LEC Leadership Energy Consulting

Five People Management Hacks For The Digital Economy

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Throughout most of the 20th century, management practices were designed to maximize control over employees. From punch cards to 'management by objectives,' employees were told what, when and how much they needed to do, and supervised closely. It is commonly believed that if left to their own devices, employees will do as little as possible to survive. And so, the primary job of managers is to closely motivate and manage employees to maximize productivity.

Thanks to 24/7 connectivity and the arrival of the gig economy, today's 21st century workforce is more empowered than ever before in human history. By some estimates, about 40% of the workforce in the US and some European countries has already shunned traditional fulltime employment in favor of free agency. These free agents, by definition, have a lot of freedom. They decide when and how much to work. They don't need to be micro-managed because they fully understand that their rewards depend directly on how much (and how well) they produce. According to experts, the trend towards free agency is only going to accelerate in the coming years, raising a critical question for fulltime employers: How to retain and motivate traditional fulltime employees when 40% of the workforce has total freedom? To successfully address this challenge, organizations must understand and practice these five people management hacks.

1. To maximize productivity, set them free

Imagine working for a company that does not monitor your office hours or your work - you are free to decide when and how much you want to work; and take as much vacation as you need. No, I am not fantasizing. This is exactly what a lot of companies are already doing. Why? Because they've understood the first hack – setting employees free increases productivity rather than the other way around.

That performance in any group distributes itself on a 20:60:20 curve is a well-established fact. About 20% of workers in any group are exceptional performers, 60% are average, and 20% are low performers. Thanks to Vilfredo Pareto, we've also known since 1906 that 20% of the people produce 80% of results. Forcing all 100%

of them to set stretch goals and hoping that they will all achieve exceptional results is an exercise in futility. If employees can choose when and how much they want to work with the explicit understanding that their rewards (and consequences) will be commensurate with their choice, they will be much happier, and the organization will be able to pay them appropriately. Organizational productivity will not suffer for two reasons: One, the top 20% will anyway produce 80% of the results, and Two, the remaining 80% will be freed to work without the stigma or pressure of non-performance and contribute with higher engagement. Whether we like it or not, the 20:60:20 distribution is a given. Why not legitimize it, and manage staff costs accordingly? It's a win-win for all.

2. Play favorites

"Why is A paid so much higher than B, C and D," asked an employee in a townhall meeting. "This is unfair favoritism," he added. Here's how the CEO responded: "A is paid more because of the quality and quantity of his results. If you want to be a favorite, join the club and we'll pay you as much too. A's goals and results are not a secret, neither are yours. It is that simple and transparent."

In line with hack #1, in today's open source transparent era, it is perfectly OK to pay/reward people disproportionately based on the empowered choices they make. Performance expectations must be made clear – *this is what you need to do if you want to be in the top 20%. If you choose to operate as part of the 60% or the bottom 20%, that's ok, but remember, your pay and rewards will vary accordingly. It is entirely up to you- you decide.*

Contrary to conventional practice, we strongly recommend making salary information public. In times when even the Pentagon or the US elections can be hacked, what are the chances that you can keep information secret anyway? Why not make it open, and crystal clear what it takes to make minimum, average and maximum rewards?

3. Ditch the salary surveys

Question: How do companies decide how much to pay for a particular job?

Answer: Refer to benchmark survey data of how other companies pay for similar jobs.

Sounds familiar? Does it really make sense? Absolutely not! Why? Because no two jobs are the same. Furthermore, benchmarking to market sounds fair, but it does not consider that a good employee becomes more and more valuable and dependable over the years, even if he is doing

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the same job. If market data is the only benchmark, once the employee hits the top of his salary range, you cannot pay him more unless you promote him. In this situation, either a highly dependable employee leaves, or the Peter Principle kicks in – where members of a hierarchy are promoted until they reach the level at which they are no longer competent.

Instead of salary surveys, judgment should be used to determine pay and rewards. The only questions that matter are these: ***How valuable is this employee to us,* and *What would happen if she were to leave us*?**

4. Trust them to do the right thing

When Netflix replaced their detailed travel expense policy with one sentence – Act in Netflix' best interest – many warned that employees will behave irresponsibly; and overall travel & entertainment expenses will skyrocket. But no such thing happened. Employees responded to the trust with responsible action. They acted like owners.

Research points to the fact that when you give people trust and freedom, a vast majority of them reciprocate with responsible and ethical behavior. In today's age of breakneck speed, rules and policies get outdated before the ink dries on them. The days of using power and authority to drive desired behavior are over. Organizations have no choice but to shun excessive rules and build a culture of trust and freedom wherein employees are recognized and rewarded for living the values rather than following rules.

5. Develop leadership energy, not competencies

Conventional management practice says a company must continually invest to enhance their employees' leadership competence to maximize productivity and overall performance. Yet, the billions spent each year on leadership development yield little to no results. Why? Because most leadership training focuses on the 'how' rather than the 'why.' The most productive employees are not the ones that are trained and/or paid the most. Those that see a larger sense of purpose in their work are the most dedicated ones. Their reward lies in knowing that their efforts are creating a better future, not just earning a salary and bonus.

To maximize the motivation and performance of an individual, a manager must help her develop deep clarity of personal values and purpose; and align the resultant (leadership) energy to the work at hand.

These people management hacks may seem counter-intuitive at first, but many companies around the world are realizing their significance in today's open source world and have implemented them successfully. The trick is in taking baby steps, learning from them, and continually tweaking your culture until you get it right.

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