

Ongoing Discussion “Thought Piece”

Fear Erodes Profits

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FEAR ERODES PROFITS: How Great Leaders Build Healthy, Productive Workplaces

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Abstract

Fear in organizations impacts people, productivity, and profits. Fear is running rampant across all sectors: corporate, government, healthcare, military, and education. It is producing toxic, dysfunctional working environments and short-term thinking. But, fear is only a symptom of a greater issue: the lack of leadership with profound knowledge on how to lead people and transform organizations. This paper examines leadership, its role in creating and reducing fear, building trust, and the transformation needed for a healthy society.

Introduction

Few executives link their responsibility as leaders to fear in themselves, their organization, and the erosion of profits. Many leaders are unaware of the hundreds of kinds of fear that exist and the debilitating impact fear has on individuals, their organization and its success, and society. Often when leaders become aware of fear, they rationalize it and accept it—and that is a recipe for disaster, both culturally and financially. Other leaders become aware of fear and its impact and quickly and courageously begin to lead and eradicate the disease of fear from their work environments. It is a hard and necessary journey.

“How could they know? How could they know they have anything to learn?” management guru and statistician W.E. Deming asked at his 4-day seminars. (1) We suffer from evil styles of management, such as ranking people. Divisions, plants (creating competition between people), management by results, failure to understand cooperation in a system in which everybody wins. Transformation is required: not mere change. Transformation requires Profound Knowledge. (2) The 14 Points for Management follow naturally as application of the system of profound knowledge, for transformation from the present style of management to one of optimization. (3) The 14 points constitute a theory of management . . . unfortunately, deadly diseases stand in the way of transformation. (4)

(Management) squeezes out from an individual, over his lifetime, his innate intrinsic motivation, self esteem, dignity, and build into him fear, self-defense, extrinsic motivation. We have been destroying our people, from toddlers on through the university, and on the job. (5) Deming’s point number 8 requires leaders to drive out fear, so that everyone may work effectively for the company. (6)

Organizations today are driven to do more with less, be lean, cut costs, chase management fads and “best practices,” and drive to meet the numbers, targets and arbitrary numerical quotas. The more that executives focus on doing these wrong things, the more toxic organizations become. Lack of leadership produces more fear and less care and trust. Fear has been elevated to unhealthy levels and produces toxic people and cultures.

Fear is a destroyer of healthy interaction, productivity and performance (individually and as a system) and impacts many organizations’ measures of success. For some, it’s the bottom line, the profits, the stock price! Those measures are only partial, financial, and short-term measures. They do not measure learning, improvement, quality, innovation, helping customers, joy in work or leaving a legacy.

Having employees engage in the business in healthy ways requires that leaders use new thinking and behaviors, create new structures, and transform fear into trust. Real leaders know there are multiple bottom lines, not just the financial bottom line.

What is fear, and is it real?

Fear is defined as “an unpleasant, often strong emotion caused by anticipation or awareness of danger; anxious concern.”(7) There are hundreds of kinds of fears: losing a job or business, change, uncertainty or the unknown, speaking up, making mistakes, the economy, government regulations, public speaking, lack of customers, healthcare issues, cash flow, the competition, the boss, bullies, performance rating, risk-taking, saying “I don’t know,” failure, success, missing deadlines, death, exposing a weakness, not fitting in, making a bad decision, loss of control, not being able to learn or to learn faster, and many more. The more fears an organization holds, the greater their chance for self-destruction. It is management’s job to become aware of fear and diligently work to reduce it.

Fear is not a rational topic. Fear is an emotion. One person may fear the boss while a co-worker may have a very engaging relationship and interaction with the boss. People’s fears are real. There’s variation in fear and how it impacts each individual.

Fear’s Impact

If an organization is full of fear, the impact on individuals is monumental. Reactions include: getting quiet and staying to themselves; people are criticized, judged and blamed; they get defensive and complacent; they sabotage data and results to cover up bad information; they lose their passion, commitment and energy; they compete and don’t trust others; a drastic decline in job satisfaction; coming to work with an attitude of “another day, another dollar;” they use aggressive or passive-aggressive behavior; they quit sharing ideas, hunker down, or quit the job.

When individuals experience fear, intimidation, or condescension, the organization suffers. Failures and mistakes are hidden; productivity plummets; turnover skyrockets (and is rationalized with, “we develop people and they move on” or it’s not addressed because “we can just replace them” as if people are interchangeable parts and recruiting and hiring people is an insignificant cost); real work is substituted for churning out meaningless work; information that should go to executives is filtered; work, information, and communication do not flow (they are stuck in silo’s and the bureaucratic hierarchy); data is distorted; absenteeism and turnover significantly increases; creativity and innovation decreases; quality is replaced by quantity (there’s an assumption that the number of patents or certifications or black belts is better than the value the organization provides the customer); inefficiencies, waste, and complexity significantly increases; assessments and surveys report the employee dissatisfaction, complex plans are designed, and no effective solutions are implemented; customer service suffers and clients say, “I will never hire them again”; bosses judge, berate, criticize subordinates as they wield their controlling position; the culture is either over-polite lacking authenticity or vicious; managers whine about the chaos (the crazy making they are creating) and how hard they are working; people do not collaborate, problem solve or engage together; errors are used to blame others; when the numbers are not good, individuals are held accountable for the performance of the poor system or there is a lack of leadership, and the reputation of the organization becomes known as incompetent, toxic, greedy and quickly plummets.

When organizations do not treat their employees well, it is quickly felt by their customers. If the employees are not taken care of, the customers will not be taken care of. Have you felt the difference between Jet Blue, Southwest, and Virgin Air versus some of the floundering legacy airlines who try to make excuses for their poor results and pending bankruptcies? The customers know they lost their leadership, their focus on quality, and serving customers. It’s evident when the customer walks on the plane; the flight attendants are too busy complaining with each other about the airlines than they are greeting customers (data point: on 34 out of 35 flights on one airline, I was not greeted with a hello, good-bye, or thank you. With the competitor, I was greeted on every of the next 30 flights by either an attendant or a pilot.) If the focus on the employee is to push them to make their quotas and numbers, the customer becomes only a conduit to the bonus. The sales person will chase the numbers, just as the organization is

chasing the numbers. If the organization had a noble cause (generally built from the founder(s) and it is not sustained, it can rapidly be sub-optimized.

Driving fear into an organization is a process, and some executives do it well. However, fear impacts people, their productivity and health of the organizations they work in, and profits. The impact does not stop there. The fear that can be common in a corporate environment is now aggressively flowing over to schools, government agencies, the military, healthcare, and non-profits. Crimes that used to be considered as rare situations are increasing. The interdependency in our systems is showing how fear is now flowing all through our global society.

Increasing Investigation into Bullying and Incivility

Only recently have investigators turned their attention to the bullies in the workplace . . . most often managers bullied subordinates for the sheer pleasure of exercising power. It was a kind of low-grade sadism. (8) Psychologists say most psychopaths are not behind bars—and at least one study shows people with psychopathic tendencies are four times more likely to be found in senior management. Not all psychopaths are in prison—some are in the board room. (9) One of the surest ways for an organization to fail is to tolerate workplace bullying. Bullies not only stifle productivity and innovation throughout the organization, they most often target an organization's best employees, because it is precisely those employees who are the most threatening to bullies. As a result, enterprises are robbed of their most important asset in today's competitive economic environment—precious human capital . . . a bully is only interested in maintaining his or her power and control. Because bullies are cowards and are driven by deep-seated insecurities and fears of inadequacy, they intentionally wage a covert war against an organization's best employees—those who are highly skilled, intelligent, creative, ethical, able to work well with others, and independent (who refuse to be subservient or controlled by others.) Bullying is “abusive disrespect.” They use surprise and secrecy to gain leverage over those targeted. Eradicating bullying is a must do. The survival of the organization depends on it. (10)

Fear and Motivation

Fear is a motivator. It is an effective extrinsic motivator if a person is in immediate danger and needs to take action to be safe. Fear motivates well when there is a short-term threat of danger or if it is self imposed (if I don't study for the test, I may not get my driver's license.) However, fear is not sustainable when it is an extrinsic motivator and long-term.

The Cost of Fear

Over recent decades a critical measure of success, particularly in corporations, has been the bottom line, the stock price, the ranking in the Fortune 500, the revenues or profits. Make the numbers, by any means. The myopic focus on the number has and will continue to destroy corporations that were once well-respected. These corporations will self-destruct. They will blame outside forces and the competition and government regulations and unfair trade practices, but the reality is: look in the mirror.

Organizations most often do not survive because they lack leadership with the profound knowledge they need, the ability to differentiate leadership with management fads and “best practices, and courage. For those who want to lead successfully, it requires continual learning, planning, adapting, improving and innovating. It requires breaking down barriers and obstacles to quality and serving employees and customers.

The economic loss of fear is appalling. It is necessary, for better quality and productivity, for people to feel secure.. *Se* comes from Latin, meaning without, *cure* means fear or care. Secure means without fear, not afraid to express ideas, not afraid to ask questions, not afraid to ask for further instructions, nor afraid to report equipment out of order, nor material that is unsuited to the purpose, poor light, or other working conditions that impair quality and production. (11)

The cost of fear is unknown and unknowable. As Dr. Deming quoted Lloyd Nelson "the most important numbers are unknown and unknowable." Yet if we put rough numbers to the time spent on some of the management fads that are helping organizations self-destruct, the numbers can run into the thousands and millions of dollars. To just scratch the surface, how much non-value added time does your organization spend manipulating arbitrary numerical goals; setting targets and quotas; judging and criticizing people in a performance appraisal system that creates internal competition with ranking and ratings rather than building a collaborative environment; holding individuals accountable for the outcomes of the System; creating complexity, waste, and busy work; and drowning in Power Point paralysis? (this exercise is for those with courage.)

Arbitrary cost cutting is another fallacy that hurts corporations in the long-term, but gives a false illusion of saving money and heroism. In reality, what usually happens is that the resources that employees need to do their jobs are taken away (if they need cell phones and office supplies, they can buy their own); travel budgets are cut (why build relationships?); training and tuition reimbursement is suspended (why invest in people?); new employees receive no on-boarding but are expected to "hit the ground running;" service departments are slashed or outsourced abroad (the executives don't have to deal with this; they don't lose their administrative support.)

Fear is increasing. Its impact is encroaching all parts of our lives: at school, work, hospitals, our Congress. We need an intervention. Do we want to live and learn and work in fear? Do we want our children and grandchildren to face increased bullying at school, in the workplace, and in every interaction they have? We see a decline in civility, a growth in bullying in schools and in the workplace, more violence in gangs and on our streets around the world, and more terrorism and cyber-security attacks.

The Intervention to Fear: Leadership Is Responsible to Heal and Transform

Fear is only a symptom of a much larger issue. It is an undesired outcome of a system that is out of control and sub-optimized. Leaders create the system. If there is so much fear in an organization that it paralyzes or keeps people from having joy in learning, working, improving, and innovating *together*, there is a lack of leadership. Even in tough times, leaders lead their organization. They do everything they can do to surface fears and bring people together to solve issues, create the future and serve customers and new markets.

Leadership's job is to reduce fear and build trust, to break down barriers, and to create an environment where people can contribute, share ideas, and ask questions. Working together, people can improve and innovate to better serve customers. There should be no issues that are un-discussable, that can not be put out on the table for resolving. If executives do not have the courage to do their job, they should resign.

Transformation is required in government, industry, and education. The prevailing style of management must be thrown out. The system of profound knowledge encompasses systems theory, theory of knowledge, variation, and psychology. This foundation of knowledge guides leaders to optimize their system and lead their people. To learn it and apply it requires leadership commitment to personally transform and knowledge from the outside. (12)

Peter Scholtes wrote in *The Leader's Handbook* describing "the eight common place, dehumanizing realities in our organizations:

1. Policies that force competition around contrived scarcity;
2. Policies of distrust and disloyalty
3. Dysfunctional systems combined with a culprit mentality
4. Paternalistic relationship
5. Narcissism, arrogance, and greed
6. Employees as objects of utility
7. Pathological loyalty: teamwork gone bad
8. Lean and mean-ism

Leaders will lead learning and healing in the workplace with:

1. Clear, constant, ennobling purpose
2. Opportunities to learn and grow
3. Continuous improvement of the methods and processes
4. Mutual respect and trust
5. Frequent communication and access to communication
6. A sense of community
7. Participation (13)

The job of the leader is to restore the individual. The leader creates an environment where care for people and trust develops and positively impacts:

- individuals' learning and development, self-esteem, engagement, sharing and communication;
- the development of leadership in all employees;
- healthy, collaborative, productive, creative, customer focused cultures.
- learning, working, improving, and innovating together;
- the transformation of people and the organization.

For example, CEO Robert Rodin took his corporation from \$500 to \$2 billion in six years, describing the journey in his book *Free, Perfect, and Now*. He stated about leadership, "Your job is to keep learning and to engage all the people around you to helping you learn . . . all must be focused on the same purpose: agile response to change."

Everyone asked the same question—"How can I serve the customer better?"—then we built the company around the answers we heard . . . We broke down the barriers (between people) and their customers, dismantled the bureaucracy and jettisoned the old, narrow performance targets. Our new system was designed to connect people to their customers' needs more directly, to promote learning and teaching, and to build awareness of our internal mutual interdependence." Starting with the why of change . . . that's how we want our culture to work today, too: as a joint learning experiment, driven by questions. "Building trust is a process: taught and learned together over time." (14)

Specifically W.E. Deming highlighted one of his 14 points to address fear Point #8: Drive out fear. An awareness about fear and its devastating impact on people, organizations, results, and our society, is critical. Leaders will learn and apply new thinking to reduce the disease of fear and create joy.

Just as Deming questioned if anyone cared about profits, does anyone care about leading without instilling fear? One assumption that is widely held is that if a manager has a position and manages people, the manager is a leader. But leaders don't instill fear (intentionally.) The higher the position, the more the person is held in esteem as a leader. But as organizational executives adopt greed, arrogance, cost cutting (assuming that it is growth) and driving toward the bottom line and stock price, the more they harm people, productivity and profits. They are unaware of the consequences. Deming suggested that there is a need first for personal transformation. The Arbinger Institute wrote about its book, *Leadership and Self-Deception*, "the reason this book has been so instrumental in helping people to resolve conflict is that it opens readers to how they have helped create the very problem they have attributed to others. This is the essence of the self-deception solution—discovering how each of us has the problem of not knowing we have a problem." (15) Deming posed, "How could they know? How could they know they have anything to learn?"

Management (some), across all sectors: corporate, education, health, government, and military, have created a system where fear dominates. People have become de-sensitized and infrequently have a voice to speak up and challenge it. Bullying affects more than 35% of the American workforce, (16) and now there exists international conferences to address the growing trend.

Summary. To address fear, leaders (those in position and natural) need to become aware and Stop the thinking, behaviors, management fads, and "best practices" that have infiltrated our organizations. Then they need to commit to a new way of thinking and learning to adopt a systems approach to lead, transform themselves and their organizations, and build healthy, productive organizations founded on trust and respect.

Notes

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- (8) Carey, Benedict. "Fear in the Workplace: The Bullying Boss" New York Times, NY, June 22, 2004.
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BIOGRAPHY

Marcia Daszko brings more than 25 years of executive leadership and consulting experience in transformation, strategic change, and innovation for businesses and individuals. Spanning two significant careers in Corporate Communications and Marketing with Transformation consulting, Marcia has used her talent, knowledge and experience in such area as:

- Executive Communications/Marketing management for several corporations in diverse industries.
- Senior Consultant for a Deming-based management consulting firm.
- Co-Founding Board Member of a non-profit.
- Co-Founder of two Bay Area Deming User Groups.
- CEO/Founder of Marcia Daszko & Associates (16 years), Catalysts for Strategic Change, Transformation, and Innovation.
- Executive Leadership Transformation Coach.
- Board Member, SJSU Alumni Association.
- Keynote speaker, multiple national and international conferences.

Marcia works collaboratively with her associates to help clients transform their organizations. Her commitment to her customers' success is renown, from working with the Board of Directors on strategic decisions to facilitating leadership conversations on creating their Compelling Purpose, designing the system and methods to achieve it, and creating the culture where all can contribute and find joy in work.

Marcia holds a Master's degree from San Jose State University and an undergraduate degree from Santa Clara University. She has taught graduate management classes and been a guest lecturer at UC-Berkeley, Naval Post-Graduate School, and Fordham University.

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