



The Perfect **Punishment**

Searching the world
for the right way
to discipline workers.

BY VADIM LIBERMAN

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gently disciplined.

“We need to talk.”

No matter how lofty your place in the organization, hearing your boss utter those stern words can carry you back to second grade, when Mrs. Cohen said the same thing after you failed to bring in your homework. “I will complete my assignments on time,” she commanded you to write on the chalkboard fifty times. *You learned your lesson.*

Except: What lesson was that? Did scribbling something fifty times make you fifty times likelier to finish your next book report? (As if.) Or were you just fifty times more embarrassed and upset? This may have happened decades ago, but whether we’re 8 or 58, students or senior managers, when it comes to suffering the blades of discipline chainsawing through our guts, we spiral right back to our hyper-humiliated early selves. Such queasiness is particularly acute in the workplace, where our bosses have replaced our schoolteachers and parents as the primary disciplinarians in our lives. Our attempts to please our superiors at least match our efforts *not to displease* them – especially in an increasingly volatile economy, when a warning today can lead to a pink slip tomorrow.

But as much as we loathe getting chastised at work, we are just as – if not more – wary of wagging our finger at subordinates, be it for misconduct or nonperformance. “It’s the hardest thing a manager has to do,” says Don Crosby, vice president of international and corporate HR at McDonald’s. It’s also rocky terrain for many executives, who simply do not know when or how to hold the stick, swinging it haphazardly and inconsistently, striking too hard, too soft, or not at all. Whereas union regulations usually steer disciplinary action for blue-collar workers, when it comes to their white-collar counterparts, there generally exists no similar playbook – or much of *any* book. An Amazon.com keyword search for “disciplining employees” yields a third as many titles as one for “rewarding employees.”

With such a dearth of information, it’s no wonder managers apply the same punishments that have for years been used on them. After all, when you’ve been conditioned to receive certain penalties, you’re equally likely to dish them out – without ever questioning the appropriateness and effectiveness of such methods.

Still, some techniques *must* work better than others when penalizing white-collar workers. There *must* be a perfect punishment out there, right?

Wrong. Here’s why: (1) It will never be perfect, since it is impossible to craft a one-whip-fits-all punishment, and (2) it probably shouldn’t be about punishment.

Then what should discipline be about? How do you deal with a worker engaged in misconduct? How about an employee who fails to perform? Who better to answer these questions than top HR executives based throughout the world? As multinationals dive into ever more markets, they must tackle a mosaic of issues swirling around

employee discipline. The insights of senior executives at these firms may not necessarily show you how to discipline – but you may reconsider how to *think* about discipline.

WRITING THE WRONGS

If you don’t set conduct regulations and performance standards, how will you right your workers’ wrongs? Enter the employee handbook, which typically focuses less on what people should do than on what they should *not* do. True, if you’re like most executives, you don’t need a booklet to inform you, as The Conference Board’s own code of conduct does, that “behavior such as physical violence, carrying of weapons and similar activities will not be tolerated while in the office” or that – now get ready for this one – “fingers are bruised when employees do not use handles to close drawers and typewriter desks.” (Yes, *typewriter* desks.) From the obviously obvious to the just plain obvious, corporate handbooks meticulously detail rules on dishonesty,

abusive language, tardiness, insubordination, assault, and other infractions. But when it comes to specifying precise consequences, few elaborate beyond bruised fingers.

Why? Because they don't necessarily need to. The best discipline system may be no system at all. Misconduct consequences may be easier to codify, but "in a corporate environment, you require people to work creatively," explains Elaine Lin, HR director in China for health-care giant Baxter. "Tasks are complicated. You cannot write a comprehensive handbook to cover all nonperforming situations. That would not be very effective. You just need a good manager to know how to raise the bar and help people improve performance if there's a gap."

Formalizing the discipline process can limit managers' actions too — an if-A-then-B policy strips a supervisor of her ability to use her own common sense and judgment to exercise a potential option C. "In a white-collar environment, the range of issues you might face is too broad and complex," explains an HR director for China for an international software maker. "You want to have as much flexibility as possible to do whatever you think is appropriate in a given situation."

Of course, no one is arguing that a firm should give managers latitude to discipline a worker who steals an extra hour for lunch the same way as one who steals much more than that. Clearly, there must be zero tolerance for the most egregious wrongdoings, but a policy that's too strict, particularly for performance issues, can stifle a motivational culture.

At the same time, though, it can also foster fairness. Yes, a formalized system risks seeming too draconian. And sure, it can prohibit an executive from using his own judiciousness, but let's not hoodwink ourselves into thinking that a single manager's judgment is automatically better than what a corporate policy might prescribe. Inept bosses abound, and even the capable ones don't always make skillful disciplinarians. Having a consequence-based policy, suggests John Last, Royal Bank of Scotland's head of diversity, comforts managers and employees because the process is transparent to everyone. Furthermore, a comprehensive system encourages consistency. For example, if you fire Sally for missing a deadline three times, but Bob

keeps his job after five missed deadlines during the same time period, Sally — and other workers — will question the fairness of her termination. As will her attorney when Sally sues you for gender discrimination.

Companies without a formal discipline system for their white-collar workers often designate a process for their lower-level employees. Which raises the question: Can you discipline everyone similarly regardless of the color of the collar?

Frequently, when dealing with their blue-collar employees, businesses employ a progressive discipline system, originally conceived in the 1930s, when unions demanded that organizations abolish summary terminations and develop a structure of progressive penalties to protect workers by making them more aware that their jobs were at risk. Generally, the process begins with an oral warning, followed by a written notice, then suspension without pay, and eventual termination. One part of the problem with this, says John W. Allison, FedEx's Asia-Pacific vice president of HR, is the ineffectiveness of restricting pay as a means to discipline. "The only thing you get as a result of suspending an employee without pay," he points out, "is someone who comes back to work unhappy because you made that employee miss an automobile payment." Elaine Lin further cautions that "in an office environment, discipline actions cannot be so black and white, because the objectives are different than what you require of workers in a manufacturing environment, where processes are standardized?"

Critics also argue that a strict version of the system overemphasizes punishment by focusing on increasingly punitive measures without much room for dialogue. It establishes an adversarial parent-child relationship — perhaps more like documented child abuse, since opponents of progressive discipline grumble that the main objective is creating a paper trail to justify an eventual termination. Managers end up viewing each step as a mere hurdle to clear in order to win the race to lose a worker. In fact, we easily could have titled this article "The Perfect Termination," given how quickly some interviewed executives veered toward speaking about putting a worker in his place *outside* the company. "We tell people from the beginning they can easily get fired. Boom! They're out if they don't follow the code of conduct," says

NO, YOU TAKE THE STICK!

When to get HR involved in discipline cases? It depends. Managers especially reluctant to discipline their subordinates often pass the stick to HR. "Nobody likes to deliver bad news," says Grace Wong, head of HR for Asia at Thomson Reuters. And although Bianca Wong, FedEx's North-Pacific managing director of HR, estimates that 80 to 90 percent of cases are resolved between an employee and his superior, she insists that it's imperative to bring in HR when those individuals reach an impasse.

Patrick Burns of Rolls-Royce, on the other hand, prefers to include HR from the beginning. "Unfortunately, the reality is that as an HR person, you are going in to pick up the pieces because people waited too long," he says. "Early guidance prevents later mistakes." Indeed, Australians like to contact HR right away because they see the department as a helping hand, says EMC's Angie Tsai. But in Japan and South Korea, she adds, "the last place employees want to go is HR, because they see it as trouble, as the police."

Perhaps Robert Chong of Temasek Holdings sums it up best: "HR intervenes when workers and supervisors realize that their expectations are not always in step. But when HR comes in to take an action, things can get ugly, so if a manager comes to me, I always first ask him to make sure there was enough prior communication with the worker. In the end, if there's no meeting of the mind between employee and supervisor, no matter what HR does, it will leave a very bad taste in everyone's mouths." —V.L.



Angie Tsai, regional director in Hong Kong for organization effectiveness and development at EMC Computer Systems, a global information-services provider.

“There tends to be more of a focus on firing as it relates to discipline in some parts of Asia,” explains Tanya Srepel, General Mills’ vice president of international HR. “This doesn’t create a healthy environment. It basically says the employee is bad and I’m going to document it, which does not make the employee feel confident.”

“WE WILL WORK IT OUT”

These days, HR practitioners the world over contend that a progressive-discipline system is anything but progressive. At firms eager to project modernity, progressive discipline may as well be the punishment that dare not speak its name. Rather, it’s “the performance-improvement process” or “the employee-relations approach.” Behind the veneer of semantics, however, many organizations continue practicing a form of progressive discipline – which isn’t to say it’s the same version used to control blue-collar employees. For starters, companies

Moreover, the new white-collar adaptation of progressive discipline may travel the same road of increasingly severe measures, but deeper dialogues between bosses and subordinates swerve it away from punitive and more toward corrective tactics. For example, at McDonald’s, for nonperformance and mild misconduct, the discipline process begins with a face-to-face sit-down, during which a supervisor and employee must come to an understanding about the problem. If not resolved within thirty days, the manager and worker together draft a document highlighting goals and objectives for the employee to follow. If the issue remains problematic after ninety more days, the company terminates the employee. Throughout the process, however, the organization encourages conversation to work things out.

“We will work it out.” It’s a national saying in the Netherlands, according to Peter van Os, vice president of group HR at Aegon, a Netherlands-based international insurance provider. It’s also an axiom he repeats often in the office. Van Os explains that there’s usually no need for a boss to talk *at* an employee, since almost anything can be talked *through*. “Serious discipline measures should only be used

once you’ve tried extensive discussions to correct people,” says van Os, who adds that most problems never escalate beyond the initial talking stage. “Management is about doing the right things right, not about trying to punish people.”

It’s not that punishment fails to work – it’s that *it fails to make people work better*. With enough negative reinforcement, you can ensure that a worker no longer arrives late to work – but there’s a good chance he may no longer be motivated to stay later. “People are people,” explains Calvin Tsang, chief

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are building flexibility into their newer systems by incorporating vague language, as in a manager “may” administer discipline “depending upon facts and circumstances.” Words like “must,” “shall,” and “will” rarely find their way into a corporate policy.

WHEN YOU DON'T GET TO MAKE THE RULES

Imagine you discover that an employee has stolen \$10,000, so you fire the worker. It's a fair disciplinary action by anyone's standards—unless anyone is a Japanese judge. According to FedEx's Bianca Wong, when such an incident happened in Japan (not at her company), a court ruled that \$10,000 was too small an amount to warrant termination. The judge ordered the business to reinstate the employee.

Terminating for performance is equally challenging in Japan. "It's unheard of," says McDonald's Don Crosby, who reveals that an employee evaluation system didn't even exist for his company's employees until four years ago. Japan's government, like that of South Korea and Taiwan, often rules on the side of the employee, explains Wong, who feels frustrated by the inconsistency of Japan's case law. "There's always some gray area where some actions are tolerated," she explains. "It makes it more difficult for the employer because you don't know where to draw the line between right and wrong." Even though Wong says that she'd rather go to court to defend a disciplinary decision rather than risk keeping a wayward worker, she admits that "it's very difficult to terminate a worker in Japan, both by law and by culture. Besides all sorts of government regulations, there's also a cultural notion of lifelong employment here. There are times when you have a mediocre employee whom you can't do anything about—you continue to try and try and try and try to develop him or improve his work, but if the person doesn't do anything really bad, there's little you can do."

Like it or not, discipline decisions aren't always yours alone to make. Governments worldwide have their own regulations, particularly when it comes to termination. For example, given that most of the United States upholds statutes of employment at-will, the U.S. government shows less will to protect workers than countries such as Italy, "a shining example of a place where it's really tough to discipline, because the second you do, the worker instantly calls out sick," complains Mercer's Siobhan Martin-Wells. "Then you enter into a very protracted situation, because workers can go sick for up to twelve months without the company being able to do much. While sick, and while the worker and the company argue over all sorts of details, the worker is still getting paid—and he can even work somewhere else at the same time if a doctor says that not working causes the worker mental distress or depression. Unfortunately, this is not that unusual."

In general, Europe boasts the world's most employee-friendly laws. "When it comes to discharging a worker who is not performing, it's much harder to do that in EU countries than in North America and other parts of the world," says Citi's John Harker. Sure enough, Ursula Schwarzenbart, Daimler AG's director of global diversity, adds that managers at Chrysler were far less hesitant to discipline workers than their German counterparts, who preferred to avoid entanglements with government worker councils.

Disciplining for nonperformance is also tricky in China, which last year passed sweeping regulations limiting the actions an employer may take. New laws make it easier for workers to contest discipline decisions. According to Baxter's Elaine Lin, "I got a bad performance review because my boss doesn't like me" is a perfectly acceptable employee defense.

Things can be just as problematic for misconduct issues. According to an HR vice president at one international oil company, in some ex-Communist European countries, it's hard to fire an employee who hasn't been legally convicted of a criminal offense—one reason why the executive insists that it's impossible for any organization to create a consistent worldwide discipline system. Though the oil company enforces a single code of conduct for all employees, disciplinary processes depend on the country, ranging from none at all to very clear structures.

Unions, too, impact the discipline of white-collar workers in places such as Malaysia and Sri Lanka. The involvement of unions tends to focus on paperwork and makes the process too legalistic, complains Temasek Holdings' Robert Chong. "Sometimes the intended solution can be very simple, but because of regulations, things are complicated," he says. "The union takes a defensive position. HR cannot make casual remarks or even cursory encouragement that can often solve a problem. Everyone tends to tense up." You also have to wonder about the effects on productivity in places like Sri Lanka, where "you cannot terminate an employee without that employee's consent," explains Esquel's Calvin Tsang. "Otherwise, the company must obtain the written approval to terminate from the labor commissioner's office, which can take up to three months."

Not all HR executives think government or union intervention is a bad thing. In Mexico, for instance, managers look to labor laws for guidance, says Alfonso García Acuña, director of HR for Seguros Monterrey New York Life in Mexico. "Laws create a good framework that allows companies to manage discipline," he adds. Meanwhile, in Europe, the prevalence of work councils, employee representation groups, and the government can "create protection that helps with fairness so that employees aren't taken advantage of," explains Ebighe Emafo, vice president of HR for Campbell Soup.

Regardless of what laws or union rules state, they should not preclude executives from developing their own ways to solve employee problems, suggests Aegon's Peter van Os. Legalities can serve as a basic guide, but, he adds, "I'd rather not hide behind the law to solve things. I prefer the power of management above the power of law to deal with discipline." —V.L.

IN CHINA,
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DOES DISCIPLINE EXIST IN ASIA?

Of course it does, but no one would fault you for failing to witness it, since Western multinationals see far fewer discipline-related problems in the Far East than in the United States.

What about that stereotypical iron-fisted Chinese manager-disciplinarian? He exists—but mainly at local, family-owned businesses. Western multinationals simply wouldn't tolerate his heavy hand. However, employees who have worked for him and eventually make their way to American or European companies in China bring to their new offices their old outlooks on work. "To begin with, freedom of speech is not something the Chinese grew up with," says Tanya Srepele of General Mills, "so it's very uncomfortable for employees to push back and argue and defend themselves, especially having worked previously in a situation where, 'If you cross me, you'll be severely punished.'" For the same reason, adds EMC's Angie Tsai, Chinese employees also tend to hide their mistakes in order to avoid discipline.

"In the West, there is more flexibility," says Nokia's Lillian Liu. "Americans feel more empowered to complain. In China, they don't complain, even about things like sexual harassment." That's why Chinese workers tend to be pleasantly surprised when they come to work for a Western company, says Patrick Burns, Asia's director of HR for Rolls-Royce. Americans—most Americans, anyway—will question their boss, challenge him, and, if feeling particularly brave, even say no to him. The civility of the discipline process is not something they are used to. Adds Burns: "Westerners tend to test the rules and push the boundaries and say, 'Well, that's not fair!' In the East, Chinese people know where the line is, and they don't cross it. They go back in their boxes."

Chinese workers are also more apt to obey and revere bosses who happen to be white, Tsai claims, adding: "They think that white people are superior. This is especially the case in secondary cities and rural areas." But Mercer Consulting's Siobhan Martin-Wells sees a flip side: It also makes it easier to blame anything that goes wrong on the Westerner. "I've often seen where the very difficult things get left to the outsider," she says.

Meanwhile, unlike in Singapore, where managers tend to be more direct, Japan and South Korea have some of the world's most hesitant managers when it comes to rebuking workers. There's a lot of emphasis on saving face, so they aren't nearly as blunt as their Western counterparts. Just as Chinese workers will rarely directly confront their boss, Japanese bosses will rarely confront their workers. "If a Japanese manager says to an employee, 'We've got a problem here, and you're doing this wrong,' he will not be motivating his worker," Burns says. "The worker will feel the relationship with this boss has broken down irretrievably." He recommends disciplining a Japanese employee more obliquely. For example, rather than tell the employee directly that he's been late too often, you should inform the individual's co-worker, who would implicitly understand that he should mention it to his tardy colleague.

A head-on confrontation could lead to losing not only face but, in extreme circumstances, a life. "You might precipitate a suicide," Martin-Wells cautions. "You should always have another experienced Japanese person handle the discipline."

Still, suicides and discipline both remain rare. "We don't like to rock the boat in Asia," says a Chinese HR director. "You don't challenge the boss." —V.L.

HR officer for Guangdong Esquel Textile Co., a Hong Kong-based textile and apparel manufacturer that distributes throughout Asia. "It's not very effective simply to discipline. That doesn't correct actions. You really have to explain things to people in order to motivate them. You can't just give them a letter telling them they did something wrong." (Maybe an e-mail, then? Unfortunately, Don Crosby says, quick e-chidings are a too-common practice at some businesses.)

In addition, most multinationals these days prefer to separate performance from misconduct issues in order to avoid unfairly tarring individuals who underperform with the same brush as those who have committed misconduct. In doing so, some companies apply a progressive approach to misconduct offenses and draw a softer line when it comes to nonperformance, preferring to dole out "reminders" rather than "warnings."

Elaine Lin is among those who'd prefer to use her stick to tap rather than whack workers. "Ten to twenty years ago, Asian companies were much stricter," she recalls. "Even white-collar office workers had to clock in and clock out. HR managers would walk around the office to give warnings on lateness. Now, a lot more Asian companies are trying

to provide a more flexible environment." Lin explains that a Western influence on discipline has been refocusing management philosophy in China: "Workers used to feel that all they had to do was show up at the office and behave. Now companies expect them to improve performance. We care more about job performance rather than sending people letters reprimanding them on how they dress or their lateness."

DISCIPLINE AVERSION

A discipline system is only as effective as the managers doing the disciplining — that is, *if* they're disciplining. Why reprimand your workers when rewarding them is much easier? That way, everyone's happy.

But remember the well-known studies demonstrating that people dread losses much more than they value gains. "Unfortunately," Angie Tsai explains, "when you reward people, they remember it for one week, and then they forget. They're also never satisfied with the reward because they think they deserve more. But if you discipline them with warnings, they pay more attention and remember longer."

Not that a balanced workplace regimen can't include both sticks *and* carrots. "No one gets better from only being punished," explains Siob-



han Martin-Wells, Mercer Consulting's European HR director. "You feel absolutely miserable and crappy. Your motivation and engagement are broken at that point." To combat such despair, for example, Tanya Srepel coaches executives at her company to give workers two positive comments for every negative criticism during a discipline session.

When you don't address misconduct issues immediately, you risk low morale among other workers, suspicions of favoritism, or accusations of incompetence by those above and below you. If the ultimate goal of discipline is to correct and improve behavior and motivate workers, then think how de-motivated others will feel when they see a manager not taking a stand on issues – and not just on issues of misconduct. Non-performance problems must also be handled in a timely manner. The annual performance-appraisal meeting should not be your sole opportunity to tell your subordinate he's not working up to standards.

In fact, workers who aren't performing well may be failing as a result of bad management, says John Harker, Citigroup's head of HR in Europe. "When employees have seriously gone off the rails, I very often look at the manager: How did you allow this to happen? Why did you allow things to get this bad?"

Vivek Patwardhan, vice president of HR for India-based Asian Paints, recalls an employee whose repeated mistakes irritated his sales manager, so the manager began reducing the worker's responsibilities. Over the next few years, the two continued to clash, and the employee's job duties kept shrinking. "The sales manager came to me and said that we don't need this person because he doesn't do anything," says Patwardhan. "But it was the sales manager who took those responsibilities from him." Before administering discipline, he recommends, managers should first ask employees if they need something from the company in order to do a better job.

Even when executives get around to disciplining, some do it in

an offhand manner that almost guarantees that an employee won't take the matter seriously enough. "A manager might say during lunchtime, 'Do you have issues at home? Because you've been late a lot recently.' It's done so lightly that the worker doesn't perceive the importance of the message," explains Lillian Liu, Nokia's director of HR for China. Months later, when the manager feels even more frustrated that the problem persists, he may again approach the worker, asking, "'Hey, I talked to you about this problem already. Why haven't you fixed it?' And the employee will genuinely not remember the initial conversation."

Then there are those cases in which a manager hesitates to discipline a problem employee because he's a top performer in other respects. "I've seen firms that don't want to risk losing a person," recalls Robert Chong, managing director of HR for Temasek Holdings, a Singapore-based international investment firm. "They allow him to get away with more. But in the process, companies should ask themselves: Is it worth compromising corporate values for one person?"

"No matter how robust your recruitment policies are, no matter how much vetting you do, a big organization will reflect society," says John Last of the Royal Bank of Scotland. And just as the world around us teems with thieves, liars, sloths, and incompetents, so will your company. Because no two thieves, no two liars, no two people or infractions are exactly alike, there is no ideal form of discipline.

Regardless of an employee's infraction, managers must strive to maintain a positive working relationship by remaining open to dialogue and ensuring that the worker understands why he's being reprimanded. It's no small task. As management professor Lawrence Stessin wrote in his 1960 book *Employee Discipline*: "Employee discipline is the real drama of labor relations. It is the panorama of industrial conflict." ■