

Management Ideas



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a monthly newsletter to key executive-leaders
on practices, possibilities and ideas generally
for stepped up performance

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on problem-solving and creative ideas

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3465 PUNISHED BY REWARDS by Alfie Kohn (Houghton Mifflin, 1993. \$22.95)
RECOMMENDED

READING: When we read this book, we were happily reminded of the eastern philosophies of work in general and the Gita philosophy of nishkama karma in particular.

Lao-tzu said:

It is better not to make merit a matter of reward
Lest people conspire and contend.

Gita says:

To work you have the right,
Not to the fruits thereof.

Alfie Kohn says:

Rewards punish - quality and long term results.
Rewards rupture relationships. Rewards ignore reasons. Rewards discourage risk taking. Rewards undermine intrinsic motivation.

In this insightful book, sub-titled "The trouble with gold stars, incentive plans, A's, praise and other bribes", the author invites parents, teachers and executives to think and rethink the reward approach to motivating people.

"Drawing from hundreds of studies, Kohn demonstrates that people actually do inferior work when they are enticed with money, grades, or other incentives. Programs that use rewards to change people's behavior are similarly ineffective over the long run. Promising goodies to children for good behavior can never produce anything more than temporary obedience. In fact, the more we use artificial inducements to motivate people, the more they lose interest in what we're bribing them to do. Rewards turn play into work, and work into drudgery.

"Step by step, Kohn marshals research and logic to prove that pay-for-performance plans cannot work; the more an organization relies on incentives, the worse things get. Parents and teachers who care about helping students to learn should do everything possible to help them forget that grades exist. Even praise can become a verbal bribe that gets kids hooked on approval.

"Rewards and punishments are just two sides of the same coin--and the coin doesn't buy very much. What is needed, Kohn explains, is an alternative to both ways of controlling people."

Conditioned as we are to what the author calls the pop behaviorism of B.F. Skinner, we may be tempted to ask: Don't rewards work? Don't they motivate? The author admits the rewards work. "But work to do what? And at what cost? Those are the two questions we should always be asking. Rewards, like punishments, work very effectively to produce one thing and only one thing: temporary compliance. But if our goal is to get quality in the workplace; or to help students become self-directed, lifelong learners; or to raise responsible, caring children -- then rewards are not only ineffective, they're actually counterproductive."

He powerfully pleads that we go beyond carrot and stick, AND tells how.

Until this book hits our book stands, the Reader can refer to Mr. Kohn's article in the Harvard Business Review (Nov.93).

We pray for no disaster. Causing disaster, however, is an organised 'industry' now. And we need to have contingency planning. Whether in other matters we learn from others or no, we will do well in this area. The following extract is from Financial Times (London).

3466
IF DISASTER
STRIKES

Recent bomb attacks on both sides of the Atlantic gave an added twist to two events in London last week.

One was a visit on Friday from Charles Maikish, director of New York's World Trade Centre, who went out of his way to praise the local response to the disaster in February.

Maikish said that the Port Authority of New York and New Jersey, the centre's landlord, employed stress counsellors in the lobbies, issued bulletins to tenants about the safety standards in the building, which included certificates of the building's structural integrity, and held daily press conferences in an effort to keep tenants and the public informed.

The need to reassure its 350 commercial tenants was seen as paramount by the Port Authority. "We were very vulnerable to tenants looking for release from their leases," said Maikish.

In order to mitigate any economic impact on the tenants the Port Authority organised the temporary relocation of tenants, paid their moving costs, and suspended their rent obligations on the existing offices. The landlord was particularly anxious to satisfy tenants about the safety of their offices. With 40,000 employees evacuated from the building, tenants were concerned about their employees' willingness to return to their offices.

The Port Authority, which organised its response to the bomb on the evening of the attack, has stopped short of setting up a disaster contingency plan.

However, it has designated another site for people to report to in the case of disaster and it has set up an alternative telecommunications system. It is also reviewing its security systems.

The other event in London was a conference organised by the UK's Institute of Directors, which served to remind companies that bomb damage is not the only disaster for which organisations need to plan.

Routine maintenance work by the water board recently caused a disaster for the Bank of Finland when a burst main flooded its basement and shut down its computer. No sooner had the bank recovered from that disaster than a second one struck; a few days later an unrelated electrical mishap closed the system down again.

The Bank of Finland, along with Commercial Union which was a victim of last year's City bomb, is now a veteran on business recovery. In common with most other financial organisations in the City, the Bank of Finland had a contingency plan already in place which included the transfer of all its computing facilities to a disaster recovery centre. Its experience was a happy one: after each upset, business was kept going with only the briefest interruption.

According to Peter Mobsby, assistant general manager, the bank learnt the following lessons:

- * The time and money involved in setting up contingency plans was well spent.
- * The recovery time from the second disaster was far quicker than for the first, demonstrating the importance of a full dress rehearsal.
- * The bank has moved its computer out of the basement to reduce future risk of flood, and has resolved to mount full electrical tests after any power failure.
- * Beds and showers are needed at the disaster recovery site, as staff are likely to work through the night.
- * The fastest way of getting documents to the recovery site may also be the cheapest - the tube might be quicker than taxis.
- * Lightning may strike twice.

3467
WORKE-
PLACE
VIOLENCE:

A reader has enquired whether a sort of checklist can be provided to take due and timely care in case of layoffs and firings, also called outplacements. Here is one by an expert, William Frank in The Denver Business Journal.

Although most employee terminations go smoothly, any separation can run amok. And in the wake of the recent shootings and violence that have followed firings and layoffs, it's wise to review your corporate policies to ensure that they're safe.

For many people, work is life; so losing a job is traumatic, even if those affected expect the loss and see it coming.

Treat each situation as a lethal time bomb.

The moment of termination is often a crisis. If handled well, everything thereafter goes smoothly, but if it's handled poorly, anything can happen.

Therefore, proceed with caution. The key to an uneventful termination is planning. Whether laying off one person or 100, don't leave anything to chance. Large layoffs tend to be more unwieldy, therefore more dangerous. They require extra planning. Here are 20 ways to fine tune your outplacement program:

1. Employment is a two-way street, and when an employee fails, the company is usually partly responsible. Either they recruited the wrong person or they didn't train or manage them well. So managers should ask themselves, "Have I done all I can to help this employee grow and change? Am I at fault here? Have I caused this person to be ineffective? If so, what can I do differently?"
2. Use performance measurements at all levels of your company, from entry level workers to the CEO. Appraisals don't always have to be written, but they must be honest and direct. Everyone deserves to know how they're doing, even senior executives. Firings at high levels tend to be especially brutal, so make sure even high-level executives are measured.
3. Explain and document poor performance, and give everyone a legitimate chance to improve. Initiate training to strengthen problem areas.
4. The worst outplacement mistake is surprise. If someone is failing, confront them. If their job is on the line, tell them so. Don't allow managers to give good ratings to poor performers, and document poor performance as it arises - don't wait for annual appraisals. Warn problem employees that their work is unsatisfactory, and tell them what needs to be done and by when. If someone's job is in jeopardy, tell them they could be terminated.
5. Listen for fallout. If you hear, "I'm going to get even," "You'll be sorry," or similar comments, take them seriously.
6. When possible, choose retraining or internal placement over outplacement - it's often cheaper than orienting a new hire, and it builds company morale.

7. Bring an experienced outplacement consultant into any termination process as soon as practical. Two to three weeks' advance notice is helpful, but one week's notice is standard. Consultants take emergency calls and respond the same day; but that isn't good planning.
8. Usually there is some element of unfairness about a termination. It comes at the wrong time; six months before vesting in the company pension plan, during a divorce or when a friend or family member is sick or dying. There's seldom a right time to be let go. So carefully review the candidate's personal background. Do you know of any major illnesses in the family? How about serious financial problems? Is the person over 50? Will they be hard to place in another job? If you uncover extreme personal hardship, consider postponing the termination.
9. Provide the best outplacement program you can afford, especially in difficult cases. Some programs are so short they're outplacement in name only.
10. Likewise, don't wait days, weeks or even months to begin outplacement. The first few hours after a termination are critical.
11. Pre-plan the termination meeting. Ask yourself, who will conduct the interview? How will remaining staff be told? What about personal possessions? Who in the work group will really be hurt? Who will carry the extra load?
12. Provide managers with a detailed written script that tells them what to say and what to avoid. Role play the session beforehand.
13. Keep the actual termination meeting brief, usually 10-15 minutes. There's no good way to say, "Your job is ending," and short is usually better.
14. Allow departing employees to save face and maintain self-esteem. Don't attack them or put them down. Explain the decision, but acknowledge their strengths and contributions.
15. Collect keys or other access devices to prevent unauthorized access, copying or "lost" security cards.
16. Be generous with severance pay. Rule of thumb: one month of pay for the first year of service, and one or two weeks of pay per year of service thereafter. Keep severance consistent companywide.
17. Continue medical benefits and employee assistance program during severance.
18. Explain the severance package in writing. Nothing makes a departing employee more angry than guessing about the status of money and benefits.

19. Don't escort those dismissed from the building with armed guards or make them pack their belongings in front of colleagues. Except in high-security areas, let ex-employees leave the building on their own and return after hours under supervision to retrieve their personal effects.

20. In the weeks that follow the separation, answer follow-up questions promptly and thoroughly. Don't keep people hanging.

These basic humanistic steps can greatly reduce the risk of an outplacement crisis.

**3468
ANGER AND
HEART:**

There is much to get mad while on the job. Yes, even while off the job. What does this anger do - for us? A lot. The awareness can make a difference for many of us. The findings of a recent study (as reported by Daniel Goleman in New York Times) are reproduced below:

The things that make your blood boil may be damaging your heart.

That is the conclusion of a study, published in the August issue of *The American Journal of Cardiology*, showing that when people with heart disease recount incidents that still make them mad, the pumping efficiency of their hearts drops by five percentage points, a significant, though temporary, impairment.

The finding, by researchers at Stanford University, seems to be a missing link in a growing body of evidence showing that hostile people are far more likely to develop severe heart disease, and earlier in life, than their more peaceable peers.

Importance of Study

But the study is the first to document a change in heart function brought on by anger; it showed that the heart's pumping efficiency is reduced when people get mad. Although the study was small and much remains to be learned about its findings, experts said it was intriguing and potentially significant.

"A finding like this, that demonstrates a direct effect on heart function from anger, is important," said Dr. Peter Kaufman, acting chief of the Behavioral Medicine Branch at the National Heart, Lung and Blood Institute. "It underscores the role of emotions like anger in the development of heart disease."

The most direct implication of the finding is that patients with coronary artery disease should find ways to handle their anger that will minimize the adverse effects on their hearts, said Dr. Gail Ironson, a psychiatrist who led the research. Dr. Ironson is now at the University of Miami in Coral Gables, Fla.

In the study, Dr. Ironson and her colleagues measured the heart's pumping efficiency in 18 patients with coronary artery disease while they recounted an episode that still made them angry. As the patients recalled the episodes, the pumping efficiency of their hearts decreased an average of five percentage points; seven of the patients had a decline of seven percentage points or greater. Cardiologists regard a decline of that magnitude as evidence of a myocardial ischemia, a drop in blood flow to the heart itself.

Healthy and Unhealthy Hearts

In healthy hearts, about two-thirds of the blood is pumped out and a third remains, and under physical or emotional stress the heart pumps more efficiently. But in people with heart disease the amount of blood ejected with a heartbeat decreases, reflecting the weakening of the heart muscle.

"The five-percentage-point reduction we found in the patients' cardiac efficiency during anger is a significant, though mild drop," Dr. Ironson said. "The patients said they were only about half as mad when recounting the episode as they were while it happened. Presumably the pumping efficiency would be even more greatly reduced during an actual angry encounter."

The patients in the study were asked to recount a situation that still made them angry. Most of the incidents concerned what the patients felt were unresolved grievances or injustices done to them.

One man, for example, told of getting angry when he heard a radio report that the United States was giving reparations to Japanese-Americans who had been put in internment camps during World War II. He himself had been a prisoner of war in a Japanese camp, and he still carried in his wallet a picture of himself as he looked when his imprisonment ended.

Another patient was still angered whenever he remembered how several years before, someone had backed into his car, leading to a frustrating odyssey through insurance company red tape and recalcitrant auto body shops that ended up costing him \$800; afterward he got so upset every time he drove his car that he finally sold it in disgust.

"The study shows that once you've gotten to the point where heart disease has begun, getting angry has a direct negative effect on the heart," said Dr. Redford Williams, director of the Behavioral Medicine Research Centre at the Duke University medical school. "With this magnitude of decrease in cardiac efficiency, all kinds of bad things can happen: a clot can form, ischemia can set the stage for a potentially fatal arrhythmia".

Still, the study complements several others that have found a strong relationship between the trait of hostility and death from heart disease. For example, a 1983 study of doctors led by Dr. Williams and colleagues found that those with the highest hostility levels while in medical school were seven times as likely to have died by the age of 50 as were those with low levels. Hostility was a stronger predictor of death than were other risk factors, like smoking, high blood pressure and high cholesterol.

And research by Dr. John Barefoot at the University of North Carolina shows that in heart patients undergoing angiography, in which a tube is inserted into the coronary artery to measure lesions, scores on a test of hostility correlate with the extent and severity of coronary artery disease.

Of course, no one is saying that anger alone causes heart disease. Rather, researchers now see it as playing a significant role, along with factors like poor dietary and exercise habits, and genetic vulnerability.

"We can't yet sort out whether anger and hostility play a causal role in the early development of coronary artery disease, or whether it intensifies the problem once heart disease has begun, or both," said Dr. Kaufman of the national institute. "But take a hostile 20-year-old who repeatedly gets angry," Dr. Kaufman said. "Each episode of anger adds an additional stress to the heart by increasing his heart rate and blood pressure. When that is repeated over and over again, it can do damage."

Specifically, Dr. Kaufman said, the turbulence of blood flowing through the coronary artery with each heartbeat "can cause micro-tears in the vessel, where plaque develops." He continued, "If your heart rate is faster and blood pressure is higher because you're habitually angry, then over 30 years that may lead to a faster build up of plaque, and so lead to coronary artery disease." Once the disease develops, the new study indicates, the weakened heart decreases in pumping efficiency during anger.

In studies at Duke University, Dr. Williams and colleagues have found that people who are highly hostile have greater rises in heart rate and blood pressure when harassed than do less angry people. In her study, Dr. Ironson found that those people who had a hostile edge to their voices while recounting angry moments and who made threats toward those involved showed the greatest drop in cardiac efficiency. But she does not advocate that people try to suppress their anger.

Message of Study. "The message is not to hold it in, but to express it with assertiveness rather than anger," Dr. Ironson said. "Tell those involved that you're really upset and why, but not in an angry way."

When it comes to events from long ago that still evoke anger, the best approach "is to reflect on it and drop it," said Dr. Margaret Chesney, and epidemiologist at the University of California medical school in San Francisco, who worked on the study with Dr. Ironson. "The old theory was that it was good to cathart, to let out your anger. But just venting it makes it stronger; it doesn't resolve it. You need to think about it differently."

Dr. Chesney added: "New information about what's bothering you can sometimes make anger evaporate. Perhaps realizing what anger does to their heart will help people decide that it's just not worth it to hold on to old grudges."

How to double your money: Fold it over and put it in your pocket. 3469

**LAUGHING
MATTER?**

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