Harry Franzheim—an HR/OD Practitioner for over 30 years—has published this newsletter to bring you careful insight into reducing costs and unlocking employee potential.

newera HR

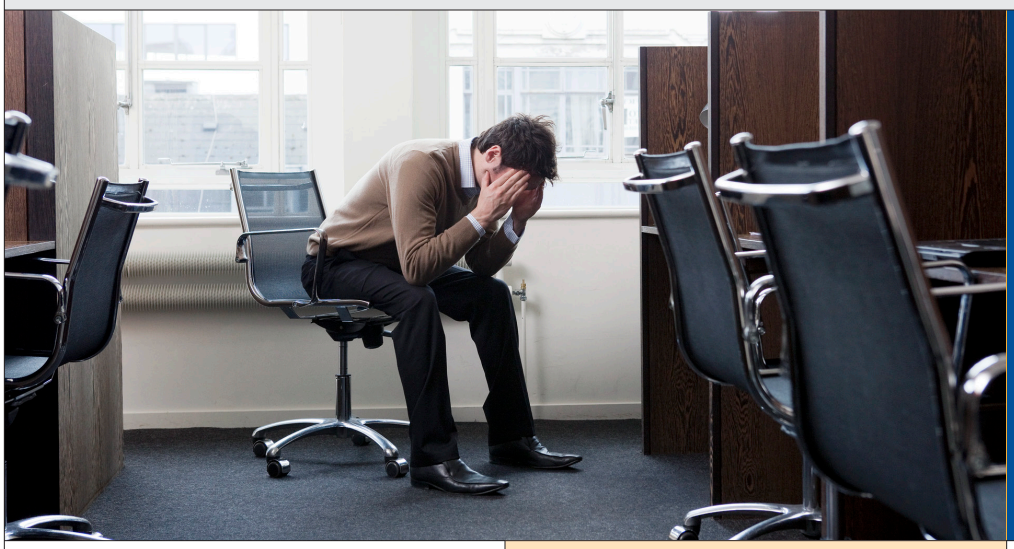
Keeping Costs Down and Productivity Up

FALL 2016

AT ISSUE

Good employees don't do dumb things on a whim. They are usually backed into a corner by upper management, forced to go the wrong way in order to meet arbitrary, unrealistic goals to save their job.

Why Good Employees Do Dumb Things



HR Fact:

Dealing With Millennial Employees

Contrary to popular opinion, millennials are not lazy, but you do need to keep them motivated and productive if you wish to retain them. ▪ Don't treat millennials like they're invisible, give them feedback. ▪ Mentor them, they want to learn. ▪ Give them recognition, praise them for their hard work. ▪ Provide leadership advancement, they want to move up quickly. ▪ Allow them the ability to make decisions. ▪ Provide opportunities to volunteer, let them leverage their skills.

** Inc.com, published May 20, 2016*
By Marcel Schwantes, Principal/Partner, Leadership From a Core

Thanks, Wells Fargo, for providing an excellent example of how negligent leaders can dodge their responsibility of leading and place the blame on the employees when the leadership's ineptitude is discovered.

Well Fargo fired 5,300 employees (mostly lower level, $15/hour sales folks) when it was discovered that they were opening fake customer accounts and moving customers' money around without the customer's knowledge or consent. Why would an employee do that?

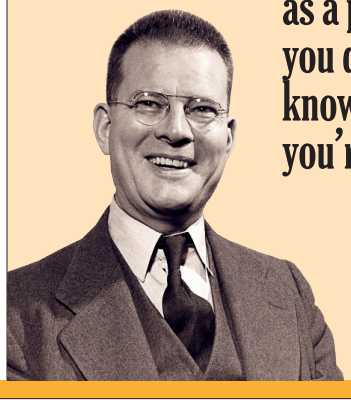
Some genius, probably in Human Resources, came up with an incentive plan to increase the amount of cross-selling to customers. Most customers have three accounts with their bank—a savings account, a checking account, and a credit or debit card (maybe both). Each of these accounts generates fees. Fees make banks profitable. Profitable banks reward their top leaders with millions of dollars in salary, bonuses, and many other luxury items including stock rewards, which can skyrocket in value when the bank is profitable. See where this is going?

The CEO wakes up one morning and thinks—what if we could get customers to open more than three accounts? What if they had, say, eight accounts? That would be great! And that was what the incentive plan was called: "Gr-eight." Now, the only way to make this happen is to tell all your salespeople what the goal is—eight accounts—and then hold them accountable for hitting the target. Don't hit the target? Stay late, cancel vacations, work on weekends, call all of your friends and family members and tell them that they have to have more accounts. Still can't hit the target? Try negative performance reviews, job threats, fear, and intimidation. Some employees actually hit the target. Others fall short,

Inspired Wisdom From
W. EDWARDS DEMING

"WHENEVER THERE IS FEAR, YOU WILL GET WRONG FIGURES."

"If you can't describe what you are doing as a process, you don't know what you're doing."



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but yet fees start rolling in and bank profits soar and so too does the wealth of the elite senior managers. Brilliant plan.

One Small Problem

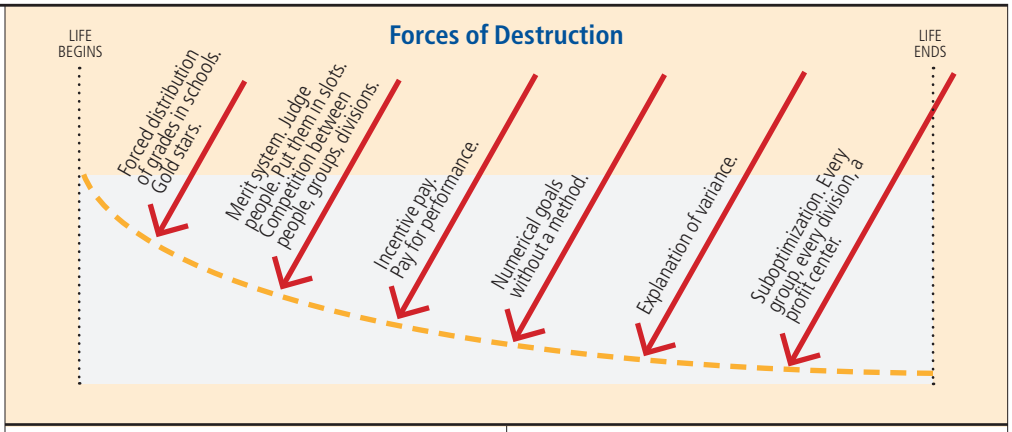
It is called "gaming" and it is what these fine employees did to get their supervisors off their backs. Some supervisors encouraged "gaming" because it got their *managers* off their backs. Many managers encouraged it (or looked the other way) because it got the senior managers off *their* backs! "Gaming" is the process of opening accounts and moving money into them without the customer's knowledge or consent. In some instances, employees used fake email addresses and signatures to open the accounts. These new accounts generated fees! And profits. And big bonuses for senior leaders.

Then the Wheels Come Off – Fire them all!

In 2012, an employee satisfaction survey reveals that many employees are not happy with the pressure from management to cross-sell and up-sell. An investigation is launched and salespeople lose their jobs for violating the company policies. Ultimately 5,300 employees are terminated for this practice. Not one of those 5,300 is an upper-level manager. Then the CEO is called to Congress to explain the practice to the Senate Banking Committee in 2016 and gets drilled on the practice, but he does not take responsibility. Instead he sits coyly and continues to blame the "bad apples."

The Impact?

▪ 1.5 million dummy deposit accounts created. ▪ 565,443 dummy credit card accounts created. ▪ 14,000 of those accounts incurred over $400,000 in fees including annual fees, interest charges, and overdraft protection fees. ▪ 5,300 banking careers come to an end. ▪ CEO Stumpf resigns with a separation package of $4.4 million in deferred compensation and $19.9 million in his pension account, along with the tens of millions he earned in salary; and if he stays around to consult, he will get another $200,000 worth of benefits.



Arbitrary numerical goals without a method is the fourth force in W. Edwards Deming's model of Forces of Destruction (see above chart). "These forces cause humiliation, fear, self-defense, competition for a gold star, high grade, high rating on the job. They lead anyone to play to win, not for fun. They crush out joy in learning, joy on the job, innovation. Extrinsic motivation (complete resignation to external pressures) gradually replaces intrinsic motivation, self-esteem, and dignity."

Goal Setting Is Not Leadership!

Leaders must understand the capability of the processes, systems, policies it has designed. Leaders must understand that a goal without a method to achieve the goal is negligent management. Wells Fargo is a perfect example. Good employees will do dumb things when so incentivized. But without a method to achieve the results, as we see, the employees will simply either distort the numbers (pencil whip) or distort the system (fraud) to get the numbers. Additionally, leaders need to know that there will be good days and there will be bad days. Stock goes up, stock goes down. Sales go up, sales go down. Much of the ups and downs are a normal part of the system—common variation. However, when patterns of ups and downs emerge and there becomes some predictability, then this might signal some sort of special event worthy of investigation and inquiry. Overreacting to common variation makes everyone in the organization anxious, fearful, and reckless. Because the CEO demands an answer to the variation (for which there is none since it is part of the system as designed by the CEO), lower-level leaders will make up stories, blame some department, even blame the customer, all in an attempt to explain the variances (the fifth force of destruction).

Not reacting to special variation (predictable patterns) means a missed opportunity to learn. Special variation exists outside of the designed system. Once data is no longer random, a leader can reasonably assume that there has been a change in the system (for good or for bad). Failure to investigate is negligent leadership.

They Didn't Even Have a Chance!

The Wells Fargo employees did not stand a chance. Neither did their customers and now their stockholders. The only ones that actually understood this problem were the hourly employees that were doing whatever they had to do to avoid getting fired. Ironically, and here is why this should be a crime, they ultimately did lose their jobs, maybe even their careers. The fat cats in senior leadership including the CEO John Stumpf made out like bandits. As it turns out in this case, negligent management and flawed leadership did pay! Leadership is a science. Operating without a leadership theory makes you a hack. ne

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