

MANAGEMENT

How to Inspire Creativity and Reward Good Employees (Like You and Me)

Sep 28, 2000

📍 North America 🗣️ Human Resources, Podcasts



Let's face it. Anyone reading this article thinks that information about how to reward highly-regarded employees applies to them. And we all have ideas about what these rewards should be (more money, bigger title, bigger office, etc.) But short of giving out stock options that will be worth \$500 zillion in six months, how can managers provide meaningful incentives, and rewards, for star performers?

Wharton management professor Anne Cummings recently spoke with an MBA student who related an experience he had while working for an aircraft manufacturer. The student, then a fulltime employee, had come up with an idea that over the long-term would save the company millions of dollars and also potentially save lives. For his effort he had received a pen set. "The 'reward' was a big reason why he left the company," says Cummings. "He told me that he would rather have gotten nothing. But what he would really have preferred was an offer of more autonomy, or another project to work on, or to be given two incoming engineers to help him develop a new idea. It's these kinds of incentives – autonomy, more time, more resources – that creative people respond to."

Cummings' research looks at how managers can structure work environments so that creativity is both fostered and rewarded at a time when many companies are still worried about losing their best talent to dot.coms, a lot of whom offer at least the promise of fast

easy money. "I come out of a tradition that says compensation, stock options and other concrete financial rewards are all fine and good, but that they are not always why people stay with a particular company," says Cummings. "I started looking at the models behind creativity, and at what managers can do to bring out employees' creative functions at work.

"We're all good at something, but we're not all good at everything," she says. "A manager's job is to identify those areas where their employees are most creative, most productive and/or most fulfilled, and then come up with ways to give them autonomy to pursue ideas in those fields. It's less about having a carrot out there as an incentive and more about figuring out where this person will bloom and taking constraints out of his or her way ... In the end, creativity leads to a better work environment. We are all more efficient and more productive when we are doing something we feel engaged by."

Cummings is currently looking at ways in which companies reward failure. As research in this area has noted, the fastest way to shut down people's willingness to take risks is to punish failures that result from that effort. "I'm interested in the whole idea of what aspects of risk-taking get rewarded. How do you evaluate the process? Do you reward good work at the front end of the process regardless of what happens at the back end? How do you avoid rewarding people who go off on useless or wasteful projects without inhibiting the free flow of ideas?"

As part of her research, Cummings has studied where "frame-breaking" ideas in companies originate. "Just because an idea is frame-breaking doesn't mean it's good," she says. "It has to be useful, well thought out, grounded in a real context, and able to be implemented. But if there is a good plan going in, you reward that regardless of the outcome at the back end. How do you know it's a good plan? You look at the due diligence that has gone into it, you study the business plan, you check to see if the employee has done his or her homework. Then you reward both the good homework and the creative thinking.

"It may be that the idea is unique because it tackles a particular problem from the customer's point of view, or it looks at a different niche or it takes a different technological approach. You don't necessarily wait until everything is over and you see a change in market share. At some point during the process, you may choose to allot 40% of that person's time to the project rather than 20%, or you may decide to give him or her an additional person for the project team. You might also decide on an interim financial reward or incentive.

"The point is, if you follow this process, you might get a lot of failures. But if you don't do this, you won't get any successes."

The Stock Options Option

Cummings doesn't discount the draw of financial rewards and incentives: Objective-driven, performance-based, and even piece-rate pay systems are good general policies. And additional incentives such as stock options, bonuses and various employee ownership plans can be effective. "For a very vocal group of people, it's 'Give me the stock options,' 'We need to be first and fastest to the IPO,' 'If I'm not worth \$5 million by the time I'm 30 I'm a failure.' But I'm not sure that group represents the majority of employees. When I'm out talking to companies, a lot of them will ask, 'How do I hold on to good employees with all this dot.com stuff beckoning to them?' My answer is, you don't. If they want to do that, you let them do it. You are offering something different."

What these companies are offering, and need to keep offering, Cummings say, is a different culture. It may be the opportunity to work for one company for a relatively long period of time during which the employee is supported, encouraged to grow and given the resources to try out new ideas. It may be life balance kinds of incentives, such as the opportunity to job share, to have flex time, to work offsite. It may also be age-related. "Different incentives mean different things to a 27-year-old versus a 40-year-old," Cummings says. "The point here is that companies other than the 'cutting edge' dot.coms can encourage and leverage employee creativity."

For example, employees in clerical or administrative positions are included in Cummings' research about workplace environments. "Secretaries, tax assessors, hair stylists and even manufacturing employees may not be in particularly creative jobs but they can still make creative contributions on the job, and they should, when possible, be given autonomy and the resources to pursue ideas," says Cummings. Take hair stylists, whom Cummings recently studied for a research paper on job stress. "An employer who wants her hair stylists to see 60 clients a week can offer autonomy in how the stylist arranges her time, what hours she works, whether she brings in three people at once for different procedures or brings them in sequentially, and so forth. There can be autonomy about *how* to do something even if there is not a lot of autonomy about *what*."

Sometimes it's the little things managers do that improve work environments. Cummings co-authored a paper on the advantages that accrue from allowing employees to use personal stereo headsets (e.g., the Sony Walkman) on the job. Job productivity actually increases because employees can more easily shut out distractions (such as other conversations and the sounds of machines operating) and concentrate more fully on the project at hand.

And when space is tight, she suggests building in as much privacy as possible. "Not everyone can have their own office but supervisors can, in a cubicle space, arrange to have visible barriers set up, like six-foot-high partitions between desks. It's the number of boundaries that counts in terms of reducing distractions and giving employees their own space. Both the sense of privacy and of being valued by one's supervisor can contribute positively to an employee's creative thinking."

Meanwhile, Cummings has cautionary words about reward systems that are based on seniority: the photo album for 10 years of service; the pin for 15 years; the watch for 25 years, etc. "Companies should ask themselves if they are rewarding seniority, quantity or quality," she says. "If you are rewarding seniority without rewarding quality, you can't expect employees to be appreciative. And a lot of systems will reward quantity because it's easier to measure than quality. But again, employees know the difference. What you want is high-quality, creative people thinking out of the box. Those are the people who should get rewarded. It sounds like common sense but you would be surprised how few firms do it well...It doesn't take long in my experience for employees to figure out that certain rewards are a sham."

Idea Generation

Part of Cummings' work looks at the relationship of idea generation to networks. "How do networks of coworkers, and the way in which workers fit into those networks, affect the kinds of ideas that are generated? What I have found so far is that frame-breaking ideas come from people who are boundary spanners.

A boundary spanner is a person who receives information, support, advice from other people who aren't themselves connected to each other. So a person might get technical data from three people who are in three different unrelated departments. If you do a network analysis – looking at who is talking to whom about what inside the firm – you find that the most innovative ideas come from employees who spend their time talking to unrelated others. These employees are essentially efficient and creative in how they spend the time interacting with co-workers. They don't talk to multiple people in the same department or group. Rather they spend the same amount of time talking to one person in each of a variety of different departments or groups. This has managerial implications in terms of setting people up in jobs where they are expected to talk to people in other groups rather than getting information from co-workers in the same department."

Cummings also notes the importance of giving employees feedback. "We know that one of the worst things a manager can do is ask people what they think and then never respond to the ideas they are given. A manager would have been better off not asking for input in the first place. Encouraging employees to offer their input into a decision, for example, increases the employees' commitment to the decision outcome, but only when managers either use that input, or give clear and detailed feedback about why they didn't. By asking for that input, and responding to it, managers are encouraging employees to think more creatively about what they do."

All materials copyright of the Wharton School (<http://www.wharton.upenn.edu/>) of the University of Pennsylvania (<http://www.upenn.edu/>).