Unit 5.1 – Definition & Importance of HRM

Introduction:

NARRATOR: In every major industry, the biggest investment made by organizations is the investment they make in their people. In fact, in most organizations, the costs associated with human resources constitute the majority of all expenditures made by organizations for operations. Sadly, many organizations fail to gain a full return on their human resource investment because of poor management of these assets.

Those organizations that manage their HR portfolios systematically and effectively have a great opportunity to gain competitive advantage. From studying companies that best manage their HR assets, we learn a lot about ways to convert the HR investment into a competitive advantage. As we explore this topic, we will discuss techniques that will enable an organization to acquire and effectively deploy the knowledge, skills, abilities, experiences, and other human characteristics that can translate into success.

Enduring Ideas:

Let's think about the enduring ideas that we hope you will take with you after we've addressed this topic.

First, let's keep in mind that human resources constitute the majority of operating expenses for most organizations. Let's remember that the core focus of human resource management is on what we call KSAOs. The knowledge, the skills, the ability, the other experiences and personal characteristics that people bring with them to the organization or acquire while they are part of the organization.

Let's focus on HR processes bringing in or developing those KSAOs that will help the organization achieve its strategic objectives.

To capitalize on those HR investments, we not only need to bring in the right KSAOs, but we need to manage the motivation of organizational members so that they will apply those KSAOs effectively.

We also have to make sure that we remember that society has made some judgments about how people should be treated at the workplace and we need to manage our human resources in alignment with those laws that have been created to protect individuals at the workplace and classes of employees at the workplace.

Remember, if we manage our human resources effectively, we can create a competitive advantage for our organization.

The Model:

Human resource management is one of the major components of this course. As we manage human resources, we have to make sure that we do so in such a way that's in alignment with the other major topics from the course. Particularly, we have to make sure that our human resource management is focused on achieving the strategic objectives of the organization.

What is Strategic HRM?

When we talk about strategic human resource management, we're talking about being proactive, we're talking about being systematic as we manage the HR systems, processes, policies. We make sure that our policies and practices for HR are in alignment with the mission, the vision, and the strategic objectives of the organization. The focus of strategic HR management is to help the organization succeed and gain competitive advantage.

Why does HRM Matter?

Why does human resource management matter to organizations? As I mentioned, it matters because it's typically the most expensive and most valuable raw material of the operational process. It matters because HR investments support all of the other investments that the organization has made.

It matters because research has shown that effective management of the HR investment has the potential to deliver one of the best returns on investment for the organization.

It matters because people are the primary mechanism through which organizations achieve their objectives.

It matters because people are the only source of innovation for organizations.

All intellectual property flows from the work of people. Organizations that manage their HR resources better than the competition will outperform that competition. We know that two organizations with similar products, with similar capabilities, can perform very differently if one more effectively manages its human resource investment.

The primary source of competitive advantage for organizations is the people and the KSAOs that they bring to the organization and apply to the pursuit of success.

HR Expenses vs. Operating Expenses:

I've mentioned a couple of times that investment in human resources can be very large in organizations. Let's take a look at this graphic that shows the results of a recent study that looks at a variety of different industries and looks at the combined cost of payroll and benefits to organizations in these industries.

As you can see, in basically all of these industries, the cost of payroll and benefits constitutes at least 50 percent of the operating costs for the organization. This does not even take into account the cost of acquiring and training and developing the human resource assets.

Sales Growth & Turnover:

But does it really matter? Does the investment in human resources really matter? One way to look at this is to ask whether organizations that are among the best companies to work for outperform other companies. In other words, do companies that best manage their HR resources outperform others in their industry?

Let's take a look at a graphic that shows the results of a recent study that asked whether the best companies to work for, as identified by Business Week, outperform their competition.

In this graphic we can see the typical 1, 3, 5, and 10 year performance levels, success levels, financial success levels for companies that are in the S&P 500. We can also see the performance levels, 1, 3, 5, and 10 years, for the companies that Business Week identified as the best companies to work for.

Clearly the best companies to work for are outperforming, both short-term and long-term, the S&P 500 companies.

Job Satisfaction vs. Firm Value:

Simply looking at best companies to work for, compared to S&P 500 companies in general, leaves open the possibility that high performing companies can afford to better manage their human resources, as opposed to manage managing human resources driving success.

I think a very interesting study is one that was done recently by Alex Edmonds that look more closely at the relationship between job satisfaction and firm value.

In this research, he basically asked are job satisfaction and firm value linked in such a way that job satisfaction is driving the value of the firm? He used a methodology that was very well designed using some pretty modern methodology from finance and management combined, and addressed this question of whether job satisfaction impacts subsequent firm level value.

He took into account the cost of the investments in increasing job satisfaction. It's not free to develop a satisfied workforce. He also controlled for some of the other factors that might be able to explain the fact that job satisfaction and firm value are linked.

The results showed that if he pulled out the 100 best companies to work for in America and looked at their subsequent firm level value controlling for other possible, reasonable explaining factors, that those 100 best companies generated somewhere between a 2 and almost 4 percent higher stock return than their peer organizations, and not just short-term, but over a 27 years period.

Clearly, these findings show, as with many other studies, that job satisfaction can produce a beneficial impact on firm value. The stock market does not fully value intangible assets, and there is some lag time between the creation of job satisfaction and the recognition in the marketplace of the value of the firm.

This study included conclusions that organizations need to be patient, that their investment in increasing worker satisfaction will take a bit of time to pay off, but can have a very long-term impact on the value of the firm.

Goals of HRM:

Those who manage the human resources for an organization do so against a set of specific goals. Some of these are goals that are at the employee level, some are at the organizational level. Clearly a primary goal is to attract the KSAOs that the organization needs today and into the future to succeed.

But when we evaluate how well human resources are managed, we also look at how well motivation is managed, performance is managed, satisfaction, commitment, retention, attendance, and timeliness.

When we make HR decisions our eye is always on these outcomes. At the organizational level, the results that we're trying to produce, if we can yield these employee positive impacts, are strategic success, productivity, profitability, reduction of costs in human resources and other cost reductions. But also growth, the quality of service, the quality of products, the satisfaction of our customers. The flexibility of the organization to respond to environment change, and of course return on investment.

While to some, HR management might seem as simple as hiring some people and paying them, it's really quite complex and quite focused on achieving individual outcomes that will drive organizational success.

Investment Challenges:

The Society for Human Resource Management is the primary professional organization that provides guidance for HR managers and studies applied HR practices. Let's take a look at the results of one of the studies that they did where they asked top level executives, over the next ten years what do you think will be the biggest investment challenge facing organizations?

Forty-three percent of these top level executives said, the biggest investment challenge for my organization over the next ten years is going to be obtaining the human capital and optimizing the utilization of that human capital, followed by half as many executives who said, obtaining the financial capital and optimizing those investments and on down the list.

One of the pretty amazing findings from this study is that these high level executives said our biggest challenge for the next ten years to drive success of our organizations will be focused on our human resource investment and management. That's where we see potential for failure, but great opportunity for gain.

HR Challenges:

The Society for Human Resource Management followed up with some questions for executives focused on the big challenges facing effective HR management over the coming ten years.

Those executives already told us that effective HR management is key to their success. The next question was what are the biggest challenges? Let's take a look at some of those findings. They singled out the biggest challenge as retaining and rewarding the best employees.

In today's work environments, many members of organizations are willing to move around from organization to organization. This causes the loss of value to the organization. Number one challenge they identified was retaining and rewarding appropriately our best employees.

Secondly, they identified the need to develop the next generation of corporate leaders. They're very concerned about a gap between future leadership needs and the capability of the members of their organization.

This was followed by a concern focused on culture and then competing in the talent marketplace and so on.

These executives are thinking a lot about the challenges facing strategic HR management going forward, and in the rest of this topic we will address these challenges with some ideas for best practices.

Unit 5.2 – Framework & Recruitment

Framework & Recruitment:

PROFESSOR: Let's look at a summary of some of the major HR strategic tasks. When we think about strategic HR management, one of the first things we think about is our staffing strategy where we plan for the KSAOs that we need to bring into the organization. Where we recruit to identify people in the labor force who potentially have those KSAOs. Where we look at the people who apply, and we select those who are most qualified. Then, once we hire them we place them in the appropriate jobs in the appropriate part of the organization.

A second part of the big strategic HR focus is on development. That means monitoring performance, managing performance. It means training to help people improve the KSAOs that will help them as they perform their current job. It means development that is focused on the KSAOs that organizational members might need in the future as their job changes or as they move into new jobs, and that means we have to do career planning to help members of the organization and to help the organization anticipate where a given person might go in the future in the organization.

Another major set of strategic HR tasks concerns compensation. This is focused on motivating employees to take their job, to keep their job, to work hard at their job, to work every day that they're expected to work. Compensation strategy focuses on the wages and salaries that we need to pay, focuses on the noncash benefits that we need to provide, and it also focuses on the degree to which compensation should involve incentives to engage in specific behaviors and rewards for achieving specific accomplishments. This is a big, complex set of tasks, and we'll look at all of these.

KSAOs:

One last time, let's define what we mean by KSAOs. This has come up throughout this course because it's so critically important. The K, knowledge. This is the body of information that can be applied to help someone do their job well. This is what you know.

Skills involve the proficient manual or verbal or mental manipulation of people, ideas, and things. In other words, what you can do. You need the knowledge to inform you what to do, but you need the skills to act on the knowledge.

The A, abilities. The power to acquire KSAOs, to learn a job, to carry through with an activity. This is what you can learn to accomplish.

Under O for other, we are often talking heavily about experiences, but we're also talking about personal factors, such as personality, willingness, interests, self-motivation. And sometimes tangible factors, like a license or a degree. This is the kind of person you are.

Together the KSAOs are focused on what we know, what we can do, what we can learn, and the kind of person we are. The right KSAOs will determine whether our investment in HR resources yields a good return.

HR Planning & Forecasting:

When we talk about HR planning, a lot of what we talk about is forecasting for the future. Forecasting the labor requirements, the KSAOs that we are likely to need in the future. Forecasting the labor availabilities. What KSAOs are likely to be available in the labor market.

To do this, we have to do both internal and external environmental scans. We look externally to anticipate what's likely to be available. We look internally to identify what we are likely to need, and importantly, to look internally and ask whether we have the KSAOs that we will need for the future.

After we've done these forecast and analyses, we determine the gaps between the KSAOs we will need for the future and the KSAOs we are likely to already have and the KSAOs we're likely to acquire. Do we have a gap between what we can have in the future and what we need in the future?

HR planning, that involves coming up with a strategy to close that gap through changes in the hiring practices, through changes in training, through changes in development.

Recruitment:

A major function for strategic human resource management is the recruitment of people. This quote is an example of something an organization did at one point in time to recruit people who might have the capability to help the organization succeed. This is an interesting notice.

Men wanted for hazardous journey. Small wages, bitter cold, long months of complete darkness, constant dangers, safe return doubtful. Honor and recognition in case of success.

You might look at that recruiting ad and say, well, nobody will respond to that. The thinking was that it provided a realistic expectation of what the job would be and that people not willing to face those work conditions would self-select out.

This was an actual newspaper ad placed by Sir Ernest Shackleton as he recruited a crew for the Endurance, which was a boat he was going to use for his mission to reach the South Pole. Over 1,000 people applied in response to that newspaper ad. From those 1,000 people, he selected 28 crew members for a mission that failed. However, the mission failed by the Endurance being ice-locked. The type of people Shackleton recruited in conjunction with Shackleton's leadership turned a disaster into the survival of the crew.

Recruiting, hopefully we will not be recruiting for hazardous, small wages, bitter cold, and so forth. But recruiting is a key determinant of the flexibility of organizations as they face their own environmental challenges.

What is Recruitment?:

What is recruiting? It's a process. It's a process of attracting individuals on a timely basis in sufficient numbers who have the appropriate KSAOs. The focus of recruitment is to motivate those people with the desired KSAOs to apply for the jobs that the organization hopes to fill.

We can do both internal recruiting, where we announce a job to current employees who might want to change jobs, or we can do external recruiting where we announce a job to people who do not currently work for the organization.

We're looking for the right KSAOs. We're seeking a good fit between the person and the job. But when we do recruiting today we are also looking for a good fit between the person and the organization. For example, the values of a person and the culture of the organization.

Recruiting Options:

This graphic shows some of the external recruiting options that are commonly used by organizations. Interestingly, the most common method used by organizations for attracting new people who have the desired KSAOs is to ask for referrals from current employees. That's followed by postings to job boards, sometimes physical, today mostly electronic job boards. And posting job information at a company Web site, active recruiting, either by the company or on a college campus, and so on.

Organizations have a lot of options available to them. Before they select which option, they need to ask what KSAOs do we need, where are they most likely to be found, inside or outside the organization, and what's the best method to make those potential candidates aware of our job and to motivate them to apply for our job. This is a big list of options.

Social Networking & Recruiting:

I'd like to make some comments on social networking and recruiting, because this is of increasing importance to organizations today. I think it's reasonable to project that this will become even more important. There have been studies of the top 500, the Fortune 500 U.S. companies, asking to what extent do you use the Internet, some form of social networking for recruiting. Ninety-four percent reported that they use social networking as part of their recruiting process, but they also reported that they fill a relatively small number of jobs through social networking compared to some of the other methods that they use.

However, they predict these numbers will be increasing and proactive organizations want to get there first in using social networking successfully to recruit so they gain a competitive advantage.

Hiring managers were asked when you do recruiting through social networking, how do you do it? The most common answer was we use Facebook followed closely by LinkedIn, Myspace, and then blogs that are targeted towards recruiting searches. A small number said they follow candidates on Twitter, but that was identified as the least positive method for yielding good candidates.

Rejected Applicants:

As a follow-up to why social networking is used so much, but fails to yield good results, a study was done asking HR managers what is it that turns you off to applicants who come through social networking?

When that question was asked, it was interesting. The first thing they said was, although we don't hire a large percentage of our people as a result of social networking, social networking is great at helping us screen candidates out of consideration.

The follow-up question, of course, is what is it that happens that causes you to become aware of someone who seems to have desirable KSAOs but yet you reject them? And the answers were, 53 percent said when we went to the social media to look at these candidates, they had photos that were provocative or inappropriate.

Forty-four percent said when we go to the social media and look at those candidates we see excessive comment that is related about unhealthy drinking or the use of drugs.

We see over a third of the people who apply through social media bad mouthing their previous employer or their coworkers or their clients. We also can observe poor communication skills or discriminatory comments or outright lies about their qualifications.

Where we are today on the use of social media is that this is an emerging, promising mechanism for recruiting, but today it's being used heavily to filter out applicants versus filtering them in. We think that will change over time, but it's important for you, as people who are likely to use social media a lot and who are likely to apply for jobs, to remember that today HR managers are checking your social media when you apply to them for a job, whether or not the contact was initiated through social media.

Internal vs. External:

We talked about organizations doing both internal recruiting from among their current employee base to move people to new jobs. We also talked about external recruiting, where we bring new people into the organization.

Let's look at some of the advantages associated with recruiting internally as we have openings upward in the organization.

First, when we recruit internally, it's more likely that the current employee who we are considering will be familiar with the job for which they're applying, and that means it's more likely they will self-select appropriately. They're less likely to apply for an inappropriate job. They're more likely to believe they're qualified for the jobs for which they apply.

We also have research that shows that when we hire, promote internally, we tend to have lower training costs and lower recruiting costs. We tend to have increased employee morale and motivation, not only for the person

we promote, but for other employees who see that we are promoting internally. And the research is very clear, we have a higher probability of success of the candidate accepting the job, the candidate having the appropriate KSAOs, the candidate being motivated to apply those KSAOs, and the candidate having high quality performance.

One of the reasons for this is that internal candidates are more likely to have a realistic job preview. They're unlikely to be surprised by the requirements and demands of the job, and those negative surprises are things that often demotivate and cause new employees to leave the organization.

We also think we have better success with internal recruiting because we have a good history of the performance success and the behavior of internal candidates. In other words, we know a lot more about internal candidates, so we are better able to identify who the best match is and we're better able to identify the people who are not good matches and avoid what we will later call a false positive.

External vs. Internal:

There are times when recruiting externally can be more advantageous than recruiting internally. One of the reasons for that is that when we hire externally, we have the potential to bring in new ideas and new approaches to driving success.

We can bring in people who can have a positive impact on our culture if we select appropriately. We can bring in KSAOs that are either not currently present in our organization or that are not available with enough people.

We can also address a larger labor market, and that enables us to be more choosy when we select who to place into a job. In other words, looking at a larger labor market makes it more likely we can find a better match of the KSAOs we bring in compared to the KSAOs that are needed for the job.

Finally, recruiting externally for most organizations can increase the diversity in the workforce in the organization. Diversity broadly defined. There's a lot of research that shows that a diverse workforce is likely to drive greater organizational success and a more positive work experience for the members of the organization.

As we look at recruiting internally and externally, most organizations will make a strategic decision of when it's more appropriate to do one versus the other. Overall, about 41 percent of positions are filled internally, hiring someone who already works for the organization to take a new job in that organization. About 59 percent of hiring decisions are external hiring decisions. That makes very clear that an organization that wants competitive advantage has to be excellent at both internal and external recruiting.

Workforce Demographics in 2022:

I mentioned diversity in organizations. I mentioned the importance of diversity. Not just because it's the right thing to do, but because research clearly shows that diverse workforces tend to drive higher levels of organizational success and tend to create a more positive work experience for the members of the organization.

There have been projections of what the U.S. workforce will look like by the year 2022. Those projections suggest that the qualified workforce will include about 19 percent Hispanic, 12 percent black, 6 percent Asian. In other words, almost 40 percent of the workforce will be from one of these three racial or ethnic groups.

It's also been projected that this 40 percent of the workforce will be a tremendous target for acquiring knowledge, skills, abilities, and experiences that can drive organizational success.

Why Diversity?:

We asked managers why do you want diversity in your organization? Why do you care? They answered, and they answered quickly. They said when we have diversity, we gain competitive advantage. When we have diversity, we optimize the KSAOs that help us succeed. When we have diversity, we tend to be more likely to generate creative solutions to the challenges and opportunities that we face. When we have diversity, we tend to enhance our relationships with our customers, our suppliers, and our communities. When we bring diversity into our

organization, we are promoting social fairness and a better society, and we function in that society. When it's healthy, we are healthy.

Finally, they emphasized that when we have diversity in our organizations, we are able to more fully utilize the talent of the labor force and of our employees.

Selection:

PROFESSOR: Remember that the goal of recruiting was to identify a pool of candidates who we think and hope have the KSAOs that we need to acquire. The purpose of selection is to follow a process through which we examine the applicants from that recruiting pool, we identify, we select those who we think are the best candidates from that recruiting pool, and we then make them an offer. Basically, selection is the process of selecting the people we hope will become members of our organization.

Selection Goals:

As organizations design and utilize their selection processes, they are first and foremost concerned with issues of fit. The first issue of fit is focusing on the degree to which the KSAOs that a newly selected person would bring to the job and asking whether that person's KSAOs are a good match for the KSAOs needed for success on that job to which the person will be assigned.

The second fit focuses on the values of the person we are selecting and asking whether the values of that person who's being selected are a good match for the values that are shared in the culture of the organization.

Today, because so much work is being done by teams, we have to look at both the KSAOs and the value of the person we are selecting and how that fits with the values and KSAOs of the team to which that person will be assigned.

We also want to pay attention to the degree to which the recruits, our hiring managers, our recruiters, and other employees will be satisfied with both the selection process and the selection outcomes. We want them to be supportive of these selection processes.

Critically, once we select someone to bring into our organization, we offer to pay them, we offer to give them benefits, we need to do training, we need to do orientation, we are making an investment in that person we have selected in the hopes that their KSAO and their efforts will contribute to organizational success. So we need to do a cost/benefit analysis. We need to calculate the likely return on investment of the salary, the benefits, the training costs, the orientation costs compared to the return we're likely to get by bringing that person into the organization.

There are some specific selection goals that selection managers focus on. For example, we look at yield ratios. What happens with selection is that we look at a recruiting pool, we identify the person who we think is the best match for the needed KSAOs and values, we make them an offer. That person then gets to decide whether or not to select that offer.

The yield ratio is the percentage of people to whom we make offers who accept the offer. Obviously, we want a high yield ratio, and by the way, we find that internal and external recruiting have very different yield ratios. We find that different labor pools have different yield ratios. So part of what we are thinking about when we decide where to recruit, how to recruit, who to select, is the likelihood that they will accept an offer that we make to them, we want a high yield ratio because it's expensive to recruit and select.

We also need to pay attention to the cost per hire. What does it cost to hire a person internally versus hiring someone away from another organization? We also want to focus on time to fill. When we need KSAOs, we need them at the right time. The recruiting and selection process can take months, in some cases. In other cases, just a matter of days. One of the criteria we use when we evaluate the effectiveness of our selection process is how long it takes us to fill a position once we recognize the need to fill that position.

As we make selection decisions, we think about what we will call true positives and true negatives, which we're trying to maximize. A true positive is hiring someone we should have hired. A true negative is rejecting someone where it was appropriate to reject them. We also are very concerned about false positives and false negatives.

False positive is hiring someone we should not have hired. A false negative is rejecting someone we should not have rejected.

Let's look at a graphic that can help keep this idea of false and true, positives and negatives. We want to maximize the true. The goal of selection systems is to maximize our ability to have true positives, people we identify as good who are, and identify true negatives, people who should be rejected who we reject.

We're successful to the extent that we identify true positives and negatives, meaning we bring in the right people and we keep out the inappropriate people. But we make errors in the selection process, and the errors are of two types. A false positive is when we hire someone predicting they will be successful, but they are not. A false negative is when we choose to not hire someone believing they would be ineffective, but in reality they would have been.

As you can imagine, it's pretty hard to identify whether we had false negatives, because they are people we reject. It's easy, however, to identify false positives because as soon as we've got them, we realize we made a mistake. Let's maximize true positives and let's maximize true negatives.

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Let's take a look at a graphic that helps to clarify this issue of true and false positives and negatives. Our goal is to maximize true positives and true negatives. A good selection system will identify true positives accurately, meaning it will identify people we believe are highly qualified who turn out to be highly effective. We also want to identify true negatives, which means that we will accurately identify and reject people who we believe would be ineffective and actually would have been ineffective.

Importance of Selection:

Having an effective selection system is really critical to the success of an organization. Bad selection systems can have a negative impact on the performance of the organization, on the morale of organizational members, and can even interfere with the ability of qualified workers to contribute successfully, and it can be expensive. It can cost up to 150 percent of the annual salary of a manager to identify, recruit, select, and train a new manager.

Even if we look across all categories of employees, we tend to invest about $4,000 in the process of recruiting, selection, and training for just one employee. If we look at managerial and professional employees, that can be $7,000 to $20,000.

Blue collar workers, low skilled blue collar workers average about $2,000 per recruit if we have a labor market that has an ample supply. In a tight labor market, that cost can triple.

There are also some legal issues we have to consider when we look at our selection system and evaluate whether it's a good one or not. Some of these legal issues include whether we engaged in negligent hiring, inappropriate hiring that violates the rights of individuals or classes of individuals. This can lead to workplace tort based on common law, which means that candidates who are hired or not hired have a variety of bases on which they can sue the organization, and that can be expensive and embarrassing. We'll look at some detail on this a little later in this topic.

Organizations can be liable if they hire someone and they could have or should have known that that person that they hired could harm a third party. In other words, if we fail to do reference checks and background checks to identify that a new hire could create a risk for other employees, the organization itself is at legal and financial risk.

Unfortunately, there are fatalities that occur at the workplace and it's been estimated that about 10 percent of those are associated with bad selection decisions. Bad selection decisions that brought in people who either create harm to others through assaults or violent acts at the workplace or who are not qualified and bring harm to others because they contribute to unintentional, unsafe working conditions. The average cost of settling one of these suits is about a million dollars.

Drivers of Shareholder Value:

Let's take a look at a graphic that helps us appreciate how good selection systems can help drive value to the organization and value to shareholders.

When we select appropriately, we bring in employees who are satisfied, who add value to the organization, who enhance customer satisfaction, who can positively impact customer buying behavior, and that can drive sustained profitability and result in shareholder value.

Let's look at some of the drivers of those drivers that are related to human resource management directly.

The quality of new hires drives the quality of the KSAOs and the match of value to culture. The quality of training, supervision and compensation impacts employee satisfaction. The design of jobs can empower workers, drive creativity, enhance accountability and result in greater value being added by employees. When that happens, we get the rest of the value chain with customer satisfaction, customer buying, sustained profitability, and shared value.

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Big Five Personality Factors:

Some organizations use personality as part of their selection process. I'd like to take a look at what's commonly known as the big five personality factors, the ones that are often used by organizations for selection. Before we do, let me emphasize something about personality.

First, personality tends to be something that is relatively fixed for individuals. We're either born with it or we acquire it at a very early age. What personality does is to create a propensity to perceive events in a certain way and create a propensity to choose to behave in a certain way.

Those who argue against using personality for selection argue that we should, instead of focusing on propensity, should focus on actual behavior of individuals. Those who argue in favor of using personality for selection argue that propensity translates into action and that assessing personality can help us anticipate likely behavior down the road.

Others argue that we can use personality, but we should only use it for self-selection, assess a candidate's personality, share that with the candidate, and inform the candidate of the personality and style of the organization, and let the candidate self-select whether he or she thinks it would be a comfortable match.

Let's look at these five personality characteristics that are sometimes used for selection or for self-selection. First, we have conscientiousness. The degree to which someone tends to be dependable, organized, persevering, and thorough. In most work situations, someone who is conscientious by nature, through personality, is likely to be successful, particularly in situations where there's a complex, highly cognitive task.

Second of the big five personality factors is adjustment. Someone who's high on this dimension tends to be emotionally stable, feels secure, content with life, and tends not to feel chronically depressed. What we found on this one is that our best performers tend to be somewhere in the middle of the scale, where they're not too anxious, but they're not too calm, but a bit more balanced.

The third of the big five is the degree to which someone is extroverted versus introverted. A highly extroverted person is someone who's sociable, gregarious, assertive, talkative, expressive. They enjoy meeting new people and new situations. This extroverted person can be very effective in situations where the job requires a lot of contact with a very diverse group of people.

The reason this can drive success is that an extroverted person feels more comfortable in those situations. We also know that people who are introverted can be quite effective by nature in situations that involve a lot of complex analysis, where a lot of the work is done individually versus interacting with others.

The next personality factor is agreeableness, the degree to which someone is courteous, trusting, good-natured, tolerant of others, cooperative, and forgiving. This agreeable person tends to be well-liked by others. Others tend to want to help this person succeed. Others tend to perceive that the agreeable person cares about them and will help them succeed, and this facilitates constructive interaction between people in the organization.

Then we have inquisitiveness, the degree to which someone is curious, imaginative, artistically sensitive, broad-minded, playful, enjoys trying new things and different things.

A person with an inquisitive personality is likely to be more effective on the job if the job requires a search for innovation and requires creativity. A person with this inquisitive personality, however, if placed on a job that's highly defined, is defined by others, is likely to be frustrated and unhappy in that type of work situation. As is true for all of the personality characteristics we've looked at, this is not an issue of which personality is best, it's an issue of which personality is likely to drive behavior that is best for a particular situation.

Assessment Methods:

We've looked at a wide range of assessment methods. Your book talks about more of these and in more detail. Let's think about the criteria we need to use as we choose the assessment methods we will use for selection. Think about how we will use them and how long it will take. Think about the cost, the reliability, the validity, the utility, is it helpful. Think about how our applicants will react, for example, some applicants react very negatively to the use of personality testing. Think about the degree to which the methods that we use might create adverse impact. A problem we will talk about soon, when we discuss intentional and unintentional discrimination against individuals or groups.

This graphic shows a wide range of potential assessment methods. I'd like you to think about the degree to which each of these is likely to be useful, think about the cost, think about the degree to which they provide reliable and valid information, meaning they provide information that can accurately help us predict, and think about the utility. Will it really help? For each of these, think about how applicants are likely to react, and think about whether you can tell the degree to which these methods are likely to create an adverse impact.

Conflict:

PROFESSOR: The focus of the selection process was to identify people with the KSAOs and the values that we believe will help drive the success of the organization. We tend to select people by looking at them individually. Once they enter the organization, they work with others. Unfortunately, sometimes when people work with one another, we experience dysfunctional conflict.

Interpersonal conflict is when two or more people have incompatible goals, and one or both believe that the behavior of the other is preventing them from achieving the goals that are important to them.

Let's take a look at a video clip of two people who were selected to work for an organization because they had the right KSAOs.

MAN: What were you thinking? What were you thinking with coming to Bob about me? I mean, it's one thing to disagree with me, but it's another thing to go in behind my back and talk to my boss, that's inexcusable.

WOMAN: If you had listened to anything I said yesterday, I wouldn't have had to go talk to Bob. As it was, I did. So I'm the one being hurt here, and not you.

MAN: Yeah, right. Yeah, right. You started this mess, and now I'm paying the price. Yeah, right.

WOMAN: What a jerk. You've always been a jerk, you will always be a jerk. I don't know how anyone can work with you.

The Conflict Process:

PROFESSOR: Clearly these two individuals are engaged in interpersonal conflict. Let's talk a little more about how conflict tends to emerge in organizations. Let's take a look at a graphic that will help us understand that process.

Sometimes it's challenging for people to even figure out where a conflict started or when it started. As you can see in this model, usually conflict is first recognized when someone is experiencing frustration. Something is frustrating them. Perhaps they're not able to achieve a goal. Perhaps it's the behavior of someone else that's offensive, but they're experiencing frustration, and they think about why they are frustrated.

When they conceptualize the conflict and attribute it to the behavior of another person, that first person has just identified the frustration as a situation of conflict. I am frustrated because of this other person's behavior.

Once I have conceptualized that I have conflict with this other person, I have to decide what to do about it. I have to choose a conflict management style. When I choose that conflict management style, if I manage conflict effectively, I am remembering why I was frustrated, I'm thinking about the behavior of the other person that I believe caused my frustration, and hopefully I'm thinking about not only my alternatives, but I'm thinking about the conflict style of the other person.

When I engage in a response to that conflict, if I have a positive focus, I'm thinking about how I hope the conflict will be resolved, and I'm thinking about whether resolving it can produce a positive or negative aftermath for myself and this other person.

At the same time, I am perceiving frustration and attributing it to the other person. If I have a complex conflict situation, the other person may be doing exactly the same thing.

You'll notice we have lots of arrows. You'll notice we have lots of opportunity to cycle through. In most conflicts, once I choose to behave a certain way in response to the conflict, the other person will interpret the meaning of that and they'll react to it, and then I'll react to their reaction.

We know that conflict can produce negative effects for organizations and their members. We know that it can decrease performance. We know it can reduce efficiency, lead to dissatisfaction. We know that people who are engaged in conflict sometimes will become more aggressive, become more anxious. We know that it can lead to a lot of wasted time, a lot of wasted energy. We're very much aware of the fact that often conflict creates many of these negative effects.

Potential Positives:

However, conflict does have the potential to produce some positive effects as well.

First, conflict can help us identify that there's an issue that's important to another person or to ourselves. Conflict tends only to emerge around important issues. This can help us learn.

Conflict sometimes is based on an underlying problem, and the current conflict is just a symptom or reaction to that underlying problem. Conflicts sometimes will cause us to recognize that we have to take a step back and address the underlying problem.

There are also situations, as we discussed in this course when we talk about team development, there are situations where conflict can facilitate effective group development as team members learn about their disagreements, learn about their agreements, and team members find a way to manage conflict that occurs within their team, driving the development of more effective teams.

We also know that conflict sometimes can drive organizational change, particularly when the conflict emerges over the right way to achieve organizational objectives.

I mentioned learning. Learning can be one of the most positive outcomes of a conflict situation where we learn what's important for one another, we learn about our styles, we learn about our ability to manage conflict and work together, despite the existence of conflict.

We also know that sometimes conflict between groups or teams can actually increase the cohesion within groups.

Conflict Styles:

After we've conceptualized that a conflict exists, after we've decided that we need to respond, we need to decide how to respond. This graphic shows five characteristic styles of conflict management. One of the things that's interesting about this is that most people develop a dominant conflict management style and they like to use that style in almost any conflict situation.

However, the research is pretty clear, as is likely your personal experience, that the conflict management style that works in one situation could be a disaster in another situation. Let's take a look at these styles and see some examples and talk a bit about where each of these might be more or less appropriate.

Compromising:

Let's start by talking about compromising. Now, in most of the American culture, a willingness to compromise is considered a positive attribute. Oh, she's so willing to compromise. I'm willing to compromise, and we treat that as a positive attribute, and it can be. But I have a colleague who likes to emphasize that compromise is a lose-lose situation. If you're in conflict with me and I agree to compromise, and you agree to compromise, we are each agreeing to a solution that is less good than we each think is possible. Just keep that in mind, that compromise is not always the ideal model.

Let's look at video of someone who has a dominant style of compromising.

MAN: When faced with conflict, I like to compromise. I like to talk to the other person and find out why we're both so unhappy. I simply think it's the best way to solve problems. I make it very clear that I'm willing to compromise as long as the other person is too. As long as we're both willing to give up something, it's very easy to resolve conflict.

PROFESSOR: When people engage in compromise, they tend to point out to the other person that if we both make a few concessions, we're likely to resolve a conflict more quickly and with less damage. We often, as compromisers will point out, that if a disagreement is to be resolved, it's necessary to make some sacrifices.

Compromise can be very appropriate in situations where the issue is not very important to either party. Compromise can be appropriate in situations where there's no ideal solution that's likely to be found. Compromise can be appropriate in situations where there are bigger issues we need to attend to or where we don't have enough time to use one of the other methods that could be a more lengthy process.

Compromise. We each give a little in order to resolve the conflict and move on.

Competing:

Let's look at someone whose dominant style is competing.

WOMAN: We are all faced with conflict at work, and we all react differently. Personally, I think when I'm faced with conflict, I like to make sure that all of my needs are met immediately. Unfortunately, most of the time that means that that costs the other person something. So be it. I'm a firm believer in the strongest person winning.

PROFESSOR: I think her style is pretty clear. I think her style is pretty clearly competitive when she finds herself in a conflict situation. A person who tends to compete pursues their own goals without regard to the degree to which the other person is likely to achieve their goals.

Someone who competes doesn't necessarily want the other person to lose, but they definitely want themselves to win. Often the competitor will make the first move, they'll try to gain control in the conflict. They're trying to maximize the chances of obtaining the outcome that they personally want, even if that hurts the other person's probability of achieving an outcome that they would like. Sometimes this person will filibuster the conflict. They'll prolong it until the other person gives in.

Competing. I'm in conflict. My goal is to meet my needs. I will choose behavior most likely to meet my needs. I'm focused on me.

Collaborating:

Collaborating can be one of the most productive, most positive ways to resolve a conflict. But it's also one of the most complicated and can be one of the most lengthy and most challenging ways to manage a conflict. Let's look at someone who believes that collaborating is the best way to address conflict.

MAN: When I'm faced with a conflict, my basic approach is that two people have a better chance of finding a win-win situation. They need to know what's important to me, I need to know what's important to them, and together we can find a way for us both to win.

PROFESSOR: Clearly this guy is a collaborator. That's his style. That's his preferred method of dealing with conflict. Collaborators try to determine where each party to the conflict stands. They try to work with the other person to identify options that might meet the needs of both parties. They're proactive, not only in meeting their own needs, but proactive in helping to meet in the needs of the other party.

Collaborators tend to suggest that we work together to combine our ideas, see if we can create new ideas to come up with an idea that's even better than either of us might have come up with on our own. Collaborators, very importantly, will explicitly express concern for the differences between the two parties, but they will also express concern for the importance of both parties finding an outcome that's useful.

Collaboration can be entirely appropriate and beneficial in important situations with critical conflicts around important, individual, or organizational issues. Collaboration can be important when an innovative or creative solution is needed. Collaboration can be appropriate when neither party has all the knowledge, skills, or experiences to resolve the issue on his or her own. But, collaboration takes time, it requires two people who are

willing to honestly and truly collaborate, and it requires two people who are capable of jointly finding a collaborative solution that really is the best possible outcome.

Avoiding:

Sometimes one or more party in conflict will attempt to avoid the conflict. Let's look at an example of that.

MAN: To be completely honest with you, I hate conflict. I go out of my way to avoid it because I dislike it so much. There's no problem that's so big that you need to lose sleep over it. Oftentimes it's impossible to resolve conflict, so why fight anyway?

PROFESSOR: Clearly by style, this guy likes to avoid conflict. It would appear he's not comfortable with conflict. It would appear that he would prefer to walk away from the conflict situation rather than walk toward it and engage to find a solution.

When someone avoids conflict, they downplay the seriousness of the problem sometimes. Let's not waste time with this matter. It's not important enough. Sometimes the person who avoids will say to the other person, this just isn't a big issue to me. You figure it out. Sometimes the person will say, you know, there's really no purpose in pursuing this because there's no way we can resolve this conflict.

Avoidance can be appropriate for a person to choose if they're busy and the issue just isn't important to them. But that might signal to the other person that that other person is not important to them either.

Avoidance can be a good short-term strategy to let things calm down and cool off a bit so that we can think through the conflict and come back together to address it more constructively. Sometimes avoidance is simply because a person doesn't know how to manage conflict with one of the other methods.

Accommodating:

Accommodating. Let's take a look at someone whose personal style and preference is to accommodate.

WOMAN: My style, when faced with conflict, is basically that of a peacekeeper. I try to talk to the other person and to help them take care of their own needs. Hopefully other people will respond to me in the same way. It's a lot less stressful to take this approach than to spend hours in conflict, fighting over who will win.

PROFESSOR: Clearly this woman is an accommodator. Someone who chooses accommodation as a way of managing conflict, offers to handle a problem any way the other person wants to. Tell me what you want me to do, we will do that. If you ask me to do something to resolve a conflict, I'll go along with it. The accommodator is avoiding direct confrontation. Accommodating might be helpful because it can build social credits. I accommodated you last time, you help me in the future. Accommodating could be appropriate in a situation where the issue is not important to me, but I know it's important to you.

Accommodating could be appropriate in a situation where a specific conflict is only one part of a bigger conflict, and by accommodating on one issue, we have a better chance of, perhaps, collaborating on the bigger issues.

Self-Assessment Results:

In this course, you're given the chance to assess your own dominant conflict management. This graphic shows some averages for the five conflict management styles. It shows a national norm, this is across the U.S., across managers, professionals, nonprofessionals, nonmanagers, and shows the average scores on each of these five styles. It also shows the average scores from a previous group of students at the University of Wisconsin in Madison.

When you do the self-assessment you will get scores for yourself on each of these five scores. Those scores will indicate the likelihood of you engaging in each of those five conflict management styles if you just react by what seems natural to you, rather than by analyzing the situation, the needs of the situation, and choosing a conflict management style that's appropriate for that situation.

Summary:

There is no one best way to manage conflict. There is no one person who can decide how to manage the conflict effectively on his or her own. We need to evaluate the basis of the conflict, the other party. We need to think about what result we want and what type of aftermath we want when we choose behavior for managing a specific conflict. If you always go with your dominant style, sometimes you'll make a great choice. Most of the time you'll make a bad choice. Understand your style, understand the style of others, understand the options, and choose the option that's appropriate for that situation with that person.

Legal Aspects:

PROFESSOR: Society has chosen to create some laws and regulations that govern some of the decisions that organizations can and cannot make as they decide who to hire and how to manage the people that they do hire. Now, although some organizations feel that these laws and regulations are constraining, for the most part, these lawing and regulations actually encourage organizations to engage in behavior that will facilitate the success of organizations.

That said, sometimes the administration of these laws and regulations can be a bit burdensome and not straightforward. Let's take a look at some of the key legal issues that have to be considered when organizations manage their human resources.

Civil Rights Act:

Quote, it can be said of the Civil Rights Act of 1964, that short of a declaration of war, no other act of Congress had a more violent background, a background of confrontation, official violence, injury and murder. It has few parallels in American history. End quote.

Although the Civil Rights Act of 1964 had broad impact for people's lives in general, it was the start of broad impact on human resource practices.

Title VII:

Title VII of the 1964 Civil Rights Act prohibits discrimination against any individual that's based on national origin, gender, race, religion, or color. When decisions are made regarding hiring, firing, training, discipline, compensation, benefits, classification, or any other term or condition of employment. This is probably the single most important piece of legislation affecting human resource management.

It's important to note who is and is not covered by the 1964 Civil Rights Act. By the way, many of the organizations that are not covered by the federal Civil Rights Act are now covered by state regulations that apply many of these concepts to a broader range of organizations.

Title VII says that coverage of these rights applies to most private employers if they have 15 or more employees who work 20 weeks per year or more. It applies to employment agencies. It applies to labor unions. It applies to public employers, whether they're local, state, or federal.

The enforcement of the Civil Rights Act Title VII that relates to employment issues, the enforcement agency is the Equal Employment Opportunity Commission, often referred to as the EEOC. Please note that there's been subsequent federal and state legislation and a whole series of court interpretations that have expanded who's covered.

For example, sexual orientation was not explicitly covered in 1964, but today most states protect this, and U.S. government is doing the same. Similarly undocumented workers were not protected by the original act. Today they are gaining protection.

EEOC Complaints:

Let's take a look at a graphic that gives you an idea of the range of complaints that are filed with the Equal Employment Opportunity Commission.

In the year 2014, of the tens of thousands of complaints that were filed, the largest number was people claiming they'd been retaliated against when they took action encouraging compliance with laws that are administered by the EEOC. This was followed by complaints about race discrimination, sex discrimination, disability, age, national origin region, and color.

The way that this works is that if an individual feels that his or her rights have been violated, he or she must file a complaint with the EEOC. That's the typical first route to find a remedy. The individual, of course, also has the right to go to federal district court to sue the organization that they believe has violated their rights. But EEOC is considered the primary administrative arm to enforce these regulations.

Forms of Illegal Discrimination:

I use discrimination as a general term. There is some discrimination that is legal. For example, when we decide who to select for a job, we discriminate in favor of those who have the best set of KSAOs. We discriminate against those who have lesser qualifying KSAOs.

However, in this section of the course, we're going to talk about illegal discrimination that relates to disparate treatment, a pattern or practice of discrimination, retaliation, and something called disparate impact. Let's take a look at each of these, because each of them is extremely important in the practice of human resource management.

Disparate Treatment:

Disparate treatment occurs when an employer knowingly discriminates against an individual or group of candidates or employees on the basis of specific characteristics that are protected by the laws and regulations. Often this is intentional discrimination where an employer does not want older employees or does not want women or does not want people from a particular ethnic background. Disparate treatment is focused on how people are treated in the HR process.

Prima Facie Evidence:

Making a case of disparate treatment can be done with prima facie evidence of discrimination. Let me show you some examples of some of the criteria that can be used. For this example, let's look at the situation where an organization is hiring new people from outside the organization.

Prima facie case of discrimination can be made by doing the following. Identifying that the person who believes he or she is discriminated against belongs to a protected class. Gender, religion, color, race, national origin, age, disability. The first criterion is before the person can claim illegal disparate treatment, they have to demonstrate they are a member of a protected class.

The second thing that happens is that the person has to have applied for the job. They cannot claim they were discriminated against unless the actively and fully applied for a position.

Third, the person has to argue that they were rejected despite being qualified, having the right KSAOs.

Fourth, the prima facie case is made if the first three conditions are met, the person is rejected as a candidate, and the position remains open and the employer continues to seek applicants, even though a qualified protected class person was rejected.

Now, I've said that a person needs to believe these things are true. They're not likely to file a case with EEOC or file a lawsuit unless they believe they were discriminated through disparate treatment. But once the claim is made to EEOC, the burden is on the employer to defend why they did not hire that protected class individual.

Disparate Impact:

Disparate impact, also illegal, also a negative impact on people from a protected class, but a very different kind of illegal discrimination.

With disparate, or what's often called adverse impact, the discrimination that occurs is the result of a process that may seem neutral, but disproportionately excluded a member of a protected group from employment opportunities or from fair treatment once they're hired.

With disparate or adverse impact, the organization does not need to be intentionally discriminating against people from a protected class, but the methods they're using, the processes that they're using produce a result that is discriminatory.

Retaliation:

Disparate or adverse impact focuses on discrimination that's a result of employment practices, rather than some underlying motive or intent to discriminate.

The evidence that needs to be brought forth to determine if adverse impact occurred is typically statistical, and the statistics need to show that there is an adverse impact of a practice on a protected class.

For example, an organization relies heavily on referrals for external recruiting. Most of the organizations' current employees are white males who are young. The people those young, white males know are white, young males. Those are the people they refer, and as a result, young white males tend to be hired. Others tend to be excluded.

Although the use of referrals is very popular and can be very effective, an organization has to carefully study its use of referrals to make sure that that process is not leading to an adverse impact where it's less likely that a qualified member of a protected group will be offered a job. With disparate or adverse impact, the case for discrimination is based on data and the responsibility for making the case usually falls on the person or group of people who feel they've been discriminated against.

Retaliation is, I mentioned earlier, one of the biggest sources of complaints to EEOC. Retaliation occurs when an organization takes, quote, adverse employment action against an employee because the employee brought charges of discrimination against the organization or supported someone who did so.

In other words, if you are not even a member of a protected class, but you believe that someone has been intentionally or unintentionally discriminated against in hiring or pay or promotion, and you speak up about it, and you support that person, if the organization retaliates against you, that is a violation and you have the right to go to the EEOC, make a claim, make a case that you've been retaliated against for speaking up when you believe that discrimination had occurred.

Protection against retaliation goes all the way back to the Civil Rights Act of 1964 that said employers cannot retaliate against employees if they oppose a perceived illegal employment practice or if they participate in a proceeding, such as testifying in a trial or testifying to EEOC in a situation that's related to illegal employment practice.

Typically a prima facie case is made for this. All the way back to 1964, the employees who were really protected against retaliation were from those protected groups. Today you do not need to be a member of a protected group to be protected against retaliation if you oppose or participate in a proceeding that involves discrimination against someone from a protected group.

To make the case, we show that somebody who is in a protected group appears to have been discriminated against. The employer appears to have taken adverse employment action, and it appears there's a link between what the organization did and what the individual did in opposing what was perceived as an illegal action.

This can get complicated, and we need to think about some of the specific activities that are protected by the antiretaliation laws and regulations.

Here are some of the things that are protected. If you voice a concern about workplace behavior that you think was illegal, unethical, or unsafe, you're protected. If you report or file a formal complaint that you think involved illegal, unethical, or unsafe behavior you're protected. If you refuse to participate in something that you believe is illegal, unethical, or unsafe, you're protected. If you cooperate with an investigation into a complaint, you're protected. If you serve as a witness in a court case or an EEOC proceeding that involves illegal, unethical, or unsafe workplace conduct, you are protected.

Now, I have to say that even though these protections exist in law, even though they're upheld, there is often an intangible punishment that is brought to bear on people who engage in this kind of behavior. So people have to make very careful decisions when they decide to speak up when they believe that the organization is engaged in inappropriate behavior. The laws are designed to encourage them to do so and to protect them from doing so. It usually works, but not always.

Pattern or Practice:

It's also important to make sure that there is no pattern or practice of illegal discrimination occurring. What does that mean? When we talk about a pattern or practice of discrimination, we're talking about a systematic pattern or a systematic practice of intentional discrimination where there's evidence that shows that discrimination is standard operating procedure. It is regular, not an unusual practice. It's not isolated. It's not sporadic. There's statistical data that includes nondiscriminatory factors, such as qualification, that are used in making the case that intentional discrimination is overpowering legitimate predictors of who to hire, who to promote, how much to pay.

The penalties for pattern or practice discrimination can be quite severe for an organization. Because these involve not an event where someone who's protected is discriminated against, but an ongoing, regular series of events that are institutionalized and discriminate in a systematic manner.

Unit 5.6 – Other Prohibited Behaviors

Sexual Harassment:

PROFESSOR: One of the forms of discrimination that's occurring in organizations today is focused on sexual harassment at the workplace. One of the forms of this is what's known as quid pro quo sexual harassment. This is a situation where a manager, or anyone else in a position of power in the organization, gives preferential treatment in exchange for sexual favors. Better pay, better work conditions, a promotion, anything of value that's given preferentially based on sexual favors.

Another form of sexual harassment is when there's a hostile work environment that involves sexual harassment. This exists when someone in the workplace is engaging in behavior that's perceived to be sexual in nature, is perceived by one or more employees to be offensive, and is perceived to be undesirable behavior.

It's worth noting that the organization assumes a high level of responsibility when sexual harassment occurs in the organization. If a supervisor engages in sexual harassment, the organization is responsible. If a coworker is aware of sexual harassment and does not do anything about it, that coworker can be responsible, and if the coworker reports it, the organization can be responsible.

It's very broad shared responsibility, and the test of sexual harassment is often perceptual based, making it challenging to identify and to prosecute cases of sexual harassment when it's not overt.

Behaviors:

If we look at successful cases where charges have been brought of sexual harassment, either in federal courts or state courts or EEOC or state rights' boards, we see that successful cases of sexual harassment have been brought when there's been clear, collaborated evidence that touching has occurred, that sexually oriented jokes are used in a manner that's offensive. Elevator eyes, looking up and down a person's body where it's clear that that's being done. Allowing pinup calendars or sexually oriented images at the workplace. Making sexually oriented comments, making unwanted sexual advances toward another employee. Making conditions of employment or treatment at the workplace contingent on sexual favors, and physical assaults that involve touching or grabbing.

There are other forms of sexual harassment that have produced successful suits and successful actions against individuals and organizations, but this gives you a range of behaviors that can and have been defined as constituting sexual harassment at the workplace.

Age Discrimination:

I am protected by one of the acts that we address on this topic. I'm protected by the Age Discrimination and Employment Act of 1967. In 1967 an act was passed in response to the belief that some organizations were discriminating against employees based on their age. Sometimes they were not hiring older workers, sometimes not promoting them, sometimes paying them less, sometimes treating them differently at the workplace associated with them being older.

Who's covered by the Age Discrimination and Employment Act? Most private employers with 20 or more employees. Employment agencies are covered, labor unions are covered, public employers are covered. In this case, only local and state employers. Federal government has chosen to exclude itself from the Age Discrimination and Employment Act. It has other regulations.

What is protected? A person is a member of this protected class if they are 40 years old or older. According to this act, age discrimination would be illegal, it does not have to be intentional. It is illegal whether it's intentional or simply produces adverse impact.

The enforcement agency for this, again, is the EEOC, and they receive over 20,000 complaints a year that are viewed as legitimate complaints of age discrimination.

ADA:

The American with Disabilities Act, or the ADA, was passed in 1990 to protect individuals with certain disabilities against illegal workplace practices. The ADA defined what is meant by a disability. There have been a lot of court cases refining this. Basically, a disability can be physical or mental. It has to be a disability that substantially limits one or more major life activities. Walking, seeing, hearing, for example. There has to be a record of the person having such an impairment, and it has to have been regarded by that person as an impairment.

There are some things that are not covered, although these are now being evaluated to potentially be covered, and some states are covering these. Currently the federal ADA does not consider obesity or drug abuse to be a disability. However, recovering addicts are covered. Recovering addicts who are no longer using drugs cannot be discriminated against if they are recovering. So the addiction to drugs is a disability. The use of drugs is not.

When courts look at claims of ADA discrimination, they consider factors such as the expense of accommodating an individual. Basically what the ADA says is that an organization needs to take reasonable steps to accommodate a person who has a disability, but is otherwise able to perform work for the organization.

When the court decides whether reasonable accommodations have been made, they do look at the cost of accommodation, and they consider that basically in the context of the organization's ability to pay. They do this by looking at percent of revenues, and they look at whether an undue hardship would be created for the employer.

The ADA prohibits discrimination in employment practices, any employment practice, against someone with physical or mental disability who is otherwise qualified, who otherwise has the KSAOs to do the work. They're otherwise able to perform the essential functions of the job and with reasonable compensation would be able to do so.

A reasonable accommodation could be an adjustment in the height of a work space so that, for example, someone who is in a wheelchair could reach the work space. A reasonable accommodation could be the use of larger print on print documents or larger fonts on computers enabling someone with a visual disability to be able to read what they need to be able to read to do their work.

The ADA law requires an employer to make a reasonable accommodation for people who are otherwise qualified, as long as it does not prevent the organization from being successful by creating an undue hardship.

Disability Claims:

Let's take a look at a graphic that gives us an idea of the kinds of complaints that have been filed to EEOC under the Americans with Disabilities Act.

As you can see from this graphic, there are a wide range of disabilities. For example, the most common complaint involves emotional or psychiatric disabilities followed by back conditions. But extremity limitations, neuropathy, neurological limitations, diabetes, heart issues, hearing issues, have all been the source of complaints. Any disability can be the basis of a complaint under the ADA if it meets those basic conditions of the person is otherwise qualified, a reasonable accommodation can enable them to do the work without creating undue hardship for the organization.

Embracing Disabilities:

I'd like to show you an example of an organization that embraces people with disabilities. Before I show this, I want to emphasize that, as I mentioned at the very start of this section, the things that are protected by these discrimination laws and regulations are things that should be protected by the organization, because having diverse people in the organization can enable the organization to have the best chance of success. These laws and regulations are intended to limit discrimination that's done intentionally or unintentionally by organizations that are acting against their best interests and the best interests of society.

Let's take a look at one organization and see how Walgreens has embraced people with disability for both a competitive advantage and to contribute to society.

REPORTER: With every box that's opened, every button that's pressed, and every crate that's sorted, employees at this Walgreens distribution center in Windsor, Connecticut, are breaking down barriers. Just ask Julia Williard.

JULIE WILLIARD: It's my dream to work here. It is okay to be yourself, and it's okay to be deaf. And it's okay to have disabilities while you work.

REPORTER: More than 40 percent of the people working here report having a disability.

BRYAN HANDY: When you have autism like I have, it's tough to overcome in your work, and we get better at it, then you pick up the pace, and go from there.

THOMAS PELLETIER: I may have a seizure that would cause me to fall backward.

REPORTER: This is something that you think has held you back in the past?

THOMAS PELLETIER: Yes, it has.

MONICA HALL: The thing that make this is building different is that people are accepted. Everyone is working right next to each other. 80 percent of this department is people with disabilities, and you really can't tell one from the other.

REPORTER: And that's the point. Did this idea also come out of something personal in your life?

RANDY LEWIS: Certainly. I mean, I have a son with autism who is now 23.

REPORTER: For Walgreens' Randy Lewis, what began as an experiment has been a revelation for the company, which now plans to introduce Lewis' program in its retail stores.

RANDY LEWIS: We sell people with disabilities short. We think their abilities are like this. What we found is that they're much broader.

REPORTER: Equality is at the core of Walgreens' inclusive hiring policy. Equal pay, equal work, and equal expectations, sometimes with a little help to make sure everyone can meet those expectations.

JENNY CASTLE: If you look up here at this work station, we have picture of a cow. This whole department is called the zoo. This is station 11, but if I don't know numbers, 11 doesn't mean anything to me. So we name it the cow station, as well.

REPORTER: The special accommodations cost the company less than $25 per worker, and Lewis says workers with disabilities have fewer workplace accidents, lower absenteeism, and lower turnover than people without disabilities.

RANDY LEWIS: It's the people without disabilities who realize that we are community, that we're part of something bigger. Yes, we're capitalists, and we have to serve our shareholders, but we have to serve each other and our community.

REPORTER: Allison Cossack, CNN, Windsor, Connecticut.

Summary:

PROFESSOR: I like this video for a number of reasons. First, it shows us firsthand examples of a wide range of disabilities that can be accommodated by an organization. The wide range of people who can bring value to the organization when their disability is accommodated who would not have brought that value to the organization had it not chosen to accommodate their disabilities.

This video is also a good one because it shows how an organization, rather than systematically discriminating or systematically making sure that it doesn't discriminate can systematically embrace people with disabilities, bring talent into the organization that can help drive the success of the organization.

In America today too much illegal discrimination occurs. Any illegal discrimination is too much. In some ways, what's even more disheartening is how frequently organizations act against their best interests and the best interests of their shareholders by discriminating against people who have the capability of contributing to the success of the organization.

Unit 5.7 – Performance

Performance Management:

PROFESSOR: Let's talk about performance management. Performance management is a process. The purpose of this process is to make sure that the things that employees are doing and the outputs they're producing are aligned with the organization's goals. Performance management is a process.

Three Purposes:

When we talk about the performance management process, we're talking about three major purposes that we focus on. Administrative, strategic, and developmental.

When we talk about the administrative purposes, we're talking about actions that the organization takes that involve things like salary, promotions, retention, and when necessary, layoffs.

When we talk about the strategic purpose of performance management, we're focused on making certain that we have alignment between the outputs from the organizational member and the goals of the organization.

When we talk about the developmental purpose of performance management, we're talking about making certain that we have trained and developed our employees so that they are capable of performing their current job effectively and prepared to perform future jobs effectively.

Deliverables:

As we move forward, as we've mentioned in every topic of the course, remember, that we can't manage what we don't measure. Performance management requires measurement on the most important deliverables.

A lot of what we do in the performance management process is to appraise the performance of organizational members. We will appraise both what the person does, to see if their engaged in the appropriate activities, and we will praise the outcomes of their work to make sure that the productivity is being realized from engaging in those activities.

Who Should Evaluate Performance:

This raises the question of who should do performance appraisal. There's no straightforward answer to that question. Clearly, managers, supervisors, are responsible for much of the performance appraisal process. But quite often we also want to include peers, because peers have a more consistent, more regular view of the activities the member of the organization is engaged in. They have an everyday view of what's being done, and sometimes are a better position to evaluate a member's performance.

Sometimes subordinates or followers are also a really good source of appraisal information. A follower has the opportunity to observe the leadership behavior of an organizational member.

At times, self-assessment can also be useful. Usually organizations use self-appraisal of performance for the primary purpose of making sure that the organizational member understands his or her performance and is able to compare that to the information he or she is getting from others in the organization.

Sometimes we look outside of the organization for performance appraisal information. Sometimes we will seek input from customers or suppliers. The key, when we ask the question, who should appraise performance, is to ask who is in the best position to view what the person is doing and to measure the outcomes of what the person is doing, and what mix of people will provide the best overview of the performance of an organizational member.

Improving Performance:

When we appraise the performance of organizational members, we're likely to identify some solid performers and some who are not performing as well.

It's important for us to try to interpret why someone is a solid performer and the basis of why others are not solid performers. To help us look at that basis, we have to think about both the capability, the KSAOs that a person brings to the job, and the motivation of the individual.

As we look at this graphic, in the upper right hand quadrant, we see a solid performer. This is the person who has the capability to perform successfully and was motivated to apply his or her capability, resulting in solid performance. When we see this combination of capability and motivation that results in solid performance, we want to make sure we recognize the performance level and reward it.

Instead of trying to correct performance, we have an opportunity here to focus on the future and the development of this individual so that they can perform at an even higher level in the future, and be prepared to perform well on other jobs.

We also want to provide honest, balanced, direct feedback. Because even solid performers can use feedback that helps them understand why they perform so well, and value feedback that reinforces their successes.

If we look in the upper left hand quadrant we have what we've labeled as misdirected effort. This is someone who has low ability, but high motivation. They're trying really hard. They want to succeed but they're not able to succeed.

In this situation, when we have failed performance, not due to a lack of motivation, but due to a lack of capability. When we diagnose a performance problem as this combination of high motivation and low ability, our focus needs to be on coaching the individual. We need to provide a lot of feedback. We need to set goals and we need to deliver a lot of training to help the individual develop the capability to succeed. If we can't do that, sometimes we will restructure the job a bit so that we can produce a better match between the person's capability and the demands of the job.

This is, in some ways, a nice poor performance outcome to find, because we have a motivated worker who wants to succeed, and he or she is likely to respond pretty well to that coaching, that training, that goal-setting, because that person will recognize that we're focused on helping them become more successful.

In the lower right hand quadrant, we again have a person with performance that's unacceptable, but in this situation we've identified that we have an organizational member who's capable of performing but is not motivated to apply his or her capability.

This is a very different situation than we had with the highly motivated but less capable individual. Here we have the capability, but not the motivation. In this situation, we have to give honest, direct feedback that the opinions is not acceptable. We have to provide counseling of the importance of applying capabilities. We might use team building. We might discover there's an underlying conflict that we need to resolve. Typically we need to make very clear that rewards will be linked to outcomes, not just to capability.

We might offer some training here, but the training is more likely to focus on how motivation can translate into high performance.

Our lower left hand quadrant is the one that's often called deadwood. Deadwood because we have a terrible combination of low capability and low motivation. The person is not capable, and the person is not trying. With this person we can be punitive. We can withhold pay increases, we demote them, we can fire them. We can provide feedback to help them understand why. Or we can tackle a very challenging task that involves increasing motivation and increasing capability. That is a big investment in an individual and an organization has to make the decision whether it wants to do this double investment in driving motivation and developing capability.

One of the keys to this graphic is that there's only one way to get high performance, and that's through a combination of high capability and high motivation. But there are at least three ways to get poor performance. We have to remedy poor performance in very different ways depending on the underlying cause of that poor performance.

Motivations & Rewards:

SPEAKER: Let's talk about motivation and reward systems. Everyone is motivated. Some people are motivated to attend work every day they can, while others are motivated to work as little as possible. Some people are motivated to keep their job; others are motivated to quit. Some are motivated to work with a high level of effort; others are motivated to exert as little effort as possible. I want to argue that everyone is motivated. The issue of motivation is direction and intensity: What directions are people choosing to pursue, and with how much intensity. As we talk about motivation of work organizations, if we want to manage motivation, we have to focus on managing both direction and intensity.

Direction & Intensity:

Some of the tasks we need to address: We have to figure out how to develop appropriate direction and match that with appropriate intensity to succeed at a particular task. We have to understand why sometimes people choose the wrong direction and engage in behavior that is not what we wanted them to do. We have to understand why sometimes people work on the task that we prefer -- they choose the right direction -- but they pursue it with inappropriate intensity. And we have to understand how to obtain both redirection and how to impact intensity.

To help us understand how to diagnose direction and intensity, how to manage direction and intensity, let's take a look at some models that are based on research that's been done in work organizations. Together, these models will help us understand the choices people are making and give us ideas for ways to impact choices of direction and choices of intensity.

Alderfer's ERG Theory:

The first theory we're going to look at is a need theory. This particular one is Alderfer's ERG theory: Existence, relatedness, and growth. And before we talk about this theory, let's remember that when people choose to work for an organization, and the organization chooses to have them work for the organization, that a social exchange is created. The individual offers to bring his or her knowledge, skills, abilities, experience, to the organization; agrees to bring his or her time and energy to the organization; and in exchange, the organization offers that individual some things that he or she values.

This raises the question of what do people value from their organizations. The need theory research that's been done in organizations is pretty clear that different people value different things from their work experience. The underlying motivating force will come when an individual feels that they will receive things they personally value in exchange for the value that they give to the organization. This can be different across people, and over time it can change for individuals.

This contemporary perspective on need theory says that there are three major sets of needs that might be addressed in exchange for working for an organization. The first of these are existence needs. Some people are motivated to take a job and to give time and energy to an organization because they need the money to buy food, to buy shelter, to buy clothing; to take care of themselves and their family. Their primary focus is on what might be labeled existence needs. Some people also value -- or primarily value -- relatedness needs. These are people who, when they go to work for an organization, significantly value the nature of the relationships at work, the kinds of people they work with, the quality of the experience of working with other people. And then some folks have growth needs at work. They're highly motivated and feel highly rewarded when they're given the opportunity to grow, to learn new things, to face new challenges, to have new opportunities.

All of us have some mix of these existence, relatedness and growth needs when we consider working for an organization, and as we make decisions on a day-to-day basis. For some of us, the existence needs are the primary drivers, for some it's relatedness, and for some it's growth. For most of us, it's a combination.

For an organization to attract, retain and motivate workers, the organization needs to understand which of these sets of needs are most important to individual workers and offer satisfaction of those needs in exchange for what the worker is giving to the organization.

Learning Theory:

Learning theory builds on need theory. In fact, all of these theories -- all of these models that we look at -- really add value to one another. Where need theory says we need to understand the needs that are of most importance to an individual, learning theory says that people learn from the consequences of their behavior once they enter the organization. In short, they learn which behaviors lead to the satisfaction of the needs that are most important to them. They learn which behaviors lead to reward, which behaviors are punished, and which behaviors are neither rewarded nor punished. And the research on learning theory is pretty clear that as people learn, they change their behavior. They learn to behave in a manner that is most likely to produce the return from the organization -- the satisfaction of needs -- that are most important to that individual. They change their behavior to engage in the things that provide returns they value the most, and are less likely to engage in behaviors that are either not rewarded or are punished.

There are a number of mechanisms that can be used to help people learn what is rewarded and what's punished. Positive reinforcement, for example, is the process of a positively-valued outcome being given to the worker after he or she engages in a specific behavior. For this to work, the organization has to make very clear which behavior was being rewarded, and has to make certain that the reward is valued by the individual. If so, the individual will learn, when I engage in this kind of behavior, the organization gives me something that I value and that I feel good about.

Negative reinforcement, avoidance learning, punishment, non-reinforcement, and shaping, are all more complex manners of helping people learn what is rewarded and what is punished. Your book addresses these in more detail. What they all have in common is that they are all processes through which an individual learns which behaviors appear to be valued by the organization; which behaviors are most likely to give the worker something of value in return.

Goal Theory:

Goal theory research has shown that goals are of critical importance to most members of organizations. We've talked a lot about goals in this course. In fact the course began when we addressed strategy by talking about strategic goals, strategic objectives that are high-level goals for the organization. And we talked about the importance of having not only top-level strategic objectives, but division objectives, department objectives, team objectives. Goal theory has focused primarily on individual objectives or goals. We learn that goals define a target -- a desired direction -- for members of the organization; and goals, if they're described appropriately, can also give the organizational member an idea of the amount of intensity that will be necessary to achieve the goal.

So goal theory is directly focused on the direction part of motivation: Telling members this is the direction we want you to go, and a little less directly, helps to inform the intensity part, if the goals are expressed appropriately. Let's take a little more look at what we've learned about how goals impact the choices that people make for direction and intensity.

Goal Theory Model:

This graphic is a nice summary of what's been learned from the research on goal-setting in organizations. First, we've learned that for most people, goals need to be difficult or they're not motivating; they're not interesting. Most people do not enjoy the process of chasing and achieving a very simple goal. They're likely to value more the challenge of chasing and succeeding at a difficult goal. However, the research shows that if the goal is too difficult, most people will not even attempt to pursue that goal. So what we need is a goal that's challenging for that individual, but not viewed as impossible by that individual.

The research also shows that goals need to be pretty specific, because if they're specific, they provide explicit guidance on the direction that's desired by the organization. If a goal is general, the individual worker has to make inferences about what the true, underlying goal is, and those inferences can be inaccurate.

So we clearly know from the research that the best goals are difficult and specific. They engage and they inform. But, difficult specific goals will not be great motivators, unless the individual accepts the goal as his or her own personal goal. When it's my goal, I care about it; when it's my goal I own it; when it's my goal, I will feel good when I achieve it. So we need difficult and specific goals that are accepted by the individual, and committed to by the individual. Goal commitment means that I as a member of the organization truly care about achieving this goal.

How do we motivate goal acceptance and goal commitment? We'll look at this more later but the basic idea is that organizational members are most likely to accept and become committed to goals when they believe they're appropriate goals, when they're difficult and specific, when they believe they can succeed if they work hard -- and critically -- when they believe that achievement of the goal will lead to success not only for the organization, but success for the worker through rewards; rewards that are valued by the organizational member.

Goal theory's added great value to us because it helps us understand that difficult specific goals that are accepted by the individual, committed to by the individual, are likely to motivate goal-directed effort focused on achieving success. If the individual's capable, success is likely to result.

Equity Theory:

We've talked a lot about people receiving rewards. We've talked about rewards influencing the direction and intensity of organizational members. We've emphasized that those rewards -- those promised rewards -- are only likely to be powerful if they address needs that are of value to the individual, but there's something else we have to address, that the research has shown is really critically important in organizations, long-term: And that is that even when people receive rewards that address their important needs, that are of value to the individual, after they receive that reward, they do two types of evaluations of whether they were treated fairly and equitably.

Now, remember, we're talking about a situation where I've received rewards that I like; I value; they address my needs. The first thing I'm likely to do after I receive these valued rewards is to evaluate whether the magnitude of what I was given by the organization is comparable to the magnitude and value of what I gave to the organization to earn this. In other words, equity theory would say I compare my outcomes to my inputs and I ask the question, was that fair given what I gave the organization? Remember, working for an organization involves a social exchange: The individual gives the organization value; the organization gives the individual value. This first part of equity theory is where an individual says, I'm going to evaluate the fairness of that social exchange. Did I receive value that's appropriate given the input that I provided? If I did not, even though the organization gave me things of value, I will be dissatisfied with the amount of value that I was given, and that's going to influence my future decisions of both direction and intensity.

Let's assume for the moment that I receive valued outcomes; I evaluate it; I conclude that it was fair; I've not only received things of value, but I've perceived that I was treated fairly -- most of us like that. We like being treated fairly. So the organization gets a double boost of motivation -- both the rewarding power -- the motivating power -- of the outcomes the person received; and the motivating power of a person believing they're treated fairly.

The second part of equity theory, even assuming that I think the rewards I got were fair given the inputs, the second part of equity theory says I am I social person; I'm going to compare my situation to that of others. Maybe the rewards I got compared to my input seemed reasonable, but when I look at another member of the organization, I choose a comparison other; I compare my reward-to-input ratio, if you will, to that of other people. If I compare my situation to someone else -- let's say I compare myself to another person who provided comparable inputs to the organization. So I'm looking at my friend Jim, and I conclude that Jim provided roughly the same value to the organization that I provided, but Jim got greater rewards; most of us would be pretty unhappy with that. That is describing a situation of perceived inequity. I was happy until I learned that others are

being rewarded more for the same kind of input than I am being rewarded. So this inequity could be perceived in a situation where Jim and I have comparable input, but he gets greater rewards, or it could be a situation where we get the same rewards, but I believe I provided greater inputs than this other person.

If I make these comparisons and I feel that I'm being treated equitably in comparison to other people, I will be satisfied that I'm being treated equitably. If I thought I was being treated fairly and equitably, that's a very powerful impact for motivating me as a member of the organization. If I feel I'm not being treated fairly or not being treated equitably, or worse -- both; that will demotivate me. It will make it less likely in the future I will choose to pursue the desired targets; less likely I will have the level of intensity that the organization hopes I will bring to the situation.

If I feel I'm treated unfairly or inequitably, I'm going to be motivated to change that. I might go to the organization and say, treat me fairly, treat me equitably. If that doesn't work, I might be motivated to reduce the amount of intensity that I give, or motivated to work on other targets instead of the most desired targets by the organization. Equity theory research shows that we -- most of us -- care, and care a lot about being treating fairly and equitably, and when we are, that causes commitment to the organization; makes it more likely we will give both the direction and the intensity the organization wants in the future. When we believe we're not, those things are less likely.

One last comment: When we make these comparisons of fairness and equity, they're based on our perceptions of reality. It's not uncommon for members of organizations to overestimate the value of the inputs they're providing; to underestimate the value of inputs that other people are providing; and it's not uncommon to overestimate the rewards that other people are receiving. What that means is that organizations have to be very careful to not only objectively manage fairness and equity, but to make sure they're also managing perceptions of fairness and equity.

Unit 5.9 – Motivations & Rewards Part 2

Integrative Models:

SPEAKER: The things that we've learned from these models of motivation that were based on research in work organizations are really informative, and they're particularly informative to organizations as they understand how to develop and implement effective incentive and reward programs. To help us, and to set the stage for designing appropriate incentive and reward programs, we're going to look at one more model of motivation that pulls together ideas from all of these models. This is an integrated model that's often called expectancy theory.

Expectancy Theory:

One of the arguments for expectancy theory is that people choose their direction and develop their intensity based on rational considerations; rational considerations that come out of the research findings from those models that we've already looked at. Let's try to integrate them a little better.

Expectancy theory says that as a person chooses what to work on, where to place their time and energy, they look at each alternative that's available to them -- each direction, each intensity level -- and they ask three questions; we're going to label these expectancy, instrumentality and valence.

The first question they ask -- the expectancy question is -- if I try, if I pursue this target, what's the probability I will succeed? The second question they ask is if I pursue this goal and I succeed, what will the consequences be? Will anything be provided to me in return? And the third question they ask -- the valence, or value question -- is, if I succeed, if I get things in return, how will I feel about those things that I received in return? Will they match my needs? Will they be things that I value?

I am more likely to choose a direction and choose a level of intensity if I believe I can succeed if I try, that if I do succeed, there will be consequences -- outcomes -- delivered to me, and that those outcomes are things that are valuable to me.

Components:

When we look at the full model integrating all of this, it can look pretty complicated. Let's look at a graphic and let me just work our way through this graphic describing a successful situation that has long-term positive impact for both the individual and the organization. Let's look at the graphic.

The Model:

Let's look at this graphic and work our way through from left to right of a successful, long-term and short-term situation for both the organization and the individual.

Let's start by assuming that the individual is facing a goal and is deciding whether to focus on that goal and to invest time and energy in that goal. In other words, let's assume a person is deciding whether to pursue a direction at a given level of intensity. The person evaluates that goal, concludes, if I pursue this, I have a good chance of succeeding. If I do succeed, I expect that outcomes will be provided to me, and I believe that those outcomes will be things that I value.

This person chooses to pursue that goal. They exert effort in pursuing that goal. Now, in this successful scenario that brings together everything we've already addressed, that effort will translate into successful performance: Goal achievement, but only if there are two conditions present. First, as we've discussed multiple times, the person has to be capable of his or her effort translating into performance. The personal factors -- the knowledge, the skills, the abilities, the experience -- to enable success must be there. So at a minimum, we need the person to decide to pursue the goal and to do so with appropriate intensity, and the person needs to have the capability to succeed.

In addition to that, we need organizational factors to be in alignment. So in our positive example, the organization provides the support to the individual -- the guidance, the teamwork, the leadership -- that facilitates his or her success. The result is of this is performance; goal achievement. The reason the organization got successful performance was because the individual decided to pursue the goal, did so with appropriate intensity, had the capability of performing, and the organization delivered the necessary support. That's a success story. We only got success because all of that was in alignment. That's a short-term success story.

But let's think about what happens next if we want to motivate long-term motivation and satisfaction. Once performance occurs, what happens? We're going to be positive here. Let's assume that once the goal is successfully achieved, this individual feels good about goal success. They feel good about it because they value success; they feel good about it because they like to succeed against challenges; they feel good about it because they care about the outcome of their goal.

In addition, performance leads to extrinsic outcomes: Rewards that are valued by the individual. If goal success is affiliated with a combination of intrinsic and extrinsic rewards, then performance will be followed by satisfaction. I feel good about my successful performance because it was rewarding to me both inside me and from the outside.

[WINDOWS SYSTEM SOUND IN BACKGROUND]

But, before I'm fully satisfied, I will evaluate what's labeled here as "distributive justice "-- that's the fairness of the rewards that I got. I will only be satisfied, as equity theory pointed out, if the rewards I got for successfully achieving the goal were appropriate in my mind given the effort, given the capability that I brought to the situation, and that I was rewarded in an equitable manner -- meaning that I was treated fairly compared to the way others were treated. If all of this happens, I will experience a high level of satisfaction.

This is a great success scenario, and it can have long-term impact. Because not only have I worked through a situation that started with me making a decision to pursue a goal -- not only have I done that -- but I've achieved goal success because of what the organization and I put towards goal success, but I also experienced internal and external outcomes that I valued, that I considered were delivered fairly and with equity. Not only have I become satisfied about this experience, but I have learned that the organization rewards success. I have learned that I feel good about success. I have learned that the organization has treated me fairly and equitably, and I expect this for the future. Learning all of this makes it far more likely that in the future, when I'm asked by the organization to pursue a difficult, challenging task, it's much more likely I will choose to pursue that difficult, challenging task because I've learned about my capability, the support of the organization, and what happens after I succeed.

What I just described is a success story for the individual and the organization. Notice that for that success story to drive long-term success for both the individual and the organization, every one of these conditions has to be met. This understanding of the complexity of driving success for the organization and the individual helps the organization understand what they need to manage to drive long-term success of this sort. If anything goes wrong with any one of these boxes or arrows, we fail to get long-term success. The model provides us guidance on how to start with an individual and end up with performance and a happy, motivated individual.

Incentives & Rewards:

Let's talk incentive and reward systems explicitly. Let's talk about the policies and the practices that organizations develop when they decide how to reward people and what to reward people for. There are times when the strategy of an organization, or the strategy of a unit in the organization requires individual rewards and incentives. There are times when team-based rewards and incentives are more appropriate. There are times when organizational rewards and incentives can be powerful.

The nature of the job, the nature of the organization design, the nature of the culture, and the structure of the organization dictate which of these approaches is most appropriate for an organization to use with an individual, or which combination. There's no one best way to reward individuals. So let's look at situations where we might

consider individual performance-based rewards, team-based rewards, or organizational performance-based rewards. And think through how to identify the best mix.

Individual Based Plans:

Let's first talk about individual-based reward plans. These are by far the most common in organizations. Historically, they're the most common types of reward systems. They're common, they've been around a long time, because they have worked in a lot of situations. They can work particularly well when individual contributions are isolated. So, for example, we have a salesperson who is working one on one with customers where it's easy to identify the individual contributions of that particular organizational member; as opposed to, say, a scientific research team, where the output is really only assessed based on what the team has achieved.

So individual plans can work well when we can isolate and measure the contributions of individuals. They can work well when a job requires a lot of autonomy, where the individual is working pretty independently, and we can assess the results of that independent work. Individual plans can work well when we desire competition between organizational members, versus cooperation; where we're trying to motivate not just one organizational member by using an individual reward plan, but motivate others because we have rewards, but we place people in competition for those rewards. Individual-based plans can be pretty ineffective, however, when teams are used to perform work, and it's not possible to isolate the contributions of individuals.

Team Based Plans:

More and more work in organizations is being done by teams. In fact, we previously noted that the majority of work today is done by teams. Yet, organizations most often use individual reward systems. Team-based plans can be appropriate, because they have the potential to foster team cohesion and collaboration. By working together, we can achieve rewards. When we achieve rewards, it's because of what we accomplished. Team-based plans can be effective because it encourages the integrated use of the KSAOs that are brought to the team by individual members.

Remember, one of the reasons we form teams is so that collectively we will have the KSAOs that are required to get the work done. When incentives and reward systems are based on team performance, we motivate individuals to contribute, capitalize on, and coordinate the KSAO contributions within the team. And to put it simply, team-based plans are more consistent with many of today's organizational models. They're more consistent with the way organizations are designed and the structures that we create today. They're more consistent with the values people bring to the workplace and the culture that develops in the workplace.

It's worth noting, however, that in the US and some other countries, there is still a cultural value that focuses on the contributions of individuals. When we have that -- when we have individual values or cultural values that focus on individual success -- we threaten the ability of team-based incentives and rewards to succeed. What organizations are doing to deal with this is to develop team-based cultures that get agreement that "we" matter more than "I".

Another potential downside to team-based incentive and reward plans is one you may have experienced as a student: You've probably been in a lot of student project teams; you've probably observed individuals who have engaged in what's called social loafing. We've talked about social loafing elsewhere in the course, but this is when one individual chooses to not contribute his or her part to the team. If there are no individual incentives and rewards, that individual can loaf without having a negative impact on his or her rewards. So we need a mechanism to manage the potential for social loafing if we use a team-based model.

Profit Sharing:

One of the most common models of organizational-level rewards is profit sharing and I'd like to address some of the potential advantages and disadvantages of organizational-level profit sharing, where individuals share in the profits of the company. With profit-sharing, a portion of corporate profits are distributed to employees. It's not part of their base salary; it's in addition to their base salary or their hourly wages. These are deferred plans. They

don't impact pay in the current time period; they impact rewards in the future when the profits are realized and measured. This can really produce a long-term sense of ownership. This can be one of the factors that motivates retention of organizational members. This can motivate employees to think more like owners than only employees. This can drive a broader perspective on, my focus is helping the organization drive a profit.

This can also motivate increased cooperation between individuals, between teams, between units in the organization. There's no payout if the profits are not achieved. The only way to achieve profits is to work together and drive high-level success.

Not all is great about profit-sharing plans. If I'm a member of the organization and I don't believe that I helped generate those profits, I'll still like the money that I'm given, but it will not cause me to change my behavior to help drive success for the organization in the future. Another challenge is that most of our rewards occur on a pretty quick basis -- they're pretty closely associated with behavior. In fact, if we look at the research, we know that when rewards occur quickly after contributions are made, people more quickly learn what is valued by the organization and are more quickly motivated to contribute to organizational success.

Organizational-level profit sharing plans have a very long time delay before the reward is received. The bad news is we lose some of that motivational power of rewards that are closely tied to the behavior that generated them. The good news is, members of the organization know you have to hang around to gain those rewards and this can motivate retention.

Another potential problem with profit sharing plans is that employees can start to depend on these profit-sharing payments. They can start viewing it as part of their salary. If that happens, it loses motivational power because it's no longer tied to success in the mind of the individual, and when the profits are reduced and the payouts are lower, employees can perceive that as a pay cut.

Organization-Level Compensation:

We mentioned two other models for pay that is based on organizational-level performance -- stock options and employee stock ownership plans -- ESOPs. With stock options, the employee is given the right to buy a certain number of shares of the company stock at a specified price. Now, traditionally, these options have been given mostly to executives, but a lot of companies now are pushing these stock options down further in the organization in the hopes of deepening the impact of motivation.

Why would this be motivational? A stock option is motivational because it says you can buy a share of the company stock at this price. If you help us drive the stock value higher than that through your performance, you can still by that share of stock at this lower price. When you help us increase stock price in the company, exercise that stock option, and you will immediately have the gain between what you paid and the current value; with that value having been caused in part by your contributions. The idea is that this will motivate you to contribute to the success of the organization because you believe that if you do, you will benefit by exercising your stock option.

Employee stock ownership programs are arrangements where the organization actually distributes, not options, but actual shares of stock to its employees. Usually these are placed in a trust in the name of the employee, and this is the most common form of employee ownership. The idea with an employee stock ownership plan is that you own part of the company. If the company performs well, your part of ownership gains in value. So this literally is ownership of the success of the organization, and the idea is that it will motivate people to contribute to the success of the organization because they own it. And if they help drive success for the organization, by definition, they're also driving success for themselves, by increasing the value of the stock that they own.

Training, Development, & KSAOs:

SPEAKER: Let's talk about training and development. These are two related but different activities that organizations use for the purpose of increasing the probability that when someone is motivated to contribute, they will be capable of contributing.

Let's look at a graphic that differentiates between training and development. When we talk about training, our focus is on current job duties -- training is focused on the job the person is doing today. Training does not draw real heavily on work experiences except to the extent that it informs weak spots, strong spots, so that training can reinforce what a person is already doing well, and identify what they're doing less well. Again, the goal of training is to prepare the individual to perform effectively on the current job. Training might be focused on turning inadequate performance into adequate performance, or it can be focused on turning adequate performance into even better performance. Training always involves the active participation of the individual employee, and organizations will require this training in most cases.

Development, on the other hand, is focused on future job opportunities. It draws heavily on work experiences as a way to develop the individual for the future. The goal is not to help the person perform better on the current job, but to prepare the person for future work if their job is going to change, or if they're going to move to a different job. Development efforts in organizations are usually a combination of voluntary and required. Some organizations make all development activity voluntary; others make it required.

Note that both training and development focus on KSAOs. With training, we're focused on developing the knowledge, skills, abilities and experiences that will enhance current performance. With development, we're looking ahead to the future and focused on developing knowledge, skills, abilities, experiences, that will enable success in the future on different jobs.

Effective Training Objectives:

Organizations will usually have a pretty formal set of objectives for their training programs. These objectives usually start with a statement that says, the person I'm training is expected to engage in these activities; this is the level of acceptable performance; this is the level of desired performance; these are the conditions under which the employee will apply the new knowledge, skills, abilities they acquire from the training; and then they'll talk about the link between the training and performance. They'll specify how the newly acquired, or the higher-level KSAOs will translate into success. They'll basically say if the person knows this better, they will be able to perform better because ... If they develop these skills to a higher level, they will perform at a higher level because ... They must specify measurable performance standards or there's no way to evaluate whether the training program succeeded; there's know way to provide feedback to the employee to indicate that the training was actually helpful.

A good training program, by definition, should specify the resources that are needed to execute the training, should value the anticipated result of the training, and therefore allow a return on investment analysis.

Measures of Training Success:

Virtually every organization has training programs. In most organizations, these are formal training programs, although in some, they're informal, they're not well-developed, they're not well-assessed. For formal training programs in organizations that care about whether the training has succeed, they measure the success of their training program. They typically start with a very simple metric of: Did people participate. Now, that doesn't tell us if participation succeeded, but it's an absolute minimum requirement. They will then sometimes assess what new knowledge were acquired by the trainees; assess what new skills were acquired; assess whether understanding of the work has increased. So, by looking at knowledge acquired, skills developed, understanding of work, organizations are assessing whether the training program increased the trainee's capability of

succeeding. The ultimate measure is whether performance improved. To assess this, we need good measures of performance before and after the training occurs.

We also typically measure the satisfaction of trainees. Did you feel this was helpful? Was this something the organization did to facilitate your success? If so, then organizational members are more likely to be motivated to participate in training in the future, take it seriously, and have even greater knowledge, skill, and understanding improvements.

And finally, we evaluate return on investment by quantifying the new value of performance, [SOME WINDOWS SYSTEM SOUNDS IN BACKGROUND] comparing that to the old value of performance, and looking at the ratio of gain or return on that investment to the cost of the training program.

Employee Development:

Remember that training is focused on improving KSAOs and work understanding to drive success on the current job. Employee development is future-oriented. It's focused on changes that might occur to the job, but more typically, development programs focus on new jobs that an individual might hold in the future. Development is done through a combination of formal education, job experiences that stretch the worker, assessments of personality, assessments of KSAOs. Employee development has its focus on preparing for the future; development programs assess the KSAOs that will be needed in the future, if an employee is put into that work situation; and the development program works on creating those KSAO capabilities, not for today, but for the future.

Four Common Approaches:

Organizations use a lot of different methods for employee development. These can be placed into four major approaches: Formal education, assessment with feedback, job experiences, and interpersonal relationships.

Formal education could be a degree program. We have an Executive MBA program. Most of our students in our Executive MBA program, who go to school on Fridays and Saturdays, are sponsored by their work organization. They're sending them for an entire Executive MBA degree because they believe that our Exec MBA program will help those people develop the KSAOs that will enable them to move up in the organization and perform successfully.

Sometimes, organizations send members to a non-degree external program. They might send them to take a course; they might send them to a MOOC; they might send them to something that's not focused on getting a degree, but that is focused on KSAOs specifically anticipated to be useful in the future.

A lot of the formal education that's done is done inside the organization. Our School of Business has an entire unit that focuses on providing internal education programs for our client organizations. When we do that training, we are told by the organization the KSAOs that their participants need, and we design an educational program to deliver that knowledge, develop those skills, and give those experiences.

More of this internal development is done by the organizations themselves; particularly larger organizations will develop their own coursework, their own KSAO development programs.

Second category of development involves assessing the individual and providing feedback. This assessment typically focuses on establishing an organizational member's inventory of KSAOs, some of which are used on the current job, some of which are not. We all know more things than we use on our current job; we all have skills that go beyond the ones we need for our current job. This idea of assessment and feedback is to measure the total inventory of KSAOs a person currently has, and then compare that to the KSAOs that future job opportunities require; identify the gaps; provide that as feedback to the individual; and communicate to the individual: If you want to move into these future jobs, there are some KSAO gaps. We can help you close those gaps, or you can choose to close those gaps on your own.

A lot of development work is employee-initiated. We have a part-time evening MBA program. Most of the students in that program are not sponsored by their company. They choose to participate in our part-time evening MBA program. Many employees who self-initiate to close those gaps, to make themselves more qualified for future jobs don't have to do a full degree program. They might sign up with us as a special student and take a course that will give them the knowledge or the skills they need for the future. Or they'll find some other mechanism on their own to acquire the knowledge, develop the skills, that will close the gap. Most organizations have shared responsibility between the organization doing development and the individual doing self-development. But good organizations help provide guidance to the individual so they know where their KSAO gaps are if they want to move on.

The third category is job experiences, where we actually build into the person's current responsibility some activities, some work tasks, that are not part of the core job, but that are given to that person to stretch them and to help them develop KSAOs that they could have done without for the current job, but they cannot do without for the future. So, in effect, we stretch their job a little bit to help them develop KSAOs that will serve them well in future jobs.

We also use job experiences to provide an understanding of what the future jobs are, an understanding of how current KSAOs can help drive success in future jobs, and to build confidence so that people will seek higher-level jobs that require new KSAOs.

And finally, a lot of the development work in organizations is done through interpersonal relationships; typically through mentoring or coaching. With a mentor, a member of the organization is assigned someone they can interact with formally or informally to better understand future job opportunities, to get guidance on strengths and weaknesses, to get guidance on ways to self-develop going forward.

Some interpersonal relationships are coaching-based. These are very much focused on an individual who observes the employee, identifies what he or she is doing, and provides direct coaching guidance for ways to not only train for the current job, but to prepare and develop for future jobs.

Organizations typically use a combination of these four approaches. What they all share is looking forward to the KSAOs needed for success in the future, evaluating the KSAOs the person has now, finding the gaps, and using development programs to close those gaps. From the organization's perspective, this has value because they will have an internal set of candidates for job openings in the future. For the individual's perspective, this is creating the opportunity to move up, to do more, and to be rewarded at a higher level.

Unit 5.11 – Job Analysis & Design

Job Design:

SPEAKER: Very early in the course, we talked about designing the structure of an organization. One part of that was designing jobs. Job design is the process of identifying the tasks that will go into a job, and the assignment of a job to an employee. Job design specifies what an individual is responsible for doing; and what they're responsible for achieving; and how they will achieve those outcomes.

Job Redesign:

But we also need to talk about job redesign: When we change the definition of the job. We'll talk about two reasons for redesigning jobs: One is to reflect changing organizational needs -- the nature of the work the organization is doing, the changing environment in which the organization exists; and the second reason is to create a more interesting, more rewarding job for workers so that the job itself can provide intrinsic motivation to drive the worker in the desired direction and to create the desired intensity.

Job Analysis:

Key to the human resource process, to job design, and pretty much everything else we've talked about in this topic is a process called job analysis. Job analysis is the process of obtaining detailed information about jobs, focused on what is done and why it is done. Two key products that come from the job analysis process are what we will call a job description and a job specification. I think you'll see why having a good, accurate job description and a quality job specification will facilitate success both for the organization and the individual.

Work Responsibilities:

Let's take a look at what we do for the purpose of creating a job description. Let's look at this graphic and you can see that the job analysis process looks at the tasks that are being performed, looks at the responsibilities of the holder of the job, looks at the specific process duties of the worker, and also looks at the work conditions in which the work is done, and the work outcomes that are desired from performing that job.

We create a document called a job description that says the person who hold this job will perform these tasks, will have these duties, will be responsible for these outcomes; and they will perform this work in this situation for the purpose of achieving this set of specific outcomes. That job description defines the design of the job.

Job Specification Document:

We also create a document called a job specification document. This also comes from the job analysis process. Let's take a look at a graphic that helps us understand what goes into the definition of a job specification statement. The focus of a job specification statement is on the KSAOs needed to perform the job successfully. The job description focused on what would be done, how it would be done, and in what context; the job specification says to do those things that are in the job description, you need this set of knowledge, this set of skills, these abilities to learn, and these experiences. Job specification is useful because it informs individuals in the organizations of the capability that's needed to execute what is in the job description.

Impact of Job Analysis:

As I said, job analysis drives both the creation of job description and job specification. Let's look at this graphic to see some of the HR processes and activities that are impacted by the job analysis process, and the resulting job description and specification.

These job descriptions and specifications are used for HR planning. The job descriptions and specifications are created for jobs the way they are today, but with HR planning, we project the jobs, the job descriptions, the job specifications we will need for the future. We use these for recruiting because we need to communicate to potential candidates what the job involves and what the job requires. We use them for selection because we

select based on the degree to which candidates match what is in the job specification. We use them for training and development because training focuses on the things that are described in the job description, and emphasizes creating the KSAOs from the job specification that will enable success. For development, we go back to our HR planning; we anticipate the jobs that will be open in the future; what they will involve; what they will require; and we use that to guide our development of current employees to make it more likely they will have the KSAOs needed at the time those job present.

We use this as the basis for performance appraisal. We look at the job description when we identify how we will assess performance and who will do the assessment. A good performance appraisal is fully focused on the content of the job description and avoids spurious measurement that is not related to what the person is doing. We use it for compensation and benefits. We connect rewards to success on the outcomes listed in the job description. We use it for safety programs because the job description describes what a person is doing minute by minute, hour by hour, day by day -- everything a person does at the workplace is done in the context of some level of personal risk and organizational risk. Safety analysts look at what the person is doing in the job description and identify the riskiest parts of what's being done in order to develop safety programs to reduce those risks. Sometimes, the method for reducing that risk is to look at the job specification and say, these people need to be trained better; they're missing knowledge or they're missing skills or they're missing experience; and that is the source of the safety risk.

We also analyze the work of teams. As we've said over and over, most of the work done in organizations today is done in teams. Today, we're creating job descriptions and job specifications, not only for individual jobs, but for teams, specifying what set of KSAOs are needed to succeed, and describing the work of the team. This is also used for employee and labor relations. In union environments, this is the basis of a lot of negotiation, what people can be asked to do, what they'll be rewarded for, and what they can be asked to learn as well.

And finally, this helps inform organizations as they address those legal issues we previously talked about. For example, are we unintentionally, through the way we designed jobs, discriminating against people from a protected group? Are we, for a specific example, designing a job in such a way that it's impossible to do for someone with a particular disability? Could we redesign that job so that it requires different duties or different KSAOs, thus making an accommodation to enable the disabled person to do the work. So job analysis is really at the core of much of what we do in human resource practices, and the two documents -- the job description and the job specification -- are great ways to inform both people who hold the jobs and the organization that's managing those jobs.

Designing Motivating Jobs:

When we design jobs, we're typically designing them so that we can best contribute to the success of the organization directly through the achievement of goals that are a part of the job. However, it's important to take a long-term perspective and also look at the degree to which the characteristics of a job are motivating or demotivating; rewarding or punishing to the individual who holds the job. If we can design the job appropriately, we can help build in intrinsic reward experiences that a member of the organization gets just by doing the work.

Sometimes, it's necessary for us to simplify a job, to eliminate unnecessary activities, to combine activities to gain efficiency, or to change the sequencing. When we do job simplification, our goal is to make it easier for the job holder to succeed, and make it easier for an individual to become capable of succeeding at the job. Sometimes, however, we're going to expand the content of the job. We're going to do this to make the job more interesting and more rewarding to the individual.

When we do job expansion, we might do it through job rotation, which is a situation where I do job A for a while, and then I rotate to job B, that has a somewhat different set of responsibilities, and then maybe I'll rotate to job C, and then back to job A. Job rotation makes work more interesting for most people. However, it also increases the overall set of KSAOs that the person must have, because they need to be able to have the needed KSAOs for job A, B, and C. Job rotation's pretty common, can help fight boredom, but it can also help develop the capability of

our employees, and if I know how to do three jobs and there's an opening in one of those jobs that I know how to do because someone's absent for a day, I can step right in and cover; and that's a organizational benefit.

When we talk about job enlargement, we're talking about keeping the person on the same job, but giving them a broader set of responsibilities; we expand the job description; and we do that to make it more interesting to the person who's performing the work, because they have a greater variety of things they're doing day to day. Note that as we broaden the job, we also typically broaden the set of necessary KSAOs. That can create a challenge, but it can also contribute to the development of employees just as job rotation did. Finally, we can expand jobs through job enrichment, where we don't just increase the width or breadth of things that a person is doing, but we increase the depth. So, with job enrichment, we might give the job holder more autonomy, more decision-making authority, so that we've not just given them more to do, but we've given them a richer set of things to do. All of these job expansion factors can drive greater satisfaction, long-term greater motivation, long-term greater commitment to the organization. We just need to be careful that as we expand jobs, we make sure that either our employees already have the needed KSAOs, or we train them to acquire them.

Another job design consideration is how we use work teams. Do we just put together a collection of people? Or do we create a group of interacting members? Or do we try to create what we previously called a team, which is a higher functioning group of people, who may have begun as a collection, become a group, but achieved a sense of being a team.

In today's work environment, a lot of organizational members value being part of a team if the team is designed appropriately; if the team members bring complementary and necessary KSAOs to the team. If we create jobs that are based in teams and that drives success, organizational members are going to feel good about that experience and the organization will benefit from it as well.

Finally, I want to mention some structural ways we can ask people to do work through work schedules. The traditional way of doing work is to have a set work schedule that's the same every day of the week that a person works. Flexible work schedules change that. A simple change might be to go from five medium-length days to four longer days, with a four-day work week, or we might create something called flex time, where an individual has some degree of freedom in deciding what the hours are that he or she will work. The idea behind having flexible work schedules is based on the reality of people's lives: People have families; people do training; people engage in sports; people have an outside life. A flexible work schedule enables a person to create their own better work-life balance.

When organizations do that -- although it creates a higher-level coordination task -- when organizations do that, most members of the organization respond well because the organization is enabling them to gain value outside of the workplace more easily, and the job is interfering less with their personal life. So as we design jobs, we're not only thinking about let's create jobs that if performed successfully contribute to higher-level success, but let's also think about the long-term impact of the reactions of employees to the way we design jobs. We can dampen motivation or we can enhance motivation through the design of jobs.

Alignment:

SPEAKER: Human resource management is one of the key components of successful organizations. We've addressed strategy and culture and structure and leadership; we're addressing a wide range of topics in the course. Each of them interfaces with the way we manage the human resources of the organization.

Formulation vs Implementation:

Let's take a look at a complicated graphic [CHUCKLING] that helps us understands how the strategy that an organization formulates impacts the strategic human resource management process. When we started this course talking about strategy, we talked about how a mission is associated with a set of organizational goals -- strategic objectives; we talked about how we create a vision for the future; we talked about how we look at the external environment and the internal environment as we decide how to build an organization that can achieve those goals. Once that strategic plan is in place, it can only be implemented by people. This is where human resource management comes into play.

Responsibility for the strategic management of human resources may be focused in a human resources department, but the ultimate responsibility spans virtually the entire organization. Once an organization has adopted a strategy, this defines the human resource needs for today, and through the vision, into the future. It defines the KSAO's that will be needed. It defines the culture that will be needed. It drives HR practices related to recruiting, training, performance, management, and all the other HR practices we discussed. Very importantly, it defines the KSAOs that the firm needs to drive success. And that is where HR management becomes strategic HR management; and that is where we realize that an organization cannot define a strategy, cannot create a mission, strategic objectives, and vision without taking into account its HR capabilitiesies; and management of the HR process cannot be done without alignment with the strategy of the organization. So, we have a dynamic iterative process here.

Different Strategies – Different Support:

Different strategies adopted by an organization can require very different HR management approaches; it can require very different types of employees; demand different behaviors; require different KASOs. In other words, the people, the roles, and the rewards, managed by an HR system can vary substantially depending on the strategy and the vision of an organization.

Examples:

Consider an organization, for example that adopts a cost leadership strategy. They are trying to succeed by having the lowest cost compared to their competition. HR practices in that situation with that strategy should focus on reducing all costs in the organization, including HR costs. That means we might want to create narrow jobs that we can fill with lower-priced employees that require less skills, that require less knowledge. It means our training is likely to be focused more efficiently on that small number of skills and that small set of knowledge. It means that we're likely to promote internally because that's less expensive and more likely to succeed, and it means our compensation system has to focus at least to a significant extent on successful efforts to reduce cost. We're striving for efficiency at what we already do, to reduce costs, to have a cost leadership strategy that works.

But if we adopt a differentiation strategy, we're trying to make ourselves different from the competition through the nature of the products and services that we provide. This means we probably want to bring in more outside people to drive innovation and creativity. It means we probably want to bring in more risk-takers who are trying to identify possibilities, not certainties. It means our compensation system has to focus on rewarding contributions that change what we do instead of only focusing on rewarding doing the same things but doing them better.

It also changes how we reward the HR professionals. In this case, we want to reward the HR professionals for bringing in those innovative, creative risk-takers, rather than only reward the HR professionals for bringing in lowest-cost labor.

Enduring Ideas:

Let's review our enduring ideas: First, human resources constitute the majority of the operating costs for most organizations. Second, the core focus of HR management is on KSAOs. HR processes must be focused on bringing into the organization or developing the KSAOs that will help the organization achieve its strategic objectives. Capitalizing on HR resources requires not just capability, but the motivation of organizational members to apply their capability. HR processes must be managed in alignment with the laws that have been created to protect individuals and classes of people at the workplace. Effective management of human resources can create a great competitive advantage for an organization. To do so, HR resources must be managed in alignment with the strategy of the organization.