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CAHRS  Center for Advanced Human Resource Studies

The Day that Changed the Workplace September 11, 2001

By Pat Wright and Sharon Voros

The events of September 11 transformed the workplace for companies of all kinds. Some changes, such as shutting down while searching for lost employees or disruptions from supplier or customer shutdowns, were immediate and temporary. However, many workplace changes with long-lasting potential are still evolving.

At a recent meeting near the site of the disaster in Manhattan, senior HR executives from 11 CAHRS sponsor companies, some of which lost employees and offices, shared their organizations' responses following September 11 and discussed the disaster's long-term impact. Purpose: to leverage opportunities that stem from the tragedy.

CAHRS Director Patrick Wright, Professor of human resource studies at Cornell's ILR School, presented a framework for examining how firms reacted to the tragedy and managed the impact. Harry Newman (IBM), Edward Lawler (Cornell), Leslie Mays (Shell), Maggie Gagliardi (American Express), Debbie Smith (Coty), Elease Wright (Aetna), and Mike D'Ambrose (ToysRUs) followed with brief presentations on their companies' reactions. In discussions that followed, the group agreed that the disaster exposed:

Companies' true values. Most organizations claim to be the "employer of choice" where employees come first. The World Trade Center crash on September 11 provided a prime opportunity to demonstrate their commitment. Some companies, like American Express, proved it by tracking down all of their 4,000+ employees working in the vicinity, notifying emergency contacts and providing immediate counseling. In contrast, other companies, such as American Airlines announced mass layoffs without severance pay within 10 days of the crisis. candidates via remote access through .

Companies' leadership. Nothing demonstrates an executive's mettle like a crisis. The disaster exposed existing leaders' true style and competence, good or bad. Potential leaders emerged -- supervisors and middle level managers who reacted decisively to secure employees, maintain processes and minimize damage.

Broader diversity issues. The crisis surfaced religious and ethnic issues that few HR executives had addressed, and underscored that diversity extends beyond visible factors. Since deeply-held religious beliefs were viewed as a cause of the tragedy, as well as a way of coping with it, religious diversity moved to the forefront of organizational concerns.

What employees value. September 11 caused a resurgence of family commitment and raised concerns about work/family balance. But in some cases, employees, fearful of layoffs, hesitated to negotiate working arrangements that would provide more time with family. Many feared appearing anything but entirely committed to their companies.

Employee search for meaning. Following the disaster, many employees sought larger meaning in their lives and pursued ways to give back to society. The United Nations, for example, recently received more than 2,500 resumes for one job opening, despite its relatively low compensation level. In another example, after ToysRUs asked its sales associates to provide customers with an escape from the stress and anxiety surrounding the terrorist attacks, the company's employee and customer satisfaction levels rose to an all-time high.

Misaligned policies. Often, it takes a large-scale crisis to flush out policies that conflict with a company's stated values. For example, ToysRUs discovered its sick leave policy paid employees only after they had already missed two days of work (i.e., only on the third day of sickness). Difficulties in granting employees paid time off to cope with the tragedy forced the company to confront and revise its policy. *(Continued on Page Four)*

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Up Close With ...

Elease Wright of Aetna

As Aetna's top HR executive, Elease P. Wright faces two challenges: delivering services to an organization in the midst of change and reshaping the company's HR group itself.

America's leading health care benefits provider, Aetna serves more than 17 million health care, 13 million dental and 11 million group insurance members in 50 states. To improve its financial performance, the company has taken a hard look at expenses, seeking out operating efficiencies, addressing rising medical costs, and withdrawing from selected product markets.

On the revenue side, Aetna has enhanced product offerings, strengthened management, improved hospital and physician relations, and restructured around a new business model. Previously segmented by geographic regions, the company now organizes itself on the basis of customer size - from large national accounts to small companies with 50 employees. Like most change efforts, Aetna's involves consolidation: the company has announced plans to cut its workforce by around 6,000 jobs before the end of 2002.

Besides spearheading the new corporate structure and providing routine HR services, Aetna's HR group has launched its own change effort. According to Wright, a 20-year Aetna veteran, "Maintaining the status quo in HR is no longer an option for us. We must accelerate Aetna's business turnaround by focusing HR's limited resources on activities that produce the greatest result for the company." Before assuming her current position — Senior Vice President of Human Resources — in 1997, Wright previously led the human resources organization for Aetna U.S. Healthcare.

In a diagnostic study of Aetna's HR processes and practices last spring, IBM Consulting Group found that staff members spent a disproportionate amount of time on administrative or transactional activities like




attendance, performance, and recruiting. The study also pinpointed additional problem areas within HR:

- time consuming and labor-intensive processes
- inadequate application of technology and automation
- unfavorable HR/employee ratios, compared with best practice companies
- outdated staff skills and capabilities
- redundancy due to decentralization

Wright's challenge for 2002: offload transactional work through technology

and outsourcing and build a shared services organization that provides online, self-service delivery, freeing up HR resources to focus on strategic issues to accelerate Aetna's recovery. The new HR organization's key components:

- **HR Contact Center**, which enables employees to access HR information online and process transactions through self-service Web applications or outsourced call center representatives. Says Wright, "April 1 is the target rollout date for the new system."
- **Centers of Expertise** in compensation, benefits, staffing, policies, development, employment practices, organizational change, learning and education.
- **Strategic HR Business Partners**, aligned with the company's key business segments, to provide focused consulting to Aetna business leaders on strategy and tactics to improve performance and culture change.

"HR's transformation will result in a more efficient and focused organization," says Wright, who expects significant changes to virtually all jobs in HR. "We'll also reduce our operating expenses by \$14.6 million this year." Long term, Wright says the change will improve Aetna's performance and increase profitable growth. 

Aetna joined CAHRS in 1989; the 'Up-Close With ...' profiles feature interviews with leaders of CAHRS sponsors.

Company HR Profile

American Express Company

Although September 11's terrorist attack affected many organizations, it struck at the heart of American Express. The company lost 11 employees. Its headquarters building, adjacent to the World Trade Center complex in New York's financial district, sustained heavy damage, requiring the relocation of thousands of employees. In a brief moment, American Express's priorities had to shift dramatically.

A global travel, financial and network services provider, American Express is a leader in charge and credit cards, travelers checks, travel, financial planning, business services, insurance and international banking. It has approximately 80,000 employees worldwide. Based in Manhattan, Maggie Gagliardi, the company's Senior Vice President of Human Resources, and her 400-person staff, handle compensation, employee relations, human resources operations and systems, benefits and compliance for the company worldwide.

For Gagliardi, the challenge was clear: enable American Express to continue operating through the crisis. Gagliardi's team immediately conducted a muster call of New York and New Jersey employees to verify their whereabouts and safety - including calls to area hospitals. "We found 60 stranded employees and families in lower Manhattan, and provided them with assistance," she says.


Step two: finding new offices for displaced workers. "This disaster required us to evacuate thousands of people at ground zero," says Gagliardi. "We sent them to other offices in New Jersey, New York or Connecticut and are providing them with a commuting subsidy until we can move them back, hopefully by spring this year."

Gagliardi's human resources response mirrored the company's response following the attack. To assist customers affected by September 11's catastrophic events, American Express:

- Kept its Travel Service Offices in major U.S. and European cities open all day Saturday and Sunday to help stranded travelers with a wide range of services.
- Mobilized additional customer service people and resources to provide customers with emergency services, including emergency funds and travel services.
- Waived late payment fees for cardmembers affected by that week's postal delivery delays.
- Increased cash advance and credit limits.

In the weeks following the disaster, human resources helped American Express employees recover. In order to continue functioning normally throughout the world, they formed a business continuation plan network — groups of people charged with getting the business back on track after the disaster. Some of the issues this group has dealt with include the company's military leave and reservist policies.

One of the main reasons for the success of the business continuation plan, was a consistent stream of communications from the top to all employees. "CEO Ken Chenault issued frequent reports to all employees," says Gagliardi. "Where possible we used email and voice mail to deliver key messages. When we had problems with office technology, we would use home email addresses."

Meanwhile, American Express is still on track with a restructuring designed to reduce fixed costs and allow more flexibility in periods of economic uncertainty. As of December 2001, the company announced the elimination of approximately 13,700 positions, or 15 percent of its total workforce. Most of the cuts were in American Express, travel businesses and reflect the sharp slowdown in that sector since September 11th. 

The American Express Company joined CAHRS in 2001; the 'Company Profile' articles feature a corporate HR view of new CAHRS sponsors.

The Day that Changed the Workplace

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Opportunities. The Chinese symbol for "crisis" consists of two elements -- one for danger and one for opportunity. While September 11 caused sorrow, anxiety and remorse, participants recognized that the disaster also presented:

- **Opportunity to change.** The 9/11 tragedy "infroze" people and motivated individuals and groups to consider alternative organizational approaches.

- **Opportunity to build the employment brand.** It allowed companies to gain competitive advantage in the labor market by demonstrating their priority commitment to employees and potential new hires.

- **Opportunity to identify leaders.** The disaster enabled companies to assess how current and potential leaders handle a crisis situation. Such information is rare and valuable, if firms make the effort to systematically gather it.

- **Opportunity to demonstrate the value of HR.** Finally, September 11 created a huge opportunity for HR to deliver value by providing ways for employees to overcome fear and anxiety, and return to productive work. The disaster also enables HR to build credibility by counseling decision makers about leading people during crisis. By tracking its role in building the company's employment brand, HR can reinforce its capacity as a true strategic partner.

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INTERNATIONAL HUMAN RESOURCE EXECUTIVE DEVELOPMENT PROGRAM

September 8 - 13, 2002

Cornell University, Ithaca, New York

This unique program helps participants explore international business and human resource trends and develop strategies to enhance global competitiveness.

PROGRAM BENEFITS

- Become strategic partners in creating and implementing global strategies
- Identify key human capital elements that contribute to your firm's global competitive advantage
- Develop a global language and logic for global business that reflects the lens of human resource management
- Learn about findings from leading research, and how to use them to achieve practical results
- Apply state-of-the-art global human resource techniques in the context of multiple cultures

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CAHRS Executive Briefing

April 2, 2002 • Atlanta, Georgia



The Home Depot will host a one-day CAHRS Executive Briefing at its Store Support Center

Our hosts will be:

Robert L. Nardelli, Chairman, President and CEO • Dennis Donovan, Executive Vice President, HR

More information located on our web page: www.ilr.cornell.edu/cahrs/thehomedepot02.html

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In The News



Bob Smith

Bob Smith, Acting Dean for the ILR School - During Dean Ed Lawler's leave for this spring of 2002, Professor Robert Smith is taking over his duties for ILR. He will be in this role for five months until the beginning of June. He has been the Associate Dean for Academic Affairs since 1988, and has been Acting Dean twice before. Dr. Smith is a Professor in the School's Labor Economics Department. His most recent major research project was evaluating New York State's Workers' Compensation Managed Care pilot program, which was mandated by the legislature. Professor Smith's coauthored textbook (with Professor Ronald Ehrenberg), *Modern Labor Economics: Theory and Public Policy*, has been the leading textbook in its field for over the past two decades and is going into its 8th edition.

In 1999, he received the School's General Mills Foundation Award for Innovation in Instruction, which was associated with changes made to the labor economics course that current MILR students must take. After receiving his Ph.D. in Economics at Stanford University in 1971, he taught at the University of Connecticut and worked as an economist in the U.S. Department of Labor before coming to Cornell in 1974.



Scott Snell

Scott Snell Named Associate Editor of Human Resources Management Journal - Dr. Snell was selected by the Editor of the HRM Journal based on his diverse background and his work as a member of the Journal's Editorial Board for the past four years. He has served on a number of editorial boards for journals such as the Academy of Management Journal, Human Resource Management Review, Human Resource Planning, and Journal of Managerial Issues. In addition to his scholarly activities, Professor Snell has worked with companies such as AT&T, GE, IBM, Merck, and Shell to address the alignment of human resource systems with strategic initiatives such as globalization, technological change, and knowledge management. He is co-author of two books, *Management: Competing in the*

New Era and *Managing Human Resources*. Professor Snell received his Ph.D. and M.B.A. in Business Administration from Michigan State University and his B.A. in Psychology from Miami University. Prior to coming to ILR he was a Professor in the Department of Management and Organization, Pennsylvania State University. He currently serves as a member of the CAHRS board of directors and is ILR Director of Executive Education.

CAHRS Sponsor Companies Chosen for Managers of the Year - Five of our sponsor companies were chosen for having "Top Managers of the Year", according to *BusinessWeek* magazine's special report. The January 14, 2002, issue named the top 25 executives in this position and included the following CAHRS Sponsor companies: Microsoft, IBM, Verizon Communications, Colgate-Palmolive, and Novartis. Congratulations. For more information, please check the magazine's website: www.businessweek.com.

Two ILR Human Resource Studies Published in *Personnel Psychology* -

Authors Patrick Wright, Timothy Gardner, Lisa Moynihan, and Hyeon Park recently had their research paper entitled, *Measurement Error in Research on Human Resources and Firm Performance: Additional Data and Suggestions for Future Research*, published in the Winter 2001 issue of *Personnel Psychology*. There has been recent debate about the presence and implications of measurement error in measures of human resource practices. This paper presents data from 3 more studies. Results of all 3 studies provide additional evidence that single respondent measures of HR practices contain large amounts of measurement error. This research reinforces their suggestion that professionals and executives should interpret such ratings with great caution. This new information has become important because of the many products that correlate the ratings with company financial performance.

Authors Alexander Colvin, Rosemary Batt, and Harry Katz also recently had their research paper entitled *How High Performance Human Resource Practices and Workforce Unionization Affect Managerial Pay*, published in the Winter 2001 issue of *Personnel Psychology*. In recent years, compensation researchers have challenged the notion that variation in wages can be accounted for solely by explanations derived from human capital and other conventional economic theories. This article has significant implications with regard to an often, overlooked consequence, the effect on the pay of the workers' managers. Studies have found persistent inter-organizational differences in pay levels after adjusting for employee human capital and factors such as industry and size. This study finds that HR practices and workforce unionization influence managerial pay levels and the ratio of manager-to-worker pay. High performance HR practices are all positively related to managerial pay; but the use of workforce teams, which shift some managerial responsibilities to workers, has the opposite association.

For the complete article text, visit the journal website at: <http://www.personnelpsychology.com>.



INTERNATIONAL SPRING SPONSOR MEETING

3-5 June 2002

Managing Human Capital in the European Union and Beyond

Preliminary Agenda

MONDAY, 3 June 2002, Afternoon

Welcome and Introduction

- **Mr. Randy MacDonald**, Senior Vice President of Human Resources, IBM, Armonk, NY
- **Dr. John Boudreau**, Director, and **Dr. Pamela Stepp**, Managing Director, CAHRS, Cornell University, Ithaca, NY

9/11 and Beyond: What We Can Learn from the EU and German Experience

- **Daniel Coats**, U.S. Ambassador to Germany, The U.S. Diplomatic Mission to Germany

Reconciling HR Culture Dilemmas in Europe

- **Dr. Charles Hampden-Turner**, Senior Consultant, THT Consulting, Amsterdam, The Netherlands

The European Union: The Challenge of Global Migration Issues

- **Mr. Richard Lewis**, Acting Deputy Head of Asylum and Immigration, European Commission, Brussels, Belgium

East / West Berlin Issues

- **Mayor of Berlin, Germany**

Cornell/ILR School Evening Reception and Dinner

- Hosted by **Dr. Ronald Seeber**, Associate Dean, School of Industrial and Labor Relations at Cornell University, Ithaca, NY

TUESDAY, 4 June 2002

Emerging Trends in Europe with Respect to European Works Councils

- **Mr. Govert Boeles**, Manager, Global Staff Relations, Shell International BV, The Hague, The Netherlands
- **Dr. David Lipsky**, Professor and Director, Cornell/PERC - Institute on Conflict Resolution, Ithaca, NY

The Role of Corporate Universities in Global Mergers

- **Mr. Shlomo Ben-Hur**, Chief Learning Officer, DaimlerChrysler Services Academy, DaimlerChrysler Services, Berlin, Germany

Culture and Diversity (Intercultural Effectiveness)

- **Dr. Quinetta Roberson**, Associate Professor of Human Resource Studies, ILR School at Cornell University, Ithaca, NY
- **Bristol-Myers Squibb** representative

Expatriation and Repatriation in German MNC's: Practices and Challenges

- **Dr. Torsten Kühlmann**, Professor, University of Bayreuth, Bayreuth, Germany

Reinventing Human Resources at IBM Through Global Shared Services

- **Mr. Federico Castellanos**, Vice President of Human Resources, IBM Europe Middle East Africa, Paris, France

Rethinking Global Remuneration

- **Mr. Tony Marchak**, Vice President of Global Workforce Effectiveness, IBM Europe, Paris, France
- **Ms. Barrie Morgan**, Manager of Executive Compensation Europe, General Motors, Zurich, Switzerland
- **Dr. Nada Zupan**, Professor, University of Ljubljana, Ljubljana, Slovenia

Evening Reception hosted by Sony

WEDNESDAY, 5 June 2002, Morning

Guided Learning Journeys

For more information about this meeting contact Ms. Michelle Eastman at 1-607-255-2790 tel., email mre2@cornell.edu, or visit our webpage at <http://www.ilr.cornell.edu/cahrs/Spring2002.html>

CAHRS EVENTS CALENDAR

2002/2003

- Executive Guest Lecture - March 5, 2002 Ithaca, NY
 Marcia Avedon, Vice President of HR, Honeywell
 Leadership Development Strategies
- Executive Briefing Profiling The Home Depot April 2, 2002, Atlanta, GA
- Spring International Sponsor Meeting 2002 June 3-5, 2002 Berlin, Germany
- CAHRS Sponsor Executive Roundtables August 27, 2002 Ithaca, NY
 for the ILR Student Orientation
- International Human Resource Executive September 8-13, 2002 Ithaca, NY
 Development Program (A One-Week Program)
- Fall Sponsor Meeting 2002 November 13-15, 2002 Ithaca, NY

Other ILR Events

- Managing Strategy, People, and Human April 1-3, 2002 Washington, DC
 Resources in a Digital World
- Delivering Competitive Advantage April 28 - May 3, 2002 Ithaca, NY
 Through Human Resource Systems
- Cornell Annual Career Fair September 24-25, 2002 Ithaca, NY
- Creating Competitive Advantage October 6-11, 2002 Ithaca, NY
 Through People
- ILR Career Fair October 17, 2002 Ithaca, NY

For more information, contact Jo Poole at 607/255-9358 or email: jap7@cornell.edu, or visit our website at: <http://www.ilr.cornell.edu/cahrs/Calendar.html>



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