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**INDIVIDUALIZING THE ORGANIZATION:
PAST, PRESENT AND FUTURE**

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**EDWARD E. LAWLER III
DAVID FINEGOLD**
University of Southern California

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**Individualizing the Organization:
Past, Present and Future**

Edward E. Lawler III

David Finegold

Today, many organizations are seeking to become “the employer of choice” -- to find ways to attract and retain high quality employees. Twenty-five years ago many of these same firms were trying to improve the quality of work life and employee satisfaction. Although the language has changed, the core issue has stayed the same: how to design organizations and jobs that meet individuals’ needs. The solution proposed by the first author of this paper in an *Organizational Dynamics* article published in 1974 is captured in its title: “For a More Effective Organization – Match the Job to the Man.”. It argued that work can be made more rewarding and organizations can be made more effective by using approaches to organizational design and human resources management that take into account the great differences that exist among individuals.

A lot has changed in the twenty-five plus years since this article appeared, but in many respects the individualization approach suggested in 1974 is as valid today as it was then. In addition, research and technology developments since 1974 suggest a number of ways in which organizations can do more to individualize their work arrangements. Organizations can now form employment contracts with individuals that are more flexible, adaptable and take into account differences among individuals much more effectively than they could twenty-five years ago. There is also good reason to believe that when they effectively do this they gain

competitive advantage through attracting and retaining a diverse and talented pool of human capital.

The argument for individualizing organizations rests on the reality that individuals differ significantly in their abilities and in what they desire and want from work. Because of the differences among people, no single way of dealing with individuals is ever likely to be the best way to deal with all or even most individuals. Further, the whole approach of treating people in a standardized manner runs counter to the desire of many people to be treated and recognized as individuals.

It was obvious twenty-five years ago that the work force was diverse and could not be adequately dealt with by standardized approaches; today the U.S. workforce is dramatically more diverse. It contains more women, more minorities, and more diverse family situations. Much of the recent growth in the U.S. labor force has as a result of immigration from Asia, Latin America, Eastern Europe and Africa. This is particularly true in the major metropolitan areas where employee groups often represent many nationalities and ethnic backgrounds. In addition, more and more organizations operate globally and, as a result, have workforces that are made up of many nationalities. Indeed, the title of the 1974 article, "Match the Job to the Man," shows just how much the work force has changed since the original article was written. Today, the use of "Man" in this context is outdated and unacceptable.

Designing organizations in ways that recognize the different needs of individuals can have a positive impact on employee satisfaction and motivation. Because individuals differ in what satisfies them, an approach which tailors the work to individuals should produce the highest levels of satisfaction. The satisfaction-level of employees is important for two major reasons. First, it is a critical part of attracting and retaining employees. Satisfied employees are more

likely to stay with an organization and tell others that it is a good place to work. In an era when many leading firms have declared a "war for talent," the attraction and retention of employees is a key to success. The second reason for being concerned about satisfaction is the impact that it has on customer service. Since 1974 there has been a growing body of research which suggests that satisfied and committed employees are critical to attracting and retaining customers, especially in personalized service situations where customers pay a premium for high quality service.

In the area of motivation, the key issue is identifying the rewards that employees value and tying them to their performance. Individualizing the rewards that are given is important because of the variation in what employees value. Rewards that are not valued do not motivate; thus, organizations may gain from having the ability to adapt their performance reward systems to differences in what individuals value.

Traditional organization theory pays little attention to individual difference. Both scientific management and bureaucracy take a one-size-fits-all approach. Much of the recent work on employee involvement and quality management does the same. Individual differences come up only when employee selection is considered and it is stressed that it is important to determine which job applicants are a good fit for the organization. A selection-based approach assumes that an organization will always be able to find enough applicants who fit its distinctive hiring requirements and it assumes that homogeneity is desirable. These two assumptions are sometimes true, but in many cases, job applicants are such a diverse and scarce group that it is impossible to find enough qualified individuals to fit a standardized profile. This was sometimes true twenty-five years ago; it is often true today and is most likely to be even more frequently true in the 21st Century. Further, in some cases, homogeneity is not desirable. It may, for

example, prevent an organization from understanding and effectively dealing with diverse customers and markets. Global organizations, in particular, face the challenge of managing very diverse employees in order to serve their very different customers.

AREAS OF INDIVIDUALIZATION

The 1974 article discussed six areas where organizations can be individualized: selection, job design, leadership, work-life balance, pay and benefits. Some of the suggestions made have, in fact, turned out to be widely accepted practices in today's organizations; others have not. In many of these six areas, possibilities now exist that were not mentioned in the article. In addition, there are two new potential areas for individualizing the organization -- career ladders and employment contracts -- that were not considered in the 1974 article. In total, we can identify eight major areas where significant individualization of the work situation can occur. These will be discussed below.

Types of Employment Contract

One large area of individualization of work arrangements that was not under consideration twenty-five years ago relates to the nature of the employment contract itself. In 1974, the vast majority of individuals working in large U.S. organizations were full-time, permanent hourly or salaried employees. In the ensuing period there has been a rapid growth in alternative work arrangements -- most notably, temporary workers, independent contractors, consultants, and other forms of self-employment -- along with a more gradual expansion of part-time workers; the U.S. Department of Labor now estimates that over thirty percent of the American work force is in one of these alternative types of contractual arrangements.

As we shall see in other areas of individualization, the key driving forces behind the growth of alternative, or more “contingent” work arrangements have, in most cases, been companies’ efforts to decrease costs and increase flexibility. By limiting full-time employment to those who are vital to the organization’s core competencies, and outsourcing or contracting with individuals to supply additional labor, firms seek to minimize fixed costs and maximize their ability to adapt as demands from the market shift.

Temps are often seen as the epitome of “contingent” workers. They are used by firms as long as they are needed, and then discarded. And yet, the temporary staffing industry has been among the most rapidly growing sectors of the U.S. economy. A closer look at temporary work suggests that not all of the growth in alternative employment arrangements is being driven by firms. While surveys suggest that the majority of temporary workers would prefer a “permanent” job, the temporary staffing sector continues to expand even in local labor markets where the unemployment rate is below three percent, suggesting that a significant portion of temps prefer these positions to the full-time jobs that are available. This is particularly evident for technical experts and professionals, the most rapidly growing segment of the temporary staffing industry, whose skills are in high demand. Many of these individuals appear to prefer the flexibility and variety that comes with choosing interesting projects, rather than committing to any one organization.

The combination of demographic and technological trends, along with changes in individual preferences and the nature of work, all suggest that we will see continued growth in alternative employment contracts. These new employment contracts, however, are likely to be driven more by a balanced approach to the needs of individuals and firms, rather than simply meeting employers’ short-term cost reduction and labor flexibility focus. Over the next two

decades, there will be a significant drop in the number of 35-55 year-olds in the U.S. workforce along with a significant expansion of the over fifty-fivers. The most able individuals in this senior talent pool are also likely to be those who have the least financial need to work, and the greatest array of opportunities for travel and other leisure activities outside the workplace. Organizations that want to tap this rich potential supply of technical and managerial talent will need to devise employment relationships that enable them to combine working with their other interests.

Selection

Selection systems play a critical role in determining the degree to which individuals fit the work situation that they are in. Historically, the selection process has been a mostly one-way process in which the organization assesses individuals to determine whether or not they will fit a job the organization needs performed. The 1974 article placed a great deal of emphasis on creating a selection situation in which individuals play a more active role so they can get the information they need in order to make a good job choice decision. It specifically stressed the importance of using realistic job previews so that individuals can make valid judgements about whether they are likely to fit the organization and the job situation that is available. This recommendation was based on numerous research studies which have shown that when individuals are given realistic and complete data about the jobs they are applying for they are more likely to be satisfied and remain in the jobs.

There apparently are two reasons why realistic previews have a positive impact. First, they enable individuals to enter an organization with clearer, and more accurate expectations about what work will be like. This helps assure that they are not easily disappointed. Secondly, they help individuals make better choices about whether they should take a job, and this leads to

better fits between individuals and organizations. Since the 1974 article, realistic job previews have gained in popularity. Today they take many forms including hiring individuals as temporary workers in order to gather data about how effectively they can perform and to provide individuals with real job experiences.

The internet and the growth of intermediaries specializing in the hiring and selection process promises to increase tremendously the ability of individuals and organizations to create a good match. The internet can provide considerable job and organization information to individuals both outside and inside an organization who are looking for a new job. There has been an explosion of firms, including many .com start-ups, that are designed to improve the match between firms and employees. For example, one electronic placement service for technical workers also conducts web-based surveys of recent hires at high technology firms, identifying what it takes to get hired by firms and what it is like to work for them. It then compiles these answers and sells the reviews to candidates to give them a more realistic job preview. Other web-based service providers are enabling small and medium sized firms who could not otherwise afford to recruit on campus to target specific types of graduates and then have them screened against their hiring criteria. Only those individuals who show the best fit are forwarded to the firm. In essence, this makes possible and practical something that was suggested in the 1974 article: giving individuals more feedback about the results of evaluations which are made of them. This can enable individuals to both correct deficiencies and make informed choices about what jobs they should apply for and whether they will fit well in an organization.

Career Development

The array of career options open to individuals is another area where there have been dramatic moves toward greater tailoring to individual needs over the last twenty-five years. At the time of the original article, the career pathways in most U.S. corporations were similar and rigidly defined. Today, we see a dramatically different career landscape. The flattening of conventional organizations, the birth of new, networked firms, and significant changes in the psychological contract between employees and their employers have all combined to reduce the universality of traditional career models, where individuals gradually progressed as far as they were able up an organization's hierarchy. In its place has come the notion, put forth by Hall and Mirvis, of a "protean career," where individuals take charge of their own career development, continually building new competencies that will enable them to adapt to the changing demands of the workplace across multiple types of work and organizations.

While the rhetoric of "career self-management" often does not live up to the reality, many companies have taken significant steps to help individuals manage their own career development and to provide pathways more tailored to different peoples' needs. For example, a Center for Effective Organizations study of ten global firms in a variety of technology-intensive sectors has found that the factors which motivate and retain managers are often quite distinct from those that motivate and retain technical professionals. Many firms have adapted to this reality by creating a separate technical ladder for their scientists and engineers that enables these individuals to increase their earnings and stature within the organization based on the level of their technical capabilities and the value this contributes to the firm, rather than compelling them to assume managerial responsibilities in order to advance. One energy firm calls its approach a technical career "pathway" rather than a "ladder" to connote that the enhancing skills and

advancing may involve lateral, rather than vertical moves. Creating multiple career pathways not only improves individual satisfaction and retention, it also avoids the problem, common in professions ranging from teaching to banking, of promoting top-performing frontline workers into managerial positions that they neither desire, nor are well suited for, because this is the only way to reward them.

Organizations can fail to gain the full potential advantage of additional career paths they create if they fail to alter the surrounding human resource practices to give these career options equal status. As an example, one prominent Texas law firm recognized that its up-or-out career path for new associates was causing it to waste substantial talent in a highly competitive labor market. The major time demands of the race to make partner, typically sixty to eighty hours per week, did not fit the individual needs of many young lawyers, particularly associates who were starting families. So the firm created a separate “part-time,” thirty-five hour per week career track that enables individuals to work three to four days per week on a reduced number of assignments. The problem came at the end of the year in the performance appraisal process when those “part-timers” who had excelled at their work failed to receive a significant pay raise or bonus because they were being measured using the “billable hours” criterion of the traditional associate. While this may be an extreme example, many alternative career pathways suffer because the opportunities for advancement they offer fall short of the opportunities open to managers and don’t fully capture the value the most talented technical experts can create.

Another way in which firms are enabling individuals to take far more control of their careers is through the creation of open internal labor markets. Hewlett Packard has a well-established global electronic job-posting system that allows qualified individuals anywhere to apply for available positions. There are strong cultural norms and leadership support for filling

the vast majority of posts using this system, rather than through a more secretive management-driven succession planning process. Thus, this job-posting system thrives, whereas many others have failed to have a significant impact. Individuals are also provided with an array of other web-based tools for managing their own careers, such as skills and needs assessment profiling tool that enables employees to come up with their own, detailed development plan. The results are much lower turnover rates for HP than its main competitors. It also influences leadership behavior, as managers who try to hoard the best performers or fail to develop their people cannot succeed in such an environment, because no one wants to work for them.

In some firms, employees have ideas for successful businesses and want to start their own companies to exploit them. Rather than haggle over whose intellectual property the idea is, some large organizations are encouraging these employees to create spin-offs, by providing them with venture capital funds in return for an ownership stake in the enterprise. This can increase the probability of success by increasing the individual's motivation and decreasing the constraints that bureaucracy and resource management systems can impose on small businesses in large organizations. Such ideas are not only increasingly common in U.S. high-tech industries, but are already commonplace in German and Japanese manufacturers, where many large firms have built a local supplier base focused on their needs by encouraging entrepreneurial employees to form their own firms.

Firms that have not adopted an open, flexible approach to letting individuals create their own career pathways may soon be forced to do so by the spread of the Internet. The reality is that job search agencies and direct competitors can now target high performers and reach into an organization with email to let them know what opportunities are available. For example, there are now recruiting consulting firms that specialize in "flipping" a firm's web site, to copy the

internal employee directory and use this as a way to lure away their workers. Companies that don't actively assist their employees to manage their careers and find new opportunities within their organization are unlikely to keep the most marketable of them.

Job Design

One of the areas for individualizing employment that received the greatest attention twenty-five years ago was job design. At that time, job enrichment and employee involvement (EI) were gaining in popularity among corporations, and the question was whether these concepts should be applied to all workers or a select group. There was some evidence to suggest that while EI was desired by a large majority of workers, certain employees preferred and were more productive in routine, unchallenging jobs. There are several reasons why this debate seems largely to have disappeared from the American workplace. Many elements of employee involvement and job involvement that were once considered radical, have now become standard practices in most large U.S. firms. At the same time, many routine tasks that could not be easily enriched – e.g. repetitive assembly or manufacturing jobs, check processing, telephone operators – have been automated out of existence or transplanted from the U.S. to lower wage nations where the same work can be performed for a fraction of the cost.

Rather than focus on which jobs should be enriched, organizations are beginning to make the more radical move of abandoning the traditional concept of the job altogether. One way in which job design is being tailored much more closely to the capabilities and preferences of individuals is through the growing use of self-managing teams. Our periodic survey of the largest 1,000 U.S. firms indicates a dramatic growth in the use of self-managing work teams. They were present in seventy-eight percent of these corporations in 1996 compared to twenty-eight percent in 1987. While management typically plays a key role in deciding which skills the

team requires and selecting the individuals who have these competencies, it is usually left to the team to decide how the work should be divided among its members. As the team evolves and team members become more multi-skilled, the work that each individual performs often shifts to accommodate personal as well as work requirements.

The growing use of competencies and knowledge- and skill-based human resource management systems in organizations also creates the possibility of work situations being altered to fit the mix of individuals that are available. Instead of simply trying to fit individuals into an existing job description, it is becoming possible to adjust work roles, project objectives and team structures to fit the talent that is available. The competency approach is likely to become even more popular as organizations increasingly use discrete knowledge work teams whose membership changes over time.

One interesting example of the move away from job-based models of work design to a more individually tailored competence approach is AT&T's Resource Link, an internal temporary staffing agency. Resource Link was established in 1991 as AT&T was in the midst of a prolonged period of restructuring. Management recognized that it was laying off many people who had skills that could be used by other parts of this large organization while at the same time spending millions on contract workers. An elaborate skills database was created to match the competencies of Resource Link employees to the available jobs in AT&T and individuals were given work that would previously have been given to temporary workers or consultants. Because Resource Link has consciously kept its staffing levels below the demand for its employees, individuals typically are able to pick from several assignments, so they do work that is best suited to them. Internal surveys suggest that Resource Link employees, who receive the

same benefits as other AT&T workers, are more satisfied with the choice of work and the feedback they receive than are their peers in traditional jobs.

As organizations continue to evolve toward more knowledge and project-based work, we are likely to see more examples of work design that resemble Resource Link. Instead of being driven by a downsizing of the workforce, however, it is likely to stem from the pressure on firms to attract scarce talent. Microsoft, for example, has generated its own turnover problem by making many of its key performers independently wealthy by the time they reach forty. The only way for Microsoft to keep these vital knowledge assets is to allow them to design their jobs so that work is more interesting than retiring or leaving to form their own firm.

One of the world's largest consulting firms traditionally encouraged its partners to retire in their early fifties in order to create new partnership slots for its associates. It recently reversed this policy, recognizing that it was losing some of its most able contributors while struggling to recruit enough capable individuals to satisfy the demand for its services. The new approach is to offer these highly experienced individuals a new senior consultant status that enables them to design their own job: for example, mentoring high potential employees, and to pick their own projects and hours. At 3M, researchers have long been given fifteen percent of their time to spend on whatever projects they feel have the greatest potential for the organization, an individual job design component that has helped produce a number of important innovations. In short, we are likely to move toward more and more work organizations where the work is negotiated and changed in order to fit the characteristics of the individual. In a world of high value human capital, it only makes sense to create work situations that effectively utilize the capital that is available.

Leadership

In many respects, the writings on leadership have not changed greatly since the 1970's. Leadership has become an increasingly popular topic, but the emphasis is still on defining the "right" leadership principles and practices. With few exceptions, the "right" principles and practices do not consider the characteristics of the individuals who are being managed. Instead, the emphasis is on finding and then training managers to behave in a way that is generally effective.

The 1974 prediction that organizations would practice more democratic styles of leadership appears to have been accurate. However, the article also pointed out that not everyone thrives under a participative approach to supervision. Some individuals need discipline while others are better at self-management. The differences in the work force that are likely to influence the effectiveness of most approaches to leadership have grown significantly over the last two decades. Not only is the U.S. workforce much more diverse than it was twenty-five years ago, global organizations increasingly find themselves operating in societies with different traditions of leadership and therefore with employees who respond differently to leadership behaviors. Thus the argument that managers need to be sensitive to what is the most effective leadership style for a particular individual or group of individuals is perhaps more on target today than it was in 1974.

Not only have individuals become more diverse in ways that affect leadership, the variety of supervisory relationships has increased. With the growth of information technology and the ability of individuals to work from various locations, organizations face new leadership challenges. Managers need to be able to manage employees based on their output, not how they

achieved it. This can require a very different leadership style than one where the supervisor or manager has regular, in-person contact with the work process and the individuals doing the work.

The growing use of teams also suggests a need for a wider array of leadership behavior. The research on team effectiveness indicates that a quite different leadership style is required of an individual who is managing a team. Team goals and team assessments of performance are needed, and process interventions need to be made. This is in significant contrast to managing individuals with one-on-one conversations and feedback.

The future with respect to leadership behavior seems clear. An increasing variety of leadership styles are going to be needed and leaders are going to need to know how and when to use different leadership approaches. Leaders will need to be able to take into account not only the cultural and individual psychological condition of the individuals that they are managing, but also the organization design and technological implications of the work setting. They will increasingly need to adjust their leadership style to managing different types of teams and to managing employees in a variety of technology-enabled work situations. This is likely to include virtual teams, supervision of individuals who are working at remote locations, and individuals who are continuously traveling and working from home.

With respect to the psychological needs and preferences of individuals, managers are increasingly going to have to consider generational differences and national cultural differences. Putting it quite simply, no single leadership style is likely to be effective in a global organization. Leaders are going to need to balance and adjust their leadership behaviors to the situation so that they are effective not just in a single culture, but in cultures that value formal authority, age, education, and power in different ways and to different degrees.

Work-Life Balance

One of the greatest changes in the employment relationship over the last two decades has been the spread of policies and practices that enable individuals to balance the demands of the workplace with the challenges of the rest of their lives. Twenty-five years ago, major U.S. corporations were overwhelmingly run by men who either had no family or wives who took care of their non-work lives so that they could focus on their careers. Work-life issues were confined to experiments with small adjustments in work schedules: e.g., flexible starting hours, or four, ten-hour days. In today's workplace, far more women are in key leadership roles, the majority of employees have or will be in two-career or single-parent households, and at the same time, Americans are working more hours. As a consequence, work-life balance policies – ranging from flexible schedules and job sharing to teleworking and on-site services (e.g. childcare, healthcare, concierge services) – are increasingly common in many large corporations and high-tech firms.

Research suggests that employees with families have higher levels of organizational commitment and job satisfaction when they perceive firms to be offering more flexible scheduling and other work-life balance practices. It may be a mistake, however, to equate work-life balance with “work-family” issues, since this can lead to resentment from individuals who do not have family responsibilities and feel unfairly excluded from access to practices that would allow them to focus on their interests outside the workplace. Our research indicates that there may also be a generational shift underway – satisfaction with work-life balance is a significantly stronger driver of commitment for today's technical professionals who are under thirty than for their older counterparts, despite the fact the latter are likely to have greater family obligations.

While many companies now have work-life balance policies, the evidence suggests that in most cases, very few individuals make use of such practices. Hochschild's detailed anthropological study of a large U.S. manufacturer suggests a possible explanation: while employees know that officially they can work part-time or from home, few take advantage of the opportunity because they fear that they will not be perceived as serious about their careers if they do it.

In the future, work-life balance practices may cease to be seen as useful perks that progressive employers add to a benefits package, and instead be treated as an integral part of a strategy to attract and retain key talent. A few employers have already begun to view work-life policies in this way. At Hewlett Packard, for example, former CEO Lew Platt, himself a single parent, was a champion for work-life balance. He introduced a set of practices, such as the promotion of two individuals who were sharing a job into a higher level position, that have helped HP maintain turnover rates that are less than a third of its key competitors in the ultra-competitive Silicon Valley labor market.

The ubiquitous spread of information technology is a double-edged sword from the perspective of work-life balance and individual choice. It will continue to blur the line between work and the rest of life for knowledge workers, as people are potentially connected to their work twenty-four hours a day, seven days a week, anywhere around the globe. In the future where a person works is likely to be dictated far more by the requirements of the task -- e.g. Does it need in-person contact? --and individuals' personal preferences, than it is by supervisors' preferences for seeing the people they are managing. It is also likely to lead to reform of laws governing employment practices and hours, such as the Fair Labor Standards Act, which was passed in 1935 and no longer seems to fit the needs of a twenty-first Century economy. Reforms

might allow variable annual hour contracts, like those that have become common in Germany, where a set number of hours per week is replaced by an agreement between workers and employers on a total number of hours of work to be performed during a year, with the hours worked in a given week varying based on a balance of employee needs and customer demands. Such reforms, of course, require adequate safeguards for individuals, particularly with the ongoing decline of trade unions in the U.S., to make sure employers do not abuse the system.

Benefits

Individual differences among people often manifest themselves in their preferences for different kinds of rewards. This is especially apparent when it comes to such fringe benefits as health care, life insurance, and time off. As was stressed in the 1974 article, a number of factors lead individuals to have widely different preferences for the kind of reward packages that they receive from an organization. It also strongly argued that organizations should give individuals more choice in order to maximize the power of the rewards that they give. This, in fact, has happened to a significant degree, but only in relatively limited areas.

The last decade has seen dramatic increase in the use of cafeteria or flexible benefit programs and shifts in company pensions. The more enlightened of these programs give individuals significantly more choices than were available with the old one-size-fits-all benefit packages. They also appear to be a much better fit for today's workforce where employees typically do not plan to remain with a single firm throughout their careers and many are trying to fit their benefits with those of a partner who also has a benefits package. In the best cases, flexible benefit plans can both increase the satisfaction of employees and help to control costs. These two, often competing objectives are accomplished because individuals pick only those

benefits that cost the organization less than the value individuals place on them, thus, they are cost effective.

Despite their popularity, cafeteria benefit plans typically are very limited in the choices that they give. Most simply allow individuals to shift their insurance coverages among different carriers and perhaps take slightly different kinds of insurance. Individuals often now have a similarly narrow choice among several retirement options. Truly flexible plans would allow for trade-offs among vacation time, cash and benefits. Despite the obvious advantage of these kinds of trade-offs, they are typically not allowed because organizations are concerned about giving individuals too much choice and the accompanying increase in the complexity of managing these plans. In the case of healthcare, they are also concerned about the risk of increased premiums caused by adverse selection because the youngest and generally healthiest employees opt out of coverage.

What does the future hold? Individuals potentially can be given much greater choice than they have now. Not only can they be given choices between cash and a wide variety of benefits, they can be given choices among cash and some of the indirect benefits that they get as a result of working. For example, individuals can be given a choice as to whether they have an office or receive additional cash for saving the company money because they elect to work from home or on the road. The same choice can be made with respect to parking spaces and so on. Ultimately, organizations could establish the total cost they are willing to spend to employ an individual and then leave it up to the individual to decide how to spend this amount of money. They could take it in cash or choose a wide variety of services, perquisites and benefits from the company.

Pay

As work becomes more portable and technology changes the nature of work and organizations, it is likely that organizations will be able to give individuals greater choice when it comes to the cash components of a compensation package. It will be very interesting to see if this choice involves significant trade-offs among different kinds of financial incentives. There are already some organizations that give individuals a choice between stock and cash rewards as well as between stock option plans and straight cash. It is likely that choices of this kind will increase and simply because individuals have such different preferences for risk and the types of incentives that are attractive to them. Individuals can also be given choices between travel and cash, merchandise and cash, and a whole plethora of incentive awards that are tailored to fit the needs of individuals.

Paying the person rather than the job represents an approach to individualizing pay that ties directly to our earlier discussion of job design. Twenty-five years ago, the idea of skill-based pay was a new one. It was being developed in a number of manufacturing plants and was growing in popularity. Under skill-based pay, individuals are allowed to influence their pay level by determining which skills they learn. The more skills they learn, the more they are paid. Skill-based pay has grown tremendously in its popularity since the early 1970's. It is now the most commonly used approach to paying self-managing teams. It gives individuals the chance to learn different skill packages and therefore to partially determine how much they are paid. And it provides a mechanism for firms that are asking individuals to manage their own careers, to send signals to them about which competencies the organization values.

The growing importance of knowledge and skills is leading to an additional individualization of the reward system practices of organizations. Increasingly, individuals who are critical to the core competencies of organizations are being given specialized reward packages that fit their unique set of skill and needs. These packages often include not just special working conditions such as laboratories or the opportunity to work from home, but also above market cash compensation, special perquisites and special stock treatment. This approach has been popular at the senior executive level for a number of years, but it is likely to become increasingly popular and common for non-executives who possess key technological skills and knowledge.

It only makes sense to treat high value human capital individuals as core resources and to give them a reward package which makes it particularly attractive for them to stay with the organization and perform well. One way to assure that the package that they get is not just more valuable than the one that other employees get, but that it is more attractive to the individual is to involve the individual in customizing the reward package. This is likely to lead to individual legal employment contracts for an increasingly large number of individuals in knowledge-intensive organizations. These contracts are likely to include many custom features that are concerned with terminations and working conditions.

INDIVIDUALIZATION VS. STANDARDIZATION

There is no doubt that organizations can increasingly individualize their job designs, selection processes, reward systems, work hours, working conditions and leadership styles in order to adapt to the disparate needs of individuals. There is also little doubt in our minds that this will be an increasingly popular and effective approach to organizing. But is it the right approach to use in all situations? There are a number of complexities and potential dysfunctions

that arise in situations where the work relationship is individualized. Perhaps the most obvious one is the complexity of managing a work system in which many individuals are independent contractors or employees with contracts so distinct that they need to be individually managed.

Information technology can be a tremendous aid. It can develop and track the nature and type of individual relationships that exist and automate many of the choices that individuals make. But managers, information systems specialists, and organization designers still need to sort out and deal effectively with all of the complexities. Information technology also can not solve the internal cultural issues of perceived inequity and unfairness that undoubtedly will arise when people strike their own deals with an organization. Indeed, highly individualized organizations run the very great risk of each individual leveraging a better reward package by comparing his or her reward package and work situation to that of the employees anywhere in the organization and outside it.

The problems and complexities that are raised by extensive individualization quite naturally lead to the question of when the employment relationship should be individualized to fit the characteristics of the work force. There is no easy simple answer to this question, but some factors can be identified that need to be considered in deciding where an organization should fall on a continuum ranging from a very individualized work arrangements to one that takes a more standardized, bureaucratic approach.

- 1) Labor Supply and Demand -- The ease of attracting and retaining employees is a key factor in determining how much work needs to be individualized. The simple fact is that in today's labor market there are often not enough individuals available to staff an organization which takes the standardized approach. This is particularly likely to

happen when an organization has to attract high value-added knowledge workers.

Thus, it is important that an organization be able to adapt its work situation to fit the characteristics of “hot talent” individuals or labor market conditions in which demand for workers far outstrips supply.

- 2) Workforce Diversity -- In a number of situations, it simply is good practice to have a relatively diverse workforce. This is particularly true in organizations that need to sell products to diverse groups in their country or even more dramatically when they need to market their products globally. A homogenous workforce is not likely to have the capability to understand the nuances of a complex heterogeneous market and be able to tailor their marketing strategies to the differences which exist from country to country, age group to age group or ethnic group to ethnic group. Thus, the more complex and varied an organization’s customer base, the greater the imperative that it create a workplace that is diverse and that has people in it who value diversity in the way people think about problem-solving and work.

- 3) The Strength of Organizational Culture -- For certain types of organizations, it is important to have a single culture that focuses on a particularly important goal. For example, in the military, there is an advantage to focusing on a common enemy and having a strong culture around what kinds of behaviors are needed to be victorious. Similarly, organizations that only use a few key motivators needs to be sure that its employees value the right kinds of reward. A vision-driven organization that cannot pay well and does not have stock options to offer needs to recruit a work force that

cares more about mission than money. Firms in the start-up phase are another example. They need individuals who are willing to accept risk and focus all of their energies on a single goal.

- 4) Rate of Change – A standardized approach has the capability of creating the kind of internal homogeneity that allows an organization to focus on a single objective and a single set of behaviors to achieve that objective. But it does not do a good job of preparing the organization for change. It runs the very great risk of creating an organization that is able to perform and survive only when the environment remains the same and demands continuation of the same behaviors. As business environments become increasingly unstable, it is likely that more and more organizations will need to change continuously in order to survive. This is where individualized organizations may have an advantage because of the diversity of the human resources they have. The population ecology literature strongly supports the argument that variety within species is critical to their survival. To the degree that this is true of organizations, it suggests that organizations that are individualized are more likely to outlive those which are not diverse.

SUMMARY AND CONCLUSIONS

Table 1 provides a summary of the key elements of an individualized employment relationship. It traces the changes that have already been made which individualize organizations and suggests a number of potential options for further tailoring of the employment relationship to meet different peoples' needs. Despite some of the difficulties associated with

individualization, our guess is that it will become increasingly popular. It has many advantages with respect to attracting, motivating and retaining the most talented employees in an era when it is people who will increasingly be the key constraint on firm growth.

Table 1
Individualizing the Employment Contract

	Past Forecast (1974)	Current Reality	Forecast for Future
Employment Contract		- Increased use of temps, contractors, outsourcing partnerships to meet employer needs	- Continued growth in variable work, self-employment to fit individual needs
Selection	Realistic Job Previews	- Growing use of previews/Behavioral-based interviews	- Intranet-based job matching - Self-assessment tools for fit - Selection for projects mirroring initial hiring
Job Design	- Parallel, alternative designs of same job - Increased rotations	- Competencies> - Job - Self-managing teams	- Reconfigurable organization - Job self-design
Leadership	- Allow for multiple styles	- Increased diversity of global leadership needs	- Self-management of performance - Team leadership skills for all
Career Pathways	Not discussed	- Technical ladders - Experiments with alternative pathways - Core and periphery - Career self-management	- Multiple employers simultaneously - Real supports for career self-management - Equal recognition for alternate routes
Work-Life Balance	- 4/10 schedules - Flextime	- Alternative work arrangements - Telecommuting - Widespread flextime - Child and elder care	- Blurring of the “workplace” - Annual hour contracts - Manage output > time or location
Rewards	Skill-based pay	- Competence-based Pay - Individual and team rewards - Real-time recognition	- Ongoing growth of differentiated and variable pay for skills and performance Employee ownership
Benefits	Cafeteria benefits	- Cafeteria benefits	- National healthcare? - Tradeoff benefits vs. other parts of the contract

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