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CRITERIA AND INSTRUMENTS FOR THE APPOINTMENT OF TOP-OFFICIALS IN THE EU-MEMBER STATES AND THE EU-INSTITUTIONS – HOW ETHICAL AND MERITOCRATIC ARE WE IN PRACTICE?

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Criteria and instruments for the appointment of top-officials in the EU-member states and the EU-institutions – how ethical and meritocratic are we in practice?

Christoph Demmke, Roland Blomeyer

ABSTRACT

Purpose – Literature assumes that politicization is increasing in HRM policies in the public sector. This article will test this claim in the field of appointment procedures for top officials.

Aims – The article analyses appointment procedures for top officials in the European Union (EU) Member States and EU Institutions. It focuses on the ethical dimension of appointment procedures and how the different administrations and appointment committees manage conflicts of interest as regards political – (politicisation) and merit-based interests.

Design/Approach – The article draws on a research assignment for the European Parliament, following the appointment of a former Secretary General of the European Commission in February 2018 and the subsequent European Ombudsman enquiry and finding of maladministration. The research is based on a critical review of the existing literature on the appointment of top-officials, the assessment of European Commission and European Ombudsman documents, the review of appointment procedures in other international, European and national organisations and interviews with civil servants in international and European organisations, the EU institutions, and EU Member States.

Findings – The article finds that appointment procedures are highly opaque. Politicisation remains a complex challenge but can be attenuated if positions are published and committees improve the management of conflicts of interest.

Limitations – Because of the – often – complex nature of top-officials appointment procedures, it is difficult to get access to “real life facts”. Also in the case of appointment procedures in the European Commission, we were confronted with opaque decision-making processes and found it difficult to get a real picture of processes.

Practical Implications – The findings of this survey were presented to EU decision-makers and officials from various EU Institutions

Originality – Still, this study is based on – so far – unofficial documents and data that made it possible to get access to so far disclosed information.

KEY WORDS

appointment procedures, top officials, politicisation, merit-based appointments, conflicts of interest

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1 INTRODUCTION

Politicisation of public services remains an important topic and this issue is by no means unique to some countries and some (European Union) institutions. Rather, it appears to be a common problem across all of Europe and beyond.

The following discussion concerns the ‘ethical and practical dimension’ of appointment procedures for top officials in the Member States of the European Union (EU) and the EU Institutions. By ethical dimension, we mean an analysis of how principles and values (such as merit) are implemented and how conflicts of interests are managed in the appointment process. By practical dimension, we are interested to know how far legal principles and political objectives are implemented and enforced.

Our interest focuses on the selection of top officials, thus adding research insights into the appointment of top officials in various administrative and political contexts, such as the EU Member States and the EU Institutions. Our hypothesis is that “institutions matter” in the sense that the specific institutional context and the degree of openness and independency of processes determine the possibility to politicise the appointment process of top officials.

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Existing research has focused on the analyses of recruitment procedures on the national level (Bossaert et al.) and in EU Agencies (Egeberg, 2017). Generally, literature on political partisanship, patronage and politicisation (Aberbach & Putnam, 1981; Dahlström, 2012; Dahlström, Lapuente & Teorell, 2012; Dahlström & Holmgren, 2015; Kopecký, Meyer Sahling, Panizza, Scherlis, Schuster & Spirova, 2016; Meyer-Sahling, Mikkelsen, Ahmetovic, Ivanova, Qeriqi, Radevic, Shundi & Vlajkovic, 2015; Meyer-Sahling & Mikkelsen, 2016; Peters & Pierre, 2004) agrees on the relevance of political loyalty for politicians while paying only limited attention to other criteria for the selection of top officials such as experience, qualification, competence, technical and networking skills in a specific policy area etc. Overall, there is no research on the ethical dimension of appointment procedures, both in theory and in practice. Experts rarely address what is perhaps the most crucial question in politicisation research: Does partisan loyalty drive out other (meritocratic, representative, diversity, equal opportunity etc.) criteria of recruitment? Where is the dividing line between acceptable forms of “politicisation” and the need for merit based and impartial approaches? Moreover, there is only limited research into the technical aspects of appointments of top officials and the ethical challenges this process implies. This can be considered somewhat surprising, given the importance of the topic of “politicisation” as such, and the transcendence of ‘scandals’ in terms of citizens’ trust in the institutions and in democracy in general. Indeed, existing research has focused on the power of top officials, but less on how this power is acquired and how ethical conflicts such as conflicts of interests are managed in the first place (Peterson, 2016).

2 METHODOLOGY

In the following we will discuss the main results of an empirical research project for the European Parliament (European Parliament, 2019) which we carried out between September 2018 and April 2019. This involved desk research and interviews on the basis of data received from the European Parliament, and documentation on appointment procedures in selected international, European and EU Member State organisations. A case study approach was adopted, focusing on different European Union institutions (European Commission, European Parliament, General Secretariat of the Council), international and European organisations (Council of Europe, European Free Trade Area Secretariat, World Bank, Organisation for Economic Cooperation and Development) and EU Member States (Denmark, Estonia, France, The Netherlands, United Kingdom). The study findings were presented to the meeting of the European Parliament Budgetary affairs committee and EU Commissioner Öttinger.

3 THE POPULARITY OF MEASURING POLITICISATION

Concepts of politicisation as such (Rouban, 2012) distinguish between three different variants, namely politicisation as a) civil servant participation in political decision making, b) control over nominations and careers and c) civil servants’ political attitudes and involvement (in political parties etc.).

This broad definition constrains the measurement of these variants in different countries, institutions, sectors and at different levels of government. Despite this, trends towards ever more benchmarking and quantification have also found their way into the measurement of politicisation. For example, according to van de Walle (2018) direct politicisation as perceived by central government top officials is highest in Portugal, Spain and Croatia. It is lowest in most Nordic countries, the Netherlands and Ireland. During the past years other researchers established “impartiality and merit system indexes” (Charron, Dahlström & Lapuente, 2015), integrity indexes (Mungiu-Pippidi, 2015) and correlated institutional configurations with corruption levels (Dahlström & Lapuente, 2017).

Despite these trends, measuring politicisation remains as problematic as measuring corruption. As argued below, it is even more complicated to measure the political influence in management procedures such as for dismissal, promotion, transfer to another position, or as regards the appointment of top officials. Notwithstanding, the OECD (2007) has tried to measure the influence of the political level on transfers to another position by using either promotions, dismissals or transfers to other positions, finding political involvement in one or several dimensions of human resource management to be a strong predictor of politicisation as such. However, because of the difficulty to measure the influence of the political level in the appointment process and the involvement in other Human Resources (HR) policies, this form of measurement was never repeated. For example, the fact that a politician is involved in appointments does not, per se, make HR management a politicised process. And even if the process is politicised, this is not necessarily problematic. All depends on the form of politicisation. As such, political acumen is essential for top officials to accomplish the political goals of their minister and to protect them from policy fiascos. On the other hand, Ministers motivated to manage and control the bureaucracy will arguably look for candidates with management and leadership competencies when recruiting top officials. Here, the means

used are “politicisation”, but the interest may be to find the best candidate based on skills and competence (Bach & Veit, 2017).

4 APPOINTMENT AND POLITICISATION OF TOP-OFFICIALS – A NECESSARY EVIL?

Already in 1981, Aberbach, Putnam and Rockman claimed that top officials continuously move away from the classical ideal type of the neutral/impartial Weberian civil servant towards managers and hybrid personalities which bridge the boundaries between politics and administration. According to the authors, there is a tendency towards bureaucratisation of politics and politicisation of administration as technical expertise becomes ever more important and politicians rely on advice from top officials. Today, it is widely accepted that most political decisions are being influenced by the administration. From this perspective, politicisation is even an essential element of democratic systems. Moreover, the politicisation of appointment processes can be perfectly legal and legitimate, because democratic rule implies that the voters’ choices should actually be implemented by the selection of politically trustworthy top-bureaucrats. Therefore, in a democratic society, politicians have a legitimate interest in controlling what government organisations do. The basic idea is that neutral competence is not the only important virtue of the civil service in a democratic society. Neutrality can also be abused for political reasons. In addition, neutrality should be complemented by responsiveness to democratically elected leaders. Especially, since top officials assume positions with great responsibilities and impact on society, no wonder that politicians who are accountable to the parliament take an interest in appointments. As already mentioned, politicians depend on the technical knowledge and expertise of administrators. Also, the relationship between politicians and top officials should be based on trust, and politicians need to trust top officials carrying out their duties (House of Commons, 2016).

Therefore, literature widely agrees on the relevance of political acumen in the field of political decision-making. This “type of competency includes the ability to assess the situation from the viewpoint of political leadership, to anticipate political risks and the potential for failure, and to spot political coalitions or ways to overcome existing cleavages to create coalitions supporting government policies” (Bach & Veit, 2017). Therefore, in many cases ministers have the right to be involved during the selection process.

The problem with these arguments is that they underestimate the ethical dimension of decision-making in public policies. For example, while politicisation may be a normal feature of democratic systems, patronage, corruption and political abuse can easily be a classical reflex of (too) wide discretionary powers of politicians. Therefore, there should be constraints on the direct exercise of powers by ministers over top officials on account of the need to limit politicisation and retain the independence of the civil service. But where exactly should these constraints be implemented?

5 APPOINTMENT AND THE NEED FOR MERIT-BASED APPROACHES

In the EU Member States and amongst the EU Institutions, appointment procedures differ and are linked to very different administrative and political systems. However, all countries and EU institutions consider that appointment of top officials should be based on the principles of rule of law, impartiality and merit. No civil service regime implicitly allows for politicisation and responsiveness as enshrined principles. Even if responsiveness to political interests is seen as important, it is subordinated to the principles of rule of law, impartiality and merit. How can this be explained? Obviously, the main reason has to do with experiences made throughout history. In most countries, “for much of the nineteenth century (...) Public office was perverted into a private fiefdom as arrogance, greed, and opportunism prevailed over honor, openness and prudence” (Bowman & West, 2008:183). Therefore, Bekke & van der Meer (2001) and Rosanvallon (2015) define modern civil service systems as depersonalised systems which differ from traditional modes of government by the way of introduction of merit principles which were adopted – as a moral guardian to democracy – and which should shield employees from politically inspired employment actions.

Thus, already from a utilitarian point of view, too politicised and non-merit-based structures are open for criticism because they are less efficient and less effective than merit-based practices. Even more, a civil service selected and managed based on merit, as opposed to political patronage and nepotism, presents many benefits: Hiring people with the right skills for the job generally improves performance and productivity, which translates into better policies, and better services for citizens. Meritocracy also reduces corruption and opportunities for patronage and nepotism. Merit systems provide the necessary foundations to develop a culture of integrity, are linked to higher levels of trust and bring in better qualified professionals. When people are appointed for non-meritorious reasons, they may be less likely to see the position itself as legitimate, but instead as means to achieve

more personal wealth through rent-seeking behaviour. So, there is also a motivational quality about merit systems which reinforces public service. Another way that meritocracy reduces the risk of corruption is by providing long-term employment. This tends to promote a longer-term perspective to decision-making which reinforces the employee's commitment to their job and makes it less tempting to engage in a short-term opportunism presented by corruption. The separation of careers between bureaucrats and politicians is also shown to provide incentives for each group to monitor each other and expose each other's conflicts of interest and corruption risks. Conversely, when the bureaucracy is mostly political appointments, loyalty to the ruling party may provide disincentives for the bureaucracy to blow the whistle on political corruption (OECD, 2017b:35).

For all of these reasons, all countries and EU Institutions subscribe to the idea that appointment procedures should not be politicised. Exceptions only concern the appointment of top officials. Thus, for all countries and the EU institutions, the following considerations apply: Appointment systems are embedded in a system where nobody is above the law, whatever rank or condition and all are subject to the same law administered in the same courts (Bingham, 2010). Moreover, the merit principle requires staffing processes to be based on ability rather than social and/or political status. Thus, people involved in the recruitment and appointment process should be unmoved by certain sorts of consideration – such as special relationships and personal preferences (OECD, 2017b:12). However, such a rational position underestimates the growing (ethical) complexity of appointment procedures.

6 THE DESTANDARDISATION OF RECRUITMENT AND APPOINTMENT POLICIES – NEW FAIRNESS CHALLENGES ARISING?

Current trends in HR management have opened public employment for ever more diverse employment innovations. Whereas most governments agree that politics should not try to form the character or cultivate the virtue of its citizens, the increasing popularity of behavioural ethics (Wieland, 2010), the “affective turn in economics” (Priddat, 2010) and the popularity of nudging (as an instrument), destandardisation trends and the trend towards the delegation of own responsibilities to employees through different concepts such as engagement, life-long learning and competency-development show that current trends in HR policies are leading towards an individualisation and “psychologisation” of HR management (Godard, 2014).

These developments run counter to the above mentioned grand administrative tradition: For a long time, HR management in the public sector was dominated by rational, legal, standardised and technical approaches. Today, traditional HR management is in trouble, both theoretically and practically because it is challenged by ethical, financial and budgetary, behavioural, managerial narratives and developments in the neurosciences (Thompson, 2011). Currently, the discipline of HR management integrates new evidence, especially from the behavioural sciences. This is a reaction to the traditional focus in the field which was based on technical and legal ideas that ignored psychological aspects, although evidence existed since the Hawthorne Experiments that individual behaviour is largely influenced by justice and fairness perceptions, emotions and feelings, such as hope, fear, aspirations, expectations etc. Today, instruments such as nudging have become tremendously popular. For example, in the field of ethics, approaches that are based on laws and compliance-based approaches are believed to be ineffective since they guard only against intentional forms of unethical behaviour (and not unintentional forms). Disciplines like behavioural ethics explain why people overestimate their ability to do what is right and why they act unethical without meaning to (Bazerman & Tenbrunsel, 2011). This turn towards behavioural approaches can be explained as a counter-reaction and because of the shortcomings of traditional (bureaucratic) approaches. However, they are neither new, nor without problems.

In the past, national civil services always used common and standardised recruitment frameworks. Overall, people were recruited based on qualification (and diplomas). Most countries also installed merit-based recruitment systems that set common standards for civil servants to meet through, for example, standardised testing. These systems were designed to ensure a high degree of professionalisation (as opposed to politicisation) of the civil service, and to ensure that all applicants are provided with equal opportunities. While such systems responded to values of internal equity, professionalism and equal access, they were criticised because they underperformed in a context of competition for particular skill sets (OECD, 2017). Moreover, they underperform because they are based on skills and qualifications (ratings) that were achieved (and evaluated) in the past and not on the development of new (social and technical) skills and (soft) competences. Today, politicians and managers repeat the mantra that economic competitiveness depends crucially on the skills and investments in training of the workforce. Everywhere, governments, politicians and management experts agree upon the key role that skills, training and long-life-learning play in securing competitiveness and social cohesion. Within this discourse, it seems that skills are the answer to a whole set of economic and social problems. With the increasing importance of skills policies, the notion of skills has also become considerably broader and differentiated compared to the past. Today, the popular skills discourse uses very different notions like enlarging basic skills, employability skills,

adapting skills, key skills, management skills, future skills, IT skills and leadership skills (Payne, 2000). The term skills as such has also become indistinguishable from personal characteristics, traits, competences, behaviours and attitudes (OECD, 2017). Public administrations respond to the new challenges by a destandardisation and individualisation of recruitment policies and the alignment and finetuning of recruitment methods to specific skills needed (OECD, 2017). Increasingly, this is done by the introduction of more diverse and external recruitment practices, or separate practices, for example for top officials. Moreover, different public administrations increasingly design specific competency profiles for different categories of employees. Today, countries wish to develop employment policies and recruitment frameworks that are driven by individual qualities, skills and expertise (OECD, 2017) in order to match new skill requirements and competency developments. However, this trend towards different competency expectations, skill development ability and self-reliance on skill adaptation marks a clear departure from the traditional view of the compliant bureaucrat (OECD, 2017) and standardised recruitment policies. These trends challenge the fairness and merit-based recruitment systems and raise the question how individual skills - under decentralised and individualised conditions - are designed, evaluated and assessed (OECD, 2017). At present, destandardised recruitment systems are more vulnerable to integrity violations than standardised systems. During the last years, especially the decentralised and destandardised Central European civil services have been increasingly politicised and polarised (Itrich-Drabarek, 2015).

7 MERIT BASED APPOINTMENT OF TOP OFFICIALS AND THE CONCEPT OF POLITICISATION – A GREY ZONE

Still, there is considerable confusion surrounding the discussions about politicisation. “The first misunderstanding has to do with the fact that politicization can be perfectly legal and legitimate, because democratic rule implies that the voter’s choices should actually be implemented (...). Another source of confusion comes from the fact that the politicization of appointments does not necessarily imply a lack of professional competence.” (Rouban, 2012:381).

Likewise, merit-based approaches and politicisation are not necessarily polar opposites as is occasionally assumed by the public administration literature. For example, research on recruitment of top officials shows that it is common for political leaders to prefer appointees who combine professional qualifications, competence, skills and political loyalty. For example, Kopecký et al. (2016) observes that many appointments combine political interests in the appointment process and professional interest in the qualifications of candidates. Another aspect is that ministers and their departments are under constant media attention, which means that “no minister wants to run the risk of negative media exposure resulting from unprofessional work” (Bach & Veit, 2017:6).

Overall, the different political and the administrative “interests” and “logics” present different arguments why certain forms of politicised appointment are also needed and even legitimate. According to Matheson (OECD, 2007), “the balance is right when the resulting behavior of the public service supports a perception of the legitimacy of government”. There are several areas in which we might look for evidence of legitimacy supporting behaviours:

First, the public service respects the constitution, rule of law and common interest. Public institutions do not have authority over political institutions, but they do act as a quasi-constitutional constraint on those institutions. Legitimacy derives from adherence to constitutional and legal requirements, regardless of the implications for the elected government (OECD, 2007).

Second, the public service acts impartially. Moving one step up the hierarchy, a demonstrable concern for the collective interest from the public service provides assurance that non-elected public officials do not exert power arbitrarily in their own interests, to support their friends, to harm their enemies, or act with impunity to deny citizens basic rights (OECD, 2007). Impartiality in this sense is a widely recognised aspiration of the public sector. However, many commentators have associated this with representativeness on the basis that impartiality is all but impossible in practice without this (Bingham, 2010:4). Legitimacy in this sense can be undermined by arrangements which allow the public service and the public powers and resources they administer, to be used as party political tools – for example if political opponents are subjected to more active tax investigations than ruling party supporters, (Rothstein & Teorell, 2015).

Third, the public service acts responsively. Responsiveness to elected officials is now widely seen as a legitimate way of being responsible to the citizens. This is most readily but perhaps most dangerously achieved by emphasising political criteria in the appointment of top officials (Dahlström, 2012; Dahlström, Lapuente & Teorell, 2012; Dahlström & Holmgren, 2015; Dahlström et al., 2017; Meyer-Sahling & Mikkelsen, 2016; Kopecky et al., 2016).

Often, appointment procedures for top officials are a conflict of interest per se. Whereas political involvement in administration is essential for the proper functioning of a democracy, public services need protection against abuse by political interests, and citizens need public service delivery that is based on competence, skills and

technical capacity. In most cases, politicians have a political interest in the choice of candidates. However, they also have an interest in the technical competence of the candidate. Politicians have an interest in political loyalty of candidates. However, they can also not neglect that the citizens want employment systems that guarantee observation of the fundamental values, administrative law principles and ensure a focus on effectiveness, efficiency and accountability. Most politicians accept that the purpose of appointment processes should be driven by the need to achieve good outcomes. Good people won't come forward to be considered for appointments if the appointment system appears irrational, biased or doesn't operate smoothly. The question then arises how to institutionalise appointment policies.

8 APPOINTMENT OF TOP OFFICIALS IN THEORY AND PRACTICE – DEVIATIONS FROM VALUES AND PRINCIPLES

Overall, the EU Member States have found very different ways to deal with the appointment of top officials and issues of neutral competency and responsiveness. As regards the EU Member States, Kuperus and Rode (2016) distinguish amongst five different appointment models for top officials (Kuperus & Rode, 2016:24). The question of political acceptance of top officials is mainly relevant to the highest-level positions, because they have to work directly with the minister(s). According to Kuperus and Rode (2016), the political involvement and influence during the selection and appointment of top officials is highest in Germany, Estonia, Spain, France, Italy, Hungary and Slovakia. It is lowest in Greece, Cyprus, Lithuania, Romania and Sweden. However, both authors also note that whether this theoretical framework fits the practical actions in the Member States is difficult to evaluate. In all countries and in the EU Institutions, appointment procedures are carried out in opaque and complex ways.

Despite the existing national and institutional differences, in all countries, there are no clear criteria when and why appointments should be made as a result of an open/external recruitment process or as a result of internal competitions, mobility policies or “job shuffling” with only one suggested candidate.

Meyer-Sahling (2015) claims that the greatest challenges in the appointment process concern a) the opening of positions, b) the structure, formation and operation of selection boards, c) the conduct of personal interviews and d) the final selection from lists of candidates.

Most countries rely to a very large extent on the existing pool of civil servants to fill senior positions (Boyle & O’Riordan, 2014). Moreover, most countries restrict employment opportunities only to few candidates. The answer to the question, when and whether a position should be filled through open recruitment / competition, or internal recruitment / competition, or simply without any competition and through transfer, mobility policies or promotions is often unclear. Thus, also in those countries that provide for open recruitment procedures, vacancies may only be published internally, or recruitments and selections are a result of internal shuffling, mobility policies, and promotions. Moreover, even if positions are open to external candidates, they are often filled with internal candidates.

Often, it is also practice nominating one independent or external expert into the selection committees. The choice of criteria who should become an independent expert highly differ and range from competence to political donors, office holders, friends, family members and academics. Often, there is also concern of conflicts of interests of “independent” committee members who are politically active, fulfilling the role of independent panel members or senior independent panel members. This way of selection of independent members is likely to increase public distrust of these persons, because of perceived links to the selection body concerned, the appointing department or the governing party.

For example, in Ireland vacancies may be filled without competition if there is a clear “business case”. The business case is defined as recruitment needs in cases of shortage of expertise, if previous attempts to staff the position were unsuccessful, in case of retaining talents, effects of restructuring measures, unexpected departures, or when relationships with ministers are breaking down (Boyle & O’Riordan, 2014).

In Canada an audit carried out by the Public Service Commission in 2008 found that of the sample of 348 appointments assessed, 107 were non-advertised (Public Service Commission of Canada, 2008). They also found that a higher proportion of non-advertised than advertised posts were unsatisfactory or in need of improvement with regard to the process used to fill the posts. According to the audit’s conclusions, the reason many un-advertised processes were deemed either unsatisfactory or in need of improvement was due to the need for improvement in either the assessments or the rationale given for choosing a non-advertised appointment process (Boyle & O’Riordan, 2014:2).

In the United Kingdom, exceptions to open competitions have been reformulated in 2018 (Civil Service Commission, 2018). These concern temporary appointments in cases of urgency, support for Government employment programmes for disadvantaged people, secondments, highly specialist skills, former civil servants

who were previously appointed on merit and on the basis of open and fair competitions, interchange with Northern Ireland and transfer of staff from other bodies. Similar to the case of Ireland, these exceptions seem to be quite general and are open to interpretation. Also, in the United Kingdom “the reality is that fewer than half (10 of 21) of appointments to lead Whitehall departments and other devolved administrations since 2010 have been made following an external competition” (UK Institute for Government, 2013:6).

In September 2018, the European Commission (EC) organised an Inter-Institutional Round Table to discuss the need / scope of possible reform of the appointment of top officials in the EU institutions. To prepare for this meeting, the EP issued a survey on appointments of top officials during the years 2013 to 2018 in the EC, European Parliament (EP), Court of Justice of the European Union (CJEU), European Court of Auditors, European Economic and Social Committee, Committee of the Regions, European External Action Service (EEAS), European Ombudsman, European Data Protection Supervisor and the Council. The survey covered the posts of Secretary General (SG), Deputy Secretary General (DSG), Director General (DG) and Deputy Director General (DDG). The main survey findings concerning SGs and DSGs noted a total of 13 appointments upon publication of post whilst seven appointments were made without publication of post. Concerning DGs and DDGs, the data shows that whilst there was a total of 146 appointments, vacancies were only published on 85 occasions (58%); of these 85 ‘public’ procedures, 75 procedures (88%) attracted more than one, but ten procedures attracted only one candidate (12%); regarding transfers, of the total of 85 transfers, only 19 involved the publication of a vacancy (22%); only 11 of 146 appointments were made from outside the institution (7%); and only 36 of 146 appointments (25%) involved an external assessment procedure.

These few cases illustrate that recruitment and appointment processes are everywhere a highly opaque and intransparent procedure. Overall, there is a clear danger that general merit recruitment procedure becomes severely discredited in the eyes of citizens and future applicants if positions are opened exclusively in specific cases and as a result of unclear and opaque ways.

9 CONFLICTS OF INTERESTS IN SELECTION COMMITTEES OR BODIES

As already stated, appointment procedures are also linked to very different administrative and political systems. This link can be best seen between, on the one hand, countries with more traditional (bureaucratic) systems who prefer more internal appointment systems, and on the other hand, more private-sector types of civil services who opt for more external and independent appointment structures. Unfortunately, from a comparative point of view, very little is known as to the operation of these appointment committees, commissions, bodies etc. Overall, very little evidence exists as to their internal operations, budgets, rules of procedure and working styles.

In all countries and EU Institutions, some kind of body for recruiting or advising on the best candidates for senior civil service positions is used as the main tool in ensuring political neutrality and objectivity in the appointment of top officials. For example, whereas in some countries, selection committees are internal bodies and ministers enjoy a great amount of discretion in decision-making, other countries have decided to create independent selection boards and introduce specific monitoring procedures. Both models raise important questions about how to best manage conflicts of interest and political discretion in the appointment process and combine this with the need for neutral expertise in the appointment process.

In all models, the crucial question is how to balance political interests of ministers / presidents with merit requirements and how to manage conflicts of interests.

Overall, Member States and the EC have chosen very different strategies:

Whereas some countries have established a pre-recruitment committee that pre-assesses and pre-selects a short(er) list of candidates for the further selection process, other countries have appointed some kind of selection commission or advisory board to the ministers, which carries out the selection process and chooses one or several final candidates. In another group of countries, there is an independent commission appointed to ensure independent and fair selection of top officials or a specific (internal / independent) body that oversees the selection process and guarantees its objectivity and professionalism. Finally, in few countries there is no selection committee for (some categories of) top officials at all.

Another distinction criterion is whether these bodies may be internal and self-regulated, or whether they are more external and independent. Whereas in some countries, selection committees are internal bodies and ministers enjoy a great amount of discretion in decision-making, other countries have decided to create independent selection boards and introduce specific monitoring procedures. Both models raise important questions about how to best manage conflicts of interest and political discretion in the appointment process and combine this with the need for neutral expertise in the appointment process.

A very typical form of self-control is the appointment procedure for top officials in the EC. Pursuant to the Staff Regulations, the EC is the only decision-making body for the appointment of top officials and therefore the ‘Appointing Authority’. Appointment proposals are put forward by the Commissioner for Personnel and

Administration in agreement with the President and the Member of the Commission with responsibility for the policy corresponding to the function at stake (portfolio Commissioner). The Appointing Authority is assisted by other bodies that are entrusted with preparatory work. In the EC, the members of the panel occupy at least the same function as the one for which the selection will take place.

In several countries the highest-level civil servant – two permanent secretaries (from the Prime Minister's Office and the Ministry of Finance, DK), State Secretary (EE), Secretary General (NL), or the Head of the Civil Service (PL) – take part in the pre-recruitment committee (DK) or selection committee.

Furthermore, the candidates for the selection committees are chosen from either the directorate where the vacancy is published (DE, RO, EC); a neutral directorate/department/other ministry (DE, EL, NL, EC); private or non-governmental sector (can be experts in a certain area or HR) (BG, EE, IE, EL), and may include a person with proven legal expertise (BG, EE); a representative of the HR unit / personnel department (BG, DE, EL, PL); a representative of the Ministry of Public Administration or a similar institution (EL, HR, RO); representatives of the trade unions (BG) or appointees of the trade union for public employees (AT); member appointed by employee representation (AT).

Like this, all of these procedures and/or actors are open for (political and individual) discretion as regards the selection of candidates. Ultimately, all depends also on the administrative, legal, cultural and political context in which the selection takes place. On the other hand, these internal procedures also have a number of advantages. Internal appointment procedures are likely to be more informal, flexible, speedier; communication channels are "short", and members of appointment committees know each other. Asking for external and independent appointment may also add more bureaucracy, time delays and complexity to the whole process. Most institutions in the EU Member States are of the opinion that any internal form and self-regulation have the advantage that it is simpler, easier and less conflictual. In most cases these committees are neither fully independent bodies nor do they have important monitoring and enforcement powers.

Good arguments exist in favour of maintaining confidential and internal appointment practices. Because of this, arguments against or in support of specific (independent) forms of appointment bodies and/or committees or the creation of independent watchdogs are more based on 'faith' than on empirical evidence. Consequently, there is also much confusion and exaggeration linked to independent appointment committees who - realistically - have two types of power to fulfil their mandate: the power to initiate an inquiry and the power to issue reports.

10 TOWARDS EXTERNAL AND INDEPENDENT SCRUTINY OF CANDIDATES?

Current appointment practices seem to be towards the establishment of more external committees (Rosenson, 2003). The "move toward a more external form of appointment procedures for top-officials is designed to enhance public trust and confidence in the procedures (...). It is intended to depoliticize the process of ethics regulation" (Saint Martin, 2003). Another important argument for more independence in the selection process is its actual and perceived impartiality and freedom from political and bureaucratic bias (Saint Martin, 2003). An additional advantage that should appeal to all stakeholders: an outside body would reduce the time that any stakeholder would have to spend in the appointment process.

However, arguments in favour of the introduction of more transparent and independent structures seem to outweigh the critical points. One main reason for this is because the public increasingly tends to question practices where public institutions regulate their own ethical conduct. Increasingly, current principles of ethics cast suspicion on any process in which holders of public office discipline themselves. "No one should be the judge in his own cause. This maxim has guided judges of controversies and makers of constitutions since ancient times. It expresses fundamental values of due process and limited government, providing the foundation for the separation of powers, judicial review" (Thompson, 2007). Current opaque practice and the use of (mainly) internal appointment committees are less satisfying since outside and independent bodies are better able to oversee and to monitor appointment procedures in a fair and impartial way. Outside bodies would also "be likely to reach more objective, independent judgments (...) and help restore the confidence of the public in the ethics process" (Thompson, 2007:18). Consequently, most other professions and most other institutions have come to appreciate that self-regulation of ethics is not adequate and have accepted at least a modest measure of outside discipline. In "Essays on Political Tactics" Jeremy Bentham (1843) claimed: "Suspicion always attaches to mystery". Yet Bentham calls publicity "the fittest law for securing the public confidence".

In theory, merit-based appointment processes should be the result of an open and transparent competition. Overall, opening employment opportunities to all interested persons may lead to higher levels of performance. Countries with a classical bureaucratic system (and little mobility amongst careers and between the public and the private sector) have a preference for internal recruitments (and, if existing, competitions). In other countries with more open administrative systems, recruitments of top officials may also be open for candidates from other

departments and organisations and from the private sector. The common view is that appointing outsiders – particularly from the private sector – straight to top official positions is not sensible. Private sector candidates do reasonably well lower down the hierarchy, but they have rarely experience of how to manage public policies. Moreover, many candidates are still appointed through ‘managed moves’ where the civil service leadership – often at the request of ministers – move officials horizontally without any formal process or competition. This trend where internal appointments are preferred against external appointments runs counter to the merit principle because internal appointments exclude a number of (potentially excellent) candidates. There is no research on the appointment of internal candidates as a reaction to internal promotions, mobility requests or transfers. Nor is there clarity about the rationale for the use of these mechanisms/instruments. For example, internal appointments are often made in order to fill an unexpected vacancy, or to quickly replace people exiting a position for various reasons. This requirement to quickly fill vacant positions may be in contradiction with the need for due (selection) process and transparency requirements.

11 CONCLUSIONS

When it comes to influencing trust, the process of decision making in appointment procedures is just as important as the final decision when the nomination is published. Drivers of trust are “a range of qualities and attributes that have been shown to inspire trust – in particular reliability, integrity, responsiveness, fairness and openness” (OECD, 2017b:11). Governments have a duty to adhere to integrity principles and political leaders must lead by example (OECD, 2017b:12). How can this be done if politicians and top officials may violate ethical standards from time to time without intention and as a deliberate intention? Of course, the answer is not easy and there is no time here to enter into discussions about the effectiveness of ethics management and the institutionalisation of conflict of interest policies. However, it shows that we need to broaden the existing toolboxes in the field of appointment policies and include instruments and tools from the field of behavioural ethics.

Since the field of conflicts of interest is dominated by legal and rational (intentional) approaches, but the appointment of top officials is, by nature, an issue where personal, political and legal interests overlap, there is great insecurity about the right regulatory mix, the role of self-regulation, the effectiveness of instruments and approaches, the definition of good quality of law, the right density of regulation and the relationship to other political, psychological and economical instruments and approaches etc.

As already discussed, the appointment of top officials constitutes a complex matter and the management of conflicts of interest requires judgments about complex political, legal, personal and psychological issues. Therefore, it is doubtful whether only regulatory instruments are effective in these situations where non-pecuniary conflicts of interests play an important role. Publications on behavioural ethics (OECD, 2018; Bazerman & Tenbrunsel, 2011) illustrate that laws and guidelines only guard against intentional conflicts of interests. Yet, many forms are unintentional, a product of bounded ethicality and the fading of ethical dimensions of a problem.

Unfortunately, from a comparative point of view, very little is known as to the discussion of conflicts of interest in appointment committees, commissions, bodies etc. The fact that so little is known is linked to the opaque operation of these committees. Mostly, rules of procedures of appointment committees provide for an obligation to discuss conflicts of interest. Moreover, members of committees must recuse from being a member of these committees if they face any sort of conflicts of interest. However, in reality, little is known as to whether the chair discusses conflicts of interest at all and whether members of committees recuse themselves - and if so, when.

Most likely, Jeremy Bentham would have commented on the practice of many top-appointment procedures, as follows: “Is it objected against the régime of publicity, that it is a system of distrust? This is true; and every good political institution is founded upon this base. Whom ought we to distrust, if not those to whom is committed great authority, with great temptations to abuse it? (...) What remains, then, to overcome all these dangerous motives? what has created an interest of superior force? and what can this interest be, if it be not respect for public opinion—dread of its judgments—desire of glory?—in one word, everything which results from publicity?” (Bentham, 1843).

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Augmented human-centered management Human resource development for highly automated business environments

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ABSTRACT

Purpose – Digitalization and automation increasingly change, enhance, complement and substitute the human workplace. There is a crowding-out of human work by machines driven by underlying paradigms still rooted in scientific management and neoclassical economics. The focus is on technology which – unlike human beings – rapidly improves in fulfilling the requirements of an ‘actor economicus’. In this dynamic context, humans are continuously requested to adapt to new structures, processes and systems which are supposed to be more efficient. The purpose of this article is to shift focus from management for automation with residual human work to what is called Augmented Human-Centered Management (AHCM).

Aim – The aim of this article is to derive an approach for human resource training and development that is suitable for a world with increasing digitalization and automation. It bridges the gap between human resource management and related disciplines that can contribute to this aim.

Methodology: Methodologically based on an integrative literature review, it is interdisciplinary in its approach and builds on work in computer science to outline the future context of Human-Agent Collectives (HAC). Further, it is informed by human factors science and by relevant literature from the fields of philosophy, economics, and strategy.

Findings – A conceptual framework for human resource training and development is derived that can support AHCM in highly digitalized and automated HAC.

Limitations – Only a first overview indicating consistency and plausibility can be provided. Pilot projects and empirical testing can be considered as next steps.

Practical Implications – AHCM is an integrated approach to human resource training and development for a world with artificial intelligence, ready for operationalization by human resource management departments.

Originality – The combination of existing knowledge from the disciplines of human resource management, human factors science, strategy, economics, philosophy and computer science leads to new insights.

KEY WORDS

automation, digital transformation, human-agent collectives (HAC), human-centered management, human factors, training and development

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1 INTRODUCTION

Many disciplines engage in the development of technologies that make our organizations more efficient and effective and that contribute to economic development. Economist Paul Krugman summarized the underlying rationale: “Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker” (Krugman, 1997: 11). Recently, the debate around the future of work has intensified around a study by Carl Frey and Michael Osborne (2017) who examined how susceptible jobs are to computerization and concluded that as soon as 2030, 47 percent of total US employment are at risk. This goes along with substantial qualitative changes brought about by digitalization. According to Brian Arthur (2017) the 1970s and ‘80s brought integrated circuits which enabled fast personal computation, the 1990s and 2000s brought connection of digital processes and the 2010s brought cheap and ubiquitous sensors which in turn deliver “oceans of data” to make sense of. This has fueled the development of artificial intelligence, the development of algorithms which make associations between data sets to sense a situation and decide and act appropriately. “This sort of intelligence is self-organizing, conversational, ever-adjusting, and

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dynamic. It is also largely autonomous. These conversations and their outcomes will take place with little or no human awareness or intervention” (Arthur, 2017).

It is widely accepted that digitalization and artificial intelligence request new proposals from management in general and from human resource management in particular (Chui et al. 2018; Jarrahi, 2018; Davenport & Ronanki, 2018). Scholars and practitioners are challenged to derive suitable approaches to human resource development in a world with increasing automation and digitalization (Stone et al., 2018). Ever since the sudden stop of the insightful Hawthorne experiments, management science just like managerial practice have struggled to balance the drive for automation and replacement of relatively expensive human labor with an adequate development of human resources. A typical reaction is to pursue more and better computer skills (Crick, 2017; Peyton Jones, 2011).

With the rise of cognitive computing and artificial intelligence a paradigm shift is overdue: a shift from the era of rationalization and automation to a new era of collaboration between man and machine (Malone, 2018; Wilson & Daugherty, 2018). The proposal made here is to first and foremost develop human skills. To get there, it follows the footsteps of human factors science as initially developed for high risk industries (Salvendy, 2012; Kanki et al., 2010) and integrates these approaches with the requirements of so-called Human-Agent Collectives (Jennings et al., 2014) that due to technological progress currently emerge across most if not all industries. For both, theory and practice of human resource development, this is a new combination.

As it can reasonably be assumed that automation will continue to progress where technologically feasible and economically sensible, focus needs to be put on an appropriate development of human resources which does not only allow for best possible collaboration but also for desirable roles for humans in organizations. This article therefore proposes to shift the focus from management for automation with residual human work to what is called Augmented Human-Centered Management (AHCM). It establishes a conceptual framework which identifies and describes the competencies that humans need to develop to successfully participate in highly automated and digitalized business environments. This serves to close currently perceived gaps in how human resource management can support digitalization strategies (Fenech et al., 2019; Parry & Strohmeier, 2014) whilst keeping a human-centered approach (Bissola & Imperatori, 2019).

The conceptual exploratory paper is methodologically based on an integrative literature review (Torraco, 2016). This means that new insights for human resource management are pursued by reviewing and critically synthesizing selective literature from the above mentioned fields of human factors science and Human-Agent Collectives as well as from philosophy, economics, and strategy.

The structure can be outlined as follows: The given challenges and context will be provided to the reader from two perspectives. First, the interdisciplinary scientific approach of Human-Agent Collectives is introduced to outline the emerging context of human and machine collaboration. Second, prevailing mindsets for organizational design rooted in economics and the theory of the firm will briefly be reviewed and linked to the phenomenon of the so called “irony of automation” (Bainbridge, 1983). On these foundations, a normative stance will be taken and the need for Augmented Human Centered Management will be discussed. The leitmotif of augmentation instead of the currently prevailing focus on automation will be introduced before a framework rooted in interdisciplinary human factors science will be conceptualized and discussed against the background of current and future human resource development challenges.

2 THE EMERGENCE OF HUMAN-AGENT COLLECTIVES

Ongoing and increasingly powerful digitalization means that machines are in the process of becoming actors in their own right. They do not only compete more often with human labor but, increasingly, they also influence human action, and as such sometimes enhance options and on other occasions limit options available to humans (Carr, 2014). This is well illustrated by the developments in game of chess: Following the defeat of the human grandmaster in chess by the supercomputer Deep Blue in 1996, Gari Kasparov was amongst the initiators of a re-definition of the game of chess who let humans cooperate with chess computers to compete with other man-machine teams in so called Freestyle chess or Advanced chess tournaments. It was found that strong human players or supercomputers were not competitive against relatively weak human players using standard chess computers when these organized their team effectively by implementing superior processes (Kasparov, 2008; Cowen, 2014).

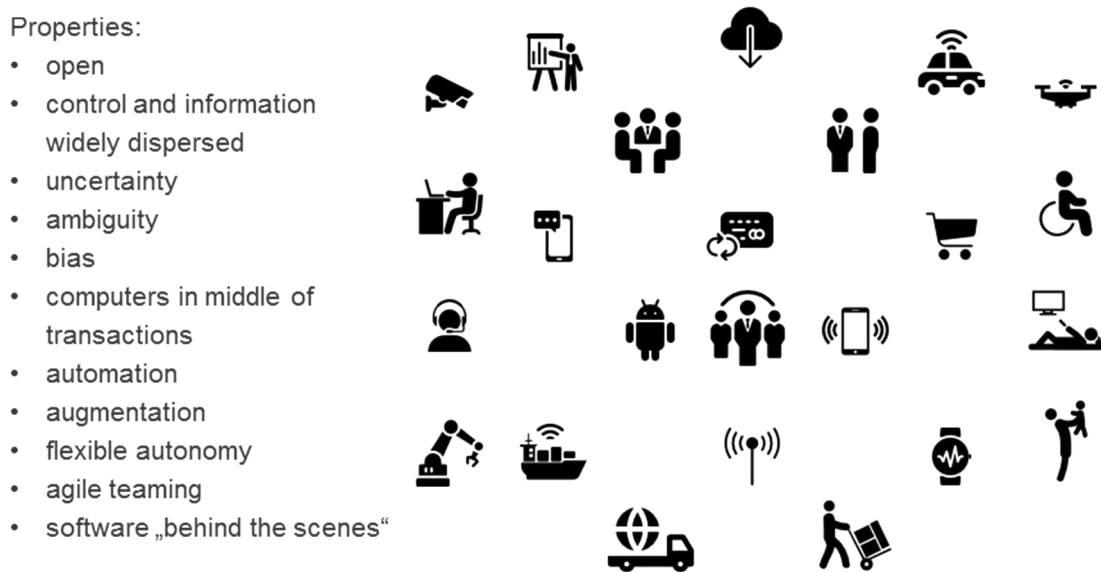
The game of chess is only one of many domains where people team-up with artificial agents to achieve goals. More generally, Varian (2014) observes that today computers are in the middle of virtually every transaction and traces this back to dramatic cost decreases in computers and communication. Jennings et al. (2014) identify socio-technical systems in which humans and smart software (agents) interact as Human-Agent Collectives (HAC). Just like a computer that is already in the middle of a transaction today, HAC now emerging in many industries are likely to step by step and with increasing influence shape the work and social environment for humans.

Examples from different industries are the crew on the flightdeck of a contemporary airliner that is assisted by software that relies on tens of thousands of sensors distributed across the plane (Yedavalli & Belapurkar, 2011), the farmer who is guided by precision agriculture technology (Kitouni et al., 2018), the product manager who uses conversational commerce approaches and who deploys software agents to interact with customers, the psychotherapist who works with embodied conversational agents to provide internet-based cognitive behavior therapy in preventative mental health care (Suganuma et al., 2018), or smart logistics management software that directs human labor in warehouses (Mahroof, 2019). Technological change considerably influences the working environment for humans. In HAC the roles of humans and agents co-evolve.

According to Jennings et al. (2014), the era of issuing instructions to passive machines is over and humans start to work in tandem with highly interconnected artificially intelligent agents that act autonomously. These environments are considered to be open and characterized by flexible social interactions. Here, "sometimes the humans take the lead, sometimes the computer does, and this relationship can vary dynamically" (Jennings et al., 2014: 80). The notions "flexible autonomy" and "agile teaming" (Jennings et al., 2014: 82) describe a short-lived nature of teams with a varying degree of human involvement and with authority relations that are not considered to be fixed but context-dependent. The pro-active involvement of machines in information gathering and filtering, analytical, and decision-making processes raises questions of social accountability and responsibility. Since software often operates "behind the scenes" (Jennings et al., 2014: 85), its rationale and actions are regularly not readily available to the involved humans.

The open nature of HAC means that "control and information is widely dispersed among a large number of potentially self-interested people and agents with different aims and objectives. [...]. The real-world context means uncertainty, ambiguity, and bias are endemic and so the agents need to handle information of varying quality, trustworthiness, and provenance" (Jennings et al., 2014: 82). The emerging overall picture is illustrated in figure 1.

Figure 1: Human-Agent Collectives (HAC)



Source: Own representation. Properties based on Jennings et al. (2014)

3 HOMO ECONOMICUS, ACTOR ECONOMICUS AND THE IRONY OF AUTOMATION

Across most if not all industries, managers persistently pursue productivity increases for their organizations (Drucker, 2001; Malik, 2010). This drive for efficiency has led to a focus on automation (Frey & Osborne, 2017). For decades, managerial practices have been informed by management theory taught at business schools to undergraduate as well as graduate students and on executive courses and programs. Management theory in turn substantially draws from economic theories like neoclassical microeconomics, the theory of the firm or transaction cost economics (e.g. Douma & Schreuder, 2013). Over the decades, this has led to a situation where the economic conception of the self-interested human being as boundedly rational utility maximizer is today widely reflected in the way how companies are structured and organized. Managers perceive their organizations to be populated by the so called 'homo economicus'. And stakeholders of these organizations perceive the

managers to even more closely correspond with this model of man. These developments have been reviewed and criticized as far as management education and development is concerned (Ghosal, 2005). And, for many years, high-profile issues like the cases of Enron, Tyco, BP's Deepwater Horizon, the Bangladesh factory disaster or the VW Dieseltgate scandal stand for problematic practical implications of a drive for productivity based on contemporary managerial and economic concepts.

It does not come as a surprise that steps towards automation in business follow in the footsteps of the impetus economics has on strategy and organization. Where technologically and economically feasible, automation becomes a preferred choice on the route to higher levels of productivity. And a closer look quickly reveals why: 'machina economicua' promises to be the better 'actor economicus'. Algorithms can be programmed to follow the calculus of rational-choice and utility maximization under constraints and this has for a long time been well received by computer science (Huberman et al., 1988; Wagner, 2001). Whilst humans have been identified a misfit to the paradigm of the 'homo economicus' (Kirchgässner, 2013; Beinhocker, 2007), such deviations can be avoided with machines and automation.

The substantial incentives for automation in the past led to the assumption that it is desirable to remove humans from the value-chain whenever possible. However, such strategies repeatedly failed. Whilst humans are regularly considered to be weakest link in the chain, they are still tasked with crucial roles and often expected to monitor automation and to intervene in case of problems. For such phenomena Bainbridge (1983) coined the term "ironies of automation". A review by Baxter et al. (2012) showed that despite technological progress, the ironies of automation continue to persist. This poses a challenge to human resource development.

The dilemma of increasing responsibility in increasingly complex environments whilst being sidelined by automation does not sit well with how human actors are endowed by nature. In "The distracted mind", Gazzaley and Rosen (2016) show how humans when they, propelled by technology, aim to multitask and to be always connected fall victim to distraction and interruption. What can be observed is a "degradation of the knowledge worker (Wagner, 2017). And organizations which follow the paradigm of automation in many areas push human resources back into support roles which are compatible with the paradigm of the 'actor economicus' since this makes seamless integration with machines easier. The managerial approaches taken at the retail- and technology company Amazon.com Inc. in this sense appear to be symptomatic: "If you're a good Amazonian, you become an Amabot" (Kantor & Streitfeld, 2015).

4 IN NEED OF AUGMENTED HUMAN-CENTERED MANAGEMENT

The two previous sections describe a scenario where humans find themselves immersed in increasingly computerized and automated environments where 'machina economicua' takes over tasks and decisions. The pursuit of productivity gains and technological advances lead to a crowding-out of human resources which is constrained by the so-called irony of automation. There is pressure on humans to, against their nature, align with the 'homo economicus' paradigm. To put it bluntly, by pursuing their market-oriented objectives, companies create organizations for machines. From a human resource perspective as well as from a general management perspective such a scenario can be perceived as problematic.

The alternative is to deliberately create organizations for humans (first) and (then) for machines. This would acknowledge the irreversible trend for automation but would imply a shift from management for automation to management centered around humans augmented by machines. I call such a concept Augmented Human-Centered Management (AHCM). It is rooted in humanism as defined by Erich Fromm as "a system centered on Man, his integrity, his development, his dignity, his liberty. [It is based] on the principle that Man is not a means to reach this or that end but that he is himself the bearer of his own end. It not just based on his capacity for individual action, but also on his capacity for participation in history, and on the fact that each man bears within himself humanity as a whole" (Fromm, 1961, p. 147, cit. in Aktouf & Holford, 2009: 108). Such a view can be perceived to be compatible with the integration thesis around which stakeholder theory has developed and which claims that it makes no sense to talk about business without talking about ethics and it makes no sense to talk about ethics without talking about business. This results in the conclusion that "it makes no sense to talk about either business or ethics without talking about human beings" (Freeman et al., 2010: 7). The fundamental ideas of AHCM are outlined below.

The term Human-Centered Management was coined by Maria-Teresa Lepeley (2017) summarizing a recurrent concern amongst economic and organization scholars including Adam Smith, Joseph Schumpeter, Elton Mayo, Abraham Maslow, Douglass MacGregor and Peter Drucker for human traits and needs. Early on, Peter Drucker identified that "the cohesion and strength of our society depend increasingly on the integration of the psychological and social needs of the knowledge worker with the goals of organization and of industrial society" (Drucker, 1966: 172). Yet, despite advances in management, Lepeley identifies a lack of Human-Centered

management since “within education, organizations, the economy, and broader society more attention continues to be paid to other interests beyond the needs and expectations of the people these institutions serve” (Lepeley, 2017: 7).

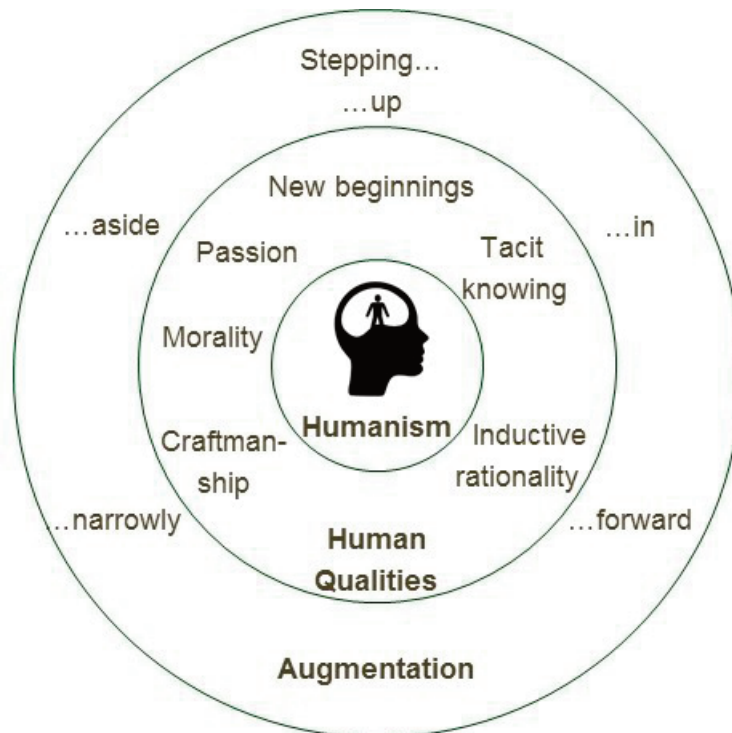
To get there, a broader perception of fundamental human qualities is useful. Accounts of the human being that go beyond the ‘homo economicus’ model of man regularly emphasize important human traits: Based on developments in behavioral economics, humans can be portrayed as inductively rational which means that we mix inductive pattern recognition with deductive logic (Beinhocker, 2007). A relevant aspect of this is the capacity for tacit knowing (Polyani, 1967) which puts humans in the position to know more than they can tell. Sennett (2008) explores human craftsmanship which springs from synergistically combined activities of body and mind. Arendt (1960) stresses the human ability to make new beginnings which can be seen as a nucleus for innovation. And Frank (1988), in the tradition of Adam Smith and others explores the capacity for morality and passion.

Whilst such a broader perception of human qualities is certainly incomplete and requires more in-depth exploration, it further specifies who and what needs to be considered at the center of Human-Centered Management. If, in this sense “man is the measure of all things” (Aktouf & Holford, 2009: 101), clarification with regards to man’s relation to technology is required. An approach that can be brought in line with a humanistic perspective on management comes from Davenport and Kirby (2016). They propose a paradigm shift away from automation (human replacement) and towards augmentation (human enhancement) and recommend to humans five strategies when working alongside machines:

1. Stepping Up: To work a level above machines and make decisions about augmentation.
2. Stepping Aside: To leave the current job to the machine and pursue a job that machines are not good at.
3. Stepping In: To monitor and improve a computer’s automated decisions.
4. Stepping Narrowly: To find special area in one’s profession that would not be economical to automate.
5. Stepping Forward: To create future technology.

The human qualities of inductive rationality, tacit knowing, craftsmanship, the ability to make new beginnings as well as morality and passion represent enablers for these strategies as well as selection criteria for potential individual choices. Figure 2 summarizes the point of departure for AHCM as described above.

Figure 2: Point of departure for Augmented Human-Centered Management



Source: Own representation. Icon by Gonzalo Zaragoza

5 CONCEPTUALIZING AUGMENTED HUMAN-CENTERED MANAGEMENT BASED ON HUMAN FACTORS

In the light of the idea of AHCM, the widespread phenomenon of the irony of automation, the necessity to move beyond the ‘homo economicus’ paradigm, and the properties of emerging Human-Agents Collectives translate into a challenge for human resource development. How to best prepare human professionals for this fast changing and increasingly complex business and social environment? Which competencies are to be trained and developed?

Rather than taking a greenfield approach, the intention here is to learn from an industry that already decades ago identified comparable requirements for itself: aviation. In the 1970s, despite substantial technological progress taking the form of sophisticated support systems, commercial aviation experienced an ongoing high rate of flight accidents which culminated in the deadliest accident in aviation industry at Tenerife in 1977 (Hagen, 2013). Investigations into this and other incidents revealed human errors to be the root causes. In the following years, the aviation industry put a strong focus on developing human skills that would help people to more effectively team-up with complex technology and to make air-traffic safer. An integrated approach to training approach initially called “Crew Resource Management” (CRM) was developed (Kanki et al., 2010) to meet this real-world challenge. Since the first introduction of CRM accompanied by further technological progress, an agile teaming of man and machine in aviation has led to substantial and sustainable reductions in commercial air-traffic accidents (Federal Aviation Administration, 2018; Ranter, 2018).

CRM builds on the interdisciplinary human factors approach: “Human factors...focuses on the nature of human-artifact interactions, viewed from the unified perspective of the science, engineering, design, technology, and management of human-compatible systems, including a variety of natural and artificial products, processes, and living environments” (Karwowski, 2012: 3). A holistic, human-centered approach that considers cognitive, social, organizational, environmental, and other relevant factors is promoted (Salvendy, 1997). Besides in aviation, human factors have proven to be of value in many other real-world domains as well, like for example healthcare, rail, military, oil and gas, energy, manufacturing, consumer products, or software and information technology (Shorrock & Williams, 2017). Both, the track-record in demanding socio-technic environments as well as its conceptual foundations suggest that CRM-Training can be a useful starting point for human resource development that meets the fundamental needs in Human-Agent Collectives described above.

CRM-training is designed to help understanding, avoiding, identifying, and addressing human errors (Badke-Schaub et al., 2010). Particular emphasis is put on approaches that leverage individual performance through effective interaction with others (Kanki et al., 2010). Three phases of training are distinguished: 1. Initial awareness training to convey the essentials of human factors concepts and know-how. 2. Exercises and feedback in realistic settings for complete teams. 3. Refresher trainings in regular intervals based on various methods (Federal Aviation Administration, 2004; Kanki et al., 2010). Trainings are regularly composed of but not limited to the following building blocks: situational awareness, workload management, human error, communication, decision making, leadership and teamwork, stress and fatigue (ICAO, 1998; Federal Aviation Administration, 2004; Kanki et al., 2010). These building blocks and their potential relevance outside aviation are briefly reviewed below.

Situational awareness: Training in situational awareness helps individuals to comprehend current system and environmental conditions and to thus anticipate future changes. Emphasis is put on the capability of consciously avoiding complacency, watching over system and environment changes, and informing other team members of potential issues. In environments with humans and agents, humans are interconnectedly confronted with both, a natural and a digital environment. Consequently, the requirements regarding situational awareness are high. Due to increasing automation and augmentation this is a moving frontier. Driver assistance systems in vehicles are good examples for electronic agents helping with and contributing to situational awareness. But as accidents show, at the same time humans have to increase their effort to avoid complacency and -especially in professional environments – they will be required to develop their situational awareness for inputs from multitudes of electronic devices.

Workload Management: This concerns both, self-management as well as management of others. The purpose of CRM-training is to enable for good preparation and sufficient planning of the relevant work including relevant communication. To maintain focus on primary tasks, the workload needs to be prioritized and delegated effectively. For the interaction with the team members it is important to learn how to induce, give, seek, and receive task-clarifying feedback (Suffler & Xavier, 2011). When new information becomes available, flexibility and the ability to adapt the course of action is of relevance. Particularly in highly automated environments it is necessary to continuously monitor progress, avoid distraction, remain vigilant and, if necessary, respond without undue delay.

(Human) Error: To err is human. Thus, humans from early on in life learn how to cope with error. CRM-training professionalizes this ability, ensuring knowledge about the origins of error and enabling to differentiate types of error. With an understanding of concurrent failures and chains of errors as well as know-how about available resources and redundancies when dealing with threats and errors the competencies to manage errors are increased. This includes error prevention, resistance, detection and recovery (Hofmann & Frese, 2011). The complexities and dynamics of HAC create a dilemma that is likely to increase the demand for such competencies: On the one hand, humans show a tendency of blind trust in technical systems (Parasuraman & Manzey, 2010). On the other hand, errors are an unavoidable feature of complex systems, even advanced technology has weak spots and often does not react appropriately to unforeseen developments (Hagen, 2013).

Communication: In complex situations the perception of each individual involved can matter and effective communication is the key to successful cooperation. Therefore, CRM-training aims to enable free and open communication with active participation of all team members at the appropriate time. Participants practice the use of clear and effective language and work on their responsiveness to feedback. Mission critical situations in on flight-decks have shown that assertiveness and the ability to speak-up if required are important topics (Raulf, 2013). It is intended to create communication environments where plans are stated and ambiguities are resolved which is supposed to lead to multi-directional and interactive exchange of information. If not only humans but also agents are involved, humans have to be aware of differences between different types of actors.

Decision Making: Fundamental to any training in decision making is that participants learn how humans and agents arrive at decisions. On this basis they are trained to detect deviations from desired states, assess problems, generate alternative actions, identify risks and opportunities and select the best course of action, which subsequently is reviewed for the purpose of learning and necessary adaptation. Scenarios of individual and joint decision making are considered. In aviation, all of this is particularly relevant since no or poor decisions are a substantial contributor to most flight accidents (Bühler et al., 2013). Aviation just like HAC are highly automated environments. In such contexts, many tasks are delegated to machines and humans typically get involved only when decisions are required. This means that decision-making across a broad range of automated tasks and processes becomes the core-task and therefore an important skill.

Leadership & Teamwork: CRM aims to strike a balance between active team participation and retaining command authority. Leadership training therefore encourages the use of appropriate authority that ensures a focus on tasks and priorities whilst looking after crew member concerns and supporting others in completing tasks. Team resources are to be utilized effectively to achieve objectives which is enabled by the creation of a positive team atmosphere, by the ability to manage team processes and by developing team interpersonal relations. This requires appropriate knowledge of leadership (Stahl, 2013) and the ability to adjust leadership behavior to the respective situational context (Strohschneider, 2010).

Stress & Fatigue: More than machines, humans need rest. CRM-training seeks to equip participants with knowledge about the origins and the effects of stress and fatigue which allows them to recognize and to manage their personal resources. In HAC just like in aviation, humans are the only components that have not been developed to function around the clock (Ebermann & Murtha, 2013). Therefore, it is vital to exercise personal responsibility with regards to factors of stress and fatigue. Due to the human susceptibility to distraction and given that sources of distraction are omnipresent in computerized environments, self-determination and persistence are important qualities to be developed.

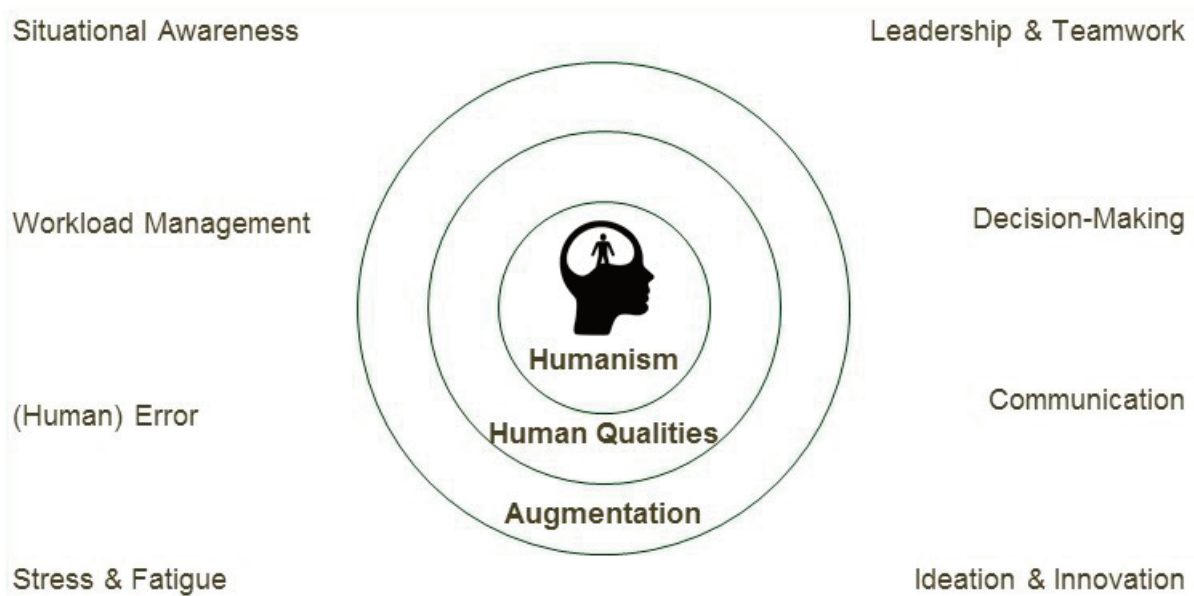
In conclusion, whilst CRM is human-centered, it is still biased in the sense that it focuses on managing errors and risks. Business environments, however, are not only characterized by risks but also by opportunities. The successful management of errors and risks results in quality, health, safety, security and less adverse effects on the environment whereas when opportunities are created and captured innovation takes place and organizational and business development can result. To achieve this, CRM can be complemented with

Ideation & Innovation: Ideation training that builds on contemporary approaches like for example design thinking, value proposition design (Osterwalder et al., 2014), gamification (Gray et al., 2010) and other concepts put the customer at the center and are inspired by the idea of human-centered design (Kelley & Littman, 2005, 2016). Participants are enabled to manage innovation processes from opportunity identification via idea generation and evaluation through to implementation. Conditions are created to achieve the “adjacent possible” (Koppl et al., 2015: 8) leading to innovations in the sense of a transformation of ideas into new/improved products, services or processes. Creativity combined with its commercial application (Baregheh et al., 2009). Competencies like the cultivation of an innovation culture or the ability to build innovation around experience are developed

(Kumar, 2012). Evidently, there is a high level of synergy between the objectives for ideation & innovation and the competencies behind the above-named training categories of situational awareness, workload management, (human) error, communication, decision making, leadership & teamwork and stress & fatigue. This results in an implicit alignment of this additional category with the human factors approach behind CRM.

Figure 3 summarizes the elements of the comprehensive human-centered approach to augmented human resource development that serves to pursue both, less crisis and more opportunities and innovation. With the context provided here, equipped with a more universal mission and complemented by new elements CRM makes the transition to Augmented Human-Centered Management. Deeply rooted in well-established CRM, AHCM benefits not only from the contribution of the individual components but especially from the synergies that arise from the overall composition. This is particularly relevant since human resource development in one area (e.g. communication) reinforces development in other areas (e.g. leadership & teamwork or situational awareness).

Figure 3: HR-Development Pitch for Augmented Human Centered Management



Source: Own representation. Icon by Gonzalo Zaragoz

6 DISCUSSION

The step by step development of the concept of AHCM in this article was undertaken with the aim of enabling the creation and development of organizations for humans (first) and (then) for machines which is rooted in humanism and includes

1. successfully coping with the properties of human-agent collectives (Jennings et al., 2014),
2. improving our ability to deal with the “ironies of automation” (Bainbridge, 1983),
3. avoiding a “degradation of the knowledge worker” (Wagner, 2017), and
4. building on (augmentable) human qualities that go beyond the ‘homo economicus’ model of man.

The components of the training concept for AHCM are derived from human factors science. This ensures an inherently humanistic approach: As postulated by Fromm (1961), the humans involved are bearers in their own end. As such, human traits like inductive rationality, tacit knowing, craftsmanship, the ability to make new beginnings and the capacity for morality and passion are addressed and developed as part of the training. This also means that following the concept of AHCM, active and systematic efforts against a degradation of the knowledge worker are undertaken.

Part of the concept is a paradigm shift away from automation and towards augmentation using the directions proposed by Davenport and Kirby (2016). In general, the augmentation paradigm provides orientation to cope with properties of HAC like flexible autonomy and agile teaming. It guides division of labor and requests technology to support humans individually and as members of organizations. More specifically, training priorities would have to be set in accordance with the roles individuals hold in organizations and their respective augmentation strategies. For example, for someone “stepping in” (i.e. monitoring and improving a computer’s automated decisions) situational awareness as well as stress & fatigue training may be more relevant than ideation

& innovation training whilst for “stepping forward” (i.e. creation of future technology) the latter training category may be most relevant.

Training for AHCM based on CRM promises to strengthen both, key individual competencies and competencies as a team which are important to adapt to properties of HAC and to mitigate ironies of automation. In effect, relevant training outcomes can be an enhanced potential to deal with complexity, better situational awareness for influences of machine actors and automation and improved decision-making competencies when software prepares information “behind the scenes”. Another reason why AHCM shows a good fit with managerial and work requirements in HAC is that it is designed to leverage individual performance through effective interaction with others including machine actors. This is indirectly confirmed by a study undertaken by Shanks et al. (2015) who found that technological progress and the rise of artificial intelligence particularly requires skills in creative collaboration, people development and coaching, social networking as well as creative thinking and experimentation. Kolbornsrud et al. (2017) conclude that with increasing relevance of machine actors, humans will in the future have to further improve social and networking skills, focus on judgment work, in most domains work like designers and treat machines like colleagues. Again, this matches the training categories presented above.

At this stage, HAC, if anything, are at an early stage of a highly dynamic development. However, what can be expected from the future does already cast shadows into the present and translates into real-world challenges in human resource development that AHCM would have to start coping with now. Deloitte’s regular surveys on human capital trends summarize the practical requirements across industries. These are also reflected in studies by KPMG and PWC (Deloitte, 2017; KPMG, 2017; PWC, 2015; see also Wang, 2018). KPMG (2017) in particular emphasizes that intelligent automation will impact the HR operating model and that accordingly, improving line managers’ people management capabilities has highest priority and that the top area of future investment is talent management. All of the above mentioned studies highlight that organizations need people who contribute as follows:

1. Devise and operate in agile, network-based structures instead of traditional hierarchical organizations,
2. empower and support teamwork and knowledge sharing,
3. enable a productive and engaging work experience for oneself and for others,
4. promote and foster creativity and innovation,
5. understand the role that people will play in an automated world,
6. initiate intelligent automation to free staff to perform more strategic work,
7. leverage digital technology, for example for analytical, evaluation and decision-making purposes,
8. examine the boundaries of work between humans and machines and design human work accordingly,
9. enable new forms of collaboration between people and technology,
10. engage in continuous learning.

When comparing the concept of AHCM against these current practical challenges, it is striking that it does not only selectively support people in meeting the abovementioned requirements. Rather, the synergetic composition that benefits from the long-term evolution of the underlying CRM-concept ensures a highly systematic support. But, that the modules integrate well and are highly complementary is only one aspect. An interesting lesson-learned from CRM for human-resources development professionals is that whole crews and not only (top-) managers or high potentials are exposed to the training. Going through the same experience, absorbing the same knowledge, being confronted with the same requirements and expectations opens-up the opportunity of shaping shared mental models and contributing to a common culture, a culture of Augmented Human Centered Management.

7 CONCLUSION

This article highlighted that managerial focus on productivity growth and automation based on traditional concepts like the ‘homo economicus’ points towards the creation of organizations for machines rather than for humans. Whilst machines can be made to fit the ‘actor economicus’ model the observable trend to force humans into a ‘homo economicus’ role has to be questioned. Based on the humanistic ideal that man is the bearer of his own end, the creation and development of organizations for humans (first) and (then) for machines is envisioned. This requires a broader perception of human qualities as well as a focus of human resource development on exactly these qualities. For computer technology to adequately support this, focus needs to shift from automation to augmentation. By identifying the achievements of human factors science in general and, in particular, of CRM-training in the domain of aviation, it was shown that in order to cope with these ambitious goals, human resource development does not have to start from scratch. Based on decades of research in human factors science and experience in high-technology

environments characterized by ongoing man-machine interaction, the concept of AHCM training and development could be derived. Compared to traditional CRM-training that is traditionally focused on risks, it also incorporates creativity and innovation to enhance entrepreneurial potential by identifying and pursuing opportunities. The discussion showed that training for AHCM addresses competencies and skills needed to deal with the dynamics and complexities of HAC, that it can improve our ability of dealing with the ironies of automation, that it serves to avoid a degradation of the knowledge worker, and even more generally, it contributes to the mastery of current human resource development challenges perceived by practitioners in the field.

In summary, the following specific analytical and conceptual advancements could be derived:

1. A necessary shift of managerial focus is from management for automation to management for and with augmentation is identified. This requires a specific approach to human resource training and development.
2. Human resource training and development benefits from perceiving increasingly digital work environments as Human-Agent Collectives (HAC) and from explicitly taking into account ‘ironies of automation’.
3. A human-centered approach can be achieved by adopting human-factors oriented training methods.
4. A degradation of the (knowledge) worker can be avoided if human traits like inductive rationality, tacit knowing, craftsmanship, the ability to make new beginnings and the capacity for morality and passion are considered.
5. Namely by taking care of ideation and innovation, human-factors training that traditionally focuses on risks can expand into the sphere of opportunities.

Embedded in the integrative literature review provided (see Table 1 for summary of main sources and topics), a specific, consistent, and comprehensive proposal for Augmented Human-Centered Management training and development for an increasingly digital world with artificial intelligence could be provided.

Table 1: Literature review: Overview of main sources and topics

| Discipline | Topic | Description on the vignette (sending) |
|-----------------------|-----------------------------|--|
| Philosophy | Humanism | Arendt (1960), Frank (1988), Fromm (1961), Polanyi (1967), Sennett (2008), Spitzack et al. (2009) |
| Economics | General | Krugman (1997), Douma & Schreuder (2013), Kirchgässner (2008) |
| Economics | Technology & Future of Work | Arthur (2017), Beinhocker (2007), Cowen (2014), Frey & Osborne (2017), Gazzaley & Rosen (2017), Jarrahi (2018), Koppl et al. (2015), Varian, (2014), Wagner (2001 and 2017) |
| Computer science | HAC | Huberman et al. (1988), Kitouni et al. (2018), Jennings et al. (2014), Mahroof (2019), Suganuma et al. (2018), Yedavalli & Belapurkar (2011) |
| Computer science | Ironies of automation | Bainbridge (1983), Baxter et al. (2012) |
| Strategy & Management | General | Drucker (2001), Freeman (2010), Ghoshal (2005), Lepeley (2017), Malik (2010), Osterwalder et al. (2014), Stahl (2013) |
| Strategy & Management | Artificial Intelligence | Carr (2014), Chui et al. (2018), Davenport & Ronanki (2018), Davenport & Kirby (2016), Kasparov (2008), Kolbjornsrud (2017), Malone (2018), Wilson, & Daugherty (2018) |
| Strategy & Management | Human Resource Management | Bissola & Imperatori (2019), Fenech et al. (2019), Parry & Strohmeier (2014), Stone et al. (2018), |
| Human factors science | Foundations | Badke-Schaub et. al. (2012), Salvendy (2012), Hagen (2013), Hofmann & Frese (2013), Shorrocks & Williams (2017) |
| Human factors science | Training | Badke-Schaub et. al. (2012), Bühler et al. (2013), Kanki et al. (2010), Ebermann & Scheiderer (2013), Federal Aviation Administration (2004 and 2018), Gray et al. (2010), Baregheh et al. (2009), ICAO (1998), Kelley & Littman (2005 and 2016), Kumar (2013), Lewrick et al. (2017), Parasuraman & Manzey (2010) |

Source: Own representation.

This initial proposal faces clear limitations. Only a first overview indicating consistency and plausibility could be provided. Whilst it is probably fair to say that the ideas on augmentation provided by Davenport and Kirby (2016) are still in their infancy, the human factors-based CRM-training benefits from almost 40 years of ongoing development and experience. Future research is needed to fully develop the overall concept, to strengthen its theoretical foundations and to empirically test it in practice. A case-based approach in research and practice appears to be promising here, especially since the properties of HAC are and will stay in the process of developing very rapidly.

What is intriguing is that, upon reflection, many human resource development departments may detect that the programs and trainings they currently offer do already contain a number of those components presented here. A resulting 'brown field' approach to AHCM can consist of the clarification of the mission, vision and values of future programs combined with a suitable re-orchestration and supplementation in line with the concept.

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Personal controlling and business analytics

Thomas Kronberger

ABSTRACT

Purpose – It is possible to identify unethical behaviour of supervisors and employees using big data methods.

Aims – The primary aim of this paper is to show how the framework of an existing variable remuneration system determines how employees are assessed. The two secondary aims are 1) to show that one number (=final evaluation) from a small sample of 104 evaluations of objective agreements is enough to achieve this result with a security of more than 99%; and 2) to show how supervisors tend to push employees (mostly upwards) to a scheduled bonus level.

Design/Methodology/Approach – Methods used include hypothesis testing and a grouping of results. Semi-structured interviews with team leaders were conducted to cross-check the results. All data was taken from a German service sector company. This company employs more than 6,000 people and is the market leader in some aspects of its business.

Findings – The most important finding is that the fulfilment of objective agreements depends mostly on the structure of the framework and only partly on the success of the employee.

Limitations of the study – In future research, using a bigger sample size and deeper methods would allow for 'pushing' to be analysed more systematically, for example, to see if the employees are also systematically pushed to a lower bonus level.

Practical implications – The resulting suggestion for the company is to completely change their current objective-agreement-related bonus system. Ideas on how to improve existing bonus systems are also given.

Originality/value – This paper is relevant for all companies that link their bonus payments on individual agreements between the company and the employee.

KEY WORDS

big data, business analytics, personal controlling, statistical methods, ethical decision-making

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1 INTRODUCTION

Conway's law states that 'any organisation that designs a system (defined broadly) will produce a design whose structure is a copy of the organisation's communication structure' (Conway, 1968). In other words, the structure of the organisation determines the structure of the products. This paper will show how this rule can be applied to objective agreements (OAs) between a company and its employees. The primary aim of this paper is to show that the fulfilment of the employees' individual agreements is mostly predetermined by the structure of the underlying bonus system and is only partly dependent on the individual successes of the employees.

The secondary aims are 1) to show that one number (the final evaluation) from a small sample of only 104 evaluations of OAs is enough to achieve this result with a security of higher than 99%; and 2) to show how supervisors tend to push employees (mostly upwards) to a scheduled bonus level.

To achieve these results, it was enough to consider the following pieces of information. First, the underlying agreement between an existing company and its works council was analysed. Second, mathematical and statistical methods were applied to evaluate the OAs of 104 employees. In each agreement (which can have up to six pages), only one number, that which summarises the fulfilment grade of the agreement, is necessary.

All companies with OA-based bonus systems can use this paper as a starting point for internal discussions if their current bonus system brings the desired benefit for the company and if it is ethical. 'An ethical performance appraisal

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is a fair and honest assessment of performance against mutually established and understood goals and standards that leaves both parties feeling they have gained something.' (Maddux, 1989) In the end, ideas are given on how to improve existing bonus systems in order to increase the performance of employees and achieve correct evaluations.

2 THEORETICAL REVIEW

This paper bases on four theoretical roots: First, performance assessment with its guidelines and the behaviour of the involved parties are introduced. Second, ethical conflicts of such evaluations are shortly regarded. Third, the reward (variable pay) that bases on the assessment is highlighted. And forth, finally mathematical/statistical contributions are made.

Much literature discusses how OAs should be designed. The most important source for this is still the theory of 'Management by Objectives' (MBO) by Peter Drucker (Drucker, 2006), which was first published in 1954. Drucker states that in order to have a successful OA system, all agreements should be S.M.A.R.T.:

- Specific
- Measurable
- Assignable
- Realistic
- Time-bound

Today, most companies demand that their OAs follow these guidelines. Sometimes the OAs are enriched by some extra requirements (for example, 'Evaluated Consistently' and 'Recognised Mastery' (Piskurich, 2006)). On the one side there are given guidelines, on the other side there are ethical conflicts. For instance, some supervisors tend to please the employee in the evaluation. (Schraeder, Becton, & Portis, 2007) Another ethical conflict can be caused by the consequences of the evaluating method. For example, a forced ranking can be seen as cruel. (Graven, 2013)

A meta-analysis of 70 studies (Rodgers & Hunter, 1991) revealed that a 'level of top-management commitment to MBO' is essential for success. Often behavioural consequences of management changes are in the focus (Baldrige & Tierney, 1979). Some researchers interview managers (Tosi & Carroll, 1968). There are studies who regard the content and the process of performance appraisal and also the context of appraisal, especially cultural differences (Fletcher, 2001) or focus on improvement of raters' accuracy and goal setting (London, 2004) (Gifford, 2016). But the influence of the given evaluation rules on evaluations is never analysed with methods of business analytics using one single information from objective agreements. This is exactly the starting point for this paper. This paper discusses a case study with mathematical and statistical methods. The lack of literature on this topic is not a problem. Fortunately, literature is not necessary for explaining and understanding the results; however, it is necessary to understand Gaussian distribution.

It is of consensus that many distributions follow Gaussian distribution. The most famous example is the Intelligence Quotient (IQ) (Hunt, 2010). The growth of people follows this rule as well (Grünwald, 2019). There is an interesting study, that says that the performance of employees should follow an Paretian distribution (O'Boyle Jr. & Aguinis, 2012), but this study uses mostly discrete data with an maximum at the beginning of a scale (for example 1 in the case of quantity of publications of authors in a time-period). Choosing such data of course leads to a falling curve that can be close to a Paretian distribution. In the regarded company the peak is far away from the beginning and the results are not discrete. Because of this, such a distribution is not expected.

The central limit theorem says that a sum of independent random variables with limited variance is approximative normal-Gaussian distributed (Prokhorov, 2002). The successes of employees in a company are exactly such independent random variables with limited variance: Usually there are some low performers (who will leave the company soon or stay because of the company's social engagement). There is also a large group of normal performers, and, finally, there are some high performers who make a very high effort for their employer. The first hypothesis is that an evaluation of the individual agreements of the employees will not show such a distribution because of the underlying framework. It is not the success of the employees that leads to an (appropriate) evaluation of their agreements; rather, the evaluation of their agreements is mostly predetermined by the bonus levels of the company.

In the regarded company, supervisors and employees decide together if an agreement is declared as fulfilled or not. By this, they can steer the evaluation. The first secondary aim is that, supervisors push the employees (mostly upwards) to a desired bonus level. The second secondary aim is that a small sample of 104 agreements is enough to confirm the primary aim with very high security.

3 METHODOLOGY

The data for this research was drawn from a German company; its anonymity is ensured by way of not naming the company, not giving the locations of the headquarters and not revealing the exact quantity of employees. The company works in the financial sector. With a total asset in the range of 50–100 billion €, it is the market leader in some parts of its business. In keeping and improving on its market position, the company's more than 6,000 employees all over Germany are key. The company is split up into seven sectors: Human Resources, Sales and Marketing, Operational Service I and Customer Relations, Business Organisation and IT, Operational Service II, Operational Service III, and Finance. The seven sectors are split up into main departments. Most but not all of the main departments are split up into departments.

The sector of Business Organisation and IT has the highest quantity of on-tariff employees. As on-tariff non-managerial employees are in the scope of this research, the data was collected from this sector. Most of the on-tariff employees take part in the system of variable remuneration. The salary for the employees with variable remuneration depends on their personal success. Depending on their grade of fulfilment in the OA, an employee can achieve a bonus of up to 16% of his/her annual salary divided into five bonus steps of 4% each. In detail, the bonus system looks like this:

Table 1: Fulfilment grade of OA and linked bonus level

| Grade of fulfilment over all individual goals | Variable remuneration in percent of annual salary |
|--|--|
| <90 | 0 |
| 90 - 99.99 | 4 |
| 100 - 110 | 8 |
| 110.01 -120 | 12 |
| >120 | 16 |

Source: Considered Company

In the agreement between the company and the works council, it is defined that a fulfilment of 100% means that the goals are completely fulfilled.

From the company's 104 OAs from the year 2017, 30 departments were analysed in qualitative and quantitative ways. The OAs are by non-managerial employees as well as by supervisors. Afterwards, 18 interviews with supervisors were conducted from December 2018 to March 2019. The primary intention of the interviews was to gather qualitative information about the OAs, their application in the company and the supervisors' opinions on the current system. The interviews were not recorded electronically in order to ensure that the supervisors felt at ease. Key points and important sentences were written down during the interviews. A memory protocol was written directly after every interview.

In the analysis, the 104 OAs were split up into two groups: 83 non-managerial employees and 21 managers. Both groups were analysed independent of each other.

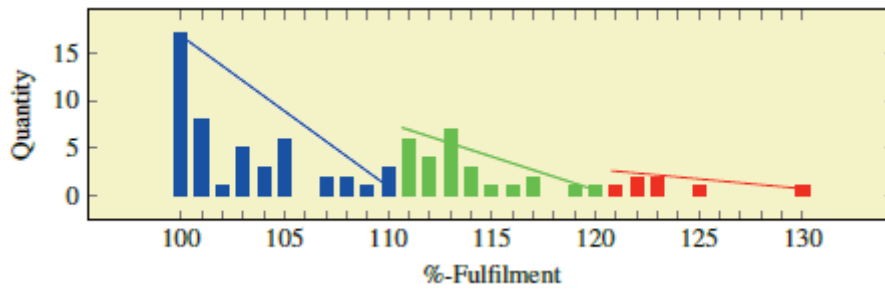
Not relevant data was eliminated: Two non-managerial employees were taken out of the sample. Both had a fulfilment grade of 80% or less. One was taken out because his performance was not as low as it appeared. This information was gathered in the interview with his supervisor. The second non-managerial employee was taken out because he had a fulfilment grade of approximately 30%. This seems to be a sign of a fundamental conflict and not of bad work. Such a low performance is remarkable. Four supervisors said in the interviews that 'all employees receive at least a fulfilment of 100%'. This and the fact, that there were only the two mentioned employees below 100% allows the conclusion, that almost all supervisors push their employees over the 100% fulfilment.

The average values, T-values, probabilities and deviations were calculated. Finally, the individual fulfilments were grouped according to the bonus levels.

4 RESEARCH RESULTS

The first result was achieved by spreading the remaining 81 non-managerial employees across the different fulfilment grades:

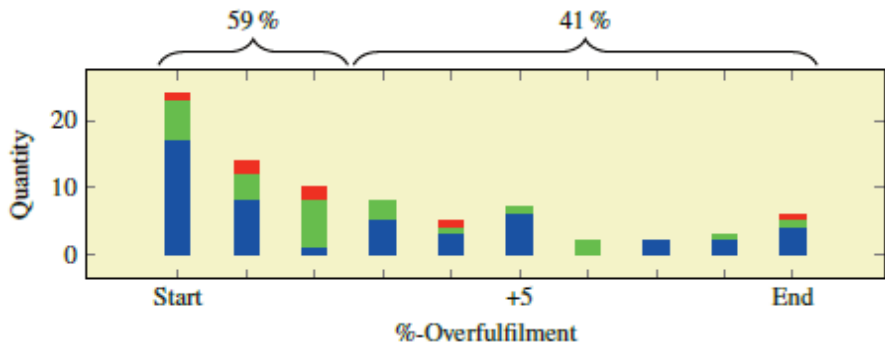
Figure 1: Percentage fulfilment of non-managerial employees



Source: Own research

The following interesting observations can be made. The fulfilment does not approach to a normal Gaussian distribution. No employee achieved a fulfilment of less than 90%. Even the first bonus step (90–99.99%) is empty. There are no employees with a fulfilment of less than 100%. The surprising result is that, according to the evaluation, all employees fulfilled their agreements to at least 100%. Most non-managerial employees (blue in Figure 1) received at least an average bonus of 8% of their annual salary. The second group (green in Figure 1) received a bonus of 12% of their annual salary. The smallest group (red in Figure 1) achieved a bonus of 16% of their annual salary. It is also remarkable that at the beginning of each bonus level there are more employees than at the middle or end. This is highlighted with the thin trend chart (in Figure 1). The distribution is close to a Paretian distribution, but it is not a Paretian distribution. This result becomes even clearer when the three bonus levels are stacked on top of each other:

Figure 2: Stacked percentage fulfilment of non-managerial employees

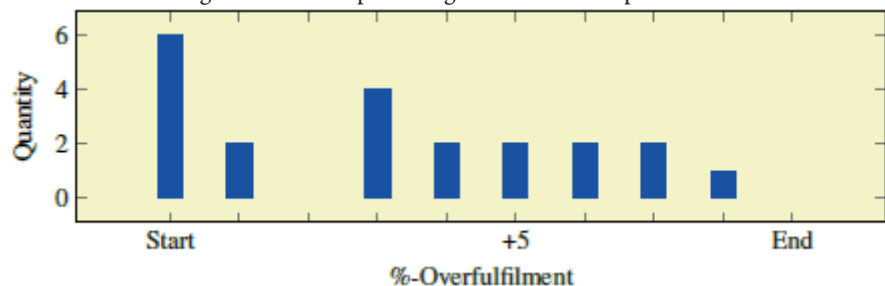


Source: Own research

Most non-managerial employees jumped over the hurdle to a higher bonus level (see Figure 2). Fifty-nine percent are on the first nine possible sub-steps of the bonus levels (100, 101, 102, 111, 112, 113, 120, 121, 122). On the other 22 possible sub-steps, there is only 41% of the employees.

In order to keep the anonymity of the 21 supervisors, only a condensed visualisation is given here, without different colours:

Figure 3: Stacked percentage fulfilment of supervisors



Source: Own research

For the supervisors, the distribution looks similar. At the beginning of the bonus steps there are more supervisors as at the middle and end of the bonus-steps. The difference is not as big as it is for the non-managerial employees.

For all bonus levels, the estimated average is in the middle of the beginning and the end of the bonus level. For all non-managerial employees, there is a gap between the estimated average and the real average:

Table 2: Averages and deviations of non-managerial employees

| Bonus level | Sample size | Estimated average | Real average | Deviation |
|-----------------|-------------|-------------------|--------------|-----------|
| 100-110 | 48 | 105 | 102.91 | 2.09 |
| 110.01-120 | 26 | 115 | 113.62 | 1.38 |
| bigger than 120 | 7 | no expectation | 123.91 | - |

Source: Own research

For example, for the bonus level that corresponds to a bonus of 8% of the annual salary (see Table 1), the average is in the middle of 100% and 110% (it is 105%). For the employees who are in the category of 100% to 110% fulfilment, their average is only 102.91%. The deviation is 2.09%. There is not any expected average for the highest bonus step because the end of the bonus step is not defined very clearly (the individual agreements sometimes set 120% and sometimes set 140% as the maximums for some goals).

The information that was gained can be used to calculate how probable such a distribution is:

Table 3: Probability of honesty of evaluation of non-managerial employees

| Bonus level | Estimated average | Real average | T-Value | Probability |
|-----------------|-------------------|--------------|---------|----------------|
| 100-110 | 105 | 102.91 | -3.44 | 0.1 % |
| 110.01-120 | 115 | 113.62 | -1.77 | 8.9 % |
| Bigger than 120 | No expectation | 123.91 | - | Not calculated |

Source: Own research

For the first used bonus step (100%–110%), there is a probability of 0.1%. This means that it is almost impossible that the success of the employees is represented correctly by the evaluation. For the second most-used bonus step, the probability is much higher, at 8.9%; this is mostly due to the much smaller sample size. Again, for the highest bonus step there are no expectations and no calculations.

In certain interviews with the supervisors of the non-managerial employees. Two supervisors confessed that they decide in advance what bonus an employee should receive. In order to avoid discussions with their employees. Three supervisors 'correct' the fulfilment grades so that they are not too close to the next highest bonus step. Four stated that all employees receive at least a fulfilment grade of 100%. The absolute quantity of supervisors who admit incorrect behaviour is quite small, but not in all 18 interviews these questions were asked. If a supervisor confesses an incorrect behaviour, this can be seen as an indicator, that there are even more who behave like this, but don't admit it.

It has been shown that considering only one information from 83 non-managerial employees is enough to prove, with a probability of 99.9%, that the distribution of the employees along the fulfilment grades does not only depend on the personal success and effort of the employee. With the used data it is not possible to determine how strong is the link between personal success and effort to the bonus payments. It is also not possible to identify other possible factors (for example harmony in department, grade of antipathy/sympathy between supervisor and employee, duration of cooperation in team, basic salary, ...). For analysing these factors more data need to be mined, for example regarding agreements from several years, profound interviews with a bigger group of supervisors, interviews with employees.

Now, the three results can be connected: Figure 1 shows that there is a correlation between the bonus steps and the fulfilment grade of the employees; Table 3 proves that the probability of having a normal distribution is 0.1%; and the interviews lead to the fact that the fulfilment of the employees only partly depends on their personal success and effort. Additionally, the structure of the bonus system has a big influence on the evaluation of the OAs. Managers are known to be more lenient if they are aware of the link between performance and bonus payments (Jawahar & Williams, 1997; Scullen, Mount & Goff, 2000). For identifying how strong is the influence of the

structure of the bonus system on the evaluation it is necessary to compare the information from this study with a company that has a bonus system with a different structure.

The results are similar for the fulfilment grades of the supervisors. For reasons of anonymity, a figure equivalent to Figure 1 is not shown; however, the averages and probabilities can be published:

Table 4: Averages and deviations of supervisors

| Bonus level | Sample size | Estimated average | Real average | Deviation |
|-----------------|-------------|-------------------|---------------|---------------|
| 90-99.99 | 1 | 95 | Not published | Not published |
| 100-110 | 10 | 105 | 104.10 | 0.90 |
| 110.01-120 | 6 | 115 | 113.15 | 1.85 |
| bigger than 120 | 4 | No expectation | 122.77 | - |

Source: Own research

As there is only one employee between 90% and 99.99%, the real average is not published in order to maintain his anonymity. For the next two bonus steps, it can be seen that the difference between the estimated average and the real average is much smaller than for the non-managerial employees. This leads to:

Table 5: Probability of honesty of evaluation of supervisors

| Bonus level | Estimated average | Real average | T-Value | Probability |
|-------------|-------------------|---------------|----------------|----------------|
| 90-99.99 | 95 | Not published | Not calculated | Not calculated |
| 100-110 | 105 | 104.10 | -0.45 | 65.77 % |
| 110.01-120 | 115 | 113.15 | -1.32 | 24.11 % |
| > 120 | No expectation | 122.77 | Not calculated | Not calculated |

Source: Own research

The given distributions can be considered as correct. For the bonus level 100%–110%, the probability is even higher than 50%. For the bonus level 110.01%–120%, it is at least close to 25%. This is a big difference compared to the evaluation of the non-managerial employees. In the next chapter the reasons for this will be discussed.

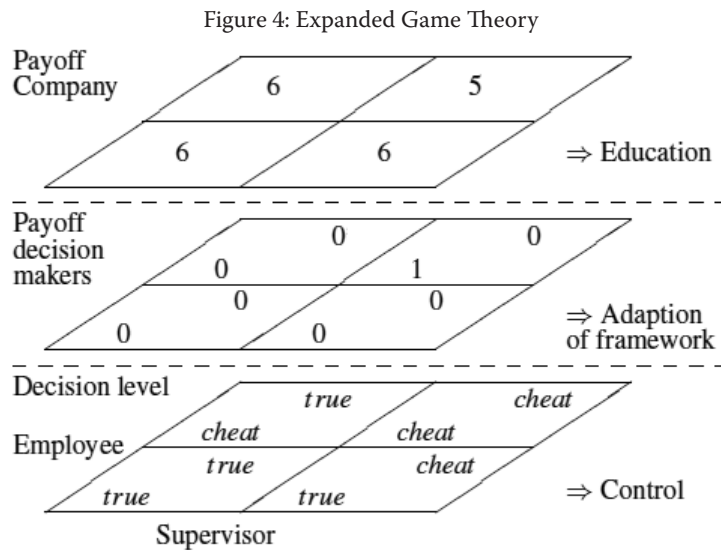
5 DISCUSSION

In the theoretical review concepts on performance appraisal and reward and ethics were presented. Even if most OAs follow the S.M.A.R.T. criteria (result achieved by content analysis), the final evaluation does not follow the expected distribution. But the supervisors' OAs evaluation is much closer to the expected evaluation and the probability of the evaluations being correct is much higher than it is for the evaluations of the non-managerial employees. There are several reasons for this: First, the sample size of the supervisors is only about 25% of the sample size of the non-managerial employees. This increases the probability that the distribution *can* be correct. But it does not say, that it is correct. The smaller gap between the real and expected averages cannot be explained by the previous data. It can only be revealed by reading the texts of the individual OAs. Also, goal setting for the supervisors is often linked to hard facts (like costs and quantity of employees). Hard facts are not subject to individual assessment. They do not have an allowance for discretion. The goals for the non-managerial employees are mostly based on soft facts like "writing a documentation of a process", "work in a project" and "improve an existing process"). Usually they are hard verifiable by others. Their goals can be declared as fulfilled if the supervisor and the employee have the same opinion.

For the bonus level 100%–110%, there is a deviation of 2.09% between the estimated average (105%) and the real average (102.91%) (see Table 2). The real average is **lower** than the expected average. The first interpretation of this may be that the employees were 'pushed down' and that they were therefore evaluated as being worse than estimated. Such an interpretation would be possible if there was only one bonus step that included all employees; for example, if a group of pupils achieve an average IQ of 95 but the estimated average is 100. As the whole range of fulfilments is cut into five bonus levels (no bonus, 4%, 8%, 12% and 16%), such a conclusion should not be made. The truth, as confirmed by the interviews, is that many employees were pushed to the next highest bonus

level. Because of this, many of the percentages are close to the lower end of a bonus level. Supposing that the employees are, at maximum, pushed only one bonus level and not several, the 2.09% suggests that, on average, all employees are pushed 2.09% **upwards**. This may seem to be a small value, but it is important to keep in mind that almost all of the pushes lead to changed bonus payments.

The gap between the real average and the estimated average for the non-managerial employees shows that the staff, employees and supervisors equally, is not behaving ethically. The staff takes inappropriate money from the company. Nobody is controlling them. This research proves the already mentioned idea, that the supervisors are lenient with the employees, if the evaluation is linked to a reward. (Jawahar & Williams, 1997; Scullen, Mount & Goff, 2000) This leads to the questions: How is it possible to improve the ethical behaviour of the staff? and How can the OAs be modified to increase their benefit? To answer these questions, three possible handles can be visualised using the Expanded Game Theory (Kronberger, 2017). In the following simplified visualisation, there are only two bonus steps, '0' and '1', and not five as in the studied case:



Source: Kronberger (2017)

The employee and the supervisor are the decision makers. They decide together if a bonus will be granted to the employee. If an employee did not (completely) fulfil his part of the agreement, he receives no bonus as long as at least one of the two decision makers is behaving truthfully. If both decide to cheat, the employee will receive an inappropriate bonus (in Figure 4 the bonus is 1) and the company will earn less money (5 instead of 6). There is no motivation for the supervisor to withhold a bonus from the employee. His salary does not depend on the success of his employee. If he chooses to be truthful, he will not earn more money; however, if the supervisor does not agree on the bonus that the employee asks for, he may be faced with a difficult discussion. Many supervisors most probably want to avoid such conflicts.

The company has the following three handles that support ethical behaviour as well as a higher benefit out of its OAs (see Figure 4):

1. **Education:** Education is the most sophisticated way of influencing employees. The company can educate employees by, for example, explaining that if all employees receive an inappropriate bonus, there will be a loss for the company, and it will fail. In consequence, all employees will lose their jobs.
2. **Adaption of framework:** An example of this is to decrease the size and increase the quantity of the bonus steps, thereby making the benefit of cheating a little bit much smaller. Currently, the step size is 10% and the difference between two bonus steps is 4% of the annual salary. This is about half of a month's salary. If the difference is only 10% of a month's salary, shifting the employees' fulfilment a little bit cannot have such a high impact as before. By increasing the quantity of bonus steps, the employees' motivation can be kept. Even if both decision makers are cheating a little bit, the consequences are not as expensive as they are in the current case. Example: An employee earns 3.000 € per month. His fulfilment is 109%. Shifting him to 111% gives him a bonus of about 4.320 € instead of 2.880 €. This is a difference of 1.440 €. With the smaller steps of 10% of month's salary, the difference would be only 300 €. A jump from 109% to 119% fulfilment will have almost the same difference in bonus-payments (old system: 1.440 €, new system 1.500 €).
3. **Control:** The company can control the decision makers by, for example, installing an e-mail address to which the defined goals must be sent directly after fixing them. By doing this, it would not be possible to create the whole agreement in retrospect.

The company can choose tools from the three handles and mix them to achieve an OA-based bonus system that leads to a higher profit and in which the staff behaves more ethically and, in the best cases, even identifies more with the company's goals. The best way to influence these changes always depends on the structure of the company and on its employees.

The company that was analysed received the results that were presented in this paper; based on several recommendations from all three handles, the company understood how they could improve their current OA-based bonus system. The company has already used the information to begin work on a new bonus system. At the moment, no decisions have been made.

6 CONCLUSION

OA-based bonus systems can be very expensive. In the case shown in this research, the bonus payments only partly depend on the effort and success of the employees. The structure of the underlying agreement between the company and its works council has a very big influence on bonus payments. With a probability of 99.9%, at least some supervisors shift their employees to a preselected bonus level and only use the formal required documentation of the OAs because the company makes it mandatory.

There are thousands of agreements in the company each year. Most agreements have 3–8 goals and fill up to six pages of A4 format. By picking only 104 agreements and selecting only two structured pieces of information from each agreement (grade fulfilment and type of employee), only a very small amount of information was used. This data is enough to produce much information about the ethical settings of the staff of the company. It is not possible to say which employees and supervisors are behaving unethically, but it is possible to confirm that such behaviour happens in many cases. The company came to the conclusion to work on its current bonus system. The company recognises that it is an expensive tool (not only because of the bonus salaries but also because defining, setting and evaluation all take a lot of time) with quite limited benefits.

In future research, it will be important to find ways to increase the ethical behaviour of the staff. Also, the slightly indicated rise at the end of the bonus steps (see Figure 2) can be analysed. It appears as though the employees are not only pushed upwards to the next bonus level but that they are sometimes pushed downwards. Some supervisors indicated such a downshifting in the interviews. It would be interesting to search for the reasons for such behaviour. It would also be interesting to see if shifting occurs, even if this has no economic consequences, and if yes, if the effect is stronger or weaker. Finally, another focus of research could be on different bonus systems. Feel free to contact me for support collaboration.

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Section: ESSAY

Change Management: COVID-19 and Beyond

Peter Kalina

Our COVID-19-dominated world conjures up a wide array of thoughts and emotions. Perhaps no theme is more pervasive, or more consistently discussed than that of change. Each and every one of us is experiencing some degree of change. For most of us, that change is startling, and significant. We are, in real-time, living through the actual creation of our “new normal.” We are witnessing all of us being unwilling participants, as human subjects, in a dystopian version of an unauthorized experiment of Harvard Business School professor John Kotter’s (1995) theory of change management.

Since the days of 18th century philosophers, the universally accepted societal premise has always been that people really do not like change. John Locke wrote that changing a pattern of behavior is difficult, just as it is hard to step off the beaten path into the scrubland around it. He added that we all have in our thinking and behavior a touch of unreasonableness so profound that one might properly call it madness. Once our mind has established and reestablished links between concepts or experiences, those links become unconscious and difficult to break (Wootton, 2018). Shaftesbury (1711) added that the task of a system of rewards and punishments is to lead men into that path which afterwards they cannot easily quit. “It is not the strongest of the species that survive, nor the most intelligent, but the most adaptable to change,” is a statement that is often attributed to the famous scientist Charles Darwin. While said to appear in his 1859 epochal tome on evolution, “On the Origin of Species,” further research suggests this remark to be apocryphal, with no specific matches in that book, and no substantive evidence Charles Darwin ever actually said or wrote the statement. Yet, it is a statement that foreshadowed our current situation.

As profound and thought-provoking as these insights are, the broad concept of challenges to change responsiveness and a general disdain for change may not be entirely accurate. It seems that people have no problem at all with change. That is, as long as it is change that they asked for. What they do not like is change that was forced upon them; change that they did not request; and change that occurs on a timeline that they did not participate in formulating.

The “standard playbook” on how to champion a change initiative has traditionally been one of “top-down,” transactional, old-school leadership. Often, this exists together with paternalism. We have all likely heard “this is progress and it will be better for you.” However, one person’s “new and improved” may actually be perceived by others as being neither new nor improved. This is especially true if the new mandate is suddenly bestowed upon them without their input. Much more so than the “how” or the “when,” people like to know; they need to know, the “why” of any decision that directly affects them. People want their voice to be heard.

For many, better is not always necessarily what they are looking for. Sometimes, what many people want most of all, what stands highest on their value chain, are familiarity and consistency. People are invested and familiar with how things are, how they have been, how they are doing it, and what has been “working just fine, thank you very much!” How often is this heard in organizations: “That’s how we do things around here, that’s our culture.” It is a phrase that I consider to be among the most pervasive innovation killers of them all.

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Of course, sometimes the harder you push certain people, the more they will resist and push back. They are proud of their heritage, their roots, and their culture. And so, leaders must be ready to hear and respond to: What did you do? Why did you do that? I liked it how it was. Things were working great as they were. Change it back! This need for some degree of familiarity and consistency is especially true during times of upheaval, unprecedented circumstances and crises. A global pandemic would clearly be one such example.

Even the most successfully implemented change management strategies are burdened by a multitude of challenges potentially hampering their efforts. People have distinct personalities. We are all wired differently. We can look at the same situation and yet come to vastly different conclusions. These idiosyncrasies of human nature make disrupting the status quo with unwanted changes fraught with landmines – whether related to politics or pandemics.

So, what is change management? Initially, leadership strategically determines that a change is needed. Alternatively, as we are witnessing with COVID-19, inevitable changes are thrust upon us. Subsequently, change management refers to the successful implementation of a transition or transformation from the status quo of the current state to a new desired future state. This may refer to either an individual or to an organization.

Successful change initiatives begin with a “burning platform” followed by implementation of Kotter’s (1995) classic eight-step process for leading change. The chain Kotter proposed, and others expounded upon, generally proceeds as follows. Establish urgency: this is your burning platform. It is a compelling argument supplying information about the urgency of why a move from the status quo is needed and needed right now. Next, build your team that is to be tasked with implementing this change. Create the vision for what the new state will look like, and why it is preferable to the old. Develop a strategy on how to get there. Communicate regularly and transparently in order to keep all stakeholders aware of the situation. Empower and enable your employees to be able to implement your strategy. Create and celebrate small, short-term wins and milestones. Do not let up. Consolidate all small gains in order to help you create even more change. Anchor the new and make it stick as the “new normal.” Sustainability requires that there be no reverting back to the old (Kotter 1995; Battilana and Casciaro, 2013).

People need goals, but not just any goals. They need to be S.M.A.R.T. (Doran, 1981), that is, they must be: Specific, Measurable, Achievable, Relevant, and Time-bound. Even before that, however, people must believe that there is a compelling need to change. This is the all-important “why?” of change management. They must believe that being anchored with the familiar of the status quo is worse than going through the change process. They must believe that the benefits of change and the hope of the new future state outweigh the risk of change (Conner, 1998).

In addition to the concept of the burning platform (Connerpartners, 2012), an interesting change management metaphor is that of the Boiling Frog experiment (Inam, 2013). As the fable goes, if you put a frog into boiling water, it will jump out. However, if you put it into cold water that is then brought to a slow boil, it will not sense the danger, will stay in the pot, and die. The message is that we are unable or unwilling to react to, or be aware of, threats that arise gradually leading to undesirable consequences. It is the idea of the “slippery slope.” The converse is that if you want change to be accepted, you should make it gradual (Volokh, 2003).

Of course, a major determinant in successful change initiatives, even more so than the strategy or the operations, is the organizational culture. We can think of culture in many ways: it is the local environment and behaviors, the employees’ values, and traits, as well as their attitudes, assumptions, and beliefs. Perhaps more simply, one can think of culture as “the way we do things around here.” Depending on the specific philosophy and nature of senior leadership, strong cultures can make it difficult to change. Resistance to change comes from many sources and creates many negative emotions. Do not underestimate the resistance to change. The old-school mantra of “well, that’s how we’ve always done it here” is a common refrain justifying this resistance. Trustworthy, passionate, and enthusiastic leaders are committed to elicit positive rather than negative emotions from their change projects (Sirkin et al., 2005). Modern leaders are aware that disruptive innovation is desirable, and in fact necessary, in order to create new opportunities, and to maintain a sustainable competitive advantage for their organization.

There is clearly a difference between fundamentally routine, gradual well thought out strategic incremental change efforts versus driving rapid change during actual emergencies. In these unprecedented times, there is no “standard playbook” for how to proceed. People’s priorities appropriately shift to ensuring that their families feel safe and stay healthy. The wide-reaching economic impact makes financial stability a significant appropriate priority as well. No MBA programs teach pandemic change theory!

Once the personal and economic volatility are somewhat managed, employees will be willing to be more flexible during “once-in-a-lifetime” emergencies. We all witnessed how complete strangers came together during the 9/11 attacks. With excellent leadership, organizational response during this COVID-19 crisis will be received by your employees with striking resilience. Presented with a burning platform and a well-crafted change management strategy, your employees will respond to changes with flexibility. They will proudly be guided by your organization’s mission, vision and values as their “North Star” in order to best serve your customers.

Human Resources (HR) will play a pivotal role in any organization’s response to the COVID-19 crisis. HR and other members of the executive leadership team will collaborate to develop and implement strategies for quick and dramatic changes to the status quo. First and foremost, will be the priority to keep employees and their families

healthy and feeling safe. The second priority will be helping employees with their financial questions and concerns. These will both require regular, transparent communication. While some components of the workplace may return to normal, more will likely evolve into a “new normal.” This will give rise to many HR related issues that will need to be addressed well beyond any initial crisis period.

As organizations move past the appropriate priority for concerns regarding health, safety, and finances, perhaps the most evident and pressing topic will be the potential issues arising from the inevitable rise of remote work. Many employees and organizational leaders will want to continue this remote work pattern indefinitely. It is likely to become a permanent feature for many more employees, in many more organizations. Our unprecedented crisis has revealed that while the technology needed for successful remote work is available, HR will need to adapt existing rules and regulations, or develop new ones to accommodate for the expanded role of remote work. Potential issues will include defining what work can and what cannot be done effectively offsite, work hours, benefits, compensation, maintaining morale, keeping the remote workforce engaged and productive, and encouraging close communications with on-site colleagues and managers. Despite, or because of, the perceived perception of informality that working from home may project; formal processes will need to be created. Legal issues arising from remote work are sure to keep HR lawyers busy for the foreseeable future.

Business pundits have long recognized that organizational culture is vital to sustainability and success. Culture represents the values and traits that subsequently establish the mission and vision. These then determine the operations and strategies that follow. After an initial in-person on-boarding process, maintaining a consistent, distinct, well-defined desired culture may be more challenging while so many work remotely. Even in times of crises or, especially in times of crises, culture must be maintained. Decisions must be made rapidly, often with incomplete information or knowledge. More than ever, everyone must remain committed to the culture, which will be the “north star” that continues to guide employees on the requisite long-term path of sustainability and competitive business advantage.

Employee wellness has become a significant priority for organizations. Physically and mentally healthy employees are more likely to be retained, are more engaged, more productive, do a better job taking care of customers (and attracting new ones), and are less likely to experience the symptoms of burnout. HR can and should play a crucial role helping employees make the necessary changes to maintain their well-being during particularly stressful and confusing times.

The economic impact of COVID-19 has required many organizations to mandate lay-offs, furloughs and hiring freezes. The financial changes, questions and concerns including detailed information on potential options will be an HR mainstay. Despite the uncertainty and upheaval, it behooves organizations to maintain their talent pipeline including, whenever possible, honoring their prior hiring commitments.

Effective strategic planning and thoughtful operational decisions will rely heavily on advice and insight provided by HR professionals. Long after the acute crisis has resolved, employees will remember much more than the HR policy and procedure changes. They will remember how they and their colleagues were treated by a loyal organization. Your responses now will impact your organizations brand and reputation for years to come. HR can significantly smooth the way for employees to remain loyal and remain dedicated to the culture and the mission, despite the drastic changes occurring almost daily.

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