

# what works at work

## Chapter 4: Engagement

*This chapter looks at the relationship between engagement and performance, and whether this varies for different groups of staff. It goes on to discuss the impact of the formal contract (including pay and job security) and the informal or “psychological” contract (including trust, the sense of whether a job is worthwhile, and feeling appreciated). It addresses stress, the freedom people have to decide on how they do their work, and the key role of targets. It touches on the effectiveness of contracting out.*

*“Anyone who has ever read a Dilbert strip knows that cynicism and passivity are endemic in large organisations. Only an ostrich could have missed that.”*

*Gary Hamel, 2012*

*“The salary of the chief executive of the large corporation is not a market reward for achievement. It is frequently in the nature of a warm personal gesture by the individual to himself.”*

*J K Galbraith, 1974*

**Key message of this chapter:** Motivating people is tricky. Setting goals is established as an effective motivator; there has been recent progress with issues of trust and stress; money can be a great deceiver.

No organisation is effective unless its people care about what they are doing<sup>91</sup>. A very big international survey in 2007 suggested that only about 20% of people globally (14% in the UK) were fully engaged with their work, and that around 40% (44% in the UK) were distinctly disengaged<sup>92</sup>.

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<sup>91</sup> This is seen as a truism today, but has not always been so: one of the most authoritative experts on management has said “An employer has no business with a man’s personality. Employment is a specific contract calling for specific performance and for nothing else. Any attempt of an employer to go beyond this is usurpation. It is immoral as well as illegal intrusion of privacy. It is abuse of power. An employee owes no “loyalty”...and no “attitudes” – he owes performance and nothing else...” Drucker P, 1973, *Management: Tasks, Responsibilities and Practices*, Harper and Row, New York, pp 424-5. But this behaviourist interpretation was effectively being demolished by experimental psychology at about the time that Drucker was writing.

<sup>92</sup> Towers Perrin, 2008, *Global Workforce Study 2007-2008*, Towers Perrin, New York, esp. pp 4 & 27. Note that I use the term “engagement” broadly in this chapter:

## engagement

The British Government commissioned a major study in 2008 of how organisations could enhance their performance through employee engagement<sup>93</sup>. That study made a large collection of evidence that there is a connection between, on the one hand, employee engagement, and, on the other, in the private sector better financial performance, and in the public sector better outcomes. However, the evidence gathered was unspecific. It does not amount to proof.

*Engage-  
ment:  
general*

Yet it is common sense that any organisation needs to have a clear idea of how committed its people are; and many carry out regular engagement surveys with this in mind. Some, rather sluggishly, do little more about it than carry out the survey – and managers do need to remember that measurement is not a substitute for action<sup>94</sup>.

To some extent engagement is not in the gift of an organisation's managers. The public mood follows fashion. Public trust in business has varied a great deal since 2001 in the United States, though rather less in Europe<sup>95</sup>, and this must influence the attitudes of people in organisations on both sides of the Atlantic. Nevertheless, their feelings of engagement must depend far more on their own interactions at work.

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in the academic literature there have been numerous attempts to refine it (see Macey W H, Schneider B, Barbera K M, and Young S A, 2009, *Employee Engagement: Tools for Analysis, Practice, and Competitive Advantage*, Wiley-Blackwell, West Sussex).

<sup>93</sup> MacLeod D and Clarke N, 2009, *Engaging for Success: enhancing performance through employee engagement: a report to Government*, Department for Business, Innovation and Skills, London.

<sup>94</sup> In February 2013 a research firm called Opinium found, from a study of 2,000 organisations in the UK carrying out engagement surveys, that most of them were top-down exercises, and tended to reinforce rather than challenge the notion that the views and feelings of employees were not valued by top management (<http://www.lansons.com/pdfs/lansons-change-and-employee-engagement-event-report-final.pdf>).

<sup>95</sup> The Edelman Company, 2009, *Edelman Trust Barometer 2009: the tenth global opinion leaders study*, The Edelman Company, Chicago, p 5.

*Fair-  
ness*

How people see the fairness of their relationship with their employer is fundamental to their sense of engagement. Their terms of employment are a major part of this, including reward, of which pay is probably the most important part.

Pay is one of the most contentious areas in the field of motivation. Clearly, people will often try harder if told it will bring them more pay. But the consistency and even the effect of this is not straightforward, with measuring people's input and social consequences being common problems (even psychologists may be of less help here than in other areas, as like many employers they have a tendency to think in terms of individuals rather than teams). There is agreement, for example, that when people think they are being paid less than others who are making a similar or lesser contribution to the organisation, then they become resentful, dissatisfied and disengaged, and their performance often falls off<sup>96</sup>. But most other views about pay are contested. We shall look at pay again towards the end of this chapter.

*Job  
defin-  
ition*

After pay, the definition of the job is one of the most important formal components of the employment contract. Its importance is under-rated: poor job definition can lead to stressful over- or under-loading, or to fatal misunderstandings about someone's duties or performance. Always make sure that any post for which you are responsible is clearly defined.

But it is not just a matter of clarity: good job design will give workers a feeling that the job is worthwhile, a sense of responsibility for the work they are doing, and regular feed-

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<sup>96</sup> Hence pay is generally seen as what is called a "hygiene factor", where paying too much has little effect, while paying too little has serious consequences: Herzberg F, Mausner B and Snyderman B, 1959, *The Motivation to Work*, Wiley; Guzzo R A, Jette R D and Katzell R A, 1985, "The effects of psychologically based intervention programs on worker productivity: a meta-analysis", *Personnel Psychology*, 38, 275-91. An analogy in 2014 Britain might be a badger cull, where according to the Krebs report you can solve the badger problem in one place, only to find that this causes perturbation which only increases the problem round about.

## engagement

back on how well they are doing it<sup>97</sup>. On the whole, even if the design is flawed, they will themselves, if they can, seek to improve its focus in this sense. And, whatever the precise description of a job, in most there still remains room for negotiation and flexibility. It used to be thought that senior managers had more flexibility than junior staff in setting the scope of their own roles. This now seems to be less the case<sup>98</sup>, partly as a result of the accelerated pace of change affecting jobs today. The need for complex negotiation of job design highlights the importance of a good relationship between leaders and their team-members for this as for other aspects of management.

One of the key issues in job content is the degree of control which someone has over his work. Study after study has shown that the greater that is, the happier (and often the more productive) is the employee<sup>99</sup>. However, there is a dominant tradition of management styles, in line with Taylor's principles, where it is your boss rather than you who controls in detail what you do at work.

*Control  
over  
one's  
work*

Sometimes it is obvious that this is a bad idea. The Royal Navy in the late 19<sup>th</sup> century demanded unquestioning obedience to orders. In 1893 Vice-Admiral Sir George

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<sup>97</sup> Hackman J R, 1991, "Work Design", in Steers R and Porter L (eds), *Motivation and Work Behaviour*, McGraw-Hill, pages 424-25.

<sup>98</sup> Berg J M *et al.*, "Perceiving and responding to challenges in job crafting at different ranks: when proactivity requires adaptivity", *Journal of Organizational Behavior*, 2010, vol. 31 no. 2-3, pp. 158-186; Hornung S *et al.*, "Beyond top-down and bottom-up work redesign: customizing job content through idiosyncratic deals", *Journal of Organizational Behavior*, 2010, vol. 31 no. 2-3, pp. 187-215. The Hornung study extended to Germany, so its findings are not solely applicable in the United States.

<sup>99</sup> Judge T A and Bono J E, 2000, "Relationship of core self-evaluations traits – self-esteem, generalized self-efficacy, locus of control, and emotional stability – with job satisfaction and job performance: a meta-analysis", *Journal of Applied Psychology*, vol 86(1), pp 80-92. The putative relationship between happiness and productivity has been hotly contested for many years (a special issue of the *Journal of Organizational Behavior* in January 1999 has a number of articles on the topic); it currently looks as if it depends on your definition of happiness.

Tryon, on exercise in the Levant, ordered the two parallel columns of the Mediterranean Fleet to turn inward when there was in fact not enough room for the manoeuvre. His officers acted as instructed, and he died as his flagship HMS Victoria sank in the resultant collision<sup>100</sup>.

Cultural issues can complicate the picture. Often, in societies without a tradition of much education, there is not much experience of junior staff having the skills needed to make the right decisions, and therefore less autonomy is tolerated.

But many managers are insecure and cling to too much control. It is true that more delegation requires more communication to see that things are co-ordinated; this can be expensive in staff time, and in an emergency it may not be practical at all. However, the importance of delegation or “subsidiarity” is increasingly recognised<sup>101</sup> (though middle-level jobs are also becoming hollowed out by automation, a tendency which is working at the same time in the opposite direction<sup>102</sup>).

This opens out one of the most important risks relating to job autonomy: the wide spread of the perception that managers speak the language of autonomy, while constantly making decisions which in practice exert detailed control<sup>103</sup>. Few errors are more effective than this kind of incongruity at demolishing the credibility of managers: it should be avoided at all costs.

Casual  
work

Another important part of terms of employment can be whether one has the relative security of a permanent

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<sup>100</sup> Clowes W L, 1903, *The Royal Navy – A History from the Earliest Times to 1900*, London, vol 7 pp 415-426.

<sup>101</sup> e.g. Handy C, quoted in *Business Strategy Review*, London Business School 2010 Q2, p 88.

<sup>102</sup> Goos M *et al.*, “Job polarisation in Europe”, *American Economic Review*, vol. 99(2), 2009, pp. 58–63; Davis G. F., “Job design meets organizational sociology”, *Journal of Organizational Behavior*, 2010, vol 31 no 2-3, p 303.

<sup>103</sup> Wilmott H, 1993, “Strength is Ignorance; Slavery is Freedom: managing culture in modern organizations”, *Journal of Management Studies*, vol 30 no 4, pp 515-552.

contract. The EU in the 1990s sought to extend the rights of workers on temporary or fixed-term contracts, suggesting that they were a disadvantaged group. Some research has suggested that this might be so only for low-skilled workers, while knowledge workers in high demand might be happy to maintain contract flexibility<sup>104</sup>. However, a substantial study in six countries has since indicated otherwise: in fact, *all* temporary workers reported more positive attitudes to their work than those with permanent contracts, and the lower skilled among these reported the highest levels of well-being<sup>105</sup>. Other evidence still points the other way<sup>106</sup>, and the implications of this counter-intuitive finding are not yet clear.

But the formal terms of employment are by no means the only determinant of how people see the fairness of their relationship with their employer. Perhaps more so is what is known as the psychological contract. This term is used for the pattern of informal expectations which the employer has of the employee, and the employee of the employer, and of the obligations which match them<sup>107</sup>. Such expectations can be around control, such as whether a blind eye is turned if people leave after 3.30 pm on a Friday, provided they know they must stay late if there's an urgent job to finish. They

*"Psychological contract"*

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<sup>104</sup> O'Sullivan M, 1994, *Performance Effects of Fixed-term Contracts*, MSc dissertation, Birkbeck College, University of London; Marler J, Barringer M & Milkovich G, 2002, "Boundaryless and traditional contingent workers: worlds apart". *Journal of Organizational Behavior*, vol 23, pp 425-453.

<sup>105</sup> Guest D and Clinton M, 2006, *Temporary Employment Contracts, Workers' Well-Being and Behaviour: Evidence from the UK*, Department of Management Working Paper No. 38, King's College, London.

<sup>106</sup> e.g. Selenko E, Mäkikangas A, Mauno S, Kinnunen U, 2013, "How does job insecurity relate to self-reported job performance? Analysing curvilinear associations in a longitudinal sample", *Journal of Occupational & Organizational Psychology*, vol 86 no 4, pp 522-542.

<sup>107</sup> A recent authoritative definition is "the perceptions of both parties to the employment relationship, organisation and individual, of the reciprocal promises and obligations implied in that relationship": *Pressure at Work and the Psychological Contract*, 2002, Guest D E and Conway N, CIPD, London.

may be around status, such as the attitude to the use of taxis, or who gets a space in the office car park. They may be around development support, such as getting to conferences or training courses.

Union membership has declined, albeit reluctantly<sup>108</sup>. As a result, the direct relationship between an individual and his or her employer has become all the more important, and this throws the psychological contract into higher relief than ever.

Its key importance is that it is at the root of motivation at work. For most people, pay is not the main motivator of performance. In recent years big strides have been made in understanding what encourages people to deliver at work<sup>109</sup>. And it now looks very much as though what this is is a very fundamental principle in social psychology and social science, namely the idea of social exchange: that most people, if they get something from someone, even something non-material, feel under an obligation to give them something in return. Most relationships are established and supported by continued exchanges – whether of gifts or treats or money or prestige or praise, or other things, material or moral<sup>110</sup>. In organisations this seems to work as follows.

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<sup>108</sup> Waddington J, 1992, “Trade union membership in Britain, 1980-1987: unemployment and restructuring”, *British Journal of Industrial Relations*, 30, 287-324. Only about a quarter (27%) of UK employees are now union members, although union membership density is much higher in the public sector (57%) than the private sector (15%): Fulton L, 2011, *Worker representation in Europe*, Labour Research Department and ETUI (online publication). However, a fairly recent survey found that 75% of employees wanted legislation to introduce works councils: *Pressure at Work and the Psychological Contract*, 2002, Guest D E and Conway N, CIPD, London, p ix.

<sup>109</sup> Coyle-Shapiro J and Kessler I, 2000, “Consequences of the Psychological Contract for the Employment Relationship: a large scale survey”, *Journal of Management Studies* 37 pp. 903-930; Purcell J, Kinnie N, Hutchinson S, Rayton B and Swart J, 2003, *Understanding the People and Performance Link: unlocking the black box*, CIPD London.

<sup>110</sup> Mauss M, 1950, *Essai sur le Don*, Presses Universitaires de France, Paris.

## engagement

People see their organisation as represented by their managers. If their managers treat them in ways which meet or exceed their expectations, then they will feel more satisfied in their jobs and more committed to their organisation, engage more effectively with their tasks, and work more or better than at the basic level asked of them<sup>111</sup>.

The way this works is complex and not fully understood, but we do know a range of things which employees may expect or hope that their employer will give them, and which can form an important component of the psychological contract. We shall come back to what they are in a moment.

But firstly, let's pause to think for a moment about trust, because trust is at the bottom of a lot of all this. One might think that, with the economic depression, trust has in general taken a battering recently. In fact, in both Europe and the USA trust in government, having hit a low point in 2007, had been gradually recovering until 2011, even though in 2012 it fell back again below 2008 levels; while trust in business, whose low point was in 2009, rose in 2010, then fell back in the following two years<sup>112</sup>.

*Trust*

That is at a high level of generality. We have, however, a major recent study in the UK, covering 14 organisations from John Lewis to GKN to HMRC, which tells us a lot more<sup>113</sup>. Trust, like reputation, is hard to gain and easy to lose<sup>114</sup>. It is especially vulnerable in times of vigorous

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<sup>111</sup> This is known as “discretionary behaviour” or “organisational citizenship behaviour”.

<sup>112</sup> Edelman Trust Barometer 2012 [website <http://trust.edelman.com/trust-download/global-results/>]; “Europe” here means the UK, France and Germany. This is a very large survey of the informed public aged 35-64, using fairly unsophisticated questions.

<sup>113</sup> Hope-Hailey V, Searle R and Dietz G, 2012, *Where has all the trust gone?*, CIPD, Wimbledon; Gillespie N and Dietz G, 2009, “Trust repair after an organization-level failure” *Academy of Management Review* Vol 34, No 1, January. pp 127–145.

<sup>114</sup> O’Sullivan M, 1991, *Reputation in the Civil Service*, paper presented to Group for Anthropology in Policy and Practice conference on organisational anthropology at University College, Swansea.

change like the present, when managers are often confronted with dilemmas which seem capable of resolution only by betraying promises, especially promises to employees. Indeed, they may be so locked up in problems that they do not notice that they are eroding trust. So action should be taken to check, such as regular staff surveys and exit interviews. Rebuilding trust when it is broken is difficult, and requires not only system changes (such as new procedures) but also changes in behaviour by managers, including visible and consistent behaviour modelling by senior leaders. A good HR team can provide useful support (and a bad one can undermine the process)<sup>115</sup>.

Trust in senior management is relatively low in the UK (especially in the public sector)<sup>116</sup>, and trust in business generally is lower in the UK than in most other countries<sup>117</sup>. So business leaders in the UK need to work harder than their counterparts elsewhere to build and maintain trust. They need to be seen as competent, concerned for others, ethical and reasonably consistent. Truth, honesty, and not shooting the messenger when there is bad news, are the essential tools for this; and these skills are trainable. British culture is given to periphrasis and understatement, which may make this a challenge – but who is to say that it is more of a challenge than the impenetrable obfuscation of American business-speak?

Professionals and specialists are in a rather different situation from others. As has been shown, they tend to be relatively mobile, and they derive much of their satisfaction

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<sup>115</sup> Hope-Hailey V, Searle R and Dietz G, 2012, *Where has all the trust gone?*, CIPD, Wimbledon; Gillespie N and Dietz G, 2009, “Trust repair after an organization-level failure” *Academy of Management Review* Vol 34, No 1, January. pp127–145.

<sup>116</sup> Hope-Hailey V &c, 2012, *Where has all the trust gone?*, CIPD, Wimbledon.

<sup>117</sup> Edelman Trust Barometer 2012; CIPD *Employee Outlook* surveys 2009-13. The British Social Attitudes survey similarly shows a decline in the belief that management ‘is sincere in attempting to understand employees’ views’: **Bryson A & Forth J, 2010. *The Evolution of the Modern Worker: Attitudes to Work***, NIESR Discussion Papers 372, National Institute of Economic and Social Research.

## engagement

from the exercise of professional skills, so they tend to be less dependent on the organisation than other staff. Retaining their commitment can be difficult. They need to be given satisfying work to do, a good manager, and pay that they can see is fair in terms of their performance, or they will go elsewhere<sup>118</sup>.

So how does an employer deliver on the psychological contract? First, it needs a relationship of trust with its employees, so that it can set up the right expectations. But what after that?

What managers do seems to have different effects on different employees, and therefore a broad range of interventions is needed if everyone is to be reached. These might include:

- Good recruitment and selection (not simply to get the right people in place, but to surround them with competent, encouraging colleagues as well)
- Training and development (the opportunity, the resources, and the push to take them up)
- Career opportunities (like promotion – and therefore filling posts from within, where feasible)
- Information-sharing and two-way communication
- Involvement in decisions
- Teamworking
- Tackling poor performance (it is not just bad for the bottom line in itself, but also puts unfair burdens on colleagues)
- An individual appraisal system (with not just an annual meeting, but proper goals and frequent review sessions)<sup>119</sup>
- Satisfactory pay and pensions

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<sup>118</sup> Purcell J, Kinnie N, Hutchinson S, Rayton B and Swart J, 2003, *Understanding the People and Performance Link: unlocking the black box*, CIPD London, pp 68-69.

<sup>119</sup> A lot but not enough is known about appraisal systems: see eg Landy F J and Farr J L, 1980, "Performance Rating", *Psychological Bulletin*, vol. 87 no. 1, pp. 72-107.

## what works at work

- Job security
- Jobs that offer challenge and autonomy
- Good work-life balance<sup>120</sup>.

It also seems to help if there is a keen awareness of what the organisation stands for, driven through all its levels and teams, which is capable of giving people-management policies focus and purpose; whether this is expressed in a formal mission statement is irrelevant<sup>121</sup>.

How realistic is all this? Evidence in Britain is that people's expectations are not being met all that well. A large-scale study in a local authority in 1996 found that as many as the majority of employees were experiencing breach of the psychological contract<sup>122</sup>. A cross-sectoral study in 2002 found that about a third of people thought that their employer had not properly delivered on promises to ensure fair treatment by managers, to consult on changes affecting them, and to offer interesting work, while a quarter thought the same about promises to give fair pay and career opportunities. Over half the sample in this study said they trusted their immediate boss to look after their interests, which is fairly encouraging; but this figure fell to a third for senior management, which is less so. Still, most people felt

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<sup>120</sup> This is a list of characteristics identified in research by a Bath University team, and should not be seen as exclusive. All of them should be judged comparatively rather than absolutely: so, for example, in a boom people may expect complete job security for staff who are competent, while in a depression they may simply look for better job security than in the next organisation, or at least for redundancies to be managed with great fairness.

<sup>121</sup> Purcell &c, 2003, pp 8, 13 *et seqq.* Not so easy – at a workshop, the Brazilian entrepreneur Ricardo Semler once asked 56 CEOs of Fortune 500 companies to write down their company beliefs statement, and most of them then agreed that they could not distinguish between the results (Semler R, 2003, *The Seven Day Weekend*, Random House, London, p 112).

<sup>122</sup> This may be a relatively high figure, since the work was done at the time of a public expenditure squeeze during which managers may have been obliged against their will to abandon previous commitments.

## engagement

loyalty to their organisation, and were proud to tell others where they worked<sup>123</sup>.

It is notable that, while this staff survey is generally consistent with a survey of employers the previous year, the latter revealed that employers had a much rosier view than their staff of the career opportunities in their organisations. Thus employers did not necessarily have an accurate perception of employees' attitudes and expectations<sup>124</sup>. Moreover, both these surveys were done over a decade ago, and after several years of an economic depression one might think that things would now be even less satisfactory than they were then.

The big message from the work described here is that people-management really is at the heart of whether employees perform well or not. It is not something to be left to the HR department (though HR managers ought to have the skills to support it through planning and training): it should be at the forefront of every manager's mind, and needs the time and attention of managers at all levels.

*Management of people and performance*

An incidental finding in the 1996 study was that supervisors themselves were frustrated at being unable to deliver on promises they had made to staff (eg on training)<sup>125</sup>: this highlights the importance in management training and communication of seeing that there is congruence between expectations centrally and locally within an organisation, notably on resource issues. More simply, the moral is that it is important not to over-promise.

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<sup>123</sup> *Pressure at Work and the Psychological Contract*, 2002, Guest D E and Conway N, CIPD, London, p 21.

<sup>124</sup> *Employer Perceptions of the Psychological Contract*, 2001, Guest D E and Conway N, CIPD, London, p ix.

<sup>125</sup> Coyle-Shapiro J and Kessler I, 2000, "Consequences of the Psychological Contract for the Employment Relationship: a large scale survey", *Journal of Management Studies* 37 p 922;

Many people are dissatisfied with their work because of stress. Stress is a relatively new issue in management studies, having become prominent in the literature only in the 1970s. At first it seemed to be about things like time pressures, role ambiguity, uncertainty about boundaries, overpromotion or underpromotion, lack of job security, poor relations with the boss, lack of control over work, and office politics<sup>126</sup>.

Then it expanded. Psychologists struggle with stress: it tends to be used as a portmanteau into which an unhelpfully large range of problems gets stuffed, from bullying to obesity to boredom to noise. A quarter of workers say their jobs are “very stressful”, and stress is higher for more senior people and those working long hours, as well as those in the health and local government sectors<sup>127</sup>. And it does not help that people’s work can be affected by stress not just at work, but also in their private lives, where the writ of managers does not run. As a result, people can think that there is little real possibility of dealing with it effectively.

Moreover, results of research are confusing. Things which are often associated with stress do not seem always to be so (such as one’s own control over one’s work<sup>128</sup>). And when stress is seen at a similar time to something else it is by no means always clear which causes which, or whether both are caused by some third factor (do people who are stressed at work feel discouraged from taking exercise, or do

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<sup>126</sup> Cooper C L and Marshall J, 1976, “Occupational sources of stress: a review of the literature relating to coronary heart disease and mental ill-health”, *Journal of Occupational Psychology*, vol 49 pp 11-28.

<sup>127</sup> *Pressure at Work and the Psychological Contract*, 2002, Guest D E and Conway N, CIPD, London.

<sup>128</sup> e.g. Smith A *et al.*, 2000, *The Scale of Occupational Stress: The Bristol Stress and Health at Work Study*, Health and Safety Executive; Vaananen A, Koskinen A, Joensuu M, *et al.*, 2008, "Lack of predictability at work and risk of acute myocardial infarction: an 18-year prospective study of industrial employees", *American Journal of Public Health*, vol 98, pp 2264-2271.

people who don't take exercise feel less able to cope with work?).

This does not mean that such confusions cannot be worked through. Careful thought about the nature of team-working, for example, has brought better understanding. It had long been accepted that empowering teams to improve their own work processes often leads both to greater employee satisfaction and to improved output efficiency. However, the recent extension of work process standardisation, in the form of just-in-time techniques or contact centre scripting, suggested that even in the contexts which lay claim to teamwork approaches, such as in Nissan or Mazda, there are indications of reduced rather than increased worker autonomy, and that such labour intensification causes stress and discontent<sup>129</sup>.

Consideration has teased out key differences between the two cases – the first involving teams empowered to implement change as well as plan it, the latter only to propose changes on which management will dispose; and the first tending to be composed of different specialists (such as sport or medical teams), the second of interchangeable members<sup>130</sup>. Even though these relationships have not yet been empirically verified, this is very helpful. But there is a long way to go before such analysis could come up with practical advice across the whole problem identified as “stress”.

Nevertheless, in the 1990s the Health and Safety Executive courageously tackled it. They sponsored research<sup>128</sup> and came up with a series of management standards which

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<sup>129</sup> Slaughter J, 1987, “The team concept in the US auto industry: implications for unions”, *Labour Notes*; Sewell G and Wilkinson B, 1992, “Empowerment or emasculation? Shopfloor surveillance in a total quality organisation”, in Blyton P and Turnbull P (edd.) *Reassessing Human Resource Management*, London, Sage, pp 97-115.

<sup>130</sup> Legge K, 2005, *Human Resource Management: Rhetorics and Realities*, Palgrave Macmillan, Basingstoke, pp 260-266.

practitioners have accepted as sensible (although it is true that, some years later, these seemed to have had less effect in practice than they might have hoped<sup>131</sup>).

Thus the picture in relation to stress is blurred. There is sound evidence that many of the things which tend to get grouped under the label of “stress” are damaging and to be avoided, and that there is also interaction between the demands made on people at home and at work<sup>132</sup>.

It is pretty obvious that there is not one solution to these problems. On the other hand, teasing them apart and finding appropriate remedies is not at all easy. Two kinds of intervention seem to be particularly helpful. One is reducing uncertainty and confusion, and the other relieving the impact of overall pressures at work.

Uncertainty tends to arise from the nature of the job and from day-to-day events in it. Some jobs are intrinsically more unpredictable than others (and knowledge of this can be put to good use in recruitment selection). But often the uncertainty in a job can be reduced by managing well. If managers are consistent towards their staff, and explain any inconsistencies openly and carefully; if distractions from the task are reduced through control of the working environment and resolution of unnecessary conflict between staff; and if jobs are carefully designed and their requirements and objectives communicated – then such steps will go a long way to reduce confusion, and help people to focus on doing what needs to be done well<sup>133</sup>.

Overall pressures at work are generally best addressed through ensuring enough opportunities for recreation. Some

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<sup>131</sup> Webster S & Buckley P, 2008, *Psychosocial Working Conditions in Britain in 2008*, Health and Safety Executive; Chandola T, 2010, *Stress at Work*, British Academy.

<sup>132</sup> This applies to men as well as women: see Woods D, *The extent of working fathers' stress levels revealed by new research*, HR Magazine, 5 November 2010, reporting research by Caroline Gatrell of Lancaster University Management School.

<sup>133</sup> Grant A M, Fried Y, Parker S K and Frese M (edd), 2010, *Journal of Organizational Behavior*, special issue “Putting Job Design in Context”.

## engagement

jobs, such as air traffic control, involve such intense and continuous concentration that frequent breaks are required<sup>134</sup>; but this is unusual. More widely, it is worth bearing in mind that breaks and time off are much more effective if taken frequently than if saved up and taken in large blocks. Thus the restorative effect of a holiday lasts on average no more than four weeks, while daily opportunities for recreation are very important – and physical exercise such as swimming or cycling is much more effective than time spent in unengaging activities such as watching television<sup>135</sup>.

There have been several (albeit pretty extreme) cases of organisations having to pay up to £175,000 for not taking action to prevent excessive pressure of work, bullying, or lack of proper training. You will be well advised to look at the HSE management standards and think about what you might do to move closer towards them: things like making clear what's expected of people (and sticking to it), informing them and listening to them, and having clear policies against bullying, will at worst keep you out of the employment tribunal, and at best will make your team not only more productive, but a happier place for you and them to work in.

It is argued that contracting out support functions transfers staff to an organisation where their role is core

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<sup>134</sup> In the case of air traffic control, typically of 30 minutes after each 1½ or 2 hours.

<sup>135</sup> Sonnentag S, 2011, *Staying Well and Proactive: The Importance of Everyday Recovery Processes*, paper delivered to Organisational Behaviour Seminar, Judge Institute for Management Studies, University of Cambridge, 12 December 2011. The present author has found that, if someone stays in the office after ordinary working hours, German managers tend to think that they cannot do their job during the time set and have a performance problem, while British managers tend to be impressed by their dedication. This anecdotal suggestion of the ill-success of presenteeism is borne out by a number of studies which suggest that performance falls away during the working day – and also by the fact that German labour productivity, of course, is higher than British.

## what works at work

Contract-  
ing out

business, and so improves motivation. But it can have other effects that operate in the other direction, such as regimentation of work<sup>136</sup>. And clients do not necessarily benefit, as was discovered by the organisation which gave its computer maintenance to a firm which found it more cost-effective to stop sending technicians to fix computers, and instead to collect faulty workstations for repair, leaving their hapless users computerless for days<sup>137</sup>. Across sectors it is now being viewed with more disfavour, and *The Economist* remarked recently “It has now become clear that outside firms usually cannot do boring back-office work any better and often do it worse. Many offshore outsourcing relationships have proved disappointing and some have ended in lawsuits”<sup>138</sup>.

Targets

A real discovery in the field of motivation was the impact of targets<sup>139</sup>. Interest in targets began in the 1950s, when Peter Drucker published ground-breaking work on “management by objectives”, and set out eight areas in business where key targets ought to be set: market position,

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<sup>136</sup> My own impression – no more than that – is that the Home Office has put its foot in it a lot more often since it became a Ministry of Law Enforcement, instead of the former rather charming Ministry of Everything Else where career officials could temper their experience of prisons and police with time spent working on animal welfare, broadcasting, taxi licensing or relations with the Isle of Man.

<sup>137</sup> Overell S, 2011, “Who’s Pulling the Strings?”, *The Guardian*, *Work* section, 27 August 2011 pp 1-2.

<sup>138</sup> *Economist*, Special Report on Outsourcing & Offshoring, 19 January 2013, p 12.

<sup>139</sup> Guzzo R A, Jette R D and Katzell R A, 1985, “The effects of psychologically based intervention programs on worker productivity: a meta-analysis”, *Personnel Psychology*, 38, 275-91; Carson P P, Carson K D, Heady R B, 1994, “Cecil Alec Mace: The man who discovered goal-setting”, *International Journal of Public Administration*, Volume 17, Issue 9 1994, pages 1679-1708; Locke E A, Saari L M, Shaw K N, Latham G P, 1981, “Goal Setting and Task Performance: 1969-1980”, *Psychological Bulletin*, vol 90 no 1 pp 125-152; Latham G P and Locke E A, 1991, “Self-Regulation through Goal Setting”, *Organizational Behavior and Human Decision Processes*, vol 50, pp 212-247. There is an excellent essay on the contemporary debate on targets at Meekings A, Briault S and Neely A, 2010, “Are your Goals Hitting the Right Target?”, *LBS Business Strategy Review*, vol 21 issue 3 pp 46-51.

## engagement

innovation, efficiency, resources, profit, management, worker performance and public responsibility<sup>140</sup>.

This led to outstanding empirical research on motivation in the 1960s and 1970s, which firmly established that people seek purpose and things to do, and that when they are set goals they work harder trying to reach them. It has been found that where the goals set are of good quality, this makes people less distracted about reaching them, and also encourages them to put in more effort to get there, to persist longer in the task, and to exercise more ingenuity in doing it (such as planning better, or seeking out help). There is also a lot known about what makes a good target<sup>141</sup>.

However, goals can also go badly wrong. Damage was notoriously done in the 1990s by over-enthusiasm with introducing what has been called the New Public Management approach<sup>142</sup>. Less in favour now (at least in its original form)<sup>143</sup>, this sought to extend perceived private sector efficiencies to the public sector, through improved measurement of outputs and goal-setting, disaggregating organisations, replacing hierarchies with contractual relations, and the introduction of competitive mechanisms.

Many of the results were positive, but the move struggled with a series of unexpected consequences. One of the most important resulted from the fact that (although no organisation has only a single objective, since it has at least to balance a long-term goal with a short-term one) political objectives are often much more multifaceted than com-

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<sup>140</sup> Drucker P F, 1954, *The Practice of Management*, Harper & Row.

<sup>141</sup> Guzzo R A and Gannett B A, 1988, "The Nature of Facilitators and Inhibitors of Effective Task Performance", in Schoorman F D and Schneider B (edd.), *Facilitating Work Effectiveness*, Lexington, pp 21-41.

<sup>142</sup> James O and Manning N, 1996, "Public Management Reform: a global perspective", *Politics* vol. 16(3) pp 143-149; Clark J, Gewirtz S and McLaughlin E (edd.), 2000, *New Managerialism, New Welfare?*

<sup>143</sup> Dunleavy P, Margetts H, Bastow S and Tinkler J, 2005, "New Public Management is dead: long live digital-era governance", *Journal of Public Administration Research and Theory* 16 pp 467-494.

mercial ones. This made it much more common for simple goal-setting to produce unwanted results in the public sector (eg hospital lunches were delivered more promptly, but patients did not have time to eat them and their health declined); while, when more targets were added to deal with these side-effects, the total number of goals mushroomed to the point where monitoring and reporting on them started to distract people from the business task, and managers would give up in despair.

We have all suffered from the call centre staff who cut you off abruptly in order to meet their call-time target. We know the horror stories of hospitals getting round targets for waiting time in A&E by leaving patients queuing on trolleys or in ambulances. We may have met councillors or head-teachers baffled by the way that the Government expected them to meet hundreds of apparently inconsistent targets in one particular service.

Good goals are drawn up with a focus on the big picture, yet framed precisely so as to tell one clearly whether they have been reached or not; they have a clear timescale; they are not too many to cope with; and they are difficult and stretching, but still within people's capacity. They're also reviewed at sensible intervals to make sure they're still right. Good goal setting (and holding people to account for reaching them or not) is probably the most important part of performance management, and maybe of engagement overall.

*Pay* What about reward? After the banks were rescued by the taxpayer, we became depressingly familiar with the argument that bankers need lots and lots of money to motivate them to work hard. Is that true? And have you noticed how rarely the same argument seems to extend to the people who work in the banks' call centres?

## engagement

Of course, people have recognised since time immemorial that if you promise people rewards for working better or faster it will often produce results; and behaviourist science has stood by and applauded. But the more we go beyond that generalisation the more problematic it seems, leading to conclusions such as “Not only do financial incentives operate with different efficacy in different situations, but often they do not even lead to increased production”<sup>144</sup>. A major study has found that pay can do more than anything else to improve performance, but that the effect can also be negative<sup>145</sup>.

Work fifty years ago found that personnel departments when administering pay were relying “on faddish and assumptive practices which lack empirical support”<sup>146</sup>. Although the word “assumptive” is a bit puzzling (can it be something to do with the Virgin Mary?), one nevertheless gets the drift; and it’s not all that clear that things are now much better than they were then.

For example, a recent study by a Harvard team, of a UK system giving GPs financial rewards for performance in managing hypertension, found that it simply had no effect<sup>147</sup>. This fits with the generalisation we met earlier in this chapter, that paying too little will often create problems, while paying bonuses rarely does a lot of good. One recent writer revives an old remark to say that bonuses are actually

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<sup>144</sup> Opsahl R L and Dunnette M D, 1966, “The role of financial compensation in industrial motivation”, *Psychological Bulletin*, vol. 66, pp 94-118; a major recent study with similar results is Jenkins G D Jr., Mitra A, Gupta N, & Shaw J D, 1998, “Are Financial Incentives Related to Performance? A meta-analytic Review of Empirical Research.”, *Journal of Applied Psychology*, 83, pp. 777-787.

<sup>145</sup> Guzzo R A, Jette R D and Katzell R A, 1985, “The effects of psychologically based intervention programs on worker productivity: a meta-analysis”, *Personnel Psychology*, vol 38 pp 275-91.

<sup>146</sup> Dunnette M D and Bass B M, 1963, “Behavioral scientists and personnel management”, *Industrial Relations*, vol 2 pp 115-130.

<sup>147</sup> Serumaga B *et al.*, 2011, “Effect of pay for performance on the management and outcomes of hypertension in the United Kingdom: interrupted time series study”, *British Medical Journal*, 25 January 2011.

demotivating, inasmuch as people will do what they need to get the reward but then no more<sup>148</sup>. A recent large survey showed increasing worries among HR professionals and consultants that reward was not engaging employees<sup>149</sup>. And it is a commonplace observation that people will put huge amounts of effort and enthusiasm into their hobbies, for which they get paid nothing at all.

Frederick Taylor, the founder of “scientific management”, believed that piece-work payment produced the best motivation. Piece-work is still a preferred method of payment for some repetitive unskilled or semi-skilled tasks, such as harvesting fruit and vegetables, sewing garments or following call-centre scripts.

But it needs to be treated very carefully: its motivational effects are often more complicated than they seem at first sight, whether because of innate limitations or because of employees responding by trying to game the system. For example, if rates are set too low workers may work slowly in the hope that they will be raised to improve the incentive; a mix of hourly pay and piece-rate bonus may discourage output by reducing the reward per item produced; if for any reason the employer feels obliged to lower the piece rate, this is seriously demotivating. And most basically, if there are any quality elements in the task, then quality may go down in response to piece-rate payment (and in some contexts, such as call centres, this can have far-reaching effects, such as mis-selling which ends up costing huge sums in compensation)<sup>150</sup>.

Similar problems can emerge in circumstances where commission is paid, as is often the case with sales. Such cases can involve much more complex and responsible acti-

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<sup>148</sup> Kohn A, 2003, *Punished by Rewards: The Trouble with Gold Stars, Incentive Plans, A's, Praise, and Other Bribes*, Houghton Mifflin.

<sup>149</sup> *CIPD Annual Survey Report, October 2012: Reward Risks*, p 5.

<sup>150</sup> Billikopf G E, 1985, “Response to Incentive Pay among Vineyard Workers”, *California Agriculture*, vol 39-7, July-August, pp 13-14.

vities than most unskilled or semi-skilled tasks, and as a result the perverse incentives caused by most bonus or commission schemes can have very damaging (and costly) effects. On a wider stage, significant aspects of the 2006 financial meltdown can be attributed to this, and in the UK it has caused many people to be harmed by supposedly independent financial advice from agents paid by commission, which led such payments to be banned in the industry from 2013; explicit fixed fees have now to be negotiated.

In any event, in more and more jobs in a modern economy, the way that goods and services are made available is so complicated that any one person's "contribution" can seldom be objectively quantified. Often it has to be done by "merit pay" relying on subjective assessments by managers. But that raises other problems. First there are obvious risks of favouritism and corruption. But further, bonuses have little impact if they are kept small to reflect the fact that such assessments are inherently unreliable, while if they are made large to make sure they motivate then they arouse feelings of injustice, inspiring colleagues to resignation, or secret acts of revenge against the employer<sup>151</sup>. Further confusion is caused by the fact that, for cultural reasons, pay seems, in any event, to be a better motivator in the United States than elsewhere, which means, as usual, that research (most of which is done in the USA) can be misleading<sup>152</sup>.

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<sup>151</sup> Pearce J L, 1991, "Why Merit Pay Doesn't Work", in Steers R and Porter L (*edd.*), *Motivation and Work Behaviour*, McGraw-Hill; Kepes S *et al.*, 2009, "Contingencies in the Effect of Pay Range on Organizational Effectiveness", *Personnel Psychology*, vol 62 pp 497-531; French S, Kubo K and Marsden D, 2002, "Why does performance pay de-motivate: financial incentives versus performance appraisal", in Hanami T, (*ed.*) *Universal wisdom through globalisation: selected papers from the 12th IIRA world congress*, Tokyo: Japan Institute of Labour Report 9: Japan Institute of Labour, Tokyo, Japan.

<sup>152</sup> Tosi H L and Greckhamer T, 2004, "Culture and CEO Compensation", *Organization Science*, vol 15 no 6 pp 657-670.

## what works at work

One of the most fundamental problems, however, is the increasing complexity of organisations, technical processes and markets, which means that with some exceptions workers are becoming increasingly unable to do their jobs without collaboration: incentivising their own task, at the expense of the help they give to others, can often actually be self-defeating. To quote a distinguished expert in this field:

“Most kinds of organisation succeed because of co-operation among their members, not because of members’ discrete, individual performances. Such co-operation is particularly critical among employees with valuable expertise or the discretion to commit the organisation’s resources. It is simply not in the organisation’s interest to encourage short-term single-transaction expectations among such important employees.”<sup>153</sup>

So when one is faced with the question of what to do about reward, the truth seems to be, as in so many other fields of people management, that it depends on the circumstances. In a very simple job, people’s output will respond directly to bonuses (as with piece work), provided the system is managed reasonably and does not lead to undue stress<sup>154</sup>. The more complex the job – and especially the more it involves teamwork, or action now for the sake of results in the longer term – pay must not become so low as to seem unfair, but if it rises above that level it is not likely to lead to much better results<sup>155</sup>.

Whether bankers have a simple job or not...is a question I leave, dear reader, to you. For the moment, one thing which is indispensable in cultivating engagement is good communication, and that is what we now turn to.

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<sup>153</sup> Pearce J L, 1991, “Why Merit Pay Doesn’t Work”, in Steers R and Porter L, *Motivation and Work Behavior*, McGraw-Hill, p. 505.

<sup>154</sup> Ganster D C, Kiersch C E, Marsh R E, Bowen A, 2011, “Performance-Based Rewards and Work Stress”, *Journal of Organizational Behavior Management*, vol 31 no. 4 pp 221-235.

<sup>155</sup> In a term devised by Frederick Herzberg (1959, *The Motivation to Work*, New York: John Wiley and Sons) it becomes a “hygiene factor”.