The Implications of Pay Communication Policy (Secrecy versus Transparency) on Employee Behavior: Examining Equality Values, Perceptions of Fairness and Organizational Justice

Ilanit SimanTov-Nachlieli

Pay communication policy, ranging from complete secrecy to full transparency, is a central and complex issue in the management of organizations in general and human resources in particular. Choosing an effective organizational practice becomes even more complex in light of the lack of clarity and disagreements that exist around it. It is common to think that pay secrecy increases mistrust among employees and that more transparent pay practices offer important benefits to the organization and its members. However, empirical studies examining the effect of pay transparency on employee behavior are scarce and show inconsistent findings. Drawing from prior theorizing and empirical findings related to equality values, fairness, and organizational justice perceptions, I will discuss the potential asymmetric effects of distinct types of pay communication practices on employee behavior. This may help managers and organizational practitioners to adopt pay communication practices with fewer adverse externalities for their employees.

Profiting From Innovation: Why are Certain Firms Able to Profit from Their Innovation While Other Firms are Less Able To Do So?

Sarit Erez

One of the primary ways for firms to succeed in a competitive market is to invest in innovation. However, while the innovative firm is the one that bears the costs and the risks of developing and marketing the new product or service, it is not always the beneficiary. In other words – organizational innovation is not always translated by the innovative firm into profits or other market performance measures, such as market share. This may happen for two major reasons. First, other entities along the supply chain (such as suppliers and distributors) may manage to capture a large part of the economic value created by the innovative firm. Second. the successful launch of the new product may induce existing or new competitors to try and introduce new innovative products. This article presents various strategies that can be used by innovative firms to ensure that they enjoy the fruits of their investments, discusses why some innovative firms fail to obtain such fruits and what can be done, both strategically and administratively, to improve the distribution of profits and increase the portion held by the innovative firm.