

University of Pennsylvania
The Wharton School
Management 104
Industrial Relations and Human Resource Management
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Office hours by appointment

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Course Overview:

The course covers important issues associated with the workplace from two perspectives. The first is public policy, which focuses on the interests of employees and workers and the regulations that protect those interests. The second perspective is the employer's, where the goal is to get employees and other workers to act in the employer's interests.

There are three immediate reasons why these topics are of practical importance. You either are already or will likely be an employee subject to the workplace issues we discuss. Before you know it, you will be in charge of other employees either explicitly as a supervisor/manager or as an employer yourself. More generally, you are a citizen and member of society where workplace issues are a central concern of public policy, and understanding these issues is important for being an informed participant in those communities.

While there are some similarities between the management of people and the management of physical assets in organizations, the differences are great and are crucial to effective management. The first, from a practical perspective, is what we might call "discretionary effort," is perhaps the key factor in management: Employees have the ability to either help the organization a lot by using their creativity and efforts or hurt the organization by withholding those efforts. In some cases, they actually damage the organization intentionally as with "shrinkage" in retail operations. While incentives may help tap discretionary effort, they are not sufficient to ensure an effective organization. To do that, we need a much broader set of practices.

A central premise of the course, as with most aspects of management, is that judgment is important. Appropriate and effective systems for managing employees are not simple "best practices" that can be copied and applied everywhere. They need to be fashioned according to the context, which varies by country, industry, organizational strategies, and so forth. Identifying the cause of performance problems and recommending the appropriate solutions requires knowledge not just about management practices but also about the context to best understand what will work where. That understanding is what good organizational consultants offer. It is reasonable to think of the practical aspects of the course as helping develop the skills of a good management consultant.

General Administrative Information:

The undergraduate webpage <http://undergrad.wharton.upenn.edu/highlights/faculty.cfm> contains information on drop/withdrawal deadlines, the policy on secular and religious holidays, and rules governing class attendance. Please pay particular attention to guidelines on academic integrity, plagiarism, and the Penn Student Code of Conduct.

It is hard to do well if you are not in class, and I do take attendance. Please use the Course Absence Report System (below) when you are away from class.

<http://spike.wharton.upenn.edu/ugrprogram/advising/facultyresources/car.cfm>

Course Assignments:

1st: An interview with someone who has at least 20 years of work experience about their career. Yes, it could be one of your parents. What did they expect from the world of work, and what have been the biggest surprises for them? We want to hear the experiences that led to their conclusions rather than the conclusions per se. (For example, “I learned that jobs are uncertain” isn’t very interesting. “I got laid off from a job where I expected to spend my whole life, so now I know jobs are uncertain” is what we are after.) The more you can structure the discussion around topics from the course (e.g., “how were you hired?”), the better. If you want to record the interview, ask permission first.

The assignment is limited to 1000 words. *Please place the word count on the front of your first page.* A good paper will spend most of the space telling the story of the person you are interviewing and perhaps 300 words at the most summarizing what you learned from the interview. Good papers will be well-written and organized. They will discuss topics from the course and suggest how the interviewee’s experiences relate to those concepts (e.g., “they were hired in a way quite different from our reading...”).

This assignment is due before 5:00 PM on Friday, April 11th. It should be submitted on our course Canvas website. It counts for 20 percent of your final grade.

2nd: We have two short exams to test knowledge of the readings. If you have read the readings at all carefully, these will not be challenging. If you have not, they will be impossible. Each quiz counts for 10 percent of your final grade, 20 total for the quizzes.

Quiz Dates: **Wednesday, February 19th** and **Monday, April 7th**. The 1st quiz deals with readings up to the 19th, the second quiz deals with readings from February 19th to April 7th.

3rd: Write-up for **Monday, April 14th** session: Choose either the “Discrimination” or the “Unemployment/Inequality” readings and prepare a short write-up on them that uses some data you find on the website of the U.S. Bureau of Labor Statistics www.bls.gov. The paper is limited to 500 words. *Please place the word count on the front of your first page.* This write-up counts for 10 percent of your grade.

4th: Class participation, which includes showing up on time prepared for class by understanding the readings and by making comments in class that advance class discussion. Class participation counts for 20 percent of your grade.

5th: Final exam. This will examine content from the entire course and will count for 30 percent of your grade.

TOPICS AND READINGS

#1 - The Nature of Employment and the Workplace: Wed, Jan 15th and Wed, Jan 22nd

The idea of going to work seems so basic to us that we rarely stop to think about it. Employment, though, is a modern invention that comes with its own set of laws and arrangements. It differs in important ways from other arrangements and also differs around the world. We consider some of the basic questions about work in this opening class.

Readings: “The Rise of the Employed Worker.” Selections from John Hicks on slavery, Arnold Toynbee on industrialization, Prosper Boissonnade on serf labor, John R. Commons on American exceptionalism, Hamond and Hamond on the factory system, and Mills and Montgomery on labor in US colonial times, Joseph Raybeck on US factory labor, Kerr, Dunlop, Harbison, and Myers on employee commitment.

Jay M. Feinman. 1976. The Evolution of the Employment At-Will Doctrine. *The American Journal of Legal History*, Vol. 20, No. 2 (Apr., 1976), pp. 118-135.

-----**Mon, Jan 20th – Martin Luther King Day - No Classes**-----

#2 - Who Works – Labor Supply: Mon, Jan 27th

A central question for all economies is how do we get people to go to work for others, and how do we get them motivated to work hard? The answers have to do with individual needs but also with social pressures.

Readings: Anthony Giddens, “Introduction” to Max Weber’s *The Protestant Ethic and the Spirit of Capitalism*, Routledge, 1992.

Martha J. Bailey, “More Power to the Pill: The Effect of Contraceptive Freedom on Women’s Life Cycle Labor Supply. *Quarterly Journal of Economics*, February 2006.

Dora L. Costa, “The Wage and Length of the Work Day: From the 1890s to 1991.” *Journal of Labor Economics*, January 2000.

Roy Kaplan, "Lottery Winners and Work Commitment: A Behavioral Test of the American Work Ethic," *Journal of the Institute for Socioeconomic Studies*, Summer 1985.

#3 - Recruiting and Selecting Employees: Wed, Jan 29th

We turn our attention to the process of hiring. 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: Don Peck. "They Are Watching You at Work." *The Atlantic*, November 20, 2013.

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, 1987, pp. 437-53.

Case: SG Cowen: New Recruits. Here we examine hiring practices and typical problems with them. Who would you hire and why here? How will the change in recruiting strategy proposed by Chip Rae affect the nature of the company and its culture?

GUEST SPEAKER: 2nd class on this topic. Mon, Feb 3rd

#4 - Motivation – "Agency" Perspective: Wed, Feb 5th and Mon, Feb 10th

Perhaps the biggest question in management is how to get employees and others to act in the interests of the organizations of which they are a part. 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 discuss how difficult it is to get that right in the context of "rewarding A while hoping for B". Then we 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: Kathleen Eisenhardt. 1989. "Agency Theory: An Assessment and Review." *Academy of Management Review*, 14(1), 57-74

Steven Kerr, "On the Folly of Rewarding A While Hoping for B," *Academy of Management Journal*, Vol. 18, 1975, pp. 769-83. (I understand this is also in Mgmt 101)

Case: ATS Travel. How did ATS get itself into this situation with its programmers, and how are they going to deal with it?

#5 - Appraising Individual Performance: Wed, Feb 12th

Here we examine the assessment of individual performance: who is performing well, how can we tell, and what do we do about it? Performance management is central to the reward strategies in most organizations, and it is also important for developing employee abilities. The Karen Leary case focuses on a situation where cross-cultural issues also complicate a manager's choices on these issues.

Readings: Steven Kerr and John M. Jermier, "Substitutes for Leadership: Their Meaning and Measurement," *Organizational Behavior and Human Performance*, Vol. 22, 1978, pp. 375-403.

Peter Cappelli and Martin Conyon. 2013. What do Performance Appraisals Do? Wharton School Working Paper.

Michael Beer, "Conducting a Performance Appraisal Interview," Harvard Business School, 1997.

Case: Karen Leary (A). This case is about an employee who represents a challenge to the leader and her strategy. How would you assess Chung's performance, and how would you rate Leary's management of him and the office?

SIMULATION DAY: Mon, Feb 17th We will be doing a computer-based simulation where you make decisions associated with managing the performance of a subordinate.

Reading: Clark Aldrich. 2009. Chapter 1, *Understanding Highly Interactive Virtual Environments* and Chapter 4, *Highly Interactive Content from the Student and Instructor's Perspective*. From *Learning Online from Games, Simulations, and Virtual Worlds*. [MGMT 799 Spring 2013]

#6 - The Executive Context: Wed, Feb 19th

Executive jobs are different from other roles because they have so much discretion over their decisions, and those decisions have extremely important consequences. How should top executives, especially CEOs, be "managed"? Should we use different principles for managing them than for other employees, and if so, what should they be? Typical answers to this question follow the agency theory perspective, but is that approach appropriate?

Readings: Malmendier, Ulrike and G. Tate "CEO Overconfidence and Corporate Investment," *Journal of Finance*, December 2005, vol. 60 (6), pp. 2661-2700.

John Abowd and David S. Kaplan. 1999. Executive Compensation: Six Questions that Need Answering. *Journal of Economic Perspectives*, 13:4 145-168

What is CEO Talent Worth? 2012. Stanford CGRP-23

Case: Say on Pay at The Walt Disney Company (HBS).

Why is it that we pay executives differently than regular employees – not just more but with different arrangements? What criteria should we use to determine the appropriate system for paying them? And what amount of pay is appropriate?

#7 - Behavioral Explanations for Motivation: Mon, Feb 24th

Factors other than incentives affect motivation in important ways, and they are vastly under-appreciated in the modern workplace. We consider several of the important ones and how they operate.

Readings: G.P. Latham, and M.H. Budworth, “The Study of Work Motivation in the 20th Century.” In L. L. Koppes, *Historical Perspectives in Industrial and Organizational Psychology*: pp. 353-381. Mahwah, NJ: Lawrence Erlbaum Associates Publishers, 2007.

Richard M. Steers, “Cognitive Models of Motivation and Performance: Goal-Setting Theory and Expectancy Theory,” from Chapter 7 in *Introduction to Organizational Behavior*, third edition, Scott, Foresman and Company, 1988, pp. 191-202.

Case: Nordstrom Department Store. What drives the business strategy of this company, and why is it so difficult for competitors to copy?

#8 - The Psychology of Reward Systems: Wed, Feb 26th

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 and how those judgments matter for practice.

Readings: Elliot Aronson, “The Rationalizing Animal,” *Psychology Today*, May 1973, p. 67-77.

Stephen P. Robbins & Timothy A. Judge, “Equity Theory,” from *Organizational Behavior*, 12th edition, Englewood Cliffs, N.J.: Prentice Hall, pp. 203-207. [MGMT 612, 621]

Case: “When Salaries Aren’t Secret.” HBS 2001 no. 6757. On balance, is it a good idea to keep them secret, even if employees have some idea what they are?

#9 - Designing Jobs: Mon, Mar 3rd and Wed, Mar 5th

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 from the 1970s, which analyzes the five dimensions 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: Robert Kanigel, “Prologue,” from *The One Best Way: Frederick Winslow Taylor and the Enigma of Efficiency*, New York: Viking Press, 1997, pp. 1-10.

J. Richard Hackman, Greg Oldham, Robert Janson, and Kenneth Purdy, “A New Strategy for Job Enrichment,” *California Management Review*, Vol. 17, 1975, pp. 57-71.

Adam Grant, “How Customers Can Rally Your Troops.” *Harvard Business Review*, 2011.

Arne Kalleberg, “*Good Jobs/Bad Jobs*,” Chapter 7, “Control Over Work...”

Case: Jennifer Henderson and the International Division at Trustworthy Trust

Why are analysts such as Henderson demoralized, and why do senior managers seem so satisfied? Would you describe the current arrangements as functional? If not, what could you recommend to improve them?

----- **Spring Break** (Mar 8th – Mar 16th) -----

#10 - Social Norms in the Workplace: Mon, Mar 17th

Description: Here we emphasize the power of group norms and “social information” provided by coworkers, subordinates, and bosses as an influence on individual behavior. These social influences can, if well-managed, help align group and individual goals with organizational goals, yield higher performance than individuals where a complex task demands complementary skills, and build a common language and shared experience base to facilitate coordination and creativity. In this class, we examine how managers create (and respond to) groups that are “hot” – a lively, high-achieving, dedicated group, usually small, whose members are turned on to an exciting and challenging task. We also examine the power of conformity and compliance pressures in such groups.

Readings: Leonard Berkowitz, “Imitation, Conformity, and Compliance,” *Survey of Social Psychology*, 1980, pp. 269-292.

Falk, Armin, and Andrea Ichino, 2006, “Clean Evidence on Peer Effects,” *Journal of Labor Economics*, 24(1), 39-58.

Gharad Bryan, Dean Karlan, and Scott Nelson. Commitment Devices. *Annual Review of Economics*, 2010.

Case: Soul of a New Machine.

Why is the Eclipse group working so hard? Do you think they have been exploited by this system – will they sign up for a project like this again?

#11 - Organizational Culture and Control Over Employees: Wed, Mar 19th

Description: Here we explore the sources, and consequences, of a strong, performance-oriented organizational culture. The Schein reading provides definitions and frameworks for thinking about organizational culture and points out how difficult culture change can be. The Baron and Hannan reading talks about the cultural “blueprints” that founders imprint on high-tech start-ups and how the approach to managing people that gets established relates to subsequent performance. 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 leader’s job involves the creation and shaping of meaning for a firm’s employees.

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

James N. Baron and Michael T. Hannan, “Organizational Blueprints for Success in High-Tech Start-Ups,” *California Management Review*, Vol. 44, No. 3, 2002, pp. 8-36. [MGMT 612, 621]

Adam Bryant. Management be Nimble, *New York Times*, 2014.

Case: Mary Kay Cosmetics Inc. (and excerpts from Mary Kay Cosmetics: Asian Market Entry) HBS Mary Kay is a company that operates without employees as sales people. Because of that, it has relatively little control over its representatives and instead relies on culture to control their behavior. How would you describe the culture at Mary Kay Cosmetics? Where did it come from, and what examples of artifacts, espoused values, etc. do you see in it?

SIMULATION DAY: Mon, Mar 24th Become a Supervisor. Another simulation that addresses the typical challenges a new supervisor faces in managing people.

#12 - Understanding Partnerships and Professional Service Firms: Wed, Mar 26th

Consulting firms, law firms, and other professional service firms typically operate with a model where partners “own” the firm, are liable for its actions, and receive profits from its activities. They hire “associates” as employees and promote some of them to partner. In the typical model, associates who are not promoted must leave – “up or out.” What are the pluses and minuses of these arrangements?

Readings: Edward Lazear, “Relative Compensation,” Chapter 3 in *Personnel Economics*, Cambridge, MA: MIT Press, 1995, pp. 25-37.

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

Case: Brainerd, Bennis, and Farrell – Partnership model. HBS In this case, the partners must decide on a compensation model that will address many needs. Please come prepared to vote on how to allocate profits across the partners in the firm.

#13 - The Rise of Lean Production Work Systems: Mon, Mar 31st

We look at the revolution in work and production systems associated with “lean” or “flexible” production (as contrasted with traditional “mass production” approaches) and the link to quality and productivity outcomes. We will coordinate our teaching of this class with faculty from OPIM 631, “Quality and Productivity. 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. The OPIM faculty will help set the stage for their discussion of the manufacturing and logistics aspects of Toyota Production System, in their next-to-last class. The “integration” theme across these courses is how crucially inter-dependent the “people” policies (social system) and manufacturing policies (technical system) are.

Readings: James P. Womack, Daniel T. Jones, and Daniel Roos, “How Lean Production Can Change the World,” *New York Times*, September 13, 1990, pp. 20ff.

John Paul MacDuffie, “Human Resource Bundles and Manufacturing Performance: Organizational Logic and Production Systems in the World Auto Industry,” *Industrial & Labor Relations Review* 48: 197-221. 1995.

Case: Maryann Keller, “A Tale of Two Plants: NUMMI Teamwork vs. GM Bureaucracy,” in *Rude Awakening*, William Morrow, 1989, pp. 145-158. What key decisions did Toyota make in deciding how to manage the NUMMI joint venture plant? Why did NUMMI succeed and Van Nuys fail?

#14 - Unions and Employee Voice: Wed, Apr 2nd

Description: Here we consider the universal issue of management responsiveness to employee “voice”, i.e. employee concerns, grievances, and ideas for improvement. The case is a classic description of a situation in which management has failed to be responsive to employees in a variety of areas: compensation and benefits, career paths, supervisory behavior, due process in disciplinary matters. We examine the positive consequences, in terms of employee commitment and understanding of organizational goals, of effective mechanisms of employee voice, and the negative consequences, including poor morale, high turnover, low commitment, and labor unrest, when employee voice is neglected or ignored.

Readings: Ferguson, John-Paul. (2008). “The Eyes of the Needles: A Sequential Model of Union Organizing Drives, 1999-2004.” *Industrial & Labor Relations Review*, 62(1), 3-21.

Case: Wal-Mart’s Tryst With China’s Trade Union, IBS. What is the function of trade unions in general, and how does that role change in a country like China?

#15 - Aligning Human Resource Practices and Business Strategy: Mon, Apr 7th

Description: We highlight both successful and unsuccessful cases in which the alignment (or misalignment) between human resources systems and business strategy is the central issue. We also make clear that there is no “one best way” for all companies in all industries to organize their systems for managing people. In the case discussion, we try to untangle the factors behind the early success and ultimate failure of People Express – was it the business strategy? the HR system? -- and compare it (in class) to the current example of Southwest Airlines, a successful airline following many of the same HR policies as People Express.

Readings: Peter Cappelli and Anne Crocker-Heftel, “Distinctive Human Resources Are Firms’ Core Competencies,” *Organizational Dynamics*, Vol. 24, No. 3, 1996, pp. 326-341.

Bruce Kaufman. 2010. “Contrasting HRM Strategies – Pullman and Baldwin.” In *Hired Hands or Human Resources?* Ithaca, NY: Cornell University Press.

“Leadership Lessons from India.” Peter Cappelli, Harbir Singh, Jitendra Singh, and Michael Useem. *Harvard Business Review*, March 2010.

Case: Southwest Airlines.

Southwest is the most successful airline in world history. What was the business strategy, managerial objectives, and assumptions about managing people underlying the design of Southwest’s people mgmt. system? What are the strengths and weaknesses of this approach?

#16 - When Work Stinks: Low-Wage, Precarious Work, and Bad Labor Market Outcomes: Wed, April 9th

Readings: Ehrenreich, Barbara. (2001). *Nickel and Dimed: On (Not) Getting By in America*. New York: Henry Holt and Co. Chapters 3 and “Evaluation”.

Arlie Hochschild, *The Managed Heart: The Commercialization of Feeling*. 89-93, 104-114, 137-141, 171-198, 1983.

Stephen Marglin, “What Do Bosses Do?” *Review of Radical Political Economy*, Summer 1974.

----- **Your Choice: Mon, April 14th Discrimination or Unemployment** -----
See the assignment for this session – short write-up.

Discrimination:

Bertrand, M., and S. Mullainathan, “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” *The American Economic Review*, 94(4) (2004), 991-1013.

Bertrand, Marianne, Goldin, Claudia, & Katz, Lawrence F. (2010). "Dynamics of the Gender Gap for Young Professionals in the Financial and Corporate Sectors." *American Economic Journal: Applied Economics*, 2(3), 228-255.

Daniel S. Hammermesh and Jeff E. Biddle. "Beauty and the Labor Market." *American Economic Review*, December 1994.

Unemployment and Inequality:

Robert Gibbons and Lawrence F. Katz "Layoffs and Lemons," *Journal of Labor Economics* 1991.

Matthew O'Brien, The Terrifying Reality of Long-Term Unemployment. *The Atlantic*, April 13, 2013.

Derek Thompson. A Giant Statistical Round-Up of the Income Inequality Crisis in 16 Charts. *The Atlantic*,. December 12, 2012.

www.theatlantic.com/business/archive/2012/12/a-giant-statistical-round-up-of-the-income-inequality-crisis-in-16-charts/266074

#17 - Understanding Modern Careers: Wed, Apr 16th and Mon, Apr 21st

With this session, we begin to think about the sequence of jobs than an individual might experience of their working life – a career. What is our best guess as to how that will look?

Readings: Peter Cappelli. "The Rise and Decline of Executive Development." *Industrial and Corporate Change*. April 2010, Vol. 19 Issue 2, p509-548.

Stephen Barley and Gideon Kunda, "Contracting: A New Form of Professional Practice," *Academy of Management Perspectives*, 2008.

Young-Mi Kim. "Diverging top and converging bottom: labour flexibilization and changes in career mobility in the USA." *Work, Employment & Society*, 2013.

Mark D. L. Seidel, Jeff T. Polzer, and K. J. Stewart. "Friends in High Places: The Effects of Social Networks on Discrimination in Salary Negotiations." *Administrative Science Quarterly*: 1-24. 2000.

Case: The Case of the Part-Time Partner.

If you were a partner at Meeker, Needham, and Ames who was voting on promotions to partnership, for whom (if anyone) would you vote? Come prepared to cast your vote and explain what it signals about firm culture and why that is a good thing.

GUEST SPEAKER: 3rd class on careers. Wed, Apr 23rd

#18 - Managing Talent: Mon, Apr 28th

The flip side of managing your career, the individual's perspective, is to manage talent, the employer's perspective. Here the challenge is to anticipate the talent you need and set out some plan to meet it.

Readings: Classifying Work in the New Economy. Peter Cappelli and JR Keller. *Academy of Management Review*, 2013.

“Talent Management for the 21st Century.” *Harvard Business Review*, March 2008.

A Supply Chain Approach to Workforce Planning.” *Organizational Dynamics*, January-March 2009 Vol.30 Issue No.1, 8-15.

Case: In-class: The Talent Conversation.

Make-Up Day - Wed, Apr 30th - Final Class