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hrSPECTRUM

Cornell Center for Advanced Human Resource Studies

Research Highlight

Upper Echelon Theory Revisited:

The Relationship Between Upper Echelon Diversity, the Adoption of Diversity Practices, and Organizational Performance

Whether it's called the old-boys' network, cronyism, or the more rarefied academic term "homosocial reproduction," the tendency of managers to hire and promote people like themselves has long been seen as an obstacle to achieving greater diversity in organizations. A new study by Cornell researcher Lisa Nishii and colleagues Anne Gotte of General Mills, and Jana Raver from Queen's University, shows that this natural human bias can be turned to advantage simply by hiring a diverse group of executives at the highest levels. This is especially true when senior management includes a diversity officer who is given the political clout and financial resources to enforce a diversity program.

Considerable research has been published about the 'upper-echelon effect:' the influence of the demographic characteristics (and associated values, perceptions, and priorities) of top management teams on organizations' policy decisions and culture. But until now, there has been no empirical evidence that diversity at the top correlates with adoption of effective diversity programs or diversity throughout the organization. Nishii et al 's results show that it does, and that it also is associated with higher organizational performance and profitability. This makes sense because diversity in senior management sends a signal to the overall workforce about the advancement potential of minorities, and because upper-echelon theory assumes greater sensitivity by minority officers to what is needed to remove obstacles to advancement.

The researchers surveyed senior HR officers from 260 of 510 organizations (response rate, 43 percent) representing a cross-section of the U.S. economy by industry type. They considered three classes—gender, race, and disability status—in determining the diversity of senior management and of the overall workforce. They measured the perceived prestige/power of the diversity officer, and then assessed the extent to which the organizations adopted two sets of practices:
1) more traditional or commonplace diversity initiatives such as diversity training, targeted recruiting, and mentoring programs; and
2) monitoring practices that tend to be rarer, in which organizations hold themselves accountable for pay and promotion rates, and for fairness perceptions among employees. Finally, they asked about the profitability, rate of innovation, and gross revenue of the organizations relative to their peers.

Results showed a significant association between diversity in senior management and diversity throughout the rest of the organization for each of the classes, as well as the adoption of robust diversity programs. Perhaps the most interesting finding was that while senior management diversity was associated with the adoption of traditional diversity initiatives, it was only when organizations also had a powerful diversity officer that they adopted stringent monitoring practices. And it was only when they monitored the fairness of their

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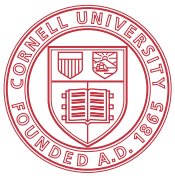


Cornell University

Up Close with …

Ellen Wilson of Fidelity Investments

"Fidelity is known for being bold and innovative in its investment strategies, and these qualities characterize our employees as well," notes Ellen Wilson, Fidelity Investments' Executive Vice President and Head of Human Resources. "The beauty of Fidelity is that the opportunities are wonderful if you thrive on change."

Ellen Wilson

Fidelity promotes innovation, risk-taking, and internal mobility to keep pace with the organization's rapidly changing environment. In the 60 years since Edward C. Johnson II founded the company with three employees, Fidelity Investments has grown to over 46,000 employees, located across ten U.S. operations centers, 116 nationwide Investor Centers, and sites in Canada, Europe, Asia, and Africa. Widely known for its mutual funds, Fidelity provides a wide range of financial services for individuals and businesses, including investment services; discount brokerage services; retirement and estate planning; wealth management; securities execution; life insurance; and human resources outsourcing.

Within this large, global company, "it is the charge of Human Resources to recruit and develop our talent pool while preserving the foundations of our success—integrity, an entrepreneurial spirit, and a customer-focused perspective," Wilson says.

Wilson herself, who has held seven positions since coming to Fidelity in 1992, is a model of the mobility that Fidelity encourages. A member of Fidelity's executive committee, she has been in her current position for three years, having previously managed HR for Fidelity's operations, technology, marketing, and investment management business groups, as well as being assigned to redesign the HR organization. Prior to joining Fidelity, Wilson held HR leadership positions at Bank of Boston and Price Waterhouse.

During the HR redesign, Wilson visited Sun Microsystems. "I was told," she recollects, "that 'until you pull the day-to-day firefighting out of the HR line management jobs, they will never be able to assume strategic roles.' We redesigned the function using this idea as one of our guiding principles. This comment stuck with me and broke through some of our old thinking."

The strategy worked but not without risk. "In order to get a sense of urgency about the change, we needed to go to the top of the organization and make our case. But to make sure the change succeeded, we needed to get everyone in HR on board as well."

To do that, Wilson utilized an outside consultant's approach to accelerated learning. "We went into isolation for a few days, and focused on concentrated solution-building. This is where we came up with our best ideas and the plan. Of course, it took us a year to implement them!" Key to the redesign was centralizing employee relations, bringing together fifty expert employee relations consultants, who are readily accessible by the line managers.

This group, HR Solutions, was first piloted in the Merrimack, New Hampshire office. "With the creation of HR Solutions, our generalist role changed enormously," Wilson reflects. Now called Management Effectiveness Consultants, the line HR group is responsible for one of the most important missions in not only the function, but the firm…building better managers.

"We are now much more strategic, preparing for the challenges ahead," Wilson says. "How can Fidelity excel as a large global company? What has served us well over the past 60 years? What will serve us well in the future? We created a new organizational survey last year that asked all the tough questions, about the company, our process and practices, and senior management. Over 27,000 employees responded and have given us great data for planning as well as reaffirming the strength of our corporate culture."

"Our HR function is absolutely focused on building talent," she continues. "Are we in the right labor markets with the right talent pool and the right skill sets for the next stage of growth? Do we have business heads in the HR function who know how to lead from a global business perspective?"

Wilson believes that the answer is "Yes. I'm very proud of our HR function. If you are going to be at the cutting edge, you need to have courage. You need to be respected, know the business you are in, be creative, know how to live through ambiguity, and have tenacity in the face of adversity. You also need to know how to have fun, how to trust the team you are in. We have built a team of extraordinary HR professionals and an HR function that is widely respected throughout Fidelity Investments." hr

Fidelity joined CAHRS in 2003, the 'Up Close with' profiles feature interviews with leaders of CAHRS sponsors.

HR Company Profile

Dow Jones

We see it in headlines and news tickers everywhere—the Dow Jones Industrial Average. But what is behind this ubiquitous symbol of U. S. economic health? Dow Jones & Company is publisher of the world's most vital business and financial news and information. Since 1882, the Dow Jones name has been synonymous with accuracy, integrity and trust. The cornerstone of Dow Jones is its flagship publication, The Wall Street Journal. The Journal, which was founded in 1889, has a print and online circulation of nearly 2.1 million. Dow Jones employs more than 7,000 full-time employees worldwide, and Jorge Figueredo, Senior Vice President of Human Resources, who joined Dow Jones in February of this year, now heads its HR function.

"HR is structured in a traditional way here," says Jorge. "We have the basic functions—benefits, compensation, employee relations and staffing. Dow Jones' HR is primarily centralized but there is some decentralization in the sense that we recently bought Factiva and created a group called EMG (Electronic Media Group) and that has its own centralized HR organization."

Jorge and his team are tasked with transitioning the function just as Dow Jones is transitioning its business model. "We are a 125-year-old company and an iconic American company on top of that," says Jorge. "In February of 2006, Richard Zannino was made CEO of Dow Jones. He is the first non-journalist to head this company in more than 70 years. He has assembled a top team where every individual but one is either new to the company or new to the position. Our priority is leading change."

The Dow Jones business model is undergoing a dramatic transition like the rest of the publishing world. "We are moving from a mostly paper and ink business to digital dissemination of information and business information services," says Jorge. "This has enormous organizational implications. I am joining the industry at a time of significant change and Dow Jones will be at the leading edge of transforming not only our business but our HR practices and processes as well."

Like other HR leaders, Jorge and his team will focus on building the right organizational capabilities. "We must make sure we have the right talent, both by acquiring it and developing it, and ensure that we have HR practices and processes that support all of this change." And as one would expect, change management competencies are a priority.

What does Jorge look for in his HR team? "First and foremost are people who are business minded. They have to be proactive—ahead of the game and holistic thinkers who understand how they fit in the scheme of things," says Jorge. They also must have an area of HR practice that they can own. "The primary tool in your tool kit if you will."

Jorge Figueredo joined Dow Jones after a long career at Liz Claiborne Inc. where he rose to be the president of Liz Claiborne International. Prior to that, he was Liz Claiborne's senior vice president of HR. With this extensive experience in general management, it is no surprise that he values the strategic impact of HR, and will deftly lead his Dow Jones organization down that important path. *hr*

Dow Jones joined CAHRS in 2007 the 'HR Company Profile' features a Corporate HR view of new CAHRS sponsors.

2007 - 11th Annual

ILR Orientation and CAHRS Executive Roundtables

Cornell ILR students and HR Executives from eighteen corporations gathered August 21, 2007, at one of CAHRS most popular events the 11th Annual ILR Orientation and CAHRS Executive Roundtables. Once again the waiting list grew with HR executives desiring the opportunity to interact with future HR professionals beginning their graduate studies at Cornell.

The executives' talks have provided students with perspectives far beyond what they will learn from books, and the students' insights have been impressive to the executives. Since 1997, the CAHRS Executive Roundtables have offered our sponsor company representatives an opportunity to meet with ILR Graduate, Undergraduate and select Senior students to exchange questions and ideas about the field of HR. They discuss the most important issues facing individual companies, the skills needed by future HR professionals, and what companies look for in recruiting entry-level professionals.

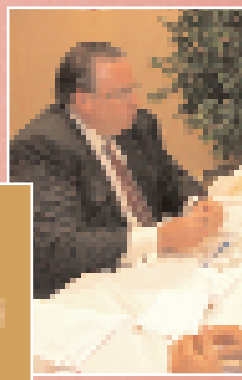
About eighty students attended our CAHRS Executive Roundtable session. Corporations that were represented at this session are Pfizer, Terex, American Express, Novartis, CIT Group, Dow Jones & Company, IBM, PNC Financial Services, YUM! Brands, Raytheon, EMC, General Mills, UTC, ALCOA, GE, Eaton, Constellation Energy, and Shell.

The annual agenda includes lunch, the roundtable sessions, and a reception where students and executives are able to converse in a more informal setting. The executives are encouraged to set out information on their company, and students leave resumes for the executives to look over. hr

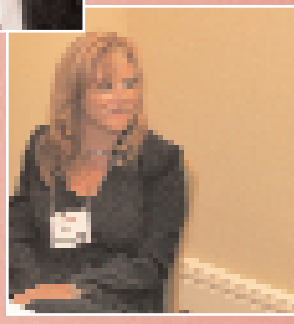
Executives wishing to participate in next years roundtables should respond quickly to the invitation that comes out in the spring.

Mark Ugol, Constellation Energy

Bob Sims, Eaton



Ed Golitko, EMC



Laura Miller, Raytheon

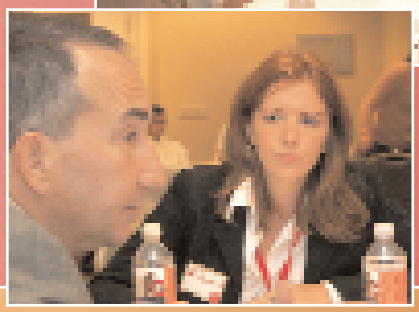
Kevin Barr, Terex

Mike Kilroy, PNC

Jim Duffy, CIT Group

Sandy Ohlsson, General Mills

Kevin Cox, American Express



Joe Ruocco, GE

John Kurnick, YUM! Brands

Chris Altizer, Pfizer

Joe Quaglia, Alcoa

Jorge Figueredo, Dow Jones & Company

Tom Fleming, IBM

Bill Panetta, UTC

Dale Wunder, Shell

Don Davidson, Novartis

Helping ILR, HR Studies and Executive Education

Christopher Collins, Ph.D. New Director of ILR Executive Education

Christopher Collins, Ph.D., is hard to track down these days. Collins' dizzying schedule picked up steam in April 2007 when he was welcomed as a CAHRS Advisory Board member. Then in June, Collins was chosen to succeed Scott Snell, Ph.D. as Director of Executive Education. And while summer is supposed to be a professor's cherished time for research and reflection, Collins maintains his breakneck pace—remaining heavily involved in all aspects of HR Studies, the ILR School, and executive education. In a nutshell, he's driven to take on opportunities outside his teaching and research role by a passion for promoting HR studies in hopes of enhancing HR practice.

Chris Collins

This passion has made him an important contributor to Dean Katz' and the ILR School's focus on expanding and improving the MILR program. Collins worked closely with the Dean and MILR Program Manager to plan and implement the first-ever recruiting open-house for prospective MILR students. The event, which took place in March 2007, was a huge success—netting an almost 90% acceptance rate from students who attended. Collins' knowledge of effective employment branding and recruitment/retention efforts has been a valuable addition to the team, providing a unique twist on graduate admissions and recruitment. In addition to his teaching, research, and work with the MILR program, Collins is dedicated to bringing HR expertise to students at all levels. He teaches undergraduates in ILR, HR professionals through SHRM Academy workshops and meetings, and HR executives enrolled in ILR Executive Education courses. Collins also facilitates peer-to-peer learning dialogues for senior HR leaders through his involvement with CAHRS—on the Board, in working groups, and at meetings.

Never one to rest on his laurels, Collins has been constantly on the move since he became a fully tenured ILR faculty member in May 2006. His research interests are rooted in strategic human resource management, the role of HR practices and leadership in employee engagement, firm innovation and knowledge creation, employee recruitment and employment brand equity. Collins currently teaches courses in Human Resource Management, Organizational Consulting, and Business Strategy to Masters level and undergraduate students. He is a member of the Academy of Management, Strategic Management Society, and Society for Human Resource Management. In his spare time, Collins plays enough golf to maintain his 9 handicap, is a wonderful father to his new daughter Emerson, and enjoys savoring a great meal with an even better glass of wine. hr

Upper Echelon Theory Revisited

Continued from Page One

practices that organizations benefited from increased profitability, innovation, and revenue.

The authors interpret the adoption of monitoring practices as the true test of an organization's commitment to diversity—it appears that unless organizations are willing to hold themselves accountable for fairness, they may not achieve it; neither, consequently, are their organizations likely to benefit from the increased diversity. In the absence of a commitment to monitor progress on diversity (and potentially uncover less than ideal progress), the adoption of diversity initiatives may be perceived as mere lipservice. And when they're not perceived as genuine, they simply don't work as well.

Since the survey was not longitudinal, cause and effect conclusions were not attempted. Are diversity officers highly respected because their organizations are already well integrated and committed to diversity practices? Or did the diversity officer indeed act as the catalyst that brought forward an institutional change? That relationship was not examined, but the fact that one exists—that powerful diversity officers correlate with powerful diversity programs that in turn correlate with valued organizational outcomes—has, for the first time, been established. hr

Faculty Profile

Lisa H. Nishii, Assistant Professor, Human Resource Studies

Lisa Nishii joined the ILR School as an Assistant Professor specializing in Human Resource Management in the fall of 2003. Her decision to join Cornell was influenced by the opportunities that she felt the Center for Advanced Human Resource Studies (CAHRS) offered in terms of scientist-practitioner collaborations.

Lisa Nishii

Lisa was also attracted to the strong sense of community, institutional identity, and pride that are felt and expressed by Cornellians, and of which she desired to be a part. Lisa's research interests in International HRM were also well aligned with the ILR School's push to become more international; she felt that in such an environment, her research and teaching aspirations would be supported and appreciated.

Lisa's interest in international affairs stems from her unique background. Her Japanese father is descended from Buddhist monks, while her mother traces her ancestry back to the original Mayflower settlers. Adding to this already diverse scenario is Nishii's Korean husband and the couple's children, Elise (2 and a half) and Issei (3 weeks), whose complex heritage can best be described in fractions—one-quarter American, one-quarter Japanese, one-half Korean.

Lisa's current research lies in the areas of cross-cultural and international HRM, and workplace diversity and inclusion issues. In her international HRM research, she is examining the moderating role of national culture on the relationship between effective HR systems and organizational performance, as well as the relationship between dimensions of national culture and the internal alignment of HRM practices. She is also actively involved in a large-scale international project in which she and her collaborators are examining the interplay of eco-historical, societal, and psychological factors in determining the strength of societal norms across 35 cultures. In cultures that have a preponderance of strong societal norms, behavior tends to be highly scripted and less variable, while in cultures with primarily weak societal norms, behavior tends to be more variable and personality-driven. She and her colleagues are exploring the many implications of these findings for organizational phenomena.

Her diversity research focuses primarily on the relationship between workforce diversity, diversity management practices, and organizational performance. The main thesis driving this work is that workforce diversity can and should positively impact performance, as long as organizations implement appropriate organizational practices and devote adequate attention to group process and leadership factors. Her research has demonstrated the importance of a climate for inclusion, as well as for organizational accountability in managing diversity. Through Department of Labor and SHRM Foundation grants she has recently been awarded, she has been researching the impact of inclusion climate and leadership behaviors on the engagement and retention of disabled and older workers.

Lisa is excited about the new international focus of the ILR School and believes that it is a necessary step for maintaining ILR's reputation in the world as a leader in the world of work. Lisa feels that the attention that the school is paying to the internationalization of the curriculum is invaluable. She strongly feels that the best way to understand the complexities involved with multicultural/global issues is to experience them first hand, and thus is particularly excited about recent efforts to boost ILR students international opportunities through overseas internships, study abroad, and classes with international travel components. With the guidance, vision, and support that the school is receiving from Dean Katz, Lisa is optimistic and confident about the ILR School's future as a leader in international workplace issues. hr

CAHRS EVENTS CALENDAR

2007 - 2008

CAHRS Fall Sponsor Meeting ..... November 14 - 15, 2007 Ithaca, NY
Beyond Intuition: Using HR Analytics to Improve Workforce Decisions

CAHRS Executive Discussion..... January 24, 2008 Shanghai, China
Building a Sustainable HR Model for China

CAHRS Spring International Meeting..... May 2008 Dubai, United Arab Emirates
Growth in the Middle East and HR Capabilities

ILR Orientation & CAHRS Executive Roundtables ..... August 26, 2008 Ithaca, NY

Fall Sponsor Meeting..... November 12 - 13, 2008 Ithaca, NY

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

ILR Executive Education & Events

Maersk International Human Resource Programme ..... September 1 - 2, 2007 Copenhagen, Denmark
Global HRM: From Theory to Practice

HR Strategy: Creating Competitive Advantage Through People ..... September 24 - 28, 2007 Ithaca, NY

Shell HRFE Strategic HR Leadership Program:..... October 21 - 26, 2007 The Hague, The Netherlands
HR in Business

Finance for HR ..... October 25 - 26, 2007 Ithaca, NY

Managing for Impact: ..... November 7 - 8, 2007 Miami Beach, FL
HR Metrics and Firm Performance

HR Transformation: Partnering to Achieve Functional Excellence ..... April 28 - May 2, 2008 Ithaca, NY

Finance for HR..... June 3 - 4, 2008 New York, NY

Integrated Talent Management ..... June 11 - 12, 2008 New York, NY

For more information, contact ILR Executive Education at 607-255-5882 or e-mail: ilrexec@cornell.edu, or visit our website at:

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