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BUSINESS AND THE SPIRIT

Management Practices That Sustain Values

JEFFREY PFEFFER

Managing people in ways consistent with building and maintaining their spirit ought to be both uncontroversial and commonplace. In the first place, there has been growing interest in workplace spirituality and in management practices that permit people to fulfill fundamental values at work (e.g., Ashmos and Duchon 2000; Mirvis 1997; Mitroff and Denton 1999). As Garcia-Zamor (2003) noted, just in the 1990s, more than 300 books on workplace spirituality appeared, and other researchers have also recognized the increasing interest in spirituality in the American workplace (e.g., Harrington, Preziosi, and Gooden 2001).

This interest in workplace spirituality derives in part from the importance of work organizations in people's lives today—"people are spending more of their time working and number among closest friends their coworkers" (Mirvis 1997, 198). At the same time, waves of downsizing and fundamental changes in the implicit employment contract creating a more market-like relationship between employers and employees (Cappelli 1999), increased turnover, the turmoil and uncertainty created by mergers and buyouts, more people working as temporaries and contractors (Pfeffer and Baron 1988), and more frequent changes in company ownership have created less loyal and committed and angrier and more disaffected employees. People are increasingly working in places characterized by "fear, pressure, and impermanence" (Mirvis 1997, 198) that has resulted in lower job satisfaction and disengagement as well as greater distrust of management. For instance, one study in the United Kingdom found that over 80 percent of employees lacked any real commitment to their jobs (Cartwright and Holmes 2006). A survey in the fall of 2008 reported that 29 percent of the respondents said that economic anxiety in their workplace was severe or high (Frauenheim and Marquez 2008). Other authors have reported increased cynicism and distrust of management, with a Towers Perrin study finding 20 percent of employees saying that their companies lie to them (King 2004).

Even as these negative changes in the workplace are occurring, writers have continued to argue that organizations that are values-based and values-driven are "built to last" (Collins and Porras 1994) and are better able to engage the hearts and the minds of their people (O'Reilly and Pfeffer 2000). Although relatively few organizations actually permit people to fulfill their spiritual needs at work, there is evidence of empirical connections between workplace spirituality and enhanced individual creativity, more ethical and honest behavior, a greater sense of personal fulfillment on the part of employees, and increased commitment to organizational goals (Krishnakumar and Neck 2002). A survey of more than 200 part-time evening MBA students found significant relationships between dimensions of workplace spirituality and five important work attitudes:

organizational commitment, intrinsic work satisfaction, intention to quit, job involvement, and organization-based self-esteem (Milliman, Czaplewski, and Ferguson 2003). Behaviors consistent with building workplace spirituality are related to leader effectiveness, with Reave (2005, 680) noting that “a leader’s demonstration of spiritual values such as integrity, honesty, and humility have been found to be clearly related to leadership success.” Thus, management practices and leader behavior that are consistent with building workplace spirituality seem to counteract a lot of the negative attitudes and behavior that bedevil contemporary work organizations.

Because people spend a lot of their life at work and partly derive their social identity from their job, what happens to them at their place of employment is also important for their mental and physical health and well-being (e.g., Cartwright and Cooper 1997). As Cartwright and Holmes (2006) noted, the longer work hours, increased job demands, and more constant change and ambiguity common in today’s workplaces have resulted in greater stress and work-family conflict and poorer health. Stress, including stress caused by workplace conditions, often leads to alcoholism and other forms of substance abuse. Work-family problems can produce divorce, stress, and adverse consequences for children. Simply put, what happens to people at work has important externalities in the form of social costs and benefits.

Aside from the social benefits derived from managing people effectively and humanely, there is a very substantial and growing body of evidence that suggests that the management practices organizations use with their people have both statistically and substantively important effects on numerous economic outcomes such as quality, productivity, and profitability (e.g., Pfeffer 1998; Becker and Huselid 1998). Pfau and Kay (2002), for instance, found specific human resource management practices that were associated with a 47 percent increase in shareholder value and that management practices led to increased financial performance rather than the reverse. Shaw (2006) and Cascio (2006) both summarized extensive empirical research showing the value of high-commitment management approaches.

The positive effects of employing high-performance work practices are not limited to companies operating in the United States. The positive economic benefits of using high-commitment work arrangements have also been observed for organizations operating in other countries, including Germany (Bilmes, Wetzker, and Xhonneux 1997), Korea (Lee and Miller 1999), Japan (Ichniowski and Shaw 1999), and the United Kingdom (Wood and Menezes 1998). Moreover, the importance of how firms manage the employment relationship has been found not only for large, established companies but for small, entrepreneurial firms as well. For instance, a longitudinal study of entrepreneurial companies in Silicon Valley found that those founded under a “commitment” model had twelve times the likelihood of advancing to a successful initial public offering during the study period (Burton and O’Reilly 2000), while no firm founded with a commitment approach to managing people failed during a five-year period (Hannan et al. 2000).

The study of high technology companies by Burton and O’Reilly (2000) shows the importance of values as well as management practices in affecting organizational outcomes. Companies with people-centered values, operationalized by the founder’s espousing a commitment model of attachment between the company and its people, performed better as measured by time to the firm’s initial public offering. There was also an effect of high commitment organizational practices on performance, as well as an interaction such that companies with both people-centered values and high commitment practices enjoyed even greater performance.

These results help to account for some findings (e.g., Cappelli and Neumark 2001) that did not uncover a positive relationship between management practices and company financial performance. The work by O’Reilly and his colleagues (Burton and O’Reilly 2000; O’Reilly and Pfeffer 2000) suggests that management practices, by themselves, may not be enough to ensure improved performance. Employees look not only at *what* is done, but also at the motivations and beliefs that underlie management approaches. If managers are trying to do the right thing, people will give them some room for mistakes, and conversely, good management practices implemented with malevolent intent may not produce such positive results. As George Gallup noted long ago, we are judged by our intentions, not just by our results: "People tend to judge a man by his goals, by what he's trying to do, and not necessarily by what he accomplishes or how well he succeeds" (quoted in Edelman 1964, 78). If management approaches are not premised on employee-centered beliefs, people will see through that and the company may not benefit from implementing the management techniques.

Although the *idea*, *concept*, or *theory* of managing people in ways that build and sustain values and their spirit may seem to be just good common sense, when this idea or intention is confronted with what is actually going on in many workplaces as well as much conventional wisdom about management practices, there are enormous discontinuities between reality and what is desirable. Terkel's (1985) interviews with working people showed that many individuals work in places that wound their spirits. Survey after survey reveals decreasing job satisfaction and less employee engagement (e.g., Cappelli 1999); and many widespread and widely advocated management practices are also destructive of human spirit and values.

In this chapter, I first review what the research literature suggests are important characteristics that people seek in their work. I then propose some management practices that are consistent with building values and enriching people's spirit, and I contrast them with what is currently both occurring in organizations and is often advocated by management consultants and writers. Finally, I make the argument that because people spend so much of their time in formal organizations and because organizations are so important to their social identities, there is an imperative to make organizations more consistent with human values and psychology and, as a by-product, more effective as well.

WHAT PEOPLE VALUE AT WORK: DIMENSIONS OF THE SPIRIT

We should probably begin with a definition of *spirit*: "spirit comes from the Latin word *spiritus* meaning 'breath.' It is defined as 'the vital principle or animating force traditionally believed to be within living beings'" (Anderson 2000, 16). What elements define this vital force, at least as it is manifest in organizational workplaces? According to an interview and questionnaire study of human resource and line executives, the most important thing that gives people meaning and purpose in their jobs is "the ability to realize my full potential as a person" (Mitroff and Denton 1999, 85). Abraham Maslow (1954) described this as self-actualization. Most people love to learn and develop competence and mastery. That's what impels little children to learn to walk and to explore the world in which they live. One of the reasons developing skill is so important is that it provides a way of enhancing one's self-concept, and the self-enhancement motive is quite strong (Steele 1988; Tesser 1988). So people often seek in their work the ability to develop and master new skills and competencies and to learn new things, thereby becoming more competent and knowledgeable and realizing their full potential.

Many people seek not only competence and mastery in their work, but also to do work that has some social meaning or social value. A study of 696 people in four Midwestern hospitals, undertaken to develop a measure of workplace spirituality, concluded that having work that was meaningful and purposeful was one of the most important dimensions of this construct. Two items in the scale were: "I see a connection between my work and the larger social good of my community," and "The work I do is connected to what I think is important in life" (Ashmos and

Duchon 2000, 143). This workplace dimension is clearly consistent with building organizations that stand for something and that have an overarching purpose or mission, a theme prominent in contemporary writing about building great companies (e.g., Collins and Porras 1994).

A third important dimension that people value at work is being able to feel part of a larger community or being interconnected. “Part of being alive is living in connection to other human beings” (Ashmos and Duchon 2000, 136). People value their affiliations at work. Having good colleagues and being associated with a good organization were both highly rated dimensions in Mitroff and Denton’s (1999) study of what provided meaning in people’s work. Both case and survey evidence are consistent with the view that one’s colleagues are an important source of job satisfaction (Locke 1976; Smith 1992). Particularly as people spend more time working (Schor 1991) and as work becomes an ever more important source of social identity, the people one works with and, more importantly, the nature of those social relations in the workplace loom as more consequential. As Mirvis (1997, 198) has noted, “lacking continuity and connection in so many other settings, many naturally look to their organization as a communal center.”

The fourth important dimension of what people value at work and what creates a spiritually fulfilling workplace is being able to live and work in an integrated fashion. The advent of bureaucracy and scientific management was designed to separate ascriptive, personalistic dimensions from the workplace. People were to be judged on what they did and how they performed, not who they were. Although bureaucratic control (Edwards 1979) embraced the laudable goal of ending the evaluation of people based on irrelevant characteristics such as race, gender, social background, and social ties to higher-level managers, as it was actually implemented the result of modern control practices came to be the requirement for people to leave part of themselves at the door and to become someone else at work. People are not only rational, sentient beings but also have emotions and feelings that obviously affect their attitudes and behavior. To deny this aspect of people on the job meant “managers and other employees were expected to complete their allotted tasks without involving their essential self” (Ackers and Preston 1997, 678).

But leaving part of oneself at the doorway to work every day is quite difficult, effortful, and at, times, stressful. Kahn et al.’s (1964) classic study of role conflict described one form of conflict as inter-role, the contradictory demands made for behavior by the different roles a single individual occupies, such as the conflict between being a good parent and being a good employee, to take a much-discussed contemporary example. Kahn and his colleagues also described person-role conflict, which occurred when people’s work roles required them to do and be things that were inconsistent with their basic beliefs and self-concept. The Kahn study documented the stress that occurred when individuals faced conflicting demands and had to somehow resolve them. Trying to compel people to be “different” from who they are on the job not only is stressful and uses energy, but essentially sends a message that who people really are is not what the organization wants or needs on the job. Such a message obviously contradicts people’s desire for self-enhancement and their drive to maintain self-esteem; and the message is quite destructive of the human spirit in that it denies the value of people as they are, sending a signal that they need to be someone different and compelling them to behave in ways different from their essential nature.

MANAGEMENT PRACTICES THAT BUILD—AND SOME THAT DESTROY—VALUES AND THE SPIRIT

We can examine and evaluate management practices on the basis of their logical (and empirical) consistency or inconsistency with the four fundamental dimensions that people seek in the workplace and that are associated with workplaces that build the spirit:

1. interesting work that permits individuals to learn, develop, and have a sense of competence and mastery;
2. meaningful work that provides some feeling of purpose;
3. a sense of connection and positive social relations with coworkers; and
4. the ability to live an integrated life, so that work roles and other roles are not inherently in conflict and work roles do not conflict with the worker's essential nature and who the person is as a human being.

Using this perspective provides a somewhat different, but nonetheless complementary lens on a number of management practices. These ideas about what people want at work also help us understand why some management practices work and why others do not.

Focusing on Mission and Values, or the Dictum to Maximize Shareholder Value

It has come to be taken as accepted wisdom and good management practice to run companies solely for the benefit of shareholders, with the concomitant emphasis on maximizing shareholder value and profits. Although many companies have adopted statements of mission or values, for too many these are simply platitudes to be hung on walls or put on small cards to be carried in wallets, but not something to be actually implemented and lived. Commenting on how few companies take their mission statements seriously, author Eileen Shapiro describes a mission statement as "a talisman, hung in public places, to ward off evil spirits" (Shapiro 1995, 15). There are, however, several problems with managing just for the interests of shareholders and ignoring the importance of mission and values.

First, maximizing profit or shareholder value is not an objective that stirs people's imaginations or emotions, even if the employees are also shareholders. People want to make a difference in the world and to engage in meaningful activities, and the mere accumulation of wealth—which will inevitably be left behind at death anyway—does not provide a compelling rationale or motivation to inspire people. Second, it is not clear why, in the contemporary world, maximizing shareholder value makes strategic business sense. Most observers of the contemporary scene maintain that what is really scarce is not capital, but talent and knowledge. If we are indeed in a "war for talent," to use the McKinsey phrase (Chambers et al. 1998), then it would seem that focusing solely on returns to capital makes little or no economic sense. If the winners will be those companies that are best able to attract, retain, and motivate their people, then management practices or philosophy that ignore or downplay people compared to capital cannot possibly be a recipe for success.

Third, as Aoki has demonstrated using a game-theory approach, operating companies for the benefit of both shareholders and employees can lead to better decisions than simply trying to maximize share price. That is because "in order to generate the organizational quasi rent [exceptional profits], both bodies [shareholders and employees] need each other's commitment to the accumulation of financial and human assets" (Aoki 1988, 155).

Fourth, it is not at all clear, from either a legal or a logical standpoint, why capital should receive a higher priority than other stakeholders in the company, such as labor. As Dennis Bakke (1996), former CEO and cofounder of AES, a large independent power producer, pointed out, where does capital come from? If you earn income, some you spend and some you save. Those savings can be used to purchase stocks, bonds, or other financial instruments. In other words, capital, for an individual or a country, comes from the residual of income earned but not spent. But seen in that way, capital is simply the result of past labor. Why should *past* labor receive a higher priority than *current* labor?

Nor is there some legal obligation to maximize stock price without regard to other constituencies: “Thirty states have enacted statutes intended to permit (and, in the case of Connecticut, to require) consideration of other constituencies” in corporate decision making by boards of directors (Bagley and Page 1999, 921). These laws have been passed in part in recognition of the fact that share prices do *not* always reflect a company’s real value or profitability, so that making decisions only on the basis of capital market considerations is unwise. “Delaware courts, among others, have continually expressed skepticism over the accuracy of viewing the trading prices of shares as a reflection of the corporation’s ‘intrinsic value,’ and consequently, the degree to which directors can use those trading prices as a guide to action” (Bagley and Page 1999, 920).

Finally, stock price and profits are *outcomes*, the results of managerial behavior. By not focusing on the processes, including managing by using values that engage the hearts and minds of people, that produce those outcomes, leaders create problems. Reichheld (1996) has shown that superior profit performance comes from having loyal customers, and loyal customers come from having loyal, long-term employees. By focusing on building employee and customer retention, companies outperform their peers—but this is a result of how they manage and the value proposition they create. Southwest Airlines did not begin with an objective to build a company that is worth more than the rest of the U.S. airline industry combined—although it currently is. It began with an objective of taking care of its people and its customers, and the rest followed as a consequence. The Men’s Wearhouse, a large retailer of tailored men’s clothing, puts its employees first, customers second, suppliers third, the community fourth, and shareholders fifth, noting that in this order, the business works and out of this order, it is difficult to be successful. Not focusing on the processes that produce results, but instead obsessively focusing on the goal, is a prescription for frustration and poor performance.

Companies that excel at engaging the hearts and minds of their people not only *have* values, they *live* them, thereby providing an element of the sacred in the everyday working environment, differentiating themselves from other workplaces, and facilitating a self-selection process whereby they attract people who fit in and appreciate the organizational culture. DaVita, a large operator of kidney dialysis centers, has the mission of being the provider, partner, and employer of choice and espouses seven core values—service excellence, integrity, teamwork, continuous improvement, accountability, fulfillment, and fun. The company evaluates itself partly on how well it is succeeding in living its values, assessed through an annual employee survey.

How does living by its mission square with a company’s achieving profits, which are necessary for survival? DaVita competes for health care employees and because the money it receives for providing dialysis services is determined by the government and has increased much more slowly than inflation, the company cannot offer salaries as high as those paid by hospitals. Nonetheless, DaVita has reduced its turnover significantly, which saves it money as well as improving the quality of care, and has relatively few unfilled positions, even for nurses. One way it has reduced turnover is by offering meaningful work in an organizational climate where the values are part of the company’s operating system. Kimberly-Clark’s Andean region has been very successful in obtaining outstanding employee engagement and is considered one of the very best places to work. This high level of employee engagement comes from putting a people-oriented culture first. As Harold Mongrut, a senior manager in the region, noted: “Culture is always first in our decisions. The people from the company know that when they have a problem that has to do with people—such as payments or rewards or bonus—the company is now taking care of the people first. Culture is not just on paper, but something that we live every day” (Anderson and Pfeffer, 2009, 6).

Encouraging Autonomy and Decision-Making Responsibility

If you think carefully about it, most management practices such as setting budgets, annual performance reviews, meetings and reports charting progress toward some goal, and measurements and incentive compensation schemes are about controlling and directing behavior. These management practices are not simply for providing feedback so that people can guide their own actions more effectively. Indeed, the very definition of management includes "to control and direct" and "to make and keep (one) submissive" (Merriam-Webster 1981, 1372). But such an approach is inconsistent with individuals realizing their full potential and achieving a feeling of mastery and competence. In a world in which some are told what to do by others, the self-esteem of those doing the telling may be enhanced, but those being told are not likely to develop much belief in their worth, competence, or value.

That is why studies of job design have typically found that autonomy is the most important factor influencing motivation and job satisfaction (e.g., Hackman and Oldham 1980). That is why one of the most important management practices to build people's spirits involves letting them actually make decisions—important decisions—about organizational direction and resource allocations. Most companies are run under the principle of hierarchy: those higher up must know more and be more competent so most important decisions should be left to them in order to minimize the risks of mistakes. But operating in this way, although consistent with Taylorism and the idea of separating planning from doing, leaves the majority of people as passive recipients of direction rather than as active decision-making agents.

The Andean subsidiary of Kimberly-Clark, a large multinational company that makes paper products, contributed some 43 percent of the increase in total operating profits for the entire worldwide corporation in 2007. The key to the region's success was a cultural change emphasizing decentralization of decision making and engaging all employees in creating business success. So administrative personnel and senior leaders adopted informal dress to fit in with rank-and-file employees. The headquarters in Lima, Peru, had no secured area for senior people, and everyone addressed each other by their first names. Information was widely shared so that people knew how the company was doing and what needed to be accomplished. Decisions were delegated to local units so that the company could respond to variations in dialect and local holidays and could tailor its marketing and advertising to local tastes and customs; and the company changed its ideas about leadership. As one person said: "We used to think that the company leaders were only the local board members, only five or six people. We decided that those five or six people did not have the power to transform the company. We established that any person in charge of even one or three people was a leader in K-C. We developed a plan to motivate those who were moving the wheels of the organization" (Anderson and Pfeffer, 10).

At New United Motor Manufacturing, Inc. (NUMMI), the Toyota-General Motors joint venture that took over a closed GM manufacturing plant in Fremont, California, and quickly improved productivity by about 50 percent while dramatically improving quality, absenteeism, and turnover, the key to success was simple: engage the minds, as well as the hands, of people who had worked in the plant for decades and consequently possessed vast stores of tacit knowledge. Not only did unleashing the knowledge of front-line people enhance business results, it improved the spirit in the plant and turned a workforce plagued by alcoholism and drug abuse into a model for the industry (O'Reilly and Pfeffer 2000).

There is little doubt that management practices that take responsibility and decision making away from employees harm their spirit. Conversely, delegating real autonomy to people permits them to flourish and grow, thereby realizing more of their untapped potential and increasing their commitment and engagement.

Relying on Self-Managed Teams

Implementing self-managed teams has several desirable effects. First of all, the research evidence strongly suggests that teams are an effective way to organize work. "Two decades of research in organizational behavior provides considerable evidence that workers in self-managed teams enjoy greater autonomy and discretion, and this effect translates into intrinsic rewards and job satisfaction; teams also outperform traditionally supervised groups in the majority of . . . empirical studies" (Batt 1996, 340). A longitudinal field study of the implementation of self-managed teams in a manufacturing plant observed a 38 percent reduction in the defect rate and a 20 percent increase in productivity (Banker et al. 1996).

Second, teams provide peer-based monitoring and control, which is both more acceptable and less costly as well as being less threatening to self-esteem than hierarchical control. "Instead of management devoting time and energy to controlling the workforce directly, workers control themselves" (Graham 1995, 97). At NUMMI, front-line people appreciated the fact that they were able to organize and direct themselves and that the front-line supervisors were seldom visible on the factory floor.

Teams also provide social support and advice to people exercising responsibility and making decisions. Being able to access others for their expertise and advice helps to ensure collective, high-quality decisions (Davis 1969); and teams lift some of the burden and loneliness from people who need to exercise judgment in uncertain situations. In fact, Festinger (1954) noted that people seek social support under conditions of uncertainty. A team-based structure automatically puts such social support close at hand.

With respect to what people seek in their work environment, a team-based structure provides several benefits. Most obviously, it helps people achieve a sense of connection to others, because they work with others to achieve joint objectives. The literature has shown that working together toward a common objective helps build interpersonal liking and stronger interpersonal ties (Leavitt 1978, Ch. 20). Second, by substituting peer support for hierarchical control, self-managing teams help employees maintain self-image and a feeling of worth. Although team-based control is still control, being guided by one's peers in a joint decision-making exercise maintains more autonomy and sense of control over one's work environment than being told what to do by the boss. In these ways, a team-based structure helps to build people's spirit at work.

Providing Collective Forms of Reward and Recognition

Although individual pay or recognition for individual performance is a popular prescription for the design of compensation and reward systems (e.g., Lazear 1995), more collective forms of reward are at once frequently more effective and more consistent with people's desires to achieve connection with others in the workplace.

One of the most frequently heard complaints from human resource managers and compensation and other consultants is how hard it is to get supervisors to differentiate in their raises between the best and worst performers. Instead of seeing this behavior as some sort of "problem," one might ask: What does this tendency to pay people relatively equally suggest about people in organizations? One thing that it certainly suggests is that, left to their own preferences, people prefer a more equal distribution of rewards, which is precisely what various studies have found (Leventhal 1976; Leventhal, Michaels, and Sanford 1972). Given a choice, for instance in an experimental setting, subjects will invariably allocate rewards more equally than would be warranted if they based reward allocations strictly on performance differences (Leventhal, Michaels, and Sanford

1972). The literature suggests that these more egalitarian reward allocations are undertaken in an effort to enhance social solidarity and positive social relations.

There is evidence that egalitarian reward allocations may not be completely misguided decisions on the part of supervisors who obstinately refuse to allocate large pay differences to their subordinates. In a study of the consequences of different reward distributions in academic departments, Pfeffer and Langton (1993) found that the larger the amount of pay dispersion (more inequality in pay), the lower the job satisfaction. They also found that pay inequality and pay based on performance were associated with lower research productivity and a smaller likelihood of working collaboratively. This latter result means that pay inequality diminishes the social ties in the workplace, counter to the desire of workers seeking connection with others on the job. Other studies of the effects of reward distributions have found that inequality promotes turnover, particularly for those farther down in the salary distribution (Pfeffer and Davis-Blake 1992). Bloom (1999) found that inequality in the salaries paid to baseball players on a team negatively affected a number of different outcomes, ranging from won-loss percentage and attendance to measures of individual player performance, and this for a sport with less interdependence than many others; and a study of sixty-seven publicly traded companies showed that firms with larger differences between the best- and worst-paid executives in the top management team subsequently had worse financial performance than companies with less pay dispersion in the top executive team (Siegel and Hambrick 2005).

One need not pay people without regard to performance, however. The important distinction is to pay people more collectively rather than individualistically on the basis of how well the whole organization or their subunit performs. This fundamental idea underlies pay systems such as profit sharing, gain sharing, employee stock ownership, and bonuses based on plant or companywide performance. In each of these instances, pay is very much at risk. But pay is determined not by how well one person does in competition with another, but instead by how well the total system performs. A collective reward structure diminishes the internal competition that retards sharing knowledge and helping colleagues (e.g., Lazear 1989; Pfeffer and Sutton 2000), a big problem in interdependent systems. It also helps to develop a greater sense of community and common fate, thereby increasing the strength of social bonds between employees and their connection to the organization.

Encouraging People To Be Who They Are and To Use and Develop Their Gifts and Skills

Consider the following paradox. Many companies hire experienced executives and experienced technical people for their knowledge and skill, acquired through years of practice. Once hired, these people are frequently subjected to rules, procedures, and controls and told, "That's the way we do things here"—that is, the company denies these employees the ability to fully use the very experience and knowledge that caused them to be hired in the first place. The implicit assumption behind much of what organizations do seems to be that people cannot be trusted to use their talents in the interests of the organizations, that instead they need to be told what to do and monitored to be sure that they do it.

Moreover, the presumption is that people ought to be molded into some predetermined view of what a good employee is.

Such an effort to control and tell people what to do as they are being molded confronts the reality of psychological reactance (Brehm 1966). Reactance theory holds that people rebel against constraints, in part to assert their freedom. It is the psychological equivalent of the law of physics that states that every action causes an opposite and equal reaction: attempts to mold, shape, and control provoke resistance. In turn, this resistance then justifies even more elaborate efforts to control and mold, and so the cycle continues. Thus, attempts to control and monitor unleash a self-fulfilling prophecy (Archibald 1974) and a mutually reinforcing cycle of behavior. As Strickland (1958) nicely describes the process, the only way to know if you can trust some one is to trust them. In his study, subjects who randomly monitored one subordinate (actually a confederate of the experimenter) more closely came to believe that this person needed more close oversight and could not be trusted as much as people they did not monitor. Furthermore, people who are closely monitored may come to believe that they cannot be trusted and, as a result, act in an untrustworthy way. Consequently, "views about human nature have important practical consequences. . . . [O]ur beliefs about human nature help shape human nature itself" (Frank 1988, 237).

An organization that seeks to nurture people's spirit in the workplace does not just let them do anything they want or act without direction. Instead, it helps its employees understand what is expected and what they need to do to contribute to the organization, but lets the individuals decide how to accomplish the tasks and how to contribute in their own way to the collective effort. Three examples illustrate the point.

At the Men's Wearhouse, the highly successful retailer of off-price tailored men's clothing (suits, sport coats, casual wear), the company believes it is in the people business, not the suit business. This means "the company's job is to help people understand others, listen better, and develop excitement about helping themselves and their teammates reach their potential as persons." The training at Suits University is not just about how to sell or the specifics of men's clothing, but about how to be a better person and remain available and accessible for one's friends, family, and colleagues. The company's mission statement includes "having fun and maintaining our values. These values include nurturing creativity, growing together, admitting to our mistakes, promoting a happy, healthy lifestyle, enhancing our sense of community and striving to become self-actualized people" (O'Reilly and Pfeffer 2000, 85–86). The company believes its success lies in unlocking the untapped human potential present in all people. At one time, Charlie Bresler, in charge of human resources, had the title of executive vice president of human development. Unlocking individuals' potential involves letting people be creative and become self-actualized. The company's success comes from its outstanding levels of customer service and its relatively low losses due to theft. These results, in turn, come from having people who are not only proud to be employed at the Men's Wearhouse, but who feel that they are becoming better people for their experience of working there.

SAS Institute, the largest privately owned software company in the world, believes that its employees will have three or four careers over their working lives. The company wants them to have all their careers at SAS. The company encourages people to learn and develop—there is a lot of training—and it also encourages people to move laterally as their skills and interests dictate. As David Russo, formerly the head of human resources, explained: "There are no silos . . . . Everything is based on a tool kit. If your tool kit fits this division's model for business and you want to do that, chances are pretty good you'll get to do that. And if two years later you see something else you want to do and it's across three organizational boundaries, you get to do that" (O'Reilly and Pfeffer 2000, 115). Thus the company's idea of career planning relies heavily on people finding their own interests and expressing them as they move across activities at SAS, contributing to the company and choosing what kind of work they want to do.

As a third example, consider the Wild Hare restaurant, founded and run by executive chef Joey Altman. Although the restaurant is now closed—Altman has gone on to do cable television shows on food and cooking—it was recognized as one of the premier restaurants on the San Francisco peninsula. When someone was hired at the Wild Hare, Joey explained his vision for the restaurant, the kind of dining experience he was hoping to create, not just with the food but also with the ambience, the service, the entire experience. Then he let people figure out how to use their particular talents and interests to make that vision come alive. As he explained his management philosophy about service: “As far as service goes, I realize that I have ten waiters and ten different people. I don’t want Darrell to be like Joanie, and Joanie, I don’t want you to be like Susie, and Susie, I don’t want you to be like Paul. Paul, I want you to be the best Paul you can be. Susie, I want you to be the best Susie you can be. I just want you all to be knowledgeable and use your strengths of your personality to the best” (Pfeffer and Sutton, 2006, 82).

None of these organizations is inefficient or out of control. Each operates on the premise that people will do a good job if they know what they need to do and are given the tools and training to succeed. Each provides direction and information about the business objectives and then helps people find a way—their own way—to contribute to the organization’s success. In other words, each of these companies lets people be themselves even as they connect with their teammates and contribute to the success of the whole.

Providing a Way for People to Fulfill Their Family and Other Social Obligations

Particularly in the high-technology culture of Silicon Valley, working long, almost endless hours was a sign of your importance—if you had to be on-site all the time, it must mean the company could not survive without you. Working long hours was also presumably a signal of commitment to your employer, indicating that work came first, before other interests and obligations. It got to the point where people would come to work after hours or the weekend, for instance, at Apple Computer, just to sign in and then leave to do other things.

Although a job is important, people have important social ties with others not in the workplace, people such as spouses, friends, children, parents, and so forth. Organizations that compel employees to choose between having a successful career and having a life, between loyalty to the company and commitments to friends and family, not only create role conflict but also potentially impoverish people’s lives and their spirit. I recall seeing a former Stanford MBA student about nine years after she had graduated. “How’s your social life?” I inquired. “I don’t have one,” was the response; “I’m married to Apple Computer.”

The relentless time demands of work, particularly by many so-called new economy companies, have had the unintended and undesirable effect of essentially foreclosing those companies to women. Relatively few female Stanford MBA graduates are still employed full-time ten to fifteen years after their graduation, and this is a population of immensely talented, highly educated, and motivated people who nonetheless cannot manage the conflicts between being an employee and having a life and commitments outside of work. Many of the accommodations made to enhance work-life balance, such as health clubs and concierge services at the job site, merely make it easier to never leave work. Cell phones, computers at home, and other technologies that enhance access have increasingly blurred the boundaries between work and nonwork. It is hard to know how studies that demonstrate the increasing time devoted to work can actually be reliable, given that many people, particularly in managerial and professional occupations, are on call all the time, their company activities easily penetrating their presumably nonwork and even vacation time.

But none of this—the excessive time demands, the forced choice between the company and the worker’s private life, and the role conflicts thereby created—is inevitable or even useful. SAS Institute, located in Cary, North Carolina, is the largest privately owned software company in the world, with sales in excess of $2.2 billion. The company’s software, which provides statistical analysis, data mining, and data warehousing, is used by more than 80 percent of the Fortune 500 and more than 90 percent of the 100 largest companies in the United States. Although operating in a highly dynamic and competitive market, SAS is famous for its thirty-five-hour workweek, its generous, family-oriented benefits, and its on-site day care. People are encouraged to visit their children during the day, to eat lunch with them in one of the company cafeterias, to coach their sports, to be involved in their education. More than a few SAS employees are married to other people who work for the company. The spacious grounds are used for picnics on the weekends, and the company's amenities, including its swimming pool and athletic facilities, are open to families as well as employees. The philosophy is simple: "The best way to produce the best and get the best results is to behave as if the people who are creating those things for you are important to you. . . . It just means you take care of the folks who are taking care of you" (O'Reilly and Pfeffer 2000, 107–108).

SAS Institute realizes that the people who are important to its employees are their family members, domestic partners, and those for whom they have responsibility. Recognizing this fact, SAS removes much of the workday stress from employees, in part by providing benefits and services that help them effectively meet their family commitments, but more importantly by recognizing that people have lives and interests outside of work and honoring those obligations also.

SAS Institute enjoyed more than twenty-four consecutive years of double-digit growth, a license renewal rate of more than 95 percent, and many product awards. The company has won numerous awards for its workplace practices. The two things are connected—its employee loyalty has enabled it to achieve outstanding customer satisfaction and customer retention. The way SAS manages has produced a turnover rate that has always been below 5 percent and a workplace that attracts more than thirty, and frequently more than fifty, applicants for each vacant position—all of this in the software industry, which is not known for its low turnover, surfeit of talent, or family-friendly practices. By building a company where employees can have both a job and a life, SAS Institute nurtures the spirit of its people and creates a benign world for them even as it produces excellent results for its customers.

Driving Fear and Abuse Out of the Workplace

W. Edwards Deming's (1986) prescription to drive out fear seems to be honored in the breach in many contemporary workplaces—and no wonder. Some of the meanest, most abusive bosses have been lauded in the business press and on Wall Street. When Al Dunlap, nicknamed "Chainsaw" for his massive layoffs at Scott Paper and Sunbeam, was hired by Sunbeam, the stock price soared by 60 percent, "the largest jump in the exchange's history" (Byrne 1999, 11). Frank Lorenzo, who took Continental Airlines into bankruptcy twice and destroyed Eastern Airlines as he fought implacably with the unions and the employees, was hailed by the press as a business genius and was even sought out as a source of advice on labor relations, of all things, by the head of Air France—even after his horrible track record. *Fortune* used to run a list of the toughest bosses. Somehow it must seem macho, tough, or hardheaded to inspire fear in the workforce. I have heard more than one manager state that without a certain amount of fear, people get soft or lazy. An occasional layoff or firing, an occasional tirade, keeps people on their toes, so the theory goes.

A management style based on fear ultimately does not work. First, it discourages people from telling the truth and bringing news, including bad news, to the boss. This means that companies operate without knowing what is actually going on. Second, fear encourages people to look out only for themselves and their immediate self-interest. They will not worry too much about the company, or their colleagues, in their drive for self-preservation. Third, fear drives good people out of the organization, thereby depriving the company of the talent required to prevail under competitive conditions. Fourth, fear demoralizes people, causing them to withdraw and give up even if they stay in the company, thereby reducing the amount of effort and knowledge applied for the organization's benefit.

All of this can be seen in the case of Linda Wachner, the now-deposed CEO of Warnaco, an apparel maker that wound up in bankruptcy. Her management style made liberal use of fear, intimidation, and abuse: "Mrs. Wachner also developed a reputation for demoralizing employees by publicly dressing them down for missing sales and profit goals or for simply displeasing her. Often . . . the attacks were personal rather than professional." The consequence was poor performance that many observers directly attributed to her approach to managing people: "Mrs. Wachner's style has hurt and perhaps even killed the company. . . . her personal criticism of employees . . . has led to excessive staff turnover and robbed the company of talent it needed to maintain quality operations. Warnaco has, for example, employed three chief financial officers at the Authentic Fitness division in five years, five presidents of Calvin Klein Kids in three years and three heads of Warnaco Intimate Apparel in four years" (Kaufman 2001, 1).

Nor are these results an unusual consequence of fear. Dunlap was fired from Sunbeam when a massive accounting fraud was uncovered, a fraud encouraged by his drive for "numbers" at any price. Lorenzo lost his job at Continental and has been precluded from holding an executive position in the airline industry because of a management approach that sought victory over the company's employees at any price, a scorched earth policy that ruined customer service as well as financial results.

Fear and intimidation are anathema to building spirit in the workplace. Fear makes people feel bad about themselves, each other, and the company. It breaks them down, not as part of some socialization process, but simply because those doing the intimidating enjoy seeing others squirm and suffer.

Companies that build spirit treat people with dignity and respect, as people, not simply as economic agents or as factors of production. Southwest Airlines will fire employees who are rude to customers or cruel to each other. The Men's Wearhouse lists admitting mistakes as one of its core values. At SAS Institute, almost no mistake is punished, because the company wants to encourage creativity and innovation. DaVita has terminated senior executives, hired from the outside, when such executives did not live by the company's values and treated front-line employees, the people who actually produce the results, with insufficient care and respect. Companies would be well served to model themselves after these examples and rid themselves of managers who succeed at the expense of the dignity and happiness of others.

AN AGENDA FOR WORKPLACE CHANGE

We spend a lot of time at work. We have and make friends at work. We are identified, in part, by where we work and what we do. The vast majority of people earn their livelihoods at work, in a job where they work for others. Although this was not always so (Boulding 1968), it is now taken for granted that we live in an organizational society. The economic well-being of our communities and ourselves depends on the decisions organizations make about how to organize, where to locate, and how to compete with other organizations both nearby and in other countries. It is obvious but true—organizations are important.

But there is an implication of these truisms that people sometimes do not want to face: if organizations are ubiquitous and important, then we cannot be neutral as to what goes on in them and their effects on those who work in them. Roy Adams (1999, 1) has stated this position most elegantly:

> In the 1930s and 40s a lot of bad things happened in the world. The holocaust is probably the best remembered . . . at the end of the war the nations of the world agreed to establish an international moral code of right and wrong behavior. . . .
>
> The code said that racism and sexism were wrong . . . . It said that no one should be victimized for practicing a religion or for expressing their political convictions . . . . It said that it was wrong to exploit children for monetary gain and it was wrong to use force or threats to compel people to work without their willing consent. The code said that "human rights and fundamental freedom are the birthright of all human beings."

These fundamental human rights and moral precepts do not disappear when one becomes an employee. We have, therefore, a moral obligation to work to ensure that our places of employment build rather than break down the human spirit. Max De Pree (1989, 9), the former chief executive of furniture manufacturer Herman Miller, commented on the role of leadership in organizations: "Leader's don't inflict pain; they bear pain." These are words to keep in mind as we observe contemporary workplaces.

We have come to somehow, almost unconsciously, accept the idea that the ends justify the means. If organizations need to be centralized, lean and mean, impermanent, and control-oriented in order to succeed in the marketplace, this is the way it is and we need to accept these facts. What this chapter has suggested is that the premise is wrong and so is the conclusion. As to the premise, the evidence shows that organizations that have and live by their values, that put people first, and that manage using high commitment work practices outperform those that don't. Levering and Moskowitz (2000, 83), who compile the *Fortune* list of the 100 best companies to work for in America, reported that "public companies on the list rose 37 percent annualized over the past three years, compared with 25 percent for the S&P 500." In 1998, Grant (1998, 81) reported that "of the 61 companies in the group [on Fortune's best places to work list] that have been publicly traded for the past five years, 45 yielded higher returns to shareholders than the Russell 3000." How much evidence do we need before we begin to act on the basis of these data?

The conclusion is also wrong. An individual's desire and right to be treated with dignity at work, to be able to grow and learn, to be connected to others, and to be a whole, integrated person cannot simply be sacrificed for economic expediency. For once we start down that path, where do we stop in justifying the treatment of people for economic results?

We have an obligation, a duty, to build organizations that build people's spirit. Just such an organization was ServiceMaster, the enormously successful provider of home and industrial services such as termite control, home warranties, lawn care, and cleaning. The company's former CEO, William Pollard, wrote a book titled *The Soul of the Firm*. Excerpts from that book, printed in the company's 1995 annual report, speak to how we should and must think about companies and their relationships with their people:

> If we focused exclusively on profit, we would be a firm that had failed to nurture its soul. Eventually . . . firms that do this experience a loss in direction and purpose of their people, a loss in customers, and then a loss in profits. Both people and profit are part of our mission . . . Business is not just a game of manipulation that accomplishes a series of tasks for a profit with the gain going to a few and with the atrophy of the soul of the person producing the results. . . . The soulless, adversarial . . . environment should not be the model of the future. (ServiceMaster 1995, 18)

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