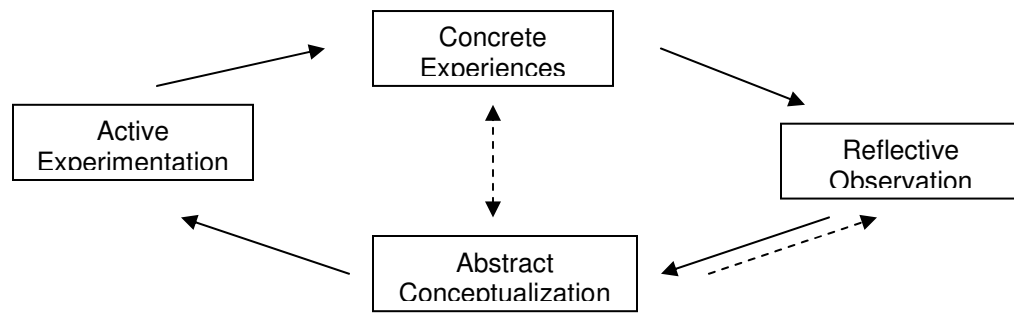


I.	Introduction	1
II.	Motivating Performance	2
III.	Designing Jobs	5
IV	Reward Systems	6
V	Performance Appraisals	8
VI	Motivating Group Performance.....	9
VII	Group Decision Making	9
VIII	Promoting Productivity & Quality & Innovation	11
IX	High Performance Culture.....	13
X	Responding to EEs	13
XI	HR / Business Strategy alignment.....	13

I. Introduction

- **New Managerial Work** – HBR
 - challenges faced by mgmt
 - lower mgmt resistance to change
 - confusion b/c leadership role changes
 - new org strategies
 - identity, status, control
 - changes effecting mgmt of people
 - more channels to exert influence
 - influence relationships change from vert to horiz
 - less distinction b/w mgmt and those managed
 - external networking more important
 - career development less formal
 - Power bases
 - mgmt must now operate w/ crutch of hierarchy
 - getting work done depends more on networks
 - mgmt added value = deal making + environment scanning
 - cross divisional collaboration more important
 - key = trust
 - Motivating people
 - situation - less promotional influence (due to flatter org) + more objective comp systems
 - source of motivation = set the mission + control the agenda + share value creation + foster learning / growth + develop reputation capital
- **Rose Case** –
 - consider motivation of VP's in maintaining / cutting off connections (helpful or wanting failure?)
 - recommendations
 - form advisory team w/ direct reports – develop relationship + tap established knowledge + establish plant goals
 - talk w/ VP's remaining connected – spin restructuring as benefit to VPs
 - cut off connected VP's – if think represent a threat to control

- Kohlb's Learning Style



II. Motivating Performance

- **Organization Theory - Rewarding A while Hoping for B** (Kerr)

- e.g. -
 - politics (official v. operative goals) – reward system makes bad decisions rational
 - war – in Vietnam, mutineers as likely to be assigned R&R as other adverse consequences (~ rewarded disobedience while hoping for obedience)
 - ◆ **zone of indifference** – person will accept communication as authoritative only when it is consistent with personal interests
 - medicine – physicians always over-prescribe medication → little downside compared to if they miss something
 - rehab centers / orphanages – institutions that receive funding based on number of committed people have no incentive to properly place these people (~ **goal displacement**)
 - universities –
 - ◆ for teachers - reward = research publication; hope = will treat students well
 - ◆ for students – reward = test taking ability; hope = have actual knowledge
 - ecology – penalties to polluters are so low vs benefits that big companies are willing to risk getting caught
 - evaluating training
 - coaching – hope = teamwork; reward = individual performance
 - Management by Objective (MBO) - hope = good EE performance; reward = ST sales goals
 - budgeting – hope = efficiency; reward = if used all \$\$ last year, get more this year
 - manufacturing org -
 - insurance firm – conflicting internal goals – metric measures speedy payment + want to avoid paying an incorrect amount → always pay the higher amount to speed up the process
- Causes -
 - **i)** duped by objectivity – objective criteria may be based on initial arbitrary decisions
 - **ii)** focus on visible behavior – difficult to reward creativity / teambuilding b/c hard to observe
 - **iii)** hypocrisy – speaker actually desires one behavior tho asks for other behavior
 - **iv)** emphasis on morality / equity rather than efficiency -
- Solutions –
 - **i)** employ only EE's with goals / motives similar to mgmt (possible in theory)
 - **ii)** alter EE goals / motives through training / socialization
 - **iii)** change reward system – this causes the desired behavior (does not count if reward system rewards something else and company is just lucky in that its EEs do what it wants)
- remember
 - different expectations w/i organization – top or org - more willing to set high standards and miss; bottom – less likely to take risky decisions
- **Tournament Theory - Relative compensation** (Lazear)
 - consider
 - easier to observe relative position
 - useful when – want / need to difference out noise that risk averse workers want to avoid

- Rules
 - prizes fixed in advance
 - player (EE) receives prize by being better (not by achieving good / bad)
 - effort that EE expends depends on the perceived size of the reward – but not infinite b/c of diminishing marginal utility
- Risks
 - risk = if specified reward goals <> commensurate w/ company goals (navy recruiters pursue quantity / not quality)
 - if EEs can inflict harm on each other to own bene
 - ◆ **Solution1** = segregation of Hawks from Doves b/w firms + maintain pay spread (~ most motivation)
 - > NOT a solution - pay compression b/c this reduces incentives
 - > BUT – workers do not self sort – Hawks want job in Dove firm b/c easier prey
 - > in practice – only Dovish firms need screen EE's to protect Doves (Hawkish firm expects Hawks)
 - > NOTE – Dovish firm better b/c higher output from no sabotage occurs
 - ◆ **Solution2** – establish promotion structure to pre-identify the places people promoted from (i.e., if CEO is always operational mgr, less competing w/ corp VPs)
- Mathematical Analysis – see pg. 27
- Remember –
 - high salary of senior exec → not to motivate Sr. Exec = to motivate all jr execs trying to be Sr. Exec
 - riskier industries should have larger wage spreads
 - compensation at top of organization = more absolute than relative (to prevent hawks killing each other off + promote some amount of cooperation)
- **Goal Setting Theory (Cognitive Model) (Steers)** –
 - Theory
 - EE behavior driven by value + intentions/ goals
 - EE process = (i) EE sets goals + (ii) goals influence behavior
 - task goal attributes – dimensions of EE task goals
 - **i)** goal specificity – more specificity leads to better performance
 - **ii)** goal difficulty – perceived difficulty increases perceived challenge of goal and increases effort expended (so long as goals remain feasible)
 - **iii)** participation in setting goals – increases job satisfaction, but less important than goal specificity
 - **iv)** feedback – keeps on target + stimulates effort
 - **v)** peer competition – difficult to measure effect
 - ◆ leads to higher quantity but lower quality
 - ◆ any required teamwork may be damaged
 - ◆ stronger effect if in a zero sum game
 - **vi)** goal acceptance – Locke believed that task goals affect behavior only if accepted by EEs
- **Expectancy / Valence Theory** -
 - Theory
 - human behavior results from interaction of internal characteristics
 - individuals behavior depends on their conscious personal choices
 - motivation depends on work environment
 - **expectancy** - belief about likelihood that behavior act will lead to particular outcome
 - **valence** – value individual places on outcomes / rewards

- Causes of –
 - **Motivation** – desire to perform
 - ◆ **effort → performance** – belief that some performance will result from some effort
 - ◆ **performance → outcome** – if perform well, desired outcomes will occur
 - > influenced by – past experience + attractiveness of outcomes + belief in ability to control environment + $E \rightarrow P$ expectancies + perception of actual situation
 - ◆ **valence** – perceived value
 - **Performance** – ability to accomplish task / achieve goal
 - ◆ **motivation** – see above
 - ◆ **abilities / traits** – determine capacity to perform (mgmt must match EE to job)
 - ◆ **role clarity & acceptance** – EE's must understand & accept expectations
 - ◆ **opportunity to perform** -
- Math –
 - **Employee motivation** = $E \rightarrow P$ expectancy X $P \rightarrow O$ expectancies X valences
 - ◆ to have high motivation → all 3 factors must be high
- Contribution to Job Performance
 - EE – motivation + ability
- Mgmt – reward systems enhance motivation + clarity

- **Agency Theory**

- Firm = K b/w P & A
- Assumes -
 - A = individual who pursues own interest w/ guile
 - ??
 - ??
- **fundamental attribute bias** – if its good, then we; if it's bad, then they
- Critiques (JP McDuffie)
 - P can do bad as well
 - ignores coop aspects of org
 - ignores intrinsic rewards ~ pride in work
 - zone of acceptance ???
 - ◆ firm = place of author relationships
 - ◆ healthy firm if EE is obedient

- **Needs Theories -**

- Maslow's hierarchy -
- McClelland – achievement (individual), affiliation (group), & power
 - strong managers = Power → Affiliation (in which is subsumed Achievement)

- **Case: Nordstrom**

- motivation of Nordies = pay + internal promotion + contests / awards + discretion + mgmt expectations + selection process (high loyalty w/ high T/O) + goal setting at various levels (mgmt, peers, EE) + expectancy
- criticisms – eating time + sharking behavior b/w EEs

III. Designing Jobs

- **Scientific Management / Taylorism** – Taylor + Kanigel articles
 - Taylorism = application of scientific methods to obtain maximum efficiency in industrial work
 - automation = simply an extension of Taylorism
 - sees knowledge (not muscle power) as prime productive resource
 - focus = “proper” division of surplus resulting from joint efforts of mgmt & labor
 - surplus = selling P – material costs
 - divided b/w
 - ◆ i) profit – accrues to corp
 - ◆ ii) wages – accrues to labor
 - two key elements =
 - i) change in mental attitude t/w surplus → labor + mgmt focus on increasing surplus (not splitting the surplus)
 - ◆ if work together → π is more than sufficient for both
 - ii) scientific measurement of effort (rather than individual judgment)
 - effect
 - leads to time poverty in America (~ never enough time for all things)
- **Job Enrichment** - Hackman
 - goal = increase motivation / satisfaction of workers and, in turn, improve productivity
 - theory – job design should be based on data about jobs, the people who do them, and what motivates them
 - “internal motivation” –
 - = turning people on to their work
 - = getting EE to feel good about self from performing well requires
 - **required factors** – all of
 - ◆ i) occupational meaningfulness – work is meaningful / important by some system of values
 - ◆ ii) responsibility – EE believes personally accountable for outcomes of work
 - ◆ iii) results – EE must regularly know whether outcome of her work is satisfactory
 - **if a factor is missing** → motivation drops significantly
 - Core Job Characteristics -
 - **A) Meaningful ness factors** – EE will consider job meaningful if job is high in all three (but one c/b enough)
 - ◆ i) skill variety – degree to which job requires EE to perform activities that challenge skills / abilities (~ avoid monotony)
 - ◆ ii) task identity – extent to which job allows EE to complete a “whole” / identifiable piece of work
 - ◆ iii) task significance – extent to which job substantially impacts lives of others
 - **B) Other characteristics**
 - ◆ iv) autonomy / personal responsibility – extent to which EE has freedom, discretion, independence
 - ◆ v) feedback / knowledge of results – extent to which EE gets info re: effectiveness of efforts
 - Motivating Potential Score –
 - to be highly motivating → job m/b high in at least 1 meaningfulness factor
 - range = 1 to 350
 - average = 125
 - Limit of theory –
 - specific psychological needs mean that different EE can experience internal motivation to different degrees
 - consider – some EEs more susceptible to motivation= high **growth need**; some EEs = low **growth need**

- Diagnostic tools – measure → objective characteristics of job + current levels of motivation / satisfaction / EE performance + EE growth need strength
 - **i) Is motivation / satisfaction a central problem?** – look at **Job Diagnostic Survey (JDS)**
 - ◆ if Y → to step (ii); if N → look to other aspects of work to identify real problem
 - ◆ **Job Diagnostic Survey (JDS)** -
 - **ii) does job have high MPS?**
 - ◆ if Y → step (iii); if N → consider other reasons for motivational problems (pay, supervisions, etc.)
 - **iii) what part of job causes problem**
 - ◆ examine job on 5 Core dimensions to find strengths and weaknesses
 - **iv) Are EEs open to change**
 - ◆ consider level of EE **growth needs**
 - ◆ EE's w/ high growth needs = more responsive to job enrichment
- Implementation (of job enrichment) – use any or all . . .
 - **i) form natural units of work** – based on
 - ◆ a) EE ownership of identifiable body of work
 - ◆ b) group work units into natural categories ~ depts., types of work, etc.
 - **ii) combine tasks** -
 - ◆ opposite of Taylorism's "fractionalization" of tasks
 - ◆ combine fractionalized tasks to form new / larger work modules
 - ◆ effect = expands **task identity** of job + results in greater **skill variety** (reference Core Job Characteristics)
 - **iii) establish client relationships** -
 - ◆ effect – improves three dimensions ~ **feedback + skill variety + autonomy**
 - ◆ how achieved ~
 - > 1) identify client
 - > 2) establish most direct contact possible b/w worker & client
 - > 3) establish criteria by which client evaluates work
 - > 4) allow client feedback directly to EE
 - **iv) vertically load** – combine "doing" w/ "planning" of job
 - ◆ rationale for non-verticality = evil Taylorism's "efficiency through specialization"
 - ◆ may be most crucial step
 - ◆ accomplished by – greater EE discretion re how / authority / time mgmt / troubleshooting & crisis decisions / financial controls
 - ◆ effect – increases **autonomy**
 - **v) open feedback channels** – allow EEs to know how performance is progressing
 - ◆ Key = timeliness of feedback + EE knowing standards of acceptable performance
 - ◆ effect – increases EE's sense of control
 - ◆ how – direct client relationships + minimize Quality Control by 3rd party (let EE do it)

- **Case – Hauser Food Products**

- **ratchet effect** – people incentivized to sub optimally perform so as to maximize their ability to meet limited future expectations

- **Case – Trustworthy Trust**

IV Reward Systems

- **Cognitive Dissonance - EEs as rationalizing animals** - Aronson

- **cognitive dissonance** ~ discomfort felt by person holding inconsistent cognitions
- **effect** – person alters something to alleviate discomfort
 - commitment to a course of action → yields resistance to change
 - reducing dissonance = defending ego
 - greater challenge in getting to a position ~ affects person's level of conviction
 - if no external justification for actions → person looks internally

- ◆ **smaller reward for dissonant act may actually reinforce more b/c person internalizes justification**
- ◆ mild threats may be more effective than harsh threats (b/c harsh threats serve as motivation whereas person more likely to internalize in face of mild threats)

- most powerful when self esteem threatened

➤ limit of theory –

- deals with psychological inconsistencies (not logical inconsistencies)
 - ◆ dissonance may exist even in respect of actions that are logical
- can't always predict accurately dissonance
- innumerable ways to avoid inconsistency in real world

• **Equity Theory** –

➤ assumes –

- i) individuals evaluate their social relationships similar to econ transactions in a market
 - ◆ social relationships = exchange process
- ii) individuals assess equity of social exchanges relative to “balance” of others

➤ Bases of comparison -

- **inputs** – contributions to an exchange
- **outcomes** – items received in exchange
- **relevancy of I/P or O/C** – depends on fact that
 - ◆ 1) recognition of I/P or O/C by one / both parties
 - ◆ 2) marginal utility of I/P or O/C in an exchange
- **math** –
 - ◆ individuals assign weights to I/P & O/C based on perceived importance
 - ◆ individuals compare **ratio of O/C to inputs** to the ratio of other individuals
 - ◆ equity – when **ratio of O/C to inputs** of one individuals is perceived as equivalent to that of others
 - ◆ driven by perception

➤ inequity -

- = relative
- occurs when individual underpaid or overpaid
- **effect** – people attempt to find state of equity
 - ◆ i) creates tension proportionate to magnitude of perceived inequity
 - ◆ ii) tension motivates individual to reduce tension
 - ◆ iii) motivation is proportionate to perceived inequity
- **Resolved by . . .**
 - ◆ i) alter inputs
 - ◆ ii) alter outcomes ~ ask for pay raise
 - ◆ iii) distort inputs / outcomes cognitively
 - ◆ iv) leave job
 - ◆ v) distort inputs / outcomes of others –
 - ◆ vi) change objects of comparison

➤ mgmt responsibility -

- insure EE feeling of equitable treatment
- manage EE perceptions of equity / inequity
- recognize \$\$ as most visible reward seen by EEs
- consider nature of system reward distributional rules being used – 3 types exist based on
 - ◆ i) equity / contribution
 - ◆ ii) feelings of social responsibility
 - ◆ iii) equality (same for all EEs)

- **Case – Merck & Co.**
 - how to fix system – possibilities include
 - **i)** relative rating system
 - **ii)** forced curve – not necessarily same as (i)
 - **iii)** 360 degree rating

V Performance Appraisals

- **Substitutes for Leadership – Their Meaning and Measurement** (Kerr)
 - Is leadership important?
 - Vertical Dyad Theory – Yes
 - Fiedler Contingency Model – Yes
 - Most decision centralization models – Yes
 - Path-Goal Theory – less so (~ leader clarification is redundant of EE capabilities but still relevant)
 - Some studies (and this paper) – leadership is irrelevant
 - Substitutes for leadership
 - professional orientation of organization – EE relationships develop horizontally (less vertically) with more emphasis on peer review
 - methodologically invariant tasks – the “push” of work
 - Intrinsically satisfying tasks – the “pull” of work
 - task provided feedback (from work itself) – more immediate / accurate / self evaluation evoking / intrinsically motivating than leader feedback
 - Consider
 - **Substitutes v. Neutralizers**
 - ◆ **neutralizer** – characteristics making it impossible for relationship / task-oriented leadership t/b effective
 - > provides no replacement for the neutralized leadership
 - > e.g., spatial distance ~ EE indifference to organizational rewards (or those w/i leaders control)
 - ◆ **substitute** – person / thing rendering relationship / task oriented leadership impossible AND unnecessary
 - **direct v. indirect effects**
 - ◆ direct ~ when EE influenced by leader actions
 - > e.g., some EE look for the approval of their superior
 - ◆ indirect ~ when EE influenced by implications of leader actions
 - > e.g., other EEs look merely for social inclusion (something other EEs may be better at providing)
 - **Cause & Effect**
 - ◆ may be difficult to tell whether leader causes EE to react or vice versa
 - Conclusion –
 - to maximize performance and individual outcomes → requires guidance (role / task structuring) and good feelings (either from a leader or other EEs or the task itself)
- **Conducting Performance Reviews** (HBR - Beer)
 - General
 - organizations need performance reviews – manpower planning + influencing EE performance + moral obligation of feedback to EEs + legal protection
 - Problem –
 - **caused by** - conflicting goals in review process
 - ◆ EE – learn about self + fill need for competence + maximize pay and promotion
 - ◆ Mgmt / firm – evaluation goals (feedback + pay decisions + discharge / retention) + coaching / development (commitment to org + motivate + strengthen relations + diagnose problems)

- **results in** -
 - ◆ i) avoidance / ambivalence -
 - > ER – driven by discomfort + not trained to conduct review + personal obligation
 - > EE – fears negative outcome
 - ◆ ii) defensiveness
 - > EE – mistrusts mgr role of mentor and judge
 - > ER – just fills out proforma evaluation to fulfill duties
- **influential factors** -
 - ◆ appraisal system -
 - ◆ mgr / EE relationship -
 - ◆ appraisal interview process –
- Goal = provide feedback / develop EEs + meet org need + do not dmg ego
- Solutions – consider the influential factors
 - **appraisal system** – uncouple evaluation & development + choose appropriate / objective performance data + allow upward (360) appraisal + eliminate appraisal system (rely solely on appraisal interview)
 - **mgr / EE relationship** – appraisal interview s/b seen as tool for enhancing this relationship]
 - **appraisal interview** -
 - ◆ tell and sell method – mgr does talking BUT may lead to defensiveness
 - ◆ tell and listen – mgr gives evaluation and listens to EE response (mgr role = touchy feely dealing with EE emotions)
 - > often leads to better understanding
 - ◆ problem solving interview – help EE discover own inadequacies
 - > Mgr – no evaluative judgments (cannot tell EE what is wrong) + asks exploratory questions to lead EE
 - ◆ mixed model interview – from problem solving interview (at start) to tell and sell / tell and listen model (at finish)
- Suggested Process – schedule + agree content + agree process + location / space + open interview by reviewing objectives + initiate discussion by ceding initiative to EE + exchange two-way feedback + Mgr provides views of EE needs + develop plan for improvement + close by discussing future EE possibilities

VI Motivating Group Performance

VII Group Decision Making

- **Group think**
 - effects ~ sub-optimal decisions
 - too few alternatives explored
 - no re-examination of the course of action initially preferred by the majority
 - too little discussion time for alternatives
 - failure to obtain input of outside experts
 - members buy into facts that support them and ignore facts that contradict their position
 - failure to identify contingency plans
 - social pressure is applied to silence / discount dissident viewpoints
 - group norms develop to bolster group morale at the expense of critical thinking
 - members take - a soft view of leader / harsh view of outsiders
 - symptoms –
 - **illusion of invulnerability** – group takes unnecessary risks + ignores clear warnings
 - ◆ warning sign = taking a danger signal lightly (treating it as a laughing matter)
 - **continually inventing new rationalizations** –
 - ◆ remember – other side may suffer from groupthink and not act rationally!!!!
 - **unquestioned morality** – consider what goes unsaid by the group (are any issues being avoided?)
 - ◆ warning sign = mindless adherence to process

- **stereotypes of enemy groups** – makes it difficult to introduce more complex / accurate viewpoints
- **peer pressure** – reinforces concurrence seeking norm
 - ◆ warning sign = does group contain any **domesticated dissenters** (~ tolerated so long as stay w/i certain bounds)
- **self censorship** – members minimize their own self doubts
- **illusion of unanimity** – replaces individual critical thinking and reality testing
 - ◆ warning sign = false assumption that those who remain silent agree with the group
- **mind-guards** – members who police dissent in order to “protect” the group or its leaders
- cause - stress
- remedies –
 - well defined roles with established procedures for critical inquiry by each member
 - leader should not indicate a preference when assigning group members the task of developing a solution
 - have multiple groups develop solution to a single problem and then reconcile
 - during deliberations, require members to gain input from their respective constituent divisions
 - invite input from experts
 - at least one member always plays devil's advocate
 - allow last opportunity for member to raise any and all residual doubts
- consider
 - in normal group → greater group cohesion allows members greater comfort to speak out
 - in group think group → members internalize group norms and become less likely to speak out
- **Assets & Liabilities of Groups**
 - Assets –
 - greater sum total of info – important if problem requires utilization of knowledge (e.g., rather than skill)
 - more diverse viewpoints – minimize risks of individual getting into a rut
 - increase acceptance of a decision – members who participate in decision = more likely to accept
 - better comprehension – lower risk of miscommunication if members participated in decision-making process
 - greater willingness to take risks – individuals are less likely
 - Liabilities –
 - social pressure – science shows that minority decisions have less influence on group decision making even when they are more sound
 - valence of solutions – science also shows that decision-making becomes rigid once a solution is found to meet some minimal requirement; the group resists adopting better solutions made subsequently
 - individual domination – a dominant member captures more than fair share of influence
 - conflicting goals – members goals may become winning an argument rather than finding best solution
 - takes more time to reach consensus
 - Factors -
 - presence of disagreement – can lead to innovation or group discord
 - conflicting interests of members – consider whether members are working to solve the same problem for the same reasons
 - need for risk taking – group takes more risks
 - time requirements – time pressures may make a unilateral decision by an individual more realistic
 - type of issue addressed by the group – leader must recognize to best facilitate
 - ◆ problem solving – group solves together
 - ◆ persuasion – relies more on interpersonal relationships of individuals within the group
 - Leader - should . . .
 - make sure all member are solving the same problem
 - allow sufficient discussion time to achieve group benefits
 - protect the minority viewpoint (b/c it will only affect final decision if facts favor it)
 - refrain from promoting own viewpoints (b/c leader carries unequal influence)
 - facilitate communications to ensure single unified response of group
 - focus on group process (not group decision making products)

IX Organizing for Innovation

- **Speed and Strategic Choice – accelerating decision making** (Eisenhardt)
 - conventional wisdom – really just accelerating choices (not DM)
 - skimp on analysis – but compromises quality
 - limit conflict – difficult to apply
 - autocracy – make bold / unilateral moves – leads to leader's isolation
 - author's theory – “over MBA it”
 - lots of real-time data (not planning data) – allows mgrs to develop intuition
 - build multiple, simultaneous alternatives = flexibility (fall back position) + comparison sharpens preferences + build confidence
 - seek insight of experienced people – consistently high quality advice + sounding board + boost confidence of decision maker
 - speedy comparative analysis of alternatives
 - try for consensus (but don't delay) (resolve conflict) – accepts conflict (and deals w/ it)
 - heavy reliance on self confidence
 - integration of decision w/ other decisions / plans – **active coping** (formulate concrete steps to stabilize unstable world) + provides better insight into alternatives
- **Retaining Talent – Market driven approach** (Cappelli)
 - LT / broad EE loyalty – not possible + not desirable
 - focus – s/b hiring targeted individuals
 - recognizes – can't counter pull of market on EEs
 - goal – controlling turnover (not preventing turnover)
 - important - ER determines how long would like EEs to stay
 - retention efforts
 - compensation –
 - ◆ con = easy for poacher to match
 - ◆ ST solutions – hot skills payments (specially reward specially needed skills) + deferred signing bonuses
 - job design – remove least desirable aspects from job + tailor to categories of EEs
 - forced departure – ensures know when will happen
 - job customization – tailor job to individual (con = fairness issues)
 - social ties w/ colleagues – sense of community (con = make restructuring more difficult)
 - location – e.g., Silicon Valley good for tech b/c high T/O exposes firm to new ideas
 - hiring – focus on people who will be easier to retain ~ hire lesser desirable candidates
 - adapt to attrition
 - outsource – someone else deals w/ problem
 - focus on recruitment (not retention) – e.g., if large pool of potential EEs exists
 - simplify / standardize / cross train for jobs
 - rely on IT – preserve institutional memory
 - cooperate w/ competitors
 - lend EEs (firm w/ low business in that area to firm w/ lots of business in that area)
 - sub-K EEs move w/ project to prime contractor
 - place laid off people at other firms
 - BK (low skill) to Cascade Engineering (high skill)
- **Case: Cisco**
 - generally
 - T/O < 10% (industry = 30%)
 - generally successful in mergers (despite fact that most mergers fail + Cisco s/b worse since success relying on know-how of EEs acquired)
 - CISCO Rule – if can't develop new tech w/i 6 mos → must buy or miss window of opp
 - Internet time = 1/7 normal time (i.e., 7 calendar yrs = 1 internet yr)
 - 70-80% of Cisco products = developed by acquired in-house EEs

- Mission – be supplier of choice by leading in customer satisfaction + product leadership + MS + π
 - seek to be #1 / 2 in every major segment of tech (or not compete)
- Key factors to retaining EE's
 - great place to work
 - unique body of similarly motivated people
 - explain up front the situation – not merger of equals + will change everything
 - Guidelines –
 - ◆ business units target market segments
 - ◆ m/b 1 or 2 in each market that compete
 - ◆ defined criteria re acceptability of acquisition candidate (prevents winner's curse)
 - ◆ rely on empowered teams to speed assimilation
 - ◆ acquire = EE (future created by their talent) <> technology
 - ◆ everyone is new – no insider v. outsider mentality
 - focus on execs (keeping mgr talent) – if retain top → will retain regular EEs
 - business units ~ small company mentality + empower people
 - CEO keeps close contact w/ all EEs
 - **no layoffs**
 - **heavy use of options + high stock P**
 - innovatively look for top 10% of EEs – website (disguised) + company “friends” (encourage friends w/ referral fees) = fastest time to productivity for new hires in country
 - only hire w/i technology (??)
 - <> micro mgmt
 - recognition of success
- Key factors to corp success
 - flexible strategy – not married to tech (no tech religion)
 - strategy = listen to customer + offer range of options
 - offer the best / newest technology – if can't develop w/i 6 mos → have to buy
 - avoid doing the wrong deals – kills as many as pursue
 - “early if not elegant” – time to market more important than getting exactly right
 - ship product by time deal closes
 - CEO keeps close contact w/ customers
 - acquisitions = strategic <> financial
 - for acquisitions
 - ◆ target fills specific tech need (**so no competition w/i Cisco**)
 - ◆ compatibility w/ T's leader's vision + direction of company
 - ◆ similar culture w/ T – entrepreneurial, fast growing, Silicon Valley start-up
 - ◆ clear expectations rE: how merger progresses
 - ◆ quick integration / push through change quickly after acquisition (~ during grace period)
 - ◆ ST wins (\$\$) and LT wins (future at Cisco) for all stakeholders
 - visibility = free marketing
 - encouraged to innovate – allowed to fail
 - business unit organization – reduces time to market + acts more like small company
 - strategy – depends on high margins and growing π
 - EE salary – below avg + tied to customer satisfaction
- decision process
 - **i)** decide if tech = in-house / acquire - if in-house → follow development process
 - **ii)** if acquire → ask business development who s/b Target
 - ◆ **planning matrix** – used to analyze emerging markets
 - > grid of markets by source innovation (internally developed, acquisition, partnering, OED)
 - > helps identify market leadership (initial MS >20% w/ .50% eventually)
 - **iii)** business development considers – product, services, distribution needs for market
 - **iv)** identify acquisition target – typically small tech firm w/ 60-100 EEs motivated by tech than \$
 - ◆ 5 principles
 - > shared vision -
 - > likely ST win for both T and Cisco -

- > LT win for all parties -
 - > culturally compatible –
 - > geographic proximity -
 - ◆ other common features
 - > T is much smaller than Cisco
 - v) Due Diligence Process –
 - ◆ secrecy of T = bad (flexibility = good)
 - ◆ HR – look for potential problems w/ goal of retaining all
 - vi) integration – 2 levels
 - ◆ a) structural
 - > close deal quickly – helped by on-going close communication
 - > integration teams from assoc business units – connect new EE's to infrastructure
 - ◆ b) cultural –
 - > buddies ~ seasoned Cisco veteran
 - > special orientation sessions → w/ prior acquired EEs
 - viii) review integration process – improves for next time
- Leadership
- experience – MS + IBM + Wang + HP
 - don't ask someone to do what you would not do
 - diversified skills (business + law)
 - fired at Cisco = not producing + not recruiting / developing + not team player
 - talks directly w/ EEs – wants voicemail on critical accts + birthday breakfasts
- Philosophy
- 5 core values = dedication to customer success + innovation / learning + p'ships + teamwork + do more w/ less

X	High Performance Culture
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XI	Responding to EEs
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XII	HR / Business Strategy alignment
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