

**Management 621. MANAGEMENT OF PEOPLE AT WORK****Professors Peter Cappelli, Katherine Klein,  
John Paul MacDuffie, and Michael Useem****PURPOSE OF THE COURSE**

The purpose of this course is to provide a framework for analyzing the issues associated with managing people in the workplace. Management 621 will introduce you to topics such as motivating employees, managing performance, understanding careers, and the interface between “managing people” decisions and strategy. The concepts covered in this course will help you better understand how to motivate and lead those you manage as well as better understand your own motivation and performance at work.

Managerial and professional careers involve frequent changes in responsibilities, so the course also provides concepts for analyzing how managerial approaches may vary in different organizational and industry settings. We will discuss, based on these analyses, how to develop and implement organizational designs and systems that achieve competitive advantage through the management of people.

After several years of work in an organization, individuals often have developed a number of insights into how people behave in organizations, and how organizations in turn shape that behavior. We will draw upon your experiences to develop ways of understanding and analyzing the management of people at work.

The “managing people” issues in this course have links to issues developed in Management 654, “Corporate Strategy” (Quarter 2), OPIM 631, “Operations Management: Quality and Productivity” (Quarter 3) and to Management 652, “Foundations of Leadership and Teamwork” (preterm). We will develop linkages with these and other courses as appropriate.

**CLASSROOM PARTICIPATION**

All course sessions involve active classroom discussion based on the readings and cases, with a focus on both theoretical questions and practical implications. You should be prepared both to share your ideas and to listen to and interpret issues presented by others. Effective discussion depends on your willingness to take risks in communicating ideas and to be supportive of and responsive to others.

Regular participation in discussions is expected, and you should carefully prepare the readings and cases for every class session. You can expect some cold-calling, though the frequency will differ by instructor. The quality of your contribution counts for more than the quantity. Comments that

move a discussion forward in a productive direction are particularly welcome; this requires careful listening as well as the ability to make connections to the comments of others.

Please sit in the seats assigned by Wharton Grad for this quarter. With the help of the seating charts, we can track participation much more easily. Name cards must be consistently displayed during class, and it is essential that you attend all course meetings. We will observe the guidelines for classroom conduct established at the start of this semester, e.g. class will start and stop on time; no late entry to class; no departure and return in the middle of class; cell phones, laptops, and other electronic devices must be turned off.

In preparing cases for discussion in class, you should be ready to comment on (1) the case's background and context, (2) the key issues and problems, (3) a framework for analyzing the issues and problems, (4) the implications of the assigned readings for understanding the case, and (5) a course of action for designing and implementing solutions.

### **LEARNING TEAMS AND CASE PRESENTATIONS**

Learning teams are integral to the work of Management 621. Each learning team will be responsible for presenting one of the cases. A central purpose of the presentation is to link course theories/ concepts to the case material. Your instructor will provide additional details about how this team activity will be structured.

### **FEEDBACK TO THE INSTRUCTOR DURING THE COURSE**

Each instructor will choose some mechanism for eliciting feedback from students during the course. The exact form of this feedback will be announced on the first day of class.

### **COURSE READINGS**

All required course readings and cases are contained in the course-pack available from Wharton Reprographics. You will receive various handouts throughout the course, the cost of which will be added to your bursar's bill. We estimate that the handout cost will be under \$10.

### **COURSE PAPER: WRITTEN ANALYSIS OF PREVIOUS EMPLOYMENT**

Your assignment is to examine your last job (or an earlier job) and use theories and concepts from the course to analyze and explain your work experience. Essentially, in this assignment, you will use your job as the case material that allows you to demonstrate your understanding of course theories/concepts. You may use course materials from Sessions 1-8 in which we cover such topics as motivation, job design, reward systems, managing individual and group performance, and group and organizational influences on decision-making. Certain readings focus on specific theories (e.g. expectancy theory; equity theory) that provide a full-fledged framework for explaining and predicting behavior; while other readings include concepts that may not be full theories but can be abstracted and applied to a wide range of situations (e.g. Rewarding A While Hoping for B (Kerr); politics in performance appraisal (Longenecker and Gioia)).

The choice about what issues to cover and what theories/concepts to apply is yours. In evaluating your answer, we will look to see whether the theories/concepts you use are described accurately (i.e.

substantively correct), applied appropriately (i.e. fit the job situation you describe), and most relevant to the situation (i.e. did you pick the theories/concepts that best illuminate your situation).

In analyzing your job, focus on how you were **managed**, not how you behaved in managing others. It does not matter whether you had a good job experience or a bad job experience. You can talk about both the successful and the unsuccessful aspects of the job, and about what was missing for you. The paper presents you with an opportunity to explore in-depth the course readings, master them, and apply them to your experience. *Thus, very good papers do not simply present a lively and detailed description of your past job. Rather, they demonstrate in-depth understanding and application of course concepts and theories.* More specifically, they:

1. Demonstrate in-depth understanding of **a minimum of three theories/concepts** from Sessions 1-8 by making specific links between theories/concepts and key elements of your job experience.
2. Explore (and demonstrate your understanding of) the similarities, complementarities, or inconsistencies among the theories and concepts (i.e., do the theories/concepts fit together and reinforce each other or do they disagree? How do they complement each other? Conversely, how are they inconsistent or conflicting?)
3. Explain why the theories or concepts you've chosen are important and useful for understanding (and perhaps for suggesting changes to) your prior job or organization.

Here are some tips based on our collective experience with this course assignment. Each instructor will offer additional guidance with his/her specific expectations and recommendations.

- Don't forget that this is an exercise that must be graded. It is easy to get carried away with an interesting story and forget that this is also a way to test your knowledge of and ability to apply the course material.
- In a relative comparison (which is how we evaluate these papers), applying more theories is better than applying fewer theories, with two caveats: you need enough rich descriptive material about your job so we can understand it, and you need to cover each theory thoroughly enough that we are sure you know how to apply it. It is definitely possible to include *too many* theories and concepts if they are covered so superficially that your knowledge cannot be convincingly displayed.
- Be sure to explore your **personal** experience with your job, rather than writing generically about the experience of all people in positions like yours.
- Remember to mention course concepts specifically, so we don't have to read your mind to figure out what concepts you are applying to your work experience. Drawing explicit links between the concepts you identify and the case material is the key. Don't just drop in the names of a few theories or concepts into the midst of describing your job. Show how they apply to your situation.
- It may be useful to develop a comparative angle in the paper, i.e. compare how your job experience varied for two different tasks or compare your job before and after a change in your boss or a company restructuring.
- Comparing and contrasting how two or more different theories can be applied to the **same** aspect of your job situation is another effective strategy. Be sure you make it clear to us why

you chose those theories and which you felt provided more insight.

- Don't simply focus on your favorite issue, or spend a lot of time on issues that aren't relevant to this course.

The write-up should be typed or printed using a normal font-size. The maximum length is 1,000 words (plus or minus 5%). Please include a word count on the front page. You will have to be concise and make choices about what issues to discuss. We recommend that you begin work on the paper early, to avoid the mid-semester crunch. This is feasible because the raw material (your work experience) is readily available to you and each class session will introduce new concepts that are potentially applicable. The course paper is due at the beginning of class on **Tuesday, November 24th**.

### FINAL EXAMINATION

A course final examination is intended to help you integrate and build upon concepts and themes about the management of people at work that we have developed during the term. In preparing for the examination, it will be helpful to review your notes and the cases that we have analyzed. It will also be useful to think about how course concepts and arguments can be used to understand and compare the cases, the "managing people" problems they present, the potential solutions, and the management elements that might be appropriately adopted by other organizations.

The format for the final examination is not yet determined but will be announced in class. The final will be held from **6 to 8 pm** on **Friday, December 18th**. You are welcome to bring any course readings and notes to the exam but not laptop computers.

We are supportive of students studying together to prepare for the final exam (although this is your choice). Materials that are collectively prepared by students in this year's class studying together can be brought to the exam by the students that prepared them. Materials prepared by other students, either this year or in previous years, cannot be used as study aids either before or during the exam, and you may not consult with students who had previously taken the course.

### EVALUATION

Course evaluation is based on written work and classroom participation, including both individual contributions and group presentations. In developing the final course grade, course work is weighted as follows:

Course paper	40 percent
Class participation	20 percent
Final examination	40 percent

**SUMMARY OF CLASS SESSIONS**

- |   |                       |
|---|-----------------------|
| 1. Introduction to Managing People in Organizations | Thursday, October 29  |
| 2. Motivating Individual Performance                | Tuesday, November 3   |
| 3. Designing Jobs                                   | Thursday, November 5  |
| 4. Designing Reward Systems                         | Tuesday, November 10  |
| 5. Recruiting and Selecting Employees               | Thursday, November 12 |
| 6. Appraising Individual Performance                | Tuesday, November 17  |
| 7. Driving Group Performance                        | Thursday, November 19 |
| 8. Group Decision-Making in Organizations           | Tuesday, November 24  |

**THANKSGIVING BREAK****THURSDAY, NOVEMBER 26**

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|--|-----------------------|
| 9. Managing Organizational Change                  | Tuesday, December 1   |
| 10. Organizing for Productivity and Quality        | Thursday, December 3  |
| 11. Creating a High-Performance Culture            | Tuesday, December 8   |
| 12. Aligning Human Resources and Business Strategy | Thursday, December 10 |

**SUMMARY OF COURSE ASSIGNMENT DATES**

Tuesday, November 24 – Course paper due at start of class

Friday, December 18 – Final examination, 6 to 8 PM

## TOPICS AND READINGS

### 1. INTRODUCTION TO MANAGING PEOPLE IN ORGANIZATIONS      October 29

**Description:** In this class, we emphasize the central goal for the course: to provide students with insights into the complexities of human behavior in organizations. We describe the sequence of topics, from the individual level (motivation, job design, equity issues) to the group level (stimulating effective group performance, group decision-making) and the organizational level (culture, human resource systems and the link to business strategy). We also review course requirements, discuss the Rose Company case, and touch on key issues in the Kanter article.

**Readings:** Rosabeth Moss Kanter, “The New Managerial Work,” *Harvard Business Review*, pp. 85-92.

**Case:** The Rose Company

1. What is the nature of the change in this company?
2. How do the vice presidents feel about the reorganization?
3. What should James Pierce do – and what will he do?

### 2. MOTIVATING INDIVIDUAL PERFORMANCE      November 3

**Description:** We begin with an obvious truism about human behavior in organizations – that people will behave according to what actions they perceive are being rewarded. We then begin our exploration of the theme “behavior is not that simple” by pointing out how often organizations “reward A while hoping for B”. We also introduce various motivation theories from the behavioral sciences and contrast them with more economics-based views of motivation (e.g. agency theory) which emphasize financial incentives and contract-based goal alignment.

**Readings:** Steven Kerr, “On the Folly of Rewarding A While Hoping for B,” *Academy of Management Journal*, Vol. 18, pp. 769-83.

Stephen P. Robbins and Timothy A. Judge, excerpts from “Motivation,” *Organizational Behavior*, 12<sup>th</sup> edition, Englewood Cliffs, N.J.: Prentice Hall, pp. 192-198, 208-210.

**Case:** Nordstrom Department Store

1. Who sets the performance goals, and how are they set?
2. What are the major positive and negative effects of this incentive system?

### 3. DESIGNING JOBS      November 5

**Description:** We next examine job design – one important source of implicit rewards at work. We compare Frederick Taylor’s scientific management approach, first put forth in the early 1900s but still influential today, with Hackman and Oldham’s job design theory, which analyzes the five characteristics of a job that contribute to its motivational potential. We then explore how poor job

design can kill motivation even when explicit incentives are well-designed – or how even an excellent job design can't overcome poor incentives or poor leadership.

**Readings:** “Frederick Winslow Taylor: Father of Scientific Management,” selection from *Business: The Ultimate Resource*, Cambridge, MA: Perseus Publishing, pp. 1054-55.

J. Richard Hackman, Greg Oldham, Robert Janson, and Kenneth Purdy, “A New Strategy for Job Enrichment,” *California Management Review*, Vol. 17, pp. 57-71.

**Case:** Hausser Food Products Company

1. Why is the Florida sales team withholding information?
2. If you were Brenda Cooper, what actions would you take?

**Case:** Jennifer Henderson and the International Division at Trustworthy Trust

1. Why are analysts such as Henderson demoralized?
2. Why do senior managers seem so satisfied?
3. What recommendations would you offer the Executive Vice President Marshall Wilde?

#### 4. DESIGNING REWARD SYSTEMS

November 10

**Description:** Here we focus on the design of reward systems, keeping in mind various cognitive processes that affect motivation. We introduce concepts from equity theory, which describes how individuals assess the ratio of outcomes (pay, recognition) in relation to inputs (of effort, skill, experience) for themselves in comparison with others. We then consider the actions (and shifts in perception) individuals may undertake to establish a sense of equity. The case discussion emphasizes how the compensation and reward system of an organization must balance incentive and equity concerns. Please come prepared with examples of reward systems you have encountered and we will examine them for cross-industry and cross-cultural differences.

**Readings:** Elliot Aronson, “The Rationalizing Animal,” *Psychology Today*, p. 67-77.

Stephen P. Robbins & Timothy A. Judge, “Equity Theory,” from *Organizational Behavior*, 12<sup>th</sup> edition, Englewood Cliffs, N.J.: Prentice Hall, pp. 203-207.

Edwin A. Locke, “Linking Goals to Monetary Incentives,” *Academy of Management Executive*, vol. 18: p. 130-133.

**Case:** Merck & Co. (A).

Put yourself in the role of Steve Darien, who must recommend changes (if any) in the current performance appraisal and salary administration system:

1. Should the performance appraisal and salary administration system be revised?
2. What changes would you recommend and how should they be implemented?
3. What side-effects can you anticipate, and how would you “sell” any proposed changes to your employees?

**5. RECRUITING AND SELECTING EMPLOYEES****November 12**

**Description:** In this class, we turn our attention to employee recruitment and selection. Researchers have identified a number of strategies likely to yield fair, valid, and effective hiring decisions. We review these strategies and discuss possible reasons why many companies do not put these strategies into place. We then explore the attraction-selection-attrition cycle and the implications of recruiting and selection for organizational culture and performance. The SG Cowen case provides an opportunity to analyze one company's MBA recruiting and selection practices; to "select" two of their applicants for hire; and to examine our own beliefs and assumptions about what makes an effective hire.

**Readings:** Ann Marie Ryan & Nancy T. Tippins, "Attracting and Selecting: What Psychological Research Tells Us", *Human Resource Management*, Vol. 43: p. 305-318.

Benjamin Schneider, "The People Make the Place," *Personnel Psychology*, Vol. 40, pp. 437-53.

**Case:** SG Cowen: New Recruits

1. Who would you hire and why?
2. How will the change in recruiting strategy proposed by Chip Rae affect the nature of the company and its culture?
3. What are SG Cowen's goals for its recruiting process? Is SG Cowen meeting its goals?

**6. APPRAISING INDIVIDUAL PERFORMANCE****November 17**

**Description:** We continue on the topic of individual performance, introducing dilemmas that managers face with respect to directing, supporting, and evaluating the work of subordinates: balancing implicit rewards (challenging work assignments, recognition) with explicit rewards (pay); weighing incentives for individual achievement vs. incentives for the group or team; and handling performance appraisal in a way that communicates goals and expectations accurately and motivates improved performance. The case focuses on a situation where cross-cultural issues also complicate a manager's choices on these issues. We will draw on the readings to analyze and understand the tensions that may arise during the performance appraisal process and to discuss approaches that can help deal with those tensions while contributing to the effective management of performance.

**Readings:** John J. Gabarro and Linda A. Hill, "Managing Performance," Harvard Business School (9-496-022).

Clinton O. Longenecker and Dennis A. Gioia, "Confronting the 'Politics' in Performance Appraisal," *Business Forum*, Vol. 25, Nos. 3,4, pp. 17-23.

**Case:** Karen Leary

1. How would you assess Chung's performance, and how would you rate Leary's management of him and the office?
2. If you were Chung, how might you have more effectively managed your relationship with Leary?



3. If you were Leary, how might you have more effectively managed your relationship with Chung?

## 7. DRIVING GROUP PERFORMANCE

November 19

**Description:** Here we emphasize the power of group norms and information provided by coworkers, subordinates, and bosses as influences on individual behavior. These social influences can, if well-managed, help align group and individual goals with organizational goals, yield higher performance than individuals provide, especially when tasks are complex and demand complementary skills, and build a common language and shared experience base to facilitate coordination and creativity. If poorly managed, however, group norms and information can foster inappropriate conformity and compliance, diminishing individual, team, or organizational effectiveness and integrity. We explore both the potentially positive and the potentially negative consequences of social influence in this class and take a close look at how managers create (and respond to) groups that are “hot” – lively, high-achieving, dedicated groups, usually small, whose members are turned on to an exciting and challenging task.

**Reading:** “Social Influence,” from Thomas Gilovich, Dacher Keltner, and Richard E. Nisbett, *Social Psychology*, NYC: WW Norton and Co., pp. 213-230; pp. 240-253.

**Case:** Soul of a New Machine

1. Why is the Eclipse group working so hard?
2. In what ways does West give and receive feedback from his group and the organization?
3. Do you think West’s leadership of the group is successful in the short-run? In the long-run? What are the risks involved in his style?

## 8. GROUP DECISION-MAKING IN ORGANIZATIONS

November 24

\*\*\* COURSE PAPER DUE AT BEGINNING OF CLASS \*\*\*

**Description:** Group influences in organizations can be either positive or negative. In this class, we consider situations in which social influences can pull individuals away from alignment with management’s goals and result in distorted decision-making dominated by unthinking conformity and compliance with group biases. We also consider approaches to organizing collective conversations that can surface difficult issues and improve both decision-making and strategy implementation.

**Readings:** Irving L. Janis, “Groupthink,” *Psychology Today*, pp. 43-46, 74-76.

Michael Beer and Russell A. Eisenstat, “How to Have an Honest Conversation,” *Harvard Business Review*, pp. 1-9.

**In-class exercise:** Materials distributed during class

**\*\*\* THANKSGIVING BREAK November 26 \*\*\*****9. MANAGING ORGANIZATIONAL CHANGE****December 1**

**Description:** Driving organizational change when it is due or even overdue is one of the most difficult challenges facing a manager. Some people will embrace the process, others will resist, and the outcome is never certain and sometimes even counter-productive. The changes can entail thinning the employment ranks, creating a new organizational architecture, or building a new company culture, and all require going well beyond business as usual. We see in the article by Jeffrey Pfeffer and Robert Sutton a call for approaching organizational change with skepticism about what works – “look before you leap” – but also a willingness to embrace the messy process of change when it should happen. They identify a hosts of factors that should be considered in managing organizational change – is it worth the disruption but is no change even worse – and we find many of these issues facing David Pottruck, co-CEO of Charles Schwab, when he looks to revamp his firm’s pricing of retail stock trading as the Internet begins to transform the industry.

**Readings:** Jeffrey Pfeffer and Robert Sutton, “Change or Die? An Evidence-Based Approach to Change Management,” from *Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management*, Harvard Business School Press.

**Case:** Charles Schwab (read pp. 1 to 4.3 [stopping before “Schwab’s History of Information and Innovation”]; and p. 10. 3 [starting with “The Situation in 1997”] to p. 16.

1. Assuming that Charles Schwab decides to lower its commissions to \$29 per trade, as David Pottruck what people-management issues should be of greatest concern?
2. As David Pottruck, how would you manage the process of transforming the company to provide profitable full-service trading at \$29?

**10. ORGANIZING FOR PRODUCTIVITY AND QUALITY****December 3**

**Description:** In this class, we look at the organization of work and the human resource policies associated with “lean” or “flexible” production (as contrasted with traditional “mass production” approaches) and the link to quality and productivity outcomes. We teach the NUMMI case, emphasizing the “people” side of the production system, e.g. teams, job rotation, training, standardized work, and other human resource policies. Please note that the OPIM 631 faculty will teach a related case in the next quarter, focusing on the manufacturing and logistics aspects of Toyota Production System. The integrating theme across these courses is how crucially inter-dependent “people” policies (social system) and manufacturing policies (technical system) are. We also explore the role of organizational and cultural change in the NUMMI story.

**Readings:** Jon Gertner, “From 0 to 60 to World Domination,” *New York Times*, February 18, 2007, Section 6, pp. 34ff.

John Shook, “How NUMMI Changed Its Culture,” <http://www.lean.org/shook/2009/09/how-nummi-changed-its-culture.html>.

Ceci Connolly, “Toyota Assembly Line Inspires Improvements at Hospital,” *Washington Post*.

**Case:** Maryann Keller, “A Tale of Two Plants: NUMMI Teamwork vs. GM Bureaucracy,” in *Rude Awakening*, William Morrow, pp. 124-144.

1. What key decisions did Toyota make in deciding how to manage the NUMMI joint venture plant?
2. Why did teams prove to be successful at NUMMI and not at Van Nuys?
3. Why has General Motors had so much difficulty learning and diffusing the lessons of NUMMI to its own operations?

## 11. CREATING A HIGH-PERFORMANCE CULTURE

December 8

**Description:** Here we explore the sources, and consequences, of a strong, performance-oriented organizational culture. The readings provide definitions and frameworks for thinking about organizational culture and point out how difficult culture change can be. The case, Mary Kay Cosmetics, reveals how a strong performance-oriented culture emerges from the early choices of the firm’s founder and is reinforced through the skillful use of ritual and ceremony. We will discuss the ways in which a manager’s job involves the creation and shaping of meaning for a firm’s employees. We will also consider the transferability of an organization’s high-performance culture to settings very different from those in which it arose.

**Readings:** James N. Baron and Michael T. Hannan, “Organizational Blueprints for Success in High-Tech Start-Ups,” *California Management Review*, Vol. 44, No. 3, pp. 8-36.

Charles O’Reilly, “Corporations, Culture, and Commitment: Motivation and Social Control in Organizations,” *California Management Review*, p. 9-25.

**Case:** Mary Kay Cosmetics Inc. (and excerpts from Mary Kay Cosmetics: Asian Market Entry)

1. What are the artifacts, the espoused values, and the underlying assumptions of the culture at Mary Kay Cosmetics?
2. How does Mary Kay use ritual and ceremony to create a high-performance culture? What are the strengths and weaknesses of this approach to achieving performance?
3. How readily do you think the organizational culture at Mary Kay could be transferred, as it expands globally?

## 12. ALIGNING HUMAN RESOURCES AND BUSINESS STRATEGY

December 10

**Description:** In this capstone session, we highlight the alignment (or misalignment) between human resources systems and business strategy as a source of competitive advantage. We also discuss debates over whether there is “one best way” for all companies in all industries to organize their systems for managing people. In the case discussion, we will untangle the factors behind the

high performance of Southwest Airlines, perhaps the most successful airline in the U.S. over the past 10-15 years. We will compare Southwest with examples, past and present, of airlines that have taken different approaches to combining their “managing people” practices with their business model and operational practices, and discuss the significance of these differences for achieving sustainable competitive advantage in this very tough industry.

**Readings:** Peter Cappelli and Anne Crocker-Hefter, “Distinctive Human Resources Are Firms’ Core Competencies,” *Organizational Dynamics*, Vol. 24, No. 3.

Jeffrey Pfeffer, “Producing Sustainable Competitive Advantage Through the Effective Management of People,” *Academy of Management Executive*, Vol. 19 (4): pp. 95-106.

**Case:** Southwest Airways: Using Human Resources for Competitive Advantage

1. What is Southwest’s strategy? How would it answer the question, “What business are we in?” Why has it been successful for so long?
2. Can its success be replicated by a competitor? Why or why not?
3. How does Southwest’s system for managing people link to the execution of its strategy?
4. How would you describe the culture of the organization?
5. What would cause Southwest to fail?

\*\*\* **FINAL EXAMINATION** **Friday, December 18, 6 to 8 pm.** \*\*\*