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**Creating a New Employment Deal: Total  
Rewards and the New Workforce**

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## Creating a New Employment Deal: Total Rewards and the New Workforce

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Few things are as obvious as the fact that individuals differ. They have different genes, sexes, ages, skin colors, skills, and motives to mention some of the key ones! Because individuals differ, when organizations deal with them, they face a number of challenges. They range from taking account of their skill differences to dealing with their differing preferences and motives. An organization that treats all individuals the same runs the very great risk of treating almost no one in the optimal way. On the other hand an organization that treats everybody as an individual runs the risk of creating an incredibly complex organization that is haunted by complexity, confusion and potentially charges of favoritism, unfair treatment and bias.

There always have been large individual differences in the workforces of most organizations and societies. Indeed the field of industrial psychology (Now called Industrial-Organizational) was built on this very issue. However, the extent and nature of these differences is not a constant over time. There are a number of reasons why the extent to which individuals differ in the workforces of most organizations today is much greater than it ever has been and why significant

new differences have appeared. Further, even more differences are likely to appear in the next decade. As a result organizations need to move from a one-size-fits-all employment deal, to an employment deal that is based on individualization.

## **Workforce Differences**

For the last decade it seems that the media has been obsessed with studies and articles that are focused on the differences that are said to exist among generations. An entire industry has developed that is dedicated to describing the different generations and how they should be dealt with. X, Y, boomers, silent, greatest and millennial, are among the most frequently referred-to generations. All of these generations are in the workforces of most organizations.

There are at least two obvious reasons why generational differences exist. First and perhaps foremost, maturation leads to numerous changes in human beings and it creates an age or cohort effect. Maturation changes the physiology of individuals, as well as their mental capabilities and orientations. Thus, it is inevitable that older employees will differ from younger employees.

But the maturation effect is not the major point made by most writers on generational differences. Instead for the last several decades the emphasis has been on how generations differ because of the very different experiences they have had in their lives. The argument is essentially that during the age of say 15 to 25, one

group of people had X experiences while an older group that went through that age period earlier had very different experiences. Because of their different experiences, the argument goes, they are different at this point in time and always will be different even when the younger group reaches the age of the older group.

Recently the emphasis in the writings on generational differences has been on the impact of information technology and the fact that the younger generations are experiencing a more connected world than older generations experienced in their youths. As a result of having no PCs or iPhones when they grew up, the argument goes, not only do people of older generations differ from those in more recent generation; they have trouble understanding and empathizing with what is going on in the minds of younger individuals. Because older generations never experienced what today's younger generations are experiencing, older generations are said to differ both because of maturation and experience. In essence there is both an age- effect difference and an experience-effect difference.

An additional contributor to differences in the workforce concerns retirement. Particularly in the United States, employees have delayed their retirements so that the workforces of most of organizations have a wider age range than they ever have had. This is a critical development because it has created greater life-stage differences than have ever been present in the workforce.

Before we become too fixated on generational and age differences, it is important to remember that there are enormous differences among individuals who are in the same generation; a frequently overlooked and important point. Most of them have different genes and different experiences. Indeed it is dangerous at times, even illegal, to assume that age is a very powerful indicator when it comes to how skilled, motivated and effective employees are likely to be. It simply is not valid to assume that because people are the same age and may have had similar experiences that they are going to want the same things from and at work.

Age and generation differences are perhaps the most frequently discussed causes of individuals differing in their work motivation and behavior, but they certainly are not the only ones that create differences. The population of the United States and other developed countries is increasingly diverse with respect to religious orientation, national origin and a host of other factors that determine what an individual values and the kind of career and work situation he or she aspires to and will perform well in. Large US corporations are increasingly operating on a global basis, and, as a result, are particularly likely to have diverse workforces.

An additional contributor to differences in the workforce is the increasing number of women who are working, particularly married women. Women are moving up the educational ladder and the management hierarchy in ways that have put them in roles that in the past have been held mostly by men. Thus, the U.S.

and those of other developed countries, from top to bottom, the workforce is much more diverse than it used to be with respect to gender.

One additional contributor to differences in the workforce is the educational system of most developed countries. The quality of education that individuals get varies greatly. Those individuals that go to top-ranked universities get an extremely good education, but a significant percentage of the workforce, even in developed countries, has grown up in foreign countries, speaking a different language, and has not graduated from high school. In the U.S. there are also a large number of individuals who have gotten a poor education because they dropped out of school or went to a poor K-through-12 school.

### **Choosing Between Homogeneity and Individualization**

Faced with an increasingly diverse workforce, organizations have a number of critical decisions that they need to make. The most basic one is whether to have an employment deal and a workplace that is designed for a relatively homogeneous workforce or to create an individualized workplace; one that is designed for a diverse workforce. The traditional answer has been, as much as possible, to design for a homogenous workforce and to select employees on the basis of whether they “fit” the design. But, given the increased diversity of the workforce, that answer is less and less likely to be the right one in the future.

In some respects all organizations are designed for diverse workforces. General Motors, Wal-Mart and other traditional command-and-control organizations treat people very differently, depending upon their position in the organization's hierarchy. By law exempt and non-exempt employees have to be treated differently, as do union and non-union employees. This is differentiation but it is not the kind that is intended to provide a work situation that fits the needs, desires and skills of individual employees; it treats large groups of employees the same based on factors (e.g. management level) that often are not related to what they desire or can do.

There are a number of advantages that go along with having an organization that is designed to treat people in a similar manner. In essence it allows for mass production. The more people can be treated the same the lower the administrative costs of employing workers, and the "simpler" it is to design and manage things all the way from employee benefits to vacations and work schedules. Historically it has also been argued that it is the fairest way to treat people, because everyone is treated the same. However, treating everybody the same may mean that some people are treated much worse than others because the treatment doesn't fit them and some are treated better because the employment deal is a "good fit".

The potential advantages of an individualized approach to treating people are many. Perhaps the most important has to do with talent attraction and retention.

A work environment that takes account of individual preferences and differences is likely to be attractive to a larger number of people in the workforce than one that has a single, standard way of dealing with people. This in turn gives individualized organizations the chance to be much more selective in hiring (larger labor pool) and it can aid in retention.

A diverse workforce is likely to generate more creativity and innovation because it has more diversity in its business product, and in its social thinking. In most cases it also should be better able to understand the needs and desires of a diverse customer population such as those served by global corporations because it has members that bring multiple values and beliefs to customer-service discussions and interactions.

Finally, a diverse workforce can make it easier to find employees who fit a wide variety of jobs and employment situations. This can be an important feature for an organization that wants to operate in different ways in different parts of its business and/or in different parts of the world. It also can help an organization offer services for cultures that require different skill sets and interactions with customers.

The disadvantages of having a highly diverse and individualized way of dealing with employees largely fall in the efficiency area. It is simply more costly and more time consuming to design and manage an organization that treats people



differently. This is particularly true if the reason or basis for treating people differently is who they are and what they like and want to do rather than what the work is that needs to be done and what capabilities the organization needs to have in order to get its work done. Diverse treatment can also raise difficult issues with respect to fairness. It is almost inevitable that if some employees get treated differently some individuals will feel that others are getting “better treatment” and that it is unfair. This is precisely why HR executives often argue for treating people the same; they equate sameness with fairness.

Finally, with diversity of treatment there can be problems as far as matching what individuals want to how they are treated. In order for individual treatment to be effective it has to be administered in a way that matches what individuals want and need. If it doesn't match the individual then it most likely will be worse than having a homogeneous approach to treating individuals.

### **What Should Organizations Do?**

For organizations the choice between homogeneity and diversity of treatment should be driven by its business strategy and how it needs to perform in order to be effective. Perhaps the most obvious feature of an organization that is best managed with a diversity approach is large size. Clearly the larger the organization the more sense it makes to have a diverse way of dealing with

individuals. As noted earlier, diversity gives an organization access to a much larger labor pool, and, in many cases, allows it to understand a large, diverse population of customers.

Innovation is a second feature that should be taken into account when deciding how diverse the employment deal an organization offers should be. The more important innovation is to an organization's business strategy the more logical it is for it to have diverse employment deals and a diverse workforce. The same point can be made for service organizations that want to serve a broad range of customers. They need diverse workforces that understand and can deal with different kinds of customers.

In the past, some large corporations have become well known and successful by having a standard, one-size-fits-all employment deal. Who can forget the IBM of the 1950's, where the level of homogeneous treatment was overwhelming? It had a clear image of what an IBMer looked like and how he, and sometimes she, acted, and it treated employees with amazing consistency from the top to the bottom and featured such things as an all-salaried workforce (no hourly employees). The same could be said for many organizations of that era (e.g. AT&T). But that was half a century ago, and, as already noted, the world has changed dramatically since then. Today's IBM does not have anywhere near the

homogeneous approach to treating its workforce as the IBM of just 15 or 20 years ago did, much less the IBM of 50 years ago.

The key question for most large global corporations today is not whether they should have a diverse or a homogeneous approach to their workforces; rather, it is how to execute and implement a diverse-treatment approach. The two key questions here are what kinds of treatment and working conditions should be diverse and what should determine how individual employees are treated where there are options and choices. Let's look at each of these separately, beginning with the types of diverse treatments that typically make sense in a large organization.

### **Work Itself**

Over the last 40 years a tremendous amount of research has been done on how the key features of work design influence employee behavior and how they fit the characteristics of individuals. Much of this research was stimulated by the socio-technical approach. It clearly shows that there are multiple ways to design work and that individuals vary significantly in how they respond to any work-design option. Some people like to work in groups, some people like individual responsibility and accountability, some like simple repetitive jobs, some like more complex jobs, some like manual labor, others like knowledge work, and so on.

The approaches that organizations can and do take to work design vary widely. The traditional top-down hierarchical organization has carefully defined jobs and detailed job descriptions. The jobs themselves tend to be relatively simple and leave little opportunity for flexibility in terms of the work people do and how they do it.

The other extreme occurs in those organizations that value employee involvement, and, as a result, have challenging, enriched jobs. Indeed they may not have job descriptions at all. High-involvement organizations in essence leave it up to individuals to develop their own job designs by aggregating together activities that they can do well. This approach allows for high-levels of customization and is particularly likely to lead to a good fit between what individuals want to do and what their “jobs” are.

Where shared work is appropriate, individuals can form groups and work on a team basis. When individual accountability is desired, individuals have the flexibility to carve out an area for themselves and commit to producing results in that area. W. L. Gore is a frequently mentioned example of an organization that for decades has allowed individuals to create their own jobs by creating projects and building work groups.

In order to avoid the chaos that an extreme individual-design approach can produce, high-involvement organizations have guidelines and expertise on what

makes for meaningful, motivating, and productive job designs. For example, the work designs that develop must have measurable outputs, be coordinated with the work of others, and be cost effective.

With the advent of information technology, options as to where work is done and how it is done have increased dramatically. Individuals can be given the opportunity to work from home ---part or all of the time. They can use hoteling-type offices and telepresence rooms (designated offices available for day use). Of course how much flexibility exists with respect to where work is done depends a great deal upon the nature of the work and the technology that is used.

Organizations that value diversity often can make technology choices and job-design choices that allow for flexibility with respect to where the work is done.

IBM is among an increasing number of companies where close to 50 percent of employees has no regular office space; instead, they telecommute and use hoteling offices depending upon where they are at a particular time. Best Buy is heavily committed to providing employees with workplace flexibility. It has a project called Results-Only Work Environment or ROWE. Employees are allowed to work virtually anywhere and anytime as long as they successfully complete their assignments on time. Ultimately, Best Buy expects to have about three-quarters of its corporate headquarters employees using the program.

How much travel is involved in a job is an interesting example of how work can vary greatly based on the preferences of individuals. Many companies are finding that meetings that they used to have on a face-to-face basis can be held with webinar and virtual-presence technologies.

The use of virtual-presence technology is a particularly exciting development because it looks as if the quality of virtual-presence meetings is often as high as is the quality of face-to-face meetings. This means that individuals can choose to meet electronically if it fits their preferences and lifestyles. It is a particularly important feature given the global reach of many firms and the time-zone differences that exist. It is also important because with family obligations and other factors coming into play, many individuals in a diverse workforce may not be able to commit to the type of travel that is needed for face-to-face meetings in a global corporation. Cisco is a leader in this area. It has used its virtual-presence technology to make it easy for its global workforces to meet without traveling and on their schedule.

Another area where individual preference differences exist is work schedules. More and more organizations are finding that individuals prefer to start their workdays at different times and to work for different lengths of time. For many individual-contributor jobs, there is no reason why everyone needs to start at

the same time or work an eight-hour day every workday, so giving them flexibility makes sense as part of their employment deal.

## **Reward Systems**

There are a wide variety of rewards that organizations can use to affect individual behavior. There are also a large variety of delivery approaches that can be used for each reward. Money, for example, can be converted into benefits, and individuals can be given a choice of benefits. Money can be paid out in the form of stock, salaries and/or bonuses. Historically most organizations have had a standard package of rewards practices that affect everyone in a particular segment of the work force the same: all hourly workers are treated one way, all managers another and all executives another. Relatively little customization of reward packages is allowed and therefore there is a real danger that the rewards given to individuals will not be particularly valued by them or will be given in a way that some individuals do not respond to favorably.

The alternative to standardized packages of rewards and standardized delivery methods is to customize both the way rewards are delivered and what they are so that they reflect the characteristics of individuals. For example, an individual

can be given a choice as to whether he or she wants to receive most of his or her compensation in stock or in cash. Employees can be given the choice of how much they want to contribute to their retirement plans, and so on. Cafeteria-style benefit programs, which were introduced in the late 1970s, are a step in the direction of individualized rewards, but are just a small step. Most for example, do not even allow individuals to take cash instead of benefits.

NetFlix is an organization that gives its employees a great deal of reward flexibility. Employees can tailor the mix of salary and equity in their compensation packages. Options are granted monthly, and when they are granted, individuals can choose how much stock and how much cash they want.

Rewards are an area where a great number of options are available and where individuals have different preferences about how they are treated and what they receive. Potentially, therefore, there is great deal to be gained from customizing the reward system in an organization that has a diverse employee population. By allowing choice organizations can assure that they get full value for the dollars they spend on rewards. Depending on how the rewards are delivered, this can have a positive effect on how and how much they affect motivation, turnover and other key behaviors.

## **Careers**



Most organizations are designed to support linear careers that feature upward mobility. Yes, there are employees who prefer an upwardly mobile career and will respond favorably to opportunities to get promoted and to learn the skills needed in order to perform higher-level jobs. But not everyone values upward mobility.

Some individuals place great value on becoming more and more expert in a particular technical area. Others are happy to perform a relatively simple, non-demanding job and be rewarded for it. Not everyone wants to change, develop and do more demanding work. This suggests that in an organization that values diversity, a number of career tracks should be available. Some should be focused on upward mobility within a function and some should be targeted at individuals who wish to move up the hierarchy to senior-management jobs. Others should be designed for individuals who want to become technical experts, and still others for individuals who simply want to do a meaningful job well.

Deloitte Touche Tohmatsu is a leader in providing individuals with career flexibility. Initially the company gave employees flexibility in where they worked and in arranging their schedules. Although meeting with generally positive reactions, these flexible work arrangements fell short of meeting the needs of the workforce for individualized careers.

In 2005, Deloitte began testing an approach it calls, “mass career customization.” This approach represents an integrated career model that allows individuals to design a career that fits their needs. It recognizes that employees may want to change their career choices as they mature and as their interests change, and it creates a shared responsibility for careers between individuals and the organization. In 2011, Deloitte opened a 335 million dollar learning university that is designed to support industrialized learning and development.

The Deloitte job-match approach provides individuals with work and career choices in four areas: pace, workload, location, and role. It allows individuals to make choices in each of these areas, and as a result, end up with a relationship to their work and the company that is truly customized. The four areas are the critical drivers of the kind of work individuals do, as well as the work-life balance that they establish. *Pace* refers to the rate of career progression; *workload* reflects quantity of work; *location* refers to where the work is performed; and *role* refers to the kind of position and responsibilities that someone takes on. Taken in combination, they represent the key elements of an individual’s relationship to his or her work.

Mass career customization appears to be a particularly good fit for knowledge-work, project-based organizations. This type of organization has a constant need to retain and develop knowledge workers and to match them with the

work that needs to be done. Knowing what individuals desire and want from their work, and what they are capable of doing, is an enormous aid when it comes to matching them with the project work that needs to be done at any point in time. It also is important in responding to the increasing diversity of the workforce.

Closely related to the issue of the kinds of careers individuals want is how individuals learn. Research on learning clearly shows that individuals differ in what the best way is for them to learn. The obvious implications are that an organization with a diverse workforce should offer multiple ways to learn content. Included in its portfolio of learning approaches could be online, classroom, individual coaching, and other learning approaches that fit the learning styles of the individuals and the content being taught.

### **Managing Individualized Employment Deals**

In a perfect world of diversity the work experience of every individual would be customized to fit his or her skills and abilities. Clearly with a diverse workforce, this would be extremely complex and challenging. Indeed it is easy to dismiss it as impractical. Yes it makes sense from a pure workforce-fit perspective given that many individual differences exist, but it requires a level diversity of practice that is contrary to the very idea of an organization being unified and able to execute its business model in a competitive world.

The challenge that organizations that are committed to effectively managing a diverse workforce face is how best to package and deliver the key features of diverse employment deals. They need an approach that produces a reasonable mix of customization and practical administrative operations. It is beyond the scope of this article to get into the details of how many compensation choices and how many different approaches to job design etc., should be offered. It is not, however, beyond its scope to discuss some different approaches to creating a customized work experience that is based on individual preferences and abilities. There are three approaches to creating an effective person-organization fit that seem particularly appropriate for organizations that have diverse workforces. Let's start by looking at the one that produces the least individualization.

### **Segment the Workforce**

Most in line with the traditional approach to organization design is the workforce-segmentation approach. It recognizes that individuals differ in what they want to do and can do and takes this into account in designing the work systems and practices of an organization. Multiple career paths are developed and different reward packages are offered. The reward packages, jobs and career paths are designed with a particular segment of the workforce in mind. One for example might be designed to fit the GenX population, another to fit baby boomers.

Organizations that take a segmentation approach usually do not offer very many options so that they can gain some economies of scale and make it relatively easy to manage the programs. Firms that do the best job with the segmentation approach, have a clear employer brand that is designed to attract and retain employees that fit at least one of the segments for which the practices of the organization are targeted.

Accenture is a leader in segmenting its workforce. It has four workforce categories based on the kind of work being done. It provides modular choices to its workforce that allow for career breaks and volunteer assignments.

In the segmentation-of-the-workforce approach, both the design of the packages that individuals are offered as part of the employment deal and which package is offered to each individual is largely in the hands of the organization. Often the characteristics of that package are determined by the work to be done.

Organizations that adopt the segmentation approach often are influenced by the research on generational differences. It suggests what workforce segments exist and how they will be affected by specific packages of rewards. Individuals may have a few choices to make about the details of their package, but the major choices are made by the organization based on the characteristics of the individuals they want to employ and motivate to do particular types of work. They use research or simply educated guesses to design the packages that are offered to

employees in the hope that they will be a good fit. If individuals do not like the particular package they are offered, they have the choice of simply not working for the organization or being unhappy employees.

One key design issue when the segmentation approach is used should be the criticality of the work to be done with respect to the organization's source or sources of competitive advantage. Jobs that are difference makers between successful organizational performance and unsuccessful organizational performance need to have key features that assure that they will motivate outstanding performance and that the individuals doing them are appropriately skilled to deliver top-level performance.

The major problem with the segmentation approach is obvious. It assumes that the organization can figure out what individuals want and respond correctly. In order to do this an organization must rely on the obvious characteristics of the individuals, such as their age, gender, education, etc. and make job offers to them and manage them based on assumptions about what people with their characteristics want and can do. The danger, of course, is that this type of profiling may be wrong and, in the worst cases, biased and discriminatory.

As noted earlier there are enormous individual differences among people who are in the same age group, same gender, etc. Simply designing a package that is expected to be attractive to a particular age group may prove to be a futile and

inappropriate approach because it actually fits a relatively small percentage of individuals in that population. Overall, this type of workforce segmentation runs the risk of failing to sufficiently individualize the work experience of people and, as a result, is little better than a single, one-size-fits-all approach to rewarding and managing individuals.

### **Modular Choice**

An effective way to modify the segmentation approach to make it more likely to be responsive to the nature of the workforce is to allow individuals to make choices among packages. The choice can start with defining what is in the modular packages that are offered. Of course the packages have to meet standards with respect to the nature of the work that needs to be done, the skills of the people that need to do it and so on, but that does not mean there is no room for employee input.

With significant employee input there is a much better chance that the modules will attract and motivate the individuals who design them than if they are done by HR or other members of management. Particularly important in the employee-design approach is that the modules be consistently updated and altered on the basis of the changing nature of the work and the kind of workforce needed to do it.

Employee input can go beyond simply designing the modules. It can involve individuals being able to choose modules that fit their preferences for the kind of work they do, when and where they do it and how they are rewarded for doing it.

The modular approach argues for a kind of build-your-own-deal approach that offers individuals the opportunity to design their careers with the support of an organization information system that lets them know what their options are. For example, an organization using this approach must have an HR information system that shows what current openings exist, what skills are required, what educational opportunities are available and so on. IBM has recently developed a job posting system that helps match individuals to jobs and provides career development information. It is not a complete modular system, but it is a good first step in that direction and could eventually lead to a mass customization employment deal.

The best way to summarize the employee-driven modular employment deal is informed choice for individuals, while from the organization's point of view, using choice to improve the ability to attract, retain and motivate a diverse workforce. It represents a new employment deal but it is not as radical a change in the traditional deal as is mass customization.

## **Mass Customization**



Mass customization is the ultimate employment deal for an organization that wants to meet the needs of a diverse workforce. It is radically different from the traditional approach that assigns individuals to well-defined, standardized work activities and career tracks. In mass customization individuals have a wide array of options to choose among. Organizations provide them with a considerable amount of guidance and help in making the choices, but they are the ultimate decision makers when it comes to how they are paid, when and where they work, what kind of training and development experiences they have, what kind of career they have, and indeed, even whether they are employees or contractors. It is perhaps best described as “let’s make a deal.”

oDesk is one company that has built its business model on the basis of mass customization. It is an information-technology-services company that has created a market place where buyers can find workers and work teams to do tasks. The company’s intent is “to enable anyone to work anywhere, anytime.” oDesk has grown rapidly since its founding in 2003. In April of 2011, it posted 79,432 jobs to be done and its “employees” earned over sixteen million dollars while working one and a half million hours. oDesk has developed an impressive internet-based work monitoring system to measure the productivity of its remote workforce.

With mass customization, individuals are more likely than with the other approaches to be in a situation that fits their preferences and skills. Because it is

guided by individuals and offers a variety of choices, it is particularly likely to reflect the diversity that exists among individuals and it avoids the problems associated with age profiling, gender profiling, etc. that can occur when an individual deal is based on one's personal characteristics. It treats people as individuals, not as members of a group. Thus it can be particularly powerful in attracting key human capital and in building an organization with diverse human capital that is committed to seeing the organization succeed.

Clearly the mass-customization approach is not for every organization or every individual. It is an expensive way to manage a workforce and it requires major changes in the traditional employment deal. But in some situations it is the best approach. It is likely to be increasingly popular because of how work and workforces are changing. What are those situations? First and foremost ones where human capital is the key contributor to organization effectiveness. Examples include sports teams, professional-service firms, and yes, even universities. In essence individual deals need to be made in all of these and are critical to gaining a competitive advantage through having a superior workforce.

### **Keys to Successful Individualization**

Effective individualization of the workplace requires making the right choices available to individuals. Saying that of course begs the question of what

constitutes “the right choices”. The key determinant of this is the business strategy of an organization and the kind of behavior that it requires from the workforce. This is what should determine the kinds of employees the organization needs and the way it needs to manage them.

As a general rule the more an organization depends on its employees for its competitive advantage, the more it needs to individualize its employment relationship with them. Skilled knowledge workers are very likely to want and respond favorably to the chance to customize or individualize their work relationships. It is not surprising that professional-service firms (e.g. accounting firms) and software-engineering firms are among the types of organizations that have moved toward high levels of employment individualization. In essence their product is their employees. They need to attract and retain the best talent and motivate it so that it delivers services that result in high customer satisfaction. It is hard to do this with one-size-fits-all rules and rigidity that is based on the assumption that all individuals want the same thing.

Individualization is much easier in a work situation when identifiable products and results are expected from the work. This is a key to the success of oDesk. In essence, identifiable results allow an organization to manage the behavior of employees by specifying the goals and results that are expected. Once

this is done it is relatively easy to be flexible in terms of how individuals work, when they work, and in many cases, where they work.

A high level of individualization does raise a number of management challenges. Command-and-control management is based on visually monitoring how employees are working and what they are producing. This often cannot be done with high levels of individualization. There is simply too much diversity and complexity of activity for supervisors to micromanage the work of very many others. This means that managers have to be skilled at goal setting and assessing individuals with respect to their competencies, capabilities and ability to produce products and services.

Since often managers cannot observe the work of employees until the final product is produced, they have to manage schedules for product completion and product delivery. This requires setting realistic goals and holding individuals to delivery on their commitments. For many managers this is difficult to do because they are used to observing work in process and “making suggestions” as to how it can be done better or more quickly. Watching work get done also provides some comfort to the manager that, in fact, work is being done correctly and that it will be done. For just this reason, Best Buy has invested heavily in training its managers on how to set expectations and how to manage performance in an individualized work relationship.

In addition to how well the individualization of work fits the business strategy and leadership style of an organization, its success depends on a high level of transparency and informed choice. Transparency needs to start with the development of a clear employer brand that states the employment deal. Regardless of which approach to individualization an organization adopts, it is very important that job candidates be aware of what the employment deal is and what it means to them.

Clearly not everyone is a good fit for an organization that individualizes work. Furthermore, individuals that are a good fit for one approach to individualization, such as mass customization, may not find one of the other approaches to individualization to be a desirable work situation for them. Thus, it is vital that organizations do an outstanding job of branding and communicating their employment deal. They can do this through a variety of mechanisms.

Social networks are an increasingly popular way to communicate employment deals, but there are numerous traditional ways of accomplishing it as well. They go all the way from internships that give people a chance to work in the organization for weeks or months, to simply having the candidates observe the work to be done and having informal conversations with existing employees. All of these accomplish the basic purpose, which is to let people know what working for the organization looks like, feels like and what it will mean for them.

When given a good “realistic job preview,” individuals are much more likely to make an informed choice and be an effective employee if they decide to join an organization with an individualized employment deal. A great deal of research makes the point that realistic job previews have a major impact on employee motivation, retention and satisfaction.

One of the challenges organizations that practice individualization must deal with is that people change. As noted earlier, they change because they get older, they get more educated, and a host of other things that happen to them that cause them to change their preferences. An organization that truly values having an individualized relationship with its employees needs to be able to respond to the changing nature of the individuals they employ. It can do this by facilitating internal movement, and, of course, constantly re-opening the choices people have about a host of workplace issues such as hours of work, career tracks and forms of compensation. Further as society and the business environment change, new choices will undoubtedly need to be created and made available.

Creating an individualized work environment is a never-ending process that requires on-going support and informed decision making. This in turn means that the choices individuals make need to be transparent and frequently open for adjustment. At the most basic level, this may mean annual compensation package

and benefit choices and an annual opportunity to make new choices with respect to the location of one's work and even workload.

Organizations that practice mass customization need to be particularly open to constantly changing their relationships with their employees and to the reality that this can only fairly and reasonably be done when there is a high level of transparency. Transparency needs to exist with respect to what's happening to other individuals who work for the organization in areas such as compensation and career movement as well as transparency about open jobs, training programs, etc. This is the best way to confront the fairness issues that arise when individuals are treated differently. With transparency a fact-based discussion can occur, and if serious inequities exist, they can be addressed publicly.

## **Conclusion**

Individualizing the workplace is not simple, nor is it something that lends itself to a single prescription. It must be designed to fit the business strategy of each organization and the type of work it does. Although it is not simple to do, it frequently is worth doing. Individualizing employment deals has the potential to be a competitive differentiator in organizations when it is designed to fit the business strategy of the organization.

Simply stated, when individualization is well executed and well managed it is the best way to develop a superior relationship with an organization's most important source of competitive advantage, its talent. The time and effort spent to create the right kind of individualization is very likely to be time well spent because of its positive impact on organizational performance. A lot still needs to be learned about how to do individualization effectively both from a process and a content point of view. But as the workforce becomes more diverse, particularly in developed countries, it is going to become an increasingly popular employment deal because it can deliver the "right" work experience to the new workforce.



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## **Executive Summary**

The workforce of organizations is becoming more and more diverse, despite this most organizations offer a standard employment deal. The alternative is to offer an individualized approach that lets employees create their own deal by allowing them to choose when and where they work as well as how they are rewarded. Individualizing the workplace is not simple, nor is it something that lends itself to a simple prescription. It must be designed to fit the business strategy of each organization and the type of work it does. Although it is not simple to do, it frequently is worth doing.

Individualizing employment deals has the potential to be a competitive differentiator when it is designed to fit our organizations. When strategy individualization is well executed and well managed it is the best way to develop a superior relationship with an organization's most important source of competitive advantage – its talent. It can lead to higher levels of motivation, attraction and retention. A lot still needs to be learned about how to do individualization effectively both from a process and a content point of view. But as the workforce becomes more diverse, particularly in developed countries, it is likely to become an increasingly popular employment deal.

## Author Biography

**Ed Lawler** is Director of the Center for Effective Organizations and Distinguished Professor at the University of Southern California. He is the author of over 350 articles and 43 books. His most recent books include *Talent: Making People Your Competitive Advantage* (2008), *Achieving Excellence in HR Management* (2009), *Useful Research: Advancing Theory and Practice* (Berrett-Koehler, 2011), and *Management Reset: Organizing for Sustainable Effectiveness* (2011). For more information, visit <http://www.edwardlawler.com> and <http://ceo.usc.edu>.