



CHAPTER 3

Individuals, Jobs, and Effective HR Management

After you have read this chapter, you should be able to:

- Identify three areas where HR departments should set performance goals.
- Describe your current job using the job characteristics model.
- Discuss advantages and disadvantages of work teams.
- Compare and contrast ways of dealing with turnover and absenteeism.
- Enumerate ways to collect data for evaluating HR performance.
- Summarize the process of evaluating HR performance.

HR TRANSITIONS

Effective HR: Linking Individuals and Jobs Successfully

The kinds of Human Resources systems and practices that organizations develop differ to some extent. They evolve in response to different circumstances, but it is becoming clear that HR management does affect an organization's effectiveness and ability to compete. Three examples are given here to show how the relationships among individuals, jobs, and effective HR management can affect an organization.

Plastics Lumber Company: In Akron, Ohio, Alan Robbins started a small factory that converts old milk and soda bottles to fake lumber used in picnic tables, fences, etc. His major problems have been with his employees. He intentionally put his factory in a downtown location and hired local residents. When he began, he was lax and friendly—he would break out cold beers for everyone at the end of a shift, or grant employees personal loans. A turning point came when Mr. Robbins had to fire two workers for fighting on the work floor. One was roaming the factory looking for the other with an iron bar in his hand. Both men filed for unemployment compensation, and filed racial discrimination complaints. Mr. Robbins realized his laissez-faire approach to HR was not going to work. Other tough issues involving alcohol and drugs at work also emerged. In one month, he had to fire four of his 50 employees for cocaine and other substance abuse problems. Absenteeism is a constant problem. So is the threat of lawsuits and injury claims, as well as discrimination and unemployment claims. In response Mr. Robbins has built elaborate HR defenses against such problems and says he no longer

trusts his employees as much as he once did. His solution is an HR system built around a thick employment manual outlining what will be tolerated and what will not.

Northwest Airlines: Northwest's customer service and labor problems have gone from bad to the worst among major airlines. Northwest had the highest number of customer complaints, the most delayed flights, and second worst performance on mishandled bags. The airline recognized the problems, but the situation worsened as General Motors and Chrysler announced they were shifting some of

shake up Chrysler's manufacturing plants, where managers thought they were drill sergeants, workers were dissatisfied, and quality problems were abundant.

Mr. Bonini made mistakes and was met with skepticism. But his common-sense management approach finally succeeded in changing the culture of the plant and attitudes of many employees. En route to that outcome, he took actions that had not been used before—and that paid off. He met with all the workers in small groups; interestingly, many workers had never even met a plant manager.

“A successful company can't be at war with its own employees.”

their business travel to a Northwest rival. The automakers were unhappy with high fares, delays, and cancellations by Northwest. The FAA is investigating an unusually high number of mechanical problems, and union employees had a strike. In looking at Northwest Airlines, the CEO of Continental Airlines observed, “They know they have some service issues.” He further noted, “A successful company can't be at war with its own employees.”

Chrysler Corporation's Windsor Van Plant: When 33-year-old James Bonini was named manager of the big van plant in Windsor, Ontario, virtually everyone was surprised. He was young and inexperienced for the big job in one of the least-automated plants—with hundreds of manual jobs. He was selected because his boss wanted to

Bonini and his staff redesigned about 70% of the assembly operations and redesigned jobs to improve ergonomics, cost, and quality. His concern for his people showed up in incidents as minor as dealing with worker complaints about restrooms to changing telephone policy after a worker did not get a call in time to get to his dying wife's bedside. Bonini and his managers used worker teams to help draft standard operating procedures, and those teams made meaningful changes in the way workers did their jobs each day.

The plant's approach to individuals and their jobs was changed—a feat acknowledged positively by even the most hard-bitten skeptics. Workers and managers both had changed the way they viewed and did their jobs.¹

“The perception used to be that Human Resources thought about the happiness of employees. . . . Now we realize the overriding concern is the yield from employees.”

JEAN COYLE

This chapter focuses on *individuals*: their relationship with their employers and their motivation. It also looks at the *jobs* they do and the ways of measuring the effectiveness of HR management in dealing with individuals and their jobs. Throughout the chapter, important HR output variables are considered: productivity, quality, service, satisfaction, and turnover and absenteeism.

Individuals are both valuable and perverse commodities for the managers who rely on them to accomplish work. In some organizations the people and the innovative ideas they generate are really the “product” that the firm produces. In others, depending on the job design, people may be a necessary but much smaller part of the overall effort, because machines do most of the work.

What is the actual monetary value of an individual to an organization? Employers who compete on the basis of their employees’ capabilities know the importance of people to the success of the organization. However, the exact monetary value of a skilled workforce may be difficult to identify. An organization may have created a workforce that works harder or smarter than competitors; or one that generates many new ideas and is continually learning new ways and finding better methods. There may be no formula to put a precise dollar amount on such favorable values and activities, but when a company is sold, such attributes of the workforce bring a premium price.²

Just as the quality of the workforce can be a competitive advantage, it can also be a liability. When very few employees know how to do their jobs, when people are constantly leaving the organization, and when those workers who remain refuse to change or work more effectively, the human resources are a competitive problem that puts the organization at a disadvantage. Simply having an effective strategy and good products or services does not guarantee success for an organization if the individual employees do not implement that strategy or produce organizational products or services efficiently.³

Individual Employee Performance

Many factors can affect the performance of individual employees—their abilities, motivations, the support they receive, the nature of the work they are doing, and their relationship with the organization. The Human Resources unit in an organization exists in part to analyze and help correct problems in these areas.⁴ Exactly what the role of the HR unit in an organization “should be” depends upon what upper management expects. As with any management function, HR management activities should be evaluated and reengineered as necessary so that they can contribute to the competitive performance of the organization and individuals at work.

In many organizations the performance depends largely on the performance of individual employees. There are many ways to think about the kind of performance required of employees for the organization to be successful; but here, we will consider three key elements: productivity, quality, and service.

Productivity

The more productive an organization, the better its competitive advantage, because its costs to produce a unit of output are lower. Better productivity does not necessarily mean more is produced; perhaps fewer people (or less money or time) were used to produce the same amount. A useful way to measure the productivity of a workforce is the total cost of people per unit of output. In its most basic sense, **productivity** is a measure of the quantity and quality of work done, considering the cost of the resources it took to do the work. It is also useful to view productivity as a ratio between input and output. This ratio indicates the *value added* by an organization or in an economy.

GLOBAL COMPETITIVENESS AND PRODUCTIVITY At the national level, productivity is of concern for several reasons. First, high productivity leads to higher standards of living, as shown by the greater ability of a country to pay for what its citizens want. Next, increases in national wage levels (the cost of paying employees) without increases in national productivity lead to inflation, which results in an increase in costs and a decrease in purchasing power. Finally, lower rates of productivity make for higher labor costs and a less competitive position for a nation's products in the world marketplace.

ORGANIZATIONS AND PRODUCTIVITY Productivity at the organization level ultimately affects profitability and competitiveness in a for-profit organization and total costs in a not-for-profit organization. Decisions made about the value of an organization often are based on the productivity of which it is capable.⁵

Perhaps none of the resources used for productivity in organizations are so closely scrutinized as human resources. Many of the activities undertaken in an HR system deal with individual or organizational productivity. Pay, appraisal systems, training, selection, job design, and compensation are HR activities concerned very directly with productivity.⁶

Another useful way to measure organizational HR productivity is by considering **unit labor cost**, or the total labor cost per unit of output, which is computed by dividing the average cost of workers by their average levels of output. Using the unit labor cost, it can be seen that a company paying relatively high wages still can be economically competitive if it can also achieve an offsetting high productivity level.

Productivity

A measure of the quantity and quality of work done, considering the cost of the resources it took to do the work.

Unit labor cost

The total labor cost per unit of output, which is the average cost of workers divided by their average levels of output.



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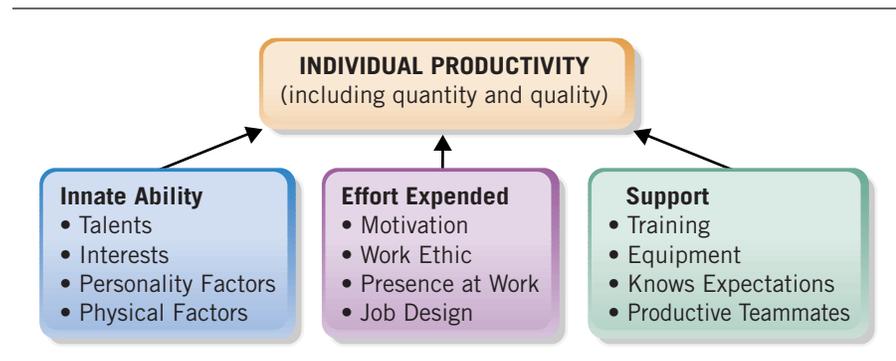
INDIVIDUAL PRODUCTIVITY How a given individual performs depends on three factors: ability to do the work, level of effort, and support given that person. Figure 3–1 illustrates these three factors. The relationship of these factors, widely acknowledged in management literature, is that *performance* (P) is the result of *ability* (A) times *effort* (E) times *support* (S) ($P = A \times E \times S$). Performance is diminished if *any* of these factors are reduced or absent.

Recruiting and selection are directly connected to the first factor, innate ability, which involves choosing the person with the right talents and interests for a given job. The second factor—the effort expended by an individual—is influenced by many HR issues, such as motivation, incentives, and job design. Organizational support, the third factor, includes training, equipment provided, knowledge of expectations, and perhaps a productive team situation. HR activities involved here include training and development and performance appraisal.

INCREASING PRODUCTIVITY U.S. firms have been on a decade-long crusade to improve organizational productivity. Much of the productivity improvement efforts have focused on the workforce.⁷ The early stages included downsizing, reengineering jobs, increasing computer usage, and working employees harder. These approaches have done as much good as possible in some firms. Some ideas for the next step in productivity improvement include:

- *Outsource:* Contract with someone else to perform activities previously done by employees of the organization. For instance, if UPS can deliver products at a lower cost than a manufacturing company can internally, then the firm could outsource shipping to UPS.
- *Make workers more efficient with capital equipment:* A study of productivity in four countries found that in each country the less spent on equipment per worker, the less output per worker.⁸
- *Replace workers with equipment:* Certain jobs are not well done by humans. The jobs may be mindless, physically difficult, etc. For example, a ditch usually is better dug by a person operating a backhoe than by a person with a shovel.
- *Help workers work better:* Replace outmoded methods and rules, or find better ways of training people to work more efficiently.
- *Redesign the work:* Some work can be redesigned to make it faster, easier, and possibly even more rewarding to employees. Such changes generally improve productivity.

FIGURE 3–1 *Components of Individual Productivity*



The need for productivity improvement will never end. With global competition there will always be a need to produce more at less cost, which entails working both harder and smarter in many situations.⁹

Quality Production

Quality of production also must be considered as part of productivity, because one alternative might be to produce more but at a lower quality. At one time, American goods suffered as a result of this trade-off. W. Edwards Deming, an American quality expert, argued that getting the job done right the *first time*—through pride in craftsmanship, excellent training, and an unwillingness to tolerate delays, defects, and mistakes—is important to quality production.

Organizations throughout the world are proceeding on the quality front in many different ways, ranging from general training of workers on improving and maintaining quality to better engineering of products prior to manufacturing. One way in which organizations have focused on quality is by using international quality standards.

ISO 9000 A set of quality standards called the ISO 9000 standards has been derived by the International Standards Organization in Geneva, Switzerland. These standards cover everything from training to purchasing and are being implemented widely in European countries. Companies that meet the standards are awarded a certificate. The purpose of the ISO 9000 certification is to show that an organization has documented its management processes and procedures and has a trained staff so that customers can be confident that organizational goods and services will be consistent in quality.

TOTAL QUALITY MANAGEMENT (TQM) Many organizations that have made major improvements in the quality of their operations have recognized that a broad-based quality effort has been needed. **Total Quality Management (TQM)** is a comprehensive management process focusing on the continuous improvement of organizational activities to enhance the quality of the goods and services supplied. TQM programs have become quite popular as organizations strive to improve their productivity and quality.

At the heart of TQM is the concept that it is *customer focused*, which means that every organizational activity should be evaluated and analyzed to determine if it contributes to meeting customers' needs and expectations. Another characteristic of TQM is the importance of *employee involvement*. Often, quality improvement teams of other group efforts are used to ensure that all employees understand the importance of quality and how their efforts affect quality. *Benchmarking* is another facet of TQM, in which quality efforts are measured and compared with measures both for the industry and for other organizations. It is hoped that providing measurement information on quality will help to make continuous improvements in quality a part of the organizational culture.

For some organizations, the promises of TQM have been realized; but for others, TQM became a short-term program that later was dropped. A nationwide study of over 1,000 executives and managers found that only 45% of the organizations that had implemented TQM thought their programs had been successful.¹⁰ However, some observers contend that quality concerns have



LOGGING ON . . .

Total Quality Management

This web site provides an excellent example of the total quality management principles and visions of one town and the success of the plan.

<http://www.ci.hickory.nc.us/TQM/tqm.htm>

Total Quality Management (TQM)

A comprehensive management process focusing on the continuous improvement of organizational activities to enhance the quality of the goods and services supplied.

become much more basic to the way work is done. They argue it is a widespread philosophy caused by competitive pressures. The idea of continuous improvement has indeed been built into the approaches of many producers of goods and services.¹¹

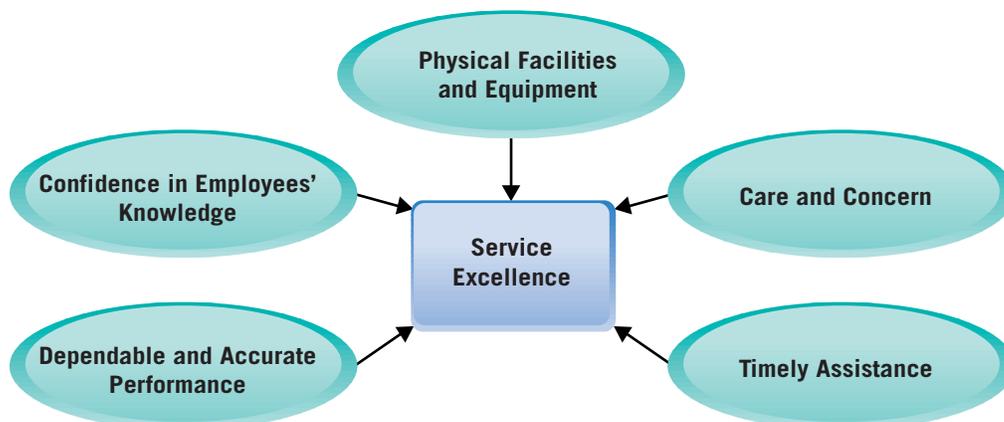
Service

Delivering high-quality customer service is another important outcome that affects organizational competitive performance. High quality and productivity are both important in the third aspect of performance considered here—*customer service*. Service begins with product design and includes interaction with customers, ultimately providing a satisfactory meeting of customers' needs. Some firms do not produce products, only services. The U.S. economy is estimated to be composed of over 75% service jobs including retail, banking, travel, government, etc., where service is the basis for competition.

Overall, customer satisfaction has declined in the United States and other countries. The American Customer Satisfaction Index revealed that in many U.S. industries, customers are growing more dissatisfied with the customer service they receive.¹² However, if their expectations are met, customers are likely to be more satisfied, make favorable comments to others, and/or become repeat customers. Consequently, organizations working to enhance their competitiveness must work to enhance service.¹³

Service excellence is difficult to define, but people know it when they see it. In many organizations, service quality is affected significantly by individual employees who interact with customers.¹⁴ The dimensions of service are depicted in Figure 3–2. Employing organizations have used many approaches attempting to improve productivity, quality, and service. In the process of doing so, the relationship between the organization and individual employees has been changed in many cases.¹⁵

FIGURE 3–2 *Customer Service Dimensions*



Individual/Organizational Relationships

At one time loyalty and long service with one company were considered an appropriate individual/organizational relationship. Recently, changes have been noted in both loyalty and length of service, with employees leaving more frequently. Several factors are driving the changes, including the following:¹⁶

- Mergers and acquisitions
- Self-employment and contingent work
- Outsourcing jobs
- Loss of employment security
- Less management job tenure
- Altered “psychological contracts”

Surveys show that workers have grown more skeptical about their chances to share equitably in the success of the organizations that they helped create.¹⁷ While some 60% or more of workers report they are satisfied with their jobs, only about half would recommend their employer as a good place to work and only 35% trust top management.¹⁸ As a result, faith in management and belief in workplace reciprocity has eroded.

The idea of reciprocity seems to be a very significant issue in these changes. **Reciprocity** means to “give in return” and is basic to human feelings of fair treatment. When organizations merge, lay off large numbers of employees, outsource work, and use large numbers of temporary and part-time workers, employees see no reason to give their loyalty in return for this loss of job security.¹⁹ These issues are illustrated in the HR Perspective that follows on the next page.

Reciprocity

A feeling of obligation to “give in return” or reciprocate good treatment.

Importance of Employee/Organizational Relationships

It can be argued (and it is) that the relationship between an employer and employee really does not affect performance. The employer exchanges pay for the performance of specified work, and that is all that is necessary. As in a legal agreement, one party contracts for specific services of the other party. Recent research suggests that employees perform better when they work in a situation with mutual investment, or even overinvestment by the employer, than they do in a legal agreement situation.²⁰ The implication is that the employee-organizational relationship *does matter* and should be chosen carefully. Many employees seem to respond favorably in performance and attitude when organizations are willing to commit to a mutual relationship.

Such a commitment might include traditional benefits, rewards for longevity, flexible schedules, communication with supervisors, and work-life balance. These observations suggest that despite all the changes in workplaces, many employers still want committed workers willing to solve difficult problems. Many employees still want security and stability, interesting work, a supervisor they respect, and competitive pay and benefits.²¹

The Psychological Contract

The long-term economic health of most organizations depends on the efforts of employees with the appropriate knowledge, skills, and abilities. One concept that has been useful in discussing employees’ relationship with the organization is that of a **psychological contract**, which refers to the unwritten expectations

Psychological contract

The unwritten expectations that employees and employers have about the nature of their work relationships.

HR PERSPECTIVE

Conflicts between “Flexible” Workforce and Employee Relationships

The Lamson & Sessions Co. plastics factory in Bowling Green, Ohio, is a case study of the relationship problems between an organization and its employees. Matters are also complicated by the relations among different groups of workers. There are five categories of employees: *full-time regular*, *temporaries*, *independent contractors*, *summer employees*, and *part-time employees*. Having different categories of employees offers Lamson & Sessions greater flexibility to adjust to demand for its product. Some of the less time-intensive jobs appeal to single mothers and college students.

Each group of workers views their jobs—and each other—differently. The plant came to this situation by hiring regular full-time employees when it started. But as the plant grew, only temporaries were added so the firm could preview their capabilities before hiring them. Temps

do not get the same benefits as the regular employees, and regular employees get to vote on whether temps can become regular employees. Temps get \$6.50/hr. while regular operators get \$11.19/hr., plus benefits.

As a result, the situation leads to a “them vs. us” mentality. Turnover among new temp employees, many of whom dislike their jobs, is as high as 40% a month. However, turnover among regular workers is only about 1% per year. About half of the temps leaving each month are told to leave because of poor productivity or attendance. Quality is not a big issue, according to the plant manager, because the work of the temps is double-checked. Also, the full-time regular employees must constantly teach new temps how to perform the jobs. Temps say they dislike the open-ended nature of their work and the lack of commit-

ment shown them by the company and other workers.

Independent contractors create less disturbance. For example, one contractor, the mother of two small children, carts home boxes of parts, assembles them, and brings them back a week later, earning \$100 each time. She is not allowed inside the plant but does not care, and does not feel excluded.

Plant managers note that tension is inevitable when employers need mixes of different types of workers to remain flexible and competitive. They also note that management must be flexible as well. But regular workers speak in derogatory terms about temps, temps feel abused, and part-timers often leave during difficult times, leaving the rest of the remaining workers to do more work. The relationship between the company and its employees is certainly “flexible,” but problematic.²²

that employees and employers have about the nature of their work relationships. Because the psychological contract is individual and subjective in nature, it focuses on expectations about “fairness” that may not be defined clearly by employees.

Both tangible items (such as wages, benefits, employee productivity, and attendance) and intangible items (such as loyalty, fair treatment, and job security) are encompassed by psychological contracts between employers and employees. Many employers may attempt to detail their expectations through employee handbooks and policy manuals, but those materials are only part of the total “contractual” relationship.

TRADITIONAL PSYCHOLOGICAL CONTRACT In the “good old days,” employees exchanged their efforts and capabilities for a secure job that offered rising wages, comprehensive benefits, and career progression within the organization. But as organizations have downsized and cut workers who have given long and loyal service, a growing number of employees question whether they should be loyal to their employers.²³ The transformation in the psychological contract mirrors an evolution in which organizations have moved from employing individuals just to

perform tasks, to employing individuals expected to produce results.²⁴ Rather than just paying them to follow orders and put in time, increasingly employers are expecting employees to utilize their skills and capabilities to accomplish organizational results. According to one expert, the new psychological contract rewards employees for contributing to organizational success in the competitive marketplace for goods and services.

LOYALTY Studies suggest that employees *do* believe in these unwritten agreements or psychological contracts, and hope their employers will keep their sides of the agreement.²⁵ When employers do not, employees feel a minimal necessity to contribute to the organizational productivity because they no longer trust the company. Thus, employees' loyalty has been affected negatively.²⁶ Not everyone feels that a decline in employee loyalty is a problem.²⁷ However, more employers are finding that in tight labor markets turnover of key people occurs more frequently when employee loyalty is low, and they have concluded that a loyal and committed workforce is important.²⁸

Perhaps loyalty is necessary, but it should be based on a new psychological contract with the following expectations:²⁹

Employers provide:

- Competitive compensation
- Benefits tailored to the workforce
- Flexibility to balance work and home life

Employees contribute:

- Continuous skill improvement
- Reasonable time with organization
- Extra effort when needed

The remainder of this chapter uses the conceptual model shown in Figure 3–3. This model shows the linkages, beginning with individual and job characteristics, that lead to job satisfaction, organizational commitment, and affect the

FIGURE 3–3 *Model of Individual/Organizational Performance*



organizational outcomes—productivity, quality, and service—already discussed. All five output variables can be used to measure HR effectiveness.

Individual Motivation

Motivation

The desire within a person causing that person to act.

The performance that employers look for in individuals rests on ability, motivation, and the support individuals receive; however, motivation is often the missing variable.³⁰ **Motivation** is the desire within a person causing that person to act. People usually act for one reason: to reach a goal. Thus, motivation is a goal-directed drive, and it seldom occurs in a void. The words *need*, *want*, *desire*, and *drive* are all similar to *motive*, from which the word *motivation* is derived. Understanding motivation is important because performance, reaction to compensation, and other HR concerns are related to motivation.

Approaches to understanding motivation differ because many individual theorists have developed their own views and theories. They approach motivation from different starting points, with different ideas in mind, and from different backgrounds. No one approach is considered to be the “ultimate.” Each approach has contributed to the understanding of human motivation.

Content Theories of Motivation

Content theories of motivation are concerned with the needs that people are attempting to satisfy. The most well-known theories are highlighted briefly next.



LOGGING ON . . .

Personality and Motivation

Research on individual differences in personality and motivation as it affects performance in the workplace is offered on this web site.

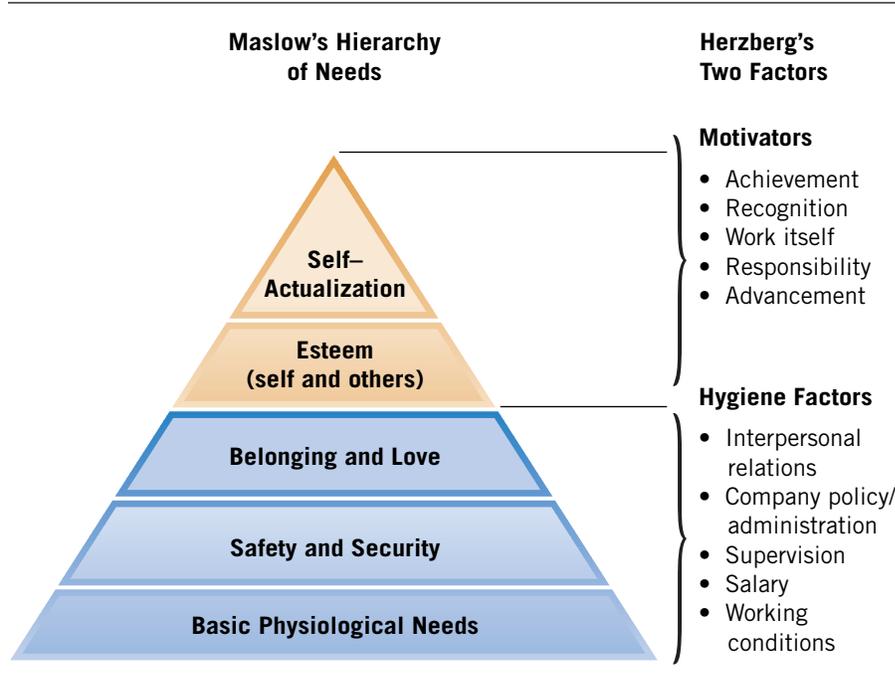
<http://pmc.psych.nwu.edu/revelle/publications/broadbent/broad.html>

MASLOW'S HIERARCHY OF NEEDS One theory of human motivation that has received a great deal of exposure in the past was developed by Abraham Maslow. In this theory, Maslow classified human needs into five categories that ascend in a definite order. Until the more basic needs are adequately fulfilled, a person will not strive to meet higher needs. Maslow's well-known hierarchy is composed of (1) physiological needs, (2) safety and security needs, (3) belonging and love needs, (4) esteem needs, and (5) self-actualization needs.

An assumption often made by those using Maslow's hierarchy is that workers in modern, technologically advanced societies basically have satisfied their physiological, safety, and belonging needs. Therefore, they will be motivated by the needs for self-esteem, esteem of others, and then self-actualization. Consequently, conditions to satisfy these needs should be present at work; the job itself should be meaningful and motivating.³¹

HERZBERG'S MOTIVATION/HYGIENE THEORY Frederick Herzberg's motivation/hygiene theory assumes that one group of factors, *motivators*, accounts for high levels of motivation. Another group of factors, *hygiene*, or maintenance factors, can cause discontent with work. Figure 3–4 compares Herzberg's motivators and hygiene factors with Maslow's needs of hierarchy.

The implication of Herzberg's research for management and HR practices is that although managers must carefully consider hygiene factors in order to avoid employee dissatisfaction, even if all these maintenance needs are addressed, people may not be motivated to work harder. Only motivators cause employees to exert more effort and thereby attain more productivity, and this theory suggests that managers should utilize the motivators as tools to enhance employee performance.

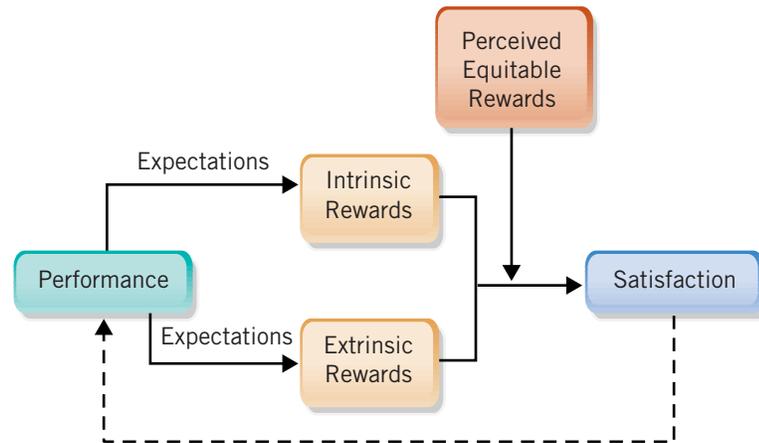
FIGURE 3–4 Maslow's and Herzberg's Ideas Compared

Process Theories of Motivation

Process theories suggest that a variety of factors may prove to be motivating, depending on the needs of the individual, the situation the individual is in, and the rewards the individual expects for the work done. Theorists who hold to this view do not attempt to fit people into a single category, but rather accept human differences.

One process theory by Lyman Porter and E.E. Lawler focuses on the value a person places on a goal as well as the person's perceptions of workplace *equity*, or fairness, as factors that influence his or her job behavior. In a work situation, *perception* is the way an individual views the job. Figure 3–5 contains a simplified Porter and Lawler model, which indicates that motivation is influenced by people's expectations. If expectations are not met, people may feel that they have been unfairly treated and consequently become dissatisfied.

Using the Porter and Lawler model, suppose that a salesclerk is motivated to expend effort on her job. From this job she expects to receive two types of rewards: intrinsic (internal) and extrinsic (external). For this salesclerk, intrinsic rewards could include a feeling of accomplishment, a feeling of recognition, or other motivators. Extrinsic rewards might be such items as pay, benefits, good working conditions, and other hygiene factors. The salesclerk compares her performance with what she expected and evaluates it in light of both types of rewards she receives. She then reaches some level of job satisfaction or dissatisfaction. Once this level is reached, it is difficult to determine what she will do. If she is dissatisfied, she might put forth less effort in the future, she might

FIGURE 3-5 Porter and Lawler Motivation Model

SOURCE: Adapted from Edward E. Lawler III and Lyman W. Porter, "The Effect of Performance on Job Satisfaction," *Industrial Relations* 7 (1966).

work harder to get the rewards she wants, or she might just accept her dissatisfaction. If she is highly satisfied, it does not always mean she will work harder. She may even slack off a bit, saying, "I got what I wanted."³²

The essence of the Porter and Lawler view of motivation is perception. In addition, as the feedback loop in Figure 3-5 indicates, performance leads to satisfaction rather than satisfaction leading to performance.

Job Design

Individual responses to jobs vary. A job may be motivating to one person but not to someone else. Also, depending on how jobs are designed, they may provide more or less opportunity for employees to satisfy their job-related needs. For example, a sales job may furnish a good opportunity to satisfy social needs, whereas a training assignment may satisfy a person's need to be an expert in a certain area. A job that gives little latitude may not satisfy an individual's need to be creative or innovative. Therefore, managers and employees alike are finding that understanding the characteristics of jobs requires broader perspectives than it did in the past.³³

Job design

Organizing tasks, duties, and responsibilities into a productive unit of work.

Designing or redesigning jobs encompasses many factors. **Job design** refers to organizing tasks, duties, and responsibilities into a productive unit of work. It involves the content of jobs and the effect of jobs on employees. Identifying the components of a given job is an integral part of job design. More attention is being paid to job design for three major reasons:

- Job design can influence *performance* in certain jobs, especially those where employee motivation can make a substantial difference. Lower costs through reduced turnover and absenteeism also are related to good job design.
- Job design can affect *job satisfaction*. Because people are more satisfied with certain job configurations than with others, it is important to be able to identify what makes a "good" job.

- Job design can affect both *physical and mental health*. Problems such as hearing loss, backache, and leg pain sometimes can be traced directly to job design, as can stress and related high blood pressure and heart disease.

Not everyone would be happy as a physician, as an engineer, or as a dishwasher. But certain people like and do well at each of those jobs. The person/job fit is a simple but important concept that involves matching characteristics of people with characteristics of jobs. Obviously, if a person does not fit a job, either the person can be changed or replaced, or the job can be altered. In the past, it was much more common to make the round person fit the square job. However, successfully “reshaping” people is not easy to do. By redesigning jobs, the person/job fit can be improved more easily. Jobs may be designed properly when they are first established or “reengineered” later.

Nature of Job Design

Identifying the components of a given job is an integral part of job design. Designing or redesigning jobs encompasses many factors, and a number of different techniques are available to the manager. Job design has been equated with job enrichment, a technique developed by Frederick Herzberg, but job design is much broader than job enrichment alone.

JOB ENLARGEMENT AND JOB ENRICHMENT Attempts to alleviate some of the problems encountered in excessive job simplification fall under the general headings of job enlargement and job enrichment. **Job enlargement** involves broadening the scope of a job by expanding the number of different tasks to be performed. **Job enrichment** is increasing the depth of a job by adding responsibility for planning, organizing, controlling, and evaluating the job.³⁴

A manager might enrich a job by promoting variety, requiring more skill and responsibility, providing more autonomy, and adding opportunities for personal growth. Giving an employee more planning and controlling responsibilities over the tasks to be done also enriches. However, simply adding more similar tasks does not enrich the job. Some examples of such actions that enrich a job include:

- Giving a person an entire job rather than just a piece of the work.
- Giving more freedom and authority so the employee can perform the job as he or she sees fit.
- Increasing a person’s accountability for work by reducing external control.
- Expanding assignments so employees can learn to do new tasks and develop new areas of expertise.
- Giving feedback reports directly to employees rather than to management only.

JOB ROTATION The technique known as **job rotation** can be a way to break the monotony of an otherwise routine job with little scope by shifting a person from job to job. For example, one week on the auto assembly line, John Williams attaches doors to the rest of the body assembly. The next week he attaches bumpers. The third week he puts in seat assemblies, then rotates back to doors again the following week. Job rotation need not be done on a weekly basis. John could spend one-third of a day on each job or one entire day, instead of a week, on each job. It has been argued, however, that rotation does little in the long run to solve the problem of employee boredom. Rotating a person from one boring

Job enlargement

Broadening the scope of a job by expanding the number of different tasks to be performed.

Job enrichment

Increasing the depth of a job by adding employee responsibility for planning, organizing, controlling, and evaluating the job.

Job rotation

The process of shifting a person from job to job.

job to another may help somewhat initially, but the jobs are still perceived to be boring. The advantage is that job rotation does develop an employee who can do many different jobs.

Job Characteristics

The job-characteristics model by Hackman and Oldham identifies five important design characteristics of jobs. Figure 3–6 shows that *skill variety*, *task identity*, and *task significance* affect meaningfulness of work. *Autonomy* stimulates responsibility, and *feedback* provides knowledge of results. Following is a description of each characteristic.

Skill variety

The extent to which the work requires several different activities for successful completion.

Task identity

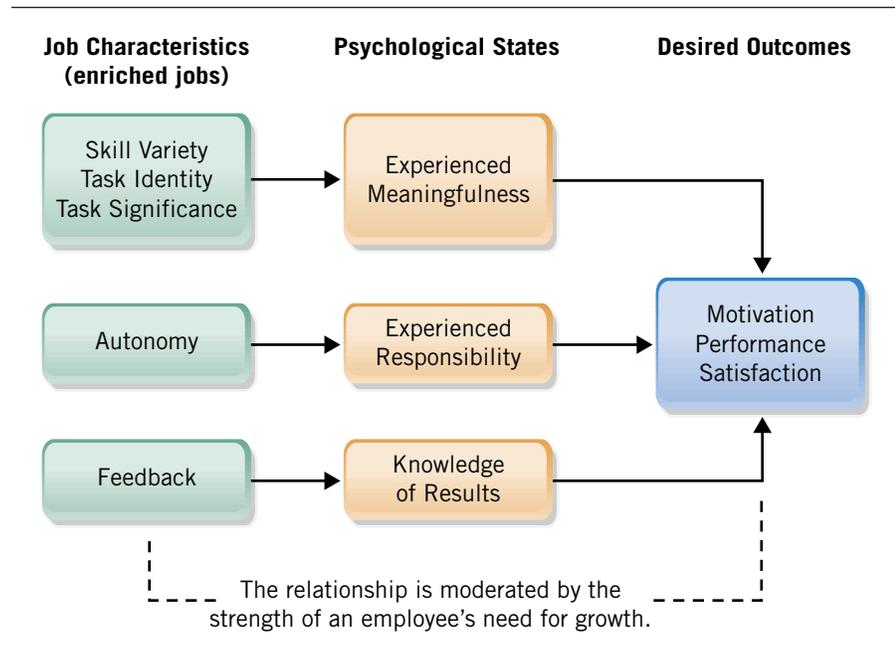
The extent to which the job includes a “whole” identifiable unit of work that is carried out from start to finish and that results in a visible outcome.

SKILL VARIETY The extent to which the work requires several different activities for successful completion indicates its **skill variety**. For example, low skill variety exists when an assembly-line worker performs the same two tasks repetitively. The more skills involved, the more meaningful the work.

Skill variety can be enhanced in several ways. Job rotation can break the monotony of an otherwise routine job with little scope by shifting a person from job to job. Job enlargement may as well.

TASK IDENTITY The extent to which the job includes a “whole” identifiable unit of work that is carried out from start to finish and that results in a visible outcome is its **task identity**. For example, one corporation changed its customer service processes so that when a customer calls with a problem, one employee, called a Customer Care Advocate, handles most or all facets of the problem from maintenance to repair. As a result, more than 40% of customer problems are resolved by one person while the customer is still on the line. Previously, less than

FIGURE 3–6 *Job-Characteristics Model*



1% of the customer problems were resolved immediately because the customer service representative had to complete paperwork and forward it to operations, which then followed a number of separate steps using different people to resolve problems. In the current system, the Customer Care Advocate can identify more closely with solving a customer's problem.

TASK SIGNIFICANCE The amount of impact the job has on other people indicates its **task significance**. A job is more meaningful if it is important to other people for some reason. For instance, a soldier may experience more fulfillment when defending his or her country from a real threat than when merely training to stay ready in case such a threat arises. In the earlier example, the Customer Care Advocate's task has significance because it affects customers considerably.

AUTONOMY The extent of individual freedom and discretion in the work and its scheduling indicates **autonomy**. More autonomy leads to a greater feeling of personal responsibility for the work. Efforts to increase autonomy may lead to what was characterized as job enrichment by Frederick Herzberg. Examples of actions that increase autonomy include giving more freedom and authority so the employee can perform the job as he or she sees fit and increasing an employee's accountability for work by reducing external control.

FEEDBACK The amount of information employees receive about how well or how poorly they have performed is **feedback**. The advantage of feedback is that it helps employees to understand the effectiveness of their performance and contributes to their overall knowledge about the work. At one firm, feedback reports from customers who contact the company with problems are given directly to the employees who handle the customers' complaints, instead of being given only to the department manager.

Consequences of Job Design

Jobs designed to take advantage of these important job characteristics are more likely to be positively received by employees. Such characteristics help distinguish between "good" and "bad" jobs. Many approaches to enhancing productivity and quality reflect efforts to expand some of the job characteristics.³⁵

Because of the effects of job design on performance, employee satisfaction, health, and many other factors, many organizations are changing or have already changed the design of some jobs. A broader approach is reengineering work and jobs.

Changes in Job Design: "Reengineering" Jobs

One movement that has affected the design and characteristics of jobs and work is reengineering. **Reengineering** is rethinking and redesigning work to improve cost, service, and speed. The reengineering process may include such techniques as creating work teams, training employees in multiple skills so they can do multiple jobs, pushing decision making as far down the organizational hierarchy as possible, and reorganizing operations and offices to simplify and speed work.³⁶

The thrust of reengineering is not downsizing or restructuring the organization but focusing on the flow of work and how jobs themselves need to change

Task significance

The amount of impact the job has on other people.

Autonomy

The extent of individual freedom and discretion in the work and its scheduling.

Feedback

The amount of information received about how well or how poorly one has performed.

Reengineering

Rethinking and redesigning work to improve cost, service, and speed.

to improve the processes associated with work.³⁷ Reengineering assumes that the ultimate focus of all organizational work should be the customer, and it attempts to generate dramatic improvement in organizational productivity, quality, and service. As a result, many jobs are changed, and greater use of technology is made, particularly of information systems and computers.

Using Teams in Jobs

Typically, a job is thought of as something done by one person. However, where it is appropriate, jobs may be designed for teams. In an attempt to make jobs more meaningful and to take advantage of the increased productivity and commitment that can follow, more organizations are using teams of employees instead of individuals for jobs. Some firms have gone as far as dropping the terms *workers* and *employees*, replacing them with *teammates*, *crew members*, *cast members*, and others that emphasize teamwork.

Special-purpose team

An organizational team that is formed to address specific problems and may continue to work together to improve work processes or the quality of products and services.

Quality circle

A small group of employees who monitor productivity and quality and suggest solutions to problems.

Production cells

Groupings of workers who produce entire products or components of products.

Self-directed work team

An organizational team composed of individuals who are assigned a cluster of tasks, duties, and responsibilities to be accomplished.

SPECIAL-PURPOSE TEAMS AND QUALITY CIRCLES Several types of teams are used in organizations today that function outside the scope of members' normal jobs and meet from time to time. One is the **special-purpose team**, which is formed to address specific problems and may continue to work together to improve work processes or the quality of products and services. Often, these teams are a mixture of employees, supervisors, and managers. Another kind of team is the **quality circle**, a small group of employees who monitor productivity and quality and suggest solutions to problems. In many organizations, these problem-solving teams are part of Total Quality Management (TQM) efforts. Care must be taken that such teams do not violate federal labor laws. In a number of court cases, teams selected by and dominated by managers have been ruled to violate provisions of the National Labor Relations Act.

PRODUCTION CELLS Another way work is restructured is through the use of production cells. As used in a number of manufacturing operations, **production cells** are groupings of workers who produce entire products or components of products. As many as fifty employees and as few as two can be grouped into a production cell, and each cell has all necessary machines and equipment. The cells ultimately replace the assembly line as the primary means of production.

SELF-DIRECTED WORK TEAMS The **self-directed work team** is composed of individuals who are assigned a cluster of tasks, duties, and responsibilities to be accomplished. Unlike special-purpose teams, these teams become the regular entities in which team members work.

An interesting challenge for self-directed work teams involves the emergence or development of team leaders. This role is different from the traditional role played by supervisors or managers. Rather than directing and giving orders, the team leader becomes a facilitator to assist the team, mediate and resolve conflicts among team members, and interact with other teams and managers in other parts of the organization. Shared leadership may be necessary; here, team members rotate leadership for different phases of projects in which special expertise may be beneficial.³⁸ Certain characteristics have been identified for the successful use of self-directed work teams in the United States:³⁹

- *Teams value and endorse dissent:* The effective use of self-directed work teams requires that conflict and dissent be recognized and addressed. Contrary to what some might believe, suppressing dissent and conflict to preserve harmony ultimately becomes destructive to the effective operations of the team.
- *Teams use “shamrock” structures and have some variation in membership:* As Figure 3–7 shows, a **shamrock team** is composed of a core of members, resource experts who join the team as appropriate, and part-time/temporary members as needed. As identified by Charles Handy, the presence of core members provides stability, but the infusion of the resource experts and part-time/temporary members provides renewal and change to the team.
- *Teams have authority to make decisions:* For self-directed work teams to be effective, they must be allowed to function with sufficient authority to make decisions about team activities and operations. As transition to self-directed work teams occurs, significant efforts are necessary to define the areas and scope of authority of the teams as well as their goals.

Advantages and Disadvantages of Team Jobs

Teams have been popular job redesigns for much of the last two decades. Improved productivity, greater employee involvement, more widespread employee learning, and greater employee ownership of problems are among the potential benefits.⁴⁰ Some organizations have found favorable results with *transnational* teams as the challenges of managing across borders becomes more common and complex.⁴¹ Even *virtual teams* linked primarily through advanced technology can contribute despite geographical dispersion of essential employees. Virtual teams also can easily take advantage of previously unavailable expertise.⁴²

But not everyone has been pleased with teams as a part of job design. In some cases employers find that teams work better with employees who are “group oriented.” Further, much work does not really need a team, and peer pressure may lead to unethical behavior.⁴³ Many companies have used teamwork without much thought. Too often, teamwork can be a buzzword or “feel-good” device that may actually get in the way of good decisions. Further, compensating individual team members so that they see themselves as a team rather than just a group of individuals is often a problem.⁴⁴ The HR Perspective on the next page relates how Levi Strauss Company has used teams in redesigned jobs.

Job Satisfaction and Organizational Commitment

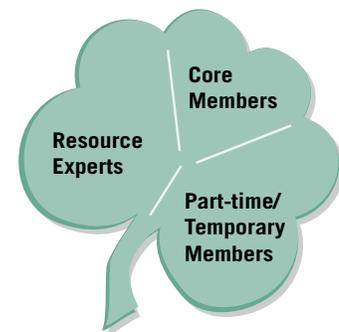
In its most basic sense, **job satisfaction** is a positive emotional state resulting from evaluating one’s job experiences. Job *dissatisfaction* occurs when these expectations are not met. For example, if an employee expects clean and safe working conditions on the job, then the employee is likely to be dissatisfied if the workplace is dirty and dangerous.

Job satisfaction has many dimensions. Commonly noted facets are satisfaction with the work itself, wages, recognition, rapport with supervisors and coworkers, and chance for advancement. Each dimension contributes to an individual’s overall feeling of satisfaction with the job itself, but the “job” is defined differently by different people.⁴⁵

Shamrock team

An organizational team composed of a core of members, resource experts who join the team as appropriate, and part-time/temporary members as needed.

FIGURE 3–7 *Shamrock Team*



Job satisfaction

A positive emotional state resulting from evaluating one’s job experiences.

HR PERSPECTIVE

At Levi Strauss, Teams Are a Problem

Levi Strauss redesigned the assembly-line work at its U.S. plants in an effort to cut the costs associated with repetitive stress injuries. It further hoped to be able to continue doing the work in U.S. plants instead of moving significant production overseas. Levi Strauss had stayed with its U.S. manufacturing operations long after competitors had moved significant production offshore.

The company abandoned its old piecework system, in which a worker repeatedly performed a simple, single task (like sewing seams or attaching zippers) and was paid according to how much work he or she accomplished. In the team system, groups of 10 to 35 workers would be paid as part of a team according to the number of pants the group produced. Workers could rotate to different tasks, helping relieve monotony and reducing repetitive stress injuries.

However, the new team production system led not to more produc-

tivity, but to a quagmire of lower production, infighting, and stress. Threats and insults became more common. Friendships dissolved as faster workers tried to get rid of slower ones. The quantity of pants produced per hour worked dropped the next year to 77% of pre-team levels. Since then, productivity has gradually improved, but it is still only 93% of the original level. Additionally, labor cost per pair of pants was up 25%. Just as critical, wages of top performers fell. For example, one skilled woman saw her hourly pay drop from \$8.75 to \$7.00 per hour because of slow teammates. But the slower employees saw their pay increase—eliminating savings for Levi Strauss. Unit labor cost to stitch a pair of “Dockers” pants rose from \$5.00 to \$7.50.

The basic problem was the nature of the work. Speed of production relates directly to workers’ skills and stamina in a series of grueling, repetitive motions necessary to stitch the fabric. Top performers,

on seeing pay shrink, decided not to work so hard. “You feel cheated because you are making less so why give them 120%” one noted. When a team member was absent or slow, the rest of the team had to make up for the lack of production, which made better-performing workers angry that they had to carry poorer performers. Dividing up the work of absent team members led to trouble as well. Team members were merciless to injured or absent teammates, causing resentment and turnover. Management noted that teams often created a tremendous amount of peer pressure, and that peer pressure was not always healthy.

Ultimately, Levi Strauss laid off 6,000 employees—one-third of its domestic workforce. Unofficially, much of the approach is being scrapped as managers try to improve productivity. Even so, one long-term employee notes, “I hate teams. Levi’s is not the place it used to be.”⁴⁶

The number of people who are dissatisfied with their jobs nationally varies with the unemployment rate. Higher unemployment rates usually mean more dissatisfied workers because it is more difficult to change jobs, and people stay longer on jobs they do not like. Those workers who are mostly satisfied with their jobs vary from 60 to 85 percent of the total. These numbers are similar to those found in Europe when employees are asked about satisfaction with their jobs.⁴⁷ Individual managers seem to have a greater impact on employee satisfaction than the company itself.⁴⁸

There is no simple formula for predicting a worker’s satisfaction. Furthermore, the relationship between productivity and job satisfaction is not entirely clear. The critical factor is what employees expect from their jobs and what they are receiving as rewards from their jobs. Although job satisfaction itself is interesting and important, perhaps the “bottom line” is the impact that job satisfaction has on organizational commitment, which affects the goals of productivity, quality, and service.

If employees are committed to an organization, they are more likely to be more productive. **Organizational commitment** is the degree to which employees believe in and accept organizational goals and desire to remain with the organization. Research has revealed that job satisfaction and organizational commitment tend to influence each other. What this finding suggests is that people who are relatively satisfied with their jobs will be somewhat more committed to the organization and also that people who are relatively committed to the organization are more likely to have greater job satisfaction.

A logical extension of organizational commitment focuses specifically on continuance commitment factors, which suggests that decisions to remain with or leave an organization ultimately are reflected in employee absenteeism and turnover statistics. Individuals who are not as satisfied with their jobs or who are not as committed to the organization are more likely to withdraw from the organization, either occasionally through absenteeism or permanently through turnover.

Organizational commitment

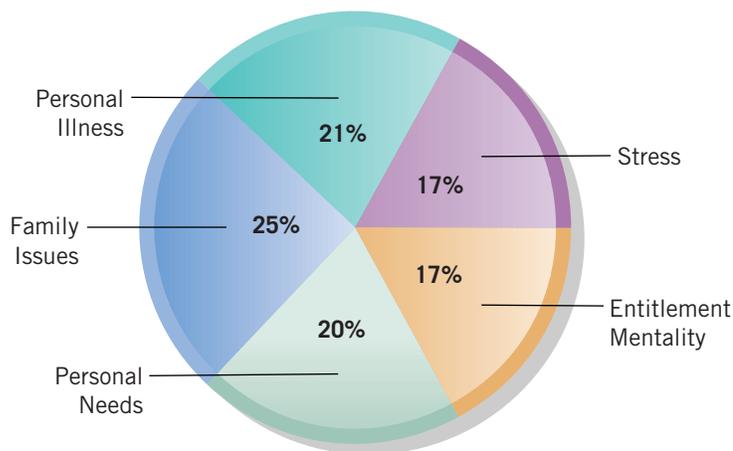
The degree to which employees believe in and accept organizational goals and desire to remain with the organization.

Absenteeism

Absenteeism is expensive, as seen in estimates that absenteeism nationally costs \$505 per employee per year.⁴⁹ Being absent from work may seem like a small matter to an employee. But if a manager needs 12 people in a unit to get the work done, and 4 of the 12 are absent most of the time, the unit's work will probably not get done, or additional workers will have to be hired. Nationally, 7.2 days per employee are lost to absenteeism each year.⁵⁰

TYPES OF ABSENTEEISM Employees can be absent from work for several reasons. Figure 3–8 depicts the reasons for unscheduled absences. Clearly, some absenteeism is unavoidable. People do get sick and have family issues such as sick children that make it impossible for them to attend work. This is usually referred to

FIGURE 3–8 *Reasons for Unscheduled Absences*



SOURCE: Data from CCH Survey of over 400 firms, as presented in "Why Workers Don't Show Up," *Business Week*, November 16, 1998, 8.

as *involuntary* absenteeism. However, much absenteeism is avoidable; it is called *voluntary* absenteeism. Often, a relatively small number of individuals in the workplace are responsible for a disproportionate share of the total absenteeism in an organization.

Because illness, death in the family, and other personal reasons for absences are unavoidable and understandable, many employers have sick-leave policies that allow employees a certain number of paid absent days per year. Absenteeism tends to be highest in governmental agencies, utilities, and manufacturing firms. Absenteeism is lowest in retail/wholesale firms, possibly because those industries use a large percentage of part-time workers.

MEASURING ABSENTEEISM Controlling or reducing absenteeism must begin with continuous monitoring of the absenteeism statistics in work units. Such monitoring helps managers pinpoint employees who are frequently absent and the departments that have excessive absenteeism.

Various methods of measuring or computing absenteeism exist. One formula for computing absenteeism rates, suggested by the U.S. Department of Labor, is as follows:

$$\frac{\text{Number of person-days lost through job absence during period}}{(\text{Average number of employees}) \times (\text{Number of work days})} \times 100$$

(This rate also can be based on number of hours instead of number of days.)



BNA:

Absenteeism

Review the policy considerations at 1459.10.10–1459.10.30. Then compare these considerations to an absenteeism policy in an actual employee handbook.

CONTROLLING ABSENTEEISM Controlling voluntary absenteeism is easier if managers understand its causes more clearly. However, there are a variety of thoughts on reducing voluntary absenteeism. Organizational policies on absenteeism should be stated clearly in an employee handbook and stressed by supervisors and managers. The policies and rules an organization uses to govern absenteeism may provide a clue to the effectiveness of its control. Studies indicate that absence rates are highly related to the policies used to control absenteeism.⁵¹

Absenteeism control options fall into three categories: (1) discipline, (2) positive reinforcement, and (3) a combination of both. A brief look at each follows.

- **Disciplinary approach:** Many employers use a disciplinary approach. People who are absent the first time receive an oral warning, but subsequent absences bring written warnings, suspension, and finally dismissal.⁵²
- **Positive reinforcement:** Positive reinforcement includes such methods as giving employees cash, recognition, time off, or other rewards for meeting attendance standards. Offering rewards for good attendance, giving bonuses for missing fewer than a certain number of days, and “buying back” unused sick leave are all positive methods of reducing absenteeism.
- **Combination approach:** Combination approaches ideally reward desired behaviors and punish undesired behaviors. One of the most effective absenteeism control methods is to provide paid sick-leave banks for employees to use up to some level. Once that level is exhausted, then the employees may face the loss of some pay if they miss additional work unless they have major illnesses in which long-term disability insurance coverage would begin.

Another method is known as a “*no-fault*” *absenteeism* policy. Here, the reasons for absences do not matter, but the employees must manage their time rather than having managers make decisions about excused and unexcused absences.

Once absenteeism exceeds normal limits, then disciplinary action up to and including termination of employment can occur.

Some firms have extended their policies to provide a *paid time-off* (PTO) program in which vacation time, holidays, and sick leave for each employee are combined into a PTO account. Employees use days from their accounts at their discretion for illness, personal time, or vacation. If employees run out of days in their accounts, then they are not paid for any additional days missed. The PTO programs generally have reduced absenteeism, particularly one-day absences, but overall, time away from work often increases because employees use all of “their” time off by taking unused days as vacation days.

Turnover

Like absenteeism, turnover is related to job dissatisfaction.⁵³ **Turnover** occurs when employees leave an organization and have to be replaced. Excessive turnover can be a very costly problem, one with a major impact on productivity. One firm had a turnover rate of more than 120% per year! It cost the company \$1.5 million a year in lost productivity, increased training time, increased employee selection time, lost work efficiency, and other indirect costs. But cost is not the only reason turnover is important. Lengthy training times, interrupted schedules, additional overtime, mistakes, and not having knowledgeable employees in place are some of the frustrations associated with excessive turnover. Turnover rates average about 16% per year for all companies, but 21% per year for computer companies.⁵⁴ Computer companies average higher turnover because their employees have many opportunities to change jobs in a “hot” industry.

TYPES OF TURNOVER Turnover often is classified as voluntary or involuntary. The *involuntary turnover* occurs when an employee is fired. *Voluntary turnover* occurs when an employee leaves by choice and can be caused by many factors. Causes include lack of challenge, better opportunity elsewhere, pay, supervision, geography, and pressure. Certainly, not all turnover is negative. Some workforce losses are quite desirable, especially if those workers who leave are lower-performing, less reliable individuals.

MEASURING TURNOVER The turnover rate for an organization can be computed in different ways. The following formula from the U.S. Department of Labor is widely used. (*Separation* means leaving the organization.)

$$\frac{\text{Number of employee separations during the month}}{(\text{Total number of employees at midmonth})} \times 100$$

Common turnover figures range from almost zero to over 100% per year, and normal turnover rates vary among industries. Organizations that require entry-level employees to have few skills are likely to have higher turnover rates among those employees than among managerial personnel. As a result, it is important that turnover rates be computed by work units. For instance, one organization had a companywide turnover rate that was not severe—but 80% of the turnover occurred within one department. This imbalance indicated that some action was needed to resolve problems in that unit.

CONTROLLING TURNOVER Turnover can be controlled in several ways. During the *recruiting* process, the job should be outlined and a realistic preview of the job pre-

Turnover

Process in which employees leave the organization and have to be replaced.



LOGGING ON . . .

Turnover Analysis

A sample summary analysis and score sheet of a high turnover position is available for viewing. This sample contains the factors used to measure the job.

<http://www.achievementtec.com/15.htm>

sented, so that the reality of the job matches the expectations of the new employee. A good way to eliminate voluntary turnover is to *improve selection* and to better match applicants to jobs. By fine-tuning the selection process and hiring people who will not have disciplinary problems and low performance, employers can reduce involuntary turnover.

Good *employee orientation* also helps reduce turnover, because employees who are properly inducted into the company and are well-trained tend to be less likely to leave. *Compensation* also is important. A fair and equitable pay system can help prevent turnover. Inadequate rewards may lead to voluntary turnover, especially with employees such as salespeople, whose compensation is tied directly to their performance. *Career planning* and *internal promotion* can help an organization keep employees, because if individuals believe they have no opportunities for career advancement, they may leave the organization.

Finally, turnover may be linked to personal factors that the organization cannot control. This is particularly true with part-time workers. Here are some of the many reasons employees quit that cannot be controlled by the organization: (1) the employee moves out of the geographic area, (2) the employee decides to stay home for family reasons, (3) the employee's spouse is transferred, or (4) a student employee graduates from college.

Even though some turnover is inevitable, organizations must take steps to control turnover, particularly that caused by organizational factors such as poor supervision, inadequate training, and inconsistent policies. HR activities should be examined as part of the turnover control efforts.

Assessing HR Effectiveness

Productivity, quality, service, absenteeism, and turnover are all measurable—and they are related to the way activities are performed in an organization. Yet, there is a long-standing myth that one cannot really measure what the HR function does.⁵⁵ That myth has hurt HR departments in some cases, because it suggests that any value added by HR efforts is somehow “mystical” or “magical.” None of that is true; HR—like marketing, legal, or finance—must be evaluated based on the value it adds to the organization. Defining and measuring HR effectiveness is not as straightforward as it might be in some more easily quantifiable areas, but it can be done.⁵⁶

Effectiveness for organizations is often defined as the extent to which goals have been met. **Efficiency** is the degree to which operations are done in an economical manner. Efficiency can also be thought of as cost per unit of output. To be effective, organizations must be able to achieve their goals, but must reach them using limited resources efficiently. For example, providing on-site child care for all employees might help an employer to achieve an effectiveness goal of reducing turnover, but it could be too expensive (reducing efficiency of expenditures) for that employer to implement.

Other departments, managers, and employees are the main “customers” for HR services. If those services are lacking, too expensive, or of poor quality, then the organization may have to consider outsourcing some HR activities.

The HR department is an organization within an organization. What it does (or does not do) affects the entire organizational system. To function effectively, HR needs a clear vision of what it does and whom it serves. That perspective should unify the HR staff and provide a basis for making decisions. HR can position itself as a partner in an organization, but only by demonstrating to the rest of the organization that there are real links between what HR activities contribute

Effectiveness

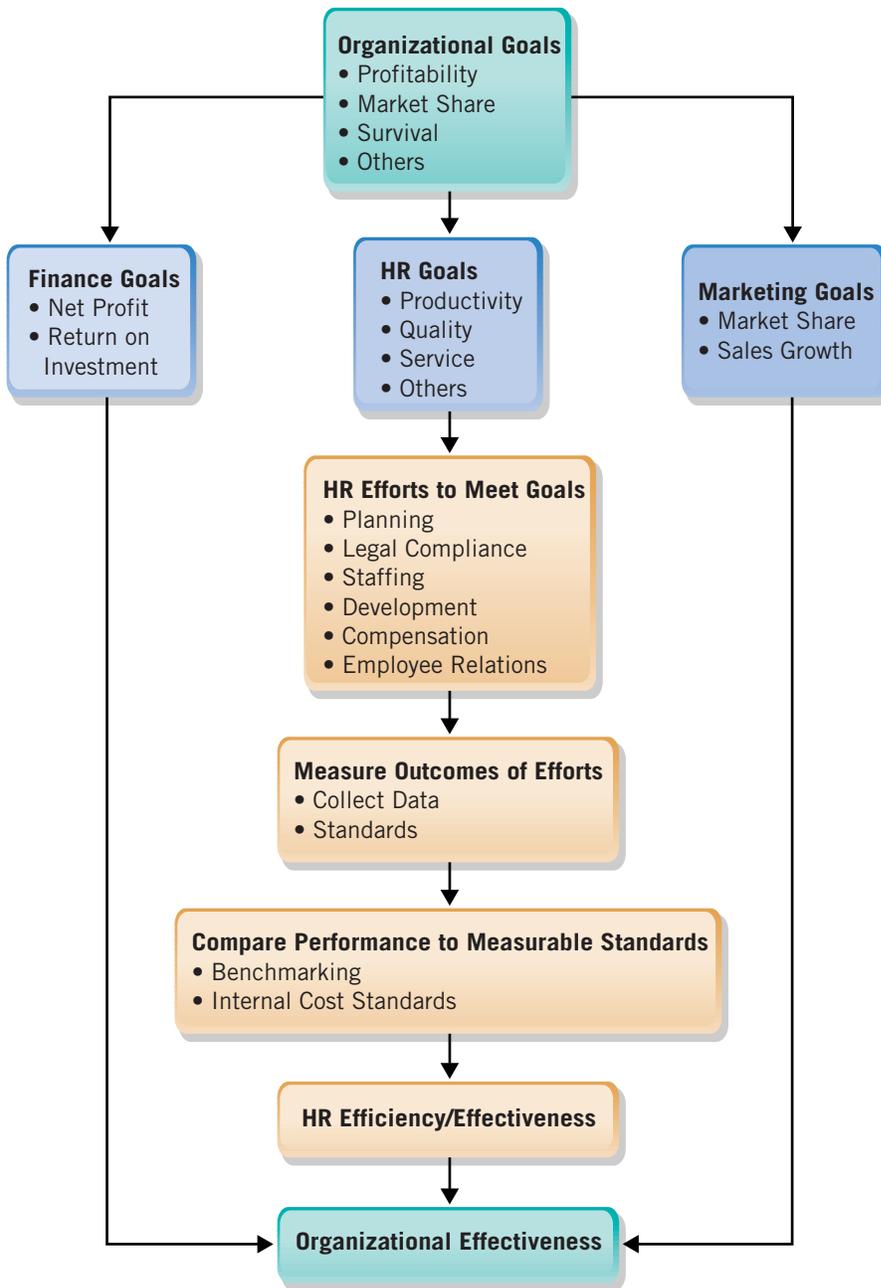
The extent to which goals have been met.

Efficiency

The degree to which operations are done in an economical manner.

and organizational results. To demonstrate to the rest of the organization that the HR unit is a partner with a positive influence on the bottom line of the business, HR professionals must be prepared to measure the results of HR activities. Then the HR unit must communicate that information to the rest of the organization. Measurement is a key to demonstrating the success of the HR activities.⁵⁷ Figure 3–9 shows a general approach to evaluating the efficiency and effectiveness of HR activities.

FIGURE 3–9 *Overview of the Evaluation Process for HR*



HR Evaluation Model

The contribution of the HR unit's efforts to organizational effectiveness and the efficiency of the department's activities should both be measured. Studies of large and medium-sized firms in the United States have found relationships between the best HR practices and reduced turnover and increased employee productivity. Further, those practices enhanced profitability and market value of the firms studied. A high-quality, highly motivated workforce is hard for competition to replicate, which is an advantage that improves organizational effectiveness.⁵⁸

Data to evaluate performance can come from several sources. Some of those sources are already available in most organizations, but some data may have to be collected. Considered here are using existing HR records, an HR audit, HR research for assessment, and exit interviews.

Assessing HR Effectiveness Using Records

With the proliferation of government regulations, the number of required records has expanded. Of course, the records are useful only if they are kept current and properly organized. Managers who must cope with the paperwork have not always accepted such record-keeping requirements easily. Also, many managers feel that HR records can be a source of trouble because they can be used to question past managerial actions.

Another view of HR record-keeping activities is that HR records serve as important documentation should legal challenges occur. Disciplinary actions, past performance appraisals, and other documents may provide the necessary "proof" that employers need to defend their actions as job related and nondiscriminatory. Records and data also can provide a crucial source of information to audit or assess the effectiveness of any unit, and they provide the basis for research into possible causes of HR problems. The HR Perspective reports on a study of the effectiveness.

Jac Fitz-Enz, who studies HR effectiveness, has suggested some diagnostic measures from records to check the effectiveness of the HR function. Note how each of the following measures requires accurate records and a comprehensive human resource information system:

- HR expense per employee
- Compensation as a percent of expenses
- HR department expense as a percent of total expenses
- Cost of hires
- Turnover rate
- Absence rate
- Workers compensation cost per employee

HR Audit

One general means for assessing HR effectiveness is through an HR audit, similar to a financial audit. An **HR audit** is a formal research effort that evaluates the current status of HR management in an organization. Through the development and use of statistical reports and research data, HR audits attempt to evaluate how well HR activities have been performed, so that management can identify what needs to be improved.⁶⁰

HR audit

A formal research effort that evaluates the current state of HR management in an organization.

HR PERSPECTIVE

Research on HR Effectiveness

Huselid, Jackson, and Schuler studied the effect of HR managers' capabilities on HR effectiveness. They then looked at the impact of HR's effectiveness on financial performance at 293 firms. In this study, two aspects of effectiveness were examined. *Technical effectiveness* for HR departments was defined as the extent to which the department successfully handled recruiting, selection, performance management, training, and administration of compensation and benefits. *Strategic effectiveness* was defined as designing and implementing a set of internally consis-

tent policies and practices to ensure that the company's human capital contributes to the achievement of its business objectives.

The researchers found that the level of *technical HR effectiveness* was higher than levels of *strategic HR effectiveness*. Effective HR management was related to improved financial performance as measured by employee productivity, cash flow, and market value of the firm.

The researchers concluded that technical HR competence contributes to a competitive advantage for smaller firms and for global firms

competing in countries with unsophisticated HR practices. But for most large U.S. firms, improvements to strategic HR activities have the greatest potential for financial gains.

The authors of this study further suggest that the technical skills of HR staff are important because they provide for movement into the strategic effectiveness necessary to make HR a financial contributor to organizational success. In other words, the basic *technical* HR activities must be performed well for the HR department to become more effective strategically.⁵⁹

An HR audit begins with a determination by management of the objectives it wants to achieve in the HR area. The audit compares the actual state of HR activities with these objectives, as the sample audit in Figure 3–10 does.

Using HR Research for Assessment

HR research is the analysis of data to determine the effectiveness of past and present HR practices. Research in general can be categorized as *primary* or *secondary*. In **primary research**, data is gathered firsthand for the specific project being conducted. Attitude surveys, questionnaires, interviews, and experiments are all primary research methods. **Secondary research** makes use of research already done by others and reported in books, articles in professional journals, or other sources.

Individuals who plan to do primary research should decide first what they wish to study. Examples of primary research topics are causes of nursing employee turnover, employee attitudes about flextime, and the relationship of preemployment physical exams to workers' compensation claims.

HR practitioners do primary research when they conduct a pay survey on computer system jobs in other companies in their geographic area or a study of turnover costs and reasons that employees in technical jobs leave more frequently during the first 24 to 30 months of employment. Thus, primary research has very specific applications to resolving actual HR problems in particular organizations. Examples of primary research can be found in the *Academy of Management Journal*, *Personnel Psychology*, and the other research-oriented journals listed in Appendix C. The research studies described in these journals can offer HR

HR research

The analysis of data from HR records to determine the effectiveness of past and present HR practices.

Primary research

Research method in which data is gathered firsthand for the specific project being conducted.

Secondary research

Research method using data already gathered by others and reported in books, articles in professional journals, or other sources.

FIGURE 3–10 Sample HR Audit Checklist

This HR management audit allows you to rate the extent to which an organization has basic HR activities in place and how well they are being performed. In deciding upon your rating, consider also how other managers and employees would rate the activities. The total score provides a guide for actions that will improve HR activities in your organization.

Instructions: For each of the items listed below, rate your organization using the following scale:

VERY GOOD (complete, current, and done well)	3 points
ADEQUATE (needs only some updating)	2 points
WEAK (needs major improvements/changes)	1 point
BASICALLY NONEXISTENT	0 points

<p>I. LEGAL COMPLIANCE</p> <p>____ 1. Equal employment opportunity (EEO) requirements</p> <p>____ 2. Immigration reform</p> <p>____ 3. Health and safety (OSHA)</p> <p>____ 4. Wage and hour laws (FLSA)</p> <p>____ 5. Employment-at-will statements</p> <p>____ 6. Privacy protection</p> <p>____ 7. ERISA reporting/compliance</p> <p>____ 8. Family/medical leave (FMLA)</p> <p>II. OBTAINING HUMAN RESOURCES</p> <p>____ 9. Current job descriptions and specifications</p> <p>____ 10. HR supply-and-demand estimates (for 3 years)</p> <p>____ 11. Recruiting process and procedures</p> <p>____ 12. Job-related selection interviews</p> <p>____ 13. Physical exam procedures</p>	<p>III. MAINTAINING HUMAN RESOURCES</p> <p>____ 14. Formal wage/salary system</p> <p>____ 15. Current benefits programs/options</p> <p>____ 16. Employee recognition programs</p> <p>____ 17. Employee handbook/personnel policy manual</p> <p>____ 18. Absenteeism and turnover control</p> <p>____ 19. Grievance resolution process</p> <p>____ 20. HR record-keeping/information systems</p> <p>IV. DEVELOPING HUMAN RESOURCES</p> <p>____ 21. New employee orientation program</p> <p>____ 22. Job skills training programs</p> <p>____ 23. Employee development programs</p> <p>____ 24. Job-related performance appraisal</p> <p>____ 25. Appraisal feedback training of managers</p> <p>_____ TOTAL POINTS</p>
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HR Audit Scoring

Evaluate the score on the HR audit as follows:

60–75 HR activities are complete, effective, and probably meeting most legal compliance requirements.

45–59 HR activities are being performed adequately, but they are not as complete or effective as they should be. Also, it is likely that some potential legal risks exist.

30–44 Major HR problems exist, and significant attention needs to be devoted to adding and changing the HR activities in the organization.

Below 30 Serious potential legal liabilities exist, and it is likely that significant HR problems are not being addressed.

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Experiment

Research to determine how factors respond when changes are made in one or more variables, or conditions.

professionals guidance on factors affecting HR problems and the impact of management approaches to HR issues.

The following sections describe some primary methods often used in HR research: experiments and pilot projects, employee attitude surveys, and exit interviews.

EXPERIMENTS AND PILOT PROJECTS Experiments and pilot projects can provide useful HR insights. An **experiment** involves studying how factors respond when

changes are made in one or more variables, or conditions. For instance, to test the impact of flextime scheduling on employee turnover, a firm might allow flexible scheduling in one department on a pilot basis. If the turnover rate of the employees in that department drops in comparison with the turnover in other departments still working set schedules, then the experimental pilot project may indicate that flexible scheduling can reduce turnover. Next, the firm might extend the use of flexible scheduling to other departments.

EMPLOYEE ATTITUDE SURVEYS Employee opinions can be used to diagnose specific problem areas, identify employee needs or preferences, and reveal areas in which HR activities are well received or are viewed negatively. For example, questionnaires may be sent to employees to collect ideas for revising a performance appraisal system. Another common use of a questionnaire is to determine if employees are satisfied with their benefits programs.

Questionnaires can be distributed by supervisors or the HR unit, given out with employee paychecks, or mailed to employees' homes. More accurate information usually is obtained if employees can provide their input anonymously. New ways to obtain employee survey information include electronic mail (e-mail) surveys and interactive telephone surveys using touch-tone responses.

The **attitude survey** focuses on employees' feelings and beliefs about their jobs and the organization. By serving as a sounding board to allow employees to air their views about their jobs, their supervisors, their coworkers, and organizational policies and practices, these surveys can be starting points for improving productivity. Some employers conduct attitude surveys on a regularly scheduled basis (such as every year), while others do so intermittently. As the use of e-mail has spread, more organizations have begun conducting attitude surveys electronically.

Attitude surveys can be custom-designed to address specific issues and concerns in an organization. But only surveys that are valid and reliable can measure attitudes accurately. Often a "research" survey developed in-house is poorly structured, asks questions in a confusing manner, or leads employees to respond in ways that will give "favorable" results.

By asking employees to respond candidly to an attitude survey, management is building up employees' expectations that action will be taken on the concerns identified. Therefore, a crucial part of conducting an attitude survey is to provide feedback to those who participated in it. It is especially important that even negative survey results be communicated to avoid fostering the appearance of hiding the results or placing blame. Generally, it is recommended that employee feedback be done through meetings with managers, supervisors, and employees; often this is done in small groups to encourage interaction and discussion. That approach is consistent with the most common reason for conducting an attitude survey—to diagnose strengths and weaknesses so that actions can be taken to improve the HR activities in an organization.

EXIT INTERVIEWS One widely used type of interview is the **exit interview**, in which those who are leaving the organization are asked to identify the reasons for their departure. This information can be used to correct problems so that others will not leave. HR specialists rather than supervisors usually conduct exit interviews, and a skilled HR interviewer can gain useful information. A wide range of issues can be examined in exit interviews, including reasons for leaving, supervision, pay, training, and the best-liked and least-liked aspects of the job.



LOGGING ON . . .

Employee Attitude Surveys

CVR Center for Values Research, Inc., provides information on employee attitude surveys, including the statements that are measured and the roles played by management for assessing and administering a successful survey.

<http://www.cvrdallas.com/index.htm>

Attitude survey

A special type of survey that focuses on employees' feelings and beliefs about their jobs and the organization.

Exit interview

An interview in which those leaving the organization are asked to identify the reasons for their departure.

Most employers who do exit interviews use standard questions so the information is in a format that allows summarizing and reporting to management for assessment.

Departing employees may be reluctant to divulge their real reasons for leaving because they may wish to return to the company some day. Also, they may fear that candid responses will hinder their chances of receiving favorable references. One major reason employees commonly give for leaving their jobs is an offer for more pay elsewhere. However, the pay increase may not be the only factor. To uncover other reasons, it may be more useful to contact the departing employee a month or so after departure. Also, former employees may be more willing to provide information on questionnaires mailed to their homes or in telephone conversations conducted some time after they have left the organization.

HR Performance and Benchmarking

When information on HR performance has been gathered, it must be compared to a standard. A standard is a model or measure against which something is compared to determine its performance. For example, it is meaningless to know that organizational turnover rate is 75% if it is not known what the turnover rates at comparable organizations might be. One approach to assessing HR effectiveness is **benchmarking**, which compares specific measures of performance against data on those measures in other “best practices” organizations.

HR professionals attempting to benchmark try to locate organizations that do certain activities very well and thus become the “benchmarks.” One means for obtaining benchmarking data is through telephone calls, which then may be followed up with questionnaires and site visits to benchmarking partners. The most commonly benchmarked performance measures in HR management are:⁶¹

- Total compensation as a percentage of net income before taxes
- Percent of management positions filled internally
- Dollar sales per employee
- Benefits as a percentage of payroll cost

Professional Organizations as Information Sources for Benchmarking

HR specialists can gain information and insights from managers and specialists in other organizations by participating in professional groups. The most prominent professional organizations are the Society for Human Resource Management (SHRM) and the International Personnel Management Association (IPMA). These organizations publish professional journals and newsletters, conduct annual meetings and conferences, and offer many other services, often through local chapters. SHRM is composed primarily of private-sector HR professionals, whereas members of IPMA primarily are HR managers from local, state, and federal government agencies.

Professional HR journals and publications of professional organizations are a useful communication link among managers, HR specialists, researchers, and other practitioners. Appendix C contains a list of publications that often contain HR management information.

Benchmarking

Comparing specific measures of performance against data on those measures in other “best practices” organizations.



LOGGING ON . . . Association for Human Resource Management (AHRM)

Sixteen different links to HR associations can be accessed through this website.

<http://www.ahrm.org>

Surveys done by various professional organizations can also provide useful perspectives. Some organizations, such as the Bureau of National Affairs and the Conference Board, sponsor surveys on HR practices in various communities, states, and regions. The results are distributed to participating organizations.

Finally, private management consulting firms and local colleges and universities can assist in HR research. These outside researchers may be more knowledgeable and unbiased than people inside the organization. Consultants skilled in questionnaire design and data analysis can give expert advice on HR research.

Doing the Benchmarking Analysis

A useful way to analyze HR involves calculating ratios. The ratios can be calculated and compared from year to year, providing information about changes in HR operations. For example, one suggested series of ratios and measures to consider is shown in Figure 3–11.

Effectiveness is best determined by comparing ratio measures with benchmarked national statistics. The comparisons should be tracked internally over time. For instance, the Society for Human Resource Management (SHRM) and the Saratoga Institute have developed benchmarks based on data from over 500

FIGURE 3–11 *HR Ratios and Measures for Assessment*

HR FUNCTION	USEFUL RATIOS	
• Selection	$\frac{\text{Long-term vacancies}}{\text{Total jobs}}$	$\frac{\text{Vacancies filled internally}}{\text{Total vacancies}}$
	$\frac{\text{Time to fill vacancy}}{\text{Total vacancies}}$	$\frac{\text{Offers accepted}}{\text{Offers extended}}$
• Training	$\frac{\text{Number of days training}}{\text{Number of employees}}$	$\frac{\text{Total training budget}}{\text{Total vacancies}}$
• Compensation	$\frac{\text{Total compensation costs}}{\text{Total revenue}}$	$\frac{\text{Basic salary cost}}{\text{Total compensation cost}}$
• Employee relations	$\frac{\text{Resignations}}{\text{Total employees per year}}$	$\frac{\text{Length of service}}{\text{Total employees}}$
	$\frac{\text{Absences}}{\text{Days worked per months}}$	$\frac{\text{Total managers}}{\text{Total employees}}$
• Overall HR	$\frac{\text{Part-time employees}}{\text{Total employees}}$	$\frac{\text{HR professionals}}{\text{Total employees}}$

companies, presented by industry and by organizational size. The Saratoga Institute in Santa Clara, California, surveys employers annually and compiles information that allows individual employers to compare HR costs against national figures.

Here is an example of how HR costing models can be developed. The following equations show how to compute interviewing costs.

$$C/I = \frac{ST + MT}{I}$$

where:

C/I = cost of interviewing

ST = total staff time spent interviewing (interviewer's hourly rate × hours)

MT = management time spent interviewing (manager's hourly rate × hours)

I = number of applicants interviewed

An example helps to illustrate use of the formula. Assume that an employment interview specialist is paid \$12 an hour and interviews eight applicants for a job for an hour each. Following the personal interview, the applicants are interviewed by a department manager paid \$20 an hour for 30 minutes each. The interview costs would be:

$$\frac{\begin{array}{c} \text{ST} \\ (\$12 \times 8 \text{ hours}) \end{array} + \begin{array}{c} \text{MT} \\ (\$20 \times 4 \text{ hours}) \end{array}}{8 \text{ interviews}} = \frac{\$96 + \$80}{8} = \frac{\$176}{8} = \$22 \text{ per applicant}$$

What this equation might indicate is the benefit of reducing the number of applicants interviewed by using better employment screening devices. Obviously, the costs of those screening items, such as a paper-and-pencil test, must be included when total selection costs are calculated.

SOURCE: Adapted from Jac Fitz-enz, *How to Measure Human Resource Management*, 2nd ed. (New York: McGraw-Hill, 1995), 61–63.

Return on investment (ROI)

Calculation showing the value of expenditures for HR activities.

RETURN ON INVESTMENT (ROI) AND ECONOMIC VALUE ADDED (EVA) Return on investment (ROI) and economic value added (EVA) are two related approaches to measuring the contribution and cost of HR. Both calculations are a bit complex, so they are just highlighted here.

Return on investment (ROI) can show the value of expenditures for HR activities. It can also be used to show how long it will take for the activities to pay for themselves. The following formula can be used to calculate the ROI for a new HR activity:

$$(A - B) - C + D = \text{ROI}$$

where:

A = current operating costs for the time period

B = operating costs for a new or enhanced system for the time period

C = one-time cost of acquisition and implementation

D = value of gains from productivity improvements for the time period

Economic value added (EVA) is a firm's net operating profit after the cost of capital is deducted. Cost of capital is the minimum rate of return demanded by shareholders. When a company is making more than the cost of capital, it is creating wealth for shareholders. An EVA approach requires that all policies, procedures, measures, and methods use cost of capital as a benchmark against which their return is judged. Human resource decisions can be subjected to the same analyses. Both of these methods are useful, and specific information on them is available from other sources.

UTILITY OR COST/BENEFIT ANALYSES In **utility analysis**, economic or other statistical models are built to identify the costs and benefits associated with specific HR activities. These models generally contain equations that identify the relevant factors influencing the HR activity under study. According to Jac Fitz-Enz—a pioneer in measuring HR effectiveness—formulas and measures should be derived from a listing of activities and the variables associated with those activities. An example that quantifies selection interviewing costs follows.

Continuing efforts to cost-justify expenditures will require HR professionals to be versed in research and assessment approaches and methods. To face the challenges outlined throughout this text, effective HR management will be essential in organizations both in the United States and globally.

Economic value added (EVA)

A firm's net operating profit after the cost of capital is deducted.

Utility analysis

Analysis in which economic or other statistical models are built to identify the costs and benefits associated with specific HR activities.

Summary

- Productivity at national, organizational, and individual levels is critical for organizational success.
- Total Quality Management (TQM) is a comprehensive management process focusing on the continuous improvement of organizational activities to enhance the quality of the goods and services supplied. But the success of TQM has been mixed.
- Service is critical to meeting customer expectations, and HR must support service through selection, training, and other activities.
- A psychological contract contains the unwritten expectations that employees and employers have about the nature of their work relationships. Those contracts are being transformed in different organizations.
- Motivation deals with “whys” of human behavior, and employers want motivated employees.
- Various theories of motivation have been developed. Maslow's hierarchy of needs and Herzberg's motivation/hygiene theory are widely known content theories.
- Job design is organizing tasks, duties, and responsibilities into a productive unit of work.
- The job-characteristics model suggests that five characteristics of jobs (skill variety, task identity, task significance, autonomy, and feedback from the organization) affect motivation, performance, and satisfaction.
- Teams increasingly are being used in organizations. Special-purpose teams, production cells, and self-directed work teams have all been used successfully.
- Self-directed work teams are more successful when dissent is valued, membership is flexible, and teams have decision-making authority.
- Job satisfaction affects commitment to the organization, which in turn affects the rates of absenteeism and turnover.
- Absenteeism is expensive, but it can be controlled by discipline, positive reinforcement, or some combination of the two.
- Turnover has been studied extensively and appears to be strongly related to certain external, work-related, and personal factors.

- HR departments must set goals and measure effectiveness.
- Research on HR activities answers questions with facts, not guesswork.
- Primary researchers gather data directly on issues, whereas secondary researchers use research done by others and reported elsewhere.
- Research information can be gathered from several sources, including experiments, pilot projects, various types of surveys, and exit interviews.
- Systematic programs of HR research are used to assess the overall effectiveness of HR activities.
- Benchmarking allows an organization to compare its practices against “best practices” in different organizations.
- Professional organizations provide useful sources of information on HR activities.
- HR audits can be used to gather comprehensive information on how well HR activities in an organization are being performed.

Review and Discussion Questions

1. Discuss why productivity in an organization depends to a large extent on individual productivity.
2. Discuss the advantages and disadvantages of self-directed work teams.
3. Discuss the concept of organizational commitment to jobs you have had.
4. How would you conduct HR research on turnover and absenteeism problems in a bank?
5. Using the HR audit checklist, rate an organization where you have worked.
6. Why is assessing and measuring the effectiveness and efficiency of HR programs so important?

Terms to Know

attitude survey 99	job enlargement 85	return on investment (ROI) 102
autonomy 87	job enrichment 85	secondary research 97
benchmarking 100	job rotation 85	self-directed work team 88
economic value added (EVA) 103	job satisfaction 89	shamrock team 89
effectiveness 94	motivation 82	skill variety 86
efficiency 94	organizational commitment 91	special-purpose team 88
exit interview 99	primary research 97	task identity 86
experiment 98	production cells 88	task significance 87
feedback 87	productivity 75	Total Quality Management (TQM) 77
HR audit 96	psychological contract 79	turnover 93
HR research 97	quality circle 88	unit labor cost 75
job design 84	reciprocity 79	utility analysis 103
	reengineering 87	

Using the Internet



Self-Directed Work Teams and Their Development

As the HR manager you have been informed by the top level of management that teams will be implemented for the production floor. They have asked you to meet with the supervisors to devise a plan of action to develop the teams and ensure their success. To prepare for your meeting with the production supervi-

sors use the following website on self-directed work teams, and investigate the success of the Allstate nine-step charter process for developing teams. Then, detail the steps for the meeting.

<http://users.ids.net/~brim/sdwtt.html>

CASE

Benchmarking HR at Goodyear

Goodyear Tire and Rubber Company, like most businesses, has seen massive change and has tried to focus on finding new and better ways to get work done. As part of that search, the company has used benchmarking to help identify the “best practices” for all facets of its operations, including human resources. By measuring itself and comparing the measurements against those of other companies, Goodyear has managed to find more efficient ways to get work done.

The idea behind benchmarking is that it is possible to examine the best practices of other organizations and make changes in operations based on what is learned. More than 70% of the Fortune 500 companies use benchmarking regularly. A benefit of benchmarking is that it forces companies to focus on the specific factors that lead to success or failure.

When Goodyear begins a benchmarking project, it spends up to three months planning. There are major discussions about what the firm hopes to accomplish. Those who are participants receive training in the process. From the highly focused questions that are developed by the benchmark team come answers about specific practices and results. Developing these questions and answers may require conducting interviews in person or over the phone, bringing in an academic to design a scientific study to examine a problem, or using outside consultants to gather information. But obtaining information about Goodyear’s practices and those of the other company (or companies) is the key thrust. Communicating information so that comparisons can be made and new ideas generated is the basis for benchmarking.

Recently, when the company—as part of the broader benchmarking process—examined compensation strategies, it put together an internal team with individuals from many departments. The team developed questions and studied topics such as variable pay, the pay for top performers, and the role of training in compensation. Team members first determined what the company needed to learn and then created

an agenda to gather the information. After conducting interviews and gathering data from many other sources, the team compared notes on the practices of various successful companies. Then it made its recommendations for changes at Goodyear.

When HR began to benchmark its own practices, it examined a wide range of issues. Leadership development, succession planning, benefits, safety, and compensation were all benchmarked. The company wanted to tie employee compensation to individual performance and the firm’s goals of improving customer service and shareholder satisfaction.

After about six months of examining several *Fortune* 100 companies, Goodyear’s HR staff made several changes, including altering the way the company approached its compensation program. It concluded that to remain competitive and provide better customer service, it needed to better define the employee performance appraisal process and tie that activity to Goodyear’s business objectives. That link meant clearly communicating what each position was expected to contribute and what its responsibilities were. As a result, part of the Chairman’s compensation is now “at risk,” depending on the company’s financial performance.

The HR Director has summarized Goodyear’s use of benchmarking as a way to evaluate the success of company practices and to assess effectiveness. He says, “If your goal is continuous improvement, your company will always want to learn what other companies are doing. And it is important for HR to be aligned with the corporate strategy and be recognized as a valuable resource for change.”⁶²

Questions

1. Explain how benchmarking HR relates to productivity, service, and quality at Goodyear.
2. How could the results from benchmarking be used for making organizational change at Goodyear?

Notes

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