Human Resource Management in Media and Communications

December 12, 2010 Eli M. Noam

Beginning of Lecture
Human Resource Management in Media

3 Themes in this unit
1. Hard HRM
2. Tough Labor
3. Soft Control

OUTLINE: MEDIA HUMAN RESOURCE MANAGEMENT

I. THE HRM FUNCTION AND ITS ORGANIZATION
   - Case discussion: Disney
   - What is special about Media HRM

II. “Hard HRM”
   - Human Capital Theory
   - Internal Labor Markets
   - Contract Theory

III. TOUGH LABOR
   - Industrial workforce
   - Craft workforce
   - Media workforce
   - Unions in the ‘New Economy’
   - Productivity in the media

IV. THE CREATIVE WORKFORCE
   - Creative class values and traits
   - Motivating/managing Creatives

V. SOFT CONTROL
   - Supporting the Needy
   - Personal Growth
   - Create Buy-In

VI. CONCLUSIONS
   - The Info workforce of the Future?
I. The HRM Function and its Organization

- In other units we cover finance, prices, production, technology, and more.
- This unit deals with the people aspect of media and communications industries--human resources and their management.
• The sources of value for most companies used to be their hard assets
  – Machines, assembly lines, buildings

Surowizcki, Jantes, “Net Worth,” The New Yorker, March 14, 2005

Steel Mill

http://i.treehugger.com/images/2007/10/24/gary%20steel%20works.jpg
Assembly line

Industrialization
- Factories were built with vast investments in machinery and equipment
- There were large armies of unskilled or semi-skilled laborers available, and they were interchangeable

• But in the knowledge economy- the arrangement is different.

• Capital is not as scarce as it used to be.
• But there is often a shortage of exceptional talent.

• In knowledge-based economy, value is the product of knowledge and information. Companies cannot generate profits without the ideas, skills, and talent of knowledge workers.


• Microsoft earned over $200,000 in profit per worker each year in 1994-2004.

• In Hollywood, Silicon Valley, Wall Street, and in professional sports, hard assets matter far less than people.

• The employees— the knowledge workers— are the difference between success and failure.
Silicon Valley

http://lukewalsh.co.uk/blog/uploaded_images/Silicon-Valley-746836.jpg
• In industries where shareholders' returns depend on key individuals (human capital) rather than the organization (structural capital), the stars can demand more.


IT

• In 2000, Cisco employees earned $5-8 billion in option profits (beyond salary) in a year when the company made only $4.6 billion

Surowicke, Jantes, “Net Worth,” The New Yorker, March 14, 2005
• In 1991, the then chairman of Walt Disney Studios, Jeffrey Katzenberg, wrote a famous memo about a spiraling cost of payments in the movie business.


http://homes.tiscali.it/tn/molodezhnaja/JeffreyKatzenberga.jpg

• “The talent class has declared war on shareholder capitalists.”

Jeffrey Katzenberg

Surowiecki, Jantes, “Net Worth,” The New Yorker, March 14, 2005
• Katzenberg argued: studios put up all the capital and took all the risks, but movie stars, scriptwriters, and directors (the "talent") stripped off most of the profits.


• BTW, is Katzenberg correct?

• Does the “talent” take no risk?

• Actually, there are few careers that are riskier than becoming talent in the film business.

• In contrast, studious, through diversification and risk shifting, are only moderately risky.
• Katzenberg refers only to the tiny percentage of stars who indeed earn high rents on their special status.

• No one, however, forces film producers to hire stars who will strip the profits.

• Katzenberg’s would apply better to professional sports, where the top stars are indeed unique.

• Even here, the risk to an individual players is much greater than to a team owner.
Sports: Hockey

• In the N.H.L. 2 seasons of 2003 and 2004, the players reportedly took home 75% of the league’s total revenue

• This led to labor contract disputes, strikes and lockout, and the league closing the season.

Surowizcki, Jantes, “Net Worth,” The New Yorker; March 14, 2005
• Dealing with the people of the enterprise is the realm of HR -- Human Resource Management.
HR Management Deals With:

- Hiring, promoting, training, firing
  - Staff, management
- Matching firm needs and goals with human resources
- Compensation, benefits, and incentives
- Work environment
- Supervision and evaluation
- Union relations

- Placing the right person on the right job
- Starting new employees in the organization (orientation)
- Protecting employee’s health and physical condition
• Creating and maintaining morale
• Developing abilities of each person
• Controlling labor costs
• Interpreting the company’s policies and procedures

Basic Role of HRM

• Developing smooth work relationships
• Improving each person’s job performance
• Training employees for new jobs

Source: Dessler 200
The Cost of HR Mistakes

• Hire the wrong person for the job
• Experience high turnover
• People not doing their best
• Waste time with useless interviews
• Have company taken to court because of discriminatory actions


The Cost of HR Mistakes

• Demoralize employees
• Allow a lack of training to undermine productivity
• Commit unlawful labor practices
• Create wrong incentives

In the past, when the Industrial workforce predominated in the economy,

–HRM approach was shaped by it, and was known as

–“Industrial Relations” (blue collar) or “Personnel Management” (white collar)
The Changing Focus of HRM

• 1900: Hiring/firing; payrolls
• 1930s+: Interaction with unions
• 1960s+: Reaction to discrimination legislation
• 1970s+: administration of benefits plans

Traditional HRM Style: “Soft” HRM

• Personnel specialists
• Emphasizes hiring, training, communication, motivating, promoting
The Changing Role of HRM

• 1990s: Shifting role from administrator/screener to change agent.
  –Reshape corporate culture and employee behavior
• And now, HRM becomes part of the strategic dimension to HRM


HRM incorporates the company strategy (e.g., diversification, innovation, productivity push, cost reduction) into working environment.
• “VP for Human Resources” becomes “Chief Human Resource Officer” (CHRO).
Split of the HR Activities

1. *Routine transactional* HR activities are being often outsourced to *outside providers*.
   - Payroll benefits administration, workers’ compensation, etc.

2. Administrative functions such as hiring & promotions are run by *core HR specialists*, often by the divisions

Split of the HR Activities

3. *Strategic* direction of human capital management by *HR strategists*.
   - Often by a centralized coordinating corporate HR group

• Today’s HR is supported by specialized complex HR Information Systems (HRIS)
Main HR’s Elements

- Payroll
- Benefits Administration
- Performance Analysis
- Recruiting
- Training
- HRIS

Vendors of HRIS

- SAP
- People Soft
- SABA, learning
- SumTotal, learning
- BrassRing, hiring
- Intuit, payroll services

Srinivas, Prabha, “ERM Solutions -- Are they Complete?”
<http://www.hr.com/HRcom/index.cfm/133/50AAB9EA-ABAE-4955-90D76297598CE1BC?ost=feature>
Functions of HRIS include:

- Screen applicant pools
- Comply with hiring regulations
- Monitor time worked by irregular employees
- Qualify & quantify employee skills
- Rate individual performance
- Issue checks
- Generate income/tax reports

Note: PeopleSoft was acquired by Oracle in 2005

http://www.uh.edu/peoplesoft/images/PeopleSoftScreen1.GIF
• HRIS is a source of internal HR data
• The vast amount of data generated and stored in HRIS can be used for many types of internal HR (and academic) studies and optimization programs

• For the first time ever, management can have real-time tracking tools for its workforce, cost, performance, productivity, and individual progress
For more details see Appendix A: MBAs in Media Management
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- Create Buy-In

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- The Info workforce of the Future?

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### I.2. Case Discussion: Disney
Case Discussion: Disney

• Largest media company in the world
  – Movie studios
  – Networks: ABC, ESPN, Family Channel, Disney Channel, etc.)
  – Theme parks
  – Internet sites
  – Retail stores and products

• Disney: More than 144,000 employees by late 2000s
• Its primary business is to organize and commercialize the output of creative people
• Long-time CEO Michael Eisner referred to all Disney employees as “cast members”.

• In “Business Week List of Best Places to Launch a Career,” Disney was #1
## Business Week 2006 List of Best Places to Launch a Career

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Walt Disney</td>
</tr>
<tr>
<td>2</td>
<td>Lockheed Martin</td>
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<tr>
<td>3</td>
<td>Deloitte &amp; Touche</td>
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<td>4</td>
<td>Goldman Sachs</td>
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<td>5</td>
<td>Enterprise Rent-A-Car</td>
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<td>6</td>
<td>State Department</td>
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<td>7</td>
<td>Raytheon</td>
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<td>8</td>
<td>General Electric</td>
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<td>9</td>
<td>JPMorgan</td>
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<td>10</td>
<td>Abbott Labs</td>
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<td>11</td>
<td>Verizon</td>
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<td>12</td>
<td>Ernst &amp; Young</td>
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<td>13</td>
<td>Google</td>
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<td>National Instruments</td>
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<td>KPMG</td>
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<td>16</td>
<td>L’Oreal</td>
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<td>17</td>
<td>Bain &amp; Co.</td>
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<tr>
<td>18</td>
<td>Merck</td>
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<tr>
<td>19</td>
<td>Ameriprise Financial</td>
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<tr>
<td>20</td>
<td>Accenture</td>
</tr>
<tr>
<td>21</td>
<td>AT&amp;T</td>
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</tbody>
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### Business Week List 2006

#### #1: Disney Communications

“Disney's place at the pinnacle is also a testament to its popularity with students, but its desirability goes well beyond the company's instant name recognition.”

“Disney rose to No. 1 on its reputation with students. Cynics need not apply: culture stresses creativity, optimism and decency.”

And yet:

- Disney management was challenged by dissident directors, including Roy Disney, Jr., in the annual shareholder meeting, in 2004. ¾ of Disney 401(k) participants (i.e., regular employees) voted against management.

Source: http://www.disneyjuice.com/disney_juice/images/2008/05/28/disneychannel.jpg
• Why did Disney management lose the confidence of \( \frac{3}{4} \) of its own employees?

• How can a management like Disney’s keep creative people happy? While also maintaining profitability?
For more details see Appendix T: Case Discussions
I.3. What’s Special About HRM in Media And Information Industries?

- Generally, not radically different from other industries
- But with special factors of emphasis
Special HR Factors in Film, TV, Theater

- Excess supply of creative talent
- Difficult to measure and raise productivity in creation of intangible products
- High risk, unstable work environment
- High fixed cost creates incentives to outsourcing
- Much freelance work instead of regular employment
Special HR Factors in Film, TV, Theater

• Accelerating returns encourage specialization
• Ad-hoc teams, ad-hoc management
• Collaborative creative tasks

Special HR Factors in Film, TV, Theater

• Presence of participants with artistic and non-commercial motivation, with strong emphasis on personal satisfaction
• Control of risk through unionization
• Government role in assisting artistic employment
Special HR Factors in Telecom

- Highly unionized traditional firms, non-unionized competitors
- Historically public utility structure that reduced incentives to lower cost
- Public service culture
- Transition to competitive high-tech
Special Factors: IT

- Manufacturing increasingly off-shore, outsourced.
- High job mobility
- Government role in white-collar job creation.
Special HR Factors in Internet

- Non-hierarchical. Fluidity between management/employees/owners
- Low compensation, high promise, high risk
- High individualism
- High sense of community
- No unionization
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II. “Hard” HRM

Traditional Approach: “Soft HRM”

• Personnel specialists
• Emphasizes hiring, training, communication, motivating, promoting
• Analytically Based on:
  • Organizational Behavior Studies
  • Industrial-Organization Psychology

But now, emergence of “Hard HRM”
• Based on economics and finance.

• Analyze people as assets, and using the tools of asset analysis.

• Using HRIS data

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1st Element of “Hard HR” Analysis:

**II.1. Human Capital Theory**
Human Capital Theory

• Recognition that human capital is not just an input to production

• It is also the output of a production process in which the organizations invest time and resources.


• Human resource decisions can be seen as *investment* decisions and can be analyzed in the same way that capital investment is modeled.
• Research since late 1950s resulting in Nobel Prizes
  – Gary Becker
  – Theodore Schultz

http://www-news.uchicago.edu/resources/nms/becker.jpg
http://nobelprize.org/economics/laureates/1979/schultz.gif


Columbia Research


http://www.gsb.columbia.edu/faculty/abartel/images/bartel.jpg

Columbia Research


• Helps establish a link between personnel investment and business performance.
• True causation between specific people investments and bottom-line results.

• 60 percent to 70 percent of most firms’ expenditures are now labor related.

• And yet, according to an Accenture study, 70% of executives said they never or rarely measure the impact of HR or of training initiatives on innovation.

• Nearly 60% never or rarely measure their effect on employee turnover or employee satisfaction.


• Yet only a few companies know the return on investment (ROI) on their investments in employee practices
• Problems has been inability to measure, assess, and predict the outcomes of workforce tactics in the same way they do with other parts other business.
Human Capital

ROI

$$HCRIOI = \frac{\text{revenue} - (\text{other expenses} + HCCF)}{HCCF} - 1$$

HCCF = Human Capital Cost Factor


Human Capital Cost Factor:

HCCF =

Pay + Benefits + Contingent labor costs + Absence costs + Turnover costs

• But revenue attributable to the particular HCCF (Human Capital Cost Factor) is not easy to determine.
• It can often be difficult to link direct effects of HR expenses.
• One can try to determine impacts on.
  – Quit-rates
  – Productivity
  – Customer Satisfaction
• And then to value the reduced quit-rate etc.

Measuring Results
• Benefit Elements
  – Time savings can be calculated by multiplying the number of hours saved by the workers’ average hourly salary.
  – Production gains are computed at monetary value of the extra goods produced.
  – Include time savings, improved net productivity, labor savings (less supervision, overtime), improved quality, and better morale.
Measuring Impact Indirectly

• One study (at GTE) showed that every 1% improvement in employee satisfaction boosts customer satisfaction by 0.5%

• So one could measure cost of raising employee satisfaction, and the impact of customer satisfaction on revenues, and estimate an ROI.


• Merck has tools to assign a dollar value to a measured increase in performance of an employee undergoing training, thereby enabling it to determine the ROI of specific training programs.

ROI of Movie Stars

• Forbes magazine calculated movie stars’ “payback figure” (box office and DVD sales) as a ratio with the actors’ salary


ROI of Movie Stars

• Angelina Jolie: highest payback figure amongst female actors, $17 of revenues per dollar of salary

ROI of Movie Stars

• Matt Damon: highest payback figure, with $29 of revenue income per dollar of salary

ROI = \frac{\text{revenues generated}}{\text{salary}}

• But the Forbes methodology is questionable

• Excludes star’s income from profit participation (ROI denominator too low)
• Excludes cost of a star on other elements of a film production (numerator too high)

• Excludes inevitable upward adjusted of compensation for next project (denominator too low)
HR-ROI
Example #1:
Disney Retraining of Employees
Disney HR-ROI (Hypothetical Example)

• Disney is considering expanding its computer animation (CA) operation.
• 2 Options

Assume the NPV of a trained & experienced animator to Disney: $100,000
Option 1: Hire New Style Computer Animators, Fire Hand Animators

http://www.karezwind.com/images/blog/carmackworking.jpg

Option 2: Keep Classic Hand Animators – But Retrain them

http://3.bp.blogspot.com/_3DNV3gZx9M/SHrclE2umGl/AAAAAAAAAbY/XHjuIhq72GY/s1600/davis-marc.jpg
Option 1

• Costs of hiring a computer animator:
  – Search: $9,000
  – Selection: $7,500
  – Proficiency Training: $2,000
  – Total $24,500

• Costs of firing a hand animators (compensation etc): $31,000

Hiring New Computer Animators:

• In comparison to a hand animator
  – Lower salary due to less seniority:
    $15,000 (net present value)
  – Lower initial productivity due to inexperience: $17,000 (net present value)

⇒ Net value added of new computer animators: $100,000 - $17,000 = $83,000
ROI on Hiring New Computer Animators and Firing Hand Animators

\[
ROI = \frac{Value\ added - (Firing + Hiring - lower\ salary)}{(Firing + Hiring - lower\ salary)} - 1 = \\
\frac{83,000 - (31,000 + 24,500 - 15,000)}{40,500} - 1 = \\
ROI = 4.9\%
\]

Option 2: Retrain Classic Hand Animator

http://3.bp.blogspot.com/_5DNV3sjzX9M/5FrCfE2umGI/AAAAAAAAAbY/XHjulhq72GY/s1600/davis-marc.jpg
Option 2: Retraining Hand Animators

Costs of the training:

- Direct instruction costs: $37,000
- Absence Cost: Disney still has to pay animator’s salary: $17,000

Total: $54,000

Benefits of Training

- Employee retention: After successfully passed the re-training, the hand animators will be more loyal to Disney
- Assume stay in job 3 years longer than a new hire. The NPV of the avoided cost of hiring a replacement 3 years earlier is 25,000.
Benefits of Training

• Value of employee retention: $25,000
• Value added of computer animator: $100,000

--------------------------------------
Total: $ 125,000

ROI of Training
the Hand Animators:

\[
ROI = \frac{Benefits - Costs}{Costs} - 1 = \frac{125,000 - 54,000}{54,000} - 1 =
\]

\[
ROI_2 = 31.5\%
\]
Conclusion of the Analysis

31.5% > 4.9%:
Based on these hypothetical numbers, Disney should re-train its animators instead of hiring new ones and replacing the old ones.
The ROI Approach is Part of Consultancy HR Models

- The Spencer Stuart Human Capital Market Index (HCMI)
  – combines financial market and labor market factors.
- The Watson Wyatt Human Capital Index
  – To establish the relative value of executive talent.
- The Boston Consulting Group’s Workonomics


A. Spencer Stuart Human Capital Market Index (HCMI)

- To establish the relative value of executive talent over time

Spencer Stuart Human Capital Market Index (HCMI)

- Four components of the index:
  1) Number of executive jobs open relative to the number of unemployed executives (indicator of the competitiveness of the labor market for executive talent)


Spencer Stuart Human Capital Market Index (HCMI) (cont.)

2) Ratio of gross domestic product to the number of people in the workforce between the ages of 35 and 55 (executive talent is located primarily in that age bracket)

Spencer Stuart Human Capital Market Index (HCMI) (cont.)

3) Difference between the high and low stock prices divided by the average stock price as an indicator of company-specific volatility (value of management is said to increase with volatility)


4) Ratio of market value to book value (expression of the value of intangible human capital)

Spencer Stuart Human Capital Market Index (HCMI) (cont.)

- Changes in any of these four components lead to changes in the overall index
- Example: If the number of people in the workforce between the ages of 35 and 55 declines, the value of executive talent rises, all being equal


B. The Watson Wyatt Human Capital Index (HCI)

- Index that correlates the effectiveness of a company’s human capital management with its market value

Watson Wyatt Human Capital Index (HCI) (cont.)

- Data from individual surveys
- Correlation of the index with financial measures of a company’s performance reported


Watson Wyatt Human Capital Index (HCI) (cont.)

![Figure 1: Five-Year Total Returns to Shareholders (April 1996 – April 2001)](image)

Companies were split up in three groups based on their summary HCI scores. The group with a low HCI averaged five-year return of 21%. The medium group averaged 39%. Those with high HCI scores returned 64% over five years.

The Watson Wyatt Human Capital Index (HCI) (cont.)

<table>
<thead>
<tr>
<th>Practice</th>
<th>Impact on Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Rewards and Accountability</td>
<td>16.5%</td>
</tr>
<tr>
<td>Collegial, Flexible Workplace</td>
<td>9.0%</td>
</tr>
<tr>
<td>Recruiting and Retention Excellence</td>
<td>7.9%</td>
</tr>
<tr>
<td>Communications Integrity</td>
<td>7.1%</td>
</tr>
<tr>
<td>Focused HR Service Technologies</td>
<td>6.5%</td>
</tr>
<tr>
<td>Prudent Use of Resources</td>
<td>-33.9%</td>
</tr>
</tbody>
</table>

Expected change in market value associated with a significant one standard deviation (1 SD) improvement in HCI dimension.
• The study identifies 49 specific HR practices that play the greatest role in creating shareholder value, divided up into six dimensions.

• The research quantifies how much an improvement in each practice could be expected to increase a company’s market value.

C. Boston Consulting Group
“Workonomics”

• Workonomics aim at identifying workforce (intangible assets) measures that are the counterparts of traditional (tangible assets) accounting measures; e.g. a workforce development plan is the counterpart of a capital investment plan.
Boston Consulting Group
Workonomics (cont.)

• Workonomics links traditional measures of employees’ productivity (for example sales per employee or employee turnover) with the financial performance of stores and regions, and with various corporate functions


Boston Consulting Group
Workonomics (cont.)

• Method to complement ROI in people-intensive industries:

\[
\frac{VAP - ACP}{P} = EVA
\]

Boston Consulting Group Workonomics (cont.)

• VAP (value added per person) as a measure of average productivity
• ACP (average cost per person)
• P (Number of employed people)
• EVA (economic value added) or CVA (cash value added), which produces the residual income.


Boston Consulting Group Workonomics (cont.)

• Delivers no information about which measures are the most important indicators for companies to track

Example #2: Should Disney Hiring Risky Employees?
Which Worker to Hire?

• Choice between two different types of workers:
  – 1. Worker with a fairly certain output (Julia)
  – 2. Worker with a riskier output. (Max)

Disney & Risky Employees

Assumptions:
• Both are 30 years old
• Will work until they are 65
• Salary $ 50,000 a year, does not change
Disney & Risky Employees

Problem: Choice between two different types of computer programmers

Julia
-safe choice-
Net Value added certain: $50,000 a year

Max
-risky choice-
Value added much less predictable:
If he’s a star: $250,000 (p = 0.5)
If he’s a disaster: - $50,000 (p = 0.5)

Disney & Risky Employees

Assumptions:
- It will take one year to determine Max’s productivity level, it can be either $150,000 or zero, (both minus his $50,000 salary)
- Julia’s productivity level is certain at $100,000, minus $50,000 salary
Who should be hired?

Max

p = 0.5

Disaster
- $50,000

Star
$100,000
Net $25,000

Julia

p = 0.5

Certain Output
Net $50,000

* 

• Max’ Expected Net Output
$0.5 \times $100,000 + 0.5 \times -$50,000 = $50,000 - $25,000 = $25,000

• Julia’s expected Net Output: $50,000
So Julia’s expected net output > Max
Should she therefore be hired?
Not really
Because that’s just the first year of employment

Disney & risky employees

*Julia:*
- Expected net value first year and every year:  $50,000
- Expected value over 35 years of expected employment (net): $1,750,000
- NPV: $482,208
  \[ r=10\% \]
### Max

<table>
<thead>
<tr>
<th>If disaster</th>
<th>If star</th>
</tr>
</thead>
<tbody>
<tr>
<td>(fire Max after 1st year)</td>
<td>First year net output:</td>
</tr>
<tr>
<td></td>
<td>$100,000</td>
</tr>
<tr>
<td>If first year output:</td>
<td>35 years net:</td>
</tr>
<tr>
<td>- $50,000</td>
<td>$3,500,000</td>
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<tr>
<td>NPV:</td>
<td>NPV:</td>
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<tr>
<td>- $45,455</td>
<td>$771,532</td>
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</table>

### Disney & risky employees

**Max vs. Julia**

- NPV (Max) = $726,077
- NPV (Julia) = $482,208
• Max is almost 50% more valuable as Julia in expected value

• As long as Disney has the option to terminate for poor performance – it will often pay to hire riskier workers if they have a decent upside potential
For more details see Appendix B: Selection of Talent
2nd Element of “Hard HR” Analysis:

II.2. “Internal Labor Market” Perspective

“Internal Labor Market” Perspective

• Many important HR transactions take place inside company, not in external labor markets.
• Analysis begin by
  – Peter Doeringer and Michael Piore
  – Sherwin Rosen and Richard Freeman.
* Internal Mobility; Mapping Human Capital: Mercer Human Resource Consulting

• An ILM (Internal Labor Market) map shows a firm’s human capital and their career paths.

• Shows whether an organization buys or builds its talent.


Figure 5.1

Internal Labor Market (ILM) analysis® starts by “mapping” the flows that determine the workforce

TechCo’s Internal Labor Market Map

© 2003, Mercer Human Resource Consulting LLC

Interpretation of TechCo’s ILM

• Exhibits bulge near the middle
  –Largest group (mostly engineers) are in level 3
• (Highly hierarchical companies, in contrast, are shaped like pyramids.)

TechCo. ILM

• Level 3 is a career “choke point”
• Probability of moving beyond level 3 is low, 5.8%/yr. (Even less if demotions (2.2%) are counted.

TechCo. ILM

• A high share of management at levels 4 and 5 are new hires from outside.
• Company is not developing managerial talent internally.


• Other ILM maps could also be developed to show the proportions of employees at each level by gender, race, profession (e.g., engineering), etc.

http://www.boatnerd.com/pictures/special/welland/teacorn雍 engineers.jpg
ILM Analysis

- Can use data to statistically analyze:
  - Drivers of turnover
  - Drivers of promotion
  - Drivers of lateral movement
  - Drivers of compensation, usually pay levels
  - Drivers of individual performance.


For Job Candidates: Assess Opportunities Provided By Employer

- Determine the number of people employed at your job level and the next two higher numbers.
- “How many people moved from my job level to the next higher level during the last year and the year before?”

Case Discussion:
Disney ILM Structure
• Different ILM patterns for specific labor needs of different business units

Disney ILM Maps by Division

Unit 1
Radio Stations
Few top managers, many middle managers

Unit 2
Theme Parks
Mostly low-level staff

Unit 3
Film and TV Production
Classic Pyramid

Hypothetical example
• Radio stations: small top management, mostly middle level staff
• Theme parks: lots of low-level grounds and maintenance staff, ride operators, hospitality staff
• Film and TV production: pyramid

Unit 1: Radio Station ILM
• Interpretation: Relatively low ratios of hires over promotions
  – meaning most people get promoted, and most people get promoted from within.
  – but very few people make it to top level.
Unit 2: Theme Parks ILM

- few employees in the top positions above lower levels

Theme park structure is one of essentially 2-tiers—entry level, plus management levels. This structure typical in industrial firms.
• Early promotion easy
• Very hard to jump from level 3 to 4, then easy again.
• Mostly internal promotions.

Unit 3: Film and TV Production
• Pyramid shape
• Used to be much, much wider at bottom and center
• But system of projects-based freelancers reduced these levels greatly in terms of regular employees.
• Firm can shape the pyramid by outsourcing and freelancers.
• This way, it can create a pyramid out of a “box”, thereby setting chances of promotion to the desired ratio (higher or lower) and raising incentives.
• Example: Microsoft (relying on numerous freelancers).

Disney’s dependence on new hires at middle and upper levels is high, undermining the ability to develop homegrown talent.

<table>
<thead>
<tr>
<th>Level</th>
<th>Unit 1</th>
<th>Unit 2</th>
<th>Unit 3</th>
<th>Corp</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>1.8</td>
<td>0.8</td>
<td>0.8</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
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<td>0.9</td>
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<td>9</td>
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<td>0.5</td>
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<td>0.1</td>
<td>0.5</td>
</tr>
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<tr>
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<td>0.5</td>
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<tr>
<td>6</td>
<td>0.5</td>
<td>1.2</td>
<td>0.5</td>
<td>0.9</td>
<td>0.7</td>
</tr>
<tr>
<td>5</td>
<td>0.8</td>
<td>1.3</td>
<td>0.7</td>
<td>1.2</td>
<td>0.9</td>
</tr>
<tr>
<td>4</td>
<td>0.8</td>
<td>1.4</td>
<td>1.2</td>
<td>1.4</td>
<td>1.3</td>
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<tr>
<td>3</td>
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<td>2</td>
<td>3.2</td>
<td>4.3</td>
<td>5.0</td>
<td>7.6</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Values > 1 indicate that entries are dominated by hires.
Inter-company moves, which enhance synergies within and across units, are rare

Employees who changed units

<table>
<thead>
<tr>
<th></th>
<th>Unit-1</th>
<th>Unit-2</th>
<th>Unit-3</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changed FROM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit-1</td>
<td>.03%</td>
<td></td>
<td></td>
<td>.78%</td>
</tr>
<tr>
<td>Unit-2</td>
<td>.08%</td>
<td></td>
<td>.19%</td>
<td>.69%</td>
</tr>
<tr>
<td>Unit-3</td>
<td>1.22%</td>
<td>.41%</td>
<td>.05%</td>
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<tr>
<td>Corporate</td>
<td>.21%</td>
<td>.67%</td>
<td>2.40%</td>
<td></td>
</tr>
</tbody>
</table>

Changed TO

Hypothetical Example

- Find out how many jobs at the next higher level were filled through outside recruiting.
- Identify career bottlenecks above your level.

For more details see Appendix C: Employment and Company Structure
3rd Element of “Hard HR” Analysis: Finance Theory

Risk Sharing Models
Employee’s pay is based on:

1. Supply and demand for skill
2. Organized employee bargaining
3. Risk
4. Incentive structure

How Risk Is Allocated

• All the stakeholders in an organization bear some risk
  – Investors may lose money
  – Employees may lose pay or jobs.
Risk Allocation and Reward Structure

- Companies must decide how much risk should be borne by employees and how much by investors.
• Investor Risk: Loss of part or all of investment; reduced reputation
• Employee Risk: Loss of job; pay cut; professional standing

Components of Risk of Financial Assets

• Overall Market Risk
• Industry Risk
• Firm-Specific Risk
• The *market risks* cannot be reduced by either investors or regular employees.

• *Industry* and *firm-specific* risk can be reduced by investors through diversification.

• But employees cannot diversify the human capital investments they make in their companies.

• Industry risk thus imposes an extra cost on them that ultimately must be compensated, e.g., through larger stock grants or other variable pay.

• General market volatility can be readily measured from an index of stock market performance (e.g., Standard & Poor’s 500)

• Industry volatility can be measured by an index of peer group stock market performance

• Company-specific volatility: the residual

Example #1: Media and photography companies in the UK.
Sky, WPP, Granada and Reuters exhibit high levels of market and industry risk, and relative low level of firm specific volatility. This argues against a compensation with much stock-based rewards.
• In contrast, Reed and EMI, with high level of firm-specific risk, can use stock or stock options for strong incentives to employees.


• Employees with these companies would observe a stronger link between the rewards they receive and what they achieved.

• Incentives in these firms are more effective than other firms.
• Knowing the risk profile of a company’s stock return can help a company to determine whether stock-based pay and other forms of incentive compensation are likely to be cost-effective as employee performance incentives.


• Where there are high levels of systematic risk the likely effectiveness of variable rewards will be low.

• Stock or stock options would be costly to shareholders- through dilution- yet fail to deliver strong incentives for employees.

• For stock options, rewards for relative performance could be done by indexing bonuses or the exercise or strike price of an option to changes in peer group etc performance.

227

• (This does not mean that a company should forgo stock-based incentives.
• Stock incentives are also used to create a culture of cooperation through ownership.)

228
• All this adds some complexity to incentive design
• **But generates more impact for less expense**
Case Discussion: Disney

• Is CEO Eisner’s compensation package well designed?
Decomposing the Share Volatility of Disney and its Peers

Conclusions

- Disney has a relatively low degree of firm specific volatility (22%).
- Disney stock performance is heavily related to developments in the overall market and industry.
- Therefore, a strong bonus system, including for top management based on stock performance would reward (or punish) uncontrollable developments, and be hence ineffective.

• In contrast, Viacom (35%) and Time Warner (31%) have a higher firm-specific volatility.
• For them, a bonus-based pay system would create better incentives.
Before leaving Paramount in 1984, Michael Eisner had received a salary of $750,000/yr

When joining Disney as CEO Michael Eisner received the base of $750,000/yr as well as stock options.
-1. Eisner’s contract was $1 million base salary + (up to) $19 million bonus
-2. Bonuses based on growth in earnings beyond 7.5%
-3. Plus stock options stock had to be held for several years.

CEO Michael Eisner’s Compensation

• 1998: $570 mil. (mostly options from increased share price since 1989)
Excessive?

CEO Michael Eisner’s Compensation

- 1991-5 $234 mil combined (i.e. $46.8 per year, on average)
• But in 1999 and 2001, when Disney stock performed poorly, Eisner got no bonus, received only his base salary of $1 mil.
• In 2000, $9.3 mil plus stock options.
• In 2001, Disney suffered and Eisner’s options had a paper loss of $266 mil.

•2004- Eisner received $1 million salary + $7.3 million bonus
•2005- Eisner’s last year at Disney = $1 million salary + $9.1 million bonus

• Thus, Eisner’s compensation does not seem to be an outlier for American CEOs.
• And we will later discuss how in high-risk companies, the steep gradient of compensation is an incentive for lower levels

Context: Average CEO Compensation for dollar

• But was Eisner’s compensation package efficient?

• Most of Eisner’s compensation was incentive pay (bonus and stock options).
  • Eisner benefited from overall market and industry stock rise.
Decomposing the Share Volatility of Disney and its Peers


Conclusions

• Disney has a relatively low degree of firm specific volatility (22%).
• Disney stock performance is heavily related to developments in the overall market and industry.
• Therefore, a strong bonus system, including for top management based on stock performance would reward (or punish) uncontrollable developments, and be hence ineffective.
• In contrast, Viacom (35%) and Time Warner (31%) have a higher firm-specific volatility.

• For them, a bonus-based pay system would create better incentives.

• Disney’s firm-specific volatility accounted for 22%, as we have seen.

• But Eisner’s compensation was over 90% variable awards.

• Seems grossly sub-optimal
• This must be distinguished from clear judgment errors in compensation

Ovitz Compensation

• Michael Ovitz, long-time friend of CEO Eisner and Hollywood super-agent, became Disney President.
• Ovitz was fired 16 months later, and received $140 million severance pay (more than $300,000 a day for his 454 days as president).
• Poorly drafted employment contract
4th Element of “Hard HR” Analysis: 

Contract Theory

- Research of optimal employment contract competition
  - Fixed wages vs. commission?
  - Group incentives vs. individual rewards?
- Differences in pay across levels of hierarchy?


Columbia Research

• Jacob Mincer & Gary Becker (Nobel Prize)

  *The Geneva Papers on Risk and Insurance, 1983, 8:4-33*

A tool to analyze internal incentives of promotions: “Tournament Theory”
Research Literature


---

Tournament Theory:

Promotion Incentives

http://www.saha.org/Insight/images/pension.jpg
“Tournament theory”

• A way to think about the entire structure of compensation.

• How big a prize for the winner in a tennis tournament to get maximum incentive?
  – Too low reward for winner lowers incentives to win
  – Too low reward for losers reduces participation


“Tournament theory”

• Finds the optimal wage spread within an organization.

• The size of the spread depends on the amount of risk associated with the production environment.

Tournament Theory

Basic Principle of Tournament Theory:
– The larger the wage spread, the bigger the premium to win and therefore the more effort will be invested. The wage spread must be large enough to induce a desired effort.

Tournament Theory

– The average prize money must also be sufficiently high to attract people to work in the firm. “Winner-takes-all” creates less incentives to attract new employees unless they are major risk-takers.
• The spread typically means paying employees less than they are worth when they are young (at lower levels) and more than they are worth when they are old (and got promoted)


The Worker as a Lender

Workers who are paid less than they are worth when young are implicit lenders to the firm.

* The difference, $V_0 - W_t$ is an implicit loan that the worker provides to the firm.
* The firm will pay it back beyond $t_0$. The worker receives more than he/she is worth
* The worker, a "bond holder", buys a bond from the firm, which promises to pay it back with interest when the worker is old.

Reasons to overpay senior employees:
• “Older workers are paid high salaries, not so much because of superior performance while they are old, but rather because their late high compensation served earlier to motivate them during the early years of their career.”


This implicit deal has increasingly been broken by the firing of older employees once their product is lower than compensation. Result is major anger by older employees, and a need to better reward younger employees more. This is an extra cost of firing older employees.
• Riskier industries, in order to induce workers, must offer a greater spread (potential reward).”

Tournament Theory

• If career risk is low in a particular industry, (people get promoted by seniority and are rarely fired) then the wage spread will be small. No need for the incentive to compensate for risk

Tournament Theory

• But, If career risk is extremely large, then the wage spread will have to be large, in order to create incentives for people to accept the risk.


• “It is the amount of uncertainty that determines salary spread, and not the absolute output of a CEO.”

“If Japanese workers produce output in a less risky environment than American workers, then Japanese would optimally use a less skewed salary structure than American firms. European firms are spread somewhere in the middle.”


Role of Rewards

- Reward structure affects not just employees’ job motivation.
- Affects who works for the firm.

Role of Rewards

• Rewards signal what the firm values.

• “Over time, an organization becomes what it rewards.”

For more details see Appendix D: Training Programs
also see Appendix E: Promotions
also see Appendix F: Compensation Levels
Case Discussion: Disney

• Is Disney’s compensation structure efficient?
### Disney’s Compensation Profile

<table>
<thead>
<tr>
<th>Level</th>
<th>$Average Compensation</th>
<th># of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>CEO</td>
<td>25,000,000</td>
</tr>
<tr>
<td>9</td>
<td>Senior Executive</td>
<td>8,000,000</td>
</tr>
<tr>
<td>8</td>
<td>Executive</td>
<td>1,200,000</td>
</tr>
<tr>
<td>7</td>
<td>Junior Exec</td>
<td>150,000</td>
</tr>
<tr>
<td>6</td>
<td>Managers (Senior)</td>
<td>90,000</td>
</tr>
<tr>
<td>5</td>
<td>Managers (Junior)</td>
<td>65,000</td>
</tr>
<tr>
<td>4</td>
<td>White Collar staff</td>
<td>60,000</td>
</tr>
<tr>
<td>3</td>
<td>Crafts Blue Collar &amp; Staff</td>
<td>55,000</td>
</tr>
<tr>
<td>2</td>
<td>Entry Lvl Blue collar crft</td>
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</tr>
<tr>
<td>1</td>
<td>Unskilled, min wage</td>
<td>12,000</td>
</tr>
<tr>
<td>0</td>
<td>Outsource, Blue Collar</td>
<td>250</td>
</tr>
</tbody>
</table>

*Example for Top Executive Compensation*

- **Tom Saggs – CFO** = $1 million salary + $4 million bonus + $790,000 stock options + $4 million long term incentive pay

• Alan Braverman – General Counsel = $850,000 salary + $3 million bonus + 420,000 stock options + $4 million long term incentive pay


**Disney’s Compensation Profile**
(Number of employees)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Unskilled, min wage</td>
<td>35,000</td>
</tr>
<tr>
<td>(2) Entry Lvl Blue collar crft</td>
<td>25,000</td>
</tr>
<tr>
<td>(3) Crafts Blue Collar &amp; Staff</td>
<td>30,000</td>
</tr>
<tr>
<td>(4) White Collar staff</td>
<td>10,000</td>
</tr>
<tr>
<td>(5) Managers (Junior)</td>
<td>2,000</td>
</tr>
<tr>
<td>(6) Managers (Senior)</td>
<td>1,000</td>
</tr>
<tr>
<td>(7) Junior Exec</td>
<td>1,000</td>
</tr>
<tr>
<td>(8) Executive</td>
<td>100</td>
</tr>
<tr>
<td>(9) Senior Executive</td>
<td>10</td>
</tr>
<tr>
<td>(10) CEO (Iger and Eisner)</td>
<td>1</td>
</tr>
</tbody>
</table>

CEO earns x-times more than...

- The salary acceleration in the lower levels (1-7) is modest.
Disney Salary & Wages

- Disney non-executive pay scale is said to be 10-15% below market for comparable work elsewhere.
- Corporate employees can receive a 4% raise per year and year-end bonuses can be as high as 10%.
- Performance and tenure-based raises are usually in the 10-15% range.

• At Disney, top managers receive extraordinarily high compensation relative to middle and low level of employees

How much Disney is spending for each employee level (‘000 $)

• Generally, Hollywood compensation is not high on most levels except for top
• There is a huge gulf between top and middle levels.
• Competition for jobs keeps salaries relatively low
• Hollywood people are “house poor but car rich”

• Is this compensation profile excessively accelerating at the top?
• Is the career risk at Disney so high to make it necessary to incent through high incentives at the top?
• Is it necessary to create greater incentives at the bottom and middle of the managerial scale, with young managers?
• Could the Disney board have purchased for less money the same performance from its chief executive and president?

• To evaluate the effectiveness of a company’s compensation acceleration structure, we would examine its internal labor market patterns. If many high, low and mid-level people voluntarily left the organization for work elsewhere, especially at “peer” organizations, we would conclude the compensation was too low, or the acceleration incentive too low.
• It, such departures would have been high (relative to other firms) at the middle and lower-levels which are the creative and productive contributors to Disney’s present and future.

• This quit-rate is an added cost of an excessive CEO compensation relative to middle levels, beyond the incentive effect.

Business Week List of 2006 Disney Retention

• 1,600 employees at or above the level of vice-president
• Of those employees, 230 have been with the organization for 20 years or longer
• Age of the youngest employee at or above the level of vice-president: 27
• Number of years he/she has been with this organization: 4.5

2006 Newswire Association LLC
Winner-Takes-Most Tournament: Star Compensation
To recapitulate:

• Pay differentials in media are very high
• Reasons:
  – Over-supply of talent
  – Incentives structure (a game in which the few winners take most)

• Creatives’ income is much more unequally distributed than regular incomes.
Basic Issue: Over-supply of Talent

• American music schools each year graduate about 14,000 students with performance degrees.
• Plus immigrant talent
• But only 250 – 350 job openings in symphony orchestras

http://www.suzukimethod.org.tw/images1/News/news42006_1230P_1a.jpg

• Low compensation should be expected: With the utility of personal satisfaction factored in, artists’ pay should average less than regular jobs
• And if creatives overestimate the odds for success, which they usually do, their average earnings will be even lower

• One (old) study (1979): Artists on average earned 6% less than all employed people.

• When adjusted for other factors (education, experience, health, regional location, demographic properties), the average difference in earnings increases to 10.3%.

• Not a huge difference.


• In old Hollywood “studio” system, popular actors had long-term employment contracts.

• Even top actors rarely made more than $100,000 per film.

• Demise of the studio system after 1950 made stars essentially free agents whose salary reflects their market value.
Star Compensation

• For performers, the “tournament” profile of compensation of aspiring and struggling performers and “A-list” stars is extraordinary steep.

• To alleviate this differential on the low end, almost all film and professional theater and music performers are paid union-negotiated minimum (“scale”)

• Otherwise, the tournament would be still much steeper
### Hollywood’s Top Male Overall Earners

<table>
<thead>
<tr>
<th>Earners</th>
<th>June ’07-June ’08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will Smith</td>
<td>$80 mil</td>
</tr>
<tr>
<td>Johnny Depp</td>
<td>$72 mil</td>
</tr>
<tr>
<td>Leonardo DiCaprio</td>
<td>$45 mil</td>
</tr>
<tr>
<td>Bruce Willis</td>
<td>$41 mil</td>
</tr>
<tr>
<td>Ben Stiller</td>
<td>$40 mil</td>
</tr>
<tr>
<td>Nicholas Cage</td>
<td>$38 mil</td>
</tr>
<tr>
<td>Daniel Radcliffe</td>
<td>$25 mil</td>
</tr>
<tr>
<td>Matt Damon</td>
<td>$21 mil</td>
</tr>
<tr>
<td>Brad Pitt</td>
<td>$20 mil</td>
</tr>
<tr>
<td>Patrick Dempsey</td>
<td>$13.5 mil</td>
</tr>
</tbody>
</table>

**Source:** Forbes.com list of the 100 most powerful celebrities

**Posted:** June 11, 2008


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### Hollywood’s Top Female Overall Earners

<table>
<thead>
<tr>
<th>Earners</th>
<th>June ’07-June ’08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameron Diaz</td>
<td>$50 mil</td>
</tr>
<tr>
<td>Keira Knightley</td>
<td>$32 mil</td>
</tr>
<tr>
<td>Jennifer Aniston</td>
<td>$27 mil</td>
</tr>
<tr>
<td>Reese Witherspoon</td>
<td>$25 mil</td>
</tr>
<tr>
<td>Gwyneth Paltrow</td>
<td>$25 mil</td>
</tr>
<tr>
<td>Sarah Jessica Parker</td>
<td>$18 mil</td>
</tr>
<tr>
<td>Angelina Jolie</td>
<td>$14 mil</td>
</tr>
<tr>
<td>Nicole Kidman</td>
<td>$13 mil</td>
</tr>
<tr>
<td>Katherine Heigl</td>
<td>$13 mil</td>
</tr>
<tr>
<td>Cate Blanchett</td>
<td>$12 mil</td>
</tr>
</tbody>
</table>

**Source:** Forbes.com list of the 100 most powerful celebrities

**Posted:** June 11, 2008

Top 5 Grossing Stars 20 or Younger (2006) (Aggregate Compensation)

1. Olsen Twins, $40 million (ages: 20)
2. Daniel Radcliffe, $13 million (age: 17)
3. Lindsay Lohan, $6 million (age: 20)
4. Dakota Fanning, $4 million (age: 13)
5. Amanda Bynes, $2.5 million (age: 20)


• Stars compensation based on bargaining strength.
  – John Travolta, when washed up got $140,000 for “*Pulp Fiction*”
  – then jacked up his price to $10 million per film
  – 2008: $60.3 million average gross per movie
Rewards for Actors

• Vin Diesel earned only $700,000 for *The Fast and the Furious*, which was a big hit and made $143 million just at the box office

• For his next film, he got $10 million

---

Profit Sharing

• In addition, there are “profit participations” since a 1950 agreement between Jimmy Stewart and Universal

• Stewart shared the film’s risk and profit

---


“Profit Participation”
– Director may get a fixed fee plus a royalty of 5% or less
– “Name” actors in a film may get shares that aggregated to less than 10%


• Profit participation transforms the stars into a kind of equity holders, like an investor
• With upside (profit participation) and downside (reputation, and opportunity cost).
But Do Financial Performance Incentives Matter at the Top?

- Stars do not want to fail artistically or financially.
- Gross participation contacts are only a weak incentive schemes to a better performance.
- However, they are an incentive to participate in the marketing of a film.
- And they are an incentive to join the project and they reduce the fixed cost of guaranteed compensation.

But are “stars” worth the money?

Stars come with major costs of their own

- Regression analysis of 200 films seem to show that stars play no role in the profitability of a film. They contribute to revenues but not to profits.
• Leonardo DiCaprio appeared in three films in a single year: *Titanic, The Man in the Iron Mask*, and *Celebrity*.


• *Titanic*: $900 million in worldwide theatrical rentals,

• *The Man in the Iron Mask*: $80 million

• *Celebrity*: $3 million.

DiCaprio could not, on its own, guarantee a large opening audience, even for two films that followed closely in the wake of *Titanic*.

Julia Roberts (1997)

- *My Best Friend’s Wedding*, earned $127.5 million in theatrical rentals
- *Everyone Says I Love You*, earned only $12 million
Are Stars Unique?

• Do superstars rise strictly on the basis of talent?
• Much of it is fads and bandwagon effects.
• Consumer get utility from following the popular style.

Image Citation: "Keanu Reeves young," flickr. Last accessed 2 July 2008 at http://www.flickr.com/photos/54734446@N00/433913565/

• “This means that superstardom might occur simply from a lucky accident, by acquiring some fans, whose choices are observed by other fans.”
  — “Network effects”

Stars and Superstars Model

• In some areas (film, TV, sports, etc) small differences in talent result in extreme differences in reward
• The minute talent differences are rewarded exponentially rather than linearly, resulting in a highly skewed distribution of rewards (be it money, professional commendation, etc…)

MacDonald, Glenn M. “The Economics of Rising Stars”. The American Economic Review Volume 78

Kurtocracy

• [a ‘kurtosis’ is a statistical measure of the skewedness of a distribution.]
• A distribution with a low kurtosis maybe called a “mediocrity”
• An industry with a high kurtosis is a “kurtocracy” (deVany)

Creative Industry Structure: Hollywood

• Most creative industries are a “kurtocracy”
• ...a few individuals have immense compensation and power


“Kurtocracy”

Kurtocracy

• Only very few actors made one movie in total and even less made more than five movies, which shows the unequal distribution of work and income in the film industry


Kurtocracy

• In Hollywood distributions of work, status, and income are extremely skewed: The “kurtosis” of box-office revenue was measured at an amount of 45

For more details see Appendix G: Star Compensation

For more details see Appendix H: Compensation and Royalties
• We have discussed elements of the analytical, more numbers-driven approach of “hard HRM.”
• We discussed the incentive systems, which target primarily the upper levels of media companies.
• We now move to lower levels of media employment.
• The second theme of this chapter: “Tough Labor”

OUTLINE: MEDIA HUMAN RESOURCE MANAGEMENT

I. THE HRM FUNCTION AND ITS ORGANIZATION
   • Case discussion: Disney
   • What is special about Media HRM

II. “Hard HRM”
   • Human Capital Theory
   • Internal Labor Markets
   • Contract Theory

III. TOUGH LABOR
   • Industrial workforce
   • Craft workforce
   • Media workforce
   • Unions in the ‘New Economy’
   • Productivity in the media

IV. THE CREATIVE WORKFORCE
   • Creative class values and traits
   • Motivating/managing Creatives

V. SOFT CONTROL
   • Supporting the Needy
   • Personal Growth
   • Create Buy-In

VI. CONCLUSIONS
   • The Info workforce of the Future?
III. Tough Labor

Media and Communications Workforce Includes 3 Basic Types Of Non-Management Employees
1. Industrial Workforce

– IT & telecom hardware
– Telecom and cable network maintenance

2. Crafts (skilled) Media workforce

– Film & TV crafts
– Print production
– Telecom and IT technicians


3. Creative Workforce

– Content producers
– Software and R&D technology providers ("geeks")
III.1. The Industrial Workforce

Industrial Information Sector Workforce

• Often manual labor
• Often mass production
• Often unskilled

http://www.bsnl.co.in/150/photogallery/images/operators.jpg
Assembly of Cell Phones

http://www.aiccbox.org/chinaprogress/2007_photos/IMG_1499.jpg

Apple manufacturing Plant

• Semiconductor manufacturing operators typically earn between $18,000 and $21,000 a year.
• Experienced operators earn between $25,000 and $35,000 a year.
• Technicians with 5 years of experience receive between $45,000 and $55,000.
Telecom Line Personnel


Industrial Labor Unions
Three Types of Unions in Media Sector

– Industrial labor-union, representing workers in several companies same or related industries
– Crafts-based unions (e.g. film electricians)
– “Guilds”—creative personnel

National Unions

- Local unions are usually affiliated with nationwide unions.
- International (i.e., North American) unions deal with company-wide bargaining, government relations, and organizing non-union workers

Shop Stewards (Union Representatives)

- Elected by union members, stewards function as members’ representatives to management

<http://www.bized.ac.uk/compfact/tuc/tuc16.htm>

• International Brotherhood of Electrical Workers (IBEW)
  - 100,000 telecom workers (400 agreements)
  - Also TV: Bargaining agent for personnel at CBS, Disney, independent TV stations, HBO (300,000 members)

http://www.ibew1212.org/images/logo_usedl.gif
% Unionized Labor Force (US)

• In communications and public utility companies, in 1980s, the percentage of unionized workers continually dropped from 42.4% to 21.8% by the early 2000s, and 16% in 2010. Reflects the industry’s deregulation and the shrinking work force at the heavily unionized Baby Bells

• Still much higher than at service industries overall (5.7%)
• On the other hand, Cable TV operators, with a work force of around 176,000, including managers had only about 7,000 union workers in 2005 (4%)  


---

**Union Impact**

• Protect workers and raise wages  
• Reduce inter-worker competition  
• But can also reduce employment for those on the outside.
Union Effect in Compensation in Telecom Industry (in 000’s),
Union vs. non-union

Higher Wages Lead to Lower Turn-over

- 80% of telecom technicians have worked more than 10 years with same firm
In Contrast, Greater Labor Mobility in IT

• Over 1/2 of IT workers have been with their present employer < 4 years, and expect to change their jobs in < 3 years

• More than 40% considered themselves “on the market”

Source: Information week survey 2001

Unions Raise Work Skills

“Training is the single most important factor that separates us from the non-union.”

IBEW President J.J. Berry (1997)

http://www.ibew.org/stories/00journal/0004/0p00Future.pdf
IBEW Training programs

- In cooperation with the National Electrical Contractors Association (NECA)
- Journeyman, Instructor, Contractor Training
- Instrumentation Certificate

CWA Union Training

- Verizon Umbrella Competencies Telecom
  - Technology degree program offered to Verizon employees.
- Alliance for Employee Growth and Development, Inc.
- Career and personal development training, tuition assistance, certificate programs, for AT&T, Avaya, Lucent employees.

Source: http://www.aboutnextstep.com/
Labor Problems in Industrial Segment of Media and Communication

- Job reductions due to technology
- Job insecurity
- Off-shoring/outsourcing
- Competitive premiums for cost reduction

Job Reduction in Telecom
Average Number of Employees in Telecommunications Industry
(Thousands)


Telecom Job Losses (US)

2001: 318,000  2004: 78,000
2002: 269,000  2005: 120,000
2003: 111,000  2006:  80,000
Outsourcing of Call Center Jobs

Call centers for telecom firms, consolidated and move off-shore

Dr. Jon Anton, Teresa Setting: *The American Consumer Reacts to the Call Center Experience and the Offshoring of Service Calls*

Communications Equipment Employment

![Graph showing employment trends from 1995 to 2004](http://www.bls.gov/oco/ocos154.htm)

**2008: 181,600**
• Result of boom-bust: unrest, strikes

Telecom Unions Protest in Other Countries

http://sportstoursinternational.co.uk/image/76.jpg
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- Create Buy-In

VI. CONCLUSIONS
- The Info workforce of the Future?
III.2. The Crafts Workforce

- Crafts: skilled, artisan, some creative judgments, technical
A. Craft Unions
Origins
• The early unions were partly benevolent societies, created as learning and service organizations
• Also, to maintain high standards of quality within each craft,
• Also, to reduce competition within craft.

Early Media Craft Unions
• Journeymen printers
  – New York; 1793
  – 2nd oldest union in America
Crafts Union Impact on Cost

- Raises compensation level
- Work rules drive costs up
  
  --Example: If a scene required fire in a fireplace, a member of the American Federation of Guards needs to be hired.


- As many as twenty unions might be present on a movie set.
- When a cinematographer belonging to the Los Angeles union works in New York, a New York cameraman is hired at $3,850 a week to sit and watch him work

Earnings (2004)

- Median annual earnings for camera operators were $37,610
- The highest 10% earned above $76,100

Source: [http://www.bls.gov/oco/ocos091.htm](http://www.bls.gov/oco/ocos091.htm)
• Contributes to “runaway production” to Canada, other countries, and other US locations.

Losses
• From 1990 to 1998 the rate of U.S.-developed film and television productions produced abroad increased from 14% to 27%
• Economic volume increased from $2 billion to $10 billion
• Possible to produce a film for 40% less in non-union or flexible-union territories outside Hollywood.

• Contracts allow studios to finance low budget nonunion movies and TV shows as long as the studio has no creative control.

• Also in Hollywood, many non-union arrangements

• Despite significant give-backs by unions, by 1988 half of Hollywood employment had become nonunion productions.

• Furthermore, many nonunion productions are worked by union members who receive nonunion pay.

B. Craft Union Conflicts
Crafts Union
Conflicts

Newspaper Typesetters
• Typesetters was once powerful.
  – Aristocracy of labor
• The increase in automated typesetting without hot-metal composing threatened employment.
• Strikes became frequent.
Example #1: New York Newspaper Strike, 1962

- 8 New York daily newspapers
- 114 Days
- Several papers closed for good
  - Herald Tribune
  - New York Mirror
  - New York World-Telegram and Sun
  - New York Journal-American

"N.Y. Newspaper Strike Settled After 114 Days." The Los Angeles Times. April 1 1963, pp. 1
New York Newspaper Strike

• In 1973, unions negotiated a new contract in which the printers agreed to let their jobs be phased out by automation.
• But, they received a lifetime job guarantee.


Example #2: Rupert Murdoch: The “Wapping Dispute” (London 1986)
• 1986, months of negotiations between the newspapers, labor unions and Murdoch’s News International (The Times; Sunday Times; The Sun; News of the World)


401

• Issues: Flexible working, no-strike clause (during contract), no closed shop, new technology (e.g., electronic composition instead of linotype method and offset litho production)


402
• 6,000 Union workers went on strike.
• They were immediately fired
• The entire production operations of Murdoch’s several major papers were then transferred overnight from Fleet Street to a new plant at Wapping which had been secretly built with the pretense of a new newspaper, utilizing members of another union (GG & PU)


*Wapping Strike 1986

http://libcom.org/files/wapping.jpg
• The other unions struck for a year, then collapsed
• The “Wapping dispute” broke the power of UK print unions over the printing industry
• Part of the supportive relationship of Murdoch to the Thatcher government, which was anti-union

Example #3: 2007 The Broadway Stagehand Strike
• The longest strike on Broadway since 1975.
• Closed down most Broadway shows during main Christmas season
2007 Broadway Stagehands Strike

- The union wanted improvement in backstage workers hours and performance requirements.

Employer Bargaining Organizations

- The League of American Theatres and Producers bargains for employees with 17 craft union, guilds, and associations.


For Telecom, IT, TV and Film in America, 4 Major “below the line” unions

- Communication Workers of America (CWA)
- International Brotherhood of Electrical Workers (IBEW)
- National Association of Broadcasters (NABET)
- Audio-Visual and Theatre Stage Employees (IATSE)

  - Source Citations:
• National Association of Broadcast Employees and Technicians (NABET)
  – Part of CWA
  – Exclusive bargaining agent for personnel at ABC, NBC, Fox, and PBS networks, and many local independent TV stations in large cities.

http://www.nabet16.org/graphics/nabet_logo.gif

• The International Alliance of Theatrical Stage Employees (IATSE)
  – (crafts union for theater, film, TV)
  – Founded in 1893, 500 local chapters mostly West Coast

http://www.nationaltheatre.org/ba cktage/art/IatseLogo138h.jpg
III.3. Creative Workforce in the Media Industries
“Above the Line”
Guilds and Unions

Employer Bargaining Organizations
• Film Unions negotiate contracts with the studios’ bargaining organization, the Alliance of Motion Picture and Television Producers (AMPTP)

www.gainesvillefilm.com/about/Links
• Unions and Guilds in US include:
  • American Federation of Musicians (AFM)
  • American Federation of Television and Radio Artists (AFTRA)
  • American Guild of Musical Artists (AGMA),
  • American Guild of Variety Artists (AGVA)
  • Actors Equity Association
  • SAG


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Unionization “Above-the-Line” Guilds

• Talent Unions in Film
  – Screen Actors Guild
  – Writers’ Guild of America
  – Writer’s Guild
  – Directors’ Guild of America
  – Songwriter’s Guild (SGA)

http://www.umich.edu/~srsl/admissions/statements/sag-logo.gif
Image Citation (WGAE): Writers Guild of America, East. Last accessed on 7 July 2008 at http://www.wgaeast.org/
Theater

Origins in 19th Century

- There was no escrow arrangement by which producers guaranteed the payment of salaries
- Stranded actors in distant towns became a regular problem

Talent Guilds: Theaters

- Theater unions played a major role in American theater from the 1890s, especially in New York
- Early organizations (1910s and 1920s)
- Friars Club
- Reel Club
- Actors’ Equity Association
Actors’ Equity Association

- Founded in 1913
  - bond required for salaries
  - all travel costs paid for road shows
  - arbitration of contract disputes
  - 2 weeks’ notice or salary for dismissals after probation period
  - time limit on unpaid rehearsals

- 1924: The Producing Managers Association agrees to 80% Equity casts


• Theater unions often in conflict with one another and often decline to join other’s pickets

• Many national tours of Broadway shows ignore Equity or the AFM, and have the blessing of rival unions SSDC and IATSE

Early days of Film

– Work up to sixteen hours a day without overtime
– No retirement pensions and no health insurance
– Firing without recourse
– Artists traded around among studios
– Workplace safety weak
Screen Actors Guild (SAG)

- Established in 1933 negotiates with studios over contracts, compensation, and work rules


Actors

- Actors with speaking parts are guaranteed by SAG rules to earn at least $617 per day on big-budget films and $466 per day on low-budget (<$2m) films. Extras earn $100/day. (2001)
- If actor has 2 films/yr with 5 days each, earnings would be $6,170, minus deductions

TV Union Strike in France

• In 2008, the biggest one-day strike in the French TV and radio sector since 1974 took place.

http://www.variety.com/article/VR1117980880.html?categoryid=14&cs=1

• Six unions representing 11,000 staffers and 4,000 employees at public radio stations walked out in protest over President Sarkozy's plans to ban advertising from public TV channels, affecting $1.16 billion revenue.

http://www.variety.com/article/VR1117980880.html?categoryid=14&cs=1
Korean Film Strike

• Over a thousand film stars, production staff and local artistes held a rally to protest government’s change to screen quota system.
• The screen quota system is used to protect Korean movies from foreign competition.

“Korean film stars rally to protest change to screen quota system”, Channel NewsAsia, February 8, 2006.
Writers Guild (WG)

- 9,000- 12,000 members
- Several hundred make serious money
- 2,500 earn enough to support themselves solely from writing
- But most are part-timers


Writers Compensation in Film

- Writers who work can earn an average of $213,000 per year.
- A top screenwriter may earn as much as $2m per movie, plus a percentage

• 1960 Screen Writers Guild of America strike lasted for 21 weeks


Writers’ Guild

• Movie and TV writers
• 1988:
  – shut down the industry for 5 months
  – Actors, hairstylists, and cinematographers also strike in support
  – Networks had to postpone the fall season

2007/8 Writers Guild Strike

- Writers demand payment increase for movies and television shows released on DVD, and a larger share of the revenue generated over the internet.
- Ended after 100 days.

Writers Guild of America on Strike 2007-2008

Writers Guild of America on Strike 2007-2008

Directors Guild of America

• 5000 directors members
• About 1,000 have directed a feature film
• In 2001, film directors were guaranteed to earn at least $12,100/week on features budgeted over $1.5m, and $8,647/week on features budgeted between $.5 and $1.5m.


• A director is guaranteed, per film, at least 8 weeks of work on the low-budgeted films and 10 weeks on bigger films.

• While a small budget film director will earn at least $69,000, top directors can earn >$3m, plus a percentage.

Talent Guilds: There is even a *Producers Union*

- Producers Guild of America (PGA)
  - A labor union for managers?

---

Salaried Producers

- Median annual earnings of salaried producers and directors were $46,240 in 2002.
- $56,090 in motion picture and video industries and $38,480 in radio and television broadcasting.

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Newspaper Guild

- In 1933, led by columnist Heywood Broun
- 1987: 34,828 members
- 1993: 26,202 members
- 2002: 34,000 members
- In 1995 merged into the Communication Workers of America (CWA)

- The American Newspaper Publishers Association went on record in the 1980s as being committed to “wherever applicable, a union-free environment”
Reporter/Photographer top minimums as of April 1, 2002 at North American dailies represented by Newspaper Guild

<table>
<thead>
<tr>
<th>Contracts:</th>
<th>Top Min.</th>
<th>After Yrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Boston Globe</td>
<td>1,260.16</td>
<td>5</td>
</tr>
<tr>
<td>- Chicago Sun-Times</td>
<td>1,182.01</td>
<td>5</td>
</tr>
<tr>
<td>- Denver Rocky Mt. News</td>
<td>1,068.00</td>
<td>5</td>
</tr>
<tr>
<td>- Honolulu Advertiser</td>
<td>1,122.46</td>
<td>5</td>
</tr>
<tr>
<td>- New York Times</td>
<td>1,445.17</td>
<td>2</td>
</tr>
<tr>
<td>- Philadelphia (2)</td>
<td>1,197.47</td>
<td>5</td>
</tr>
<tr>
<td>- San Jose, Calif.</td>
<td>1,090.42</td>
<td>6</td>
</tr>
<tr>
<td>- Washington, D.C. Post</td>
<td>1,002.30</td>
<td>5</td>
</tr>
</tbody>
</table>

Reporter/Photographer top minimums as of April 1, 2002 at North American dailies represented by Newspaper Guild

<table>
<thead>
<tr>
<th>Contracts:</th>
<th>Top Min.</th>
<th>After Yrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Bellevue Wash.</td>
<td>546.00</td>
<td>5</td>
</tr>
<tr>
<td>- Denver Post</td>
<td>1,061.00</td>
<td>5</td>
</tr>
<tr>
<td>- Minneapolis, Minn.</td>
<td>1,147.75</td>
<td>5</td>
</tr>
<tr>
<td>- San Francisco Chronicle</td>
<td>1,070.22</td>
<td>6</td>
</tr>
<tr>
<td>- Utica, N.Y.</td>
<td>387.50</td>
<td>5</td>
</tr>
<tr>
<td>- Montreal, Quebec</td>
<td>1,166.00</td>
<td>5</td>
</tr>
<tr>
<td>- Ottawa, Ontario</td>
<td>1,142.42</td>
<td>5</td>
</tr>
</tbody>
</table>
Journalism Outsourcing

• Reuters outsources some of its Wall Street news to India.

• Reuters planned to move about 10% of its (1,800) to Bangalore by 2006 and move some production to Singapore.

-- The editing, writing, and data extraction departments.


Members of the Newspaper Guild of New York set up a picket line in 2004 to protest
Employee Ownership

• Some Newspapers are owned by the employees
  – *Omaha World-Herald*
  – *The Daily News-Miner* in Fairbanks, Alaska
  – *Milwaukee Journal Sentinel*
Music and Dance

American Federation of Musicians (AFM)
- oldest union in US arts
- professional instrumentalists, conductors, arrangers, etc.

American Federation of Musicians (AFM)

- Established in 1896 to prevent hiring of out-of-town musicians traveling through
- 90,000+ members (2008), 250 locals

Employers required to charge traveling musician an extra union charge

Musician Problems:

- Displacement by synthesizers and electronic instruments
  - “virtual pit orchestra”
  - “karaoke theater”
  - “orchestra enhancement system”

Music Automation

• Production of music has become more automated through:
  • Multi-tracking
  • Synthesizers
  • Digital movement

New York Philharmonic Orchestra strike 1972

http://www.abc.net.au/realib/200802/r227632_904979.jpg
• The agreement increased the minimum salary of orchestra members from $71,760 to $81,120 (+13%)
• “First Chairs” making six figures
• This made the New York Philharmonic the highest paid orchestra in the country

[Tentative agreement reached](http://query.nytimes.com/gst/fullpage.html?res=990CE4D71F39F934A35753C1A963958260)

2010 Cleveland Orchestra Strike
• Strike for one day (January 19, 2010) due to failed negotiations
• Tentative agreement reached

NY Metropolitan Opera
• Ballet

2. All rehearsal rates straight hourly rehearsal rates

<table>
<thead>
<tr>
<th></th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
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<tbody>
<tr>
<td>Rates</td>
<td>$49.90</td>
<td>$49.90</td>
<td>$53.40</td>
<td>$55.54</td>
<td>$56.65</td>
</tr>
</tbody>
</table>

3. All performances extras


NY Metropolitan Opera Per Performance 2010-11

- Principal Solo Part $372.66
- Intermediate Part 248.41
- Minor Part 124.15
- Chorus Singing 124.15
- Spoken Solo Lines 124.15
- Body Make-up 72.83
- Hazard Pay (Flying, etc.) 284.41
- Hazard Pay (1st Cover) 124.15
- Heavy Carries 72.83

## Metropolitan Opera

### Staff Performers

<table>
<thead>
<tr>
<th>PERFORMANCE COMPENSATION</th>
<th>100.00</th>
<th>100.00</th>
<th>104.00</th>
<th>106.00</th>
<th>108.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>7th &amp; 8th Performance</td>
<td>100.00</td>
<td>100.00</td>
<td>104.00</td>
<td>106.00</td>
<td>108.00</td>
</tr>
<tr>
<td>Body Make-up (per occasion)</td>
<td>100.00</td>
<td>100.00</td>
<td>104.00</td>
<td>106.00</td>
<td>108.00</td>
</tr>
<tr>
<td>Hair/Care (per occasion)</td>
<td>100.00</td>
<td>100.00</td>
<td>104.00</td>
<td>106.00</td>
<td>108.00</td>
</tr>
<tr>
<td>Costumes (per show, if above minimum)</td>
<td>20.00</td>
<td>20.00</td>
<td>20.80</td>
<td>21.22</td>
<td>21.64</td>
</tr>
<tr>
<td>Costumes - Call in (per show, not perf credit)</td>
<td>60.00</td>
<td>60.00</td>
<td>62.40</td>
<td>63.65</td>
<td>64.92</td>
</tr>
<tr>
<td>Open Flame (per scene)</td>
<td>10.00</td>
<td>10.00</td>
<td>10.40</td>
<td>10.61</td>
<td>10.82</td>
</tr>
</tbody>
</table>

**Named In Cast List (flat fee)**

<table>
<thead>
<tr>
<th>Special Business (per performance)</th>
<th>100.00</th>
<th>100.00</th>
<th>104.00</th>
<th>106.08</th>
<th>108.20</th>
</tr>
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<tbody>
<tr>
<td>Accrue</td>
<td>300.00</td>
<td>300.00</td>
<td>312.00</td>
<td>318.24</td>
<td>324.60</td>
</tr>
<tr>
<td>Accrue - Captain</td>
<td>500.00</td>
<td>500.00</td>
<td>520.00</td>
<td>530.40</td>
<td>541.00</td>
</tr>
<tr>
<td>Character Role</td>
<td>20.00</td>
<td>20.00</td>
<td>20.80</td>
<td>21.22</td>
<td>21.64</td>
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<tr>
<td>Featured</td>
<td>50.00</td>
<td>50.00</td>
<td>52.00</td>
<td>52.04</td>
<td>54.10</td>
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<tr>
<td>Small</td>
<td>150.00</td>
<td>150.00</td>
<td>150.00</td>
<td>150.00</td>
<td>162.30</td>
</tr>
<tr>
<td>Intermediate</td>
<td>350.00</td>
<td>350.00</td>
<td>364.00</td>
<td>371.20</td>
<td>378.71</td>
</tr>
</tbody>
</table>

**Flugiat**

| Staged Background                      | 100.00 | 100.00 | 104.00 | 106.08 | 108.20 |
| Staged Background - Captain            | 300.00 | 300.00 | 312.00 | 318.24 | 324.60 |
| Staged Foreground                      | 150.00 | 150.00 | 150.00 | 150.00 | 162.30 |
| Staged Foreground - Captain            | 350.00 | 350.00 | 364.00 | 371.20 | 378.71 |
| Improvised Background                  | 50.00  | 50.00  | 52.00  | 53.04  | 54.10  |
| Improvised Background - Captain        | 150.00 | 150.00 | 150.00 | 160.00 | 162.90 |
| Improvised Foreground                  | 80.00  | 80.00  | 83.20  | 84.96  | 86.66  |
| Improvised Foreground - Captain        | 150.00 | 150.00 | 150.00 | 160.00 | 162.90 |


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## Related Unions in Music

### American Federation of Television and Radio Artists (AFTRA)

- Represents singers, vocalists, TV actors, news broadcasters, dancers, talk show hosts, disc jockeys, announcer and other TV and radio personalities.

American Guild of Musical Artists

- Organized in 1930s to serve the interests of singers and dancers working in the opera, dance, concert, oratorio and recital fields


New York City Ballet (Dancers) MINIMUM COMPENSATION

(b) Corps de Ballet (Performance and Rehearsal Weeks)

8/25/08 – 8/30/09

<table>
<thead>
<tr>
<th>Level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level A Corps</td>
<td>$1015.00</td>
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<tr>
<td>Level B Corps</td>
<td>1160.00</td>
</tr>
<tr>
<td>Level C Corps</td>
<td>1383.00</td>
</tr>
<tr>
<td>Level D Corps</td>
<td>1865.00</td>
</tr>
<tr>
<td>Level D w/6-7 Years</td>
<td>1880.00</td>
</tr>
<tr>
<td>Level D w/8-9 Years</td>
<td>1895.00</td>
</tr>
<tr>
<td>Level D w/10 or more Years</td>
<td>1905.00</td>
</tr>
</tbody>
</table>

# New York City Ballet (Dancers)

## MINIMUM COMPENSATION

### (c) Solo Dancers (Rehearsal Week Salary)

8/25/08 – 8/30/09

| Soloist Minimum | $1912.00 |

### (d) Solo Dancers (Performance Week Minimum)

8/25/08 – 8/30/09

| Soloist Minimum | $2140.00 |

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# New York City Ballet (2)

Dancers

### (e) Principal Dancers (Rehearsal Week Salary)

8/29/05-8/27/06  8/28/06-8/26/07  8/27/07-8/24/08  8/25/08-8/30/09

|            | $1778.00 | $1831.00 | $1904.00 | $1980.00 |

or fifty (50%) percent of their individual contractual salary whichever is higher.

### (f) Principal Dancers (Performance Week Salary)

8/29/05-8/27/06  8/28/06-8/26/07  8/27/07-8/24/08  8/25/08-8/30/09

|            | $2101.00 | $2164.00 | $2251.00 | $2341.00 |

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• Information on the pay scale of creative organizations through website “the American Guild of Musical Artists (AGMA).”

Media Unions in Other Countries
• UK: BECTU- Broadcasting Entertainment and Cinematography and Theatre Union- 26,500 members.
• Korean Movie Worker’s Union
• Canadian Media Union
  http://www.bectu.org.uk/index.html
• Website
links to worldwide media unions
http://www.xpdnc.com/links/fe dnat.html
• Why is there such strong unionization in media crafts, and among media creatives?

Why Unionization?

• Oversupply of talent
• Stress
• Need for respect
Oversupply

• Supply of aspiring artists is elastic
• Competition will depress the average wage earned from creative work below the wage of regular labor


Effectiveness of Talent Guilds on pay

• Talent Guilds have smaller impact on compensation than craft unions
• Less bargaining strengths, less cohesion, more individuality
Stress

- Risk
- Intermittent with long work periods of unemployment and job search
- Intense competition
- Frequent rejection
- Often short productive life as artist (music, film, dance)
- When working, actors typically work long, irregular hours

Stress

• Journalists face constant deadline pressure
• More than 1,000 journalists and media staff have been killed in 10 years
• Competition


• But risks and stress are only two dimensions
• Just as important: desire for respect and recognition by intelligent and articulate people
• Alienation and lack of respect from management (the “Suits”)
• Hollywood writers’ book about Hollywood—such as Budd Schulberg’s *What Makes Sammy Run*, F. Scott Fitzgerald’s *The Last Tycoon*, Nathanael West’s *The Day of the Locust*


483

• William Faulkner’s “*Golden Land*”—often expressed contempt, if not outright loathing, for the values of the studios. [i.e. of management]


484
• The same feeling also pervaded movies about Hollywood: *The Big Knife*, *The Bad and the Beautiful*, *Barton Fink*, *The Players*, and *State and Main*,


• the studio is constantly portrayed as run by philistines maximizing their earnings on the back of the writer’s integrity.

• Unions are a response to this contempt by those who feel more talented but less powerful
B. Case Discussion: Disney

DISNEY AND THE CARTOONIST UNION

Disney Union History

• In 1941, Disney animators went on strike for 6 weeks till a Federal mediator ruled in union favor

• This event, though a long time ago, has shaped labor-management relations at Disney ever since.
• “Disney artists considered themselves the patricians of the industry, under Walt's benevolent rule.”

http://www.animationguild.org/_Home/home_FRM1.html

• In the early years, Walt was available “all day, every day, to talk with us about whatever we were doing, each step of the way.” - Wilfred Jackson
Earnings

- Median annual earnings of audio and video equipment technicians in 2004 were $32,570.00


Walt Disney

- Walt was young (29 years old), informal and approachable—his desk was messy, he didn’t wear suits, but opted for colorful clothing.

Disney Camaraderie- 1938- lunchtime volleyball

• “good old days when we had a big happy family all packed into a small building…In those days ever man in the organization had the good old ‘do or die for Disney’ spirit.” As the company grew, the “feeling of working for personal gain started creeping in. “ - former Disney employee

The Disney strike, 1941

- Union “anger over the long-promised profit sharing from *Snow White*, and other conditions made the workers sympathetic to the call to unite.”

The Screen Cartoonists Guild

Herbert Sorrell (with megaphone) heads the Screen Cartoon Guild.

http://www.animationguild.org/_Home/home_FRM1.html
The Disney strike, 1941

http://www.animationguild.org/_Home/home_FRM1.html

http://www.craphound.com/images/disneystrike1941pm.jpg
The Disney strike, 1941

The strike lasted for five weeks, and changed forever employee relationships at Disney. FDR mediator found in the Guild's favor.

Image Citation: "The Disney Strike, 1941." Animation Guild. Last accessed on 2 July 2008 at http://www.animationguild.org/_Info/Info_h/_history_h/HISTORY4.HTM

The Disney strike, 1941

Fearing the loss of government contracts and the recall of bank loans, Disney signed and has been a union shop ever since.

Image Citation: "The Disney Strike, 1941." Animation Guild. Last accessed on 2 July 2008 at http://www.animationguild.org/_Info/Info_h/_history_h/HISTORY4.HTM
• SCG got recognition, wage increases, reinstatement of fired workers…

• Walt called the strike a “catastrophe”, destroying the studio’s spirit


• 1,200 employees before the strike, 694 after

The Disney Cartoonist Strike is old history but it still motivates cartoonists today. In their history. It’s their War of Independence.
Reunion of Old-Timers from the Strike

The "Runaway Wars", 1979-82

In 1979, Local 839 struck the TV animation shops, winning a "runaway clause" that guaranteed local employment in LA before work can be subcontracted out of Los Angeles County.

Image Citation: "The Disney Strike, 1941." Animation Guild. Last accessed on 2 July 2008 at http://www.animationguild.org/_Info/Info_h/_history_h/HISTORY8.HTM
• But in 1982 the studios regrouped and defeated the union after a ten-week strike; after which virtually all TV animation and ink-and-paint work was sent overseas.
• Filmation, the last TV animation shop doing its work entirely in the U.S., was bought by a Swiss conglomerate and closed in 1988.

http://www.animationguild.org/_Home/home_FRM1.html

Computer animation replaces hand drawings
“Siliwood”: Silicon Valley plus Hollywood

http://www.css.taylor.edu/css/facil_animation/images/software/maya6.jpg
Disney Unions in 2010

• 30 Unions, 8 contracts


Animation Guild IATSE
Local 839

• Animation Guild Local 839
IATSE represents most
Hollywood animation writers
and artists who work for Walt
Disney Animation Studios
and DreamWorks Animation
Disney’s animation department had 2,200 employees in 1999. In 2004, down to 600 employees.


Pixar Acquisition

- Employees: 850, originally not unionized
- Pixar was bought by Disney, which is unionized in the Animation Guild.
• The union minimum wage for a computer generated image animator is $1,375 per week.
• Also, health and pension plan benefits

Disney Unions
• 2004: tough negotiation between the Service Trades Council (6 unions that represent more than 20,000 employees) and Disney.
• Management wanted to drop the existing pension plan and replace it with a 401(k) plan (match up to 2%), but low-wage workers need not contribute

2008 Strike from the “Unite Here” Local 681 against Disney Management.

Source: http://images.ocregister.com/newsimages/2008/06/24/strike.01.bbc.062408.large.jpg
Unions and High Tech

• Silicon Valley culture was supposed to be egalitarian and democratic, with employees offered ownership in the company, and opportunity for advancement

• But beginnings of unionization in dot-com companies
  - customer relations jobs, answering phones, stocking shelves, etc.
  - Management fears unionization will stifle flexibility and innovation


Resistance to High Tech Unions Facing

• Hi-tech entrepreneurs resist traditional business style
• Unions threaten that essence

• Factors in Dissatisfaction
  – Perception that middle-aged workers are obsolete
  – Changes in and termination policies
  – Disparity in pay to executives
  – Decreased job security


The Job Security Challenge in New Media

• Gap between full-time employees and independent contractors and part-time.

Unions and Tech Workers

• White collar employees of Boeing and Microsoft were concerned about overtime pay, job security, and health-care benefits

• Particular concern about “permatemps”
  - high take-home pay, but no benefits or job security

• The Washington Alliance of Technical Workers (WashTech)


Unions and Programmers

• CWA and WashTech organized white-collar tech workers against offshoring of IT jobs

### Microsoft and Freelancers

- In *Vizcaino vs. Microsoft*, the U.S. Court of Appeals for the Ninth Circuit ruled that workers Microsoft hired as independent contractors were actually common law employees and, therefore, must have the same access to pension plans and other benefits that formal employees enjoyed.


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### Microsoft and Freelancers

- In addition, the Court ruled that Microsoft should have been withholding FICA taxes for the freelancers.

Response to Job Security Challenge

- Access arrangements to health insurance by temps.
- Model for providing benefits in project-oriented industries include the film industry’s Motion Picture Health and Welfare Fund


Threat: Outsourcing

http://neweconomist.blogs.com/photos/uncategorized/20060122_thefutureofoutsourcingcover.gif
Outsourcing

• Software developers earn $60/hr in the US and $6/hr and less in India

Software Programmers
• Programmers Guild resisted tech visas
  – H-1B visas allow skilled foreigners to live and work in the US for up to six years
  – L-1 visa allows multinational companies to transfer workers from foreign operations into the US
  – 2001-3: About 180,000 new foreign H-1B workers in the computer field
Unions and Tech Workers

• A third of Microsoft’s workforce, about 6,000 people, are permatemps. Gives MS and other tech firms like Intel, HP, and Boeing flexibility, but insecurity for employees.


Unions and Tech Workers

• In 2000, the Society of Professional Engineering Employees in Aerospace organized the longest white-collar strike in American history.

III.2. Productivity in the Media
Productivity

A. How is productivity defined and measured?
B. What are productivity trends?
C. How to increase productivity

A. Productivity Definition

• Different definitions
• “Ratio of output to input.”

\[
\text{Productivity} = \frac{\text{Output}}{\text{Input}}
\]
Total Factor Productivity

- TFP is the combined productivity of all inputs.

\[
\text{Total Factor Productivity} = \frac{Output}{\text{All Inputs}}
\]

Productivity Studies

- Semiconductors, CE ( )
- Telecom (Nadiri, Shankerman, Denny, Fuss)
- Cable TV (Noam)
- Newspapers (Picard)
Productivity Measurements
Not Easy

1. Outputs?
   – How to measure?
     > Physical units manufactured (e.g., CDs)
     > Or, physical units sold?
     > Or, value of units sold? Affected by market prices
     > On individual operations: phone calls, keystrokes, lines of code

Quality of output

• Changes in quality
  – E.g., performance of computers

Productivity Measurements

2. Inputs
  – Labor
    > Hours, or $ wage bill?
    > (Includes star salaries?)
  – Capital
    > Include IPRs? How to value?

Productivity Measures of Economics

• Productivity measures work best for blue-collar
• Much harder for white collar
  – What is productivity of managers?
    > 25% of US white collar jobs are managerial
• Hardest for “Black Collar” creative jobs
  – Outputs hard to define and measure
  – Huge quality differences
  – Non-homogeneous products

How to Calculate for Content Productivity
• Outputs: physical
  – Recordings; news articles; minutes of film; books; lines of code
  – Define quality standard products acceptable in the media market
How to Calculate for *Content* Productivity for Labor

- Inputs
  - Set capital as given
  - Focus on incremental production budget inputs

B. Productivity Trends
• Enormous increase in the productivity of distribution networks

• There has also been an even higher increase in the productivity of the IT hardware sector.
• But the productivity increase in content production has been low. (note that the scale is large and magnifies small changes)
Productivity in Publishing

Publishing industries (except internet)

Index: 1997 = 100

Output / Worker (GDP)


Year

<http://data.bls.gov/PDQ/servlet/SurveyOutputServlet>

Newspaper, periodical, book, and directory publishers

Index: 1997 = 100

Output / worker (GDP)


Year

<http://data.bls.gov/PDQ/servlet/SurveyOutputServlet>
<http://data.bls.gov/PDQ/servlet/SurveyOutputServlet>
• One content industry has been stronger in improving productivity: software
Factors in the Growing Productivity of Software Creations

• Working faster: 8%
• Working smarter: 17%
• Work avoidance (avoiding repetitions): 47%

Productivity growth is high in hi-tech fields that are capital intensive. It is slow in labor intensive activities, (except for software, where capital intensity has risen)
There is even a negative impact of general productivity in the economy on the productivity of creative arts

“The Cost Disease”
William J. Baumol and William G. Bowen
“The Cost Disease”

- In the long run people’s real incomes rise because of productivity.
- Raises incomes across the economy
- This means that one must pay low productivity occupations like creatives in media more than before, because they have other job opportunities
- These increases in cost of production, offsetting the cost savings from technical progress.


- The performing arts, being labor intensive, become relatively costlier to produce.
  - this shows up as lower productivity

Methods to Improve Employee Productivity

Methods to improve employee productivity

• Improved selection and placement programs
• Training and instruction


Methods to improve employee productivity (cont.)

• Appraisal and feedback
• Goal setting
• Financial incentives

Methods to improve employee productivity (cont.)

- Work redesign
- Better supervision
- Redesign of organizational structure


Methods to improve employee productivity (cont.)

- Redesign of decision-making
- Redesign of work schedules

**Productivity push: Journalists**

*Example: The Winston-Salem Journal*

- Codified newsroom productivity in numerical terms
- Reporters were expected to produce forty stories/week based on press releases, or fifteen stories/week based on meetings or police activities.
- Journalists’ productivity was tabulated and reviewed weekly (“Grid Report”)

**What is Six Sigma?**

- Six Sigma = “DMAIC Process”
- Define, measure, analyze, improve, and control
- These tools are used to identify company weaknesses

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**Six Sigma Training**

Six Sigma trains employees to be ‘black belts’ – experts in the arts of Six Sigma processes. These black belts then train other employees.

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Six Sigma Process

• Each division has a ‘Six Sigma master’

• At Honeywell, a culture was created where black belts are considered distinguished.


Sony and Six Sigma

• Sony applies Six Sigma to whole company – they deliver Six Sigma products and services, using Six Sigma processes

For more details see Appendix J: Productivity in the Media
also see Appendix K: Six Sigma Approach to Productivity Growth

• How can one raise productivity in creative occupations in quality and quantity?
• This will be the subject of the next two sections
OUTLINE: MEDIA HUMAN RESOURCE MANAGEMENT

I. THE HRM FUNCTION AND ITS ORGANIZATION
   • Case discussion: Disney
   • What is special about Media HRM

II. “Hard HRM”
   • Human Capital Theory
   • Internal Labor Markets
   • Contract Theory

III. TOUGH LABOR
   • Industrial workforce
   • Craft workforce
   • Media workforce
   • Unions in the ‘New Economy’
   • Productivity in the media

IV. THE CREATIVE WORKFORCE
   • Creative class values and traits
   • Motivating/managing Creatives

V. SOFT CONTROL
   • Supporting the Needy
   • Personal Growth
   • Create Buy-In

VI. CONCLUSIONS
   • The Info workforce of the Future?

IV. “Soft Control”
The Creative Workforce

http://www.spiderfan.org/software/creative/creativity_centre/images/studio.jpg

http://www.creativity-engineering.com/images/splash_right.gif
Evolution of a large “Creative Class”

- 1900: 10% of workforce
- 1970s & 80s: 20%
- 1990: 25%
- 2000: 30%

The Core of the Creative Economy

- Cultural industries such as art, theater, film, publishing, music, photography, fashion, advertising, design industries, journalism

• Around the core creative class, a wider creative group of
  – Finance
  – Law
  – Business
  – Health care
  – Consulting


• Alain Levy, CEO of EMI Music: ‘Most people in the creative world think that they are artists themselves.’

The Economist, 18 January 2003
Creative Class Activities

• Designing products that can be widely made, sold and used
• Develop theorems or strategies that can be applied in many cases
• Problem solving, and problem finding


Age and Creativity

• Relatively young
• Greatest frequency of creative products produced between ages of 30 - 40
Network Effects

• Creative people often choose to live in a community with each other
• NY’s SoHo and Paris’ Left Bank, etc
• These communities spark creativity amongst their members

Creative SoHo

http://www.z-mation.com/phpbb/files/ny_soho_west_brodaway_soho_garden_03_619.jpg
It’s been shown that regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas.


Creative Class Values
Creative Class Values

- Individuality
- Meritocracy
- Diversity and openness
- Professional quality
- Non-routine

- Less structured and organized.
- A person more likely to describe what they do than who they work for.
- Less identification with organization
- Pride in quality

• It is often harder to coerce creative employees to lower quality standards than to raise them


• Creatives exhibit higher levels of extrovert traits
• High gregariousness, excitement seeking
• But also “Other facets are angry hostility, depression, self-consciousness, impulsiveness, and vulnerability”

• “Creatives significantly outscored the noncreatives both on main-scale neuroticism and on all neuroticism facets except anxiety”

But:

• *Not clock-watchers*
• Whereas the industrial working class seeks shorter work week
• The creative class is more likely to work longer hours, and be under stress and time pressure
• ‘Prima donna’ status of some top creators

Garry A Gelade. “Creativity in conflict: The personality of the commercial creative”

• Challenges are the best way to motivate creatives, and can lead to superior performance but these challenges differ for different creatives.

– More than financial incentives

Robinson, Jennifer (2005). [Interview with Dr. Richard Florida, Ph.D., author of The Rise of the Creative Class Flight of the Creative Class]
• Offering financial compensation e.g., to rewrite an ending to a “happy end” can be viewed as a bribe, and offensive to the creative worker.


• It is dangerous to allow creative workers to get bored, especially ‘techies’ so it is important to update the tools for them to “play” with and keep them engaged in their job.
What Matters Most to IT Technologists

- “Pay” is only #4 factor, far below “challenge” and “flexibility”
- “Benefits” are #7
- Above 20%: job atmosphere, casual attire, innovative work, recognition, and contribution to success.
• Creativity is best viewed as a process. Creative success is most likely when some organized approach is followed


Creative Thought

• Occurs in certain stages:
  – Research and info gathering
  – Definition of problem
  – Reconceptualizing
  – Refining

The Creative Process

1. Immersion
2. Digestion
3. Incubation
4. Illumination
5. Verification

Models of Personality

• The ‘Myers Briggs’ model is widely used and rates people based on 4 preferences:
  1. Where do you focus your attention?
  2. How do you receive and process info?
  3. How do you prefer to make decisions?
  4. How do you deal with the world?

Models of Personality: Creates 4 dichotomy dimensions

1. I-E (Introverted/Extroverted)
2. S-I (Sensing/Intuition)
3. T-F (Thinking/Feeling)
4. J-P (Judging/Perceiving)
• Altogether there are 16 types
The “MBA Type”

• Most MBA types would probably classify themselves as ESTJ…
  – extroverted (vs. introverted)
  – sensing (vs. using intuition)
  – thinking (vs. feeling)
  – judging (vs. perceiving)


The “MBA Type”

• The “ESTJ” is energized by actions and spoken word. He/she likes dealing with present facts and makes decisions using logic. Ergo; he/she is practical, and prefers using trusted solutions to solve problems. He/she prefers fixing details to thinking up new strategy or concepts”

The “Creative Type”

• Most creatives would probably classify themselves as exact opposites, as “IIFP”
  – Introverted
  – Intuitive
  – Feeling
  – Perceiving

“The Creative Type”

• “The IIFP is energized by the inner world of thoughts and emotions. He/she makes decisions based on personal values and prefers dealing with patterns and possibilities. Ergo; he/she is imaginative. He/she desires to see others grow and develop and prefers work that has a meaningful purpose”
Example: Geeks
The “Geek Type”

• Most technical workers or ‘geeks’ would probably classify themselves as “ISTP” on the Myers Briggs test
  – Introverted
  – Sensing
  – Thinking
  – Perceiving


• “Geeks”: technology-savvy employees needed to create or run high-tech products

Geek/Leadership Relationship

- As a group, geeks are resistant to leadership, yet may be more in need of it than any other group of employees
- Leaders often find Geek work baffling
- Geeks find leadership and management mysterious
Leading Geeks

• For the geek leader, power is a lesser tool for moving an organization
• Must motivate followers
• Must manage ambiguity


• Conflicts arise in structured institutions where managers feel need for stability and control.
Leading Geeks

• Management of technical teams has become a specialty unto itself
• Understand Geek patterns, and value to the company
IV.2.
Motivating and Managing Creatives
There are several perspectives on motivation

• Part of a larger discipline called “Organizational Behavior”
“Organizational Behavior”

• The study of the behavior of people in organizations
• What can be learned from social and behavioral sciences to understand human behavior in the workplace?


Understanding motivations

• Successful people management depends on understanding employee motivations.
Theory X & Theory Y

- Douglas McGregor (1960) posited two managing styles
  - “Theory X” and “Theory Y”
  - Extrinsic (Theory X)
  - Intrinsic (Theory Y)
Extrinsic Motivation

- Engage in work in order to obtain goal(s) that are apart from the work itself
  - Money, power, security, status

Theory X

- Theory X adherents believe that workers dislike work
- They require “hard control” elements such as punishment, firing, deadlines, etc.

Frederick Taylor

• “The Principle of Scientific Management,” 1911
• Workers as Interchangeable cogs in a machine

SOURCE

Frederick Taylor

• Taylor was a charlatan in his methodology, data, and case description

• Nevertheless, his work was widely admired in the business community (as well as in the Soviet Union)

• And in any event, his approach this does not work well for creatives

SOURCE
• Theory X: average human has an inherent dislike of work and will avoid it when possible. Requires control and structure
• Taylorism follows Theory X.

Theory Y

• In contrast, Theory Y managers assume that their workers enjoy work and are self-motivated
Intrinsic Motivation: Elton Mayo

- Elton Mayo was another social science charlatan
- Arrived from Australia with a BA in Philosophy, but falsely claimed a doctorate in Psychology
- Bamboozled American business leaders and HBS with tales of “healing” labor unrest

Elton Mayo

• Became a Harvard Business School Professor
• Studied at the AT&T (Western Electric) Hawthorne Plant in Chicago

• Professor Mayo wanted to discover the optimal rest time and lighting in order for best performance
• Claimed to have “discovered” motivating factors
Hawthorne Study “Results”

• Mayo’s methodology was laughable.
  – 6 atypical women, which were replaced when they did not conform to the hypothesis.

Hawthorne Study Results

• Mayo claimed:
  – Only the attention the researches paid to the workers was associated with increased productivity, whereas none of the physical variables that were controlled for seemed to affect output. Money was no factor.
  – Actually, the real incentive was the extra money, but this result was suppressed by Mayo
A 3rd Approach to Understanding Motivation: Expectancy Approach (also know as “valence” or equity approach)
• **Expectancy theory** holds that people believe that if they perform well in a given situation, certain outcomes will follow.

• Therefore, desired behaviors can be obtained by linking them with positive consequences.
• Individuals make contributions and expect certain outcomes in return—Recognition, pay, power, etc.
• This is underlying motivation of the midlevel managerial class
• But not necessarily of the creative class, or of top executives
A 4th Approach to Understanding Motivation:

The Hierarchy of Needs

A Person’s Intrinsic Motivation Changes

• Motivational attitudes influenced by a hierarchy of needs
• As each level is fulfilled, a person will move up to the next level where his needs differ
Maslow

Maslow’s Hierarchy

http://soc.enotes.com/images/psychology/psyt_0001_0002_0_img0037.jpg

http://steves.blogharbor.com/maslow.jpg
• Level 1: Physiological-individual- food, clothing, shelter
• Level 2: Safety needs, includes job security, retirement
• Level 3: Social needs- need for group companionship
• Level 4: Esteem Needs- desire for self confidence and ability
• Level 5: Self-Actualization- a need to realize one’s full potential


• Each human has all of these needs but as a lower level is filled, higher levels become more important
• For creatives, attaining level 5 (self-actualization) becomes more important.
• But levels 1-4 are also factors of motivation that need to be satisfied
  – food & shelter
  – security
  – group companionship
  – esteem needs

• This framework can help us understand “soft control”
Maslow’s Hierarchy

Level 1 of Maslow’s Hierarchy of needs: Food, shelter
Elements of Soft Control

The “Caring Sweatshop”

- Work can be more attractive than other parts of a creatives life.

Job perks:
  - Free food
  - Free tickets
  - Informal dress code
  - Non-routine tasks
  - Participation in decision process

• Comfortable physical work spaces
• Access to the best equipment and resources
  – Software, hardware, new technology, etc
• Creatives who know they’re at the forefront and are pushing limits do a better job

• Google has a gym at the office, and provides free lunch and all-you-can-eat snacks.

• Google also has a massage therapist, doctor, and dentist on site.
Disney Comfort Level
Burbank-Walt’s new studio in 1930s

- Colorful, bold walls, sense of comfort and exhilaration, low horizontal-embracing buildings - a college campus ambience.
- Equipped with a penthouse, buffets, barbershops, gyms


http://ga2so.com/burbank/images/disney-studio.jpg
• No set times/ punch in clocks
• Employees received up to 3 sick days a week before being checked out during which they will still receive pay until proven “guilty”


• Good pay
  – Animators received $100-125/wk, very generous especially during the Depression, top animators received $15,000/yr
• Walt aimed for an organization where employees would be happy and selfless

Disney Perks

- Spousal/ relocation assistance
- Travel/moving allowance
- Employee stock program
- Health coverage for employees and partners
- 401 (k) plan
- Free access to Disney theme parks for employees and families and friends for discounts.


Disney Perks

- Discounts
- Seasonal parties
- Affordable housing within Disney Resort
- Tickets to cultural and sporting events
- Free promotional items
- Free ticket for Disney movies

Maslow’s Hierarchy

http://steves.blogharbor.com/maslow.jpg
Level 2 of Maslow’s Hierarchy of needs: Safety needs

Level 2 of needs:

• Here when it comes to job security, retirement, etc, the media environment is highly unsatisfactory to a person's needs

• This is one reason for the high extent of unionization discussed earlier
Level 2 of needs:

• But there is also a second element of security for creatives: *fairness*

Elements of Soft Control

Fairness
Fairness Has Many Dimensions of Fairness
These include:
A. Performance appraisal
B. Non-discrimination
C. What else?

A. Performance Appraisal

Two Approaches to Measuring Performance

- Objective measures
- Judgmental measures
1. Objective Approaches to Performance Appraisal

• Performance monitoring, e.g.
  – Typing keystrokes
  – Lines of code written
  – TV ratings
  – Sales of music
  – Box office performance
  – Profitability of unit

Creatives detest such quantifications
2. Judgmental Performance Appraisal Methods

- These subjective measures are still unpopular with creatives, but more acceptable if the evaluations are respected superiors, of the peer group
Ranking Technique
• Supervisors list the workers in order from highest to lowest
  – Simple to do
  – But difficult when there are many employees to evaluate

Paired-Comparison Technique
Compares the performance of each worker with that of every other person in the group
  – Number of comparisons: \[ \frac{(N)(N - 1)}{2} \]
  – Advantage:
    ➢ Accurate
    ➢ Judgmental process is simple
  – Disadvantage
    ➢ Unwieldy when dealing with a large number of employees
Forced-Distribution Technique

- Supervisors rate employees according to a prescribed distribution of ratings, similar to grading on a curve
  - Superior 10%
  - Better than average 20%
  - Average 40%
  - Below average 20%
  - Poor 10%

But can one evaluate the performance of creative talent without suppressing creativity?
Criteria for Creative Evaluation

• Audience ratings
• Awards
• After-sales
• Revenues

Who does the Evaluating?
6 Techniques
• By special “assessment centers”
• By superiors
• By colleagues (peers)
• Self-evaluation
• Subordinate (upward) evaluation
  – Effective in developing leadership
• “360 degree feedback” (multi-source)
Performance Appraisals - Upward Assessments

• Many large media/communication firms conduct Upward Assessments

“How can you evaluate the performance of creative talent without suppressing creativity?”
Business Week List of 2006
Disney Evaluation

• Entry-level hires are formally evaluated annually
• 3 most important performance measures for entry-level hires:
  1) Learning ability
  2) Leadership ability
  3) Analytical skills


Evaluation and Promotion of Managers at Disney

• Managers are evaluated in part on ability to manage, develop and encourage their employees.
• Managers who aren’t considered competent people-developers receive additional training and cannot advance in organization until properly demonstrated commitment to the people side of their job.

Disney Performance Appraisals

- Designed to be a tool for improvement, not an instrument for punishment or reward.
- Supervisors evaluate employees based on energy, enthusiasm, commitment and pride.


De-motivating Creatives

- Undercompensation, or rather, unfair compensation
- Inequity: with others

Fairness Element: Non-discrimination

• People often are sub-consciously biased towards hiring those who are like themselves
  –Believe it makes the team easier to manage, and more agreement

Newspaper Employment by Gender

Employment - Gender

- In 2007: women only about 12.1% of the boards of directors of corporations in the information industry, and 11.5% in arts, entertainment and recreation corporations

Employment - Gender

• In early 2000s women only represented 12% of directors and 16% of executives in the 23 largest telecommunications companies, and their representation has stagnated since then

Koss-Feder, Laura, “Few Women at the Top of Media Companies,” Women in Action, Iss.3, pg. 54, Sep 30, 2002

Employment - Gender

• In publishing, of the 11 largest companies, women are only 17% of directors, 22% of executives

• (despite significant presence on lower levels)

Koss-Feder, Laura, “Few Women at the Top of Media Companies,” Women in Action, Iss.3, pg. 54, Sep 30, 2002
• African-Americans historically under-represented
• In time, Time Warner was headed by an African-American Richard Parsons as CEO

Cathy Hughes

• Cathy Hughes who was turned down by 32 banks before she received a loan to buy her first radio station.
• Became the first African-American woman CEO of a publicly traded company when her 65 station Radio One group went public in 2000.

• Pamela Thomas-Graham is an African American woman who became CEO and president of CNBC at the age of 38.

http://www.msmagazine.com/images/Graham.jpg

Talent Management

• High potential programs
  – Identify early leadership potential
• Succession Planning
• Matching individuals’ career aspirations with the sequence of specific jobs

The Software Career Pyramid

- Architects
- Researchers
- Consultants
- Project Managers
- Business Analysts
- Basic Programmers


- Software engineers advance through a combination of experience and further education
- Promoted to systems analyst, project manager, researcher, and system designer

• But good programmers do not always have the talent to be good managers

• But at the same time, software engineer cannot be a dead-end position with no possibility of advancement


Microsoft’s Solution

• Created an internal honor called “Distinguished Engineer”

• Given to 16 outstanding engineers

• Recognition without management responsibilities

“Microsoft Rewards Distinguished Engineers for What they Do Best: Writing Great Software.” Publication of Microsoft. 3 July 2000.

HR’s role in the Search
• The goal of good recruiting is to hire a mix of people:
  – People already familiar with the industry and accustomed to its usual procedures
  – New outsiders without any experience who are different and will bring new ideas / methodologies with them


Case Discussion: Hiring at Disney
• Disney aggressively recruits *people-oriented individuals*.
• Other hiring considerations are secondary

Business Week List 2006
Disney Searches for the Best

- Number of undergraduate campuses where Disney actively recruited during the 2005-06 school year: 450
- Three most important characteristics for entry-level applicants:
  1) communication skills, 2) leadership skills, 3) analytical skills


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  2) leadership skills
  3) analytical skills

Level 3 of Maslow’s Hierarchy of needs: Social Needs—need for group companionship
Elements of “Soft Control”
Create an “Us” versus “Them”
Identification

Soft HRM: Identification

http://www.nikao-consulting.com/images/Trainings/mgmt-motivating.jpg
• Compete against other companies, not against colleagues

• Creators attracted to a company’s positive and prestigious reputation and brand identity


Case Discussion: Disney Promoting Disney Community
Case Discussion: Disney

- Company is using terms such as “cast members” instead of “employees” in order to breed a sense of community, camaraderie, and creativity.

Case Discussion: Disney

- Walt Disney transformed animation into an art, and the animators became pioneers
- “practically every tool we used today was originated at the Disney studio” - Chuck Jones, Warner Bros.

• Fostering a close-knit leading-edge group made everyone feel needed. When Disney company grew team spirit declined and creatives felt more replaceable.
• Disney lost the “us” identity with size, distance.
Elements of “Soft Control”
Make Freelancers Part of the Family
• The problem is that the “us” identification becomes unclear in project-based enterprise

Freelancing in Media
• In 2007 the New York Times had over 5000 freelancers in its database.
Freelancers

• Freelancers do not receive employee benefits, but they have greater independence than traditional employees.


Freelancers are non-traditional employees—management style must adjust.
Freelancer Compensation

• Freelancers can be paid by the project, the day, the hour (interpreters), by word (translators and magazine writers), or by lines of code.

Is a Worker and Employee or a Contractor of an Independent?

• The legal determining factor is how much control over the work process a worker has.

Transaction Costs

• New media workers spend more time trying to maintain steady employment and future employability than they do working on current projects. Reported spending only 49% of work time in new media on direct production. The remainder is spent on search for new work and client relations.


Legal Rights of Print Freelancers

• In 2001, in New York Times v. Tasini, 533 U.S. 483, the Supreme Court ruled that articles by freelancers could not be automatically listed by publishers in digital databases.

• Became part of standard contracts

Managing Freelancers

- Clear task specification.
- Clear fee/pay arrangement.
- Prompt feedback
- Easily accessible contact point
- Tabs should be kept
- But needs room to roam and experiment.

Interns at Disney

- Interns make up a significant portion of Disney World’s 55,000-person work force
- 8,000 students come to Disney World to work as six-month college interns
- Relatively cheap source of labor for Disney (worries unionized workers)
- Most interns earn $6.25/hour, well below the $11/hour pay for a regular employee
- No pension or health care benefits
Level 4 of Maslow’s Hierarchy of needs: Esteem Needs—
Maslow’s Hierarchy

Elements of “Soft Control”

“Support”

Peer Recognition
• Working with talented peers and being recognized by them is among the things that matter most to talented employees.
• “Ideally, recognition should come from people familiar with the work.

Money Doesn’t Necessarily Increase Creativity
• Research shows:
  – 10-15% of employees innovate when recognition is monetary
    • i.e. - bonuses, increased salary, etc.
  – But 70-80% of employees innovate when their recognition is symbolic
    • e.g. - awards, special titles, etc


Tools of Peer Recognition

- Award ceremonies
- Credit for work


- With the end of the studio system, the demand for credits increased to the point that, by 2002, the typical major production listed several hundred people in addition to actors.

The Oscars


Golden Globes

Grammies


Tonies

http://media.monstersandcritics.com/galleries/1767688/0175512155085.jpg
Case: Disney’s “Peer Recognition”

- Disney created an extensive internal award system
- Recognition parties
- “Partners in Excellence” honors- employees nominate co-workers for coveted award, capped at 3% of staff.
- Name of shop proprietors- employees that have excelled at their position have their name listed as shop owner on front of a Main Street USA store.

Elements of “Soft Control”

Encouragement

- Creativity involves risk, so managers who stress consequences of failure inhibit creativity
- should stress rewards for success instead
- Negativity crushes creativity

How Microsoft Manages Creativity

• Expect employees to fail periodically
• (Tolerate Type 1 errors to reduce Type 2 errors)


Subtleties to Managing Creatives

• Deliver criticism gently
• Creatives tend to be emotionally involved with their work and thus more sensitive to evaluations.
• Creatives often have problems handling rejections, setbacks, and frustration

• Convert ‘constraints’ into ‘challenges’ for innovation
  – ‘It costs too much money’ becomes ‘It’s expensive, but let’s see how we can come under/increase our budget’
  – ‘We’ve always done it this way…’ becomes ‘now’s the time for a fresh approach’


• Because of the sheer number of ideas that get rejected, creatives’ egos need to be soothed continuously
• Provide special appreciation and recognition to keep satisfaction high

Case: Disney’s Encouragement

- No fewer than 20 service recognition rewards including:
  - “Applause-o-Gram” cards given to anyone caught doing a good deed
  - “Thumbs Up” gift certificates for landscaping staff
  - “Golden Hanger” gift certificates for costuming workers
  - Department of the Month awards

The Disney Institute, *Be Our Guest. 2001.*
Level 5 of Maslow’s Hierarchy of needs: Self Actualization—

Maslow’s Hierarchy

http://steves.blogharbor.com/maslow.jpg
To creatives, this level is the most defining one

Elements of “Soft Control”
Advancement in Skills
• BBC sends creators to a three-month management course at a US business school.

Batt, Rosemary; Christopherson, Susan; Rightor, Ned; Van Jaarsveld, Danielle “Net Working: Work Patterns and Workforce Policies for the New Media Industry” Economic Policy Institute 2001

• BBC actively manages top creators’ careers by rotating them into different areas.

• Sends producers to top business schools/executive programs

Business Week List of 2006

Verizon Training and Mentorship

• Avg. amount spent on training, per new hire, in 2005: from $2140 to $26000
• Formal leadership or management development programs for entry-level employees that last a year or more
• Formal mentorship program

Motorola U

Launched 20 years ago, initially funded as corporate overhead but now 47% of funding comes from internal business customers, and 16% from outside suppliers and customers.

Motorola U has a staff of more than 300, with 600 external educators and lists 330 classes, 100 of which are available online.

Clarke, Thomas and Antoine Hermens. “Corporate Developments and Strategic Alliances in E-Learning” Emerald Education + Training. Volume 43 Number 3/5 2001 pp. 256-267,
Intel--Training Strategy

• “own your own employability” philosophy.
• Employees individually responsible for improving work skills.
• Employee receives periodic reports on the status of the firm, and of changing skill requirements.


Resources for Media Freelancers

• [www.mastheads.org](http://www.mastheads.org)
• [www.jossip.com](http://www.jossip.com)
• [www.ed2010.com](http://www.ed2010.com)
• [www.mediabistro.com](http://www.mediabistro.com)
Training and Development

- Disney offers wide range of professionally designed and taught courses.
- “Learning tracks” appropriate for employees at various stages of career.

Disney University

- A Disney University is established at each of Disney theme park location.
- Diverse training in skills ranging from computer applications to culinary arts to regulatory training.
Disney University

*Mobile Training Units*: Decentralized. Allows employees to receive computer training at their work site.

*Training via Satellite*: from America’s top business schools including Carnegie Mellon provided to front-line supervisors and mid-to-upper-level managers.


- Double downside risk of being a generalist: Highly technical positions are closed off, and generalists are more easily replaceable by other generalists.
- However, the downside risk is also offset by the upside opportunities.

Disney Institute: Human Resource Certificate Institute (HRCI)

• Program designed with Society for Human Resource Management (SHRM) for professionals striving to build work environment that stimulates interest, commitment, quality, productivity and “unity of purpose” among staffs.

Source: Disney Institute Website http://www.disneyinstitute.com/education.cfm

Also

Employees can participate in company’s Educational Reimbursement Plan, which allows to take courses to pursue a college education at Disney’s expense.

Other Training Tools

*Self-paced Courses*: in variety of subjects that allow employees to study at their own convenience.


EducateU.com (Dell Learning)

Offers 2 types of training:

1. *Learning to Know*: knowledge about the organization, its processes and systems that has wide applicability.

2. *Learning to Do*: acquiring and immediately applying specific skills and knowledge to an aspect of job/role.

Elements of “Soft Control”

Job

“Sculpting”

• Shape jobs around employees’ skills and interests as much as possible
• Let them structure their own schedules

• Examples: Newspapers often let journalists expand stories they wrote into a book.

• Creatives dislike rules, yet absence of rules also creates problems
Jayson Blair and the New York Times

• Blair’s plagiarism
  – Made up quotes and sources
  – Executive Editor Raines and Managing Editor Boyd both had to resign

http://img.slate.msn.com/media/1/123125/123019/2076350/2082386/030508_JaysonBlair.jpg

• *The New York Times*’ issued a 52-page manual titled “Ethical Journalism: Code of Conduct for the News and Editorial Departments”
155 situations detailed in the manual covering ethical questions arising in:

• protecting the newspaper’s neutrality
• the staff’s civic and journalistic activities outside *The Times*
• conflicts of interests in personal and professional activities
• dealing with contributions and gifts

• specifying separate rules as needed for specialized departments at the newspaper.
Elements of “Soft Control”

9. Communicate Significance
• Executives often view creatives as having valuable ideas but lacking in ‘big picture’ perspective
  – Thus, creatives are not typically included in the company’s strategic planning


Need to include creatives in order to add motivation
  – Describe the “big picture”
  – keep an “open door”

• But this can also create problems
• More newspaper companies openly embrace the idea of no longer separating “church and state” in the uneasy co-existence inside companies of advertising/business and editorial missions.

• Reporters and editors placed on committees with staffers from circulation, advertising and other business departments to jointly produce marketing strategies.
• “cross-divisional” teams
• Knight Ridder and Gannett pushed since the mid-1980s for “the open newsroom” in which all departments are expected to work together producing and promoting the paper.
• Increase celebrity journalism and other forms of infotainment.
• This lead to criticism by news staff of being pressure to... [?]

Internal Communication at Disney

• Communication tools: physical and electronic bulletin boards, email, several Cast Communications Centers with shared computers, televisions for viewing videos, and the Eyes & Ears employee newsletter.

Team Work

http://www.huss.ex.ac.uk/images/politics/DSCN3837.1.JPG

Respect for Leadership
Styles of Leadership
– Autocratic
– Democratic
– Inspirational
– Laissez-faire
– Professional

Sources of Leadership
• Coercive authoritarian force
• Charisma
• Moral virtue
• Organizational legitimacy
• Superior skills & judgment
• Seniority

Traditional Hierarchy

Executive Management

Middle Management

First Line Management

Rank-and-file employees


Managing “creative talent”

• Managers must be able to handle creative talent, or at least handle the handlers of talent

• Requires high levels of tolerance, as well as ego

Manager Types: Administrators

• CEOs typically concerned with short term financial performance
  – leads to managers selected based on similar short term criteria

Manager Types: Leaders

- Sumner Redstone
- Michael Eisner
- Barry Diller
- Richard Branson
- Larry Ellison

Characteristics

- More than a substantial manager.
- Larger-than-life
- High visibility
- Large power over careers, projects, culture
- Influence over public agenda and politics
- Economic, political, internal influence
“Vision”

• Concept of a desirable future for the firm
• Beyond a mere extrapolation of the current state

http://www.primacsystems.com/primac/vision.jpg

Steve Jobs--Apple

Theodore Vail, creator of AT&T’s Bell System

http://www.pbs.org/transistor/background/events/eventspix/486_boast.jpg

John Reith, guiding spirit of BBC—and of public service broadcasting

http://news.bbc.co.uk/nilmedia/1210000/images/_121503_john_reith150.jpg
Elements of Soft Control

1. The “Caring Sweatshop”
2. Fairness
3. “Us vs. Them”
4. Make Freelancers part of the Family
5. Peer Recognition
6. Encouragement
7. Upgrade
8. Job Sculpting
9. Communicate Significance
10. Avoid Cultural Dissonance

• All of these elements are part of the culture of an organization
• But for creatives, a major element is congruence of word and deed
Elements of “Soft Control”

Avoid Cultural Dissonance
• “Organizational culture”
  Patterns of shared values and beliefs which produce behavioral norms in an organization


Organizational culture on 3 levels:
1. Structure, rules of conduct, dress code, physical layout
2. Organizational values
3. The third and deepest level is underlying assumptions about nature of organization

**Humanistic approach-- Theory Z**

- Ouichi (1981): culture determines worker attitudes
  - Individual achievement (American Culture), or
  - Sense of community (Japanese Culture)


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**Myth: Common Culture is Always Desirable**

- A strong organizational culture may at times under good strategies
- Encyclopedia Britannica: the culture was dominated by the cadre direct-to-home salespeople.

• But when annual sales collapsed from a high of 117,000 to about 20,000, this sales force culture prevented change.

Culture: Self-Generating
• The idea of the firm as a learning organization became popular with Peter Senge’s 1990 book *The Fifth Discipline*
• Senge argues that the firm is an organism, and change is not a matter of simple retooling.
• Organizational learning theorists take their cue from studies in biology and mathematics of so-called self-organizing systems

appendix

• They believe that the firm in its organization is self-organizing at all levels and itself a living organism that can’t be controlled by top-down directives.

appendix
Case Discussion: Disney Corporate Culture

- Disney’s corporate culture shaped by Walt Disney and his animation team.
  - Kept alive by nephew, president of animation, director, and large shareholder, Roy Disney Jr.
• The culture of employees in Disney Studios, its animation and film business, derives from the classic Disney (family and creativity) culture and tradition, rather than from a profit-maximization financial culture. This created the special tension at Disney.

Disney Culture

• Disney projects its employees as a cast of thousands
• Disney culture described by management as “**Dream, Believe, Dare and Do.**”

Other Disney Cultural Beliefs

• Give every member a chance to dream and tap into creativity.
• Stand firm on your beliefs and principles.
• Treat your customers like guests.
• Support, empower and reward employees


833

Other Disney Cultural Beliefs

• Dare to take calculated risks in order to bring innovative ideas to fruition.
• Train extensively
• Constantly reinforce company’s culture.

“Traditions” Orientation Programs
Two-day course that teaches employees the company history and philosophy.
A variety of training techniques, including lecture, story-telling, video, exercises, discussions.

“Traditions” Goals
- Acclimate new cast members to foundation of resort’s culture.
- Perpetuate language and symbols, heritage and traditions, quality standards, values and traits and behaviors of Walt Disney World.
“Traditions” Goals

• Create sense of excitement about working at resort.
• Introduce new cast members to core safety regulations.

The Disney Institute, 2001.

“Disney Look”

• A set of appearance standards that are detailed, non-negotiable and strictly enforced.
• For women: policy requires natural looking makeup, hair coloring and fingernail polish.
• For men: conventional haircuts.

The Disney Institute, 2001.
Reality vs. Official Culture
- Old-time Disney’s employees always stated that they were happiest during the business’ early days.
- When roles were undefined, creatives bounced ideas off one another, and Walt was integrally involved in the entire production process.
- There was a sense of camaraderie, and work was “fun”

Disney-Speak
- Attractions: rides or shows
- Cast Member: employee
- Guest: customer
- Onstage: guest areas
- Backstage: behind the scene
- Costume: uniform
- Audition: interview
- Role: job
- Host/Hostess: frontline employee

The Disney Institute, Be Our Guest. 2001.
Disney “Soft Control Culture”

- “You don’t work for a dollar- you work to create and have fun” (Walt Disney)


Culture at Disney

“Uninhibited story sessions, sometimes held after work in Walt’s home, added a democratic element to a system based on adopting the very best ideas, no matter where they originated.”

The Disney Institute, 2001.
But, as the Disney corporation grew, management became increasingly distant and rigid.
Disney Culture Today

• Dichotomy of Disney’s official culture (family) and reality (global corporation)

• COO Jeffrey Katzenstein to animators: “I’m not interested in Academy Awards, but in “Bank of America” Awards!”.

845

Disney Culture Today

• The dissatisfied employees in 2004 who voted overwhelmingly against management often believed that they wanted to restore Disney’s traditions, exemplified by the official Disney culture of creative innovation, family values, and America.

846
Disney Culture Today

• This was led and encouraged by Roy Disney, Jr. from the original founding family

Disney Culture

• Disney’s creative employees felt not as rebels but restorers of tradition.
• To them, CEO Eisner and his financial performance-driven style and strategy were the usurpers
For more details see Appendix O: Special Aspects of Managing Creatives: Teams
For more details see Appendix P: Managers

For more details see Appendix Q: Organizational Structure
OUTLINE: MEDIA HUMAN RESOURCE MANAGEMENT

I. THE HRM FUNCTION AND ITS ORGANIZATION
   • Case discussion: Disney
   • What is special about Media HRM

II. “Hard HRM”
   • Human Capital Theory
   • Internal Labor Markets
   • Contract Theory

III. TOUGH LABOR
   • Industrial workforce
   • Craft workforce
   • Media workforce
   • Unions in the ‘New Economy’
   • Productivity in the media

IV. THE CREATIVE WORKFORCE
   • Creative class values and traits
   • Motivating/managing Creatives

V. SOFT CONTROL
   • Supporting the Needy
   • Personal Growth
   • Create Buy-In

VI. CONCLUSIONS
   • The Info workforce of the Future?
VI. Outlook

Issues/Tools Covered
Tools Covered

• ROI in HR
• Internal Labor Market Model
• Tournament theory of compensation
• Risk allocation and reward structure
• Hiring of risky workers
• Compensation structure
• Productivity measurement
• Hierarchy of needs

Issues Covered

• Soft HRM
• Hard HRM
• Soft control
• Human Capital
• Fixed vs. variable pay
• Craft Unions
• Creative workforce
Issues Covered

• Freelancers
• Discrimination
• Motivation
• Star compensation
• Royalties, profit sharing
• Training
• HRIS

Issues Covered

• Automation
• The information workforce of the future
• Outsourcing/Offshoring
• Corporate Culture
• Why is HRM of media companies so important to understand?
• Media business is people business.
• Creative people are a firm’s major asset.
• These assets require investment, development, and retention strategy.

Concluding Thoughts
• The employment system of the future
Strategy

• Long term survival of firms depends on the replenishing of creative resources


Creative Workers

• Have a distinctive set of individualistic work styles, meritocratic values, and unconventional social behaviors that pose unique challenges to human resource management.

• “Knowledge workers and their skills may well be a firm’s main asset and can, unlike manual workers in manufacturing, own the means of production: they carry that knowledge in their heads and can therefore take it with them” (Peter Drucker)

• Acquiring and grooming talent is the single most important challenge for a media company
• Long term survival of firms depends on replenishing creative resources
• Every media company, therefore, needs a well-honed recruitment and retention strategy
• Herbert Simon (a Nobel Prize Winner): the modern firm is fundamentally designed for its information processing.


Similar Views

Kenneth Arrow (also a Nobelist):
The firm is structured as to optimize information processing.


Organizational Structure

• The business firm’s organizational form reflects the structure of its most important information processing tool.

Firms Structures Formed Around its Information Processing Tools

• In the industrial age, the *machine* became the governing organizational concept.

• The firm was the machine.
• 1900s with Frederick Taylor and Scientific Management
• Tasks and structure should be subdivided to make the firm into a well-oiled machine.
• In today’s terms, the firm was “hardwire” through rigid structures and rules, to reduce the need for informational flows.


• In old Hollywood, actors and directors would work for a studio for a set number of years
• Much like the employer-employee relationship in the past

Industry Structure and Talent

• Now, in media companies, a group assembles itself for a project
  – A studio might partner a producer, director, and an actor make a movie together
  – Just like other companies now partner contract workers, consultants, and outsourced vendors


• What then is the direction for media companies?
  • Decentralized “network” firms
  • Creative teams, instead of permanent hierarchical organizations
Media industries may be model for the mainstream firm of the future

- Project-oriented
- Freelance-based
- Fluid management structure
- Flexible skills deployment
- High element of creatives, and flat hierarchy

The challenge for media leadership is to manage human resource more effectively.

And at the same time, not alienate its core productive assets, the creatives.
• And to do so in an environment where the scope of direct control weakens, because of the move away from centralized command and control to project-based, freelance-based independent production.

Balancing Test for Media Management

• Need to manage both creative and profit ends
  – “Operational control” balanced against “creative freedom”
  – “bean counters” vs. “creatives”

“Special Report: How to Manage a Dream Factory - The Entertainment Industry” The Economist (Jan 18 2003) 76
• “The best companies are likely to be those that avoid swinging too wildly in favour of either ponytails or suits: both have their place.”


• Is it possible to maintain “hard HRM” and “soft control” at the same time?
• Media firms are at the forefront of this organizational change.

• They are, and will, make the mistakes of early pioneers.
• Disney’s employee relations are a good example for such mistakes
End of Lecture