Southwest Airlines

Profitable for 26 years while United, Northwest, and USAir lost billions.

- Strategy: Human resources
  - Culture of caring for people in the totality of their lives, not just at work.
  - Spends more to recruit and train than any other airline.
The objective of a human resource strategy is to manage labor and design jobs so people are effectively and efficiently utilized.

1. People should be effectively utilized within the constraints of other operations management decisions.
2. People should have a reasonable quality of work life in an atmosphere of mutual commitment and trust.

In developing such a strategy two critical questions must be addressed:

- What kinds of people do you need to manage and run your business to meet your strategic business objectives?
- What people programs and initiatives must be designed and implemented to attract, develop and retain staff to compete effectively?

Constraints on Human Resource Strategy

<table>
<thead>
<tr>
<th>Product strategy</th>
<th>Process strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills needed</td>
<td>Technology</td>
</tr>
<tr>
<td>Talents needed</td>
<td>Machinery and equipment used</td>
</tr>
<tr>
<td>Materials used</td>
<td>Safety</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Individual differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time of day</td>
<td>Strength and fatigue</td>
</tr>
<tr>
<td>Time of year</td>
<td>Information processing and response</td>
</tr>
<tr>
<td>(seasonal)</td>
<td></td>
</tr>
<tr>
<td>Stability of schedules</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location strategy</th>
<th>Layout strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate</td>
<td>Fixed position</td>
</tr>
<tr>
<td>Temperature</td>
<td>Process</td>
</tr>
<tr>
<td>Noise</td>
<td>Assembly line</td>
</tr>
<tr>
<td>Light</td>
<td>Work cell</td>
</tr>
<tr>
<td>Air quality</td>
<td>Product</td>
</tr>
</tbody>
</table>

Labor Planning

*Job Classification & Work Rules*

- Specify who can do what
- Specify when they can do it
- Specify under what conditions they can do it
  - Often result of union contracts
- Restricts flexibility in assignments and consequently efficiency of production
**Employment Stability Policies**

1. Follow demand exactly
   - **☑** Matches direct labor costs to production
   - **☑** Labor is treated as a variable cost
   - **☑** Incurs costs in hiring and termination, unemployment insurance, and premium wages

2. Hold employment constant
   - **☑** Maintains trained workforce
   - **☑** Minimizes hiring, termination, and unemployment costs
   - **☑** Employees may be underutilized during slack periods
   - **☑** Labor is treated as a fixed cost

**Work Schedules**

- Standard work schedule
- Flex-time
- Flexible work week
- Part-time

**Job Design**

Specifying the tasks that constitute a job for an individual or a group

- Involves determining
  - What is to be done (i.e., responses)
  - How it is to be done (i.e., tools etc.)
  - Why it is to be done (i.e., purpose)

- Results in job description
  - Shows nature of job in task-related behaviors
**Job Design**

Specification of the contents, method and relationships of jobs to satisfy technological and organizational requirements as well as the personal needs of job holders.

1. Job specialization
2. Job expansion
3. Psychological components
4. Self-directed teams
5. Motivation and incentive systems

**Labor Specialization**

- The division of labor into unique tasks
- First suggested by Adam Smith in 1776
  - Development of dexterity and faster learning
  - Less loss of time (changing jobs or tools)
  - Development of specialized tools
  - Frees workers to focus on tasks that they are best at
  - Learning Curve efficiencies
  - The overall quality of the product increasingly bring welfare gains to the consumer

**Labor Specialization**

- The division of labor into unique tasks
- First suggested by Adam Smith in 1776
  - Later Charles Babbage (1832) added another consideration
    - Wages exactly fit the required skill

**Job Specialization**

- Adding more variety to jobs
- Intended to reduce boredom associated with labor specialization
  - Job enlargement
  - Job rotation
  - Job enrichment
  - Employee empowerment
Job specialization
Job expansion
Psychological components
Self-directed teams
Motivation

**Job Enlargement**

- **Enriched job**
  Planning (Participate in a cross-function quality improvement team)

- **Present job**
  Task #2
  (Manually insert and solder six resistors)

- **Enlarged job**
  Task #1
  (Adhere labels to printed circuit board)

- **Control**
  (Test circuits after assembly)

---

**Limitations of Job Expansion**

1. Higher capital cost
2. Individuals may prefer simple jobs
3. Higher wages rates for greater skills
4. Smaller labor pool
5. Higher training costs

**Psychological Components of Job Design**

*Human resource strategy requires consideration of the psychological components of job design*

Average Annual Training Hours/Employee

<table>
<thead>
<tr>
<th>Country</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>7</td>
</tr>
<tr>
<td>Sweden</td>
<td>170</td>
</tr>
<tr>
<td>Japan</td>
<td>200</td>
</tr>
</tbody>
</table>

---

**Job Rotation**

- **Maternity**
- **Pediatrics**
- **Geriatrics**

---

*Figure 10.2*
### Psychological Components of Job Design

- Individuals have values, attitudes, and emotions that affect job results
  - Example: Work is a social experience that affects belonging needs
- Effective worker behavior comes mostly from within the individual
  - Scientific management argued for external financial rewards

### Decibel Levels

<table>
<thead>
<tr>
<th>Environment Noise Sources</th>
<th>Decibels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jet takeoff (200 ft)</td>
<td>120</td>
</tr>
<tr>
<td>Electric furnace area</td>
<td></td>
</tr>
<tr>
<td>Pneumatic hammer</td>
<td>100</td>
</tr>
<tr>
<td>Printing press plant</td>
<td></td>
</tr>
<tr>
<td>Pneumatic drill (30 ft)</td>
<td></td>
</tr>
<tr>
<td>Inside sports car (50 mph)</td>
<td>90</td>
</tr>
<tr>
<td>Noise fromway</td>
<td></td>
</tr>
<tr>
<td>Pneumatic drill (50 ft)</td>
<td></td>
</tr>
<tr>
<td>Subway train (20 ft)</td>
<td>80</td>
</tr>
<tr>
<td>Printing press plant</td>
<td></td>
</tr>
<tr>
<td>Pneumatic hammer</td>
<td></td>
</tr>
<tr>
<td>Vacuum cleaner (inside)</td>
<td></td>
</tr>
<tr>
<td>Speech (4 ft)</td>
<td>70</td>
</tr>
<tr>
<td>Sprinkler system</td>
<td></td>
</tr>
<tr>
<td>Near freeway</td>
<td></td>
</tr>
<tr>
<td>Pneumatic drill (10 ft)</td>
<td></td>
</tr>
<tr>
<td>Studio (speech)</td>
<td>30</td>
</tr>
<tr>
<td>Minimum levels, Chicago</td>
<td></td>
</tr>
<tr>
<td>Residential areas at night</td>
<td></td>
</tr>
<tr>
<td>Quiet</td>
<td></td>
</tr>
<tr>
<td>Soft whisper (5 ft.)</td>
<td>20</td>
</tr>
</tbody>
</table>

### Hawthorne Studies

**Introduced psychology into the workplace**

- They studied light levels, but discovered productivity improvement was independent from lighting levels
- The workplace social system and distinct roles played by individuals may be more important than physical factors

**Conclusion:** Increased productivity was due to workers' receiving attention


### Self-Directed Teams

**Group of empowered individuals working together to reach a common goal**

- May be organized for long-term or short-term objectives
- Effective because
  - Provide employee empowerment
  - Ensure core job characteristics
  - Meet individual psychological needs
  - Skill variety
  - Job identity
  - Job significance
  - Autonomy
  - Feedback

Self-Directed Teams...
Benefits of Teams and Expanded Job Designs

- Improved quality of work life
- Improved job satisfaction
- Increased motivation
- Allows employees to accept more responsibility
- Improved productivity and quality
- Reduced turnover and absenteeism

Motivation and Incentive Systems

- Bonuses - cash or stock options
- Profit-sharing - profits for distribution to employees
- Gain sharing - rewards for improvements
- Incentive plans - typically based on production rates
- Knowledge-based systems - reward for knowledge or skills

Ethics and the Work Environment

*Fairness, equity, and ethics are important constraints of job design*

- Important issues may relate to equal opportunity, equal pay for equal work, and safe working conditions
- Helpful to work with government agencies, trade unions, insurers, and employees