The Workforce of One: An Overview

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Research Note

Institute for
High Performance
Business

Issue 1—October 2006

Mounting evidence shows that people matter to high-performance results; by many accounts, people may be the only sustainable and differentiated source of competitive advantage left.[1] Yet most organizations have yet to understand just how to capitalize on people's full potential.[2] We strive to put in place best-practice programs and processes (stock option reward programs or training and performance appraisals, for example) to harness the power of our workforce, yet evidence suggests that many of these fail. We try to create great places to work by offering flextime or on-site amenities such as day care centers and hair salons, yet we find it difficult to equate satisfied employees with truly productive employees.[3] And we try to include the human resources function in strategy planning to ensure alignment of people programs with business strategy, yet a recent study finds that only one-third of HR executives surveyed consider themselves strategic partners.[4]

As part of Accenture's ongoing research into how organizations achieve high-performance business results, we set out to explore a new approach to human capital management: the workforce of one. The approach helps organizations achieve a talent multiplier, or better results per dollar of investment in their workforces. Talent multiplication is an essential aspect of performance anatomy, one of the three building blocks that distinguish high-performance businesses.

This research note – the first in the project – introduces the concept of workforce of one and provides an overview of upcoming research notes. It also outlines the research approach used and introduces evidence suggesting a link between the workforce-of-one approach and better business results.

What is the workforce of one?

The workforce of one is an approach to human capital management that tailors people practices and policies to individuals and groups of employees with the goal of improving individual and organizational effectiveness. Business leaders have long talked about the importance of treating each customer as a "market of one" by tailoring their products to meet each customer's unique needs.[5] To get maximum performance from their employees, leading companies are now applying that logic to employees and considering each employee as a "workforce of one," based on the notion that if employees are just as vital to success as customers, then it behooves organizations to start treating employees as they do their customers. The workforce of one comprises four particular techniques that can be used alone or in combination:

Segmentation involves separating employees into categories based on shared similarities on any number of relevant criteria. These criteria could include, for example, value to the company (high-potential employees, average performers, etc.), workforce subcategory (Accenture, for example, segments employees working in mission-critical areas such as sales, supply chain and customer contact[6]), age (Accenture has also identified unique issues relating to aging workforces), career preferences (those who prefer linear career paths, those who prefer more flexible career paths) and learning styles (those who learn most through visual stimuli, those who learn most through auditory stimuli), among others.

Modular choice entails creating a list of choices related to human capital management that employees can select from, based on what suits their own needs and preferences. Allowing employees to select their own rewards from a set established by the organization is an example of modular choice. Unlike segmentation, modular choice enables employees to actively participate in tailoring people practices to their own needs.

Flexible policies are human capital management policies and practices that are flexible, simple and broad enough to be interpreted and applied (typically by line managers) in a variety of ways to suit individual employee needs. A broadband compensation scheme that collapses the organization's job worth hierarchy into fewer, wider, yet more flexible salary ranges is an example of a flexible policy. Using a broadband compensation scheme, a line manager has the freedom to tailor a compensation package to fit the unique needs of a given employee and situation.

Management practices that recognize the individual comprise the fourth technique in the workforce-of-one approach. A manager's one-on-one coaching of an employee, for example, is a management practice that by its very nature is tailored to the individual employee.

A research-based model

The workforce-of-one approach was developed based on research on how actual organizations can maximize the performance of their people, and thereby their business results.

Accenture's research started with the same premise that most executives start with: that high-performance results are likely to follow on the implementation of human capital management best practices such as frequent performance appraisals and extensive training. As part of the company's commitment to exploring the drivers of high performance results in an empirical, fact-based way, my colleagues and I designed a human capital measurement tool, the Accenture Human Capital Development Framework, and used it in more than 60 organizations to test this hypothesis.[7] In total, we administered 3,500 Web-based surveys to employees and more than 150 Web-based surveys to HR executives.

What we found surprised us. Although we did find significant correlations between extensive adoption of best practices and business results, we found that what mattered more to business results was the extent to which employees felt supported by human capital management practices and policies. The big surprise was that in most organizations, employees did not feel well supported, even when their organizations had adopted human capital management best practices.

To discover what sorts of changes in human capital management might help employees feel more supported – with consequent improvement in business results – we then conducted exploratory interviews with more than 25 line managers in 15 organizations that varied in terms of size, performance and industry. We learned that one of the greatest obstacles to employees' feeling supported is a rigid, one-size-fits-all approach to human capital management. Below are some examples of comments we heard about the lack of fit between traditional HR practices and employee needs.

Why traditional HR practices don't work

HR practice	Line manager's comment
Competency Frameworks	"We have a competency framework, but it is so vague and nonmeaningful it doesn't really help – like a person at this level works on complex projects, and a person at the next level works on more complex projects. So I started developing it myself for my group – because I kept getting questions like, 'What does it take to get promoted?'"
Reward Structures	"HR puts caps on salaries based on level. I once had a truly top performer whom I wanted to reward, but I couldn't find a good way to do it because I was blocked."
Career Development	"It used to be that people could move around a lot more based on their own drive. But now we can't do this kind of thing. We slot people into roles based on experience, and if someone no longer fits a role, they leave the firm, and we might have a big loss of potential talent. So our career development system is much more sophisticated, controlled and efficient now, but it doesn't necessarily maximize the right fit for people, or our overall workforce performance."
Learning	"We have lots of training courses in our organization, but I often find that sending employees to the courses or to an executive education course is a waste of time. First, although most people don't learn the same way, the courses assume they do. Second, the information tends to be so generic that it is hard to apply to the specific situation at hand. The most important learning occurs on the job."
Performance Appraisals	"The competencies I'm supposed to evaluate my employee on don't match the work the person does. So I always ignore the form and write "see attached" and make up my own."

To corroborate our preliminary findings, we reviewed other studies and found support for our theory that best practices in human capital management sometimes fail due to a standardized approach. For example, a meta-analysis of 24 longitudinal studies showed that improvement in multisource feedback ratings (360-degree feedback) over time is generally small.[8] The authors of the study conclude that advocating 360-degree feedback across the board will not lead to across-the-board performance improvement because some feedback recipients are more likely to respond positively to this human capital management practice than others. Another study revealed that leadership development efforts that rely on generic, commercial best-practice products often fail because those products do not take into account the unique business problems that individuals face.[9] A third study suggested that performance measurement systems that link employee actions to results and, ultimately, to compensation does not necessarily improve performance[10] – presumably because not everyone is equally motivated by the same criteria. One journal article quipped in its title that "human resource management is not Lycra."[11] The authors' point is that best practices can actually negatively impact employee performance because one size does not fit all – not everyone thrives under the same conditions or is motivated by the same things.

Once we realized that one way to achieve high-performance results is to tailor human capital management practices to individuals – our "workforce of one" concept – we set about exploring how organizations can achieve such a goal. We interviewed 33 HR executives in 23 organizations to explore how their organizations were or were not using the four workforce-of-one techniques and to explore the implications and challenges of managing a workforce in this manner. Finally, we conducted a secondary literature review to explore further how the workforce-of-one concept could be applied in practice and to determine how it differs from or resembles other managerial concepts.

Future Research Notes

This is the first in a series of research notes that will explore the workforce-of-one approach and how it can help organizations achieve high performance. In the next two research notes, we will explore the trends that are driving organizations toward a workforce-of-one management style and see how the workforce of one represents a bold new approach to human capital management. In the following four research notes, we will explore each of the workforce-of-one techniques in greater detail. We will provide examples from organizations that have used each technique and will assess the advantages and disadvantages of each technique to help guide readers when it comes to implementation. To help organizations further, we will devote one research note to exploring the organizational challenges inherent in a workforce-of-one approach, as revealed through our interviews with HR executives – challenges such as fairness and consistency, for example, and deciding where and how to apply the model. Other research notes in the series will explore how the roles of HR, line managers, employees and senior leaders will need to change in the workforce-of-one model.

We welcome feedback and comments on this and subsequent research notes. In addition, we invite HR executives and senior leaders or managers to contribute to our ongoing research on the topic through participation in interviews.

About the Author

Susan Cantrell is a fellow with the Institute for High Performance Business. She specializes in research on human performance and has been published in such publications as Sloan Management Review, Strategy and Leadership, Strategic HR Review and Across the Board. For more information on the Institute for High Perfomance Business, contact eileen.m.moynihan@accenture.com

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Notes

1 In recent years many business writers have argued that intangible assets, including an organization's people, matter more to business success than tangible assets. See, for example, Peter Drucker, "Knowledge Worker Productivity: The Biggest Challenge," **California Management Review**, winter 1999; Jeffrey Pfeffer, **The Human Equation** (Harvard Business School Press, 1998); and Christopher A. Bartlett and Sumantra Ghoshal, "Building Competitive Advantage Through People," **MIT Sloan Management Review**, winter 2002. In addition, a great deal of empirical evidence linking people processes and programs to business results has been gathered in the last ten years. See, for example, James M. Benton, Susan Cantrell and Meredith A. Vey, "Making the Right Investments in People," **Outlook**, October 2004; Brian E. Becker and Mark A. Huselid, "High Performance Work Systems and Firm Performance: A Synthesis of Research and Managerial Implications," **Research in Personnel and Human Resources Management,** 1998; Nick Bontis and Jac Fitz-enz, "Intellectual Capital ROI: A Causal Map of Human Capital Antecedents and Consequents," **Journal of Intellectual Capital**, 2002; David Ulrich and Wayne Brockbank, **The New HR Agenda: 2002 Human Resource Competency Study** (University of Michigan Business School, 2003); and Bruce N. Pfau and Ira T. Kay, **The Human Capital Edge** (McGraw-Hill, 2002).

2 For Accenture's 2004 edition of **The High-Performance Workforce Study Research Report**, Hap Brakely, Peter Cheese and David Clinton surveyed 244 executives and found that only 17 percent said the overall skill of their workforce was industry leading, while just under 40 percent said it was equal to or worse than their competitors.

3 Although many studies have linked a superior employee-relations climate to financial performance, there is little evidence of a causal relationship between employee satisfaction or work climate and financial performance, as Patrick M. Wright, Lisa M. Moynihan, Timothy M. Gardner and Mathew R. Allen's review of studies on the topic, "The Relationship between HR Practices and Firm Performance: Examining Causal Order" (Cornell University Center for Advanced Human Resource Studies Working Paper 04-06, 2004), shows. In fact, the authors point to a few studies indicating that better financial performance precedes satisfaction.

4 The survey queried 1,188 senior HR practitioners. See "HR Survey: Where We Are, Where We're Heading," **Chartered Institute of Personnel and Development**, October 2003. For a good overview of why companies have a hard time making the HR function a strategic business partner, see E. Lawler and S. Mohrman, "HR as a Strategic Partner: What Does It Take to Make It Happen?" **Human Resource Planning**, September 2003.

5 James H. Gilmore and B. Joseph Pine, **Markets of One** (Harvard Business School Press, 2000).

6 Dorothy V. VonDette and Patrick Mosher, "Mission Critical," **Outlook Journal**, January 2002.

7 Susan Cantrell, James M. Benton, Robert Thomas, Meredith Vey and Linda Kerzel, **The Accenture Human Capital Development Framework: Assessing, Measuring, and Guiding Investments in Human Capital to Achieve High Performance** (Accenture, 2005).

8 James Smither, Manuel London and Richard Reilly, "Does Performance Improve Following Multisource Feedback? A Theoretical Model, Meta-analysis, and Review of Empirical Findings," **Personnel Psychology**, 2005.

9 Douglas A. Ready and Jay A. Conger, "Why Leadership Development Efforts Fail," **MIT Sloan Management** Review, spring 2003.

10 Jonathan D. Day, Paul Y. Mang, Ansgar Richter and John Roberts, "Has Pay for Performance Had Its Day?" **McKinsey Quarterly**, 2002.

11 Patrick Wright and Chris Brewster, "Learning from Diversity: HRM Is Not Lycra," **International Journal of Human Resource Management**, December 2003.