

THE  
**PERFORMANCE**

STRATEGIES FOR ENHANCING  
WORKFORCE EFFECTIVENESS

**IMPERATIVE**

**HOWARD RISHER  
CHARLES FAY**

EDITORS



# The Performance Imperative

**Strategies for Enhancing  
Workforce Effectiveness**




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## Preface

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*The Performance Imperative* was developed to bring together expertise from the several professional fields interested in workforce performance. Workforce productivity, interpreted in the broadest sense, has become a survival issue for many organizations. Moreover, there is increasing recognition that individuals who have contact with customers, suppliers, and other outside organizations can have a significant impact on financial results and on their organization's image in the marketplace. This fact transcends industry boundaries and is equally important to health care providers confronted by the austerity of proposed reform and to government officials as voters demand improved performance along with reduced spending.

From a different perspective, the importance of increased productivity is often cited as the key to gaining competitive advantage in world markets. Both technology and financial resources are available to competitors, making employees and their performance the only sustainable source of competitive advantage. It has been popular for a decade or more to cite employees as a valuable asset, but for the first time this theme is influencing the policies and practices that govern both the organization and management of work and worker performance.

Realistically, no single field has the know-how to generate the dramatic increases in productivity realized by a mushrooming number of companies. The primary impetus for change came with quality management initiatives, starting in the late 1980s. Quality advocates highlighted the importance of empowerment and the employee's need to be responsive to customers, both internal and

external. Productivity increases were also espoused by the organizations and people who migrated to reengineering. New concepts, such as the virtual corporation, were introduced by organizational theorists. Supporting all these changes was a revolution in the field of human resource management.

A key issue is the replacement of the traditional “command and control” model that has dominated organization thinking since the turn of the twentieth century. During that era, Frederick W. Taylor developed his principles of scientific management, principles that evolved into the field of industrial engineering and also became the foundation of organizational theory. These principles served organizations well for decades, but today’s workers are different from the immigrants from the American farm or from Europe who made up the labor force of the late nineteenth century. Scientific management no longer “works”; it has become necessary to develop principles for managing work that fit current organizations and the contemporary labor force.

### Overview of the Contents

Our objective as editors was to bring together experts whose contributions have been recognized in their individual fields. The chapters are not intended to provide comprehensive coverage of the subjects. Each chapter could effectively be developed into a separate book. In fact, a number of the contributors have offered more extensive coverage of their subjects in works of their own.

The introductory chapter, by Howard Risher and Charles Fay, discusses the problems that organizations face and the various responses offered by the book’s contributors.

Part One provides an overview of the changes affecting organizations and work management practices. Chapter Two, by Charles Fay, focuses on key environmental changes facing U.S. corporations. The diverse fields from which his study is drawn serves to clarify why organizations have trouble being fully responsive to their

external environments. Edward E. Lawler III, the author of Chapter Three, shifts to the emerging ideas that affect the way workers are managed. One of the primary alternatives is the design of organizational systems based on the capabilities of individual workers. In Chapter Four, Jennifer Jarratt and Joseph F. Coates discuss the evolving role of the human resource function in the world of work. They cite four people-centered management initiatives that carve out a larger and more prominent role for the human resource function (although not necessarily for the traditional human resource department).

Part Two surveys emerging approaches to organization design. In Chapter Five, N. Fredric Crandall and Marc J. Wallace, Jr., compare the traditional organizational model with the high-performance or team-based approach to organizing, as well as with the newer virtual organization concept. Each of these three concepts has significantly different implications for staffing and managing the workplace. Alfred J. Walker focuses in Chapter Six on the potential of reengineering to improve business processes. Reengineering typically results in the introduction of work organizations and procedures that trigger dramatic changes in the way work is organized. Chapter Seven, by Stuart S. Winby, looks at the kinds of organizations that are beginning to emerge and that we can expect to see in the future. Winby introduced the concept of the "value chain process," which shifts the focus of organization planning from the vertical to the horizontal.

Part Three examines the importance of top management's leadership to enhanced organization performance. Irvine O. Hockaday, Jr., CEO of Hallmark Cards and author of Chapter Eight, describes his thinking in developing a new vision for his company. He argues that one of the overriding considerations in planning a work management strategy is the importance of leadership and the commitment by senior executives to the initiative and to its underlying philosophy. In Chapter Nine, Richard Whiteley summarizes research on the behaviors that characterize leaders in companies

that are customer-driven. To transform an organization, its leaders have to articulate and reinforce their vision of the future. Chapter Ten, by Philip B. Crosby, discusses the role of leaders in creating corporate culture and in establishing the priority commitments that drive performance. He argues that true quality is not a series of techniques and procedures but rather a way of managing that depends on top management leadership.

Part Four develops three themes that are central to the creation of what are often referred to as high-performance organizations. In Chapter Eleven, Craig Eric Schneier summarizes his research findings on the way performance measurement, management, and appraisal practices in high-performing organizations differ from those in more traditional, less successful organizations. High-performing firms view performance management as a key business tool for use by all managers and supervisors. Chapter Twelve, by Susan Albers Mohrman, discusses the issues relevant to taking full advantage of the team concept. Experience with teams has shown repeatedly that it is possible to achieve surprisingly high levels of performance. Then, in Chapter Thirteen, Carl G. Thor covers the key issues involved in developing and using performance measurement data. There is an old saying, "What gets measured gets done." Thor sets forth a framework for developing a performance measurement strategy.

Part Five covers the new philosophies and practices governing employee rewards. In Chapter Fourteen, Howard Risher discusses the new model for salary management. After operating on basically the same program concepts since the end of World War II, organizations are reconsidering the fundamental propositions of their base-pay programs, with a new emphasis on the responsibility of managers and supervisors for managing the pay of their subordinates. In Chapter Fifteen, Richard W. Beatty, B. Nicholas Dimitroff, and Dennis J. O'Neill examine a new rationale for salary increases. The new premise is that workers should be paid for what they can do, their skills and competencies, rather than last year's

performance. Chapter Sixteen, by John G. Belcher, Jr., provides an overview of the thinking involved in designing gain-sharing and related group incentive programs. These plans have been shown to be powerful incentives for improved performance. In Chapter Seventeen, Jerry L. McAdams completes the coverage of reward systems with a discussion of low-cost, high-impact awards. These rewards can include almost anything that has value to an employee or that serves as a basis for public recognition of an employee's contribution. When effectively linked to employee accomplishments, low-cost, high-impact rewards can be an important tool to improve employee performance.

Part Six summarizes federal law governing the involvement of workers in operational decisions. Chapter Eighteen, by James R. Redeker and Daniel P. O'Meara, discusses the implications of the recent National Labor Relations Board decision involving Electromation, Inc., that effectively limits employee participation. In Chapter Nineteen, Lynn R. Williams, recently retired president of the United Steelworkers Union, sets forth his view of worker participation and describes recently negotiated changes in labor contracts that provide for increased participation.

Part Seven synthesizes what organizations must do if they are to remain competitive. Chapter Twenty, by Howard Risher and Charles Fay, summarizes the findings presented in *The Performance Imperative* and offers a blueprint for maintaining competitive advantage through appropriate management of employees.

April 1995

Howard Risher  
Conshohocken, Pennsylvania

Charles Fay  
New Brunswick, New Jersey



## The Editors

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**Howard Risher** is a principal in the consulting firm of Godwins Booke & Dickenson in Conshohocken (near Philadelphia). He received his B.A. degree (1965) in psychology from the Pennsylvania State University and both his M.B.A. degree (1968) in human resource management and his Ph.D. degree (1972) in labor relations and economics from the Wharton School, University of Pennsylvania.

Risher has twenty-five years of experience in the areas of workforce management, reward system design, and employee research. Before joining his current firm, he managed consulting practices for two other international consulting firms. He has served as a consultant to many major corporations and hospitals, to federal and state government agencies, and to colleges and universities.

Risher is a member of several professional associations and serves as an instructor for certification in human resource management. He has authored or coauthored more than twenty articles and book chapters on human resource topics.

**Charles Fay** is associate professor of human resource management at the School of Management and Labor Relations, Rutgers University. He received his B.A. degree (1961) in English and history from New York University, his M.B.A. degree (1963) from Columbia Graduate School of Business, and his Ph.D. degree (1979) in organization and management theory from the University of Washington.

Fay conducts research focused on compensation, performance

appraisal, and the use of expert systems and other human resource decision support systems. His research results have been presented in many journals. He is the coauthor of several books, including *Compensation Theory and Practice*, *The Compensation Sourcebook*, and *Research-Based Decisions*. He is editor of *Human Resource Planning* and serves on the board of directors and the research committee of the Human Resource Planning Society.

Fay is a certified compensation professional and teaches in the American Compensation Association Certification Program. He was previously chair of the association's research committee. He is also a member of the Federal Salary Council, a presidential council that advises the federal pay agent on salary issues concerning General Schedule employees. He consults with a variety of organizations in the area of performance management, compensation systems, and human resource information systems.

## The Contributors

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*Richard W. Beatty* is professor of human resource management in the School of Management and Labor Relations, Rutgers University. He received his Ph.D. degree in human resources and organization behavior from Washington University. Beatty has consulted to a variety of organizations, including A&P, ARCO, Bell Laboratories, Du Pont, Honda, IBM, NutraSweet, Pacific Telesis, and Whirlpool. He is past chair of the Personnel/Human Resource Division of the Academy of Management and president of the SHRM Foundation. His research has been published in many journals, including the *Academy of Management Journal*, the *Journal of Applied Psychology*, and the *Sloan Management Review*. His books include *Personnel Administration: An Experiential Skill-Building Approach*, *Performance Appraisal*, and *The Compensation Sourcebook*.

*John G. Belcher, Jr.*, is the founder of J. G. Belcher Associates, a management consulting firm specializing in alternative compensation systems and organizational change initiatives. He has served over two hundred clients in a wide variety of manufacturing and service industries in the United States, Canada, Venezuela, Colombia, Italy, Singapore, and Saudi Arabia. He previously served as a vice president of the American Productivity and Quality Center and is currently an adjunct consultant to the center. He has also been operations manager for a steel-fabricating subsidiary of Ogden Corporation and director of operations analysis for Ogden's Metals Group. Belcher's background also includes financial management experience with United Technologies Corporation and the Ford

Motor Company. He received his M.B.A. degree from the University of Michigan and is the author of *Gain Sharing and Productivity Plus*.

*Joseph F. Coates* is president of J. F. Coates, Inc., and adjunct professor at George Washington University, where he teaches graduate courses on technology and on the future. He received his M.S. degree (1953) in organic chemistry from the Pennsylvania State University in organic chemistry and holds an honorary degree from Claremont Graduate School. His principal current work is the study of the future. He has produced more than seventy studies, including several on the future of the workforce. His other areas of interest are technology assessment, scientific and technological innovation, strategic planning, and issues management. In 1985, Coates and his associates received the Rose-Hulman Award from the International Association for Impact Assessment. Coates is coauthor of *What Futurists Believe* and *Issues Management: How You Can Plan, Organize, and Manage for the Future*.

*N. Fredric Crandall* is a founding partner of the Center for Workforce Effectiveness, Inc. He serves as a management consultant specializing in reward systems and organizational change management. He has extensive consulting experience in strategic planning, executive and general compensation, job evaluation, salary administration, incentive plans, and human resource and organization effectiveness. He received his Ph.D. degree from the University of Minnesota. He has served as associate professor of organizational behavior and administration at the Cox School of Business, Southern Methodist University, and is past president of the ASPA Foundation's board of directors. He has also been an instructor and course developer for the American Compensation Association. Crandall is coauthor of *Administering Human Resources*, as well as numerous articles on human resource planning and management.

*Philip B. Crosby's* first career began with the U.S. Navy during World War II. He moved on to college and was then called back to the Navy for the Korean Conflict. His second career spanned twenty-seven years as a quality management professional. He started on an assembly line and progressed to being corporate vice president of ITT. He was also quality manager for Martin Marietta for eight years. It was at Martin, in 1961, that he came up with the concept of zero defects and wrote his first book, *Cutting the Cost of Quality*. In 1979, a third career began when he published *Quality Is Free*, which became an instant best-seller. He founded Philip Crosby Associates, Inc., now the largest quality management consulting firm in the world. While running that company, he also found time to write seven books and dozens of articles expressing his philosophy of business management. In 1991, he retired from Philip Crosby Associates and, with his daughter Phylis as CEO, founded Career IV, Inc. He concentrates now on writing and speaking. In addition, he is featured in a weekly commentary, "On Improvement," on USA News's *First Business* television program. His newest book, *Completeness: Quality for the 21st Century*, reflects his concern to help management learn how to make employees, suppliers, and customers successful.

*B. Nicholas Dimitroff* has been designing and implementing performance management, organizational development, total quality management, integrated human resource, and change management systems for more than two decades. He has held senior human resource and TQM executive positions with Nissan, Philips, Unisys, and Gould, where he has acted as a change agent in senior management teams devoted to market-driven organizational and culture transformation. As a consultant, Dimitroff has worked extensively with clients to improve marketing focus, sales capability, leadership, and strategic planning. He has also designed and delivered numerous cross-cultural sensitivity programs internationally.

*Irvine O. Hockaday, Jr.*, is president and CEO of Hallmark Cards, Inc., the world's largest publisher of greeting cards and related products. He also serves as chairman and chief executive officer of Hallmark's Personal Communications Group, the company's principal business. Prior to joining the corporation in 1983, Hockaday served as president and CEO of Kansas City Southern Industries, Inc., a diversified New York Stock Exchange company. He is currently a director of the Ford Motor Company; Dow Jones, Inc.; and the Continental Corporation. Hockaday has served as chairman of the board of the Tenth District Federal Reserve Bank, the Civic Council of Greater Kansas City, and the Midwest Research Institute. He received his J.D. degree (1961) from the University of Michigan Law School. Prior to joining Kansas City Southern Industries in 1968, he practiced law in Kansas City with the firm of Lathrop, Koontz, Righter, Clagett & Norquist.

*Jennifer Jarratt* is vice president of Coates & Jarratt, Inc., a consulting firm that studies aspects of long-range planning and social and technological change for a variety of organizations. With Joseph F. Coates, she is coauthor of *The Future at Work* (a newsletter on emerging management issues in human resources) and *Future Work* (1990, also with J. B. Mahaffie), as well as *Managing Your Future as an Association* (1994), published with the ASAE Foundation. She received her M.A. degree in studies of the future from the University of Clear Lake and was a visiting faculty member there in 1990–91. She has participated in or been responsible for more than twenty-seven futures projects with Coates & Jarratt, several of them on the future of human resource management and the future of work.

*Edward E. Lawler III* is professor of management and organization in the business school at the University of Southern California and founding director of the Center for Effective Organizations. He received his Ph.D. degree (1964) in psychology from the

University of California, Berkeley. He has consulted with more than one hundred organizations and four national governments on employee involvement, organizational change, and compensation and has been honored as a top contributor to the fields of organization development, organizational behavior, and compensation. He is the author of more than two hundred articles and twenty-two books, and his works have been translated into seven languages. His books include *High-Involvement Management* (1986), *Strategic Pay* (1990), and *The Ultimate Advantage* (1992). He is coauthor of *Employee Involvement and Total Quality Management: Practices and Results in Fortune 1000 Companies* (1992) and *Organizing for the Future: The New Logic for Managing Complex Organizations* (1993).

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*Daniel P. O'Meara* is an attorney in Wolf, Block, Schorr and Solis-Cohen's Labor and Employee Relations Department. He is author of *Protecting the Growing Number of Older Workers: The Age Discrimination in Employment Act* (1989) and has been featured as a legal expert on several television shows.

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enforcement agencies as well as the courts. He has served as special council to General Electric, AT&T, Northwest Airlines, Exxon, Georgia Power, Amoco Oil, Shell Oil, and other national companies to assist in implementing unusual personnel systems and resolving complex culture change issues. In addition, he has appeared on radio and television as a guest commentator and since 1986 has been a regular guest lecturer at the Wharton School. He is the creator of Workplace Due Process, an employer self-development program for the creation of personnel programs designed to insulate employers from union organization, wrongful discharge liability, and equal employment claims while building employee responsibility and commitment to the enterprise. He is the author of four books: *Strategies for Bargaining Fringe Benefits*, *How to Draft Contracts to Avoid Disputes*, *Discipline: Policies and Procedures*, and *Employee Discipline: Policies and Practices*.

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*Carl G. Thor* is president of JarrettThor International, a consulting firm specializing in quality and productivity improvement. He concentrates on developing performance measurement, benchmarking, and gain-sharing programs around the world. Thor spent fifteen years with the American Productivity and Quality Center in Houston, where he was president and vice chairman. While there, he led the development of popular seminars, gave many speeches, and