ME international

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Editorial: Slack in the company.

By Wolfgang Battmann and Roland Maass

When CEO Marissa Mayer decided to cancel work from home for the employees of Yahoo!, the news was first met by a wave of protests, but soon she found supporters. The protest was voiced by feminists, publicists, remote workers and last but not least by executives from companies selling collaborative software for remote workers. The decision was, however, not intended to be a political one but aimed at solving the problems of one specific company, Yahoo!. Yahoo! is a former darling of the internet industry, the name and the exclamation mark in it express the positive spirit of pioneering internet entrepreneurs. In fact, the company was known for its search engine, technological zeal and its humorous note with regard to the content of the portal and its self-presentation. The humor is long gone. Yahoo! missed the trend away from portals, lost out against Google in the battle of the search engines, never established itself as a media venture and in the end no convincing business model was left. Consequently, the stock tanked and the company lost 35% of its revenue in the last five years. CEOs were exchanged in fast pace. Marissa Mayer is now the fifth CEO in four years called upon to solve the existing problems and turn the company around by focusing it. To find out on what is the most complicated aspect of her job.

She came from Google, is a geek with excellent programming skills and an iron work-ethic. The corporate culture of Yahoo! most likely first surprised and later shocked her. She looked at empty parking places in front of its headquarters, and as some media report, through the companies' logfiles indicating that many remote workers worked on private projects. Her call back to the offices was nothing else than a call of "all hands on deck" for the employees of a struggling company. Having lost ground with customers and

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Inside this issue:

Managing people

HRM at Google: The empirical way to employee satisfaction.

Google is not only one of the most profitable companies worldwide, but also the most popular with graduates wanting to start their career. In fact, the elected few seem to enter a "happiness machine" as Farhad Manjoo analyzes in an article for "Slate".

The salaries and perks like Gourmet meals, Wi-Fi commuting shuttles, meditation seminars or on-line laundries have fascinated the public for long as the visible signs of the culture in which Google embeds its staff. Farhad Manjoo gives a detailed account of the department "people operations"

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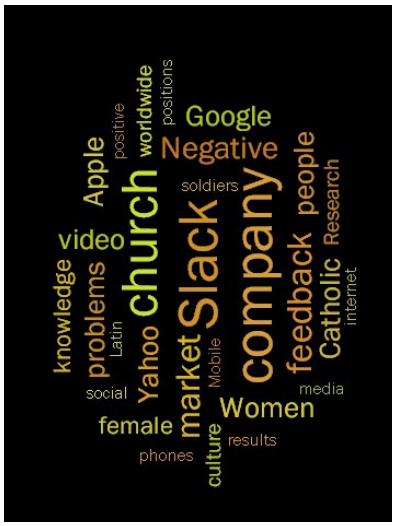


HRM at Google: The empirical way to employee satisfaction. (continued)

responsible for what is traditionally called human relations management (HRM). Google is famous for taking an empirical and experimental approach to its products, and employs such methodological rigor also with regard to its staff. Extensive quarterly employee surveys with a tool named "Googlegeist" form the backbone of getting insight into the state of the human side of the company. In addition, whenever possible decisions are prepared by gathering empirical data. What is the right text for an email? Increase salaries by paying a bonus or raising base pay? Which working schedule and payment package is best suited to keep young mothers and fathers in the company? The answers to such questions are sought in empirical micro-studies which go down to details like the length of lines, the plates offered and the form of tables in cafeterias.

Google has the advantage of being able to select the highest level of professionals in many fields due to its reputation as a tech leader. However, its "people operations" show that it is not money and perks alone which motivates people to stay. Many companies have started to integrate more methodology into their HRM operations, but only few do it to the level that Google does. Employee surveys have become a standard tool, but their insights are rarely exploited. Google exemplifies the possibility of fabricating at least some happiness in a methodological way. Such knowledge is even more important for companies lacking celebrity status.

HRM as an empirical method

Links and Literature

The Happiness Machine: How Google became such a great place to work. (Farhad Manjoo)
www.managing-essentials.com/3ba

Negatively in the right direction.

Negative feedback can be discouraging and demotivating but according to Heidi Grant Halvorson, sometimes perfectly appropriate. For "Harvard Business Review" she explains why, based on research by Stacey R. Finkelstein and Ayelet Fishbach.

In five laboratory studies Finkelstein and Fishbach studied the effectiveness and desirability of positive and negative feedback. They found that by providing positive or negative feedback the experience level of the receiving person should be taken into consideration. Positive feedback increases the commitment to engage. It shows someone is on the right path toward obtaining a highly sought after goal. Therefore, it is perfect for novices needing encouragement and guidance. With growing expertise, however, individuals infer their progress on a task from experience. They start to feel comfortable with what they are doing and mistakes become a rare event. In such a situation negative feedback is often preferred as a valuable source containing information on how to improve. Whatever, positive or negative, feedback should always be given with tact and good advice.

The studies share the characteristic that negative feedback was not connected to harsh consequences as is often the case in working life. However, the findings of Finkelstein and Fishbach have significant implications for coaching and teaching situations. The biggest problem with giving negative feedback is regularly the missing capability to give good advice. Especially for novices negative feedback therefore often remains just that, a negative evaluation. For experts things look different. They wouldn't be experts if they would not have excelled already. Negative feedback may tip off even better solutions or overlooked shortcuts. But, in fact, all kinds of feedback should be handled with sensibility and a focus on positive aspects.

Say what's wrong!

Links and Literature

Sometimes Negative Feedback is Best (Heidi Grant Halvorson)
www.managing-essentials.com/3bb

Tell Me What I Did Wrong: Experts Seek and Respond to Negative Feedback (Stacey R. Finkelstein, Ayelet Fishbach)
www.managing-essentials.com/3bc

Business Cases

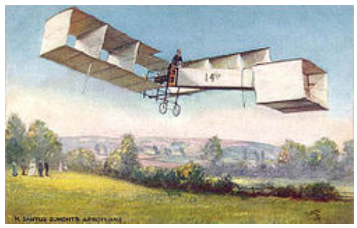
US-Air and American Airlines merged.

US-Air and American Airlines (AA) merged to become the largest carrier worldwide. Both parties see it as a marriage made in heaven. REUTERS is more skeptical and Jak Harty gives a detailed account of the two airlines' history and a more cautious outlook.

The US$ 11 bn merger was speculated about for months and officially announced Feb., 14. With a revenue of more than US$ 40 bn and 1.500 airplanes the new airline will surpass the current number one, Continental Airways, and lift AA out of the bankruptcy it had to file two years ago. Doug Parker from US-Air will take over CEO responsibilities whilst Tom Horton from AA becomes a non executive director of the board. The CEOs quipped about knowing each other from their close cubicles more than twenty years ago.

With less than ten routes regarded as redundant the combined network will expand significantly. In addition, the merger is expected to offer about US$ 1 bn cost saving potential in administration, marketing, and technical areas. It was welcomed by everybody from the executive boards down to the labor unions representing staff and workers.

The history of the airline industry is a history of concentration and mergers worldwide. Many of these mergers have been much more complicated than anticipated, more recently in India (Air India, Indian Airways), Europe (Air France, KLM) or the US (Continental, United). The fact that everybody concerned favored this merger raises suspicion since mergers with winners only are rare.



French postal card showing Santos Dumont flying the "14 bis"*

Links and Literature

American Airlines and US Airways Tie the Knot: A Marriage Made in Heaven or Hell? (Jack Harty with contributions from Chris Sloan)
www.managing-essentials.com/3bl

Apple Inc., a company in decline?

In 2012, Apple Inc. surpassed companies like Exxon or Microsoft for some weeks to become the most valuable company in the US. Since then the tide seems to have turned. Balaji Viswanathan from “Forbes” and Cyrus Mewawalla from “Seekingalpha.com” exemplify the extremely different perspectives currently associated with the company.

Impressive financial results for 2012 reported by Apple at the end of January were followed by a slump in its share value of 8 percent bringing it down about 30 per cent compared to its peak in September 2012. A variety of factors worry commentators and analysts. Firstly, the iPhone, cash cow and most important product of Apple, found respectable competition and no longer ranks first as a close to unrivaled device on the must-have phone hit lists. Especially for Asians and young consumers the iPhone, now in its fifth generation, is not as “cool” anymore as it used to be. Evidently Apple needs new innovative products, but there are doubts if the two devices most likely entering the market in 2013 can significantly contribute to future earnings. How an iTV will fit into Apple’s ecosystem and attract a target group turning away from TV to mobile devices is an open question. Also the iWatch, a comparably low-priced device, seems more driven by curiosity and hype than filling an actual need or delivering new forms of usage.

Shares have tanked, but the bottom line is that Apple remains a company with enviable profitability. There is a lot of room for concessions on margins and less pricey product lines to broaden the customer base. However, Apple has already started to become a company among many in the market and it has lost some of its previous magic. It will most likely not fall like Yahoo did many years ago, but may also never become the most valuable company ever again.

Is the apple sour?

Links and Literature

Why Is Apple Stock Falling Down? (Balaji Viswanathan)
www.managing-essentials.com/3bm

Apple Shares Set To Rise (Cyrus Mewawalla)
www.managing-essentials.com/3bn

Cultural Issues

Cronyism, Nepotism and familiarism, not only problems in the developing world.

To help family members find a job, sometimes within the family's business, has a long tradition. Such nepotism comes, however, not without costs for the society as a whole. Ed Butler from the BBC encountered it in Italy together with some scholarly proof.

The term "nepotism" has its roots in Italy relating back to the practice of Renaissance popes to name a nephew or other relative as their chief minister. Over the centuries the practice has spread over countries and professions, but never left Italy. Recently a research group headed by Professor Perotti from the Bocconi University in Milan analyzed the concentration on surnames in the Italian academia and found that some Universities are dominated by families handing out education, titles and positions to their members. Such "familiarism" extends to big companies which often base hiring often on the personal introduction of candidates and occasionally engage in agreements with labor unions to offer preferential treatment for one family member if another retires early. Such practices are, of course, regarded as unfair by those less well connected and seen as a sign of a corrupt social culture in general.

Family help in private businesses is one thing, and there is an old tradition in many countries that sons step into the footprints of their fathers when it comes to the employer. The establishment of nepotism in public institutions or big companies is, however, another matter and companies today are well advised to award positions on merits and not on "connections". Family businesses regularly suffer in the long run if family ties are more important than qualifications. Societies suffer when young people get the impression that educational efforts and professional achievements don't get rewarded.

Landschaft mit Tempelruinen auf Sizilien, Jacob Philipp Hackert*

Links and Literature

Nepotism alive and kicking in Italy (Ed Butler)

www.managing-essentials.com/3b1

Academic Dynasties: Decentralization and Familism in the Italian Academia (Ruben Durante & Giovanna Labartino & Roberto Perotti)

www.managing-essentials.com/3b2

Mobile phone sales decline slightly.

For the first time since 2009, the sales of mobile phones declined in 2012 to 1.75 bn units. A much cited study by Gartner Research gives numbers, reasons, and an outlook.

In the last quarter of 2012, the market was driven by smart phones, up 38,3 percent to 207 mn units sold, while the sales of the more simple feature phones declined by 19.3 percent to 264.4 mn units. The manufacturers who led in market share over the past year were Samsung (22.0%), followed by Nokia (19.1%), and Apple (7.5%). Android extended its position as the dominating operating system by more than 15%. It now runs the vast majority of smart phones (69.7%) sold in the last quarter of 2012 with Apple coming up a distant second with 20.9%. Gartner optimistically estimates that in 2013 about 1.9 bn mobile phones will be sold with the share of smart phones strongly gaining to win over 50% of the market.

Given a world population of around 7 bn people the numbers are staggering. If predictions prove correct close to every second human being on this earth will buy a new mobile phone within these two years. Of course, product cycles are fast and many consumers still have to trade up to a smart phone. However, this small dip may also be the first sign of the coming end to the seemingly eternal growth of the telecommunications industries. A second indicator pointing in this direction are the disappointing results of auctions for spectral frequencies. The British regulator just got one billion pounds less than expected.

Smart phones taking over

Links and Literature

Gartner Says Worldwide Mobile Phone Sales Declined 1.7 Percent in 2012
www.managing-essentials.com/3b3

Editorial

(Continued from page 1)

trust in an ever-changing leadership, many of them seemed to have turned their back already. The sails of the boat slackened.

Slack is fairly common in companies with problems. Some months ago, new incoming leadership at J.C. Penny, a US retailer deeply bruised from the battle between brick-and-mortar stores and internet retailers, discovered by an analysis of logfiles that about 5,000 staff employed at its headquarters had retrieved 5,000,000 YouTube videos in just one month. On average every employee watched about 50 hours assuming a length of 3 minutes per video.

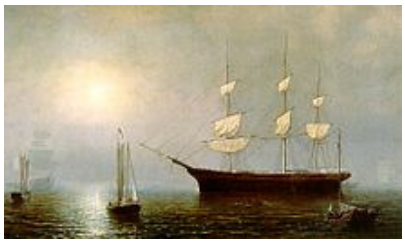
Summarizing data over a variety of customers desktime.com, a software producer for log file analysis presented last year its "latest beautiful" info-graphic. By a classification of the applications used, the time spent on the internet was divided into three classes, productive, unproductive, and neutral. Unproductive applications like Twitter, Facebook and Youtube accounted for about an hour a day, productive ones for about five hours, and neutral ones such as search for an hour.

How accurate such time budgets reflect working activities is difficult to assess. There are a lot of educational videos on YouTube and watching a music video can be a good idea as a short break in between work. The concept of "working time" is over a hundred years old and does not fit many professions and work activities anymore. The more complex, creative, and reflective an activity is, the less time seems to be an accurate unit to measure achievement. Unfortunately, many activities also do not qualify for a results oriented assessment. A "good idea" like the Walkman or the iPod can carry a company for many years, but one cannot expect an engineer in R&D to come up with such a good idea every month. As much as we like success to be systematic and thereby foreseeable and controllable, externalities and good luck play a major role in corporate life.

Slack in the company frequently begins as bad luck for the company. A change in the wind is missed or due to broader economical developments, there is just no wind, and the ship sails slowly. Of course, setting the right course and avoiding doldrums is the job of the captain. Especially in big companies, size is regarded as a comforting security. With little to do on deck, the hands retire to their bunks waiting for better weather or a more capable captain. Less work means more time to fill. Leisure activities which have previously been recreational begin to dominate the day. In the comfort of the still big and floating ship it is barely noticed when supplies begin to run short, and due to a lack of maintenance vital parts of the ship's gears begin to rot. This slow decline, the motivational shift, the setting sight on weather and the captain makes slack so dangerous. While in a storm everybody would run on deck and fight for the preservation of the ship, a slacking ship offers delusionary safety and an often welcomed rest from the hard work before.

Ship's captains from centuries ago were aware of the danger that slumps in the wind may lead to slack on board. Often rigorous exercises, cleaning procedures and trainings were employed to keep the crew going through otherwise idle days and staying prepared for the better times to come. Also today there are organizations from firefighters to the military which fortunately spend much more time preparing than actually doing their job. However, the captains of most modern corporate ships are as unprepared for a slump as their crews.

Consequently, the captain is exchanged and the new one is at least for some time greeted with hope. However, he or she will do both, focus on a new course and on the crew. Since the problem of the expenses connected to an overstaffed crew can be solved easier and faster than setting the new course,



Ship Starlight, Fitz Hugh Lane*

In search of the trend

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layoffs regularly precede a new beginning. They will, however, create uncertainty and increased interest in the job market also for those spared.

To get their companies going, the new CEOs of Yahoo! and J.C. Penny will first of all need a business concept which is convincing in its formulation and translates into results fast. Busyness in close cooperation is the best way to overcome slack, but, as the reaction to Marissa Mayer's decision with regard to remote workers demonstrated, it is not easy to convince staff that creativity and the development of a new esprit de corps require local proximity. Especially when, as is the case with Yahoo!, a new business model affecting the company as a whole has to be implemented, many professional roles will be reconsidered. If successful, such a turnaround will be beneficial to all and offer unexpected possibilities of professional development for many.

It is remarkable that incoming CEOs are viewed in such situations as new captains with messianic abilities. As fitting as the picturesque ship metaphor may appear on first sight, in the age of professionalism, participative leadership, and teamwork it is also an anachronism. The focused sight on the captain indicates a readiness to accept a hopefully stabilizing authority in times of uncertainty. Historically, however, many ships survived the demise of their captains. A good organization does not depend on one person but instead prepares for turbulences. The new captains at Yahoo! and J.C. Penny are not to be envied.

Links and Literature

4 Reasons Marissa Mayer's No-At-Home-Work Policy Is an Epic Fail (Peter Cohan)
www.managing-essentials.com/3b4

5 Work-from-Home Myths (Or, Why I Applaud Marissa Mayer) (Jan Bruce)
www.managing-essentials.com/3b5

JC Penney COO: 'I Hated The JC Penney Culture, It Was Pathetic' (Kim Bhasin)
www.managing-essentials.com/3b6

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We focus on the essentials of leadership, change management, organizational learning, recruiting and retaining, organizational (mis-) behavior and ways to improve the impact of management. For these topics we identify and pinpoint those approaches and insights which contain "actionable knowledge" or have proved themselves in practice. In addition, Managing Essentials tries to identify inspiring new ideas in and outside academia. Our editorials evaluate and give the background of those central issues from which many pragmatic solutions derive.

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*Source: wikipedia.org