

hrSPECTRUM


CAHRS

Center for Advanced Human Resource Studies

Research Highlight

Managing Human Assets in Uncertainty

HR executives often struggle to demonstrate how their strategies, tactics and accomplishments create value for their organizations. Although empirical research demonstrates that superior corporate performance is related to high-performance HR practices such as employment testing, extensive training and job rotation, “We still don’t understand exactly how this happens,” says Pat Wright, Professor of Management at Cornell’s ILR School. “Currently, most valuation of human capital is problematic.”

In addition, most organizations agree that human capital is a key strategic asset, but few manage it as such. “In dynamic markets, human capital, like any asset, is subject to uncertainties of return, and most companies focus only on its upside value,” says Wright. “In reality, companies face multiple human asset uncertainties at the individual, firm, and market level in three general categories: return, volume and cost.”

A real options approach provides HR managers with a proactive framework for managing human capital uncertainties—and creating value for their organizations. By analyzing the risks associated with their company’s most important assets—its employees—a real options approach enables HR to anticipate and respond when sudden change occurs through a combination of HR resources and processes. “Just as financial options can help companies manage the risks of value depreciation or exploit the benefits of value appreciation, real options can help companies manage human capital more effectively,” says Wright.

Like financial options, which are investments in financial assets that enable an organization to respond to future contingent events and manage uncertainty, real options are investments in human assets that enable organizations to respond more effectively to future contingent events. See the table below.

Companies that	Might invest in HR options
demand skilled employees and face skill obsolescence	like training for new or upgraded skills, fostering earning recruitment selectivity and skill-based compensation.
risk employee turnover and productivity loss	like competitive pay, employee stock option participation programs, voice mechanisms and attractive benefits.
risk uncertain operating volume	to alter operating scales and timing options such as contingent, part-time and contractual employees.
face uncertainties of cost	to alter costs through variable pay and performance-based incentive plans at the company or unit level, as well as defined benefit plans.

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A real options framework also enables companies to thoroughly understand how each tactical HR lever affects its human assets. For example, recruiting for broad-based skills typically produces an entirely different crop of workers than does recruiting for specialized skills. Training employees for new skills is not simply a watered-down version of advanced training. Real options also stabilize an organization’s commitment to its employees, strengthening employment relationships across multiple strategic and economic scenarios. Through HR options like employee-organization, rather than employee-job fit, the employee still remains valuable to the company, if/when the job changes.

Although HR options may

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Up-Close with ...

Matt Schuyler of Capital One

Creating a High Performance Workforce

As regulation, competition, and organizational change pressure the financial services industry, “Our Values continue to define the Capital One experience,” says Matt Schuyler, Executive Vice President of Human Resources at Capital One Financial Corporation.

A Fortune 500 company headquartered in McLean, VA, Capital One is one of the world’s largest providers of MasterCard and Visa credit cards. The company’s subsidiaries, which offer consumer lending and automobile financing products, have more than 47 million accounts and \$75.5 billion in managed loans (as of September 30, 2004). Publicly traded on the New York Stock Exchange (NYSE: COF), Capital One has been named “most admired” by Fortune and cited by many other business publications as a “best place to work.”

“Our CEO created a compelling vision for Capital One,” says Schuyler. “In turn, HR created a distinctive, high-performance workforce by providing advice on organizational matters, improving the effectiveness of our people processes, and learning what motivates our 16,000 associates to achieve excellence.” Human resource’s strategy is to:

- Cultivate exemplary leaders with the business acumen and people skills to drive Capital One’s success.
- Offer cultural and learning opportunities that advance associate careers and make Capital One a great place to work.
- Create a work environment and provide the tools necessary to enhance productivity and foster innovation.

Schuyler joined the company in 2003 from Cisco Systems, where he was Vice President of HR. Earlier, Schuyler was a partner with the global human resource group at PriceWaterhouse Coopers. At Capital One, he now heads a team of about 400 HR professionals in



Matt Schuyler

the U.S., Canada, and the U.K. that provides talent and HR strategy for policy and program integration.


“To deliver effectively on our strategy, HR’s technology infrastructure required investment,” says Schuyler. “We built a suite of electronic HR tools to drive efficiency and effectiveness.” In the past, Capital One’s HR activities were too reliant on manual processes. Now, all aspects of the associate lifecycle, from recruitment to compensation to development, are e-enabled, allowing HR professionals to concentrate on

more value-added service offerings like workforce planning and organization restructuring.

“Our research suggests that four key areas increase associate work satisfaction,” says Schuyler. “We focus on financial rewards and benefits, career development, pride and affiliation, and lifestyle to foster associate engagement. In our role as business partners, HR launched several programs to deliver on our corporate imperatives to improve performance management, accelerate leadership development, invest in career development, and live our values.”

For example, in 2004, HR introduced Capital One University (COU) to consolidate training and learning throughout the organization. With a \$44 million annual budget for training both inside and outside the company, COU conducted hundreds of classes attended by more than 15,000 participants. Training includes a broad array of content, from management and leadership courses to Capital One fundamentals.

Capital One also has on-site career services center offices with full-time career counselors and a website, PathWays, to help associates chart their own careers. Across the business HR’s focus is on recruiting the best people and then supporting their development with stretch assignments, collaborative work environments, and thorough feedback processes.

Schuyler notes, “Our human resources strategy is based on the foundation we are a “People Company” and it is designed to promote a culture of excellence.” 

Capital One Services Inc. joined CAHRS in 1997, the ‘Up-Close With ...’ profiles feature interviews with leaders of CAHRS sponsors.

HR Company Profile

Janus Capital Group

After three years of financial challenges and operational instability, the Janus Capital Group is on its way to a financial and management turnaround. The Denver-based company said its total assets under management rose 1.9 percent to about \$130.2 billion at the end of September from \$127.8 billion a month earlier.

Headquartered in Denver, Janus is the tenth largest mutual fund complex in the U.S., with more than \$130 billion in assets under management and four million investors. Janus Capital Group's subsidiaries include: Janus Capital Management LLC; Vontobel Asset Management, Inc.; Perkins, Wolf, McDonnell and Company; Bay Isle Financial; and Enhanced Investment Technologies LLC (INTECH). Managed by professionals with independent investment philosophies and distinctive financial expertise, each of these units is supported by research intensity, intellectual capacity and a commitment to delivering top-tier investment results.

Janus grew quickly when its stock-picking specialty paid off handsomely in the 1980s and 1990s. However, the subsequent bear market led the company to significant asset losses. Like many other mutual fund managers, the firm was hard-hit by the 2001 recession. "We grew through the 1980s and 1990s at warp speed," says Peter Boucher, the company's Vice President of Human Resources. "But when the high-tech bubble burst, we were forced to scale back."

Allegations the company allowed improper frequent trading deals added to the pain in the past year. Janus closed a brief but difficult chapter in its history when it reached agreements with industry regulators to pay \$31.5 million to reimburse shareholders for improper mutual fund trading, in one of several steps aimed at reassuring wary investors amid a massive industry scandal. Although Janus was not charged with any wrongdoing, it pledged to end the practice of using brokerage commission to purchase research products and services, known as "soft dollars." The company will


also revise its prospectus language to more firmly discourage frequent trading, increase redemption fees on some funds and more frequently disclose its portfolio holdings.

"Janus has put this recent lesson to good use," says Boucher. "The experience—despite the pain—has made our company even stronger and more committed to helping shareholders reach their individual goals."

During this period of change, the company's leadership evolved. Steve Scheid, former chairman of Janus's board of directors, became CEO after Mark Whiston resigned. Gary Black, chief investment officer of Goldman Sachs Asset Management's global equities business, joined Janus as President and Chief Investment Officer. "Together, Steve and Gary are leading Janus to an exciting future," says Boucher.

Boucher, a former Citigroup HR executive, had three missions when taking his position in 2003: populating the company with the right talent and training them to sell; leadership development and succession planning; and overhauling Janus's compensation system to achieve revenue goals.

According to Boucher, Janus has three sources of competitive advantage. First, its research focus, "The folks here are passionate about getting the right answers and doing plenty of homework before they invest in a company." The second advantage is Janus' 1,600 employees. "They're focused, they're determined, they work hard and they want to win," says Boucher. "Ultimately, it's the people who drive this business more than anything, and we have a world-class team that's better than anything I've seen in this industry." Third is a strong investment culture. "Janus lives and breathes investments. You walk down our hallways or to the break room for coffee and people everywhere are talking about stocks and bonds."

Janus's teamwork is paying off handsomely for its shareholders: today, 70 percent of the firm's retail funds were ranked in the top two quartiles by Lipper, compared to only 41 percent of funds a year ago. 


Janus Capital Group Inc. joined CAHRS in 2004; the 'Company Profile' series feature a Corporate HR view of new CAHRS sponsors.

CAHRS Fall Sponsor Meeting 2004

Total Costs of Employment

On campus in November the CAHRS team addressed the challenging subject the total cost of employment. Specifically, sponsor companies were invited to learn about 'The Impact of Total Costs of Employment On Decision Making.' CAHRS Director Patrick Wright framed the topic for the meeting by posing the following questions when exploring 'The Total Cost of Employment in an Uncertain World: What are the relevant costs? What is the time frame that has to be considered, and how do we account for uncertainty?'

Director of Human Resources, Shell, and CAHRS Advisory Board Chair, John Hofmeister spoke of 'The Contradictions Inherent In Projecting Developed Versus Developing World Total Cost of Employment.' 'Aetna's HR Story: Reducing Employment Costs, Increasing Performance and Building Pride!' was presented by Senior Vice President HR, Elease Wright. MILR graduate research assistants Brett Badders and Lindsey Clarke presented 'Costing Employment Models Under Uncertainty.' 'World Class: From Total Cost of Employment to Growth, Innovation and Industry Leadership' was presented by Garrett Walker, Director of Global Resources, IBM. An academic point of view was given by Cornell's ILR Labor Economist, Gary Fields when he presented 'Bottom Line Decision Making.' Ph.D. student John Haggerty, and MBA/MILR student Karina Kuok presented the results of a study conducted by the CAHRS graduate assistants which analyzed the responses of 14 sponsor companies on 'Total Costs of Employment on Decision Making.'

On May 23-24, 2005 the 'The Impact of Total Costs of Employment On Decision Making' topic will continue to be explored in a more specific context in Budapest, Hungary. Practitioners and faculty from Europe and the U.S. will address 'Costs and Benefits of Business In Eastern and Central Europe and the Implications for HR.' 

Steve Schloss, Time Inc.



Gary Fields, ILR Professor of Labor Economics, Cornell



John Hofmeister, Royal Dutch Shell



Elease Wright, Aetna



Brian Voigt, Wachovia



Franziska Tibbles, Shell Oil and Amanda Bastien, Sun Microsystems





*Karen Saunders and Pam Kimmet,
Lucent Technologies*



*Brett Badders, CAHRS
Verizon Research Assistant*



*Karina Kuok, CAHRS Verizon
Research Assistant*



*Peter Boucher,
Janus Capital Group*



Garrett Walker, IBM



*Lindsey Clarke, CAHRS Verizon
Research Assistant*



*Elizabeth Reese
and Lynn Minella,
Air Products &
Chemicals*



*John Haggerty,
CAHRS Verizon
Research Assistant*

SAVE THE DATE

CAHRS Spring Sponsor Meeting

May 11 - 12, 2005 Ithaca, NY

Building Human Resource Functional Excellence

What does it take to build an Excellent HR Function? Building upon a year long study of HR Functional Excellence, the 2005 CAHRS Spring Sponsor Meeting will explore how the best HR functions manage the skills, structure, information systems, HR processes, and shared values to create HR capability. The meeting will present the results of the HR Functional Excellence study and highlight some of the companies that have achieved excellence in each of the aforementioned areas with particular emphasis on experiences in building the competencies of their HR staff and leveraging and managing HR technology. This meeting will be ideal for anyone charged with building the skills of the HR professionals in their firm, as well as anyone wanting to explore best practices in managing an HR function.

An on-line registration form and hotel logistics can be found on the CAHRS web site at www.ilr.cornell.edu/cahrs/Spring2005.html .

A preliminary agenda will be available soon.

SAVE THE DATE

CAHRS International Spring Sponsor Meeting

May 23 - 24, 2005 Budapest, Hungary

Cost and Benefits of Business in Eastern & Central Europe and Implications for HR

The emphasis on competitive productivity, cost reduction and control that has dominated organizational priorities over the past few years has led firms to increasingly seek to understand the total cost of employment. The fall CAHRS meeting held at Cornell University In November 2004 addressed cost decision making regarding offshoring, outsourcing, upsizing and downsizing.

CAHRS will continue the cost of employment topic more specifically by exploring issues in a region where companies are migrating to cut costs, Eastern and Central Europe. U.S., European, and Asian companies are rapidly setting up service centers there, especially in the four largest European Union's 10 new members—the Czech Republic, Hungary, Poland, and Slovakia to conduct work that will serve countries worldwide.

CAHRS sponsor companies who flocked to Eastern and Central Europe years ago and recent arrivals will speak about HR issues in making a profit in the new EU States. Discussion concerning the advantages and disadvantages of economic growth, EU expansion, labor costs, government relations, rich poor gap, language, culture, training and development, and compensation and benefits will help answer the question—*is it worth it?*

Confirmed Speakers:

Tony Marchak, Vice President, HR, IBM

Nani Becalli, CEO Europe, GE

Dennis Schuler, VP, HR Global Beauty and Care, The Procter & Gamble Co.

Louisa Del Gaddo, Director HR International, The Procter & Gamble Co.

An on-line registration form and hotel logistics can be found on the CAHRS web site at www.ilr.cornell.edu/cahrs/Spring05Intl.html .

A preliminary agenda will be available soon.


Online Update

New Look On the CAHRS Web Site

The CAHRS web site has recently been updated to showcase the new momentum and direction in which we are headed for the future. Look for new links to our *International Initiatives*, *Executive Guest Development*, *Employment*, and *Research*. Now you can login to our *Sponsorship Exclusives* search page directly from our home page to access research and information available only to our CAHRS Sponsors.

The new *Upcoming Events* announcement block works to maximize your knowledge of upcoming opportunities at a glance. Other sections have been transformed to highlight important opportunities for Sponsors and ILR

students to interact. The *Student Connections* page connects HR students with CAHRS Sponsors and Faculty, and provides a unique opportunity for both. Under *Education*, CAHRS supports access to students via classroom lectures, and participation in research questions and live cases in conjunction with classes.

These updates to our web site provide our Sponsors with faster access to the information they need. We hope you enjoy our new look, come visit us at www.ilr.cornell.edu/cahrs. 



CAHRS 

Sponsor Login

UPCOMING EVENTS

CAHRS Spring Sponsor Meeting
"Building Human Resource Functional Excellence"
May 11-12, 2005
Ithaca, NY

CAHRS Int'l Spring Sponsor Meeting
"Cost and Benefits of Business in Eastern Europe and HR Implications"
May 23-24, 2005
Budapest, Hungary

ABOUT CAHRS
 SPONSORSHIP INFORMATION
 SPONSORSHIP EXCLUSIVES
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 CALENDAR OF EVENTS
 WHAT'S NEW?

Communications & Networking Education Employment
 Research Executive Development International Initiatives

In The News



Fran Blau



Larry Kahn



Ron Ehrenberg

Fran Blau, Larry Kahn, and Ron Ehrenberg on Top List – In October 2004, the Research Papers in Economics series ranked the 290 leading economists in the world. Three of our distinguished ILR faculty, Fran Blau, Larry Kahn, and Ron Ehrenberg were included on the list. The goal of the organization is to enhance the dissemination of research in economics. The rankings were steered by the quantity and quality of published research and unpublished research. Other significant factors included citations to

economist's research, quality of the publications in which the research was printed and cited, and quantity of collaborators on the research. There were five Cornell Faculty members in total on the list; Mike Waldman of the Johnson School and Steve Coate of the Economics Department were also ranked amongst the 290 researchers. Larry Kahn is currently a Professor of Labor Economics and Collective Bargaining in the ILR School. Ronald G. Ehrenberg is the Irving M. Ives Professor of Industrial and Labor Relations and Economics. Francine D. Blau is Frances Perkins Professor of Industrial and Labor Relations and Labor Economics. In addition to educating Cornell's students in the classroom, all three hold positions within the university; Chair of the Labor Economics Department, Director of the Cornell Higher Education Research Institute, and Director of the Institute for Labor Market Policies at Cornell University respectively.



S. Antonio Ruiz-Quintanilla

S. Antonio Ruiz-Quintanilla Receives Sage Award for Best Paper – During this year's GOM Editorial Board meeting at the 2004 Academy of Management Annual Meeting, the Sage Award for Best Paper published in Group and Organization Management in 2003 was presented to S. Antonio Ruiz-Quintanilla, PhD. The paper, "Cultural Socialization As a Source of Intrinsic Work Motivation," was a collaborative effort by both the senior research associate in the ILR Employment and Disability Institute, Ruiz-Quintanilla, and Mark Peterson. The paper focuses on the central idea that fundamental motivation depends mutually on inherent qualities common to all humans, and socialization into aspects of domestic customs that support proactive occupational performance. Ruiz-Quintanilla's current research focuses on students with disabilities, rehabilitation for inmates with developmental disabilities, and trends in employment discrimination charges as they relate

to the Americans with Disabilities Act and other laws.



Kate Bronfenbrenner

Kate Bronfenbrenner in the News – Recently, Kate Bronfenbrenner co-authored a report for the U.S. China Economic and Security Review Commission on global outsourcing. Bronfenbrenner, Director of Labor Education Research at ILR, and Luce, Research Director and Assistant Professor at University of Massachusetts at Amherst, worked with a team of ILR graduate and undergraduate research assistants to complete "The Changing Nature of Corporate Global Restructuring: The Impact of Production Shifts on Jobs in the U.S., China and Around the Globe." This story has been covered by such noteworthy news sources as CNN, CBS Market Watch, Investors Business Daily, Atlanta Constitution, UPI, the Boston Globe and other news networks from around the world. The research highlighted the grossly underestimated numbers of jobs outsourced this past year, attributing the secrecy to fear of

negative publicity and lack of government mandated reporting requirements. In addition, Bronfenbrenner has been continually involved in the debate over restructuring the labor movement as well as the AFL-CIO's role in the recent election. Her expertise is based on a series of studies conducted over the last 15 years concerning employer and union behavior in organizing and bargaining campaigns. These stories were covered by NPR Morning Edition, New York Times, LA Times, Washington Post and various other media sources.

Research Opportunity for Sponsors

E-HR Online Course Spring 2005

We're Ready for Your Questions

We would like our Sponsors to begin submitting their HR questions to be researched and answered by our students. Questions submitted should not be something that requires an immediate answer. It is best to pose questions that can be answered in a few months. Students pick questions from a list of choices. If there is a need to expedite your question, the Catherwood Library's Access Service is available to our Sponsors.

If you are a member of a CAHRS sponsoring company, and have obtained your sponsor password, you can access past examples of student questions and reports at the CAHRS web site, through our Sponsorship Exclusives option, located on our web page.

To submit a question for our upcoming Spring 2005 class, email your questions to vb25@cornell.edu or phone 607-255-5341.

In The News



Jane Znamirovski

Changing CAHRS Executive Assistants – CAHRS is pleased to announce the addition of Jane Znamirovski to our staff. Jane brings a wealth of talent and experience to the CAHRS office team. She holds an MBA with a concentration in Human Resources Management from Binghamton University where she worked as an administrative graduate assistant in the School of Management. Ms. Znamirovski also has a BS in Business Administration with a concentration in Marketing from the State University of New York at Oswego. She has held positions with Stella and Getty CPAs, and Broome County Government in New York State in the Department of Information Technology, as both a Management Associate and a Business Analyst. She has also worked at GAF Corporation in General Accounting. Ms. Znamirovski replaces Michelle Eastman, whose eight year tenure at CAHRS made her a most familiar name with our corporate sponsors. Michelle was responsible for coordinating the International Programs at CAHRS, and was also instrumental in launching the new look of the CAHRS website. Michelle has moved onward and upward as the Administrative Manager for the Division of Digital Library and Information Technologies in the Cornell University Library System. We will miss Michelle and the great contributions she has made to the CAHRS organization.



Susanne Bruyere

Susanne Bruyere to Direct New Research Study Grants – ILR Employment Disabilities Institute (EDI), is the Project Director and Principal Investigator of three recently approved grants from the U.S. Department of Education National Institute on Disability and Rehabilitation Research, totaling 4.4 million dollars. One project will be to fund an Employment Policy Rehabilitation Research and Training Center, which will involve collaborations between EDI, the Department of Policy and Analysis and Management in the College of Human Ecology, and the Cornell Institute for Policy Research in Washington, D.C., among others. This project will span five years with the goal of implementing policy change in order to improve the quality of life for people with disabilities, by boosting employment and economic independence of people with disabilities. In addition, a three-year Field-Initiated Research Project will utilize data from the Equal Employment Opportunity Commission Charge Data System to identify and dissect employment discrimination trends regarding charges associated with nondiscrimination laws, specifically the American with Disabilities Act. The third project, a Field Initiated Development Project, also extends over three years and will investigate impediments in the accessibility of information technology applications for student service processes in the U.S. community college network for students with disabilities and make recommendation on ways to ameliorate them.

 **CAHRS**  **EVENTS CALENDAR**

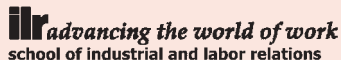
2004 - 2005

- CAHRS Fall Sponsor Meeting November 10 - 11, 2004 Ithaca, NY
- CAHRS European Initiative Meeting December 1, 2004 London, UK
Hosted by Shell
- CAHRS Building HR Functional Excellence January 12, 2005 New York NY
Study Session
- CAHRS Spring Sponsor Meeting May 11 - 12, 2005 Ithaca, NY
Building HR Functional Excellence
- CAHRS European Spring Sponsor Meeting: Cost and May 23 - 24, 2005 Budapest, Hungary
Benefits of Business in Eastern Europe and HR Implications
- ILR Orientation and CAHRS Executive Roundtables August 23, 2005 Ithaca, NY
- CAHRS Fall Sponsor Meeting November 2 - 4, 2005 Ithaca, NY

Other ILR Events

- Managing for Impact November 4 - 5, 2004 Arlington, VA
- Global Labor and Employment Challenges November 18 - 19, 2004 New York, NY
- HR Leadership: The Next Paradigm February 24 - 25, 2005 St. Petersburg, FL
- American Express Custom Programs
Strategic Leadership March 2 - 3, 2005
HR and Leadership Decision Making March 9 - 10, 2005
- Managing for Impact: HR Metrics & Firm Performance April 7 - 8, 2005 New York, NY
- HR Transformation: Partnering to Achieve May 1 - 6, 2005 Ithaca, NY
Functional Excellence
- Shell Custom Program May 15 - 20, 2005
Strategic HR Learning
- HR Strategy: Creating Competitive Advantage September 25 - 30, 2005 Ithaca, NY
Through People

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



Managing Human Assets in Uncertainty

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not be appropriate for every organization, they offer an economic logic for analyzing human assets uncertainties and allocating HR resources to minimize those uncertainties. Says Wright “Companies facing greater risks, a more dynamic environment or significant

volume fluctuations may find this framework particularly useful.” 

For more information regarding this research please contact Dr. Patrick Wright via email: pmw6@cornell.edu, or Tel: (607)255-3429. This article references research from the CAHRS Working Paper #04-03, which can be found on our web site: www.ilr.cornell.edu/cahrs/paper.html.



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