

# INTRODUCTION

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# Managing Human Capital

- Motivation
- Hiring Practices
- Managing Performance
- Designing Jobs
- Work Systems

## Before We Get Started....

- We should recognize some things about employment
- It is about “people,” different from other factors of production
  - They have legal rights, including unionization, which limit what management can do
  - Social norms also matter, including issues of fairness

# MOTIVATION

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# What is motivation?

- Motivation and Mothers Restaurant
  - Contrast this with Google
- Agency theory: Automated Travel Systems
  - “Efficiency Wages”
  - “Tournaments”
  - Rewarding A While Hoping for B
    - The Mir Space Station

# MOTIVATION: AGENCY THEORY EXAMPLES

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# DESIGNING INCENTIVE SYSTEMS

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# Designing incentive systems

- Here's the trade-off:
  - Is the performance outcome within my control?
    - If not, there is no incentive
  - Is it possible to “sub-optimize” – get my goal at the expense of the overall business?
    - If that's possible, it's “Rewarding A While Hoping for B”
- Best solution: Incentives are best kept simple
- Exception: Executives whose pay is tied to overall business outcomes
  - Even here, we get sub-optimization

# The Psychologists Have a More Realistic, Complicated View...

- “Expectancy” theory – what do I expect?
- “Path-Goal”
- Behavior Modification

# The Psychologists Have a More Realistic, Complicated View...

- “Expectancy” theory – what do I expect?
- “Path-Goal”
- Behavior Modification
- Imitation
- Conformity
- Compliance

# The Psychologists Have a More Realistic, Complicated View...

- Cognitive Dissonance
  - Goal Setting
  - Pygmalion Effect
  - Equity Theory

# HIRING

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# Hiring: Is it all about management?

- The A Player, B Player, C Player Model
  - Any evidence for this?
- Recruiting and Selection
  - Recruitment is under-used
  - Selection is hard because candidates lie!
    - What works? Past behavior
- Attraction-Selection-Attrition
  - Drives culture, also shapes who gets hired

# Reality Of Hiring No Longer Fits Text-book Descriptions

- The use of technology to find applicants – *majority of those who change jobs now aren't looking to move!*
- Applicant tracking systems
- Outsource the whole hiring process
- Outsource labor – staffing agencies, independent contractors, etc.

# MANAGING PERFORMANCE AND THE APPRAISAL PROCESS

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# Background about assessing individual performance

- Traced back to 1800s in Robert Owen's cotton mills
- In the US, 1950 Performance Appraisal Act for Feds, EEOC Uniform Guidelines on Employee Selection govern practices
- Evidence of many “biases” but multiple assessors tend to agree – they aren't “noise”
- *It's the most disliked part of management!*

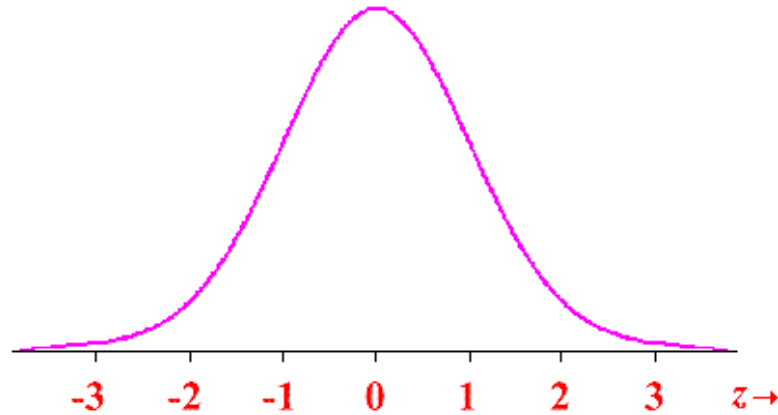
# Why the Appraisal Model is Disliked

- We want it to do too many things
  - Assess past performance – tie rewards to it
  - Improve performance for next year
  - Plan development path and experiences
- Over time, shifted away from development to assessing past performance
- Mechanical model based on planning:
  - Company goals cascade down to individual goals for each year (no longer fit business schedules)
  - Competency-based models (hard to pick out)
  - Complex scales/forced ranking

# Even When Performance Standards Are Clear ...

- Processing and communicating is hard:
  - What you did
  - What I saw you do
  - What I remember that you did
  - How I evaluate what you did
  - What I report that you did
  - What I tell you
  - What you hear and conclude...
- End-of-the-year exercise makes it difficult to even remember details, let alone give feedback

Why it's uncomfortable: Overconfidence bias + negativity bias = *conflict*



# Can supervisors be trusted?

- Fundamental Attribution Error
- Self-fulfilling prophecies
- Relationship biases – similarities, attractiveness, etc.

## Emerging Model -

- About 1/3<sup>rd</sup> of companies moving toward “check-in” system that gets rid of formal appraisals
- Recognizing that old model wasn’t working, focus on accountability not as important
- Relying on culture rather than rules to have conversations about improving performance

# Giving Feedback

- Minimize factual conflicts with advance info
- “Psychological safety” – respect their position
  - Am I going to be punished about what I say?
  - What parts of the feedback are open to discussion
    - Does “discussion” = “negotiation”?
- “Negativity bias” – hard-wired to worry
- *How can you do this if the conversation is bundled up with a rating and consequences!*







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