Executive EDGE

REDISCOVERING LOYALTY

Some management theorists are beginning to have second thoughts about downsizing. Laying off large numbers of employees, they argue, severely strains the loyalty and reduces the productivity of the survivors. And workers' loyalty is an important ingredient in business success, they say.

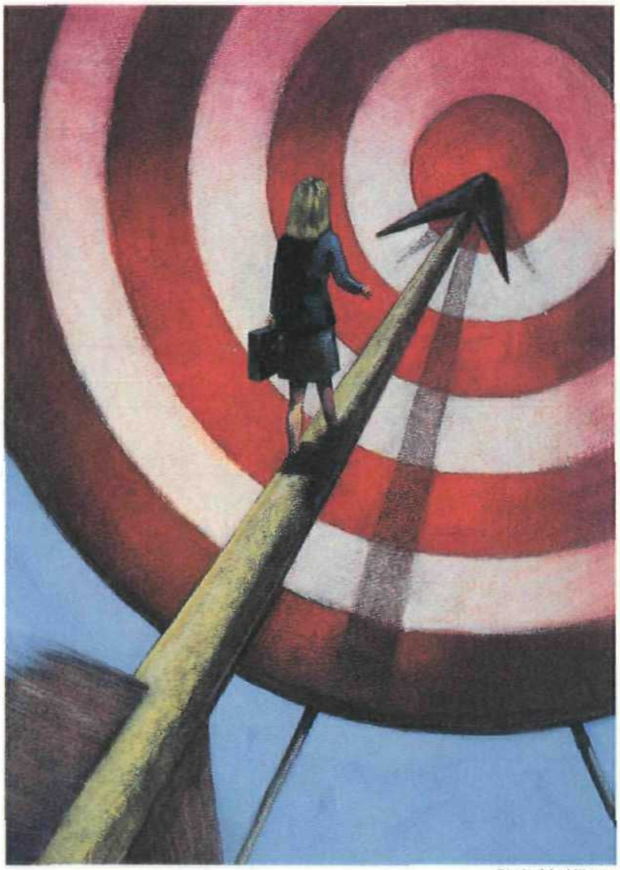
Consultant Frederick Reichheld argues in a forthcoming book (*The Loyalty Effect*, Harvard Business School Press) that the nation's most profitable businesses—among others he cites State Farm, an insurance company, and Leo Burnett, an advertising firm—also have very loyal work forces. Loyal employees build long-term relationships with customers, Reichheld writes, so customers tend to stay loyal to the firm, too.

Loyal, satisfied customers provide free advertising, enabling the company to reduce its spending in that area. Having loyal employees means that the firm need not spend time and money training new ones. And stockholders will stay loyal to a company that is stable and profitable; in fact, they are more likely to stick through the occasional business downturn.

Downsizing especially seems to damage employee loyalty. The workers most disillusioned by layoffs tend to be precisely those who are most generous in giving their time and talent to the company. Seeing downsizing as irrational and unfair, such workers will not be slow to leave one firm for another. And those who stay behind will not have high morale.

Of course, companies should not keep employees who hinder flexibility. And, in this fast-changing new world where the average worker has not one but a series of employers, workers are unlikely to feel much company loyalty. Still, smart employers will encourage what loyalty they can.

"Two Cheers for Loyalty," Economist, *January 6, 1996, p. 49.*



Chris McAllister

WHAT IT TAKES

Physician executives and hospital CEOs have very different ideas about what makes a good manager, according to two surveys. Last year, CEOs from a number of mainly large, metropolitan hospitals were asked to describe the personality traits that made them successful. The results were then compared with those of a similar survey of physician executives, conducted in 1994.

A plurality of the CEOs surveyed (22 percent) said they fit the "appraiser" type on a 16-type behavior profile. On the other hand, a plurality of physician executives (14 percent) said they fit the "perfectionist" type.

Both are conscientious, task-oriented types who are valuable to an organization. But "perfectionists" tend to accomplish goals through adherence to specific processes and procedures, whereas "appraisers" do it by working through people.

In another category, 20 percent of hospital CEOs but only 6 percent of physician executives said they fit the "results-oriented" behavior type. Because "results-oriented" individuals tend to project confidence, they can take charge of—and give a sense of direction to—an organization torn by strife.

Physician executives of the "perfectionist" type can enhance their value to their organizations by developing certain characteristics—charm, enthusiasm, and decisiveness, for instance—that are usually associated with "appraisers," who are persuasive and balance accomplishment of goals with consideration of others.

Nancy S. Seibert and Robin W. Singleton, "CEO Behavioral Pattern Expectations for Physician Executives," Physician Executive, *January 1996, pp. 49-52.*