

Background articles

Module1-3 Managing cultural diversity

(Magazine articles, blog articles, opinion articles, practical experiences articles)

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Maastricht School of Management

Frijns

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Hofstede's Cultural Dimensions

Understanding Workplace Values Around the World



We know that we are living in a global age. Technology has brought everyone much closer together. This means that people of different cultures find themselves working together and communicating more and more.

This is exciting, but it can also be frustrating and fraught with uncertainty. How do you relate to someone of another culture? What do you say, or not say, to start a conversation right? Are there cultural taboos that you need to be aware of?

Building connections with people from around the world is just one dimension of cultural diversity. You will also need to factor it into motivating people, structuring projects, and developing strategy.

How can we understand cultural differences? Are we relegated to learning from our mistakes, or are there generalized guidelines to follow?

Fortunately, psychologist Dr Geert Hofstede asked himself this question in the 1970s. What emerged after a decade of research and thousands of interviews is a model of cultural dimensions that has become an internationally recognized standard.

With access to people working for the same organization in over 40 countries of the world, Hofstede collected cultural data and analyzed his findings. He initially identified four distinct cultural dimensions that served to distinguish one culture from another. Later he added a fifth dimension, and that is how the model stands today.

He scored each country using a scale of roughly 0 to 100 for each dimension. The higher the score, the more that dimension is exhibited in society.

The Five Dimensions of Culture

Armed with a large database of cultural statistics, Hofstede analyzed the results and found clear patterns of similarity and difference amid the responses along these five dimensions. Interestingly, his research was done on employees of IBM only, which allowed him to attribute the patterns to national differences in culture, largely eliminating the problem of differences in company culture.

The five dimensions are:

1. Power/Distance (PD)

This refers to the degree of inequality that exists – and is accepted – among people with and without power. A high PD score indicates that society accepts an unequal distribution of power, and that people understand "their place" in the system. Low PD means that power is shared and well dispersed. It also means that society members view themselves as equals.

Application: According to Hofstede's model, in a high PD country such as Malaysia (104), you would probably send reports only to top management and have closed-door meetings where only select powerful leaders were in attendance.

PD	Characteristics	Tips
High PD	<ul style="list-style-type: none"> Centralized companies. Strong hierarchies. Large gaps in compensation, authority, and respect. 	<ul style="list-style-type: none"> Acknowledge a leader's power. Be aware that you may need to go to the top for answers
Low PD	<ul style="list-style-type: none"> Flatter organizations. Supervisors and employees are considered almost as equals. 	<ul style="list-style-type: none"> Use teamwork. Involve as many people as possible in decision making.

2. Individualism (IDV)

This refers to the strength of the ties people have to others within the community. A high IDV score indicates loose connections. In countries with a high IDV score there is a lack of interpersonal connection, and little sharing of responsibility beyond family and perhaps a few close friends. A society with a low IDV score would have strong group cohesion, and there would be a large amount of loyalty and respect for members of the group. The group itself is also larger and people take more responsibility for each other's well being.

Application: Hofstede's analysis suggests that in the Central American countries of Panama and Guatemala where the IDV scores are very low (11 and 6, respectively), a marketing campaign that emphasized benefits to the community or that tied into a popular political movement would likely be understood and well received.

IDV	Characteristics	Tips
High IDV	<ul style="list-style-type: none"> High valuation on people's time and their need for freedom. An enjoyment of challenges, and an expectation of rewards for hard work. Respect for privacy. 	<ul style="list-style-type: none"> Acknowledge accomplishments. Don't ask for too much personal information. Encourage debate and expression of own ideas.
Low IDV	<ul style="list-style-type: none"> Emphasis on building skills and becoming masters of something. Work for intrinsic rewards. 	<ul style="list-style-type: none"> Show respect for age and wisdom. Suppress feelings and emotions to work in harmony.

IDV	Characteristics	Tips
	Harmony more important than honesty.	Respect traditions and introduce change slowly.

3. Masculinity (MAS)

This refers to how much a society sticks with, and values, traditional male and female roles. High MAS scores are found in countries where men are expected to be "tough," to be the provider, and to be assertive. If women work outside the home, they tend to have separate professions from men. Low MAS scores do not reverse the gender roles. In a low MAS society, the roles are simply blurred. You see women and men working together equally across many professions. Men are allowed to be sensitive, and women can work hard for professional success.

Application: Japan is highly masculine with a score of 95, whereas Sweden has the lowest measured value (5). According to Hofstede's analysis, if you were to open an office in Japan, you might have greater success if you appointed a male employee to lead the team and had a strong male contingent on the team. In Sweden, on the other hand, you would aim for a team that was balanced in terms of skill rather than gender.

MAS	Characteristics	Tips
High MAS	Men are masculine and women are feminine. There is a well defined distinction between men's work and women's work.	Be aware that people may expect male and female roles to be distinct. Advise men to avoid discussing emotions or making emotionally based decisions or arguments.
Low MAS	A woman can do anything a man can do. Powerful and successful women are admired and respected.	Avoid an "old boys' club" mentality. Ensure job design and practices are not discriminatory to either gender. Treat men and women equally.

4. Uncertainty/Avoidance Index (UAI)

This relates to the degree of anxiety that society members feel when in uncertain or unknown situations. High UAI-scoring nations try to avoid ambiguous situations whenever possible. They are governed by rules and order and they seek a collective "truth." Low UAI scores indicate that the society enjoys novel events and values differences. There are very few rules, and people are encouraged to discover their own truth.

Application: Hofstede's Cultural Dimensions imply that when discussing a project with people in Belgium, whose country scored a 94 on the UAI scale, you should investigate the various options and then present a limited number of choices, but have very detailed information available on your contingency and risk plans. (Note that there will be cultural differences between French and Dutch speakers in Belgium.)

UAI	Characteristics	Tips
High UAI	Very formal business conduct with lots of rules and policies. Need and expect structure. Sense of nervousness spurs high levels of emotion and expression. Differences are avoided.	Be clear and concise about your expectations and parameters. Plan and prepare, communicate often and early, provide detailed plans, and focus on the tactical aspects of a job or project. Express your emotions through hand gestures and raised voices.
Low UAI	Informal business attitude. More concern with long term strategy than what is happening on a daily basis. Accepting of change and risk.	Do not impose rules or structure unnecessarily. Minimize your emotional response by being calm and contemplating situations before speaking. Express curiosity when you discover differences.

5. Long Term Orientation (LTO)

This refers to how much society values long-standing – as opposed to short-term – traditions and values. This is the fifth dimension that Hofstede added in the 1990s, after finding that Asian countries with a strong link to Confucian philosophy acted differently from Western cultures. In countries with a high LTO score, delivering on social obligations and avoiding "loss of face" are considered very important.

Application: According to Hofstede's analysis, people in the United States and United Kingdom have low LTO scores. This suggests that you can pretty much expect anything in this culture in terms of creative expression and novel ideas. The model implies that people in the U.S. and U.K. don't value tradition as much as many others, and are therefore likely to be willing to help you execute the most innovative plans as long as they get to participate fully. (This may be surprising to people in the U.K., with its associations of tradition.)

LTO	Characteristics	Tips
High LTO	Family is the basis of society. Parents and men have more authority than young people and women.	Show respect for traditions. Do not display extravagance or act frivolously.

LTO	Characteristics	Tips
	<p>Strong work ethic.</p> <p>High value placed on education and training.</p>	<p>Reward perseverance, loyalty, and commitment.</p> <p>Avoid doing anything that would cause another to "lose face."</p>
Low LTO	<p>Promotion of equality.</p> <p>High creativity, individualism.</p> <p>Treat others as you would like to be treated.</p> <p>Self-actualization is sought.</p>	<p>Expect to live by the same standards and rules you create.</p> <p>Be respectful of others.</p> <p>Do not hesitate to introduce necessary changes.</p>

For a list of scores by dimension per country and more detailed information about Hofstede's research, visit his [website](#).

Note:

Hofstede's analysis is done by country. While this is valid for many countries, it does not hold in the countries where there are strong subcultures that are based on ethnicity of origin or geography. In Canada, for instance, there is a distinct French Canadian culture that has quite a different set of norms from those of English-speaking Canada. And in Italy, masculinity scores would differ between north and south.

Key Points

Cultural norms play a large part in the mechanics and interpersonal relationships of the workplace. When you grow up in a culture, you take your norms of behavior for granted. You don't have to think about your reactions, preferences, and feelings.

When you step into a foreign culture, suddenly things seem different. You don't know what to do or say. Using Hofstede's Cultural Dimensions as a starting point, you can evaluate your approach, your decisions, and actions based on a general sense of how the society might think and react to you.

Of course, no society is homogenous, and there will be deviations from the norms Hofstede found. However, with this as your guide you won't be going in blind. The unknown will be a little less intimidating and you'll get a much-needed boost of confidence and security from studying this cultural model.

Apply This to Your Life

- Take some time to review the [scores by country](#) for the various cultural dimensions that Hofstede identified. Pay particular attention to the countries that the people you deal daily come from.
- In light of these scores, think about some interactions you've had with people in other countries. Does your conversation or association make more sense given this newly found insight?
- Challenge yourself to learn more about one culture in particular. If your work brings you in contact with people from another country, use that country as your point of reference. Apply Hofstede's scores to what you discover, and determine the accuracy and relevance for you.
- The next time that you are required to work with a person from a different culture, use Hofstede's scores and make notes about your approach, what you should be prepared to discuss, and why you feel the way you do. Afterward, evaluate your performance and do further research for the next time.
- Above all, make cultural sensitivity a daily part of your life. Learn to value the differences between people and vow to respect the things that make people unique.

The Seven Dimensions of Culture

Understanding and Managing Cultural Differences



What distinguishes one culture from another?
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Many of us work routinely with people from other cultures and backgrounds.

Often this goes well, and the cultural differences are interesting and enriching.

However, sometimes things go wrong, for reasons that we may not understand.

This is where it's important to understand the differences between cultures, so that we can work with people more effectively, and prevent misunderstandings.

Trompenaars and Hampden-Turner's Seven Dimensions of Culture help us do this. We'll look at the seven dimensions in this article, and we'll explore how you can apply the model in your own situation.

About the Model

The Seven Dimensions of Culture were identified by management consultants Fons Trompenaars and Charles Hampden-Turner, and the model was published in their 1997 book, "[Riding the Waves of Culture](#)."

Trompenaars and Hampden-Turner developed the model after spending 10 years researching the preferences and values of people in dozens of cultures around the world. As part of this, they sent questionnaires to more than 46,000 managers in 40 countries.

They found that people from different cultures aren't just randomly different from one another; they differ in very specific, even predictable, ways. This is because each culture has its own way of thinking, its own values and beliefs, and different preferences placed on a variety of different factors.

Trompenaars and Hampden-Turner concluded that what distinguishes people from one culture compared with another is where these preferences fall in one of the following seven dimensions:

1. Universalism versus particularism.
2. Individualism versus communitarianism.
3. Specific versus diffuse.
4. Neutral versus emotional.
5. Achievement versus ascription.
6. Sequential time versus synchronous time.
7. Internal direction versus outer direction.

We'll look at each dimension in detail below.

You can use the model to understand people from different cultural backgrounds better, so that you can prevent misunderstandings and enjoy a better working relationship with them. This is especially useful if you do business with people from around the world, or if you manage a diverse group of people.

The model also highlights that one culture is not necessarily better or worse than another; people from different cultural backgrounds simply make different choices.

However, the model doesn't tell you how to measure people's preferences on each dimension. Therefore, it's best to use it as a general guide when dealing with people from different cultures.

Applying the Model

Let's look at each of the dimensions in detail, and explore some of the strategies that you can use with people who fit the characteristics highlighted in each dimension.

Note 1:

For each dimension, we've included some of the national cultures that Trompenaars and Hampden-Turner identified as having a preference at each extreme of that particular dimension. You can use this as a general guide, but remember to treat people as individuals, and to avoid stereotyping.

Note 2:

This model doesn't take into account people's personal experiences or differences between sub-cultures within the country, so bear this in mind when you're applying the model. This is especially relevant in today's global environment, where people can be influenced by many different cultures.

Note 3:

Be sensible in how you apply these strategies. In practice, there will be many other factors that will have a bearing on how you manage people and communicate with them.

1. Universalism Versus Particularism (Rules Versus Relationships)

Dimension	Characteristics	Strategies
Universalism	People place a high importance on laws, rules, values, and obligations. They try to deal fairly with people based on these rules, but rules come before relationships.	<ul style="list-style-type: none">Help people understand how their work ties into their values and beliefs.Provide clear instructions, processes, and procedures.Keep promises and be consistent.Give people time to make decisions.Use an objective process to make decisions yourself, and explain your decisions if others are involved.
Particularism	People believe that each circumstance, and each relationship, dictates the rules that they live by. Their response to a situation may change, based on	<ul style="list-style-type: none">Give people autonomy to make their own decisions.Respect others' needs when you make decisions.

Dimension	Characteristics	Strategies
	what's happening in the moment, and who's involved.	<p>Be flexible in how you make decisions.</p> <p>Take time to build relationships and get to know people so that you can better understand their needs.</p> <p>Highlight important rules and policies that need to be followed.</p>

Typical universalist cultures include the U.S., Canada, the U.K, the Netherlands, Germany, Scandinavia, New Zealand, Australia, and Switzerland.

Typical particularistic cultures include Russia, Latin-America, and China.

2. Individualism Versus Communitarianism (The Individual Versus The Group)

Dimension	Characteristics	Strategies
Individualism	People believe in personal freedom and achievement. They believe that you make your own decisions, and that you must take care of yourself.	<p>Praise and reward individual performance.</p> <p>Give people autonomy to make their own decisions and to use their initiative.</p> <p>Link people's needs with those of the group or organization.</p> <p>Allow people to be creative and to learn from their mistakes.</p>
Communitarianism	People believe that the group is more important than the individual. The group provides help and safety, in exchange for loyalty. The group always comes before the individual.	<p>Praise and reward group performance.</p> <p>Don't praise individuals publically.</p> <p>Allow people to involve others in decision making.</p> <p>Avoid showing favoritism.</p>

Typical individualist cultures include the U.S., Canada, the U.K, Scandinavia, New Zealand, Australia, and Switzerland.

Typical communitarian cultures include countries in Latin-America, Africa, and Japan.

3. Specific Versus Diffuse (How Far People Get Involved)

Dimension	Characteristics	Strategies
Specific	People keep work and personal lives separate. As a result, they believe that relationships don't have much of an impact on work objectives, and, although good relationships are important, they believe that people can work together without having a good relationship.	<p>Be direct and to the point.</p> <p>Focus on people's objectives before you focus on strengthening relationships.</p> <p>Provide clear instructions, processes, and procedures.</p> <p>Allow people to keep their work and home lives separate.</p>
Diffuse	People see an overlap between their work and personal life. They believe that good relationships are vital to meeting business objectives, and that their relationships with others will be the same, whether they are at work or meeting socially. People spend time outside work hours with colleagues and clients.	<p>Focus on building a good relationship before you focus on business objectives.</p> <p>Find out as much as you can about the people that you work with and the organizations that you do business with.</p> <p>Be prepared to discuss business on social occasions, and to have personal discussions at work.</p> <p>Try to avoid turning down invitations to social functions.</p>

Typical specific cultures include the U.S., the U.K., Switzerland, Germany, Scandinavia, and the Netherlands.

Typical diffuse cultures include Argentina, Spain, Russia, India, and China.

4. Neutral Versus Emotional (How People Express Emotions)

Dimension	Characteristics	Strategies
Neutral	People make a great effort to control their emotions. Reason influences their actions far more than their feelings. People don't reveal what they're thinking or how they're feeling.	<p>Manage your emotions effectively.</p> <p>Watch that your body language doesn't convey negative emotions.</p> <p>"Stick to the point" in meetings and interactions.</p> <p>Watch people's reactions carefully, as they may be reluctant to show their true emotions.</p>
Emotional	People want to find ways to express their emotions, even spontaneously, at work. In these cultures, it's welcome and accepted to show emotion.	<p>Open up to people to build trust and rapport .</p> <p>Use emotion to communicate your objectives.</p> <p>Learn to manage conflict effectively, before it becomes personal.</p> <p>Use positive body language .</p> <p>Have a positive attitude .</p>

Typical neutral cultures include the U.K., Sweden, the Netherlands, Finland, and Germany.

Typical emotional cultures include Poland, Italy, France, Spain, and countries in Latin-America.

5. Achievement Versus Ascription (How People View Status)

Dimension	Characteristics	Strategies
Achievement	People believe that you are what you do, and they base your worth accordingly. These cultures value performance, no matter who you are.	<p>Reward and recognize good performance appropriately.</p> <p>Use titles only when relevant.</p> <p>Be a good role model .</p>
Ascription	People believe that you should be valued for who you are. Power, title, and position matter in these cultures, and these roles define behavior.	<p>Use titles, especially when these clarify people's status in an organization.</p> <p>Show respect to people in authority, especially when challenging decisions.</p> <p>Don't "show up" people in authority.</p> <p>Don't let your authority prevent you from performing well in your role.</p>

Typical achievement cultures include the U.S., Canada, Australia, and Scandinavia.

Typical ascription cultures include France, Italy, Japan, and Saudi Arabia.

6. Sequential Time Versus Synchronous Time (How People Manage Time)

Dimension	Characteristics	Strategies
Sequential Time	People like events to happen in order. They place a high value on punctuality, planning (and sticking to your plans), and staying on schedule. In this culture, "time is money," and people don't appreciate it when their schedule is thrown off.	<p>Focus on one activity or project at a time.</p> <p>Be punctual.</p> <p>Keep to deadlines.</p> <p>Set clear deadlines.</p>
Synchronous Time	People see the past, present, and future as interwoven periods. They often work on several projects at once, and view plans and commitments as flexible.	<p>Be flexible in how you approach work.</p> <p>Allow people to be flexible on tasks and projects, where possible.</p> <p>Highlight the importance of punctuality and deadlines if these are key to meeting objectives.</p>

Typical sequential-time cultures include Germany, the U.K., and the U.S.

Typical synchronous-time cultures include Japan, Argentina, and Mexico.

7. Internal Direction Versus Outer Direction (How People Relate to Their Environment)

Dimension	Characteristics	Strategies
Internal Direction (This also known as having an internal locus of control .)	People believe that they can control nature or their environment to achieve goals. This includes how they work with teams and within organizations.	<p>Allow people to develop their skills and take control of their learning.</p> <p>Set clear objectives that people agree with.</p> <p>Be open about conflict and disagreement, and allow people to engage in constructive conflict.</p>
Outer Direction (This also known as having an external locus of control .)	People believe that nature, or their environment, controls them; they must work with their environment to achieve goals. At work or in relationships, they focus their actions on others, and they avoid conflict where possible. People often need reassurance that they're doing a good job.	<p>Provide people with the right resources to do their jobs effectively.</p> <p>Give people direction and regular feedback , so that they know how their actions are affecting their environment.</p> <p>Reassure people that they're doing a good job.</p> <p>Manage conflict quickly and quietly.</p> <p>Do whatever you can to boost people's confidence .</p> <p>Balance negative and positive feedback .</p> <p>Encourage people to take responsibility for their work.</p>

Typical internal-direction cultures include Israel, the U.S., Australia, New Zealand, and the U.K.

Typical outer-direction cultures include China, Russia, and Saudi Arabia.

Tip 1:

[Hofstede's Cultural Dimensions](#) is another model that can help you to understand different cultures. The advantage of Hofstede's model is that his research included only employees from one organization – IBM – so his findings are unlikely to be affected by differences in company culture. The disadvantage is that the culture of this company may skew more general results.

Tip 2:

To learn more about managing and working with people from specific countries and cultures, see our [Managing Around the World](#) section, and listen to our Expert Interviews with [Terri Morrison](#) and [Michael Schell](#).

Key Points

The Seven Dimensions of Culture model was created by Fons Trompenaars and Charles Hampden-Turner, and was published in their book, "Riding the Waves of Culture."

The model says that what distinguishes people from one culture compared with another is where their preferences fall on each of the following seven dimensions:

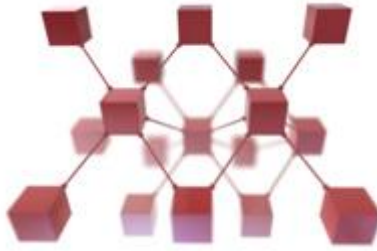
1. Universalism versus particularism.
2. Individualism versus communitarianism.
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4. Neutral versus emotional.
5. Achievement versus ascription.
6. Sequential time versus synchronous time.
7. Internal direction versus outer direction.

You can use the model to understand people from different cultural backgrounds better, so that you can work with them more effectively, and prevent misunderstandings.

Be sensible in how you apply the model. Treat people as individuals, and remember that there are many factors that will have a bearing on how you communicate and interact with other people.

The Cultural Web

Aligning your Organization's Culture with Strategy



Many aspects of organizations are interconnected.

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What is the first thing that pops in your mind when you hear the term corporate culture? A great many people refer to the classic phrase coined by the McKinsey organization, that culture is "how we do things around here". And while that may be true, there are so many elements that go into determining what you do and why, that this definition only scratches the surface.

Whether you can define it or not, you know that culture exists. It's that ethereal something that hangs in the air and influences how work gets done, critically affects project success or failure, says who fits in and who doesn't, and determines the overall mood of the company.

Culture often becomes the focus of attention during periods of organizational change – when companies merge and their cultures clash, for example, or when growth and other strategic change mean that the existing culture becomes inappropriate, and hinders rather than supports progress. In more static environments, cultural issues may be responsible for low morale, absenteeism or high staff turnover, with all of the adverse effects those can have on productivity.

So, for all its elusiveness, corporate culture can have a huge impact on an organization's work environment and output. This is why so much research has been done to pinpoint exactly what makes an effective corporate culture, and how to go about changing a culture that isn't working.

Fortunately, while corporate culture can be elusive, approaches have been developed to help us look at it. Such approaches can play a key role in formulating strategy or planning change.

The Cultural Web, developed by Gerry Johnson and Kevan Scholes in 1992, provides one such approach for looking at and changing your organization's culture. Using it, you can expose cultural assumptions and practices, and set to work aligning organizational elements with one another, and with your strategy.

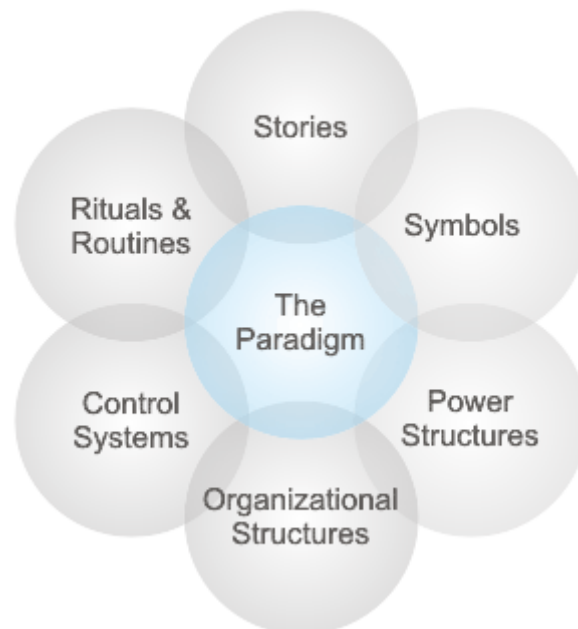
Elements of the Cultural Web

The Cultural Web identifies six interrelated elements that help to make up what Johnson and Scholes call the "paradigm" – the pattern or model – of the work environment. By analyzing the factors in each, you can begin to see the bigger picture of your culture: what is working, what isn't working, and what needs to be changed. The six elements are:

1. **Stories** – The past events and people talked about inside and outside the company. Who and what the company chooses to immortalize says a great deal about what it values, and perceives as great behavior.
2. **Rituals and Routines** – The daily behavior and actions of people that signal acceptable behavior. This determines what is expected to happen in given situations, and what is valued by management.
3. **Symbols** – The visual representations of the company including logos, how plush the offices are, and the formal or informal dress codes.
4. **Organizational Structure** – This includes both the structure defined by the organization chart, and the unwritten lines of power and influence that indicate whose contributions are most valued.
5. **Control Systems** – The ways that the organization is controlled. These include financial systems, quality systems, and rewards (including the way they are measured and distributed within the organization.)
6. **Power Structures** – The pockets of real power in the company. This may involve one or two key senior executives, a whole group of executives, or even a department. The key is that these people have the greatest amount of influence on decisions, operations, and strategic direction.

From "[Fundamentals of Strategy](#)" by G. Johnson, R. Whittington, and K. Scholes. Published by Pearson Education, 2012. Reproduced with permission. These elements are represented graphically as six semi-overlapping circles (see Figure 1 below), which together influence the cultural paradigm.

Figure 1: The Cultural Web



From "[Fundamentals of Strategy](#)." Reproduced with permission.

Using the Cultural Web

We use the Cultural Web firstly to look at organizational culture as it is now, secondly to look at how we want the culture to be, and thirdly to identify the differences between the two. These differences are the changes we need to make to achieve the high-performance culture that we want.

1. Analyzing Culture As It Is Now

Start by looking at each element separately, and asking yourself questions that help you determine the dominant factors in each element. Elements and related questions are shown below, illustrated with the example of a bodywork repair company.

Stories

- What stories do people currently tell about your organization?
- What reputation is communicated amongst your customers and other stakeholders?
- What do these stories say about what your organization believes in?
- What do employees talk about when they think of the history of the company?
- What stories do they tell new people who join the company?
- What heroes, villains and mavericks appear in these stories?

Examples (car bodywork repair company):

- *We are known as having high customer complaints, and for doing shoddy work.*
- *Staff members talk about the founder starting the company with a \$1,000 loan.*
- *The message is that we do things the cheapest way we can.*

Rituals and Routines

- What do customers expect when they walk in?
- What do employees expect?
- What would be immediately obvious if changed?
- What behavior do these routines encourage?
- When a new problem is encountered, what rules do people apply when they solve it?
- What core beliefs do these rituals reflect?

Examples:

- *Customers expect a newspaper and coffee whilst they wait, or a ride to work.*
- *Employees expect to have their time cards examined very carefully.*
- *There's lots of talk about money, and especially about how to cut costs.*

Symbols

- Is company-specific jargon or language used? How well known and usable by all is this?
- Are there any status symbols used?
- What image is associated with your organization, looking at this from the separate viewpoints of clients and staff?

Examples:

- *We use bright red shuttle vans.*
- *We offer bright red courtesy cars – compact, economy cars.*
- *The boss wears overalls, not a suit.*

Organizational Structure

- Is the structure flat or hierarchical? Formal or informal? Organic or mechanistic?
- Where are the formal lines of authority?
- Are there informal lines?

Examples:

- *Flat structure – Owner, Head Mechanic, Mechanics, Reception.*
- *The receptionist is the owner's wife so she goes straight to him with some customer complaints.*
- *It's each mechanic for himself – no sharing tools or supplies, little teamwork.*

Control Systems

- What process or procedure has the strongest controls? Weakest controls?
- Is the company generally loosely or tightly controlled?
- Do employees get rewarded for good work or penalized for poor work?
- What reports are issued to keep control of operations, finance, etc...?

Examples:

- *Costs are highly controlled, and customers are billed for parts down to the last screw.*
- *Quality is not emphasized. Getting the work done with the least amount of direct costs is the goal.*
- *Employees docked pay if their quotes/estimates are more than 10% out.*

Power Structures

- Who has the real power in the organization?
- What do these people believe and champion within the organization?
- Who makes or influences decisions?
- How is this power used or abused?

Example:

- *The owner believes in a low cost, high profit model, and is prepared to lose repeat customers.*
- *The threat of docked pay keeps mechanics working with this model.*

As these questions are answered, you start to build up a picture of what is influencing your corporate culture. Now you need to look at the web as a whole and make some generalized statements regarding the overall culture.

These statements about your corporate culture should:

- Describe the culture.
- Identify the factors that are prevalent throughout the web.

In our example the common theme is tight cost control at the expense of quality, and at the expense of customer and employee satisfaction.

2. Analyzing Culture as You Want it to Be

With the picture of your current cultural web complete, now's the time to repeat the process, thinking about the culture that you want.

Starting from your organization's strategy, think about how you want the organization's culture to look, if everything were to be correctly aligned, and if you were to have the ideal corporate culture.

3. Mapping the Differences Between the Two

Now compare your two Cultural Web diagrams, and identify the differences between the two. Considering the organization's strategic aims and objectives:

- What cultural strengths have been highlighted by your analysis of the current culture?
- What factors are hindering your strategy or are misaligned with one another?
- What factors are detrimental to the health and productivity of your workplace?
- What factors will you encourage and reinforce?
- Which factors do you need to change?
- What new beliefs and behaviors do you need to promote?

4. Prioritize Changes, and Develop a Plan to Address Them

Tip:

See our [change management](#) articles for more on managing change successfully.

Key Points

Used in this way, Johnson and Scholes' Cultural Web helps you analyze your current culture, and identify what needs to stay, go or be added to if you're to achieve your strategic goals. Implementing cultural changes is not simple: it involves re-moulding values, beliefs and behavior, and it's a major [change management](#) challenge, taking a great deal of time and hard work from everyone involved. By providing a framework for analyzing the current culture, and designing changes, Johnson and Scholes' Cultural Web provides a good foundation for the difficult business of changing organization culture. Using it, you can create a cultural environment that encourages success, supports the organization's objectives and, all-in-all, makes for a better place to work.

Six Components of a Great Corporate Culture

by John Coleman | 3:00 PM May 6, 2013

The benefits of a strong corporate culture are both intuitive and supported by social science. [According to James L. Heskett](#), culture "can account for 20-30% of the differential in corporate performance when compared with 'culturally unremarkable' competitors." And HBR writers have offered advice on [navigating different geographic cultures](#), [selecting jobs based on culture](#), [changing cultures](#), and [offering feedback across cultures](#), among other topics.

But what makes a culture? Each culture is unique and myriad factors go into creating one, but I've observed at least six common components of great cultures. Isolating those elements can be the first step to building a differentiated culture and a lasting organization.

1. Vision: A great culture starts with a vision or mission statement. These simple turns of phrase guide a company's values and [provide it with purpose](#). That purpose, in turn, orients every decision employees make. When they are deeply authentic and prominently displayed, good vision statements can even help orient customers, suppliers, and other stakeholders. Nonprofits often excel at having [compelling, simple vision statements](#). The Alzheimer's Association, for example, is dedicated to ["a world without Alzheimer's."](#) And Oxfam envisions ["a just world without poverty."](#) A vision statement is a simple but foundational element of culture.

2. Values: A company's values are the core of its culture. While a vision articulates a company's purpose, values offer a set of guidelines on the behaviors and mindsets needed to achieve that vision. McKinsey & Company, for example, has a [clearly articulated set of values](#) that are prominently communicated to all employees and involve the way that firm vows to serve clients, treat colleagues, and uphold professional standards. Google's values might be best articulated by their famous phrase, ["Don't be evil."](#) But they are also enshrined in their ["ten things we know to be true."](#) And while many companies find their values revolve around a few simple topics (employees, clients, professionalism, etc.), the originality of those values is less important than their authenticity.

3. Practices: Of course, values are of little importance unless they are enshrined in a company's practices. If an organization professes, "people are our greatest asset," it should also be ready to invest in people in visible ways. Wegman's, for example, heralds [values like "caring" and "respect,"](#) promising prospects ["a job \[they'll\] love."](#) And it follows through in its company practices, ranked by Fortune as the [fifth best company to work for](#). Similarly, if an organization values "flat" hierarchy, it must encourage more junior team members to dissent in discussions without fear or negative repercussions. And whatever an organization's values, they must be reinforced in review criteria and promotion policies, and baked into the operating principles of daily life in the firm.

4. People: No company can build a coherent culture without people who either share its core values or possess the willingness and ability to embrace those values. That's why the greatest firms in the world also have some of the most stringent recruiting policies. According to Charles Ellis, [as noted in a recent review](#) of his book *What it Takes: Seven Secrets of Success from the World's Greatest Professional Firms*, the best firms are "fanatical about recruiting new employees who are not just the most talented but also the best suited to a particular corporate culture." Ellis highlights that those firms often have 8-20 people interview each candidate. And as an added benefit, [Steven Hunt notes](#) at Monster.com that one study found applicants who were a cultural fit would accept a 7% lower salary, and departments with cultural alignment had 30% less turnover. People stick with cultures they like, and bringing on the right "culture carriers" reinforces the culture an organization already has.

5. Narrative: [Marshall Ganz](#) was once a key part of Cesar Chavez's United Farm Workers movement and helped structure the organizing platform for Barack Obama's 2008 presidential campaign. Now [a professor at Harvard](#), one of Ganz's core areas of research and teaching is [the power of narrative](#). Any organization has a unique history — a unique story. And the ability to unearth that history and craft it into a narrative is a core element of culture creation. The elements of that narrative can be formal — like Coca-Cola, which dedicated an enormous resource to [celebrating its heritage](#) and even has a [World of Coke museum](#) in Atlanta — or informal, like those stories about how [Steve Jobs' early fascination with calligraphy](#) shaped the aesthetically oriented culture at Apple. But they are more powerful when identified, shaped, and retold as a part of a firm's ongoing culture.

6. Place: Why does [Pixar have a huge open atrium](#) engineering an environment where firm members run into each other throughout the day and interact in informal, unplanned ways? Why does Mayor Michael Bloomberg prefer his staff sit in a ["bullpen"](#) environment, rather than one of separate offices with soundproof doors? And why do tech firms cluster in Silicon Valley and financial firms cluster in London and New York? There are obviously numerous answers to each of these questions, but one clear answer is that place shapes culture. [Open architecture](#) is more conducive to certain office behaviors, like collaboration. Certain cities and countries have local cultures that may reinforce or contradict the culture a firm is trying to create. Place — whether geography, architecture, or aesthetic design — impacts the values and behaviors of people in a workplace.

There are other factors that influence culture. But these six components can provide a firm foundation for shaping a new organization's culture. And identifying and understanding them more fully in an existing organization can be the first step to revitalizing or reshaping culture in a company looking for change.

More blog posts by [John Coleman](#)
More on: [Organizational culture](#)

Does Culture Really Matter? You Bet!

Check out Southwest Airlines.

They managed to eek out a profit in 2001 without layoffs, while other airlines downsized and ended the year awash in red ink. And although analysts predict dismal first-quarter results for the airline industry, Southwest is likely once again to fare better than the rest.

Can we attribute their resiliency to their culture alone? Certainly not. Jim Parker, who became Southwest's new CEO only a few months before September 11th, gets some of the credit. The company's tradition as a lean, low-fare carrier with aggressive market strategies was also a plus.

Yet there is no doubt in our minds that Southwest's culture provided a competitive advantage. Their unique culture fueled the high employee commitment required for successful negotiations over pay cuts, other cost-control measures, and their quick return to a full schedule of flights. It *continues* to earn them customer loyalty.

Southwest isn't the only company that boasts culture as a competitive advantage. Companies as diverse as GE, Xilinx, Merck, and Charles Schwab consistently outperform their competitors over time because they have high-performance cultures that make their ambitious business strategies possible — humanly possible.

What Does a High-Performance Culture Look Like?

Corporate culture at its most basic level is the "sum of an organization's behaviors and practices." When we talk about *culture that drives business performance*, we don't mean a great place to work (although it's often part of the picture). Great places to work have certainly been linked to strong business results (check out www.contentedcows.com for data), but "employer of choice" efforts may fall prey to budget cuts in hard times or not deliver if they're disconnected from "the business." (For example, Enron demonstrated how buying employee commitment through perks doesn't equate to a culture that drives long-term success.)

A **high-performance culture** that supports your organization's success — even in hard times — needs to be *deliberately* shaped with:

- A clear, compelling **corporate mission or purpose** that informs business decisions, generates customer loyalty, ignites employee passion, and inspires discretionary effort.
- **Shared organizational values** that guide employee behavior and influence business practices as your organization delivers on its promises to customers, employees, and other stakeholders. Business strategies will shift — your core values should not.
- An **environment** that encourages individual ownership of the organization's bottom-line results *and* its cultural foundation.

What Does It Take?

Communicating and Walking Your "Talk"

Does everyone understand what you stand for as an organization (your purpose), where you're going (your strategic direction), and your "rules of the road" for getting there (your shared values)? If not, it's unlikely that employees will be clear enough on what's expected of them to perform as needed — and they certainly won't *care* enough to give 110 percent. If you think you've communicated sufficiently, you're probably wrong! Weave your purpose, values, and business goals into all written and verbal communications over and over. Tell stories that highlight specific examples of your culture at its best. Detailed, sensory-rich stories help employees translate concepts into day-to-day job behaviors.

Values are "lived" in high-performance cultures. Are your leaders modeling yours? Pay particular attention to your middle managers (they score significantly lower than senior execs in our research) on this front. Actions speak louder than words — especially during difficult times. Leaders who walk the talk earn credibility, inspire similar behavior, and help employees find meaning in what they do each day.

Reinforcing Your Culture and Driving Bottom-Line Results with Business Practices

Long-standing business practices often present barriers to high-performance cultures. More than one organization has realized sooner or later that its value of "teamwork" is being undermined by a compensation program that rewards individual achievement or a "silo mentality." What practices need re-alignment in your organization?

- Customer service or fulfillment procedures?
- Decision-making processes?
- Supplier contracts or purchasing policies?
- Performance management systems, employee orientation, or even office design?

Evaluating and revamping your policies, procedures, and systems isn't easy. It's sometimes messy, but it's worth the trouble. Southwest reinforces their culture in practically everything they do as an organization — from their website to their hiring and promotion practices to their union relations. Xilinx, a highly regarded high-tech company, offers special rewards to *failed* project teams as a way to encourage risk-taking and reinforce their core value of innovation.

Aligning and Inspiring Employees Ad Infinitum

Changing culture is hard work. It can't be done in a few months — or even in a few years. Sustaining culture is hard too — as new employees come on board or dire business conditions tempt you to sacrifice culture for performance.

Your leaders need to show the way — but can't be the *sole* guardians of a high-performance culture. They need to inspire employee commitment to the organization's goals and create the kind of environment in which everyone is accountable for your way of being — your competitive advantage.

The Benefits Can Be Yours

A high-performance culture can provide:

- **Stability** when markets are reeling — so you can act nimbly.
- **Alignment** of employees' motivators with the organization's, maximizing contribution, and encouraging teamwork.
- A **Filter** to guide employee actions and decisions when you can't write policies fast enough.
- An **Exporter** of what your organization stands for to customers and other stakeholders, building loyalty beyond relationships or product quality.

Southwest's financial performance is evidence, and other companies with high-performance cultures reap real dividends every regular working day.

"Everything else can fall away; the industry and products and circumstances may change; but an abiding culture can serve as the custodian of your dreams for your company team, and for the customers on whose faith you build your house of business. It is an unchanging constant . . ."

— David S. Pottruck and Terry Pearce
Clicks and Mortar: Passion Driven Growth in an Internet Driven World

Motivation and a Profitable Business Are All About the Managers...Duh!

Employee Attitudes Rule

By [Susan M. Heathfield](#),

The keys to financial success and a profitable business are not the strategies or the systems of the firm. The character and skill of individual managers, who practice what they preach and recognize the manager's role in coaching employees are what count. "It's about character and courage," and according to David Maister, a well-known consultant to professional service firms, "it's very, very scarce." Learn more about the manager's role in employee motivation and operating a profitable business.

In a recent survey, Maister determined that successful organizations score better on virtually every aspect of employee attitudes. In fact, employee attitudes cause financial results and not the other way around.

If a business wants its people to make a lot of money for them, then it must set high standards and give employees something they can get excited about. These employees must be managed by someone who is trustworthy, cares about people as well as the business, and acts with integrity.

Maister, a former faculty member at the Harvard Business School and a best-selling author, recently surveyed 139 professional service firm offices worldwide. His study results from 5,589 respondents were analyzed to determine which of the 74 survey questions were most predictive of the positive financial performance of the business. Maister's results are truly eye-opening.

The Most Important Truths for Employees and Profitability

Maister found nine of the survey questions together explain over 50 percent of all variation in profit performance from company to company, despite the country, the size of the practice and the line of business. These are the nine statements, for the sake of your profitability, with which you want your employees to agree.

- Client satisfaction is a top priority at our firm.
- We have no room for those who put their personal agenda ahead of the interests of the clients or the office.
- Those who contribute most to the overall success of the office are the most highly rewarded.
- Management gets the best work out of everybody in the office.
- Around here, you are required, not just encouraged, to learn and develop new skills.

- We invest a significant amount of time in things that will pay off in the future.
- People within our office always treat others with respect.
- The quality of supervision on client projects is uniformly high.
- The quality of the professionals in our office is as high as can be expected

In Maister's book, *Practice What You Preach: What Managers Must Do to Create a High Achievement Culture*), he emphasizes that managers who believe their job is to ensure that a strategy, vision, or mission is developed are sadly mistaken.

Instead, the manager's most important value-added is to make sure the strategy is implemented. They ensure implementation by others when they [walk the talk](#) and lead by example. Organization staff members do hold managers to a higher level of commitment, integrity, and doing the right thing. The most successful managers know this.

I am so excited about Maister's books, thoughts, and research that I asked him to participate in an email interview with me.

In my questions to David Maister, I asked for very practical application information. While theory is important for concept understanding, my clients and readers seek hands-on information. David is a master at responding with practical tips and ideas.

Susan Heathfield: How do you recommend that managers best demonstrate commitment, enthusiasm, and respect?

David Maister: Managers should act as if they are part of the team, not just the boss of it. They should minimize the trappings of office, and reduce the emotional distance between themselves and the rest of the workforce. People need to feel that management is part of "us," not "them." Dig in, routinely help with the work, be readily available to anyone who has a problem, whether work-related or personal. Wash your own cup. Above all, ensure that you stand for something, have uncompromising principles and stick to them.

Q: How do you recommend that managers generate commitment and loyalty?

A: It's as simple as "give to get." Dale Carnegie once said that you'll have more fun and success by helping other people achieve their goals than you will by focusing on your own goals. The job of a manager is to actively help other people succeed. Focus on giving your people exciting, challenging assignments, and help them succeed at them, and they will want to stick around. People want careers, not jobs, and that means they want to learn and develop. Anything that gets in the way of this will be demotivating.

Q: How do you recommend that managers excite and motivate people?

A: Managers should not do anything special, but do exactly the same things that would excite and motivate them as individuals. It's about "us" not "them". When I ask people, around the world, at all levels, about the best manager they ever had, I always get similar results. Great managers give lots of responsibility early, are available to help, set and enforce high standards (on things other than just financial results), don't tolerate non-participation by other team members, and set a high personal example. Yes, I know this sounds simplistic, but that doesn't

mean it's wrong, or that it's common.

Q: How can the human resources professional assist managers to do these things well? How can the HR person demonstrate these behaviors in his or her own work?

A: Lots of managers, even those with advanced business degrees, are never taught how to manage. How many of us are taught how to win trust and respect? How do we convince those we lead that we care about their development. It ain't about systems, and it ain't about processes. It's about interpersonal skill, emotional intelligence and social interactions.

A lot of us need a lot of help in that area if we are to improve. This is as true for HR professionals as it is for the rest of us. In my (coauthored) book, *The Trusted Advisor* ([Compare Prices](#)), I wrote about how to win trust, confidence and influence from your "clients." HR professionals have to do this every day of the week, and again, it ain't about systems, processes or logic. It's about learning how to influence another human being, and we don't spend enough time thinking about it at that level.

David H. Maister is widely acknowledged as the world's leading authority on the management of professional service firms. He spends 40 percent of his time in North America, 30 percent in western Europe, and 30 percent in the rest of the world. His degrees are from the University of Birmingham and the London School of Economics. He holds a doctorate from the Harvard Business School.

The U.S./Japanese HR Culture Clash

HR professionals who work for Japanese companies that have expanded into the U.S. market are adapting to HR management based on teamwork and loyalty.

By Elizabeth Klein

Shortly after Susan Stehlik joined the New York branch of Japan's Nippon Credit Bank Ltd. as senior manager of personnel and public relations, she was asked to draw up a two-year plan for managing the human resources department. Having worked as a human resources executive for several U.S. companies, she expected her supervisors to evaluate her proposal and either approve or revise it. Instead, to her surprise, they asked her to seek advice and input from her subordinates in several departments.

Stehlik's experience illustrates a blending of U.S. and Japanese business practices: Nippon was using Japanese shared decision-making—called *ringi*—to implement a written human resources management policy, which is a distinctly American phenomenon. The incident also shows how differently Japanese firms approach human resources management. In contrast with U.S. firms, in which leadership and direction tend to come from upper management, Japanese managers attempt to foster consensus on business decisions.

Human resources management is becoming a vital part of globalization for Japanese corporations. Because of the surge in Japanese direct investment in the U.S. during the last few years, the number of U.S. workers employed by Japanese subsidiaries in the U.S. also is increasing. Japanese direct investment in the U.S. is growing at an average rate of 35% a year, from approximately \$5 billion in 1980 to \$85 billion today, according to the U.S. Commerce Department's Bureau of Economic Analysis.

HR experts estimate that Japanese subsidiaries employ 350,000 U.S. nationals, and predict that the number could grow to one million by the year 2000. From banks to high-tech firms to massive manufacturing operations, Japanese multinationals hire greater percentages of U.S. nationals, as they gradually become assimilated into the local economies.

"There's no question that there has been a concentrated effort among Japanese firms here to increase the localization of the work force," says Alan Parter, president of Parter International Inc., a New York City-based consulting firm that advises companies on good corporate citizenship. Like other multinationals that are doing business in the U.S., he says, "these companies realize that to succeed, they need to become more American." A greater proportion of the employees of large manufacturing operations tend to be local residents, while organizations in the service sector tend to have more Japanese expatriates on staff. At some of the Japanese automobile factories in the U.S., for example, more than 95% of the employees are U.S. nationals. In Japanese banks, on the other hand, generally only 25% to 40% of the employees are U.S. nationals.

At the heart of these changes is human resources management. Because Japanese companies traditionally approach personnel management differently from their U.S. counterparts, virtually all of them are finding that they must make changes to adjust to the U.S. business environment. Some pattern their human resources policies closely after U.S. models, while others retain many Japanese elements. But for many of these companies, HR management is in a state of flux, because they're still maturing as multinationals and only now are building a global work force.

Consequently, assimilation hasn't been easy. Some Japanese companies have drawn criticism for the way they handle employees who are U.S. nationals. Numerous sexual- and racial-discrimination suits have been filed against Japanese firms operating in the U.S. Another complaint is that the companies refuse to promote U.S. nationals to senior positions (See "Japan's Response to Allegations of Discrimination.")

In response to such criticism, many Japanese government officials and executives are promoting *good corporate citizenship* as a way to ease tension between the U.S. and Japan. The term is used broadly to include HR management practices as well as community involvement and philanthropic donations. Because personnel management is one of the most visible aspects of a corporation, it can contribute to—or detract from—the company's image.

Japanese firms emphasize the team.

Historically, the Japanese corporation has played a societal role that is different from that of the U.S. corporation, in that it supplies lifetime employment and social welfare for its employees. Although the tradition is changing, HR experts estimate that as many as 80% of the workers in Japan are given lifetime employment. In addition, many Japanese companies provide housing and social activities for their workers, as well as day care and assistance in planning their children's education.

In Japanese firms, the emphasis is on the corporate team rather than on individual performance. Business decisions, for example, are made through consensus building, or *nemawashi*. Loyalty, rather than individual initiative, is rewarded by Japanese companies.

"The Japanese human resources system is based on the assumption that employees have a strong loyalty to the company, so that even if they aren't paid high wages in their younger days, they'll work hard, because they know their future will be protected," says Yasahuru Yoneda, senior vice president for strategic planning at the New

York City branch of the Industrial Bank of Japan. He says such long-term loyalty is difficult to cultivate among U.S. workers, who are accustomed to greater career mobility.

Many Japanese companies recognize the critical role of HR management in building their international business. "As a global bank, we need to have the best human resources we can throughout the world," says Yoneda, adding, "Among all the departments, human resources is the most important for the bank." Indeed, many Japanese corporate leaders do a stint in HR administration on their way to the top in their companies. But Japanese companies see HR management less as a specialty or profession than as an important skill for all departments. "They don't really see HR as a science. They see it as something everyone needs to know for good management," says Michael E. Pilnick, who for four years was manager of training and development at Secaucus, New Jersey-based Matsushita Electric Company of America, and now is manager of training and development at Edison, New Jersey-based Sea-Land Inc.

U.S.-based Japanese subsidiaries frequently hire U.S. human resources professionals because they need seasoned local HR managers to be pathfinders or ambassadors between the Japanese headquarters and the local work force. These managers also must interpret the labyrinth of personnel laws in the U.S. Japanese companies face far greater legal constraints on human resources policies here, driving many of them to develop written policies for the first time.

"Things aren't done in writing in Japanese companies, but we're encouraging them to have written policies on personnel issues," says Barbara Fox, assistant director for corporate affairs at the Japan Society in New York. But developing formal HR policies can be tedious. At Tokai Bank Ltd. of New York City, for example, just getting an employee handbook written and approved took 16 months.

Still, Japanese companies often are reluctant to turn over personnel decisions to local HR managers. A number of human resources executives here say that they have less authority than they would in a U.S. company. "In many Japanese companies, the human resources manager is given virtually no authority. In many cases, I end up going to the headquarters in Japan for approval," says Terry Myers, senior vice president of personnel at New York City-based Tokai Bank Ltd., a subsidiary of Tokai Bank. HR managers at many other U.S. subsidiaries of Japanese companies frequently must clear decisions, such as those related to hiring, with the headquarters in Japan.

The Japanese hire for attitude.

In recruiting employees, Japanese companies often seek a much broader background than U.S. employers do. Because positions in Japanese firms are far less specialized than in their U.S. counterparts, Japanese managers often don't write formal job descriptions. Some human resources executives say Japanese firms prefer to hire an employee who is team-oriented rather than experienced. At Nissan Motor Manufacturing Corp. U.S.A., for example, a cooperative attitude is one of the most important qualifications for workers.

Demonstrated commitment to one's company also is desirable, but not always easy to find in the volatile U.S. job market. "If the prospective employee has jumped around to several different companies, it may not look good to a Japanese employer, whereas a U.S. company may think that such movement is promising because it shows the person has gained experience," says Ken Blenis, marketing manager at the San Francisco branch of Persona International, an executive search firm owned by Tokyo-based Temporary Center.

In interviewing job candidates, Japanese recruiters typically ask personal questions, such as marital status, age, hobbies and family background. They must eliminate such questions, however, to comply with U.S. antidiscrimination laws. "In many ways, a company looks at an employee's personality as much as it looks at his or her character as a professional. What's most important is whether he or she can fit in as a member of the company," explains Kaz Sugiura, who is executive director of the San Francisco-based Japanese Chamber of Commerce of Northern California.

Japanese pay plan is based on loyalty.

One of those areas in which Japanese companies differ most from their U.S. counterparts is in their compensation policies. "Japanese employees are paid on the basis of their loyalty to the company, whereas if someone is hired at a U.S. company to be a manager of real estate, the employee is paid for that job, whether he or she has had 10 years of experience or 25," explains Susan Schenkel-Savitt, a partner in the New York City office of Epstein, Becker & Green, a law firm specializing in human resources cases.

In Japanese companies, the gap between the lowest and highest salaries is far narrower than in the U.S., and managers typically don't receive such benefits as company cars, stock options or even their own offices. Pay scales are more rigid and offer little reward for individual initiative. In many Japanese companies, a bonus simply is a portion of the salary that's withheld and later paid out in a large installment.

Others may pay 75% of the base salary in regular wages and require the employee to bill the remaining salary in overtime hours. Given their long work hours, Japanese managers' overtime billings frequently raise their actual earnings to as much as 150% of the original salary.

In many Japanese companies, the HR manager is given virtually no authority. I often end up going to headquarters in Japan to get approvals.

Lifetime employment traditionally has been a major incentive for Japanese employees. U.S. nationals, by contrast, are highly mobile, carving out individualized career paths. The promise of long-term employment isn't a sufficient incentive for U.S. nationals, who are accustomed to pay based on merit.

To attract top managerial talent in the U.S. marketplace, some Japanese companies have started to offer compensation packages that are more generous, even if it means paying above the company's salary scale. At Fujisawa USA Inc., a pharmaceutical company based in Deerfield, Illinois, executives are offered a company car, an allowance for personal investment planning, a health club membership, and year-end bonuses that are tied to company profits. "We decided that to attract and retain the best U.S. managers, we needed to be competitive [in salaries and benefits]," says John Fowler, assistant to the chairman at Fujisawa.

Japanese companies don't like making individuals into star players, but they're realizing that in certain areas, they have to attract the best U.S. talent, according to Michiko Ito, a partner in the New York City office of the law firm Morrison & Foerster, which has represented several Japanese corporations in labor matters.

Recently, for example, a major Japanese company had to sweeten a benefits package to lure a senior U.S. executive. Persuaded by SpencerStuart, the executive search firm it hired to negotiate the deal, the Japanese company raised its vacation package from its standard one week to four weeks. "We thought their vacation offer would break the deal," recalls SpencerStuart director Davis Hawkins.

The Japanese broaden employee skills.

Japanese manufacturers have drawn praise for their training programs. "We spend a great amount of time and resources training our employees—much more than any company I've ever been associated with," says Bucky Kahl, director of human resources at Nissan Motor Manufacturing Corporation U.S.A., located in Smyrna, Tennessee.

At the Nissan plant, for example, prospective employees begin training even before they're hired. They undergo a 48-hour, non-paid, pretraining program to ensure that they can handle industrial work. Completion of that training, says Kahl, also demonstrates an employee's commitment to his or her prospective employer.

Companies tend to rotate employees through several different areas of operation, which not only builds worker expertise but also alleviates burnout. And rather than lay off workers during slow times, Japanese manufacturers put them through additional training to continue building their skills.

"After a Japanese company hires employees, it usually trains them to be generalists. Even though a person may have been hired as an accountant, three or four years later, the company may retrain him or her for a transfer into the sales department," Sugiura explains.

On the other hand, in the service sector and in managerial positions, Japanese companies frequently offer less formal training than their U.S. competitors do. "The Japanese feel training happens largely on the job, whereas U.S. workers require classroom training," says Stehlik. She says that, at Nippon Credit Bank, the entry-level training program is only two weeks long, compared with six months for U.S. banks.

At Nippon Credit Bank, the entry-level training program is only two weeks long—compared with the standard six months for U.S. banks.

According to Pilnick, Matsushita Electric Company of America spent only about one-fiftieth as much on training compared with top U.S. manufacturers. "There's probably less spent on formal training, but they tend to use a lot of cross-training on the job," he says.

U.S. employee reaction to employment at Japanese companies tends to differ sharply between hourly workers and management-level staff. Many managers who were born and raised in the U.S. say that they feel constrained by the Japanese decision-making process, which rewards consensus rather than individual initiative.

By contrast, U.S. factory workers often praise the Japanese management style because it gives them greater input in the manufacturing process. Nissan Motor Manufacturing Corporation USA, for example, uses a participatory management style, which brings its line workers into all decisions that concern production.

In addition, at many U.S.-based Japanese plants, autoworkers are allowed to shut down the entire assembly line if they see a defect. Hourly workers "really are the winners in a Japanese environment," says Pilnick.

Compared with hourly workers, U.S. managers have less authority in Japanese companies than they would in U.S.-based firms, because decisions are reached only through extensive consultation with colleagues and even subordinates. In some cases, say human resources executives, U.S. managers may become frustrated because they're hired at a high salary and a senior position, but lack the authority they would have had in a U.S.-based company.

The Japanese value seniority.

The promotions and raises in Japanese companies traditionally are based on such characteristics as seniority, age, gender and marital status. The rationale for the system is that workers are rewarded for their loyalty.

Japanese workers are promoted along with others of their age and rank. Japanese managers, on the other hand, have found that such a strategy doesn't work as an incentive to U.S. workers, who are driven by salary and career advancement, not by lifetime employment. "In Japan, many of the older employees who aren't working as hard as the younger generation earn more money. That's accepted in the Japanese environment, but it doesn't work here," says Yoneda.

Annual performance reviews are superfluous for managers in Japanese companies. "In a Japanese organization, people work such long hours together that everyone knows where they stand. They don't feel the need to sit down for a performance review once a year," explains Hawkins.

U.S. human resources managers, however, are encouraging Japanese organizations to conduct more thorough evaluations, develop standard evaluation forms and document evaluations. At Nissan Motor Manufacturing Corporation USA, for example, employees who are being considered for promotion are evaluated not only by their supervisors but also by their peers.

Because of the expectation of loyalty between the company and the employee, terminating employees is difficult for Japanese companies. The task becomes even more difficult in the U.S. because the companies fear that fired employees might sue the company.

At one company, for example, it took almost five months just to authorize the firing of a receptionist. "Ninety percent of Japanese companies here say they're afraid to terminate employees," says Ito.

Although Japanese managers continue to express frustration in what they perceive to be disloyalty and opportunism on the part of U.S. employees, who change jobs far more often than the Japanese, they're changing their practices so they can retain talented U.S. nationals. Some Japanese companies are starting to promote their local U.S. employees, instead of simply bringing in Japanese expatriates.

At the Nippon Credit Bank, for example, 70% of local employees have been promoted. And at Nissan Motor Manufacturing USA, line managers are encouraged to apply for manager positions. Clearly, savvy human resources management is a critical factor in the globalization of Japanese companies. Their success in building an international business depends on their ability to effectively manage and develop a truly global work force.

Says Kahl, "Fair treatment, teamwork and development of our people—those are our global personnel management principles. But tailoring them to the local situation is the job of the human resources department."

***Personnel Journal*, November 1992, Vol. 71, No.11, pp. 30-38**

Lessons from HR Overseas

Every country does something better than the rest. Integrating these best practices can help HR in the United States increase its effectiveness.

By Shari Caudron

We hear a lot these days about "thinking outside the box;" about searching in new places for new ways of solving our companies' problems. It's a useful concept. Our organizations aren't the same as they were 20 years ago, so why should our management practices be?

But when you think of that box, that set of parameters that dictates conventional thinking, what does it look like? Is it your job? Your company? Your industry? To come up with truly innovative solutions, you probably have to search outside the boundaries of all three of these entities. However, there's one more box you may want to consider peeking out of, and that's the United States of America. As Michael Marquardt, professor of global human resources development at George Washington University in Washington, D.C., explains: "American companies think they're the keepers of the best management practices. Consequently, they don't try to learn as much as they can from other places."

Whether U.S. business executives are arrogant or simply myopic is open to debate. What's irrefutable, however, is that there's a lot North American HR professionals can learn from their counterparts in companies overseas. Granted, there's a lot we do superbly in this country as well. "I think we're considered the best country in the world in the practice of HR development," says Marquardt. Adds Ron Kirchenbauer, vice president of HR for Ericsson, a Swedish tele-communications firm with a U.S. division in Richardson, Texas: "I think the pay-for-performance movement in this country is among the most progressive anywhere." And HR consultants agree that management concepts we've pioneered, such as reengineering and the learning organization, put us on the cutting edge.

"Things aren't working out very well in the States in a lot of areas, including health care, unemployment, homelessness and worker uncertainty."

Our skill in these areas entice business people from around the world to visit our companies. In fact, many people attribute the success the Japanese have had since World War II to the fact that they came to the United States on study tours, looked at the best management practices American companies had to offer, and then adapted those practices to their own organizations. "They were under no illusion that the Japanese had all the answers," Marquardt explains.

Unfortunately, American managers don't appear quite so eager to learn from their foreign colleagues. "We tend to think U.S. companies are the most dynamic," says Andy Craggs, international practice leader with The Wyatt Co. in San Francisco. "We've got the most research. Everybody has MBAs. We think we've got everything figured out. But in fact, things aren't working very well in the states in a lot of areas, including health care, unemployment, homelessness and worker uncertainty. If something isn't working with our system, let's look outside and see what we can learn from others."

Few international HR managers are naive enough to think that just because an HR practice works well in another country it will work just as well here. You can't indiscriminately import a management practice into the states any more than you can casually export one—as many U.S.-based multinationals have discovered, albeit the hard way. You need to take a look at differences in cultural expectations, the legislative environment and labor-force economics when considering whether a practice that works in, say, Germany, would also work in the United States.

Furthermore, a management practice with tremendous upside potential probably also has a downside. Many European companies, for example, provide greater benefits and job security to their employees than we do in the states. But the cost of doing business is higher, the government bureaucracy is overwhelming and companies are slower to respond to marketplace opportunities. Simply put, there are two sides to every coin.

Given these caveats, what can we learn from HR practices in companies outside the United States? How are employees treated differently or better than here in the states? How are the HR functions managed? And are there HR programs in other countries that we have yet to consider?

To learn the answers to these questions, Personnel Journal asked international HR consultants, academics and practitioners what they considered to be the best—or at least better—HR practices in other countries. The wide array of responses indicate that American personnel professionals can indeed learn much from other countries.

Look around the world for ways to involve your work force.

So what are some of these better practices? For one, European and Japanese companies do a better job soliciting input on business decisions. "Even though in the United States we claim to be participative, I think we still tend to put all the power in the top executive levels," says Craggs. "There's such a focus on business results that we're forced to make decisions that are tough on employees without looking at all the options. We can learn from companies in Europe, where employee input is sought on nearly every business issue."

In many countries, such as Germany, worker input actually is mandated by law. Any company there with more than 100 employees has to set up a works council, which is made up of employees elected from various parts of

the organization. German employers must gain the consent of the works council before they can appoint or dismiss employees, set working hours, introduce overtime or even change prices in the lunchroom. In addition, councils have the right to be consulted on a wide range of planning issues, such as decisions to open new plants or close existing ones. They also are entitled to information on company performance.

"These countries are learning new ideas at a faster pace than I've seen in the U.S. They may surpass us in terms of innovation in the next 10 years."

U.S. managers might see this as a real pain in the neck, but there's little evidence that German managers feel constrained by the works councils. "In the end, you have to establish a good working relationship with the councils, and if you do, you have no problems," says Thomas Ranft, personnel director of the London, England branch of Deutsche Bank AG.

Although worker input isn't quite as rigidly mandated in Scandinavian companies, employees there do have a great deal to say about management decisions, particularly those related to compensation, safety and capital expenditures, explains Alex Haaney, president of Drake Beam Morin Canada, Inc., who has served on the boards of two Norwegian companies.

And the participative management style of Japanese companies is well documented. Within Asian manufacturing firms in particular, workers are more attuned to business results than they are here. U.S. firms are picking up on the bottom-up communications style engaged in these firms, but Craggs says, "we're still a bit behind the times." Furthermore, human resources operations tend to be more entrepreneurial in Asian companies (with the exception of Japan) than they are here. The economies in countries such as Hong Kong, Malaysia, Singapore and Thailand are expanding so rapidly that HR managers have to constantly create and innovate just to keep up with their expanding work forces. They create new programs out of necessity. "In terms of compensation and benefits, these countries are assimilating new information and learning new ideas at a much faster pace than I've seen in the United States," says Jacque Vilet, senior international compensation and benefits manager with National Semiconductor in Santa Clara, California. "I predict they may surpass us in terms of innovation in the next 10 years."

Explains Vilet: "There are companies over there that are doing skill-based pay although they don't call it that. They don't know what skill-based pay is. What they've done is reconfigure their factories to improve the work flow. This has resulted in a team model where a group of employees handles a particular process from start to finish. As a result, managers are realizing they have to change the way they pay people because now employees are doing multiple tasks and they have to learn all these new skills. The key is that they have thought this through themselves."

Human resources professionals in other countries also are more willing to informally share information with one another, whereas HR managers in American companies are often reluctant to ask colleagues about their companies' HR practices, preferring instead to rely on formal market surveys. "We're more close to the vest," says Jack Fitzhenry, human resources director for Cupertino, California-based Apple Computer's Pacific division. Why? Because we like to have lots of data, we're concerned with confidentiality, and we're fearful of violating U.S. antitrust laws, he explains.

"My staff members, whether they're in Canada or Hong Kong, seek information from their colleagues on a regular basis," Fitzhenry says. For example, Apple was looking to hire a general manager for a plant in Hong Kong. The top candidate wanted a car and housing allowance that matched what he was getting at his current position. Apple's HR managers thought the allowances he requested were high, but instead of searching for market surveys to validate the amounts, they called the HR manager at the candidate's existing company and asked about the standard car and housing allowances. Turns out, the candidate was telling the truth. "Just by making a couple of phone calls, we were able to put our minds at ease," says Fitzhenry. "We couldn't do that as easily here."

Continuous learning is an established practice overseas.

According to Marquardt, the concept of continuous learning is much more enthusiastically received in companies in Asia and the Middle East than it is in North America. Why? Because in both regions of the world, teaching is considered the most important thing a person can do, much of which has to do with the cultural legacies left by Confucius and Mohammed. Because teaching and learning are regarded so highly, the role of managers is seen as being one of teaching or facilitating; of being someone who helps the people around him or her learn.

For instance, in many Asian corporations—specifically those in Japan—whenever one's subordinates are being trained, the manager is there. "This indicates that I think the learning that's occurring is important," Marquardt says.

Because of this strong emphasis on learning, mentoring roles in companies such as Toyota are taken very seriously. In fact, for a year or two before retirement, managers make a great effort to pass along their experience and wisdom to new people. "They realize the past has some value that we can learn from," he adds, "where-as in the United States we tend to look only toward the future."

In Asian companies, the focus on learning also includes an emphasis on developing international management talent, as opposed to just developing local talent. Management training courses frequently include language training, international diplomacy and etiquette. In other words, it's assumed managers will be working across borders. This is because companies there view the Asia-Pacific as one business region, explains Paul Morris, international consultant with The Wyatt Co. "Companies in the United States might have a regional manager who covers several states," he says, "but there, they're trying to develop managers who are able to do business in all of Southeast Asia or all of Greater China."

The focus on learning in Scandinavian and Nordic companies begins when employees start new jobs. More specifically, Ericsson's Ron Kirchenbauer believes these companies do a more thorough job in helping new employees integrate into the company culture. "In the United States," he says, "we tend to let employees find their own way through the company." In Scandinavia, however, companies help new employees understand their internal customers, their suppliers and where to go for certain kinds of information. "It's more than simply passing out a contact list," Kirchenbauer says. "New employees are taken around, introduced to people and given a thorough understanding of their role as it relates to everyone else's."

In many parts of the world, training incorporates a greater respect for and acknowledgement of the employees' personal lives. Companies in Africa, the Middle East, Asia and Latin America, for example, regard their employees as whole people, who have needs and interests beyond professional and technical ones.

Take an organization like Hitachi. When Hitachi conducts management training courses, participants are given skills in management techniques just as you would expect. But, according to Marquardt, who co-authored the book, *The Global Learning Organization*, participants might also be taught to create haiku—the unrhymed three-line Japanese poems—to give them a sense of creativity and poetry. They might also review the rules of decorum for Japanese tea ceremonies, in which peaceful, simple living is encouraged. In addition, the courses could include book briefings, in which participants are exposed to a fairly diverse group of books in an effort to expand their knowledge of current literature. The point is that an effort is made to develop the whole person.

In many parts of the world, respect for the employee as an individual includes a high regard for the employee's family. Latin American companies in particular are very concerned about family members. "When they hire a person, they're also hiring that person's family," Marquardt says. At Carvajal Inversiones, a printing company located in Cali, Colombia, the family is so important that the company is in the process of developing a kindergarten where it plans to enroll employees' children in an effort to detect talents and teach parents how to help develop those talents. Indirectly, the program is intended to help employees acquire the skills to build stable and solid families.

Sam Bernstein, international consultant with Hewitt Associates, L.L.C., in Lincolnshire, Illinois, confirms that respect for a person's family life is greater outside the United States. "When a European goes on vacation, he or she isn't reachable. There's a clear dividing line between work and family. The same is true of Mexico. The Mexican executive on vacation is spending time with family and doesn't want to be bothered by the office," he says. When an American executive goes on vacation, however, everybody in the office usually has access to that person's phone number. "American companies pay a lot of lip service to the importance of being family-friendly, but it just isn't as natural to our culture," Marquardt says.

How to learn from the practices of other countries.

What are HR professionals in the states supposed to make of all this? Primarily, it's food for thought; a way to think outside of that proverbial box and look at ways to learn from the practices of companies in other regions of the world. When deciding how to integrate innovative or better HR practices into your own company, however, you need to start, well, inside your own company.

Applied Materials, Inc., in Santa Clara, California, for example, formed a series of global task forces that are charged with identifying the best HR practices in the company, regardless of where in the world they originate. There's a global compensation task force, a global job-grading task force, and global mobility, benefits and training task forces. The goal, according to Carol Kaplan, manager of global compensation and benefits, is to look at which HR practices can be standardized across the 14 countries in which Applied Materials operates, and which practices need to be managed on a local or regional level.

In coming up with recommendations, HR managers from each of the firm's major divisions met for one week during each business quarter in 1994 to brainstorm and share information about successful country-specific practices. By the end of the year, members of the task forces presented their recommendations to company executives.

"By working together as a group, we're able to come up with programs that meet all our needs," she says. "In the United States, we've made a mistake in thinking that because we're U.S.-based, what's good for us is good for everybody around the world. What happens, then, is that we export programs that aren't culturally sound and that ends up creating animosities toward corporate headquarters. It's hard to restore those relationships once they've been broken. By coming together, we're learning from each other, and finding better overall ways to do things." Apple Computer is also learning to listen to input from its HR professionals located outside U.S. borders, although the process has been slow. According to Fitzhenry, the first step has been for Apple's American HR

managers to be sensitive to their counterparts overseas and allow them to implement the kinds of programs that make sense for their cultures, as opposed to "cramming our programs down their throats." Has the company begun to import any successful programs? "Not yet, and shame on us for not doing that," Fitzhenry says. "Right now, we're at the stage of sharing information about our programs; we haven't taken the best of what they do and tried to make it work here. But as Asia, in particular, becomes more and more important to our business, we've got to wake up and understand that there's a lot we can learn from the things they do extremely well." Of course, the truth of the matter is that HR practices are becoming more standardized, and differences, where they exist, just aren't as great as they used to be. Look at the analogous trends under way in many parts of the world relative to flexible benefits, teamwork, flatter management structures, the decline of corporate paternalism and the increasing use of contingent workers. HR professionals are well on their way toward creating their own global village, and the village leaders are those who aren't boxed in by their thinking.

***Personnel Journal*, February 1995, Vol. 74, No. 2, pp. 88-93.**

Dear Workforce: What Are Some Techniques to Hire People Whose Personal Values Best Fit Our Company?

Organizational 'soul searching' is the place to begin. This can be a complex task if your company has many divisions or locations.

Q Dear Workforce:

How could we ensure that new recruits will fit the culture of our organization? And is this even more important now with the economy in decline?

—*Fixated on Metrics, assistant HR manager, nonprofit, Singapore*

A Dear Fixated:

You are correct: The cultural fit between employee and the organization is an extremely important consideration. We have all had a job for which we had the skills and experience but were just not a “good fit.” Such situations often result in poor employee performance and/or turnover, both of which are costly for the employer.

During a down economy, employees who are a poor fit are way less likely to jump ship—and while this may reduce turnover, it also may perpetuate lower performance that eventually shows up in the bottom line.

So what steps can you take to ensure you hire employees whose values and interests jibe with the company? First of all, it is critical for your company to clearly understand its own culture. This requires a bit of soul searching.

This effort can be complex if yours is a larger company with many divisions and geographic locations. Each group within the organization may take on its own unique culture. In your search for a cultural identity, look at the enduring and stable things that the company values as a whole—and identify meaningful differences in these values across various branches or divisions.

Organizational culture has been studied by many different groups and has been defined in many different ways. Industrial psychologists have conducted decades of research aimed at defining organizational culture, the result being a set of relatively stable “work values” that define the aspects of work that are meaningful to an organization, based on the values of the individuals who constitute it.

Some of the most useful work has been performed by Jennifer Chatman, whose Organizational Culture Profile (OCP) identifies the following major dimensions:

- Innovation
- Stability
- Orientation toward people (fair and supportive)

- Orientation toward outcomes (results-oriented, achievement-oriented)
- Easygoing vs. aggressive
- Attention to detail
- Team orientation

The OCP uses these dimensions to measure fit via the following process:

First of all, a baseline for the organization's culture is established. This is done by having members of the organization make ratings based on their opinions regarding which of the above dimensions they feel are most and least characteristic of the organization. These ratings are then aggregated to provide a profile that defines the organization's culture in terms of these dimensions.

Second, an individual's "personal value profile" is created. This process involves having individuals rank their own personal values (using the dimensions listed above) in terms of their most and least preferred work environment.

Finally, the individual's ranking of the above work values is compared with the aggregate values profile created by the organization to summarize its culture. This comparison process yields detailed information about the overlap between the values of an organization (or one of its many groups) and those of an individual. These outcomes provide a data-based estimate of the fit between an individual and the group or organization.

As you can imagine, this information can be very useful for helping organizations make all kinds of important decisions. Perhaps the most important is within the hiring process. The work values that underlie cultural fit are relatively stable and enduring within individuals, so hiring people and trying to change their values does not often prove to be an easy task.

There are a number of different "fit" inventories available from pre-employment assessment companies, and it makes sense to look into these. When doing so, make sure to ask for the technical documentation that will demonstrate the measure has been created and evaluated using the proper scientific techniques.

SOURCE: Charles A. Handler, [Rocket-Hire](#), New Orleans, August 13, 2009

LEARN MORE: [Post-hire introductory periods](#) provide a way to ensure people's behaviors, attitudes and attributes actually dovetail with those of a company.

The information contained in this article is intended to provide useful information on the topic covered, but should not be construed as legal advice or a legal opinion. Also remember that state laws may differ from the federal law.

[Ask a Question](#)

[Dear Workforce Newsletter](#)

Is it Time for a New Look at Job Descriptions?

Guest columnist Pamela Holloway has three suggestions.

By Pamela Holloway

The ancient artifacts we call job descriptions haven't changed much over the last half century. But the world of work has.

Rather than having a single job, most of us perform a variety of roles and activities. What we do changes frequently, and typically bears little resemblance to formal job descriptions.

Isn't it time for a new approach to defining work? One that's more in tune with the times and focused on effectiveness rather than efficiency? One that actually provides real guidance and enables "right person right job." Isn't it time we put job descriptions to work?

We should start this process by revisiting what we want job descriptions to do. For example, job descriptions should:

- Provide guidance to people as to what to do and how to do it.
- Provide information that could be used in staffing the job -- not only technical skill requirements, but also information about the "nature" of the person best suited for the work.
- Provide a basis for "Who's Who" and Expertise directories that enable people in the organization to know who does what and who knows what.

What do we need to change in order to accomplish these objectives?

I suggest three things:

1. Expand job descriptions

First, expand job descriptions to include multiple roles and areas of expertise.

Traditional job descriptions no longer work because they're based on the concept of a single job. But few of us have "a" job or static area of responsibility. We're involved in different projects and work with different teams.

What we do and how we do it changes monthly, weekly, sometimes even daily.

Multiple roles and responsibilities are now the norm rather than the exception.

Several years ago, my job title at Mobil was Global HR Process Consultant (which always made for interesting conversation at cocktail parties). During the course of one year, I developed global data standards, negotiated outsourcing contracts, developed web sites, and managed the training function. How would you like to write that job description?

Multiple roles and responsibilities are now the norm rather than the exception. Our job description "language" should accommodate this diversity. In the Mobil example, we might note the types of work processes, such as Strategic Planning, Developing Standards, and Negotiating Contracts and then the contexts within which those activities were performed.

Context elements might be things like the function: HR or IT, Global versus US, the timing, and the depth and breadth of involvement. My job or work profile would include not only those processes and contexts from that one year, but from other years and jobs as well.

2. It's about work and people

Second: "nature of work" characteristics should be added to job descriptions. These are additional attributes of the work that can be used to better match people to activities.

For example, is most of the work hands-on, "in the trenches" or is it more conceptual, planning, and analyzing? Does the work deal mostly with people, data, or things? What's the level of responsibility, in other words, what are the repercussions of mistake making?

Of all the ways better job descriptions can benefit an organization, perhaps the most important one is their ability to enable right person right job or job fit. Given current turnover rates and the escalating war for talent, we absolutely must do a better job at matching people to work. Job fit is now job one!

In order to accomplish this, we must stop looking at jobs and people as two separate entities and focus instead on the relationship between the two.

We also need to develop a common language for describing work and people, a language that goes beyond technical skills, degrees, and years of experience, and begins to get to the heart of what work is really all about -- the behaviors, cognitive skills used and the social context in which it operates.

3. Employee can help

Finally, job descriptions should be written by or with the person in the job.

I mean, if you look at the benefits of good job descriptions, a common theme emerges. Who is in the best position to supply job information? Who knows better what the job is actually all about and what kinds of skills and competencies are most important? The incumbent!

I'm an advocate for enabling employees to complete their own work profiles and job descriptions. Some people may need help articulating details about their job, but that doesn't mean they shouldn't be the primary supplier of information. Consider using an interview process for gathering key information.

I'm also in favor of "self-assigned" job titles. Encourage employees to choose their own job title, one that actually means something to them, one that motivates them and makes them feel good about what they do. Chief Visionary. Client Caregiver, Director of Talent.
Job descriptions and job titles provide identity and purpose. Perhaps by redefining work, we can help make employees feel better about who they are and what they do.

Pam Holloway is a writer and consultant passionately committed to helping organisations make the most of their number one asset -- People!

Six Things CEOs Should Know About Corporate Core Values

Posted by on September 4, 2012



Organizational core values are a primary determinant of culture, employee satisfaction and business performance. This article addresses six core value topics that CEOs and business executives should know about.

The Six Topics

Below is the core value list:

- Core values are the building blocks of organizational culture.
- The process of defining, measuring, and improving core values can be an excellent vehicle for improving organizational culture.
- Core values provide a common language to address unacceptable behaviors in a less threatening way.
- Core values guide decisions and emphasize what is important to the business as the organization continues to change and improve.
- Core values influence business performance.
- If core values have not yet been established, a step-by-step process described in this article can be followed to discover them.

1. Core values are the building blocks of organizational culture

The core values of an organization are the foundation of the corporate culture. Organizational core values do more than just promote ethical business practices. The system of core values that a business owns will shape the culture of the enterprise, the decision-making criteria of your managers and the actions of your employees. The more strongly defined the organization's core values, the more likely that this value system will serve as a code of conduct that promotes and guides strategically-aligned behaviors within managers and employees.

2. The process of defining, measuring, and improving core values can be an excellent vehicle for improving organizational culture

There are many benefits to be realized by utilizing core values to drive cultural change, but perhaps the following are most significant:

- The process defines a shared set of beliefs and commitments to the way the employees of a business want to behave and treat each other
- The process guides decisions and emphasizes what's important to the business as plans are developed to change and improve the organization

- Measuring provides a way to quantify perceptions (ratings), understand context and experiences (comments), and understand which core values appear to most influence overall belief system satisfaction
- The process enables organizations to track progress, both formally and informally

3. Core values provide a common language to address unacceptable behaviors in a less threatening way

Core values help fill in the spaces where HR policies have gaps. The story of an organization with a rumor-spreading employee comes to mind. It is shared here to illustrate the point that core values reinforce desired behaviors and help manage those that fall out of line with expectations.

The Story: *Several instances occurred where an otherwise productive and valued staff member created office turmoil as a result of spreading rumors about other employees. When the employee was tracked down as the source of the rumors, the area manager stepped in to confront the individual and put a stop to it. The employee insisted that the rumors were true and that no company policy had been violated in talking about other employees in this manner. Fortunately, the manager was able to point to the organization's core values as a reason to stop the negative behavior. The employee was reminded of two core values being violated (paraphrased here):*

- *Employees will be open, honest and respectful in both internal and external communications*
- *Employees' actions will contribute to creating a positive work environment*

The employee agreed with the manager and stopped the negative behavior.

This story demonstrates an example where core values helped a manager address a pattern of unacceptable employee behavior in a non-threatening way that defused and rectified a bad situation.

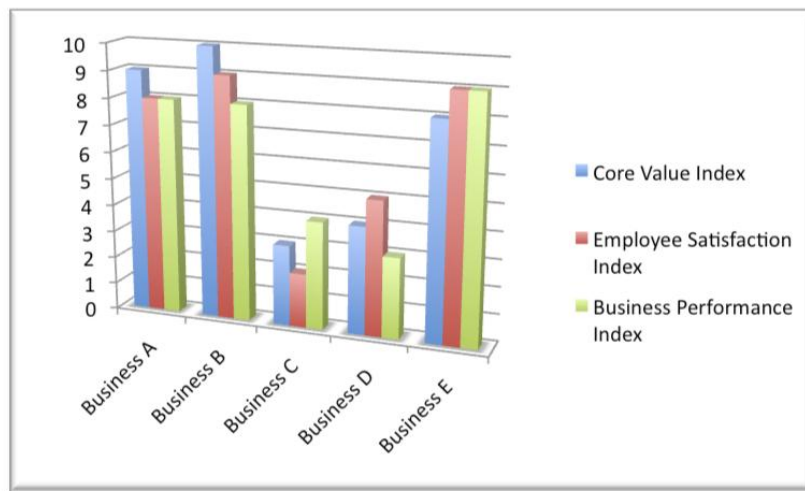
4. Core values guide decisions and emphasize what is important to the business as the organization continues to change and improve

- Organizational leaders need their employees to act as their proxy, serving as delegates of the business that promote a shared set of common objectives and possess the same organizational DNA as top-level managers. Management must be able to know that decisions made and actions taken by employees will protect the organization and portray it well.
- "Values-aligned" managers and employees benefit the entire organization by demonstrating predictable and favorable decision-making capabilities and behaviors that are reflective of the executive management mindset. When management provides the core values "compass" to help influence and guide behavior, those closest to the action in the organization can respond with appropriate decisions and actions.

5. Core values influence business performance

Organizations with strong cultures rooted in shared core values tend to have much happier employees. Happier employees help businesses be more productive. In fact, there is empirical evidence from the [Strategy Institute For Thought Leadership](#) that suggests core values directly correlate with business performance. Indexed survey data related to core value perceptions and employee satisfaction can be viewed relative to business financial performance - all indexed in relative terms on a scale of one to ten for five different companies.

Relating Core Values To Business Performance



© Method Frameworks, 2012

As the graph indicates, businesses with higher core value index scores outperformed those with lower core value index scores. Likewise, employee satisfaction was noticeably higher in those same organizations.

6. If core values have not yet been established, they can be discovered by following this process

1. Develop lists of values:

- **Personal:** Each member of the leadership team should develop his or her own internal (personal) values list.
- **Corporate:** Each member of the leadership team should develop his or her own corporate values list.

2. Reconcile / Vote / Rank:

- Each individual should reconcile the differences between the personal and corporate values.
- Ask, "Do the differences make sense and are they justified?"
- Refine the individual lists if needed, then as a group - consolidate the corporate values into one list.
- As a group, vote on the corporate values to determine the finalists.
- There may be disconnects and disagreements, so the leadership team may not need 100% agreement on the organizational core values. Rather the vast majority of the leadership team (80-90%) should agree that the values are not desires / aspirations but authentic core values of the business.

3. Test values against various tough business scenarios to make sure they hold up:

- It is VERY easy to confuse an organizations aspirations for core value versus the real authentic core values. Make certain they are authentic by testing the following:
 - Have any of the values been violated by one of the current executive management team? If so, it cannot be a core value. The reality is that it is not enough just to confirm that the organizational core values have not been violated by the exec team. The group should also be certain that the

organization or leadership team has not allowed for or ignored the existence of the violation within in an employee or set of employees.

- Additionally, the leadership team should look back as far as the employee set that will receive the core values can remember and look for incidents in which those employees may see disconnects between the core values established and "real life" behaviors.
- Given extreme business scenarios, will the organization be able to adhere to the values? If any might be compromised, they should not be core values.
- Refine the list as needed.

4. Define behaviors that exemplify the final core values.

- Compile a list of expected behaviors for each core value
- Consider different roles within the organization and what behaviors might look like within those contextual settings

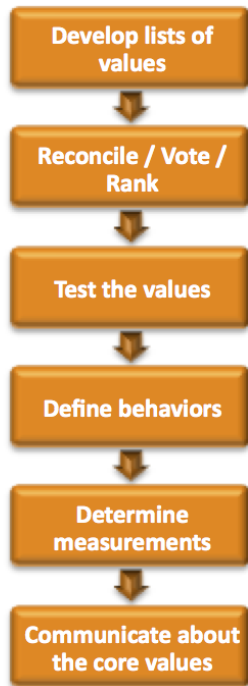
5. Determine measurements for the core value behaviors.

- Examine methods that can be used to measure the behaviors.
- Consider indexes for employee satisfaction, productivity and performance and other metrics that can be captured through normal processes or newly developed surveys.

6. Communicate about the core values.

- As a group, discuss what stories can be shared that exemplify the core values and associated behaviors.
- Identify stories for each of the core values.
- Communicate the values and stories with employees to inform and educate:
 - Identify and establish a core group of trusted employees that exemplify those newly established core values. Define the communications strategy and plan to begin rolling those values out to the organization.
 - Determine what needs to be done, by whom and when.
 - Identify the leadership team member accountable for making sure that the core values are rolled out to the organization as well as what responsibilities the other leadership take to ensuring the success.
 - Decide how the newly established team will begin working and interacting with the employees to reinforce the core values for all.

Discovering Core Values



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Summary

Unbeknownst to many business leaders, organizational core values are actually a primary determinant of culture, employee satisfaction and business performance. This article explored six core value topics that business executives should and care about in order to build stronger cultures and employee engagement in the organization.

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Performance Management: Are We Failing the People Who Matter Most?

Adrian Savage

Although performance management systems have become a best practice, I note a great deal of dissatisfaction with what they are actually producing. These systems are failing exactly the people who matter most to companies: the A and B performers, and especially the A and A+ pool of top talent. It's easy to dismiss this as evidence of poor design or im-perfect implementation. But while it's very hard to fault the intention behind performance management – to set clear performance standards and find ways of bringing everyone up to those standards as a minimum – the devil lies in the details. If performance management systems are reducing levels of unsatisfactory performance, they are also reducing levels of outstanding performance – often at a faster rate.

Serving Three Masters

Performance management systems tend to have three main objectives:

1. To focus on poor performance and raise it to the accepted norm;
2. To act as the sifting process for promotions and top talent programs; and,
3. To provide data for remuneration.

Here's the first problem: It's very tough to design a procedure to do such different jobs equally well. When you observe any specific system, it's usually fairly easy to pick out which of these three objectives was the primary reason behind it. It'll probably do a good job against one objective but produce much less satisfactory results against the other two. Systems that focus primarily on improving poor performance need to motivate and de-velop – something that is not easily compatible with decisions on who gets a pay rise. Those that focus on fair remuneration raise all kinds of emotions and concerns in the “us-ers” – the employees whose performance is being managed – that are not compatible with gaining objective data for development or coaching. Keeping decisions on pay separate from information on training and development requirements takes some pretty fancy foot-work. Individuals find it hard to believe that being asked to take on programs to improve their performance won't automatically link to their next salary review.

Problems or Opportunities?

Problems tend to claim our attention immediately. It's human nature to worry first about the people who are seen to be holding everyone else back. However even-handed the rhetoric of a performance management system between raising poor performance and encouraging outstanding people, in practice it's the problems that get the closest attention. For success in business, what you pay people and how many of them you employ are both much less important than the productivity you get. The amount that your best people earn for you is by far the most crucial element.

Trying to help lesser contributors raise their performance is a laudable activity. There's no reason at all why managers shouldn't strive to increase the results from poor performers and many reasons why they should. But if you ran a racing stable, where would you look to achieve success? Would you concentrate on your winners or spend time and energy trying to get the horses that always came in last to improve a little? Small improvements by poor performers, however satisfying for them and those who are helping them, will never deliver the same returns as small improvements by outstanding performers. If I'm performing at only 80 percent of the required level, a 10 percent performance boost still leaves me at 90 percent – 10 percent below what's needed. If I'm already at 100 percent the same relative increase takes me to 110 percent.

The only way you'll make more from increasing the performance of those at the bottom of the range, rather than helping outstanding people do even better, is if most of your people are poor performers. It's a simple matter of arithmetic. To gain a specific total, you can either add lots of small numbers or a few bigger ones.

Suppose that you have 100 people who generate combined revenues of \$20 million: an average of \$200,000 per person. Assume that the lowest performing group (the bottom 20 percent) produce an average revenue of only \$100,000 each or \$2 million. The top 20 percent produce \$300,000 each in revenue, or \$6 million. The remaining 60 people produce the same average as the whole group: \$200,000 in revenues each, making up the last \$12 million of total revenues.

Traditional performance management approaches would start by doing something about the poor performance of the lowest 20 people. Let's suppose you do that and that you're wildly successful. You manage to bring their revenue generating capability up to the previous average. That bottom group shows a 100 percent increase in performance and now produces \$4 million. You've increased revenues by \$2 million (10 percent) and have every right to feel very pleased with yourself.

But suppose you took the opposite tack and decided to work on improving the performance of those already giving an above average return. I'm going to weight the odds against you and assume that you can only increase their performance by 50 percent, not the 100 percent increase in the previous example. So the top group of 20 people now produce revenues on average of \$450,000 – a 50 percent increase. That means this high performing group now has total revenues of 20 times \$450,000, or \$9 million. Your efforts have increased overall revenues by \$3 million – 15 percent, not 10 percent.

How much more likely do you think it is that you could get the top performers to increase their productivity by 50 percent, compared with getting the worst performers to increase theirs by 100 percent? Twice as likely? Three times? I'd say more like ten times or even more. There are no prizes for guessing where the smart money is going.

Cui Bono?

The legal term for “who benefits?” is very apt in this context. The exact management tools that serve well in trying to improve poor performance are a handicap in motivating and helping good or outstanding performers. What you need to convert a C performer into a B will probably convert a B into a C, and drive an A performer to leave.

We all know the techniques: setting tight standards and monitoring them closely; providing peer feedback and stimulating internal competition; providing a pool of cash for pay increases and applying it through an agreed distribution according to results or improvement. They all work against you with high performers. These people typically hate being closely supervised or given fixed targets. They find feedback from lesser performers useless and often tinged with envy. They don't need artificial stimuli like awards or competition to drive them forward. They drive themselves harder than anyone else can. And agreed distributions for salary increases often work to limit the topside to make sure that medium and even poor performers walk away with something.

Who Sets the Standards?

Who decides what it will take to reach the acceptable norm for performance? Many companies have elaborate lists of key competencies, often produced by lengthy processes of consultation. How up to date are they? How easy is it to change them when markets change or businesses encounter a different climate? In my experience, the longer it has taken to achieve the original list (and the tougher the political battles involved) the less ready anyone is to open up the whole can of worms a second time. That leaves companies with standards that are outdated and which gradually fall into disrepute.

I once knew a CEO who got angry with his employees because, try as he might, 50 percent of them were always below average. That's the problem with distributions as a mean of giving people feedback. For you to be above average, I have to be below. And what's the average anyway? Standards are often based more on hopes and wishful thinking than reality. They also quickly become outdated. Besides, the long history of problems with appraisals should have taught us that managers don't like to be the bearers of bad news, so in many organizations **everyone** is average or slightly above in terms of performance standards – a total mathematical nonsense.

Rate Busters

Managing something typically implies controlling it; keeping it within agreed boundaries and making it predictable. Performance management processes assess people against assumed boundaries of normality. As we've shown, most are likely to focus on improving poor performance instead of developing ways to produce more high performance. Few decisions are simpler than deciding something has to be done about performance that falls below the level of acceptability, but what about performance that rises **above** the upper limit of the predictable?

Outstanding performance is often threatening to establish norms. It tends to be unpredictable, radical and risky. It suggests that the norm might be lower than it needs to be. If that is so, everyone else needs to shape up. Who's going to judge whether this is truly outstanding performance or the aberrations of someone with impractical ideas? Performance management systems rely on boss or peer measures, but neither group may even understand what the truly outstanding person has in mind.

Faced with a threat to what has seemed predictable, creative leaders and others seeing the need for change face more critics than supporters. Unless they can show hard evidence of results quickly, it's easy to set their ideas aside as impossible or impractical. Have you ever noticed just how many famous people who have created new industries, or new technologies, or new markets, have done so either by founding their own business or inheriting the top job from a relative? America has many world-class companies filled with talented people. Shouldn't it be the case that the supply of headline-grabbing entrepreneurs from these businesses ought to overwhelm the few that manage to start their own business or inherit one from Daddy? In fact, the opposite is true.

It's easy to see why. Would you like to have been the supervisor of the young Bill Gates? How would you have assessed his performance based on established best practices in performance management 20 years ago? What about Richard Branson of Virgin? Would he have been rated an A employee by a General Motors performance management system? Big companies with many systems and rules are notoriously poor supporters and developers of talented individuals. Because they tend to focus on dealing with negatives and setting rigid standards, traditional performance management techniques block fresh ideas and new ways of assessing current and future potential for growth. Mostly their effect is to stifle top talent or persuade it to seek its fortunes elsewhere.

The Need for Potential Management

Dealing with people whose current performance is below the acceptable level may be common sense, but the most important question is why they are doing so poorly. What will the benefit be and will it repay the effort of correction? They may not understand what's needed, or may be de-motivated by some internal system, or find themselves working for the wrong person. They may lack some specific skill or experience. All these issues are easily rectified. Correction should produce swift improvement. But these are better described as performance blockages, not performance limitations. Take

away the blockage and performance should increase at once. Performance limitations go far deeper.

What about the person whose values and habits of thinking and action are so poorly suited to the organisation or the role that only a major change over a long period will make a difference? What about the person who's in the wrong job or the wrong profession? What about the person who's developed habits of behaviour that frustrate those around them and wreck their effectiveness? It may take months or years to rectify such problems. The cost for all parties can turn out to be far more than the result may seem to justify. Besides, human beings have free will to co-operate with change or fight it. If people think there might not be enough of a return to justify such a major effort, they quickly learn what's needed to reach a minimum acceptable level of performance and stay there, re-serving their real interest for some other aspect of their lives.

The answer to all these problems is to look at potential at the individual, team and organisational level. Potential is future-based. It's made of possibilities and options. A large part of it is the readiness the person has to make changes in his or her habits of working that will deliver consistently high performance.

Potential is often highest in the strongest performers. Like the kids at the top of the class, they're really panting to be moved into the next grade well before the others. Another group with strong potential are those who don't fit the norms. They can be awkward and difficult. But this is usually learned, defensive behaviour caused by being knocked around so much by bosses who don't understand or appreciate their innovative ideas. In fact, everyone has some kind of potential. No one need be left out. The questions are: "Potential for what?" and "When will it be ready to be exploited?" Even the lazy and complacent have potential. They're just a long way from being ready to access it.

When corporations rethink performance management from this viewpoint, they can move beyond traditional boundaries and create an organisation of strong and creative contributors. Everyone is encouraged to contribute whatever he or she can, and develop as far as they are willing. There are no norms, no averages, and no artificial standards to become outdated and derided. People who are ready **now** to express more of their potential are encouraged to suggest ways of doing it. Those who need more time, take more time. Those who discover they're in the wrong job are helped to move on. Everyone's eyes are on the road ahead, constantly alert to adjust to whatever bumps and potholes may be encountered.

In place of the depressing emphasis on what's not working and who's going to be criticised, it's time to turn our attention to finding and building on people's strengths. The overwhelming majority of employees want to make a difference and see their contributions valued and recognised. If they've become wary and cynical of the processes organisations use to "help" them, it's mostly the fault of those very processes. Performance management too often feels like going to the school principal's office to listen to a lecture and pick up the kind of end of term report you really don't want your parents to read. It ought to feel like a motivational talk with the team coach. It should be about what you **can** do – and do still better – not just about the inevitable mistakes everyone makes. You should come out feeling empowered, validated and supported. Forget the weaknesses. We all have them and no one ever used their weaknesses to produce an outstanding result. Look at the strengths instead and praise what deserves praise. Build on what already works. Help people stretch towards their personal goals and do what they most enjoy doing. When this happens, typically the first thing to be unleashed is a torrent of suppressed creativity and initiative.

Human Resource departments have sometimes been tempted to act like police; enforcing the corporate laws and setting standards of behaviour that are supported by sanctions. People don't usually enjoy dealing with the police and many managers don't enjoy dealing with HR for the same reason. It doesn't have to be that way. This isn't their role. HR is there to help top management deploy employee skills, talent and potential more effectively, and get the very best contribution from everyone in the organisation. Line managers, like everyone else who goes to work, want to make a difference; they want to make a contribution that's valued and rewarded. When HR departments help them do this, the former "enemy" rapidly becomes an invaluable friend and helper. All it takes is to shift perspective from looking for what's wrong to looking for what's right and how to provide more of it.

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Seven Stupid Things EMPLOYEES Do To Screw Up Performance Appraisal

Robert Bacal is a noted author, keynote speaker, and management consultant. His most recent books include [Performance Management - A Briefcase Book](#), and [The Complete Idiot's Guide To Dealing With Difficult Employees](#). The Work911 Supersite contains many more free articles and tips on a number of workplace topics. Access it at www.work911.com. Robert can be contacted via e-mail at rbacal@escape.ca or by phone at (204) 888-9290.

In previous articles on the topic of performance management and appraisal, we covered the ten stupid things managers do to screw up performance appraisal, and a similar article on ways human resource departments screw up the process. Now it's time to turn our attention to employees!

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Generally, when performance appraisal goes awry, the primary cause has little to do with employees. For the most part, employees take their cues from management and human resources. However, when individual employees perceive the process in negative ways, they can create or damage even the best of appraisal processes.

Stupid Thing #1: Focusing On The Appraisal Forms

Performance appraisal isn't about the forms (although, often managers and HR treat it as such). The ultimate purpose of performance appraisal is to allow employees and managers to improve continuously and to remove barriers to job success. In other words, to make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting.

Stupid Thing #2: Not Preparing Beforehand

Preparing for performance appraisal helps the employee focus on the key issue - performance improvement, and to examine his or her performance in a more objective way (see defensiveness below). Unfortunately, many employees walk into the appraisal meeting not having thought about the review period, and so are unprepared to present their points of view. Being unprepared means being a reactive participant, or being a passive participant. Neither are going to help manager or employee. Employees can prepare by reviewing their work beforehand, identifying any barriers they faced in doing their jobs, and refamiliarizing themselves with their job descriptions, job responsibilities, and any job performance expectations set with the manager.

Stupid Thing #3: Defensiveness

We tend to take our jobs seriously and personally, making it more difficult to hear others' comments about our work, particularly when they are critical. Even constructive criticism is often hard to hear. If employees enter into the discussion with an attitude of "defending", then it's almost impossible to create the dialogue necessary for performance improvement. That doesn't mean employees can't present their own opinions and perceptions, but it does mean that they should be presented in a calm, factual manner, rather than a defensive, emotional way. Of course, if managers are inept in the appraisal process, it makes it very difficult to avoid this defensiveness.

Stupid Thing #4: Not Communicating During The Year

Employees need to know how they are doing all year round, not just at appraisal time. Generally it is primarily management's responsibility to ensure that there are no surprises at appraisal time. Often managers discuss both positives and negatives of employee performance throughout the year, but this is unfortunately, not a universal practice. It's in the employees interests to open up discussion about performance during the year, even if the manager does not initiate it. The sooner employees know where they are at, and what they need to change (or keep doing), the sooner problems can be fixed. In fact many problems can be prevented if they are caught early enough. Even if managers aren't creating that communication, employees can and should. It's a shared responsibility.

Stupid Thing #5: Not Clarifying Enough

Life would be much easier if managers were perfect, but they aren't. Some communicate and explain well. Some don't. Some are aggravating and some not. At times employees won't be clear about their managers' reasoning or comments, or what a manager is suggesting. That could be because the manager isn't clear him/herself, or simply isn't good at explaining. However, unless employees clarify when they aren't sure about the reasoning or explanations, they won't know what they need to do to improve their future job performance. It's important to leave the appraisal meeting having a good understanding of what's been said. If that's not possible clarification can occur after the meeting, or down the road, if that's more appropriate.

Stupid Thing #6: Allowing One-Sidedness

Performance appraisals work best when both participants are active, and expressing their positions and ideas. Some employees are uncomfortable doing that, and while managers should be creating a climate where employees are comfortable, some managers aren't good at it. Performance appraisal time is an excellent time for employees to make suggestions about things that could be changed to improve performance, about how to remove barriers to job success, and ways to increase productivity. Remember also that managers can't read minds. The better managers will work with employees to help them do their jobs more effectively, but they can't know how they can help unless employees provide them with good, factual information, or, even better, concrete ideas.

Stupid Thing #7: Focusing On Appraisal As A Way Of Getting More Money

Unfortunately, many organizations tie employee pay to appraisal results, which puts employee and manager on opposite sides. Employees in such systems tend to focus too much on the money component, although that focus is certainly understandable. It's also understandable when employees in such systems become hesitant to reveal shortcomings or mistakes. But it's still dumb. If employees main purpose is to squeeze as much of an increase out of the company, and the managers try to keep increases as small as possible, it becomes totally impossible to focus on what ultimately matters over the long term, which is continuous performance improvement and success for everyone. Pay IS important, but it is not the only issue related to the appraisal focus. If employees enter into the process willing to defend their own positions in factual and fair ways, and to work with managers, the process can become much more pleasant. If not, it can become a war.

Conclusion:

The major responsibilities for setting performance appraisal tone and climate rest with managers and the human resources department. However, even when managers and human resources do their jobs well, employees who come at the process with a negative or defensive approach are not likely to gain from the process or to prosper over the long term. The constant key is for employees to participate actively and assertively, but to keep a problem-solving mindset, and keep focused on how things can be improved in the future. No matter who initiates it, performance appraisal is about positive open communication between employee and manager.

Ten Stupid Things Managers Do To Screw Up Performance Appraisal

This article is based on the book: Performance Management - Why Doesn't It Work, and the McGraw-Hill book entitled Performance Management released in October, 1998. Performance appraisals aren't fun. But a lot of the time they are agonizing because managers do really dumb things, ending up destroying a process that is important to everyone (or should be).

Stupid Thing #1: Spending more time on performance appraisal than performance PLANNING, or ongoing performance communication.

Performance appraisal is the end of a process that goes on all the time - a process that is based on good communication between manager and employee. So, more time should be spent preventing performance problems than evaluating at the end of the year. When managers do good things during the year, the appraisal is easy to do and comfortable, because there won't be any surprises.

Stupid Thing #2: Comparing employees with each other.

Want to create bad feelings, damage morale, get staff to compete so badly they will not work as a team? Then rank staff or compare staff. A guaranteed technique. And heck, not only can a manager create friction among staff, but the manager can become a great target for that hostility too. A bonus!

Stupid Thing #3: Forgetting appraisal is about improvement, not blame.

We do appraisal to improve performance, not find a donkey to pin a tail on or blame. Managers who forget this end up developing staff who don't trust them, or even can't stand them. That's because the blaming process is pointless, and doesn't help anyone. If there is to be a point to performance appraisal it should be getting manager and employee working together to have everyone get better.

Stupid Thing #4: Thinking a rating form is an objective, impartial tool.

Many companies use rating forms to evaluate employees (you know, the 1-5 ratings?). They do that because it's faster than doing it right. The problem comes when managers believe that those ratings are in some way "real", or anything but subjective, often vague judgements that are bound to be subjective and inaccurate. By the way, if you have two people rate the same employee, the chances of them agreeing are very small. THAT'S subjective. Say it to yourself over and over. Ratings are subjective. Rating forms are subjective. Rating forms are not behavioral.

Stupid Thing #5: Stopping performance appraisal when a person's salary is no longer tied to the appraisals.

Lots of managers do this. They conduct appraisals so long as they have to do so to justify or withhold a pay increase. When staff hit their salary ceiling, or pay is not connected to appraisal and performance, managers don't bother. Dumb. Performance appraisal is FOR improving performance. It isn't just about pay (although some think it is ONLY about pay). If nothing else, everyone needs feedback on their jobs, whether there is money involved or not.

Stupid Thing #6: Believing they are in position to accurately assess staff.

Managers delude themselves into believing they can assess staff performance, even if they hardly ever see their staff actually doing their jobs, or the results of their jobs). Not possible. Most managers aren't in a position to monitor staff consistently enough to be able to assess

well. And, besides what manager wants to do that or has the time. And, what employee wants their manager perched, watching their every mood. That's why appraisal is a partnership between employee and manager.

Stupid Thing #7: Cancelling or postponing appraisal meetings.

Happens a whole lot. I guess because nobody likes to do them, so managers will postpone them at the drop of a hat. Why is this bad? It says to employees that the process is unimportant or phony. If managers aren't willing to commit to the process, then they shouldn't do it at all. Employees are too smart not to notice the low priority placed on appraisals.

Stupid Thing #8: Measuring or appraising the trivial.

Fact of life: The easiest things to measure or evaluate are the least important things with respect to doing a job. Managers are quick to define customer service as "answering the phone within three rings", or some such thing. That's easy to measure if you want to. What's NOT easy to measure is the overall quality of service that will get and keep customers. Measuring overall customer service is hard, so many managers don't do it. But they will measure the trivial.

Stupid Thing #9: Surprising employees during appraisal.

Want to really waste your time and create bad performance? This is a guaranteed technique. Don't talk to staff during the year. When they mess up, don't deal with it at the time but SAVE it up. Then, at the appraisal meeting, truck out everything saved up in the bank and dump it in the employee's lap. That'll show 'em who is boss!

Stupid Thing #10: Thinking all employees and all jobs should be assessed in exactly the same way using the same procedures.

Do all employees need the same things to improve their performance? Of course not. Some need specific feedback. Some don't. Some need more communication than others. And of course jobs are all different Do you think we can evaluate the CEO of Ford using the same approach as we use for the person who cleans the factory floor? Of course not. So, why do managers insist on evaluating the receptionist using the same tools and criteria as the civil engineers in the office?

It's dumb. One size does not fit all. Actually why do managers do this? Mostly because the personnel or human resource office leans on them to do so. It's almost understandable, but that doesn't make it any less dumb.

Performance Appraisal

Why Employee Ranking Systems Lead To Disaster

In our white paper entitled "Performance Management -- Why Doesn't It Work" we discuss some reasons why most performance appraisal systems fail to add value to organisations. Despite our work, and the work of more illustrious experts such as Deming & Scholtes, most people believe in the usefulness of performance management. In a way that's understandable, since it CAN succeed in the hands of an excellent manager, and the importance of performance management has been stressed for decades in much of the management literature.

What is more perplexing is the continued use of ranking methods to evaluate employees. Ranking employees, particularly for determining promotion, and pay, or even for providing developmental feedback simply makes no sense. It is not a neutral process, or just a costly process--it is a recipe for disaster. This month we look at why this is so. (Next month we will take on the use of rating systems).

Rankings In Appraisal

The core element of the use of rankings is that employees are compared to each other, and given some number that supposedly indicates whether they are better than, about the same, or less effective than their colleagues. That ranking is often used to determine who will receive pay raises from a limited pool of money, or for other decision-making processes.

The criteria for ranking can range from specific and objective to totally fuzzy and subjective. For example, it is possible to rank sales staff objectively, in terms of the sales generated in a year, and identify the top salesperson, the next best, down to the bottom based on some reasonably meaningful numbers. Or, one can rank people on a set of fuzzy criteria such as "gets along well with team members".

The Arguments In Favour

There are only a few arguments to support the use of rankings in any plausible way. The major argument appears to be that ranking employees versus each other creates a situation where competition can be encouraged--the assumption being that if staff compete with each other they will push each other to greater productivity.

The second argument is more administrative. Organisations that rely on merit assessments for decision-making on pay levels and promotions need to decide who will get what. Proponents of ranking systems suggest that rewards for productivity should go to the top performers as defined by comparison with their peers. So a ranking system allows organisations to decide to reward the "top 25%" or the "top 10%". On the surface this makes some sense. Given a limited pool of rewards, shouldn't the rewards go to the top performers in the organisation? We'll see.

The Arguments Against

Let's counter the administrative argument first. We want to reward people for the value they contribute to the organisation (however that might be defined). The catch is that a ranking system doesn't do that. It rewards for being better than one's peers, and that's a very different thing. The easiest way to show this is to look at an example. We are going to use a sales example with rankings by total yearly sales, because that's a best case scenario, since we can measure sales objectively. If ranking systems don't make sense there when we have good data to guide the rankings, they aren't going to work with more fuzzy ranking criteria.

Let's take a small group of five people with sales figures as follows:

Bob \$25,001
Ken \$25,000
Mary \$24,000
Barb \$23,000
Fred \$20,000

Our system calls for rewarding the top 20% (one of the staff) with a significant pay raise, while giving a small "average" reward to the middle 60%, and giving no reward at all for the person at the bottom.

Bob gets a big raise while Ken, Mary and Barb get a little, and Fred receives nothing.

Does this make sense? No.

If we look at the figures, we see that we are rewarding Bob for his ability to be one dollar better than Ken. In fact the difference among all of the salespeople is small...and this isn't surprising since we assume a reasonable job selection process where only the best are hired and retained. So what we are doing here is making important decisions based on almost no differences in production because our "system" specifies that we must reward the top 20% with no room to evaluate the absolute contributions.

Apart from the fairness of this, what effect might it have on the performance of Ken and the others?

But here's the real kicker. Let's look at the value that each of these people contribute to the organisation. Let's assume that each of the sales staff draws a base salary of \$30,000 a year. When we look at the absolute value of each staff member, we see that NONE of them are adding value. They are costing the company more than they are earning. Under a strict ranking system we would still be obligated to pay that top performer his raise, even though Ken is simply the best of the really lousy!

Ranking systems don't assess value and contribution, even in a best case scenario.

The other argument put forth is that ranking systems encourage competition, and that is probably true. The error with this argument is that it assumes that competition will lead to increased productivity, and increased success for the larger organisation. This is rarely the case. Why?

Quite simply, we tend to get the kinds of behaviour we reward. We can set up a system with good intentions, but unintentionally encourage behaviour and actions we don't want.

Ranking systems (and related reward systems) allow for two ways to "win" extra rewards. The first, and the one we would like to see most is for people to work harder, better and smarter and become more productive. By being more productive they can vault over their lesser performing colleagues to receive additional rewards. The second possibility is to contribute to degrading the performance of those competing for the same reward. An employee can vault into the upper echelons of ranked performance by helping others do worse.

This is certainly NOT what we want.

While it is only the most cut-throat employees who will deliberately attempt to reduce the effectiveness of colleagues, the use of ranking and related rewards does push even "nice" people into doing things damaging to the organisation. If you reward based on relative ranks, you encourage:

hoarding of resources so they are "there when needed"

with-holding of information

reduction of team-work and helping others

and generally self-centred and self-serving actions.

Other Considerations

1) While ranking may seem to provide an objective means of evaluating (since it can be used to assign numbers to people), the rankings themselves are only as good as the criteria used for ranking. They can be extremely deceptive, making it appear that there is an objective valid evaluation process going on when, in fact, there isn't.

2) The value of an employee RELATIVE TO PEERS, is irrelevant to the success of any organisation. It matters not a bit whether a person is the best or the worst. What does matter is their absolute contribution to the goals of the organisation. Ranking doesn't improve organisations. It only classifies people and does not reflect the actual value of employees.

3) As a form of feedback ranking is virtually useless. If our goal is to develop people, we need to provide specific concrete feedback. Informing someone that they ranked in the top (or bottom) twenty-five percent on something may send some sort of message, but

tells the recipient virtually nothing about how to improve.

4) Ranking can be devastating to the morale and trust of an organisation. Because it is difficult to rank objectively, employees will almost always disagree with a ranking that places them anywhere but in the top percent in the organisation. Employees often perceive the process as unfair and arbitrary. Research has shown that the large majority of people believe they are above average in job performance. Ranking guarantees disagreement.

5) Finally there is the issue of comparisons. In today's work world, even people with the same job titles in the same "shop" may be doing very different jobs and contributing in very different ways. How is it possible to compare someone who functions as an informal workplace leader to someone who is technically talented but interpersonally unskilled? Both contribute in their own way. It really is like comparing apples and oranges.

The Disaster Part

If some lunatic was to ask you to create an organisation full of dissent, back-biting, resource hoarding, secretiveness, lack of trust, etc., you probably would choose to use a ranking format for performance management. You would also have an organisation that wouldn't know who was contributing to the company in any absolute terms and an organisation that would have considerable difficulty providing developmental feedback to staff for the purposes of improving performance.

As a final note, somewhere on this planet there are people who use rankings and swear by them. It may be they aren't looking in the right place to evaluate the overall effects of such a strategy. In rare cases, it may be that they are in fact building positive outcomes. As with many performance management techniques, however, where you find a manager succeeding with a ranking system, we guarantee you will find a manager who would succeed with scribbling performance appraisals on toilet paper. In other words, in spite of the system!

Reality Doesn't Have a Job Description

Allan Halcrow writes *Putting It Together*.

By Allan Halcrow

The judge explained that we were potential jurors in a wrongful termination case. Because of that, the attorneys on both sides would be asking a lot of questions about our jobs, work histories, attitudes toward our employers, and so on. I suspected my chances of being chosen for the jury were somewhere between slim and nil, but I assumed the questioning would be interesting. What do employees think about work?

I didn't expect it would get interesting so quickly. The lawyers began with what I thought were the easy questions: "What's your job?" and "What's the nature of your work?" I was surprised when most of the panel found the questions tough to answer.

One woman explained she had been hired as a secretary for one executive, who subsequently left the organisation. While they were looking for his replacement, she was asked to help another department. Eventually, the first executive's replacement was hired and she was asked to be his secretary, too, but retained the other duties she had taken on during the hiring process. Then another secretary went on maternity leave, and the woman assumed her work as well. That situation, too, proved to be permanent. The woman concluded, "My job description really bears no resemblance to what I actually do."

Think how much better off organisations would be if they really knew what skills the workforce had and where in the organization those skills were. Ultimately, it would make for smarter management of the workforce.

When asked about her job, another woman answered by saying, "Do you mean what they think I do, or what I really do?" One man said his organization had changed hands four times in the preceding 18 months and that he no longer even knew who he reported to. And so it went. Only a handful of the prospective jurors could easily define their jobs.

We all know how it happens. A problem presents itself and we solve it. Then another problem surfaces and we solve that. Over time, the cumulative effect of the decisions has taken us somewhere entirely different from where we intended to go. Employees seem to understand how it happens, too. There was very little anger or confusion about the mercurial nature of work; it just was. In fact, some seemed grateful to have the opportunities to do new things and acquire additional skills.

If there was any frustration, it was about the fact that so many of the changes in work tasks and responsibilities happen below the radar screen of The Powers That Be. The potential jurors felt the changes would play no part in future job assignments, salary increases and so on. In other words, while they understood the semi-random nature of workplace change, they felt the future would be *entirely* random.

I can't help but feel there's some truth in that assumption, and I think it is a lost opportunity. Think how much better off organizations would be if they knew—really knew—what skills the workforce had and where in the organisation those skills were. That knowledge would make it easier to deploy talent when needed. It would be easier to address pay inequities, establish succession plans and even reduce turnover. Ultimately, it would make for smarter management of the workforce.

Gathering that data won't be easy, I know. Maintaining it will be tougher still. But HR stands to gain a lot by initiating an effort, particularly if supervisors and even employees themselves have responsibility for managing such knowledge.

Employees understand the reality of business today. The question is, can we use that reality to our advantage?
