in command and control economies
where the timber yard continues to lathe handles for spades, oblivious to the fact that the steel mill no longer produces the metal blades to be affixed to the wooden handles to make the complete tool.

A key facet of internal communication is to state clearly a vision for direction and proposed actions for progressing from the present into the future. This is the essence of organizational strategy. While such a statement is essential for employees within an organization, it is also necessary to communicate the vision to external communities, such as customers, suppliers, investors, and the financial markets. Part of a vision statement will communicate expectations for workplace tasks and behaviors, especially standards of quality. It is worthwhile communicating this feature of the vision to the external communities, especially customers. Setting expectations for service quality for both employees and customers aids in the construction of shared (co-created) service. When customers contribute to service encounters, there is an increased possibility of customer high satisfaction.

Employees Come First

The Hawthorne studies conducted by Elton Mayo and his team of researchers suggested that employees were less concerned about pay and other financial remuneration and more concerned about being part of a workplace group. In the Mayo experiments the attention paid to the employees by the researchers encouraged increases in worker productivity.²⁰

Leaders know they must build coalitions of employees in order to mobilize the available human resource competences to execute their strategies. In this, leaders need to initiate and direct the necessary changes to the organization to align the resources and ensure these are focused in the same direction. In all of these strands of organizational direction, successful leaders realize that communication is a critical component in their tool kit. Employees are a critical resource in a leader’s quest to mobilize the means (resources) in order to deliver the projected ends (outputs and outcomes). Serial entrepreneur and billionaire Richard Branson says that in his companies his employees come first.²¹ He is quite clear and emphatic in his rationale: “It just seems common sense to me that if you start off with a happy well motivated workforce, you’re much more likely to have happy customers. And in due course the resulting profits will make your shareholders happy.”²²

Another organization that seems to be thriving from a happy workforce is Zappos.com.²³ Zappos is an online shoe and accessory retailer that is now worth over $1 billion. Zappos CEO Tony Hsieh sold his earlier Internet venture to Microsoft because he said he didn’t enjoy working in the culture that it had become. In 1999 he invested in an Internet start-up company called ShoeSite.com, later renamed Zappos. In 2009 Amazon.com bought Zappos,
but the message from Amazon CEO Jeff Bezos was to continue to have the Zappos culture happiness of employees and “customer obsession.”

Happiness in the workplace has positive effects on both employee productivity and reducing stress at work. As Ricardo Semler, CEO of Semco, based in Brazil, says: “Clearly, workers who control their working conditions are going to be happier than workers who don’t.”

When Ralph Stayer took over his family’s sausage processing business in Sheboygan Falls, Wisconsin, the company was growing, generating healthy revenues and returning profits. However, Stayer was still dissatisfied. The workforce was lackadaisical and seemed to be going through the motions of doing their jobs. And unlike many CEOs, he considered that any deficiencies in his organization were due to his own failing as a leader. Stayer reflected on the business founded by his parents in 1945. He decided an approach to his unease was a lack of focus on developing the employees. As Stayer wrote in his case study, “People want to be great. If they aren’t, it’s because management won’t let them be.”

Richard Branson focuses on his employees. He has stated his business philosophy as putting his employees first and his customers second. Investors are third in order of priority. This ordering somewhat reverses conventional business wisdom, which advocates that the customer is king and the customer is always right. The rationale behind an employees-first policy is that unless the service providers are given relevant training, and feel they are well treated and compensated by their employer, they can hardly do a good job of looking after customers. Hence, astute companies such as Semco and the Virgin Group ensure that employees are a top priority for executives and their managers. The focus on employees by an organization’s leader is not simply altruism or kindheartedness. It also makes sound business sense. Doug Conant, CEO of Campbell Soup, says that his employees receive training and development as part of the Campbell promise of valuing people. The Campbell brand is certainly iconic in part thanks to the pop art of Andy Warhol (1928–1987), whose silk screen images of the Campbell tomato soup can in the 1960s became an instantly recognizable feature of the pop art movement. And founded in 1869, the Campbell Soup company has enjoyed more than fifteen minutes of fame.

CEO Doug Conant describes a six-stage process of leadership in the company: inspire trust, create direction, drive organization alignment, build organization vitality, execute with excellence, and produce extraordinary results.

In organizations, if employees themselves are not content in their workplace (perhaps because they feel treated as second-class citizens by executives, managers, or other employees), how can they perform in an upbeat manner in front of customers? Vineet Nayar, the CEO of HCL Technologies, took a creative approach in engaging his employees. Nayar’s approach included sharing financial data (previously held as confidential and for executives’ eyes only), posting all employee appraisals (including that of the CEO) on the company’s intranet, and taking employees to visit customers to
resolve problems. The intention of these and other surprising initiatives was to promote transparency and engage employees. Another surprising feature at HCL Technologies is that any employee can give feedback to anyone else in the company. Predictably, the CEO's e-mail inbox overflows with employee feedback. These initiatives influenced the behaviors of HCL employees toward their customers. In HCL Technologies, the interface between customers and employees is called the value zone.34

Brazilian entrepreneur Ricardo Semler would find a kindred spirit in British entrepreneur Richard Branson. Each leads his business group with a focus on his employees. In 1980, when he was twenty-one years of age, Ricardo Semler was appointed CEO of the business begun by his father.35 Originally called Semler and Company, and then renamed Semco SA, the company is located in the outer suburbs of São Paulo, Brazil. The company manufactures industrial equipment such as oil pumps for the petroleum industry and kitchen equipment, sold mainly to restaurants. Ricardo had joined the company two years earlier with the grandiose job title of assistant to the board of directors. This was a job in name alone, as the duties were few and far between. In his spare time Semler was playing in a rock band. Needless to say, Ricardo became bored at the office. When his father retired, he appointed Ricardo as CEO so that he could make his mistakes while his father was still alive.36 Ricardo made radical changes, including firing 30 percent of his father's senior managers and introducing the seven-day weekend (a shift system that gives employees seven days away from the workplace).37 Semco has three corporate values: democracy (which means employee participation), profit sharing, and information (transparency).38 Employees work the hours they choose within a flex-time schedule. The company has no organizational structure, and therefore no organization chart, and no business or strategic plan, and has done away with goals and mission statements, as well as long-term budgeting.39 The company has an unorthodox style of governance (there isn't one), but has seen huge growth with increased profits, with employees who are highly motivated, with a resultant low turnover.40

An employee's feelings about his or her employer influences how that employee interacts with his or her customer. There is a recognized direct link between attributes of leadership, the organizational climate within the unit that provides service to customers, the environment in which the service is provided, and (ultimately) customer satisfaction with the service encounter.41 Positive customer satisfaction leads to sales (and often, repeat customers).42

Endnotes


3. See, for example, Fred Luthans, Carolyn M. Youssef, David S. Sweetman, and Peter D. Harms (2013), Meeting the Leadership Challenge of Employee Well-Being through Relationship PsyCap and Health PsyCap, *Journal of Leadership and Organizational Studies*, 20(1), 118–133.


5. Gary Dressler (1999), How to Earn your Employees’ Commitment, *Academy of Management Executive*, 13(2), 58.


