

## 5

# Leadership and Loss Prevention Engineering: Creating Conditions to Get Beyond Compliance to High Performance

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### 5.1

#### Introduction

Never before has there been a more challenging environment for organizations and individuals. Our working networks are expanding, the way we communicate is changing, the global economy is shifting, and technology is altering what we do and how we do it. Regulations and operating requirements are demanding and in many cases appear to be intensifying while the world outside is increasingly complex and rapidly changing. With the advancements in technology, business has become more automated and knowledge based, requiring increased speed of response along with improved ability to collect, sort, and analyze data for better decision-making. Technology is designed to optimize production, minimize losses, safeguard business continuity, and improve the ability to supply customers, and by optimizing the use of our human capital to create organizations that are better, stronger, and more responsive than ever before. With all of this advanced technology, one would think that our lives would be easier, enhanced, safer, more efficient, more fulfilling, and more satisfying, especially at work.

It does not appear so. The Gallup organization has estimated that in the United States, only 33% of employees are actively engaged, that is, enthusiastically participating to impact the company positively. About 49% of employees are not engaged and 18% are actively disengaged. This is costing companies in the United States alone about \$300 billion in lost production (Gallup, 2010). The bottom line of Corporate America is being worn away by employees who are actively disengaged, a problem that cannot be fixed by technological advancements. Similar results were seen in a 2011 global engagement survey of nearly 11 000 individuals from North America, India, Europe, Southeast Asia, Australia, and New Zealand; only 31% of employees were actively engaged, while 52% were disengaged, and 17% were actively disengaged. Engagement levels varied by region, from 37% in India to 17% in China. This is a human issue; we are not optimizing the tremendous assets within our organizations. New hires come into our companies keen, interested, and ready to make a difference. What are we doing to our workforce to cause such significant disengagement? If this were equipment operating at sub-optimal levels, we would

identify the causes and make adjustments to our systems, processes, or materials. Now more than ever, the need to rally the human element in the pursuit of excellence is paramount on many levels: global competitiveness, organizational excellence, preventing or minimizing losses, and creating work as a place of meaningful contribution for individuals.

This *Handbook of Loss Prevention Engineering* will provide standards intended to help organizations mitigate risk, whether it is through injury, fire, explosion, hazardous release, natural disaster, or security threat. The loss prevention principles, policies, practices, and methods for engineering require people to assess, analyze, design, mitigate, and control risks. A loss prevention engineering program has a very obvious purpose. However, there is more to the performance equation than the governance of activities to prevent and mitigate loss. The *people* in the organization that will be engaged in these various risk management activities can have a tremendous impact on performance. The level of employee engagement in organizations can range from malicious obedience to apathy, compliance, enrollment, or commitment/engagement. The level of engagement has been shown to be linked to financial performance. Intuitively, many readers believe this to be true, and this can be seen across industries. A global study of over 900 organizations has shown that organizations with high levels of engagement (where 65% or more of employees are engaged) had shareholder returns 22% higher than the average shareholder return in 2010. Low-engagement organizations (less than 45% of employees engaged) had a total shareholder return that was 28% lower than average (Aon Hewitt, 2010).

These are industry and organizational and especially people issues. Loss prevention engineering is also about people. People establish standards and have to follow them, work within them, or work around them, sometimes to successful outcomes, sometimes not. The global shipping industry every day loses two ships, pays out US\$4 million in claims and radically changes the lives of hundreds of people for ever. Human behavior is the source of virtually all such loss. It is also the reason why the loss is not greater (Gregory and Shanahan, 2010, p. 3).

The intention of this chapter is to give readers a glimpse of the amazing potential of our human capital and how to serve the people better in our work places, while at the same time achieving organizational success in preventing loss. We will review factors that research has shown to be powerful levers in terms of individual performance and motivation, and factors that do not positively affect motivation, despite how hard we try. We will explore opportunities to move organizations beyond compliance with loss prevention engineering principles to commitment in order to optimize human potential and performance. The chapter will also illustrate with case studies that Leadership can create the “right” conditions that will hold their processes, systems, and people together with incredible harmony and soar far beyond compliance to the kind of performance that creates legacies for the companies and the people involved. People flourish, business excels, losses are prevented or minimized, and results are sustained for the long term, which is a model for success.

The greater danger for most of us lies not in setting your aim too high and falling short, but in setting our aim too low and achieving our mark.

*Michaelangelo*

A common strategic practice for companies is to establish a core ideology, vision, values, and purpose to act as a compass that provides the direction for all organizational activity (Collins, 2001, pp. 193–198). The vision and goals act as the beacon that guides individuals, teams, divisions, and business units and drives performance within a company. If a goal is to achieve compliance to a standard, license, or regulation, actions that the company takes with that purposeful execution will move an organization in the direction of that goal. This is quite different if the vision and goals of the organization are dominated by a desire to maximize profits and financial results. In addition to motivating constructive effort, goal setting can induce unethical behavior, such as the setting of sales quotas for Sears auto repair staff, which led to overcharging of clients for work done to meet the quota. A singular and often myopic focus on shareholder value has given rise to flawed decision-making and ethical lapses that suit the balance sheet, but do not create sustainable high performance. Unethical behavior was also seen in the Texas-based energy company Enron, as it raced to meet its revenue goals by any means possible, which was a catalyst in the company's collapse and one of the largest financial frauds in recent US history (Bratton, 2002; Ordóñez *et al.*, 2009).

Setting your aim on compliance with loss control standards is a goal which, if achieved, will yield beneficial results in terms of loss performance measures. However, when setting a goal as a minimum standard, we are on a dangerous path towards achieving just that. In terms of productivity measures, we may come up short, or we may hit the mark. However, compliance with loss prevention standards only will hardly yield the results of a high-performance organization. Really to see measures of that magnitude, we will need to tap into the source of performance potential, the people who create, own, operate, and control those processes.

Sound loss prevention engineering practices are not flashes of brilliance in order to achieve short-term gains, but well-designed systems and processes embedded in the structure and culture of an organization intended to provide consistent results over time. The balance of this handbook identifies these sound practices. This chapter will focus on the human element of loss prevention engineering. Operations that have the latest in technology rarely lead the way simply because of the technology. It is the human component, the people who install, operate, maintain the technology and manage the work who make the difference: separating competitors from leaders, average performance from excellence, near misses from disasters.

The insights provided in this chapter are meant to shed light on the misconceptions surrounding the human element, the motivation we all crave to be successful, and how, once optimum conditions have been met, the intrinsically motivated individual has the ability to support organizational goals and visions with the potential to achieve superior performance. This understanding of the human element

combined with well-developed and implemented loss prevention engineering standards can propel organizations well beyond compliance to a committed workforce en route to high performance.

## 5.2

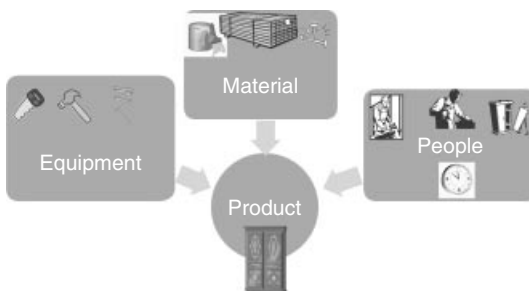
### Management Theories

To understand where some of our modern-day results have come from, we must understand the models of management that were developed with the understanding of the time, which have yielded some limiting paradigms that are still in use today.

#### 5.2.1

##### Scientific Management Theory

Let us first look at the industrial age, when a mechanistic view of management prevailed. The Scientific Management theory was developed in the early 1900s by F.W. Taylor, an American mechanical engineer, who sought to improve industrial efficiency by using job analysis, time and motion studies, and job simplification. People became part of the efficiency equation that needed to be managed as part of the larger “machine” or organization along with equipment and material to generate a product (Figure 5.1). Producing the maximum work possible from that machine was the primary objective. Work was an exchange of a unit of labor for a unit of pay. Simply put, management rewarded the behavior it wanted, and punished the behavior it did not. If workers did the right things, at the right time, at the right speed, then the “machine” would run efficiently. If they did not, the workers were disciplined, punished, or “adjusted” until they were back in line. The jobs were narrowly defined, highly repetitive, and highly structured, with the belief that this would optimize the machine. These characteristics for organizing work and motivating people still exist in the manufacturing industry today in automotive manufacturers, food processing, and electronics manufacturing, almost a century later.



**Figure 5.1** Taylor’s scientific management theory: people are managed as one component of the machine to create products.

For a time, this mechanistic method seemed to produce the desired results: consistent work for consistent pay. Henry Ford's assembly line for the Model T car utilized scientific management and further found ways to increase production while decreasing labor. Little regard was given to the higher needs of the individual. These needs were seen as problematic in the business of building cars (Ford and Crowther, 1922). Over time, individuals became more resistant to being treated like a horse, with a carrot and stick approach. That is, "carrots" delivered when obedient, and the "stick" was applied when workers were not performing as expected. Workers were seen as interchangeable components in the manufacturing process, and this created many challenges. Social groups played a significant role in slowing production and opposing the push towards improving productivity for fear of losing jobs (Taylor, 1911). Workers opposed the use of the "stick." It became much more difficult to correct by punishment, and clearly getting the right results was no closer. Something had to change.

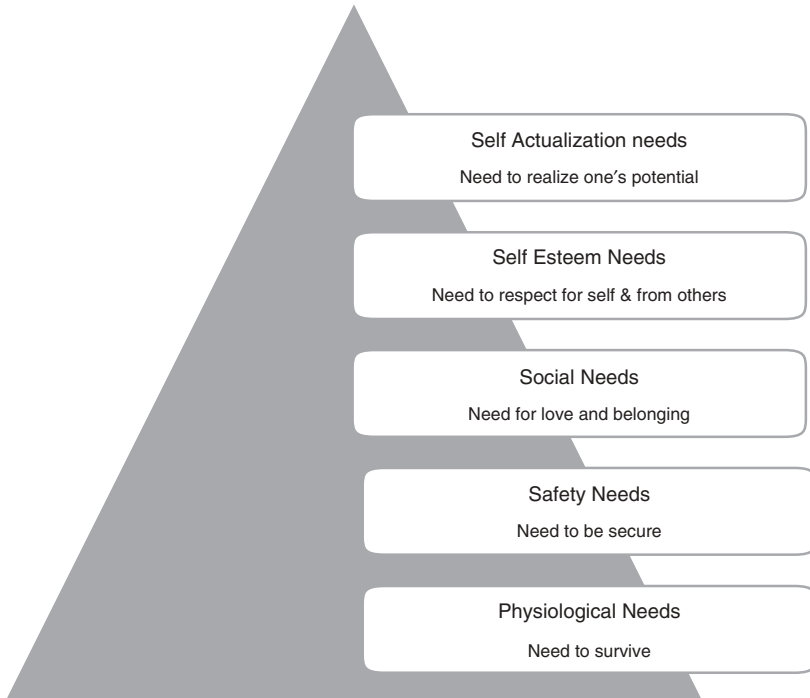
### 5.2.2

#### **The Link Between Motivation in Individuals and Management Theories**

Research on motivation was taking place, and it was recognized that humans were more than just physical beings. Management theories of the day had been founded on the principal that people were merely cogs in the wheels of production, and could be changed with little or no effect. As companies attempted to maximize production, they retooled equipment and continued to ignore the people. Finally, researchers began to take into account the human condition; that workers were more than simply a component in the machine.

In the early 1950s, Harry Harlow noted in a study with rhesus monkeys that by simply putting a puzzle in their cages, with no outside prompting or urging, the monkeys began to solve the puzzles. Without food, attention, applause, or affection, the monkeys became quite proficient at solving puzzles – which was counter to what scientists believed drove behavior. At that time, it was believed that biological drives or rewards and punishments are what motivated people to act. Introducing food to the monkeys as a reward, disrupted, instead of facilitated, the learned performance for solving puzzles (Harlow, Harlow, and Meyer, 1950, pp. 231–234). This was unexpected and contradictory to existing notions of motivation. Harlow reasoned that the monkeys solved puzzles simply because they found it rewarding, the joy of the task was its own reward, and called it an "intrinsic reward." This was an incredible leap from biological urges and rewards and punishments, but it was observed repeatedly in Harlow's research.

Around the same time, Abraham Maslow had theorized that man's motivations are organized as needs in a hierarchy of importance, and lower needs, once satisfied, give way to wants of higher needs. That is, physiological needs or the need to stay alive, once met, give way to safety needs, that is, the need to be secure. In turn, once these are satisfied, love needs, which include affection and belonging, dominated one's behavior. Once met, these love needs yielded to esteem needs that come from achievement, respect from self and others, followed by self-actualization or the need



**Figure 5.2** Illustration of Maslow's hierarchy of needs. (Adapted from Maslow, 1943.)

to become everything one is capable of becoming (Maslow, 1943, pp. 370–396). Maslow described that it was the deprivation of these needs that affected behavior, or the threat of such that will drive the individual to satisfy that need (Figure 5.2).

### 5.2.3

#### **Motivation Theories Integrated into Management Theories**

This was much more complex and distant from previous theories on what was driving behavior in individuals. As the research was shared, these theories were integrated into management practices, very slowly. Logically, since humans are a part of organizations, then consideration of what motivated them needed to be included in the management of these organizations. In 1957, Douglas McGregor described the two theories of management, Theory X and Theory Y. Both theories share the idea that management is responsible for organizing the money, materials, equipment, and people. In Theory X companies, McGregor explained, management actively directed, controlled, and modified behavior and motivated people, and without such active intervention, management believed that people would be resistant or at best passive to organizational needs. The foundational beliefs behind this theory were that the average person was lazy, apathetic, self-centered, gullible, and not very bright (McGregor, 1966).

McGregor believed that people became passive and resistant to organizational needs as a **result** of Scientific Management. With its highly structured, command, and control style of supervision, he proposed that this *caused* worker's behavior, not the other way around! In keeping with Maslow's hierarchy of needs, McGregor stated, as part of Theory Y management, that people did not want security above all. Once satisfied, the need for security was not a motivator of behavior. People wanted more; they wanted a sense of belonging and common purpose with their co-workers. They wanted to be respected for the work they did and their abilities, and to further their knowledge and fulfill their potential. This was the basis of Theory Y, and according to this theory, work could be "as natural as play." McGregor observed that management does not put those needs in the workers. Management just needs to provide conditions and methods of operation so that people could achieve their own goals by directing their efforts towards company objectives.

Peter Drucker is considered the father of modern management. In the mid-1950s, Drucker determined that management by objectives and self-control was a critical mechanism for motivation. "It motivates the manager to action not because somebody tells him to do something or talks him into doing it, but because the objective needs of his task demand it. He acts not because somebody wants him to but because he himself decides that he has to – he acts, in other words, as a free man" (Drucker, 2001).

Drucker's philosophy for management was aligned with the ideas of Maslow and McGregor, dating back to the 1950s! Yet many organizations today still narrowly define roles, limit responsibilities, dictate methods for tasks, or tightly control processes, as can be observed today in production lines in the automotive industry and food processing. Management by objectives is common in industry today. However, when the objectives are imposed, tasks and methods dictated, conditions defined, and parameters predetermined, there is very little choice left for the worker. As a consultant, the author has been asked many times, "Why do our highly skilled workers mindlessly follow rules and procedures, without questioning, even when something is not as it should be?" We have told our workers what to do, how to do it, and what to expect. As a result, we have created conditions for our workforce to comply. Strict compliance does not improve employee engagement. We have workers following rules because they have to, they are required to, and not because they have committed to the "right" actions, for the "right" reasons – because they chose to minimize the risk of injuries, losses, and adverse outcomes.

As early as 1971, Edward Deci, a researcher at the University of Rochester, confirmed what Harlow had discovered over 20 years previously, that money when used as an external reward for some activities resulted in a *decline* in intrinsic motivation. When verbal reinforcement and positive feedback were used, motivation tended to increase (Deci, 1971). More recently, Deci and Richard Ryan, also at the University of Rochester, illustrated in several studies, in many cultures and many times over, that providing an incentive for a task, especially where creativity is required to solve it, produces worse results than no incentive at all. In other words, using rewards to motivate people is when rewards are most demotivating. The rewards are perceived as external control, not free choice.

Intrinsic motivation is described as the inherent tendency to seek out novelty and challenges, to extend and exercise one's capacities, to explore, and to learn (Ryan and Deci, 2000). It is intrinsic motivation that drives individuals to accomplish a great many things for which there is no monetary compensation whatsoever: the only reward is simply the joy that the task and its challenges bring. That is not to say that external motivators are useless; researchers showed that when tasks are routine and do not require much creative thinking, rewards can provide the same lift without negative side effects, especially because there is little inherent reward for routine tasks (Deci, Ryan, and Koestner, 1999).

Harlow discovered in the 1950s that incentives inhibit performance, and this has been affirmed time and time again (Titmuss, 1977). Analysis of 30 years of studies confirm the findings: "in 128 experiments, tangible rewards tend to have substantially negative effect on intrinsic motivation" (Deci, Ryan, and Koestner, 1999). Yet businesses continue to do what science tells us is not effective! Incentives lead to worse performance (Ariely *et al.*, 2005). To tap into the potential of high performance is not simply to implement the best technology, but to engage our workforce best. Establishing conditions for intrinsic motivation is critical to engage employees actively within our companies to move to a better level of performance than with incentives, especially for tasks that require non-mechanical or repetitive actions.

Researchers sought to identify the conditions that elicit and sustain intrinsic motivation, rather than what diminishes this drive. We have innate psychological needs that, when met, we thrive. Self-determination theory (SDT) is rooted in three innate, universal needs that we are constantly striving to meet: autonomy, competency, and relatedness (Deci and Ryan, 2000). When those needs are satisfied, we are motivated, happy, and productive. In the world of motivation, when they are unfulfilled, so are happiness and productivity. Deci and Ryan have shown, based on decades of research, that it is not money or rewards that motivate people, but fulfilling these innate needs that all humans have.

Simply explained, autonomy is the experience of acting with a sense of choice, volition, and self-determination. Competence is the belief that one has the ability to influence important outcomes. Relatedness is the experience of having satisfying and supportive social relationships (Stone, Deci, and Ryan, 2009). These are the conditions that can elicit and sustain intrinsic motivation in individuals. We will first explore the needs, autonomy, competency, and relatedness, and their role in individual motivation, and then we will describe the conditions for autonomy, competency, and relatedness necessary for organizations to allow people not only satisfy to their innate needs, but also to meet the goals of the organization.

#### 5.2.3.1 Autonomy for the Individual

Autonomy means acting with choice. It is the opposite of control. From the writings of Drucker, McGregor, and Maslow, we understand that by giving individuals a greater degree of freedom, it provides them with autonomy. This autonomy to select and direct their own activities and to assume responsibility for themselves satisfies the individual's higher needs. In scientific management, it was the high degree of control that management maintained over material, equipment, and



people that created feelings of frustration and the sense that workers had of being controlled. Autonomy means deciding what you do, when you do it, how you do it, as well as with whom and when.

It is important to point out that autonomy is different from independence. *Independence* can be defined as thinking or acting for oneself. In workplaces, autonomy can be attained while working in teams, where collectively the team sets its own direction and is therefore responsible for managing itself and getting results.

Autonomy may look different from one worker to another, leaving it without a “one size fits all” formula. There may be autonomy on what to do, how to do it, who to do it with and when – or any mix of these choices. The same needs for autonomy apply in schoolchildren, volunteers, or workers. The need for autonomy is seen across age groups and cultures (Deci *et al.*, 2001). A level of autonomy for workers to choose to take actions aligned with loss prevention engineering principles and goals has the potential for getting the right results without coercion, pressure, or external influences.

#### 5.2.3.2 Competence for the Individual

Competence, also referred to in the literature as mastery, is the desire to get better at something that is important to the individual (Senge, 1990; Pink, 2009). Engagement is tightly related to competence. It is the satisfaction and spontaneous interest that comes from the exploration of a subject by the individual that includes a perceived level of competence or mastery. That is an integral part of motivation and the energy related to mastery behaviors. Competence in the skills required for loss prevention engineering activities has the potential to create highly effective results.

Activities are engaging when they are both a stretch and interesting to us. This natural inclination of humans towards competence has been described as experiences in which the activity is its own reward. The perception of competence must include a task that challenges our abilities; Individuals become so enthralled with their activity when they are challenged that they describe it as seemingly in a trance where time passed quickly and things around them dissolved. Engagement is the key to this trance-like experience, termed “flow” (Csikszentmihalyi, 1990). These flow experiences are described as “autoletic.” With its Greek origins, *auto* meaning self and *telos* meaning goal, this term is meant to address times when performing the activity itself is the reward. Highly skilled rock climbers, surgeons, chess players, and composers of music listed designing or discovering something “new” as being most similar to flow activity (Csikszentmihalyi, 1975).

Many people experience flow in their personal lives through hobbies and sports where there are clearly defined goals; reach the top of the trail, paint the picture that is in your head, hit the net. Feedback is immediate with these tasks and the link between what one has to do and what one is able to do is ideal. Frustration occurs when the task is too difficult for one’s capabilities. When capabilities far outsize the task, the result is boredom. For the sensation of flow, the task must be challenging enough to stretch current abilities – that is the reward. It is that slight imbalance between a stretch challenge and capabilities that makes the effort the

reward (Csikszentmihalyi, 1990). Imagine if we achieved this feeling of competence in our working life, how much more engaged and productive we would be towards organizational goals. This is a very different level of motivation from instances when the activity is focused on the consequences, or future benefit from an activity such as pay, recognition, or social benefit.

As a consultant, the present author has observed that the pull towards competency is countered by an equal and opposite pull back towards the old ways of doing things, inside the comfort zone. That pull back to our comfort zone can be stronger and easier than change and must be resisted, because if we revert to the old way of doing things, it brings with it the old results, the very thing we want to change or master. With any change, including changes to our best practices for loss prevention engineering, doing things a different, “better” way means that there will be tension between our skillset and the new, challenging demands of a rigorous loss prevention culture. This tension is the impetus for change, the stretch for a clear goal. If we expect to improve performance, we must change.

One might ask, “Why is it that some people are attracted to challenging situations, whereas others avoid them?” The answer is found in our mindset, a precursor to competence or mastery. Mindset or perceptions shape actions. What people believe affects what they can achieve. Carol Dweck established the idea of two distinct self-theories or mindsets (Dweck, 2006, pp. 6–7). The fixed mindset is a self-theory where an individual believes that they have a limited or fixed ability, for example, “this is as good as I get.” The opposing mindset is a growth mindset, in which one believes that with effort we can improve in the facet on which we are focused. Growth mindsets lay the foundation for intrinsic motivation through the pursuit of competence. The belief that one has the ability for growth provides a path to optimize one’s mastery of a task or activity, and can be a significant factor in unlocking opportunity, competence, and success. Individuals with fixed mindsets when faced with challenges to meet the rigors of best practices for loss prevention engineering may be satisfied in what is the current situation and not even attempt to develop the mastery to become a leader in loss prevention.

#### 5.2.3.3 Relatedness for Individual

Relatedness is described as having satisfying and supportive relationships (Stone *et al.*, 2008) – a sense of belonging and contribution. This is something many people find outside of work. Relatedness can be further described as having a sense of purpose connected to something that is perceived as meaningful beyond personal goals. The most deeply motivated people – not to mention those who are most productive and satisfied – hitch their desires to a cause larger than themselves (Pink, 2009, pp. 130–146). In this chapter, we will use relatedness to describe connectedness to both people and purpose.

As a third innate need, relatedness falls distal to autonomy and competence for intrinsic motivation. Certainly, there are many intrinsically motivated activities which can be pursued individually, but the connectedness of a task provides a sense of belonging and purpose. Individuals with a personal vision believe deeply in their ability to create their future. A personal vision cannot belong to someone

else; however, people with a strong sense of personal direction can join together to create a powerful synergy towards what they truly want (Senge, 1990, p. 212).

A key to significant change can be identified as “forming a new relationship with a person or community that inspires and sustains hope” (Deutschman, 2007). This provides the “life-force” for change in individuals. Relatedness creates a sense of belonging, even when people are dedicated to their own individual goals within a group of people having similar focus and purpose. This is often the driving force when individuals spend much of their leisure time pursuing volunteer activities, with others aligned to a similar purpose. This will be further explored when we look at these innate needs in organizations.

### 5.3

#### **Moving Beyond Mechanistic Management**

Leadership can establish conditions of autonomy, competence, and relatedness that will either promote intrinsic motivation towards the goal of loss prevention engineering best practices and principles, or diminish it. Knowing what you know now about people and what drives them, which would you choose?

SDT showed us that humans are naturally active and that there are natural tendencies towards development and growth that require sustenance, autonomy, competence, and relatedness (Ryan and Deci, 2000). The present author has seen many managers and leaders who have recognized that the human element is a significant source of energy in pursuit of high performance, more so than tools, material, processes, or equipment. Organizations are no longer viewed strictly as machines explained simply by physics. A newer explanation includes biological, behavioral, and social components – human elements. Organizations can be viewed more as organisms than machines, which, as a whole, have systems and processes that are highly interconnected and interdependent with a natural tendency towards growth. Machines do not have a natural tendency towards growth. Organizations that are focused to a greater extent on the people, and their needs, are quite distinct from a mechanistic organization with scientific management, that is the carrot and stick approach. By establishing conditions for intrinsic motivation, organizations focused on people find a completely different way of leading and managing. Aligned with Theory Y, this *humanistic* approach to managing a group of people is distinct from the scientific approach because the control over results comes from the individual, not from management. The intrinsically motivated individuals are compelled to achieve the goals they have set for themselves, not those imposed on them from someone else controlling the work.

### 5.4

#### **Humanistic Organizations**

One person, while fulfilling their need for autonomy, competence, and relatedness, can produce impressive results, that is, results that go beyond just the minimum

standards established by organizations. When humanistic organizations design conditions to support the intrinsic motivation of their workforce, they tap into the ever-powerful human element. It is the combined efforts of a group that operates under conditions of competence, autonomy, and relatedness that will result in outcomes much greater than the outcomes of the same number of individuals working independently. Anecdotally, the reader may have been fortunate enough to have participated on a “magical” project, team, or accomplishment that came from the right mix of experience and expertise (competence), with the ability to make things happen (autonomy) to solve a significant and meaningful problem or reach a commonly desired goal (relatedness) – that is, the synergy of an organization, team, crew, class, or department and the impressive results that can be achieved with a common purpose. Imagine the results that can be created from the synergies of the hundreds or thousands of intrinsically motivated people in an organization! Humanistic management can provide a set of levers, which may be engaged to accelerate pace and amplify results. The whole is certainly greater than the sum of its parts. The case studies later in this chapter show examples of these synergies.

Attempts to promote certain desired behaviors in an organization can result in motivation ranging from unwillingness to passive compliance to active personal commitment. For example, an individual who follows a required behavior for wearing mandated personal protective equipment correctly may be doing so because of the threat of discipline, a supervisor’s presence, or simply because the individual truly believes that is the best and safest behavior for themselves and their co-workers. It is the latter, active, personal commitment or a feeling of choice that is so closely aligned with intrinsic motivation, whereas the former involves compliance with external regulation. Extrinsic motivation refers to the performance of an activity in order to obtain some separate outcome, such as pay. The more closely aligned the required behavior is with conditions supportive of our innate needs, the closer the extrinsic motivator is to being intrinsic. Much of what we do in the workplace we are paid for, hence we are not truly intrinsically motivated. When there is an external reward pursued, then scientists have called that situation integrated motivation (Deci and Ryan, 2000). Integrated motivation is as close to intrinsic motivation as one can get when external rewards are involved.

Conditions supportive of autonomy, competence, and relatedness were found to cultivate greater integrated motivation. This is good news for organizations. We can create conditions supportive of the needs of SDT and provide the forum for motivating others in a positive light. This also means that when we create conditions requiring excessive control, situations, or tasks that are not challenging or lack connectedness, in contrast, disrupts intrinsic motivation and results not only in a lack of initiative and responsibility, but also in distress for the individual (Deci and Ryan, 2000).

Let us explore how those conditions of intrinsic motivation in humanistic management help us get beyond just compliance, to personal endorsement in high performance in organizations.

### 5.4.1

#### Autonomy in Organizations

Theory X identified that, if workers had a free choice, they would not have taken on responsibility, and were self-centered and indolent and preferred to be led. In Theory Y organizations, management's role is to provide conditions and methods of operation that allow people to achieve their own goals by directing their efforts towards organizational objectives. Humanistic management, strongly aligned with both Theory Y and SDT, identifies that people want to design and be accountable for their outcomes: what they do, when they do it, how they do it, with whom, and why they do it.

In organizations, autonomy is different from independence. We may be dependent on others, yet still act autonomously or by our own will. By establishing conditions that allow individuals the choice of work they do, when and how they do it, and with whom they choose to work, a manager can provide conditions that satisfy the need for autonomy. Dialog is central to supporting autonomy in an organization. Dialog is the open discussion that allows individuals to explore deeply held beliefs, assumptions, and the status quo, without judgment and as equals, regardless of the other's position or seniority (Senge, 1990, pp. 238–249). It is open and transparent dialog that brings with it free choice or autonomy. In organizations that value autonomy, decision-making will be pushed down to a level where competence can be grown to handle it and show how these new skills contribute to organizational goals and objectives.

An example of an organization that has created conditions that support autonomy is W.L. Gore & Associates, Inc. This company has had a position on *Fortune* magazine's annual list of the US "100 Best Companies to Work For" for the 14th consecutive time in 2011, making it one of a select few workplaces to appear in every edition of the rankings. As of 15 December 2011, W.L. Gore stated on its web site:

W.L. Gore has a flat lattice organization that fosters personal initiative with no organizational charts, no chains of command, and no predetermined channels of communication. Associates (not employees) are hired for general work areas. With the guidance of their sponsors (not bosses) and a growing understanding of opportunities and team objectives, associates commit to projects that match their skills. All of this takes place in an environment that combines freedom with cooperation and autonomy with synergy.

At W.L. Gore, autonomy is a tenet for the company, built into its structure, decision-making, and culture. There are four basic principles to which associates are expected to adhere, one of which is to base decisions on knowledge and experience, rather than title or position. Associates are encouraged to grow in knowledge, skill, and responsibility, and to make their own commitments. There are no bosses at W.L. Gore; instead, it is dominated by humanistic management thinking: the team you are working with is your "boss," and individuals decide for themselves what new commitments they want to make to the team (Deutschman, 2007, pp. 111–113). Some individuals find the lack of formal organizational

structure disconcerting and adjustment difficult, as their whole career had been spent in Theory X companies.

William L. McKnight, President of the Minnesota Mining and Manufacturing Co., now known as 3M, became President in 1929 and Chairman of the Board in 1949. His basic rule of management was laid out in 1948, and at the core of this is autonomy:

- Delegate responsibility which encourages workers to exercise their initiative.
- Good people will want to do jobs their own way, management must be tolerant.
- Mistakes will be made, but if a person is essentially right, those mistakes are not as serious as the mistakes management will undertake if they tell those in authority exactly how to do their jobs.
- Destructively critical management when mistakes are made kills initiative.
- Initiative is essential to growth (3M, 2011).

In 1954, 3M had worldwide sales that exceeded \$500 million. According to 3M's web site, in 2009 3M had \$27 billion in sales, employed about 80 000 people worldwide, and had operations in more than 65 countries. Their management practices are clearly working in their favor.

In today's world, innovation is touted as critical to growth in the new economy. However, with rigid management systems, processes, job descriptions, and even performance improvement initiatives, few companies are geared to tolerate failures. Although failures are not encouraged, they are understood to be part of personal and organizational growth. In humanistic management, the foundations for autonomy include openness, transparency, trust, diversity, tolerance, humility, initiative, and support, which allow organizations to accept and learn from failures. Those traits are not things put in place by policies and procedures, but by choices and behaviors set, demonstrated, and reinforced by leadership. As a company committed to loss prevention engineering best practices, creating an environment supportive of autonomy is fundamental for an intrinsically motivated workforce to choose the best practices over complying with them because they were told to do so.

#### 5.4.2

#### **Competence in Organizations**

At work, competence is a critical factor for satisfaction. Being underskilled or lacking specific skills to complete a task results in frustration for all those involved in the work. If a task or activity is not challenging enough, boredom ensues. When challenges and skills are both high at work, individuals feel happier, more cheerful, stronger, and more active; they concentrate more; and feel more creative and satisfied (Csikszentmihalyi and LeFevre, 1989). When this gap between skill and challenge is ideal, workers describe being in a state of "flow." When leaders create environments where mastery is actively sought, without pressure or coercion, we will see improved performance that meets the needs of the individual while contributing to company objectives and goals. Events such as feedback, communications, and rewards can contribute towards feelings of competence

during work and can enhance intrinsic motivation for those actions (Deci and Ryan, 2000). In organizations or team settings, those things which promote one's sense of competence positively contribute to employee engagement. Individuals describe the experience of the entire operating team acting as a single unit or organism, moved by the same purpose, as highly satisfying (Csikszentmihalyi, 1990, p. 65). This concept of mastery can be established throughout the organization with opportunities to learn and expand ideas and practices into more productive or innovative areas.

Not only is mastery essential for an individual's motivation, team learning is a critical component for competence in organizations. As companies are becoming much more complex, individuals will typically work with the combined knowledge, skills, and efforts of teams. Understanding the conditions of team learning and putting that groundwork in place is a considerable challenge for organizations. Team learning with tolerance, constructive and timely feedback, and recognition will yield powerful results. It is rarely a technology issue that prevents team learning; it is a people issue. Team skills are more challenging than individual skills to acquire when there is collective learning that must occur. Team learning is comprised of dialog and discussion, innovative coordinated action, and the active role of team members (Senge, 1990, p. 296). The present author has seen these more complex interactions, once mastered, yielding powerful synergistic results.

Competency is often pursued for the purpose of external rewards, incentives, bonuses, or pay raises. In organizations, when the calling for competency is aligned with a bigger, more meaningful purpose for the individual and organization, that can provide not only the opportunity for growth, but also the drive for growth. People want to support in an effective manner through their unique skills and abilities, to make a meaningful contribution in the organization. This is apparent as many people look to utilize their skills and strengths outside of the workplace in volunteer efforts, where their unique skillset can be used towards a higher purpose.

When engagement occurs on a larger scale – in a team or with a group – there can be a “flow” experience when what can be achieved is much greater and more complex than what had been done in the past (Csikszentmihalyi, 1990, p. 65). If you are fortunate enough to have had an experience like this, whether in a team sport, volunteer effort, or a team at work, you will understand the satisfaction that comes from having your competence stretched and rising to the challenge within a group. When management establishes humanistic conditions the team can gain momentum, inner strength, and confidence through growth opportunities creating synergistic energy that will allow them to achieve things far greater than the sum of its individual efforts. The results will be astounding, and are experiences will be things people recall and regale for a lifetime.

Bill O'Brien, CEO of Hanover Insurance Company, helped take the company from the verge of bankruptcy to 16th among 68 insurance companies as surveyed by Forbes, in roughly 20 years. Team learning and competence played a significant role at Hanover Insurance, where the values of “merit” and “openness” provided people with the opportunity to dialog productively around the different ways of looking at the world. “Merit” was described as making decisions based on the

best interests of the organization (O'Brien, 1998). These decisions could only be achieved through "openness," which O'Brien described as the confidence to have the difficult but honest discussions to explore our deepest assumptions, making them explicit, so they can be tested, without judgment, which allows for stronger team learning Senge (2009, p. 182). It is this kind of team learning that allows for change, especially when the options are limited. Unfortunately, some organizations on the verge of failure continue with the story telling, hidden truths, and blame to the destruction of the organization, and the immense impact that has.

In the 1980s, General Motors (GM) factories were a clear example of Theory X companies, where the belief that management had to control, coerce, and threaten workers to keep operations moving effectively. The challenges for workers were not with the single task on the assembly lines, but with figuring out ways to wrestle control out of the hands of management. In 1982 at the Fremont, CA plant, the local union was fighting more than 600 grievances, and more than 60 contested firings, and eventually GM closed the Fremont plant. In 1984, it reopened as NUMMI (New United Motor Manufacturing, Inc.) a joint venture between GM and Toyota where, using the same workers, it went from one of the highest defect rates to one of the lowest (Deutschman, 2007, pp. 106–111).

A transformation of the workforce took place, where single-task assembly line jobs in the GM world were expanded to include mastery of several tasks within a Unit. This increased one's ability to work at many stations, and to be responsible as a team for a group of tasks, and this created the opportunity for challenges and mastery for workers in otherwise highly repetitive jobs. There were other factors in this successful re-creation of an automotive plant, but competence was certainly one of the critical facets of the success.

Companies that demonstrate humanistic management maximize the product of mastery and competence, allowing workers to choose to work on projects in areas of their expertise to create new products or services that could be value added in the future. Google has created an informal system for people to work on ideas that they are passionate about that may not be in their normal scope of work. This sanctioned work allows individuals and teams to spend up to 20% of their time at work on something work related. These are the conditions of humanistic management that are conducive to what was earlier describe in this chapter as "flow," where challenges lie beyond current capabilities, but incremental steps and goals with immediate feedback give us a drive to create. In the Google world, this "20% time" has resulted in team problem solving that has created new products, such as Gmail and Google News, and services, such as Google shuttle buses that bring people to work at its Mountain View, CA location (Mediratta and Bick, 2007).

A humanistic organization that has processes and a culture which promotes collective learning and competence can support better understanding of issues and problems, and an enhanced ability to generate innovative solutions that will create pathways to growth. Leaders of companies that have this growth mindset can establish a culture of expanding boundaries that can achieve incredible results through mastery. However, with a mentality focused on compliance, where meeting the



criteria is the goal, there are few stretches beyond compliance. This creates a fixed mindset across an organization, an audit mentality. Growth for the organization can be limited with a compliance focus and the innate need for competence is left unsatisfied by those working in this culture.

#### 5.4.3

#### **Relatedness in Organizations**

Individuals connected in a supportive team, with a common and shared vision (where people have chosen their direction), can create synergies that are far beyond the imagination of a sole person. A humanistic organization must set up conditions to support and sustain relatedness; one way is with core values of connectedness, diversity, open communication, and mutual respect. These core values lay the groundwork upon which a shared vision can be created, debated, honed, and accepted. “It is not truly a shared vision until it connects with the personal vision of people throughout the organization” (Senge, 1990, p. 214). It is this connectedness or relatedness to a shared vision that creates a common sense of purpose and synergy that comes from being inspired as one of many who are part of something greater than themselves. Relatedness also provides an alignment with shared vision that creates a common identity, a first step in allowing people who had differences to begin to work together (Senge, 1990, p. 208).

Bill O’Brien, CEO of Hanover Insurance, describes relatedness as “love” within organizations. He describes a deeper meaning of love in this capacity: a passion to help others complete themselves. He believes that although love is rarely spoken of in business circles, when pursued and achieved amazing things happen (Senge, 1990, p. 285). As a leader in a humanistic organization, there is an opportunity to build a sense of relatedness that provides a backdrop for trust in a work setting and unleash an outpouring of energy towards a common goal and purpose. When we fail to create a climate of relatedness with each other and a purpose, we are missing tremendous opportunities to fulfill individuals’ needs for which the return on investment will be significant.

Mike Kelley, a VP of Operations at The Offshore Drilling Company (TODCO), a drilling contractor in the oil and gas industry, described this condition of relatedness as a caring and concerned culture, which was the starting place for their transformation. TODCO started out as an amalgamation of more than 10 different competing companies. That meant at least 10 different cultures, patched together and working as a single entity, in an industry that is traditionally harsh, rough, aggressive, and punitive. Kelley led the charge, creating conditions that fostered a caring and concerned culture, which meant love for others (Kelley, 2008). As with Hanover Insurance, love is not a typical business term, let alone a workplace norm in the energy industry. It was through transparency, opening channels of communication, rig visits, asking for input, listening to input and making changes, welcoming diversity, and becoming a learning organization that this company created trust and relatedness through their culture, and results that were outstanding by any measure. Other conditions that created this high-performance

company will be highlighted in more detail in a case study later in this chapter. The group of people that were TODCO created a legacy through work that was fun, meaningful, and satisfying as it moved them ever closer to the shared vision they had created. The result of these efforts was significant shareholder value – creating a 370% stock appreciation in just over 3 years, with an IPO price of \$13.10, and the price of \$48.55 when TODCO was sold in July 2007 (Kelley, 2008). This is a powerful and inspirational transformation that had loss prevention and a focus as a central value in their establishing their culture.

Relatedness is more easily managed in a smaller organization, where individuals can build relationships, trust, and teams. W.L. Gore and Associates, the creator of Gore-Tex®, a plastic coating that makes clothing waterproof yet breathable, has a rule of 150. Bill Gore, the late founder of the company, stated in an interview some years ago, “We found again and again that things get clumsy at a hundred and fifty” (Gladwell, 2002, p. 185). At this size, his philosophy was that you did not need layers of upper and middle management – because in groups that small, informal relationships are more effective. “Peer pressure is highly effective. People want to live up to what is expected of them,” stated a long-term associate of the firm. In fact, W.L. Gore has no bosses, but sponsors who serve as mentors (not bosses – considered the “B” word), and team members choose to follow because of an idea or shared passion. Team members establish their own roles to fit their own interests and strengths. The power of community keeps people on track. A committee meets annually and reviews associates’ contributions and decides on salaries and bonuses like a law firm. (Deutschman, 2004). This is a truly a humanistic company. W.L. Gore reported that it has more than 9500 associates (employees) in 30 countries with annual revenues for 2010 at \$3 billion; 2011 marks the 14th consecutive year that W.L. Gore & Associates has been on the Forbes “100 Best Companies to Work For” list. These conditions of relatedness to others and a shared purpose, when present, can create self-sustaining motivation. That is not the case with external rewards; they are not self-sustaining, and it is perceived as external control over the tasks by the performers. Without the conditions of relatedness, intrinsic motivation is thwarted.

In humanistic organizations, having satisfying and supportive relationships that create a sense of belonging to a community and a meaningful purpose can generate many powerful outcomes, such as loyalty, commitment, and connectedness. One can consider the many examples around us in our day-to-day lives, where individuals spend countless hours, dollars, and effort in unpaid work, simply for the challenge and/or joy that the effort brings. We know people who are involved in volunteering, developing, creating, sharing, contributing after putting in a full day, week, or lifetime of work. What is the motivation for this? Ask people directly, and you will be fascinated by what you hear: statements such as, “it gives me a reason to get up, I feel useful, I want to contribute, I need to be part of something bigger, I need to feel like I contributed to something bigger than myself.” The need for relatedness creates a drive to attain it.

## 5.5 Case Studies of Humanistic Management

Daniel Pink (Pink, 2009) compared the stories of two encyclopedias, known to many readers, that will serve to illustrate the SDT and intrinsic motivation at work. The comparison of these encyclopedias is set in 1995, and if you take yourself back to that time and look forward, you would wonder how these ideas could ever compete. The first encyclopedia comes from Microsoft:

It will pay professional writers and editors to craft articles on thousands of topics. Well-compensated managers will oversee the project to ensure it is completed on budget and on time. Then Microsoft will sell the encyclopedia on CD-ROMS and later online. The second encyclopedia won't come from a company. It will be created by tens of thousands of people who write and edit articles for fun. These hobbyists won't need any special qualifications to participate. In addition, nobody will be paid a dollar or a euro or a yen to write or edit articles. Participants will have to contribute their labor—sometimes twenty and thirty hours per week – free. The encyclopedia itself, which will exist online, will also be free – no charge for anyone who wants to use it. (Pink, 2009).

Pink further suggests, that in 1995, you would be hard pressed to find an economist who would have suggested that the second model for the encyclopedia would have been more successful than Microsoft's. Which would you have guessed? In 2009, Microsoft pulled the plug on MSN Encarta, which had been on the market for 16 years, while Wikipedia – the second model – has become the largest and most popular encyclopedia in the world. What made them work or fail?

A recent fundraising letter found on 30 November 2011 on the Wikipedia website from a programmer at the Wikipedia site illustrates a humanistic organization and the SDT at work. Can you recognize autonomy, mastery, and relatedness?

I don't think there will be anything else that I do in my life as important as what I do now for Wikipedia. We're not just building an encyclopedia, we're working to make people free. When we have access to free knowledge, we are better people. We understand the world is bigger than us, and we become infected with tolerance and understanding.

Wikipedia is the 5th most visited website in the world. I work at the small non-profit that keeps it on the web. We don't run ads because doing so would sacrifice our independence. The site is not and should never be a propaganda tool.

I work at the Wikimedia Foundation because everything in my soul tells me it's the right thing to do. I've worked at huge tech companies, doing some job to build some crappy thing that's designed to steal money from some kid who doesn't know it. I would come home from work crushed.

You might not know this, but the Wikimedia Foundation operates with a very small staff. Most other top-ten sites have tens of thousands of people and massive budgets. But they produce a fraction of what we pull off with sticks and wire.

When you give to Wikipedia, you're supporting free knowledge around the world. You're not only leaving a legacy for your children and for their children, you're elevating people around the world who have access to this treasure. You're assuring that one day everyone else will too.

Thank you.

Brandon Harris, Programmer, Wikimedia Foundation

This example demonstrates an organization that is closely aligned with a humanistic management model. The conditions of competence, autonomy, and relatedness ring true in this letter. It helps to illuminate the SDT as a solid driver of performance in organizations, and the powerful results. And yes, the present author made a donation.

Another case study to look more closely at the humanistic management model is the transformation of TODCO. As introduced earlier, this "worst to first" story of a drilling company describes the shift from a traditional Theory X company to a humanistic organization. In Kelley's description, it is apparent that the command and control, autocratic, heavy handed, and punitive style of management when TODCO was first formed was based on the legacy of the smaller drilling companies that had been pulled together to make up TODCO. In roughly 3½ years, TODCO had almost doubled its workforce in the tight labor market of the mid-2000s from 1700 to 3000 employees in 18 months. It had reactivated 12 idle rigs, and reduced downtime from 3.00% in 2004 to 1.07% in 2006. By creating a caring and concerned culture and a different way to work, TODCO went from a total recordable incident rate (TRIR) of 2.3 in 2004 to 1.26 in 2006, the last full year of operation. TODCO was recognized by its regulator with the 2005 Safety Award for Excellence, the Mineral Management Service's highest award presented to a drilling contractor in its first full year of operation, a feat that had never been achieved before in that industry. All the while, its stock price increased 3.7-fold from its IPO to its sale, in 2007 (see Table 5.1).

"Individuals and groups were being stretched and pulled out of their comfort zones, mostly through personal choice, and they were growing and aspiring to levels of performance that would previously have been considered unthinkable" (Kelley, 2008). With visible leadership throughout the organization, clear standards and expectations, and a caring and concerned culture, it was proved that great results can come from seemingly unlikely places. This was clearly an initiative of the leadership; however, it was evident to TODCO that every person can lead, coach, and mentor others.

The examples of competence, autonomy, and relatedness are outlined in Table 5.1 to illustrate specifics of their journey. The results were not the sole focus of the

**Table 5.1** TODCO's transformation (Kelley, 2008).

TODCO 2004	TODCO 2007
<ul style="list-style-type: none"> <li>● Newly formed, amalgamation of more than 10 companies</li> <li>● Team described as unmotivated, unengaged, and uninspired</li> <li>● Known for poor service and poorly delivered</li> </ul>	<ul style="list-style-type: none"> <li>● Caring, concerned culture</li> <li>● Visible and involved leadership</li> <li>● Stretch performance standards</li> </ul>
<i>Management style (autocratic)</i>	<i>Management style (autonomous)</i>
<ul style="list-style-type: none"> <li>● Command and control style</li> <li>● Heavy handed and punitive</li> <li>● Senior Supervisor provided onsite leadership and direction</li> <li>● Tell you what to think, what to do</li> <li>● Management visits the rig to fire people</li> <li>● Work directed from the top</li> </ul>	<ul style="list-style-type: none"> <li>● Craft vision and mission with rig personnel</li> <li>● Genuine leadership distinct from authority</li> <li>● Involvement, collaboration, and empowerment</li> <li>● Involved leadership, listening, and motivating</li> <li>● Open, honest, frank discussion, ask for input from whole team</li> <li>● Personal choice to do something different</li> </ul>
<i>Competence</i>	<i>Competence</i>
<ul style="list-style-type: none"> <li>● Diluted experienced base</li> <li>● New employees mentored by experienced workers</li> <li>● Perpetuate the status quo</li> <li>● Training done by consultants</li> </ul>	<ul style="list-style-type: none"> <li>● New skills techniques for coaching, embracing diversity, resolving conflicts</li> <li>● Frustration using new skills, temptation to revert to old ways</li> <li>● Rig managers master topics and lead sessions for new skills</li> <li>● Support from leadership</li> <li>● Individuals choose personal growth</li> <li>● Outside of comfort zone</li> <li>● Walk the talk</li> </ul>
<i>Focus</i>	<i>Relatedness/(people/purpose)</i>
<ul style="list-style-type: none"> <li>● Mergers and acquisitions commonplace</li> <li>● Top-down messages</li> <li>● Focused on jobs</li> <li>● No input from the floor</li> </ul>	<ul style="list-style-type: none"> <li>● Management visited rigs – focus on people and personal lives</li> <li>● Training in skills to deal with others effectively</li> <li>● Peer support</li> <li>● Open, honest, and frank dialog</li> <li>● Sought input from whole team</li> <li>● Collectively chose to make a meaningful contribution</li> </ul>
<i>Results</i>	<i>Results</i>
<ul style="list-style-type: none"> <li>● 1700 employees</li> <li>● Downtime: 3.00%</li> <li>● Total recordable incident rate: 2.3 (2004)</li> <li>● 2003 operating revenues: just over \$200M</li> </ul>	<ul style="list-style-type: none"> <li>● 2005 regulators safety award for excellence (first time given to a company in its first full year of operation)</li> <li>● Over 3000 employees in 18 months</li> <li>● Downtime: 1.07% (2006)</li> <li>● Total recordable incident rate: 1.27 (2006)</li> <li>● 2006 operating revenues: just over \$900M</li> </ul>

leadership, but a by-product of spending effort creating a culture that focused on the human element, and tapping into the intrinsic motivation of the workforce with a clear focus on growth of the individuals, all the while creating growth in the organization. TODCO is a great example of the power of creating a humanistic management style to achieve outstanding results in loss prevention.

Leadership is the critical element in the success of a loss prevention engineering program. The underlying motivation or vision for creating such a program will establish the organizational factors that will determine how such a program will be implemented, accepted, followed, and embraced, and ultimately the level of success of the organization. If the goal of the company is to minimize loss, to maximize profits, or to reduce regulatory interaction, this goal just might be achieved. However, the cost of this goal may very well be the lack of engagement, or the active disengagement of the workforce. Active disengagement has been shown to be insidious and relentless in eroding away the company's bottom line. Getting beyond a focus on compliance, aligning the organization with humanistic management will open the door to high performance, and the engagement, joy, and satisfaction for the workforce that comes along with leading in harmony with the human condition.

The purpose of this chapter was to illustrate to readers that it is the people that will dictate the level of success in organizations. The leadership in organizations is responsible for establishing conditions for creating and sustaining intrinsic motivation of those people: autonomy, competence, and relatedness. Leaders in any company can range from informal thought leaders to leaders by title, from well-respected shop floor employees to supervisors, to line managers to CEOs. The impact that individual leaders can have on loss prevention is directly related to their position in their company, their thoughts, behaviors, and actions, and the number of followers who chose to be led.

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