

# The culture factor – harvard business review

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First Pages editor of the Harvard Business Review, noted that organizations must also undergo significant efforts to protect their human capital. A firm may " diversify the ownership of vital knowledge by emphasizing teamwork, guard against obsolescence by developing learning programs, and shackle key people with golden handcuffs. " 23 In addition, people are less likely to leave an organization if there are effective structures to promote teamwork and information sharing, strong leadership that encourages innovation, and cultures that demand excellence and ethical behavior.

Such issues are central to this chapter. Although we touch on these issues throughout this chapter, we provide more detail in later chapters. We discuss organizational controls (culture, rewards, and boundaries) in Chapter 9, organization structure and design in Chapter 10, and a variety of leadership and entrepreneurship topics in Chapters 11 and 12. Human Capital: The Foundation of Intellectual Capital Organizations must recruit talented people? employees at all levels with the proper sets of skills and capabilities coupled with the right values and attitudes.

Such skills and attitudes must be continually developed, strengthened, and reinforced, and each employee must be motivated and her efforts focused on the organization's goals and objectives. 24 The rise to prominence of knowledge workers as a vital source of competitive advantage is changing the balance of power in today's organization. Knowledge workers place professional development and personal enrichment (financial and otherwise) above company loyalty. Attracting, recruiting, and hiring the " best and the brightest," is a critical first step in the process of building intellectual capital.

How to Lure Gen Y Workers? Commonly. Com, August 17: NP; Mantilla. 2007. How Going Green Draws Talent, Cut Costs. Wall Street Journal, November 13: B10; and, O'Dell, A. M. 2007. Working for the Earth: Green Companies and Green Jobs Attract Employees. Www. Socializing . Com, 4. 1 environmentalresponsibilitywhen it recruits on campuses. It showcases the company's new corporate headquarters, in Measuring, Ohio, that uses 28 percent to 39 percent less energy than a standard office building and is furnished with environmentally friendly materials.

Says Nephew CEO Mark Sunny, " At the end of the day, we are competing with everyone else for the best talent, and this is a generation that is very concerned with the environment. " To meet the growing demand for students interested in working for green companies, Nonstarters, a unit of the giant employment firm Monster. Com, launched Greengrocers. It was the first online recruitment service that focuses on green employment. Econometrical and the Environmental Defense Fund, two environmental nonprofits, are adding their expertise in partnership with Nonstarters. Econometrical approached Nonstarters to create Greengrocers because there is an urgent need to reach and educate environmentally 'agnostic' audiences, in this case college students, about the ways they can address climate change and other serious environmental problems," claims Mark Cockroach, vice president and general manager at Nonstarters. Environmental sustainability To illustrate such interdependence, poor hiring impedes the effectiveness of development and retention processes. In a similar vein, ineffective retention efforts place additional burdens on hiring and development.

Consider the following anecdote, provided by Jeffrey Prefer of the Stanford University Business School: Not long ago, I went to a large, fancy San Francisco law firm? where they treat their associates like dog do and where the turnover is very high. I asked the managing partner about the turnover rate. He said, " A few years ago, it was 25 percent, and now we're up to 30 percent. I asked him how the firm had responded to that trend. He said, " We increased our recruiting. " So I asked him, " What kind of doctor would you be if your patient was bleeding faster and faster, and your only response was to increase the speed of the transfusion? 29 Clearly, stepped-up recruiting is a poor substitute for weak retention. Although there are no simple, easy-to-apply answers, we can learn from what leading-edge firms are doing to attract, develop, and retain human capital in today's highly competitive marketplace. 30 Before moving on, Strategy Spotlight 4. 1 addresses the importance of firm's " green" or environmental sustainability strategy in attracting young talent. Deserted chic 118-155. Tend 124 Attracting Human Capital All we can do is bet on the people we pick. So my whole Job is picking the right people.

Jack Welch, former chairman, General Electric Company 31 The first step in the process of building superior human capital is input control: attracting and selecting the right person. Human resource professionals often approach employee selection from a " lock and key' mentality? that is, fit a key (a Job candidate) into a lock (the Job). Such an approach involves a thorough analysis of the errors and the Job. Only then can the right decision be made as to how well the two will fit together. How can you fail, the theory goes, if you get a precise match of knowledge, ability, and skill profiles?

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Frequently, however, the precise matching approach places its emphasis on task-specific skills (e. G. , motor skills, specific information processing capabilities, and communications skills) and puts less emphasis on the broad general knowledge and experience, social skills, values, beliefs, and attitudes of employees. Many have questioned the precise matching approach. They argue that firms can identify top performers by focusing on key employee mind-sets, attitudes, social skills, and general orientations. If they get these elements right, the task-specific skills can be learned quickly. This does not imply, however, that task-specific skills are unimportant; rather, it suggests that the requisite skill sets must be viewed as a necessary but not sufficient condition. ) This leads us to a popular phrase today and serves as the title of the next section. " Hire for Attitude, Train for Skill"

Organizations are increasingly emphasizing general knowledge and experience, social skills, values, beliefs, and attitudes of employees. 32 Consider Southwest Airlines' hiring practices, which focus on employee values and attitudes. Given its strong team orientation, Southwest uses an " indirect" approach.

For example, the interviewing team asks a group of employees to prepare a five- minute presentation about themselves. During the presentations, interviewers observe which candidates enthusiastically support their peers and which candidates focus on polishing their own presentations while the others are presenting. 33 The roomer are, of course, favored. Alan Cooper, president of Cooper Software, Inc. , in Palo Alto, California, goes further. He cleverly usestechnologyto hone in on the problem- solving ability of his applicants and their attitudes before anintervieweven takes place.

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He has devised a "Bozo Filter," an online test that can be applied to any industry. Before you spend time on whether Job candidates will work out satisfactorily, find out how their minds work. Cooper advised, "Hiring was a black see our test. It's a self-administering bozo filter." 34 How does it work? The online test asks questions designed to see how prospective employees approach provisioning tasks. For example, one key question asks software engineer applicants to design a table-creation software program for Microsoft Word. Candidates provide pencil sketches and a description of the new user interface.

Another question used for design communicators asks them to develop a marketing strategy for a new touch-tone phone? directed at consumers in the year 1850. Candidates e-mail their answers back to the company, and the answers are circulated around the firm to solicit feedback. Only candidates with the highest marks get interviews. Sound Recruiting Approaches and Networking Companies that take hiring seriously must also take recruiting seriously. The number of Jobs that successful knowledgeableness companies must fill is astonishing.

Ironically, many companies still have no shortage of applicants. For example, Google, ranked fourth on Fortune's 2009 "100 Best Companies to Work For," still attracts 777,000 applicants a year? even though hiring has slowed. 35 The challenge becomes having the right Job candidates, not the greatest number of them. Resources 125 Deserted chic 118-155. And 125 11/11/09 PM GE Medical Systems, which builds CT scanners and magnetic resonance

imaging (MR.) systems, relies extensively on networking. They have found that current employees are the best source for new ones.

Recently, Steven Potshot, head of staffing and leadership development, made a few simple changes to double the number of referrals. First, he simplified the process? no complex forms, no bureaucracy, and so on. Second, he increased incentives. Everyone referring a qualified candidate received a gift certificate from Sears. For referrals who were hired, the "bounty" increases to \$2,000. Although this may sound like a lot of money, it is "peanuts" compared to the \$15,000 to \$20,000 fees that GE typically pays to headhunters for each person hired. <sup>6</sup> Also, when someone refers a former colleague or friend for a job, his or her credibility is on the line. Thus, employees will be careful in recommending people for employment unless they are reasonably confident that these people are good candidates. This provides a good "screen" for the firm in deciding whom to hire. Hiring the right people makes things a lot easier: fewer rules and regulations, less need for monitoring and hierarchy, and greater initialization of organizational norms and objectives. Consider some of the approaches that retire, people in this demographic group are becoming more and more important in today's workforce.

We also provide some "tips" on how to get hired. We address these issues in Exhibit 4.3. Developing Human Capital It is not enough to hire top-level talent and expect that the skills and capabilities of those employees remain current throughout the duration of their employment. Rather, training and development must take place at all levels of the organization. <sup>37</sup> For

example, Selection assembles printed circuit boards and other components for TTS Silicon Valley clients. 38 Its employees receive an average of 95 hours of company- provided training each year.

Chairman Winston Chem. observed, " Technology changes so fast that we estimate 20 percent of an engineer's knowledge becomes obsolete each year. Training is an obligation we owe to our employees. If you want high growth and high quality, then training is a big part of the equation. "

Although the financial returns on training may be hard to calculate, most experts believe it is essential. One company that has calculated the benefit from training is Motorola. Every dollar spent on training returns \$30 in productivity gains over the following three years.

In addition to training and developing human capital, firms must encourage widespread involvement, monitor and track employee development, and evaluate human capital. 39 Encouraging Widespread Involvement

Developing human capital requires the active involvement of leaders at all levels. It won't be successful if it is viewed only as the responsibility of the human resources department. Each year at General Electric, 200 facilitators, 30 officers, 30 human resource executives, and many young managers actively participate in Gee's orientation program at Correlation, its training center outside New York City.