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# Bribing the Knowledge Worker

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## - H&F Case Study -

# Bribing the Knowledge Worker?

By Michael HIRT

Knowledge workers cannot be motivated by bribing them, but have to be turned from employees to real partners. Read about the logic behind that and a real world success story.

### Summary

Peter Drucker pointed out that the performance of the new knowledge-based industries will depend very much on being able to attract, hold and motivate knowledge workers and knowledge technologists. Turns out that this cannot be done by bribing them with bonuses and stock options, but that they have to be turned from employees to real partners. This article explains the logic behind this and briefly outlines a real world success story on how employees have been turned into real partners.

### Context

Turning employees into real partners may simply mean to give the power to the people who deserve it. Since capital is not anymore the key resource in the knowledge economy, but knowledge, it should be only natural that the power also flows from those who hold capital to those who hold the knowledge and expertise to make organizations successful.

Classic knowledge driven businesses such as management consultancies and law-firms have known and applied this principle for decades/centuries. People (apart from those who just want a brief career- & cv-boost and then quickly move on) don't join major consultancies or law firms just for the financial rewards, but to have a career as a professional and eventually become a partner with the resulting status, social recognition and social power. Also, the real financial rewards only come with being a partner and owner of the business, before that – even if you are paid a good salary – you don't really participate fully in the value you create. (That's part of the system and the senior partners were here before those who joined the organization at later stages and created the system for the junior partners to move in. It actually works very much like the medieval craftman's shop.)

Drucker also noted that today, most corporations are still trying to maintain the traditional mind-set, in which capital is the key resource and the one who controls the capital is the boss, while bribing knowledge workers to be content to remain employees by giving them bonuses and stock options. This approach is very likely to be not sustainable, since even if it can work in the first place for some time, which I seriously doubt, because knowledge workers work for recognition & power and only at a secondary level for money, it cannot work in the long run.

There are two key reasons for this.

First, every stock market downturn (and history shows that the next downturn is always around the corner...) will wipe out the value of all of these stock options and demotivate all those who counted on them for a prosperous future.

Second, if the development of the Industrial Revolution in the 19th century provides us with any useful patterns to recognize, the next major industries that are going to result from the big technological leaps we are likely to make in the coming 10 years, are probably going to

behave far more like traditional „old economy“ industries in the 19th century, that took years of painful hard work to establish themselves. Therefore stock options will simple not create financial value fast enough, and even if there was plenty of money around to give abundant bonuses, this will not be enough to bribe knowledge workers and knowledge technologists to contribute 15 or 20 years of their precious lives to building someone else’s business.

### **Key Innovations**

Employee ownership is one of the most powerful tools to turn employees into real partners. A company that has impressively demonstrated the merits of this approach since 1983 is **Springfield ReManufacturing Corp.** (SRC) ([www.srcreman.com](http://www.srcreman.com)), a company of SRC Holdings Corporation (<http://srcholdings.com/>).

On their website SRC states: „SRC is an employee owned company. We embrace "Open Book Management" as pioneered by our founder and CEO **Jack Stack** (author of the Great Game of Business). We have a stake in the outcome. This is what makes our approach to business revolutionary.“

In a 2009 interview in Inc. Magazine the CEO of SRC Jack Stack said: „Personally, I don’t think we could have come this far if I owned 100 percent of the company. ... I just believed from the very beginning that the employees create the value.“

Of course there is more to it than just employee ownership to make this work. SRC Holdings website: „In 1983 ... Stack knew something drastic had to be done to keep the business from folding. The solution ... turn business into a game. This new approach to running a company was called Open-Book Management and was later coined “The Great Game of Business”. Through using this approach, SRC has become a thriving company...“

Beyond the company websites mentioned above, the approach underlying the success of SRC – including the critical step of employee ownership - is decribed on the website of **The Great Game of Business** (<http://greatgame.com>) that was initiated by Jack Stack. On this website there are also numerous case studies of successful companies applying the principles of „The Great Game of Business“.

### **About Michael HIRT**

#### **Management Consultant | Executive Coach | Keynote Speaker**

Dr. Michael Hirt is President & CEO of HIRT&FRIENDS (\*2001), a global management consultancy that helps its clients to dramatically improve individual and organizational effectiveness and results in the fields of Strategy, Corporate Finance/M&A, Organizational Development/Change and Executive Performance. Previously Michael was with BCG, a leading global advisor on business strategy.



Michael is Director of the Austrian Institute for Management Innovation, AIFMI and Director for North America & Australia of the International Corporate Finance Network, ICFN, an international alliance of specialized financial and legal consultancy firms, committed to provide support in the financial and corporate affairs of companies. All the firms are locally recognized as experts in M&A and Corporate Finance, and engaged in cross-border projects and transactions.

He accepts only value-added consulting assignments with specific result objectives and measurements and unconditionally guarantees his work. He tailors his intervention

roles according to the precise client needs. All his roles have in common the relationship orientation, intellectual leadership, pragmatism, humor and energy that he brings to any assignment.

Michael has over 20 years of experience in a broad range of industries including: Consumer & Luxury Goods, Media, Energy, Information & Communications Technology, High Tech, Engineering & Metals, Transportation & Logistics and Financial Services.

He holds an MBA 'with distinction' from INSEAD, the leading European Business School and law degrees (Dr.) from Vienna University ('with distinction' ) and McGill University, Montreal. He is practicing in German, English and French, as well as in multi-cultural environments, has published widely on management topics and is a lecturer at renowned universities. Michael and his family live near Vienna/Austria.

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#### **Credits for this article**

Peter F. Drucker, **Managing in the Next Society**, Truman Talley Books, 2002. Especially the Chapter written in 1999: „Beyond the Information Revolution“, p. 22 ff.

„Plan B“ - **Bo Burlingham interviews Jack Stack, CEO of of Springfield ReManufacturing Corporation** in Inc. Magazine, May 2009, p. 74 ff.

Jack Stack & Bo Burlingham, **The Great Game of Business**, Currency/Doubleday, 1994.

Jack Stack & Bo Burlingham, **A Stake in the Outcome**, Doubleday, 2002.

**Springfield ReManufacturing Corp. (SRC)** - [www.screman.com](http://www.screman.com)

**SRC Holdings Corporation** - <http://srcholdings.com/>

**The Great Game of Business / Beyond Open Book Management** - <http://greatgame.com>