

CHAPTER 7. IMPROVING HUMAN RESOURCE MANAGEMENT

CHAPTER 7 OVERVIEW

Chapter 7 Summary

In Chapter 7, the authors explore human resource approaches to organizational improvement—strategies for investing in people that make organizations better and more productive places to work. Table 7.1 outlines six basic human resource strategies and a set of practices for implementing each:

1. Build and implement a long-term human resource philosophy (develop a shared philosophy for managing people; build systems and practices to implement the philosophy).
2. Hire the right people (know what you want; be selective).
3. Keep them (reward well; protect jobs; promote from within; share the wealth).
4. Invest in them (invest in learning; create development opportunities).
5. Empower them (provide information and support; encourage autonomy and participation; redesign work; foster self-managing teams; promote egalitarianism)
6. Promote diversity (be explicit and consistent about the organization's diversity philosophy; hold managers accountable).

The authors define each approach, provide relevant theory and research about its origin and effectiveness, and illustrate how it carries human resource thinking into organizational design and managerial practices.

Chapter 7 Key Terms

Gain-sharing plan: Plan that gives workers an incentive to reduce costs and improve efficiency by offering them a share of any gains realized from cost reductions and efficiency improvements.

Profit-sharing plan: Plan by which employees receive a bonus commensurate with the firm's overall profitability or that of their local unit.

Employee stock ownership plan (ESOP): Plan by which employees receive company stock as a benefit.

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Open-book management: A management philosophy espousing the ideas that all employees (1) should see and learn to understand the company's financial and performance measures; (2) should be encouraged think like owners, and (3) should have a stake in the company's financial success.

Participation: A general term for management programs that give workers more opportunity to influence decisions about their work and working conditions.

Motivator: Herzberg's term for a work feature that produces worker satisfaction; motivators include achievement, recognition, responsibility, advancement, and learning.

Hygiene factor: Herzberg's term for a work feature that produces worker dissatisfaction when below a certain threshold; hygiene factors include policies, supervision practices, and working conditions.

Job enrichment: According to Herzberg, changing jobs to give workers more freedom and authority, more feedback, and greater challenges while making them more accountable and letting them use more skills.

Total quality management: A management approach aimed at improving customer satisfaction and hence long-term success through improvements in quality and productivity. Total quality management involves a comprehensive strategy emphasizing workforce involvement, participation, and teaming.

Sensitivity training: Management training to develop human relations skills through increased awareness of one's own feelings and the feelings of others.

T group: Small group, led by a trainer, in which sensitivity training is carried out.

Organization development (OD): A discipline aimed at improving organizations' functioning through means based on human resource assumptions.

Chapter 7 Major Case Examples

- David Owen's knitting mill in New Lanark, Scotland
- Federal Express
- Southwest Airlines
- Ritz Carlton hotel group
- Costco
- SAS
- Lincoln Electric
- United Airlines

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

- France's Carnaud
- Enron versus Springfield Remanufacturing (SRC Holdings) and Cin-Made
- The doll-painting factory
- Ascardio Health Care in Venezuela
- Ken Bamforth and the coal mine in South Yorkshire
- Whole Foods Markets
- Topeka's General Foods pet food plant
- Semco
- NUMMI
- "Work Outs" at General Electric

SUGGESTIONS FOR TEACHING CHAPTER 7

The central ideas in Chapter 7 revolve around human resource management strategies. Instructors can focus on:

1. Exploring some of the major approaches to organizational improvement discussed in the chapter, such as participative management and job redesign.
2. Examining the interface between the structural and human resource frames.

Teaching methods appropriate for each approach are described in the sections that follow. Student exercises keyed to the approaches appear in "Student Exercises for Chapter 7," beginning on page 7.

Chapter 7: A Focus on Exploring Major Approaches to Organizational Improvement

Because many human resource-based approaches have made their way into the popular press, students often come to the course knowing terms such as *total quality management*, *job enrichment*, and *participative management*, but with little understanding of what the terms mean, why one approach might be chosen over another, and the kind of preparation that needs to be done before any of the approaches is initiated. Instructors can use this chapter to explore these kinds of issues.

Chapter 7: Cases Focusing on Major Approaches to Organizational Improvement

A number of cases are perfect for exploring various approaches to organizational improvement.

- The classic Hovey and Beard Company case (which tells the doll-painting story) can be used to explore job enrichment, an example of an early OD intervention that involved participative management and self-managing work teams. Because the case
- Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

is old, it leads to lively discussion about the relevance of the suggestions and choices for today's workforce. (See William Whyte's *Money and Motivation*. New York: Harper & Row, 1955, pp. 90–94, for a detailed presentation of the case situation.)

- For a contemporary example, an excellent choice is Southwest Airlines: Using Human Resources for Competitive Advantage ([A] [HBS HR1A] and [B] [HBS HR1B]). Case A describes how Southwest built a competitive advantage through human resource management. Case B describes what happened when a group of executives, who were skeptics after reading case A, decided to investigate for themselves by conducting an informal survey at a Southwest field station.
- TRW's Information Services Division: Strategic Human Resources Management (HBS 9-496-003) describes a human resource manager's effort to initiate major change and the obstacles that hindered the initiative.
- Human Resource Practices at Hewlett-Packard ([A] [HBS 9-495-051] and [B] [HBS 9-495-052]). HP became famous for the "HP Way," and this case provides an overview of the firm's human resource practices as of the mid 1990s.
- The companion cases concerning Motorola Corp. described in the teaching notes to Chapter 6 provide a 1990s example of progressive human resource management practices and the corporate context in which they evolved. Parallel cases from the United States (Motorola-Elma [HBS 9-494-136]) and Malaysia (Motorola-Penang [HBS 9-494-135]) provide an opportunity to explore the intersection of culture and human resource management. Two other companion cases, Motorola: Institutionalizing Quality Initiatives (HBS 9-494-139) and Motorola Corp: the View from the CEO's Office (HBS 9-494-140) put Elma and Penang into the context of the view from corporate headquarters.
- Warner Cable ([A] [HBS 9-394-198]) describes human resource fallout in a turnaround process at a local cable company.
- General Electric Plastics ([A] [HBS 9-991-008] and [B] [HBS 9-991-009]) chronicles a middle-management team trying to develop team-building practices in the context of post-merger morale problems. A teaching note (HBS 5-991-013) and video (HBS 9-991-014) are available.
- The AB Volvo: Lundby Truck Production Plant series begins in case A (HBS 9-474-104) with a description of labor and production problems at the plant, offers management's human resource-based diagnoses of the causes in case B (HBS 9-474-105), describes management's actions to improve worker satisfaction and production in case C (HBS 9-474-106), and explores the implications of the enacted changes in case D (HBS 9-474-107). This series can be used to explore participative

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

management, work teams, job enrichment, and a company-wide human resource approach to productivity problems.

- The Sedalia Engine Plant, case A (HBS 9-481-148), explores the challenges and opportunities for a new plant manager in a highly participative work environment. Case B (HBS 9-481-149) takes a look one year later to examine how well various problems were handled. Two teaching notes are available for these cases (HBS 5-683-034 and HBS 5-485-020). The cases work well with the videotape *Managing in a High Commitment Work System* (HBS 9-884-522) to examine individual, managerial, and systemic issues around participative management and employee involvement.
- Office Technology, Inc., case A (HBS 9-481-179), explores the merging of two units—one with an assembly-line approach to work, the other with a team approach. Case B (HBS 9-481-180) examines what happens following the decision to try the work-team concept with both administrative units. Two videotapes are available for use with these cases (HBS 9-884-512 and HBS 9-884-513). Both focus on employee involvement and the creation of work teams.

Chapter 7: Films or Videos Focusing on Major Approaches to Organizational Improvement

Many training and development films explore the need for organizational improvement:

- *Satisfaction: A Job Well Done* (Salenger)—a master shipbuilder explains his views of job satisfaction, motivation, and ways to create a productive work environment.
- *Betting on the Workers—Harman International* (FH)—tells the story of a company with a maverick CEO who puts a priority on long-term relationships with his workforce
- *Day after Day* (NFBC)—describes work and life in a Canadian paper mill town.
- *Man on the Assembly Line* (CRM)—looks at the impact of mass production on the quality of work life.
- *The Blue Collar Trap: Parts 1 and 2* (NBC)—explores the new generation of blue-collar workers and their expectations for job satisfaction, involvement, and opportunities for self-expression.
- *Power Sharing at Daimler-Benz* (FH)—the CEO of Germany's biggest company explains its approach to power sharing.

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

- *Empowering Employees (Insight)*—discusses benefits of empowerment and relates empowerment to motivation.
- *Organization and Management: The Bureaucratic Paradox (EBEC)*—Dr. Peter Osgood examines the dilemmas in bureaucratic management in government.

Instructors can also use training films that focus on the strategies most commonly used in organizational improvement efforts:

- *A Test of Japanese Management: Japanese Cars Made in the U.S.A. (Insight)*—a 45-minute film version of the NUMMI story discussed in the chapter.
- *Tokyo in Tennessee (Carousel)*—describes the basic concepts of Japanese management and participative management at Nissan’s Smyrna, Tennessee, plant.
- *The Kyocera Experiment (LCA)*—Japanese management is tested in the United States at Kyocera Company in San Diego (also available in video).
- *Japan, Inc.: Lessons for North America? (Salenger)*—explores Japanese management and its applicability to the United States and Western culture.
- *Buying Out (LCA)*—the story of Hyatt-Clark Industries of New Jersey, an unsuccessful General Motors subsidiary purchased by the company’s workers and managers (available only in video).

Finally, instructors can use popular films or excerpts in various ways:

- *Disclosure, Gung Ho, 9 to 5, Silkwood, Norma Rae, and Wall Street* can be used to explore organizational changes suggested by the various approaches to improvement proposed in this chapter.
- *Mr. Holland’s Opus, Stand and Deliver, Dead Poets Society, and Lean on Me* provide perspectives on the implementation of alternative human resource strategies in school contexts.
- Similarly, *Glory, Gettysburg, M*A*S*H* (many episodes of the television series are also excellent), and the classic *12 O’Clock High* provide perspectives on implementing alternative human resource strategies in military contexts. (Hartwick makes available a case study, F-663, and a teaching note, F-663-TN, for use with *12 O’Clock High*.)

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Chapter 7: Activities Focusing on Major Approaches to Organizational Improvement

Another option is to offer students opportunities to experience the various approaches in action. For example, instructors might want to use the classroom as an organization, form student consulting teams, and have each team run through a simple OD sequence of organizational diagnosis, action planning, intervention, and assessment. Instructors, especially those who have not already done so, may want to try an experiential activity in the classroom as a way of introducing students to management training and OD's educational methodologies. (The teaching notes for Chapters 6 and 8 offer suggestions for possible activities. See, for example, "Chapter 6: Activities Focusing on Frame Content." Also see Exercise 7.1.)

Chapter 7: A Focus on the Structural–Human Resource Interface _____

Students often equate the structural frame with red tape and bureaucracy, missing the important understanding that participative structures are also possible outcomes of rational thinking and organizational design efforts. By exploring the ways in which the various approaches for organizational improvement suggested in the chapter connect to organizational structure and design, students can begin to see the two frames as potentially complementary, not necessarily inconsistent or adversarial.

Any of the cases suggested under "Chapter 7: Cases Focusing on Major Approaches to Organizational Improvement" offers opportunities for instructors to focus on the interface between the structural and human resource frames.

Another way to work on these links is to offer students a brief introduction to organizational design techniques that focus equally on structural and human resource concerns, such as the sociotechnical systems design process. William O. Lytle's book *Designing a High-Performance Organization: A Guide to the Whole-Systems Approach* provides an excellent overview. It can be obtained at http://www.flyingstarship.com/html/bpw_offerings.html. See Exercise 7.2 for a related activity.

STUDENT EXERCISES FOR CHAPTER 7

EXERCISE 7.1 _____

Focus: Major Approaches to Organizational Improvement

Ask students to apply ideas about organizational improvement to the student role. Working in small groups, they can use the concepts in Table 7.1 to ask several questions: (a) To what degree do they experience these practices in their student role? (b) What

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

could the institution or individual professors do to make better use of these practices? Students can present their proposals to the entire class. The class can then examine the proposals and discuss how to apply the suggestions that seem most relevant.

A variation for working students is to ask them to diagnose their workplaces in terms of how much and how well they employ the human resource practices in Table 7.1. At least some students are likely to report they see very little evidence of these practices (consistent with the argument attributed to Pfeffer in the chapter). The class can discuss why that might be so and what could be done to change it.

EXERCISE 7.2

Focus: The Structural–Human Resource Interface

Offer students an introduction to the sociotechnical systems design process, which focuses equally on structural and human resource concerns.

Background: Briefly, in sociotechnical systems design, teams with representatives from across the organization gather information about how and where structural, technical, environmental, and human issues contribute to organizational problems or errors (*variance*, in sociotechnical systems terms) in the process of turning raw materials into a desired outcome.

Purpose: Use the basic ideas about the STS design process to explore variance or problems in the classroom—how and where structural, technical, environmental, and human issues prevent students and instructor from maximizing learning. This activity gives students a chance to work with a two-frame STS approach to organizational diagnosis and design while gathering useful course feedback and possible course design suggestions at the same time.

Procedure: Create four student teams (or multiples of four, depending on class size). If task or case groups already exist in the class, form new teams across groups for this activity. Each team is to explore one of the four sets of critical organizational issues (structure, environment, technology, people) to determine:

1. Where problems or errors occur in the process of transforming raw materials into the desired outcome.
2. What changes would help the organization to correct these errors.
3. What mechanisms could be instituted to better detect errors in the future.

Work with students to help them understand what terms such as *raw materials*, *technology*, *environment*, and *desired outcomes* mean in the classroom so that students

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

are not hindered by language rooted heavily in industry and manufacturing. *Raw materials*, for example, include the instructor and the students themselves, with their hopes and skills and expectations, books, lecture notes, cases, assignment designs, syllabus, and so on.

Each team can report its conclusions, and the class can then discuss which recommendations are most promising and how they might be applied.

Copyright © 2003 by Joan V. Gallos and Jossey-Bass/A Wiley Company, 989 Market St., San Francisco, CA 94103

All rights reserved. No parts of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.