HUMAN
RESOURCE
MANAGEMENT

GARY DESSLER

16th edition

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MyLab™ **Management** is an online homework, tutorial, and assessment program constructed to work with this text to engage students and improve results. It was designed to help students develop and assess the skills and applicable knowledge that they will need to succeed in their courses and their future careers.

86%

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*Source: 2017 Student Survey, n 2559

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"I most liked the Personal Inventory Assessments because they gave me a deeper understanding of the chapters. I would read about personalities and then find out which category I fit into using the assessment."

— Student, Kean University

93% eText

85% Personal inventory assessment

94% Study Plan
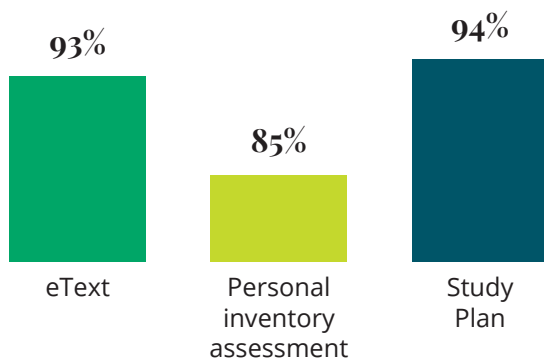
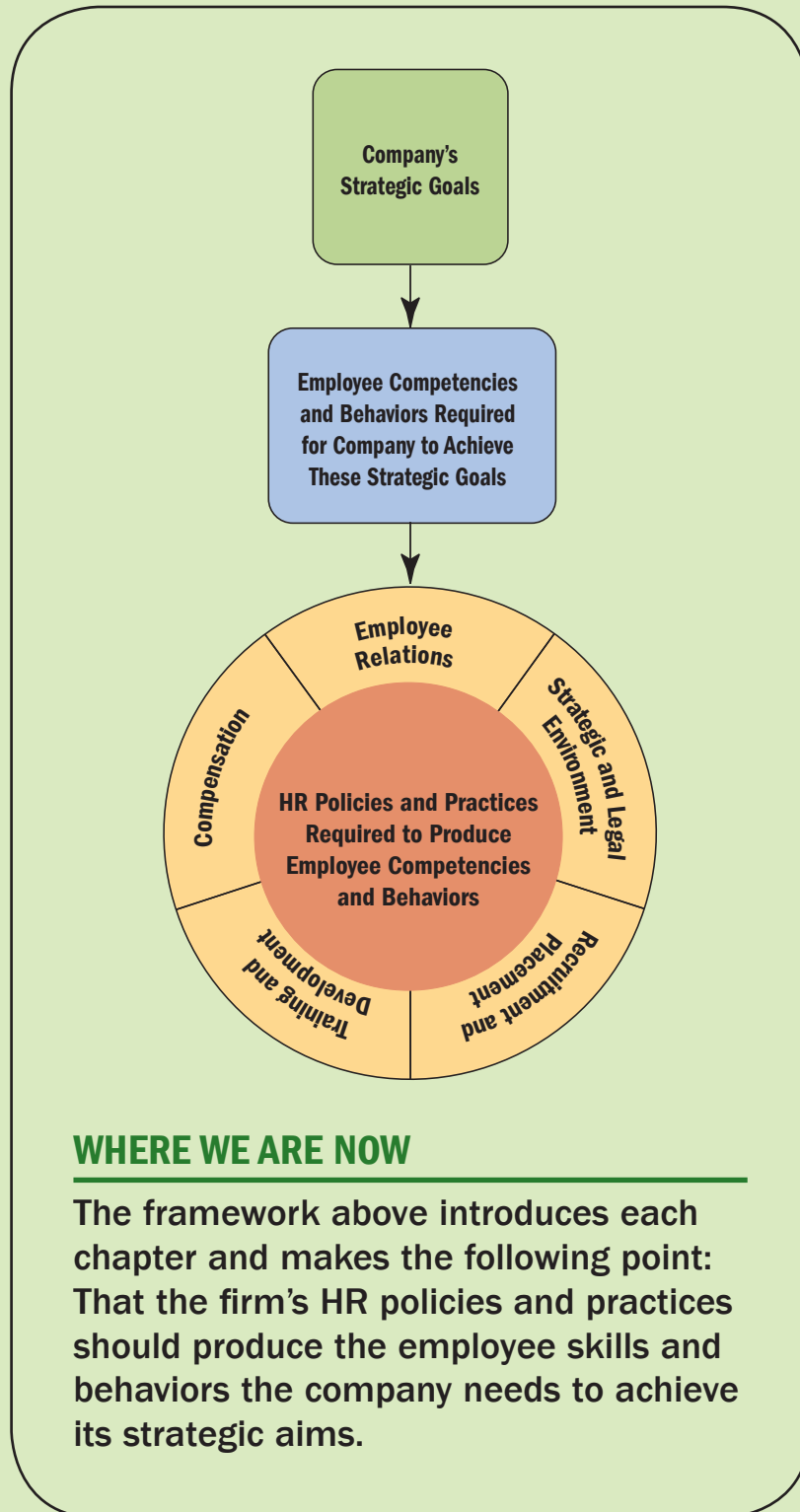## % of students who found learning aid helpful

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The **Gradebook** offers an easy way for you and your students to see their performance in your course.

86%

of students would tell their instructor to keep using MyLab Management

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Company's Strategic Goals

$\downarrow$

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

$\downarrow$

Employee Relations

Compensation

Strategic and Legal Environment

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Training and Development

Recruitment and Placement

WHERE WE ARE NOW

The framework above introduces each chapter and makes the following point: That the firm's HR policies and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

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Human Resource Management

Sixteenth Edition

GARY DESSLER
Florida International University

Pearson

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APPENDICES

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PREFACE

NEW TO THIS EDITION

Adopters will find three main changes that are new to this edition:

Updated Chapters

To ensure a smooth transition for adopters from the 15th to this 16th edition, this edition's 18 chapter table of contents and the outline of all 18 chapters are basically as they were in the 15th edition, so in terms of teaching, the topic flow is about the same as the 15th edition. However, embedded in each chapter's paragraphs are dozens of new topics, practical examples, and research insights, all accompanied by hundreds of new endnotes from 2015–2018.

We've made sure to integrate the new text material into the book's accompanying PowerPoint slides, test banks, and other instructional supplements.

HR and the Gig Economy Features

It's not easy getting a handle on how many people are working in the gig economy, but the number is huge.[i] By some estimates, over 40% of all workers in America may soon be freelancers, and by another estimate about a third of all workers now do gig work on the side, such as teachers driving for Uber.[ii]

Whatever the exact number, the growth of the so-called gig economy has big implications for those who have to manage gig workers. New **HR and the Gig Economy** features show how companies manage gig workers' HR needs, for example how to recruit, screen, train, appraise, and manage the safety of gig workers.

■ **HR AND THE GIG ECONOMY:** *DISCRIMINATION IN THE GIG ECONOMY?*

Most companies use recruiters, supervisors, and/or HR professionals to do their hiring, so if an applicant suffers discrimination it's usually pretty clear who did it.[8] But what do you do when you're a gig worker, doing work through a gig economy company like Uber, Task Rabbit, or Fiverr? Here the people doing the "hiring" are usually Task Rabbit, Uber, or Fiverr users, and they're hiring based on reviews compiled from previous users, or from photos in your profile. What stops customers from illegally discriminating?

Unfortunately, the answer may be, "not much." For example, in one study of labor markets like Task Rabbit and Fiverr, black service providers got more negative reviews than did white ones. Because the rating algorithms are then based partly on prior customers' reviews, the black service providers were usually less likely to get new gigs. It's therefore a problem that gig companies (and customers) need to address.

New Cases

Application Case

Techtonic Group

Written and copyrighted by Gary Dessler, PhD.

It's been estimated that there are more than 600,000 unfilled technical jobs (systems engineers, programmers, and so on) in the United States.[182] Therefore, IT companies like Techtonic Group are continually battling for good applicants.

For many years, Techtonic outsourced app software development to Armenia; CEO Heather Terenzio flew twice a year to work with the people there. However, programmers' salaries in Eastern Europe were

Seven new end-of-chapter cases (for Chapters 2, 3, 5, 10, 12, 15, and 16) on Starbucks, Tesla, Techtonic, Uber, HubSpot, Vice Media, and a meatpacking firm have been added to the text. They replace older cases in these chapters. All other application cases have also been updated, as necessary, and I wrote a new Experiential Exercise ("Pearson Urgent Care") for chapter 12.

SOLVING TEACHING AND LEARNING CHALLENGES

Human Resource Management, 16th edition, provides students in human resource management courses and practicing managers with a complete and practical introduction to modern human resource management concepts and techniques in a highly readable form. This book has always emphasized giving all managers the

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[i] https://www.bls.gov/careeroutlook/2016/article/what-is-the-gig-economy.htm, accessed June 29, 2018.

[ii] https://www.forbes.com/sites/karstenstrauss/2017/02/21/what-is-driving-the-gig-economy/#11e46e81653c; www.shrm.org/certification/pages/default.aspx#sthash.JRZQeAWR.dpuf, both accessed June 29, 2018.

skills they need to do their jobs. And today, with employers transferring more HR tasks to line managers, it's more important than ever that all managers—not just HR managers—be skilled in human resource management concepts and techniques. As the following figure sums up, you'll therefore find an emphasis here on the practical material you need to perform your day-to-day management responsibilities, even if you never spend one day as an HR manager.

```
                        ┌──────────────┐
                        │ The Manager's │
                        │    Skills    │
                        └──────────────┘
```

| Planning | Organizing | Staffing/HR | Leading | Controlling |

| Develop Job Descriptions | Recruit Job Candidates | Interview, Test, Select Employee | Train and Appraise Employee | Pay Employee | Manage Union Relations and Employee Engagement and Safety |
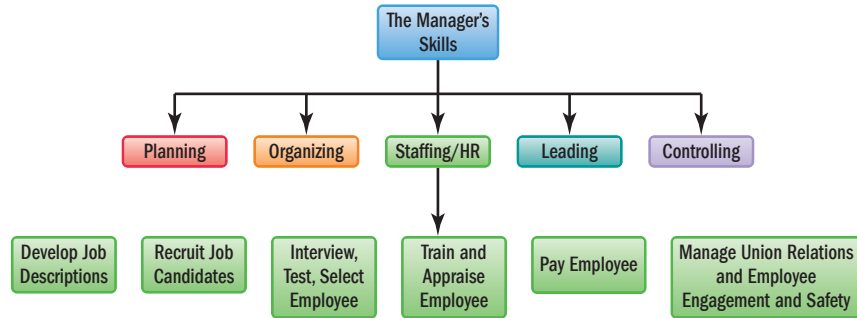
The following tools especially help address teaching and learning challenges.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Employee Relations · Strategic and Legal Environment · Recruitment and Placement · Training and Development · Compensation

The Strategic HR Features

This book's Strategic HR features give students a bird's-eye view of how all the topics in each chapter fit together, and a tool instructors can use to illustrate these interrelationships.

As more employers transfer HR tasks to line managers, those managers need a "line of sight" that shows them how their HR actions impact the company's goals. This 16th edition therefore continues the book's emphasis on strategic human resource management and on improving performance, productivity, and profitability at work. This 16th edition also provides a comprehensive fully integrated treatment of strategic human resource management.

For example, tied to the chapter-opening scenarios, the **Strategic Context** features in Chapters 3–18 show how actual managers' HR actions produced the employee behaviors that were required to achieve the company's strategic aims.

■ **IMPROVING PERFORMANCE:** *THE STRATEGIC CONTEXT*

Wegmans Food Markets

Strategic compensation management means formulating a total rewards package that produces the employee skills and behaviors that the company needs to achieve its strategic goals.

Wegmans exemplifies this. It competes in the retail food sector, where profit margins are thin and where online competitors and giants like Walmart drive costs and prices down. The usual competitor's reaction is to cut employee benefits and costs.[55] Wegmans takes a different approach. Number 2 on Fortune's 100 Best Companies to Work For,[56] Wegmans views its workforce as an integral part of achieving Wegmans's strategic aims of *optimizing service while controlling costs by improving systems and productivity*. For example, one dairy department employee designed a new way to organize the cooler, thus improving ordering and inventory control.[57] The firm offers above-market pay rates, affordable health insurance, and a full range of employee benefits.[58] Wegmans's pay policies thus aim to produce exactly the sorts of high-productivity employee behaviors the company needs to achieve its strategic aims.

It's likely that its pay policies are one reason for Wegmans's exceptional profitability. For example, its employee turnover (about 6% for full-timers) is well below the industry's overall average of about 47%.[59] Its stores (which at about 120,000 square feet are much larger than competitors') average about $950,000 a week in sales (compared to a national average of $361,564), or about $49 million in sales annually, compared with a typical Walmart store's grocery sales of $23.5 million in sales.[60] As Wegmans's human resource head has said, good employees assure higher productivity, and that translates into better bottom-line results.[61]

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. If Wegmans does so well with a high-pay policy, why don't more employers do this as well?

In addition, a **Fully Integrated Strategy Case and Strategy Maps** help to provide the most comprehensive treatment of strategic human resource management in a HR survey text:

- Chapter 1 introduces and Chapter 3 presents the concepts and techniques of human resource strategy.
- Chapter 3 onward, every chapter contains a **continuing "Hotel Paris" case** (identified by an "Eiffel Tower" icon), written to help make strategic human resource management come alive for readers. The continuing case shows how this hotel's HR director uses that chapter's human resource management concepts and techniques to create HR policies and practices that produce the employee skills and behaviors the Hotel Paris needs to improve its service and thereby achieve its strategic goals.
- An overall **strategy map** for the Hotel Paris on the book's inside back cover, and chapter-specific Hotel Paris strategy maps in the accompanying MyLab Management, help readers understand and follow the strategic implications of the hotel's HR decisions.

Building Employee Engagement

Each chapter's Building Employee Engagement features help to further integrate the chapter's topics and to make the book a more coherent whole. *Employee engagement* refers to being psychologically involved in, connected to, and committed to getting one's jobs done. You'll find practical examples and advice on how managers build engaged employee work teams and companies. *Employee Engagement Guide for Managers* sections in Chapters 1–14 show how managers use human resource activities to improve employee engagement.

To improve student results, we recommend pairing the text content with **MyLab Management**, which is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible learning platform, MyLab personalizes the learning experience to help your students learn and retain key course concepts while developing skills that future employers are seeking in potential employees. From **Mini Sims** to **Personal Inventory Assessments**, **MyLab Management** helps you teach your course your way. Learn more at www.pearson.com/mylab/management.

The **Chapter Warm-up** assessment helps you hold your students accountable for **READING** and demonstrating their knowledge on key concepts in each chapter before coming to class.

HOW TO EXECUTE AN EMPLOYEE ENGAGEMENT STRATEGY Actually executing Kia UK's employee engagement HR strategy involved six steps (and these provide a roadmap for any such endeavor). First, Kia UK set *measurable objectives* for the program. These objectives included improving by at least 10% survey feedback scores for line managers' behaviors in terms of communication, the quality of appraisal feedback they gave their direct reports, the recognition of work done, and the respect between manager and employee.[79] Other objectives included reducing employee turnover employment costs (e.g., recruitment costs) by at least 10% per year.

Second, Kia UK held an extensive *leadership development* program. For example, it sent all managers for training to improve their management skills. Kia then tested the new skills with "360-degree" assessment tools (having managers' bosses, peers, and subordinates rate the managers' new leadership skills).

Third, Kia UK instituted new *employee recognition programs.* These included, for instance, giving "Outstanding Awards" to selected employees quarterly, and "Kia thank you" cards for jobs well done.[80]

Multiple opportunities to apply course concepts are found throughout the text and in **MyLab Management**. Each chapter references MyLab Management exercises such as branching, scenario-based **Try It Mini Sims**, and **Apply It Videos** about real companies.

Mini Sims put students in professional roles and give them the opportunity to apply course concepts and develop decision-making skills through real-world business challenges.

These **branching** Mini Sims strengthen a student's ability to think critically, help students understand the impact of their decisions, engage students in active learning, and provide students with immediate feedback on their decisions.
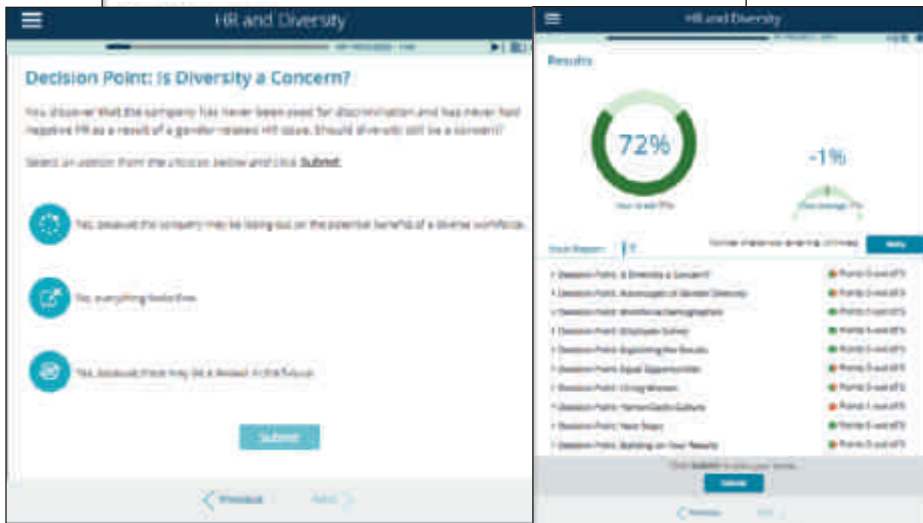
Engaging Videos explore a variety of business topics related to the theory students are learning in class. **Exercise Quizzes** assess students' comprehension of the concepts in each video.

The author has recommended a **Personal Inventory Assessment** for most chapters, which is assignable in MyLab Management. These assessments help develop professionalism and awareness of oneself and others, skills necessary for future career success.

Personal Inventory Assessments is a collection of online exercises designed to promote self-reflection and engagement in students. It enhances their ability to connect with concepts taught in principles of management, organizational behavior, and human resource management classes.

DEVELOPING EMPLOYABILITY SKILLS

As noted earlier, every edition of this book has had the same aim: to provide all managers—not just HR managers—with the practical skills and knowledge they need to perform their day-to-day management responsibilities. A few examples of such skills you'll find here include:

Chapter 2: How to deal with a charge of discrimination

. . . You turn down a member of a protected group for a job. This person believes he or she was discriminated against due to being in a protected class, and decides to sue . . . What should you do?

Chapter 4: How to write a job description

. . . A job description is a written statement of what the worker actually does, how he or she does it, and what the job's working conditions are. This information is in turn . . .

Chapter 7: How to interview job candidates

. . . First make sure you understand the job and its human requirements. Then compose questions based on actual job duties from the job description . . . . Examples include (1) situational questions like "Suppose you were giving a sales presentation and a difficult technical question arose . . .

Chapter 14: How to discipline an employee

. . . Make sure the evidence supports the charge of employee wrongdoing. (Arbitrators often cite "the employer's evidence did not support the charge.") . . . Make sure to protect the employees' due process rights . . .

Know Your Employment Law sections within each chapter discuss the practical implications of the employment laws that apply to that chapter's topics, such as the laws relating to recruitment (Chapter 5), selection (Chapter 6), training (Chapter 8), and safety (Chapter 16) that all managers should know.

Diversity Counts features provide practical insights for managing a diverse workforce, for instance, regarding gender bias in selection decisions, bias in performance appraisal, and "hidden" gender bias in some bonus plans (Chapter 12).

Various *Improving Performance* features demonstrate real-world human resource management tools and practices that managers can use to improve performance. The discussion questions within each of these features are also in the accompanying MyLab Management. The *performance* features include:

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Diversity can actually drive higher profits. In one study, researchers examined the diversity climate in 654 stores of a large U.S. retail chain. They defined *diversity climate* as the extent to which employees in the stores said the firm promotes equal opportunity and inclusion. They found the highest sales growth in stores with the highest prodiversity climate, and the lowest in stores where subordinates and managers reported less hospitable diversity climates.[153] Another study found racial discrimination to be related negatively to employee commitment, while organizational efforts to support diversity reduced such negative effects.[154] When Merck needed halal certification for one of its medicines, it turned to its Muslim employees. They helped Merck bring the product to market faster and helped ensure its acceptance among Muslims.[155]

More than 50 of the largest U.S. companies, including GE, Microsoft, and Walmart, filed briefs with the U.S. Supreme Court arguing that affirmative action produces increased sales and profits. ■

Improving Performance: HR as a Profit Center contains actual examples of how human resource management practices add value by reducing costs or boosting revenues.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

Chances are the EEOC won't file a suit, but getting a notice saying it's investigating is still scary. Whether you are managing one team or your own small business, every manager should know in advance what the EEOC will be looking for and what to do. A checklist follows.[141]

During the EEOC Investigation:

✓ *Conduct your own investigation* to get the facts.
✓ Ensure that there is information in the EEOC's file *demonstrating lack of merit* of the charge.

Improving Performance: HR Tools for Line Managers and Small Businesses explains that many line managers and entrepreneurs are "on their own" when it comes to human resource management, and describes straightforward HR tools such as work sampling tests that line managers and entrepreneurs can create and safely use to improve performance.

Improving Performance: HR Practices Around the Globe shows how actual companies around the globe use HR practices to improve their teams' and companies' performance, while illustrating the challenges managers face in managing internationally.

IMPROVING PERFORMANCE: *HR PRACTICES AROUND THE GLOBE*

Career Development at Medtronic[29]

Medtronic is a global medical technology company with more than 85,000 employees around the world. The company offers a wide range of career planning and development support tools aimed at helping employees understand their occupational strengths and weaknesses and reach their potential. These tools include customized development plans, self-assessment and feedback tools, mentoring programs, comprehensive on-site classes covering business, engineering, and science topics, tuition reimbursement scholarships, and online job listings so the employee can seek out new career opportunities within the company.

Trends Shaping HR Features

Just about every chapter again has one or more **Trends Shaping HR** features, each focusing on topics like Digital and Social Media, and other trends that affect HR practices.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Sitedocs Digital Workplace Safety

Safety compliance usually has been managed centrally, by human resource managers or by a specialized safety unit. However, new digital mobile device–based safety systems now give managers and even employees more influence over safety. For example, the SiteDocs digital safety management system lets the employer digitize, move, store, work with, and access safety documents via mobile devices (iPad) and the Web.[55] Employees can login via the mobile device and view and complete their safety documentation (such as OSHA reports). These become available immediately to management. This enables management to monitor in real time whether employees are completing their documentation and to identify almost at once workplace hazards and incidents. ■

TRENDS SHAPING HR: *ROBOTS*

With more employees working alongside robots, safety standards are evolving. For example, industrial robots have speed and separation monitoring and safety stops so humans can "hand" them parts without the robot arm hitting them.[75] Many of the new so-called cobots have digital screen faces with human characteristics. For example, one cobot "glances" in the direction when it's about to pick something up, to forewarn its human "colleagues."[76] ■

TRENDS SHAPING HR: *LOCATION BEACONS*

Beacons—tiny devices that continuously transmit radio signals identifying themselves—are becoming valuable occupational safety tools. Employers use beacons to keep track of employees, particularly if they're in distress. Others use them to warn employees, such as when they're too close to a danger zone.[89] ■

INSTRUCTOR TEACHING RESOURCES

This program comes with the following teaching resources.

Supplements available to instructors at www.pearsonhighered.com	Features of the Supplement
Instructor's Manual authored by Susan Leshnower from Midland College	• Lecture Outlines • Chapter-by-chapter summaries—Where are we now • Examples and activities not in the main book • Annotated Outline • Teaching tips • Solutions to all questions, problems, and case problems in the book • Case Notes • Key Terms
Test Bank authored by Carol Heeter from Ivy Tech Community College	2,000 multiple-choice, true/false, short-answer questions with these annotations: • Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis) • Type (Multiple-choice, true/false, short-answer, essay) • Topic/Explanation (The term or concept the question supports) • Learning outcome • AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)
Computerized TestGen	TestGen allows instructors to: • Customize, save, and generate classroom tests • Edit, add, or delete questions from the Test Item Files • Analyze test results • Organize a database of tests and student results.
PowerPoints authored by Patricia Buhler from Goldey-Beacom College	Slides include all the graphs, tables, and equations in the textbook. PowerPoints meet accessibility standards for students with disabilities. Features include, but are not limited to: • Keyboard and Screen Reader access • Alternative text for images • High color contrast between background and foreground colors

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ACKNOWLEDGMENTS

Everyone involved in creating this book is proud of what we've achieved. *Human Resource Management* is one of the top-selling books in this market, and, as you read this, students and managers around the world are using versions translated into about a dozen languages, including Thai, French, Spanish, Greek, Indonesian, Russian, Chinese, and the Arab World edition.

Although I am responsible for *Human Resource Management*, I want to single out some people for their assistance. They include, first, faculty members who carefully reviewed the past few editions, and who made many useful and insightful suggestions:

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Antonio Guillem/Shutterstock

1

Introduction to Human Resource Management

When you finish studying this chapter, you should be able to:

1-1 **Explain** what human resource management is and how it relates to the management process.

1-2 **Briefly discuss and illustrate** the important trends influencing human resource management.

1-3 **Briefly describe** six important components or pillars of human resource management today.

1-4 **List** at least four important human resource manager competencies.

1-5 **Outline** the plan of this book.

For many people today, Upwork (www.upwork.com/) symbolizes much of what's new in human resource management. Millions of freelancers, from graphic designers to translators, accountants, writers, and customer service agents register on the site. Employers then use it to find, screen, hire, and pay the talent they need online in more than 180 countries.[1]

Company's Strategic Goals → Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals → HR Policies and Practices Required to Produce Employee Competencies and Behaviors (Strategic and Legal Environment, Recruitment and Placement, Training and Development, Compensation, Employee Relations)

WHERE ARE WE NOW …

The purpose of this chapter is to explain what human resource management is, and why it's important to all managers. We'll see that human resource management activities such as hiring, training, appraising, compensating, and developing employees are part of every manager's job. And we'll see that human resource management is also a separate function, usually with its own human resource, or "HR," manager. The main topics we'll cover here include **What Is Human Resource Management?**, **The Trends Shaping Human Resource Management**, **The Components of Human Resource Management**, **The New Human Resource Manager**, and **The Plan of This Book**. The framework above (which introduces each chapter) makes this point: That the firm's HR policies and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

organization
A group consisting of people with formally assigned roles who work together to achieve the organization's goals.

manager
Someone who is responsible for accomplishing the organization's goals, and who does so by managing the efforts of the organization's people.

managing
To perform five basic functions: planning, organizing, staffing, leading, and controlling.

management process
The five basic functions of planning, organizing, staffing, leading, and controlling.

human resource management (HRM)
The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.

What Is Human Resource Management?

To understand what human resource management is, it's useful to start with what managers do. Upwork is an *organization*. An **organization** consists of people (in this case, people like Upwork's own in-house Web designers and managers) with formally assigned roles who work together to achieve the organization's goals. A **manager** is someone who is responsible for accomplishing the organization's goals, and who does so by managing the efforts of the organization's people.

Most writers agree that **managing** involves performing five basic functions: planning, organizing, staffing, leading, and controlling. In total, these functions represent the **management process.** Some of the specific activities involved in each function include

- *Planning.* Establishing goals and standards; developing rules and procedures; developing plans and forecasts
- *Organizing.* Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating the work of subordinates
- *Staffing.* Determining what type of people should be hired; recruiting prospective employees; selecting employees; setting performance standards; compensating employees; evaluating performance; counseling employees; training and developing employees
- *Leading.* Getting others to get the job done; maintaining morale; motivating subordinates
- *Controlling.* Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action as needed

In this book, we will focus on one of these functions—the staffing, personnel management, or *human resource management* function. **Human resource management (HRM)** is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns. The topics we'll discuss should therefore provide you with the concepts and techniques every manager needs to perform the "people," or personnel, aspects of management. These include

- *Conducting job analyses* (determining the nature of each employee's job).
- *Planning labor needs* and *recruiting* job candidates.
- *Selecting* job candidates.
- *Orienting and training* new employees.
- *Managing wages and salaries* (compensating employees).
- *Providing incentives and benefits*.
- *Appraising performance*.
- *Communicating* (interviewing, counseling, disciplining).
- *Training employees* and *developing managers*.
- *Building employee relations and engagement*.

And what every manager should know about:

- Equal opportunity and affirmative action.
- Employee health and safety.
- Handling grievances and labor relations.

Why Is Human Resource Management Important to All Managers?

The concepts and techniques in this book are important to all managers for several reasons.

AVOID PERSONNEL MISTAKES   First, having this knowledge will help you avoid the *personnel mistakes you don't want to make* while managing. For example, you don't want

- To have your employees not doing their best.
- To hire the wrong person for the job.

- To experience high turnover.
- To have your company in court due to your discriminatory actions.
- To have an employee hurt due to unsafe practices.
- To let a lack of training undermine your department's effectiveness.
- To commit any unfair labor practices.

Carefully studying this book can help you avoid mistakes like these.

IMPROVING PROFITS AND PERFORMANCE   More important, it can *help ensure that you get results—through people*.[2] Remember that you could do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up modern assembly lines, and use sophisticated accounting controls—but still fail, for instance, by hiring the wrong people or by not motivating subordinates. On the other hand, many managers—from generals to presidents to supervisors—have been successful even without adequate plans, organizations, or controls. They were successful because they had the knack for hiring the right people for the right jobs and then motivating, appraising, and developing them. Remember as you read this book that *getting results* is the bottom line of managing and that, as a manager, you will have to get these results through people. This fact hasn't changed from the dawn of management. As one company president summed it up:

> For many years it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds true. I think it's the workforce and the company's inability to recruit and maintain a good workforce that does constitute the bottleneck for production. I don't know of any major project backed by good ideas, vigor, and enthusiasm that has been stopped by a shortage of cash. I do know of industries whose growth has been partly stopped or hampered because they can't maintain an efficient and enthusiastic labor force, and I think this will hold true even more in the future.[3]

With global competition and economic pressures, that statement has never been truer than it is today. Human resource management methods like those in this book can help any line manager/supervisor (or HR manager) boost his or her team's and company's levels of engagement, profits, and performance. Here are two examples we'll meet in this book:

> *At one Ball Corp*. packaging plant, managers trained supervisors to set and communicate daily performance goals. Management tracked daily goal attainment with team scorecards. Employees received special training to improve their skills. Within 12 months production was up 84 million cans, customer complaints dropped by 50%, and the plant's return on investment rose by $3,090,000.

> *A call center* averaged 18.6 vacancies per year (about a 60% turnover rate). The researchers estimated the cost of a call-center operator leaving at about $21,500. They estimated the total annual cost of agent turnover for the call center at $400,853. Cutting that rate in half would save this firm about $200,000 per year.

YOU MAY SPEND SOME TIME AS AN HR MANAGER   Here is another reason to study this book: *you might spend time as a human resource manager*. For example, about a third of large U.S. businesses surveyed appointed non-HR managers to be their top human resource executives. Thus, Pearson Corporation (which publishes this book) promoted the head of one of its publishing divisions to chief human resource executive at its corporate headquarters. Why? Some think these people may be better equipped to integrate the firm's human resource activities (such as pay policies) with the company's strategic needs (such as by tying executives' incentives to corporate goals).[4] Appointing non-HR people can also be good for the manager. For example, one CEO served a three-year stint as chief human resource officer on the way to becoming CEO. He said the experience he got was invaluable in learning how to develop leaders, and in understanding the human side of transforming a company.[5]

However most top human resource executives do have prior human resource experience. About 80% of those in one survey worked their way up within HR. The Society for Human Resource Management (SHRM) offers information on topics such as alternative career paths within human resource management.[6] Find it at www.shrm.org.[7]

HR FOR SMALL BUSINESSES   And here is one other reason to study this book: you *may well end up as your own human resource manager*. More than half the people working in the United States work for small firms.[8] Small businesses as a group also account for most of the 600,000 or so new businesses created every year. Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own.[9] Small firms generally don't have the critical mass required for a full-time human resource manager (let alone an HR department).[10] The owner and his or her other managers (and perhaps assistant) handle tasks like signing employees on. So studying the techniques in this book should help you to manage a small firm's human resources more effectively. We'll address human resource management for small businesses in later chapters.

Line and Staff Aspects of Human Resource Management

All managers have always been, in a sense, human resource managers, because they all get involved in recruiting, interviewing, selecting, and training their employees. Yet most firms also have a human resource department with its own top manager. How do the duties of this human resource manager and department relate to the human resource duties of sales and production and other managers? Answering this requires a short definition of line versus staff authority. **Authority** is the right to make decisions, to direct the work of others, and to give orders. Managers usually distinguish between line authority and staff authority.

In organizations, **line authority** traditionally gives managers the right to *issue orders* to other managers or employees. Line authority therefore creates a superior (order giver)–subordinate (order receiver) relationship. When the vice president of sales tells her sales director to "get the sales presentation ready by Tuesday," she is exercising her line authority. **Staff authority** gives a manager the right to *advise* other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, he or she is exercising staff authority.

On the organization chart, managers with line authority are **line managers.** Those with staff (advisory) authority are **staff managers.** In popular usage, people tend to associate line managers with managing departments (like sales or production) that are crucial for the company's survival. Staff managers generally run departments that are advisory or supportive, like purchasing and human resource management. Human resource managers are usually staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.

Line Managers' Human Resource Management Responsibilities

However, line managers do have many human resource duties. This is because the direct handling of people has always been part of every line manager's duties, from president down to first-line supervisors. One major company outlines its line supervisors' responsibilities for effective human resource management under these general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining creative cooperation and developing smooth working relationships
6. Interpreting the company's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person

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authority
The right to make decisions, direct others' work, and give orders.

line authority
Traditionally gives managers the right to issue orders to other managers or employees.

staff authority
Gives a manager the right to advise other managers or employees.

line manager
A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

staff manager
A manager who assists and advises line managers.

9. Creating and maintaining departmental morale

10. Protecting employees' health and physical conditions

And we'll see that, if anything, social media tools like *LinkedIn hiring* are expanding many line managers' HR responsibilities. That's why in a recent survey, 49% of the employers were taking steps to "Improve line managers' people management skills."[11]

The Human Resource Department

In small organizations, line managers may carry out all these personnel duties unassisted. But as the organization grows, line managers usually need the assistance, specialized knowledge, and advice of a separate human resource staff.[12] In larger firms, the *human resource department* provides such specialized assistance. Figure 1-1 shows human resource management jobs in one organization.[13] Typical positions include compensation and benefits manager, employment and recruiting supervisor, training specialist, and employee relations executive. Examples of job duties include

- *Recruiters:* Use various methods including contacts within the community and print and online media to search for qualified job applicants.
- *Equal employment opportunity (EEO) representatives or affirmative action coordinators:* Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.
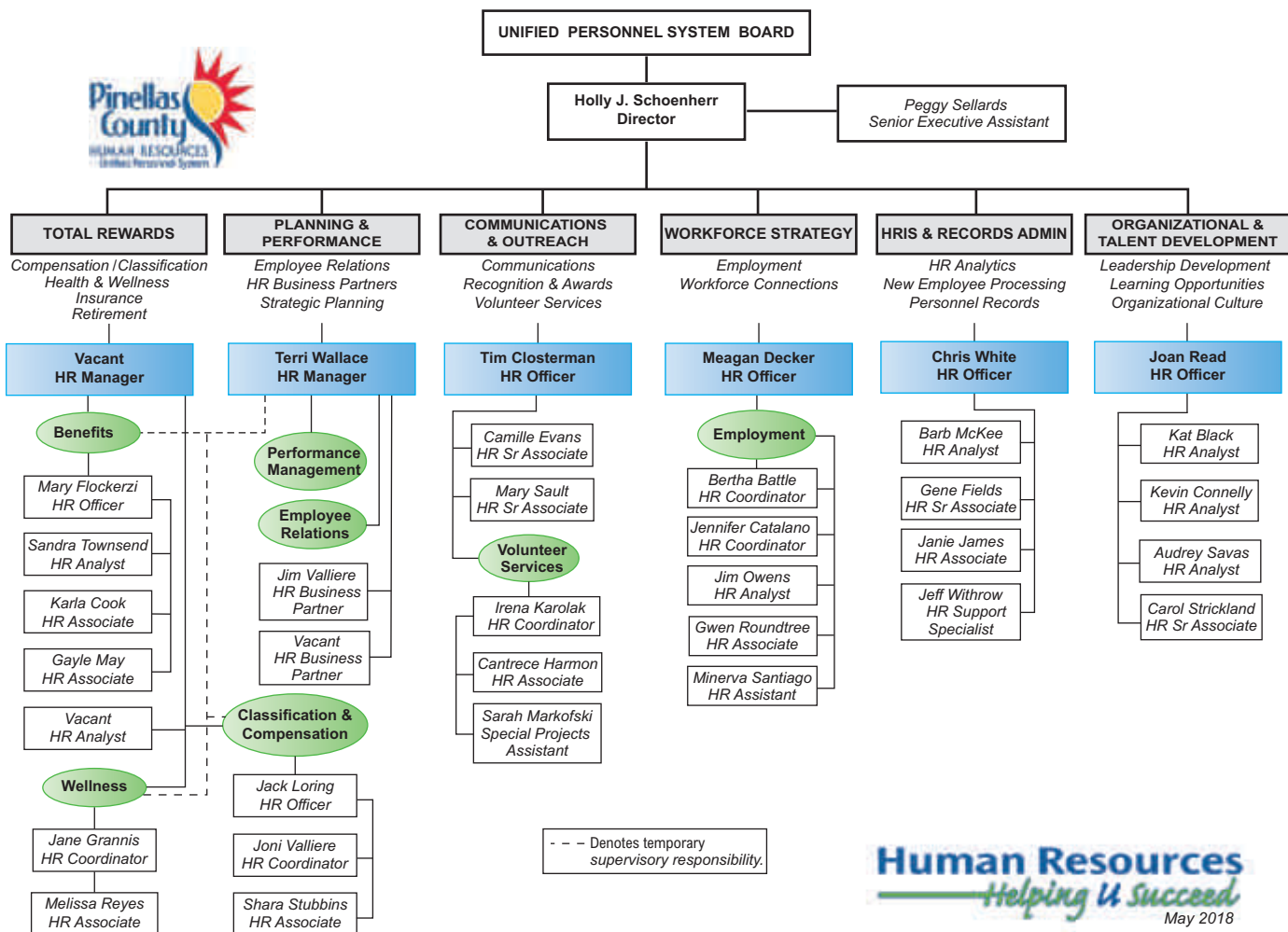
FIGURE 1-1 Human Resource Department Organization Chart Showing Typical HR Job Titles

Source: "Human Resource Development Organization Chart Showing Typical HR Job Titles," www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf. Courtesy of Pinellas County Human Resources. Reprinted with permission.

- *Job analysts:* Collect and examine detailed information about job duties to prepare job descriptions.
- *Compensation managers:* Develop compensation plans and handle the employee benefits program.
- *Training specialists:* Plan, organize, and direct training activities.
- *Labor relations specialists:* Advise management on all aspects of union–management relations.

In practice, HR and line managers share responsibility for most human resource activities. For example, human resource and line managers typically share responsibility for skills training. Thus the supervisor might describe what training she thinks the new employee needs, HR might design the training, and the supervisor might then provide on-the-job training.

NEW APPROACHES TO ORGANIZING HR   However, what HR departments do and how they do it are changing. Because of this, many employers are taking a new look at how they organize their human resource functions.[14]

For one thing, employers are changing how they organize and deliver HR services. For example, one survey found that 55% of firms surveyed were actively "reengineering" their human resource management processes, (for example, by moving recruiting from in-house recruiters to online and social media platforms).[15] Most are "actively seeking to transform" how they deliver human resource services, largely by adopting new HR technology tools (such as online training portals).[16] Many are using technology to institute more *"shared services"* arrangements.[17] These create centralized HR units whose employees are shared by all the companies' departments to assist the departments' line managers in human resource matters. These shared services HR teams generally offer their services through intranets or centralized call centers; they aim to provide managers and employees with specialized support in day-to-day HR activities (such as discipline problems).

You may also find specialized *corporate HR teams* within a company. These assist top management in top-level issues such as developing the personnel aspects of the company's long-term strategic plan. *Embedded HR teams* have HR generalists (also known as "relationship managers" or "HR business partners") assigned to functional departments like sales and production. They provide the employee selection and other assistance the departments need. *Centers of expertise* are basically specialized HR consulting firms within the company. For example, one might provide specialized advice in areas such as organizational change to all the company's various units.[18]

The Trends Shaping Human Resource Management

Working cooperatively with line managers, human resource managers have long helped employers hire and fire employees, administer benefits, and conduct appraisals. However, trends are occurring that are changing how employers get their human resource management tasks done. The trends include *workforce demographic trends, trends in jobs people do, technological trends,* and *globalization and economic trends.*

Workforce Demographics and Diversity Trends

The composition of the workforce will continue to become more diverse with more women, minority group members, and older workers in the workforce.[19] Table 1-1 offers a bird's-eye view. Between 1992 and 2024, the percent of the workforce that the U.S. Department of Labor classifies as "white" will drop from 85% to 77.7%. At the same time, the percent of the workforce that it classifies as "Asian" will rise from 4% to 6.6%, and those of Hispanic origin will rise from 8.9% to 19.8%. The percentages of younger workers will fall, while those over 55 will about double from 11.8% of the workforce in 1992 to 24.8% in 2024. Many employers call "the aging workforce" a big problem. The problem is that there aren't enough younger workers to replace the projected number of baby boom–era older workers (born roughly 1946–1964)

TABLE 1-1 Demographic Groups as a Percent of the Workforce, 1992–2024

Age, Race, and Ethnicity	1992	2002	2012	2024
Age: 16–24	16.9%	15.4%	13.7%	11.3%
25–54	71.4	70.2	65.3	63.9
55+	11.8	14.3	20.9	24.8
White	85.0	82.8	79.8	77.7
Black	11.1	11.4	11.9	12.7
Asian	4.0	4.6	5.3	6.6
Hispanic origin	8.9	12.4	15.7	19.8

Source: U.S. Bureau of Labor Statistics Economic News Release, www.bls.gov/news.release/ecopro
.t01.htm, December 19, 2013, and https://www.bls.gov/news.release/ecopro.t01.htm, accessed
April 16, 2017.

retiring.[20] Many employers are bringing retirees back (or just trying to keep them from leaving).

With the resulting projected workforce shortfalls (not enough younger workers to replace retirees), employers are taking several steps. Many are hiring foreign workers for U.S. jobs. The H-1B visa program lets U.S. employers recruit skilled foreign professionals to work in the United States when they can't find qualified American workers. U.S. employers bring in about 181,000 foreign workers per year under these programs, although such programs face increasing opposition today.[21] Under the Trump administration the Department of Justice and the immigration service is enforcing H-1B rules more forcefully.[22]

Trends in Jobs People Do

There are three big trends in the jobs people do. First, work has shifted from manufacturing to service. Today over two-thirds of the U.S. workforce is employed in producing and delivering services, not products. By 2024, service-providing industries are expected to account for 129 million out of 160 million (81%) of wage and salary jobs overall.[23] So in the next few years, almost all the new jobs added in the United States will be in services, not in goods-producing industries.

ON-DEMAND WORKERS   Second, today in companies like Uber and Upwork, most workers aren't employees at all: They're freelancers and independent contractor–gig workers, who work when they can, on what they want to work on, when they're needed.[24] The head of one such firm said employers view those workers as "mobile, independent bundles of skills."[25] Uber signs up thousands and thousands of new independent contractor drivers per month.[26] And people don't just do gigs full-time. About one-third of *all* workers do gig work on the side, such as teachers who drive for Uber.[27] The accompanying HR and the Gig Economy feature elaborates.

■ HR AND THE GIG ECONOMY *ON-DEMAND WORKERS*

Upwork (www.upwork.com)[28] symbolizes on-demand work. Millions of freelancers from graphic designers to translators, accountants, and lawyers register on its site. Employers use it to find, screen, hire, and pay the talent they need, in more than 180 countries.[29] These workers are part of a vast workforce comprised of contract, temp, freelance, independent contractor, "on-demand," or simply "gig" workers. Other on-demand sites include Amazon's Mechanical Turk, IKEA's TaskRabbit, and Handy (which lets users tap Handy's thousands of freelance cleaners and furniture assemblers when they need jobs done), and, of course, Uber.[30] Such workers may comprise half the workforce in the next 10 years.[31]

But freelance work goes beyond sites like Handy and Uber. For example employers are using more temp workers and contractors. Before it combined with Alaska Air group, Virgin America used contractors rather than employees for jobs including baggage delivery, reservations, and heavy maintenance.

Anyone using Uber already knows about on-demand workers. It is signing up tens of thousands of new independent contractor drivers per week, a rate that is doubling fast.

REB Images/Blend Images/Getty Images

A trucking company supplies contract workers who unload shipping containers at Walmart warehouses. And (somewhat amazingly) even Google's parent, Alphabet Inc., has about the same number of outsourced jobs as full-time employees.[32] We'll see in gig economy features like these that companies that rely on freelancers and other such nontraditional employees need special HR policies and practices to deal with them.

Gig economy work has detractors.[33] Some people who do these jobs say they can feel somewhat disrespected. One critic says the work is unpredictable and insecure. An article in the *New York Times* said this: "The larger worry about on-demand jobs is not about benefits, but about a lack of agency—a future in which computers, rather than humans, determine what you do, when and for how much."[34] Some gig workers are taking action. For example, some Uber drivers sued to unionize.

HUMAN CAPITAL   Finally, more jobs are becoming "high tech." Jobs like engineer always emphasized knowledge and education. The big change now is that even traditional manufacturing jobs like assembler are increasingly high tech. Similarly bank tellers, retail clerks, bill collectors, mortgage processors, and package deliverers today need a level of technological sophistication they didn't need a few years ago. So in our increasingly knowledge-based economy, " . . . the acquisition and development of superior human capital appears essential to firms' profitability and success."[35]

For managers, the challenge here is that they have to manage such workers differently. For example, letting workers make more decisions presumes you've selected, trained, and rewarded them to make more decisions themselves. This means adjusting how you select, train, and engage these employees.[36] To paraphrase one recent headline, technology is useless without skilled workers.[37] The accompanying HR as a Profit Center discussion illustrates how one employer capitalized on its human capital.

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Boosting Customer Service

A bank installed special software that made it easier for its customer service representatives to handle customers' inquiries. However, the bank did not otherwise change the service reps' jobs in any way. Here, the new software system did help the service reps handle more calls. But otherwise, this bank saw no big performance gains.[38]

A second bank installed the same software. But, seeking to capitalize on how the new software freed up customer reps' time, this bank also had its human resource team upgrade the customer service representatives' jobs. This bank taught them how to sell more of the bank's services, gave them more authority to make decisions, and raised their wages. Here, the new computer system dramatically improved product sales and profitability, thanks to the newly trained and empowered customer service reps. Value-added human resource practices like these improve employee performance and company profitability.[39] ■

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Discuss three more specific examples of what you believe this second bank's HR department could have done to improve the reps' performance.

Globalization Trends

Globalization refers to companies extending their sales, ownership, and/or manufacturing to new markets abroad. Thus, Toyota builds Camrys in Kentucky, while Apple assembles iPhones in China. Free trade areas—agreements that reduce tariffs and barriers among trading partners—further encourage international trade. The North American Free Trade Agreement (NAFTA) and the European Union (EU) are examples.

Globalization has boomed for the past 50 or so years. For example, the total of U.S. imports plus exports rose from $562 billion in 1980, to about $5.2 *trillion* recently.[40] Evolving economic and political philosophies drove this boom. Governments dropped cross-border taxes or tariffs, formed economic free trade areas, and took other steps to encourage the free flow of trade among countries. The economic rationale was that by doing so, all countries would gain, and indeed, economies around the world did grow.

At the same time, globalization vastly increased international competition. More globalization meant more competition, and more competition meant more pressure to be "world class"—to lower costs, to make employees more productive, and to do things better and less expensively. Today a loss of jobs and growing income inequities are prompting some to rethink the wisdom of globalization.[41]

So globalization hasn't been without significant cost. As multinational companies jockey for position, many transfer operations abroad, not just to seek cheaper labor but also to tap into new markets. For example, Toyota has thousands of sales employees based in America, while GE has over 10,000 employees in France. The search for greater efficiencies prompts some employers to *offshore* (export jobs to lower-cost locations abroad, as when Dell offshored some call-center jobs to India). Some employers offshore even highly skilled jobs such as lawyer.[42] Managing the "people" aspects of globalization is a big task for companies that expand abroad—and for their HR managers.[43]

Economic Trends

Although globalization supported a growing global economy, the period from roughly 2007–2015 was difficult economically. As you can see in Figure 1-2, gross domestic product (GDP)—a measure of the United States of America's total output—boomed between 2001 and 2007. During this period, home prices (see Figure 1-3) leaped as much as 20% per year. Unemployment remained docile at about 4.7%.[44] Then, around 2007–2008, all these measures fell off a cliff. GDP fell. Home prices dropped by 10% or more (depending on city). Unemployment nationwide soon rose to more than 10%.

Why did all this happen? It's complicated. Many governments stripped away rules and regulations. For example, in America and Europe, the rules that prevented commercial banks from expanding into new businesses such as investment banking were relaxed. Giant, multinational "financial supermarkets" such as Citibank emerged. With

FIGURE 1-2 Gross Domestic Product, 2005–2017

Source: St. Louis Federal Reserve Bank, https://fred .stlouisfed.org/series/GDP, accessed March 9, 2018.
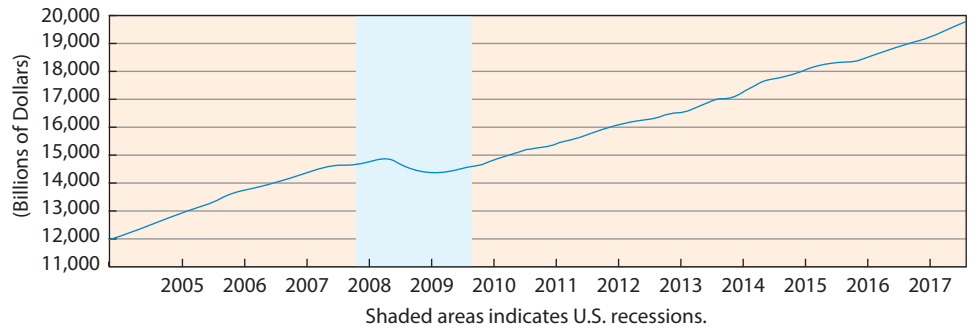
fewer regulations, more businesses and consumers were soon deeply in debt. Homebuyers bought homes with little money down. Banks freely lent money to developers to build more homes. For almost 20 years, U.S. consumers spent more than they earned. The United States became a debtor nation. Its balance of payments (exports minus imports) went from a healthy *positive* $3.5 billion in 1960, to a huge *minus* (imports exceeded exports) $497 billion deficit more recently.[45] The only way the country could keep buying more from abroad than it sold was by borrowing money. So, much of the boom was built on debt.

Around 2007, all those years of accumulating debt ran their course. Banks and other financial institutions found themselves owning trillions of dollars of worthless loans. Governments stepped in to try to prevent their collapse. Lending dried up. Many businesses and consumers stopped buying. The economy tanked.

Economic trends have moved up today, and hopefully they will continue to do so. For example, the unemployment rate had fallen from a high of more than 10% a few years ago to around 5% in 2015, and to about 4% in 2018, and GDP was growing at about 4.0% in 2018.[46]

However, that doesn't necessarily mean clear sailing for the economy. For one thing, the Federal Reserve Board, which supported economic expansion after the Great Recession, began raising interest rates as a guard against inflationary pressures. For another, productivity is rising more slowly than in the past, which may further retard economic growth.[47] (Automation may change that. In Asia robots are replacing human labor in clothing factories, and many experts predict automation will soon replace jobs ranging from bookkeepers and telemarketers to cashiers, retail salespeople, and, alas, human resources assistants.)[48] And after the experience of 2007–2009, it's doubtful that the leveraging and globalization that helped drive economic growth for the previous 50 years will continue unabated. Add it all up, and the bottom line could possibly be slowing economic growth ahead. Overall, the Bureau of Labor Statistics and the Congressional Budget Office project that gross domestic product (GDP) will increase by about 2.0% annually from 2020 to 2026, slower than the 3% or higher that more or less prevailed from the mid-1990s through the mid-2000s.[49]

FIGURE 1-3 Case-Shiller U.S. National Home Price Index, 1988–2016

Source: St. Louis Federal Reserve Bank, https://fred .stlouisfed.org/series/ CSUSHPINSA, accessed March 9, 2018.
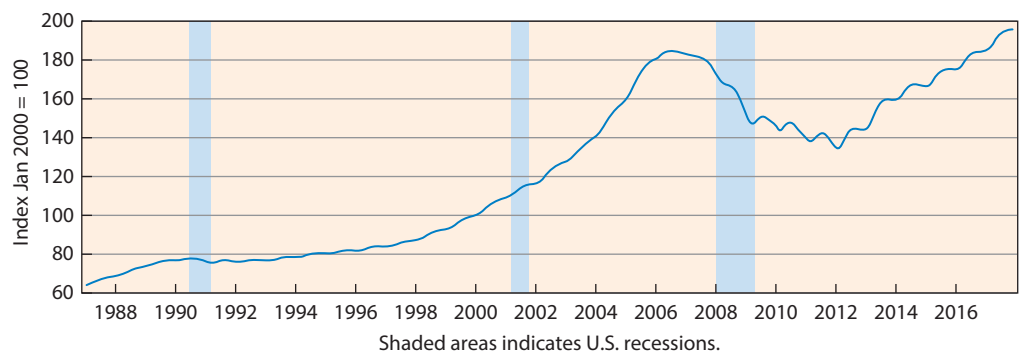
LABOR FORCE TRENDS   Complicating all this is the fact that the labor force in America is growing more slowly (which is not good, because if employers can't get enough workers, they can't expand).[50] To be precise, the Bureau of Labor Statistics projects the labor force to grow at 0.6% per year from 2016 to 2026. That's up from an annual growth rate of 0.5% during the 2002–2012 decade, but is much slower than in previous decades.[51] Why the slower labor force growth? Mostly because with baby boomers aging, the "labor force participation rate" is falling—in other words, the *percent* of the population (particularly 25- to 54-year-olds) that wants to work is way down.[52] One study of 35 large global companies' senior human resource officers said "talent management"—the acquisition, development, and retention of talent to fill the companies' employment needs—ranked as their top concern.[53]

THE UNBALANCED LABOR FORCE   Furthermore, demand for workers is unbalanced; for example, the unemployment rate for, say, recent college graduates in general was higher than that of software engineering graduates.[54] In fact, almost half of employed U.S. college graduates are in jobs that generally require less than a four-year college education.[55] Why did this happen? In brief, because most of the jobs that the economy added in the past few years don't require college educations, and the Bureau of Labor Statistics says that will probably continue. Occupations that *do not* typically require postsecondary education employed nearly two-thirds of workers recently.[56] Similarly, about two-thirds of the occupations with the largest projected employment growth from 2014 to 2024 typically do not require postsecondary education for entry.[57] Such imbalances are complicated by a skills gap. For example, the manager of a PPG paint and coatings plant in Wisconsin, says they're "always short people" because they can't find enough skilled workers.[58]

The result is an unbalanced labor force: in some occupations (such as engineering) unemployment rates are low, while in others unemployment rates are still relatively high; recruiters in many companies can't find candidates, while in others there's a wealth of candidates;[59] and many people working today are in jobs "below" their expertise (which may or may not help to explain why about 70% of employees report being psychologically disengaged at work). In any case, the bottom line is more pressure on employers (and their human resource managers and line managers) to get the best efforts from their employees.

Technology Trends

Technology is changing human resource management in two main ways. First (as we saw), technological change is affecting *the nature of jobs*.[60] When someone thinks of "tech jobs," jobs at Google come to mind, but technology affects all sorts of jobs. At an Alcoa plant in Iowa, a computer at each workstation helps employees control their machines or communicate data. Employees type their commands into computerized machines that create precision parts.[61]

Second, technology is changing *how employers get human resource management tasks done*. In one survey 41% of companies were designing mobile apps to deliver human resource management services, and about a third were using artificial intelligence.[62] Several technologies are important here:

- Employers use *social media* tools such as Twitter, Facebook, and LinkedIn (rather than, say, employment agencies) to recruit new employees. Accenture estimates that social media tools like LinkedIn will soon produce up to 80% of new recruits—often letting line managers bypass HR and do their own recruiting.[63] Sites such as Glassdoor and JobBite let their members share insights into employers, including commentaries, salary reports, and CEO approval ratings. According to one report, 48% of job seekers surveyed said they've used Glassdoor during their job search.[64] This transparency prompts sensible human resource managers to redouble their efforts to ensure that their internal processes (such as performance appraisals) are civil.
- Employers use *mobile applications*, for instance, to monitor employee location and to provide digital photos at the facility clock-in location to identify workers.

- Web sites such as Knack, Gild, and True Office enable employers to inject *gaming* features into training, performance appraisal, and recruiting.
- *Cloud computing*–based tools enable employers to monitor things like a team's goal attainment and to provide real-time direct evaluative feedback. Others use cloud-based systems to track employee engagement in real time via quick surveys. SAP and Kronos offer cloud-based systems for in-taking, tracking, and scheduling freelance gig workers.[65]
- *Data analytics* basically means using statistical techniques, algorithms, and problem solving to identify relationships among data for the purpose of solving particular problems (such as how can I tell in advance which of my best employees is likely to quit?). When applied to human resource management, data analytics is called *talent analytics*.

  As one example, an employer operated for many years on the assumption that what mattered in hiring was the school the candidate attended, the grades they had, and their references. A retrospective talent analytics study showed that these traits didn't matter at all. What mattered were things like: their résumés were grammatically correct, they didn't quit school until obtaining some degree, and they were able to succeed with vague instructions.[66] At GE, an analytics tool helps management identify when key employees are likely to leave GE.[67] When executives at Shell needed employees with expertise in car maintenance, it used its analytics-based talent search algorithm to scan current Shell employees to find those with the right skills.[68]
- *Artificial intelligence* (AI) basically means using computers to do tasks in human-like ways. For example, companies use AI for: scanning and transferring customer address changes from e-mails to the company's data records ("automation"); and to "learn" and predict which job applicants will succeed, and which are most likely to leave ("analysis"). And, when you call an airline and find yourself answering questions from an automated system, they're using AI to "engage" with customers.[69] At one insurance firm in Japan, IBM's Watson artificial intelligence system enables inexperienced employees to analyze claims like experts.[70]
- *Augmented reality* (AR) transforms huge amounts of data and superimposes digital summaries and images on the physical world. For example, if your car shows the car's speed and direction directly on the windshield, you're experiencing AR. Employers use AR for human resource management too. For example, Boeing uses AR to help trainees learn the 50 steps required to assemble an aircraft wing section.[71]

Important Components of Today's New Human Resource Management

A Brief History of Personnel/Human Resource Management

"Personnel management" is not new.[72] Ancient armies and organized efforts always required attracting, selecting, training, and motivating workers. But personnel tasks like these were mostly just part of every manager's job, something that lasted in most countries until the late 1800s. At that time, labor problems (having to hire and assimilate large numbers of workers, for instance) began arising in many of the post–Industrial Revolution's new factories. Soon employers were setting up "welfare offices" and "welfare secretaries" to manage activities like factory washrooms, and "safety bureaus" to oversee plant safety. By 1900, employers set up the first "hiring offices," training programs, and factory schools. Personnel management had begun.

In these early firms, personnel managers took over hiring and firing from supervisors, ran the payroll departments, and administered benefits plans. As expertise in testing emerged, personnel departments played a greater role in employee selection and training.[73] New union laws in the 1930s added "Helping the employer deal with unions" to personnel's tasks. New equal employment laws in the 1960s made employers

more reliant on personnel management to avoid discrimination claims.[74] By the 1970s globalization made gaining a competitive edge through engaged employees—and therefore personnel management—increasingly important.

Today economic and demographic trends (recall the aging population, for instance) make finding, hiring, and motivating employees more challenging, while at the same time more high-tech jobs means employers must excel at managing employees' knowledge, skills, and expertise (human capital). Furthermore, as we've seen, technological trends including mobile and social media are changing how employers recruit, select, train, appraise, and motivate employees.[75] In a sense, a new human resource management is emerging, one built on six main components or pillars.

Distributed HR and the New Human Resource Management

First, thanks to technologies like social media and cloud computing, more human resource management tasks are being *redistributed* from a central HR department *to* the company's employees and line managers.[76] For example, employees at Washington-based LivingSocial use a digital tool called Rypple to comment on each other's work. LivingSocial then uses these comments as an input to its formal employee appraisals.

Some experts say that if current trends continue, many aspects of HR and talent management may become "fully embedded in how work gets done throughout an organization [distributed], thereby becoming an everyday part of doing business."[77] So, somewhat ironically, we seem to be shifting in some respects back toward the time before the first personnel departments when line managers did more of the personnel tasks. As an example, Hilton Worldwide is placing more HR activities in the hands of employees, while redirecting the savings thus attained to building up the more strategic aspects of what its human resource managers do.[78] In the following chapters, we'll use Trends Shaping HR discussions like the accompanying one to present more examples.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Digital and Social Media Tools and the New Human Resource Management

Digital and social media tools are changing how people look for jobs, and how companies recruit, retain, pay, and train employees. In doing so, they've created, in a sense, a new human resource management.

For example, career sites such as Glassdoor, CareerBliss, CareerLeak, and JobBite let their members share insights into thousands of employers, including company commentaries, salary reports, and CEO approval ratings.[79] According to one report, 48% of job seekers surveyed said they've used Glassdoor during their job search, including checking before applying for employment at a company.[80] Among other things, this prompts sensible human resource managers to make sure their internal processes (such as promotion decisions, pay allocations, and performance appraisals) are fair, and that their recruitment processes are civil—for instance, by getting back to rejected job candidates.

Recruitment is another familiar way social media revolutionized human resource management. For example, managers use LinkedIn to find passive employment candidates (those not actively looking for jobs), and to check out active candidates. Another site, Gild, lets managers find skilled software engineers by searching the Web for open source code; they then evaluate the code's programmers by scanning technology forums to assess the programmers' reputations. ■

A Quick Overview

We can summarize a quick overview of our discussion to this point as follows:

- One big consequence of globalized competition, economic and demographic trends, and the shift to high-tech and service jobs is the growing need for employers to get the best from their "human capital," in other words, from their workers' knowledge, education, training, skills, and expertise.

Like many employers, Hilton Worldwide is "distributing HR"—placing more HR activities in the hands of employees.

antoniodiaz/Shutterstock

- This requires, among other things, using human resource methods to improve employee performance and engagement.
- Thanks to digital devices and social media, employers are shifting (distributing) more HR tasks from central human resource departments to employees and line managers.
- This gives many line managers more human resource management responsibilities.
- And this means that many human resource managers can refocus their efforts *from* day-to-day activities like interviewing candidates *to* broader efforts, such as formulating strategies for boosting employee performance and engagement. Figure 1-4 illustrates this.

FIGURE 1-4 What Trends Mean for Human Resource Management
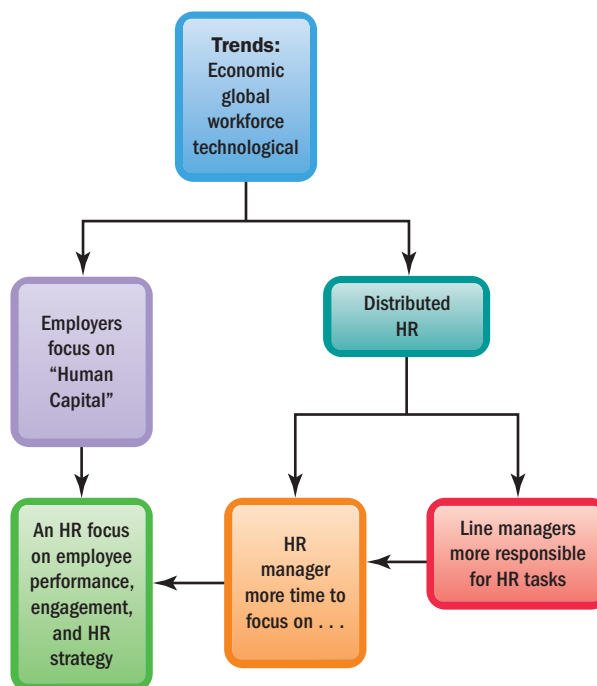
Trends: Economic global workforce technological

Employers focus on "Human Capital"

Distributed HR

An HR focus on employee performance, engagement, and HR strategy

HR manager more time to focus on . . .

Line managers more responsible for HR tasks

Strategic Human Resource Management

A second pillar of HR today is that today's human resource management is more involved in longer-term, strategic "big picture" issues. We'll see in Chapter 3 (Strategy) that **strategic human resource management** means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims. We illustrate this throughout this book with Strategic Context features such as the accompanying one.

strategic human resource management
Formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

■ **IMPROVING PERFORMANCE:** *THE STRATEGIC CONTEXT*

Building L.L.Bean

Strategic human resource management means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

L.L.Bean illustrates how companies do this. The heart of L.L.Bean's strategy has always been offering great outdoor equipment with outstanding service and expert advice. As its company history said, "L.L.Bean, Inc., quickly established itself as a trusted source for reliable outdoor equipment and expert advice. The small company grew. Customers spread the word of L.L.Bean's quality and service."[81]

To provide such service, L.L.Bean needs special people as employees, ones whose love of the outdoors helps them deal knowledgably and supportively with the company's customers. To paraphrase its Web site, L.L.Bean is looking for special employees, "innovative professionals with a love for the outdoors, a commitment to service and a shared excitement for the future."[82]

L.L.Bean's HR policies and practices attract and develop just such employees. For one thing, the company knows just who to recruit. It wants passionate, sociable, friendly, outdoors-oriented applicants and employees.[83] To attract and cultivate these sorts of employee competencies and behaviors, the company uses multiple interviews to screen out applicants who might not fit in.[84] And L.L.Bean offers an outdoors-oriented work environment and competitive pay, and benefits that include outdoor clubs, sporting equipment to borrow, and outdoor courses and tours.[85]

To help encourage great employee service, L.L.Bean also provides a supportive environment. For example, when its Web sales for the first time exceeded phone sales several years ago, L.L.Bean closed four local call centers, but arranged for the 220 employees to work from their homes. And instead of sending jobs abroad, the company keeps its jobs close to the town where Leon Leonwood Bean started his company almost 100 years ago.[86] L.L.Bean's managers built the firm's strategy and success around courteous, expert service. They know that having the right employees is the key to its success, and that it takes the right blend of human resource practices to attract and support such employees.

> MyLab Management Talk About It 2
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. What would you say are (1) L.L.Bean's strategic aims, (2) its required employee behaviors and skills to achieve these aims, and (3) HR policies and practices it needs to produce these necessary employee behaviors and skills?

As in the Strategic Context feature, today's employers want their HR managers to put in place practices that will produce the employee behaviors that help the company achieve its strategic aims. We use a model opening in each chapter to illustrate this idea, but in brief the model follows this three-step sequence: Set the firm's strategic aims → Pinpoint the employee behaviors and skills we need to achieve these strategic aims → Decide what HR policies and practices will enable us to produce these necessary employee behaviors and skills.

Performance and Human Resource Management

Third, employers also expect human resource management to spearhead *employee performance-improvement* efforts.[87] Here HR can apply three levers. The first is the *HR department lever*. The HR manager ensures that the human resource management function is delivering services efficiently. For example, this might include outsourcing certain activities such as benefits management, and using technology to deliver its services more cost-effectively.

The second is the *employee costs lever*. For example, the human resource manager takes a prominent role in advising top management about the company's staffing levels, and in setting and controlling the firm's compensation, incentives, and benefits policies.

The third is the *strategic results lever*. Here the HR manager puts in place the policies and practices that produce the employee competencies and skills the company needs to achieve its strategic goals. That's what was done at L.L.Bean, for instance.

HR AND PERFORMANCE MEASUREMENT   Improving performance requires measuring what you are doing. For example, when IBM's former chief HR officer needed $100 million to reorganize its HR operations several years ago, he told top management, "I'm going to deliver talent to you that's skilled and on time and ready to be deployed. I will be able to measure the skills, tell you what skills we have, what [skills] we don't have [and] then show you how to fill the gaps or enhance our training."[88]

Human resource managers use performance measures (or "metrics") to validate claims like these. For example, the average number of HR employees per 100 total employees is 2.57.[89] We'll address this in Chapter 3.

HR AND EVIDENCE-BASED MANAGEMENT   Basing decisions on such evidence is the heart of *evidence-based human resource management*. This is the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.[90] Put simply, evidence-based human resource management means using the best-available evidence in making decisions about the human resource management practices you are focusing on.[91] The evidence may come from *actual measurements* (such as, how did the trainees like this program?). It may come from *existing data* (such as, what happened to company profits after we installed this training program?). Or, it may come from published *research studies* (such as, what does the research literature conclude about the best way to ensure that trainees remember what they learn?).

HR AND ADDING VALUE   The bottom line is that today's employers want their human resource managers to *add value* by boosting profits and performance. Professors Dave Ulrich and Wayne Brockbank coined the phrase "HR Value Proposition."[92] They say human resource management's aim is to add value. *Adding value* means helping the firm and its employees improve in a measurable way as a result of the human resource manager's actions. Particularly today, adding value does not just mean cutting costs. It also entails improving the company's processes, aligning HR's activities with the company's strategy, and fostering employee engagement.[93] We'll see in this book how human resource practices do this.[94] For example, we'll use, in each chapter, HR as a Profit Center discussions (as on pages 9–10), as well as special employee engagement, and human resource strategy discussions and cases to illustrate this.

Sustainability and Human Resource Management

Fourth, in a world where sea levels are rising, glaciers are crumbling, and people increasingly view financial inequity as offensive, more and more people say that businesses (and their HR teams) can't just measure "performance" in terms of maximizing profits. They argue that companies' efforts should be "*sustainable*," by which they mean judged not just on profits, but also on their environmental and social performance as well.[95] As one example, PepsiCo has a goal to deliver "Performance with Purpose"—in other words, to deliver financial performance while also achieving human sustainability, environmental sustainability, and talent sustainability. PepsiCo wants to achieve business and financial success while leaving a positive imprint on society (click www.pepsico.com, then click *Sustainability*, and then *Performance with Purpose*). As another example, the giant French materials company Saint-Gobain recently opened new offices in Pennsylvania. Its human resource management department took a lead in creating sustainable offices, for instance, in terms of indoor air purity monitors.[96] In one survey, about 80% of large surveyed companies report their sustainability performance.[97]

Employee Engagement and Human Resource Management

Fifth, **employee engagement** refers to being psychologically involved in, connected to, and committed to getting one's jobs done. Engaged employees "experience a high level of connectivity with their work tasks," and therefore work hard to accomplish their task-related goals.[98] Employers expect HR to help achieve employee engagement today.

Employee engagement is vital to employers today because it drives performance. For example (as we will discuss in Chapter 3), based on one Gallup survey, business units with the highest levels of employee engagement have an 83% chance of performing above the company median; those with the lowest employee engagement have only a 17% chance.[99] A survey by consultants Watson Wyatt Worldwide concluded that companies with highly engaged employees have 26% higher revenue per employee.[100]

The problem for employers is that only about 21–30% of today's employees nationally are engaged.[101] In one survey, about 30% were engaged, 50% were not engaged, and 20% were actively disengaged (antimanagement).[102]

We will see in this book that managers improve employee engagement by taking concrete steps to do so. For example, a few years ago, Kia Motors (UK) turned its performance around, in part by boosting employee engagement.[103] As we will discuss more fully in Chapter 3, it did this with new HR programs. These included new *leadership development* programs, new *employee recognition* programs, improved *internal communications* programs, a new *employee development* program, and by modifying its *compensation and other policies*. We use special Employee Engagement Guide for Managers sections in most chapters to show how managers use human resource activities such as recruiting and selection to improve employee engagement.

Ethics and Human Resource Management

Finally, **ethics** means the standards someone uses to decide what his or her conduct should be. Regrettably, news reports are filled with stories of otherwise competent managers who have run amok. For example, prosecutors filed criminal charges against several Iowa meatpacking plant human resource managers who allegedly violated employment law by hiring children younger than 16.[104] Behaviors like these risk torpedoing even otherwise competent managers and employers. We will see that many ethical issues—such as workplace safety—are HR-related, and that HR plays a big role in cultivating organizational ethics today.[105]

The New Human Resource Manager

All this means that it's more complicated being a human resource manager today.[106] Tasks like formulating strategies and making data-based decisions require new competencies and skills. HR managers can't just be good at traditional personnel tasks like hiring and training. Instead, they must "speak the CFO's language" by defending human resource plans in measurable terms (such as return on investment).[107] To create strategic plans, the human resource manager must understand strategic planning, marketing, production, and finance. As companies merge and expand abroad, HR managers must formulate and implement large-scale organizational changes, drive employee engagement, and redesign organizational structures and work processes. None of this is easy.

When asked, "Why do you want to be an HR manager?" many people basically say, "Because I'm a people person." Being sociable is certainly important, but it takes much more.

What does it take to be a human resource manager today? The Society for Human Resource Management (SHRM) introduced a "competency model" (called the SHRM Body of Competency and Knowledge™); it itemizes the competencies, skills, and knowledge and expertise human resource managers need. Here are the *behaviors or competencies* (with definitions) SHRM says today's HR manager should exhibit

- *Leadership and Navigation* The ability to direct and contribute to initiatives and processes within the organization

- *Ethical Practice*   The ability to integrate core values, integrity, and accountability throughout all organizational and business practices
- *Business Acumen*   The ability to understand and apply information with which to contribute to the organization's strategic plan
- *Relationship Management*   The ability to manage interactions to provide service and to support the organization
- *Consultation*   The ability to provide guidance to organizational stakeholders
- *Critical Evaluation*   The ability to interpret information with which to make business decisions and recommendations
- *Global and Cultural Effectiveness*   The ability to value and consider the perspectives and backgrounds of all parties
- *Communication*   The ability to effectively exchange information with stakeholders

SHRM also says human resource managers must have command of *the basic knowledge in the functional areas of HR*, such as talent acquisition. The basic knowledge of each function's principles and practices they need here include, according to SHRM

- Functional Area #1: HR Strategic Planning
- Functional Area #2: Talent Acquisition
- Functional Area #3: Employee Engagement & Retention
- Functional Area #4: Learning & Development
- Functional Area #5: Total Rewards
- Functional Area #6: Structure of the HR Function
- Functional Area #7: Organizational Effectiveness & Development
- Functional Area #8: Workforce Management
- Functional Area #9: Employee & Labor Relations
- Functional Area #10: Technology Management
- Functional Area #11: HR in the Global Context
- Functional Area #12: Diversity & Inclusion
- Functional Area #13: Risk Management
- Functional Area #14: Corporate Social Responsibility
- Functional Area #15: U.S. Employment Law & Regulations

HR Manager Certification

Many human resource managers use certification to demonstrate their mastery of contemporary human resource management knowledge and competencies. Managers have, at this writing, at least two testing processes to achieve certification.

HR managers can't just be good at traditional personnel tasks like hiring and training, but must "speak the CFO's language" by defending human resource plans in measurable terms.

adamgregor/123RF

The oldest is administered by the HR Certification Institute (HRCI), an independent certifying organization for human resource professionals (see www.hrci.org). Through testing, HRCI awards several credentials, including Professional in Human Resources (PHR), and Senior Professional in Human Resources (SPHR). Managers can review HRCI's Knowledge Base and take an online HRCI practice quiz by going to www.hrci.org and clicking on How to Get Certified and then on HRCI Practice Exams.[108]

SHRM offers its own competency and knowledge-based testing and certifications, for SHRM Certified Professionals, and SHRM Senior Certified Professionals, based on its own certification exams.[109] The exam is built around the SHRM Body of Competency and Knowledge™ model's functional knowledge, skills, and competencies.

We've summarized separately the SHRM and the HRCI knowledge bases in Appendices A and B of this book (pages 614–634). One covers SHRM's functional knowledge areas (such as Employee Relations). The other covers HRCI's seven main knowledge areas (such as Strategic Business Management and Workforce Planning and Employment. It includes about 91 specific HRCI "Knowledge of" subject areas within these seven main topic areas with which those taking the test should be familiar.

You'll find throughout this book special Knowledge Base icons starting in Chapter 2 to denote coverage of SHRM and/or HRCI knowledge topics.

HR and the Manager's Human Resource Philosophy

Technical expertise is important, but at the end of the day, people's actions are always based in part on the basic assumptions they make, and this is especially true in regard to human resource management. The basic assumptions you make about people—Can they be trusted? Do they dislike work? Why do they act as they do? How should they be treated?—together comprise your philosophy of human resource management. And every personnel decision you make—the people you hire, the training you provide, your leadership style, and the like—reflects (for better or worse) this basic philosophy.

How do you go about developing such a philosophy? To some extent, it's preordained. There's no doubt that you will bring to your job an initial philosophy based on your experiences, education, values, assumptions, and background. But your philosophy doesn't have to be set in stone. It should evolve as you accumulate knowledge and experiences. For example, after a worker uprising in China at the Hon Hai-owned Foxconn plant that assembles Apple iPhones, the personnel philosophy at the plant softened in response to the workers' (and Apple's) discontent.[110] In any case, no manager should manage others without first understanding the personnel philosophy that is driving his or her actions.

One of the things molding your own philosophy is that of your organization's top management. While it may or may not be stated, it is usually communicated by the managers' actions and permeates every level and department in the organization. For example, here is part of the personnel philosophy of the founder of the Polaroid Corp., stated many years ago:

> To give everyone working for the company a personal opportunity within the company for full exercise of his talents—to express his opinions, to share in the progress of the company as far as his capacity permits, and to earn enough money so that the need for earning more will not always be the first thing on his mind. The opportunity, in short, to make his work here a fully rewarding and important part of his or her life.[111]

Current "best companies to work for" lists include many organizations with similar philosophies. For example, the CEO of software giant SAS has said,

> We've worked hard to create a corporate culture that is based on trust between our employees and the company . . . a culture that rewards innovation, encourages employees to try new things and yet doesn't penalize them for taking chances, and a culture that cares about employees' personal and professional growth.[112]

Similarly, when Google founders Larry Page and Sergey Brin began building Google, they set out to make it a great place to work. Google doesn't just offer abundant benefits and stock options.[113] Google's team of social scientists run experiments, for instance, to determine successful middle managers' skills.[114] The aim is to keep "Googlers" happy (and Google successful and growing). We'll look closer at how managers maintain positive employee relations in Chapters 3 and 13.

MyLab Management Apply It!

How does a company actually go about putting its human resource philosophy into action? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

The Plan of This Book

The Basic Themes and Features

In this book, we'll use four themes and features to highlight particularly important issues, and to provide continuity from chapter to chapter.

Practical Tools for Every Manager

First, human resource management is the *responsibility of every manager*—not just those in human resources. Throughout every page in this book, you'll therefore find an emphasis on practical material that you as a manager will need to perform your day-to-day management responsibilities, even if you never spend one day as an HR manager. Special *HR Tools for Line Managers and Small Businesses* discussions provide small business owners/managers in particular with techniques to better manage their small businesses. *Know Your Employment Law* discussions highlight the practical information all managers need to make better HR-related decisions at work. *Employee Engagement Guide for Managers* discussions show how managers improve employee engagement.

Second, managers use human resource management techniques to *improve performance, productivity, and profitability*. To highlight this, you will find special discussions titled:

> ***Improving Performance: HR Tools for Line Managers and Small Businesses.*** These discussions highlight actual tools and practices any manager can use to improve performance at work.
> ***Improving Performance: HR as a Profit Center.*** We've seen that employers want human resource management practices that add value. To illustrate this throughout the book, most chapters contains an illustrative Improving Performance: HR as a Profit Center discussion. These show actual examples of how human resource management practices add measurable value—by reducing costs or boosting revenues.
> ***Improving Performance: HR Practices Around the Globe.*** These features highlight how actual companies around the globe use effective HR practices to improve their teams' and companies' performance.
> ***Improving Performance Through HRIS.*** These discussions highlight how managers use human resource technology to improve performance.
> ***Diversity Counts.*** These features provide insights and guidelines for managing a diverse workforce.

Third, the book emphasizes how digital and high-tech trends are shaping human resource management. You'll therefore find *Trends* discussions such as *Trends Shaping HR: Digital and Social Media* in most chapters.

Fourth, particularly with today's "distributed HR," every line and staff manager should understand how the employer's human resource management policies and practices produce the employee skills and performance the company needs *to achieve*

its strategic aims. Special chapter-opener scenarios and *Improving Performance: The Strategic Context* features illustrate this in most chapters. And we'll use the Hotel Paris continuing case starting in Chapter 3 to apply that idea.

Chapter Contents Overview

Following is a brief overview of the chapters and their content.

PART 1: INTRODUCTION

Chapter 1: Introduction to Human Resource Management. The manager's human resource management jobs; crucial global and competitive trends; how managers use technology and modern HR measurement systems to improve HR management.

Chapter 2: Equal Opportunity and the Law. What you should know about equal opportunity laws; how these laws affect activities such as interviewing, selecting employees, and evaluating performance; *Know Your Employment Law* features highlight important laws in each chapter.

Chapter 3: Human Resource Management Strategy and Analysis. What is strategic planning; strategic human resource management; building high-performance HR practices; tools for evidence-based HR; employee engagement at Kia Motors.

PART 2: RECRUITMENT, PLACEMENT, AND TALENT MANAGEMENT

Chapter 4: Job Analysis and the Talent Management Process. How to analyze a job; how to determine the human resource requirements of the job, as well as its specific duties; and what is talent management.

Chapter 5: Personnel Planning and Recruiting. Human resource planning; determining what sorts of people need to be hired; recruiting them.

Chapter 6: Employee Testing and Selection. Techniques you can use to ensure that you're hiring the right people.

Chapter 7: Interviewing Candidates. How to interview candidates effectively.

PART 3: TRAINING AND DEVELOPMENT

Chapter 8: Training and Developing Employees. Providing the training and development to ensure that your employees have the knowledge and skills needed to accomplish their tasks.

Chapter 9: Performance Management and Appraisal. Techniques you can use for appraising employee performance.

Chapter 10: Managing Careers and Retention. Causes of and solutions for employee turnover, and how to help employees manage their careers.

PART 4: COMPENSATION

Chapter 11: Establishing Strategic Pay Plans. How to develop equitable pay plans for your employees.

Chapter 12: Pay for Performance and Financial Incentives. Pay-for-performance plans such as financial incentives, merit pay, and incentives that help tie performance to pay.

Chapter 13: Benefits and Services. Providing benefits that make it clear the firm views its employees as long-term investments and is concerned with their welfare.

PART 5: ENRICHMENT TOPICS IN HUMAN RESOURCE MANAGEMENT

Chapter 14: Building Positive Employee Relations. Developing employee relations programs and employee involvement strategies; ensuring ethical and fair treatment through discipline and grievance processes.

Chapter 15: Labor Relations and Collective Bargaining. How to deal with unions, including the union organizing campaign; negotiating and agreeing upon a collective bargaining agreement between unions and management; and managing the agreement via the grievance process.

Chapter 16: Safety, Health, and Risk Management. How to make the workplace safe, including the causes of accidents; laws governing your responsibilities for employee safety and health; risk management methods.

Chapter 17: Managing Global Human Resources. Special topics in managing the HR side of multinational operations.

Chapter 18: Managing Human Resources in Small and Entrepreneurial Firms. Special topics for managing human resources in smaller firms.

The Topics Are Interrelated

In practice, do not think of each of this book's topics as being unrelated to the others. Each topic interacts with and affects the others, and all should align with the employer's strategic plan. For example, hiring people who don't have the potential to learn the job will doom their performance, regardless of how much training they get. Similarly, we will see throughout this book that each human resource management function, from job analysis to recruiting, selecting, training, and rewarding employees, should aim to produce the employee behaviors and competencies that the company needs to achieve its strategic goals.

Chapter Review

Chapter Section Summaries

1-1. All managers should be able to answer, **What is human resource management, and why is it important?** Doing so helps managers avoid problems like hiring the wrong person for the job. And more important, it can help ensure that managers get results through people. Line managers' human resource duties include placing the right person on the job, and orienting and training new employees.

1-2. **The trends shaping human resource management** are influencing what human resource managers do and how they do it. Globalization means more competition, and more competition means more pressure to lower costs and to make employees more productive and quality conscious. Technology is requiring more employees to be technologically well informed and pressuring employers to improve their human resource processes by applying new distributive technological tools. There is more emphasis on "knowledge work" and therefore on building "human capital," the knowledge, education, training, skills, and expertise of a firm's employees. Workforce and demographic changes mean that the workforce is becoming older and more diverse.

1-3. In terms of the **components or pillars of human resource management today,** employers expect their human resource management teams to focus more on big-picture issues, including instituting human resource policies and practices that support the companies' strategic objectives, and to foster high performance through engaged employees.

1-4. To do so, **the human resource managers** need **new competencies.** They should be able to apply evidence-based human resource management, which means the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.

1-5. In understanding the overall **plan of this book,** keep several important themes in mind: that human resource management is the responsibility of every manager, that the workforce is increasingly diverse, that employers and their human resource managers face the need to manage in challenging economic times, and that human resource managers must be able to defend their plans and contributions in measurable terms—to use evidence-based management—to show they've added value.

Discussion Questions

1-1. Explain what HR management is and how it relates to the management process.

1-2. Give examples of how HR management concepts and techniques can be of use to all managers.

1-3. Illustrate the HR management responsibilities of line and staff managers.

1-4. Compare the authority of line and staff managers. Give examples of each.

Individual and Group Activities

1-5. Working individually or in groups, develop outlines showing how trends like workforce diversity, technological innovation, globalization, and changes in the nature of work have affected the college or university you are attending now. Present in class.

1-6. Working individually or in groups, contact the HR manager of a local bank. Ask the HR manager how he or she is working as a strategic partner to manage human resources, given the bank's strategic goals and objectives. Back in class, discuss the responses of the different HR managers.

1-7. Working individually or in groups, interview an HR manager. Based on that interview, write a short presentation regarding HR's role today in building competitive organizations.

1-8. Working individually or in groups, bring several business publications such as *Bloomberg Businessweek* and *The Wall Street Journal* to class, or access them in class via the Web. Based on their contents, compile a list titled "What HR Managers and Departments Do Today."

1-9. Based on your personal experiences, list 10 examples showing how you used (or could have used) human resource management techniques at work or school.

1-10. Laurie Siegel, former senior vice president of human resources for Tyco International, took over her job just after numerous charges forced the company's previous board of directors and top executives to leave the firm. Hired by new CEO Edward Breen, Siegel had to tackle numerous difficult problems starting the moment she assumed office. For example, she had to help hire a new management team. She had to do something about what the outside world viewed as a culture of questionable ethics at her company. And she had to do something about the company's top-management compensation plan, which many felt contributed to the allegations by some that some former company officers had used the company as a sort of private ATM.

Siegel came to Tyco after a very impressive career. For example, she had been head of executive compensation at Allied Signal, and was a graduate of the Harvard Business School. But, as strong as her background was, she obviously had her work cut out for her when she took the senior vice president of HR position at Tyco.

Working individually or in groups, conduct an Internet search and/or library research to answer the following questions: What human resource management–related steps did Siegel take to help get Tyco back on the right track? Do you think she took the appropriate steps? Why or why not? What, if anything, do you suggest she do now?

1-11. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or Appendix B; (2) identify the material in this chapter that relates to the Appendix A and/or Appendix B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

Experiential Exercise

HR and "The Profit"

Written and copyrighted by Gary Dessler, PhD.

Purpose: The purpose of this exercise is to provide practice in identifying and applying the basic concepts of human resource management by illustrating how managers use these techniques in their day-to-day jobs.

Required Understanding: Be thoroughly familiar with the material in this chapter, and with at least one or two episodes of CNBC's *The Profit* with Marcus Lemonis, www.tv.com/shows/the-profit/watch/. (Access a library of past episodes at URLs such as www.cnbc.com/live-tv/the-profit)

How to Set Up the Exercise/Instructions:

- Divide the class into teams of several students.
- Read this: As you may know by watching billionaire Marcus Lemonis as he works with actual small businesses in which he's taken an ownership share, human resource management often plays an important role in what he and the business owners and managers need to do to be successful. For example, at Grafton Furniture, a lack of clarity about who does what (a lack of up-to-date job descriptions) leads to inadequate supervision of some ongoing orders and to lower profit margins. Questions also arise at Grafton about, for instance, the effectiveness of the training that some managers (including the owner's son) have received.

- Watch several of these shows (or reruns of the shows), and then meet with your team and answer the following questions:

1-12. What specific HR functions (recruiting, interviewing, training, and so on) can you identify Mr. Lemonis addressing on this show? Make sure to give specific examples based on the show.

1-13. What specific HR functions can you identify as being problematical in this company? Again, please give specific answers.

1-14. In terms of HR functions (such as recruiting, selection, interviewing, compensating, appraising, and so on) what exactly would you recommend doing to improve this company's performance?

1-15. Present your team's conclusions to the class.

Application Case

Jack Nelson's Problem[115]

Written and copyrighted by Gary Dessler, PhD.

As a new member of the board of directors for a local bank, Jack Nelson was being introduced to all the employees in the home office. When he was introduced to Ruth Johnson, he was curious about her work and asked her what the machine she was using did. Johnson replied that she really did not know what the machine was called or what it did. She explained that she had only been working there for 2 months. However, she did know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the supervisor in charge spoke to Nelson confidentially, telling him that "something was wrong," but she didn't know what. For one thing, she explained, employee turnover was too high, and no sooner had one employee been put on the job than another one resigned. With customers to see and loans to be made, she continued, she had little time to work with the new employees as they came and went.

All branch supervisors hired their own employees without communication with the home office or other branches. When an opening developed, the supervisor tried to find a suitable employee to replace the worker who had quit.

After touring the 22 branches and finding similar problems in many of them, Nelson wondered what the home office should do or what action he should take. The banking firm generally was regarded as being a well-run institution that had grown from 27 to 191 employees during the past 8 years. The more he thought about the matter, the more puzzled Nelson became. He couldn't quite put his finger on the problem, and he didn't know whether to report his findings to the president.

Questions

1-16. What do you think is causing some of the problems in the bank's home office and branches?

1-17. Do you think setting up an HR unit in the main office would help?

1-18. What specific functions should an HR unit carry out? What HR functions would then be carried out by supervisors and other line managers? What role should the Internet play in the new HR organization?

Continuing Case

Carter Cleaning Company

Written and copyrighted by Gary Dessler, PhD.

Introduction

A main theme of this book is that human resource management activities like recruiting, selecting, training, and rewarding employees are not just the job of a central HR group but rather a job in which every manager must engage. Perhaps nowhere is this more apparent than in the typical small service business. Here the owner/manager usually has no HR staff to rely on. However, the success of his or her enterprise (not to mention his or her family's peace of mind) often depends largely on the effectiveness through which workers are recruited, hired, trained, evaluated, and rewarded. Therefore, to help illustrate and emphasize the front-line manager's HR role, throughout this book we will use a continuing case based on an actual small business in the southeastern United States. Each chapter's segment of the case will illustrate how the case's main player—owner/manager Jennifer Carter—confronts and solves personnel problems each day at work by applying the concepts and techniques of that particular chapter. Here is background information that you will need to answer questions that arise in subsequent chapters. (We also present a second, unrelated "application case" case incident in each chapter.)

Carter Cleaning Centers

Jennifer Carter graduated from State University in June 2011 and, after considering several job offers, decided to do what she always planned to do—go into business with her father, Jack Carter.

Jack Carter opened his first laundromat in 1991 and his second in 2001. The main attraction of these coin laundry businesses for him was that they were capital—rather than labor—intensive. Thus, once the investment in machinery was made, the stores could be run with just one unskilled attendant and none of the labor problems one normally expects from being in the retail service business.

The attractiveness of operating with virtually no skilled labor notwithstanding, Jack had decided by 2007 to expand the services in each of his stores to include the dry cleaning and pressing of clothes. He embarked, in other words, on a strategy of "related diversification" by adding new services that were related to and consistent with his existing coin laundry activities. He added these for several reasons. He wanted to better utilize the unused space in the rather large stores he currently had under lease. Furthermore, he was, as he put it, "tired of sending out the dry cleaning and pressing work that came in from our coin laundry clients to a dry cleaner 5 miles away, who then took most of what should have been our profits." To reflect the new, expanded line of services, he renamed each of his two stores Carter Cleaning Centers and was sufficiently satisfied with their performance to open four more of the same type of stores over the next 5 years. Each store had its own on-site manager and, on average, about seven employees and annual revenues of about $550,000. It was this six-store chain that Jennifer joined after graduating.

Her understanding with her father was that she would serve as a troubleshooter/consultant to the elder Carter with the aim of both learning the business and bringing to it modern management concepts and techniques for solving the business's problems and facilitating its growth.

Questions

1-19. Make a list of five specific HR problems you think Carter Cleaning will have to grapple with.

1-20. What would you do first if you were Jennifer?

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

1-21. From a practical point of view, why is it important for all managers and future managers to have a good command of human resource management concepts and techniques?

1-22. Think of some companies that you are familiar with or that you've read about where you think the human resource managers have been successful in "adding value." What do the HR managers do to lead you to your conclusion?

1-23. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

P I A PERSONAL INVENTORY ASSESSMENT

Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

organization, 3
manager, 3
managing, 3
management process, 3

human resource management
   (HRM), 3
authority, 5
line authority, 5

staff authority, 5
line manager, 5
staff manager, 5

strategic human resource
   management, 16
employment engagement, 18
ethics, 18

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2

Equal Opportunity and the Law

When you finish studying this chapter, you should be able to:

2-1 **List** the basic features of Title VII of the 1964 Civil Rights Act and at least five other early equal employment laws.

2-2 **List** the basic features of at least five post-1990 employment laws, and explain with examples how to avoid accusations of sexual harassment at work.

2-3 **Illustrate** two defenses you can use in the event of discriminatory practice allegations, and list specific discriminatory personnel management practices in recruitment, selection, promotion, transfer, layoffs, and benefits.

2-4 **List** the steps in the EEOC enforcement process.

2-5 **Give examples** of attitudes that undermine diversity efforts, and explain how you would create a diversity management program.

A few years ago lawyers filed a federal lawsuit against Uber Technologies. They said Uber's questionable performance appraisal system produced performance ratings that led to male Uber employees getting better raises than women.[1] We will see how to avoid such problems.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Strategic and Legal Environment

Recruitment and Placement

Employee Relations

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Compensation

Training and Development

WHERE ARE WE NOW . . .

Every HR action you take as a manager, from interviewing applicants to training, appraising, and rewarding them, has equal employment implications. Therefore, the purpose of this chapter is to provide you with the knowledge to deal more effectively with equal employment questions on the job. The main topics we cover are equal opportunity **Laws Enacted from 1964 to 1991**, the **Laws Enacted from 1991** to the present, **Defenses Against Discrimination Allegations and Discriminatory Employment Practices**, the **EEOC Enforcement** process, and **Diversity Management**.

KNOWLEDGE BASE

Equal Opportunity Laws Enacted from 1964 to 1991

Hardly a day goes by without equal opportunity lawsuits at work.[2] One survey of corporate counsels found that such lawsuits were their biggest litigation fears.[3] Performing day-to-day supervisory tasks like hiring employees without understanding these laws is fraught with peril.

Actually, laws barring discrimination against minorities in the United States are nothing new. The Fifth Amendment to the U.S. Constitution (ratified in 1791) states that "no person shall be deprived of life, liberty, or property, without due process of the law." The Thirteenth Amendment (1865) outlawed slavery, and courts have held that it bars racial discrimination. The Civil Rights Act of 1866 gives all persons the same right to make and enforce contracts and to benefit from U.S. laws.[4] But as a practical matter, Congress and presidents avoided dramatic action on implementing equal employment laws until the early 1960s. At that point, civil unrest among minorities and women and changing traditions prompted them to act. Congress passed a multitude of new civil rights laws.

Title VII of the 1964 Civil Rights Act

Title VII of the 1964 Civil Rights Act

The section of the act that says an employer cannot discriminate on the basis of race, color, religion, sex, or national origin with respect to employment.

Title VII of the 1964 Civil Rights Act was one of the first of these laws. As amended by the 1972 Equal Employment Opportunity Act, Title VII states that an employer cannot discriminate based on race, color, religion, sex, or national origin. Specifically, it states that it shall be an unlawful employment practice for an employer:

1. To fail or refuse to hire or to discharge an individual or otherwise to discriminate against any individual with respect to his or her compensation, terms, conditions, or privileges of employment, because of such individual's race, color, religion, sex, or national origin.
2. To limit, segregate, or classify employees or applicants for employment in any way that would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect his or her status as an employee, because of such individual's race, color, religion, sex, or national origin.

Title VII bars discrimination on the part of most employers, including all public or private employers of 15 or more persons and most labor unions. It also covers all private and public educational institutions, the federal government, and state and local governments. It bars public and private employment agencies from failing or refusing to refer for employment any individual because of race, color, religion, sex, or national origin.

Equal Employment Opportunity Commission (EEOC)

The commission, created by Title VII, empowered to investigate job discrimination complaints and sue on behalf of complainants.

Title VII established the **Equal Employment Opportunity Commission (EEOC)** to administer and enforce the Civil Rights Act at work. It consists of five members appointed by the president with the advice and consent of the Senate. Each member serves a 5-year term. In popular usage, the EEOC also includes the thousands of staff the EEOC has around the United States. They receive and investigate job discrimination complaints from aggrieved individuals. When the EEOC finds reasonable cause that the charges are justified, it attempts (through conciliation) to reach an agreement.[5] If this fails, it can go to court. The EEOC may file discrimination charges on behalf of aggrieved individuals, or the individuals may file on behalf of themselves.[6] We'll discuss the EEOC procedure later in this chapter.[7]

■ HR AND THE GIG ECONOMY: *DISCRIMINATION IN THE GIG ECONOMY?*

Most companies use recruiters, supervisors, and/or HR professionals to do their hiring, so if an applicant suffers discrimination it's usually pretty clear who did it.[8] But what do you do when you're a gig worker, doing work through a gig economy company like Uber, Task Rabbit, or Fiverr? Here the people doing the "hiring" are usually Task Rabbit, Uber, or Fiverr users, and they're hiring based on reviews compiled from previous users, or from photos in your profile. What stops customers from illegally discriminating?

Unfortunately, the answer may be, "not much." For example, in one study of labor markets like Task Rabbit and Fiverr, black service providers got more negative reviews than did white ones. Because the rating algorithms are then based partly on prior customers' reviews, the black service providers were usually less likely to get new gigs. It's therefore a problem that gig companies (and customers) need to address.

affirmative action

Steps that are taken for the purpose of eliminating the present effects of past discrimination.

Office of Federal Contract Compliance Programs (OFCCP)

This office is responsible for implementing the executive orders and ensuring compliance of federal contractors.

Equal Pay Act of 1963

The act requiring equal pay for equal work, regardless of sex.

Age Discrimination in Employment Act of 1967 (ADEA)

The act prohibiting arbitrary age discrimination and specifically protecting individuals over 40 years old.

Vocational Rehabilitation Act of 1973

The act requiring certain federal contractors to take affirmative action for disabled persons.

Pregnancy Discrimination Act

An amendment to Title VII of the Civil Rights Act that prohibits sex discrimination based on "pregnancy, childbirth, or related medical conditions."

Executive Orders

Various U.S. presidents signed executive orders expanding equal employment in federal agencies. For example, the Johnson administration (1963–1969) issued Executive Orders 11246 and 11375. These required that government contractors with contracts of more than $50,000 and 50 or more employees take **affirmative action** to ensure employment opportunities for those who may have suffered past discrimination. They also established the **Office of Federal Contract Compliance Programs (OFCCP).** It implements the orders and ensures compliance.[9]

Equal Pay Act of 1963

Under the **Equal Pay Act of 1963** (amended in 1972), it is unlawful to discriminate in pay on the basis of sex when jobs involve equal work; require equivalent skills, effort, and responsibility; and are performed under similar working conditions. Pay differences derived from seniority systems, merit systems, and systems that measure earnings by production quantity or quality or from any factor other than sex do not violate the act. Unfortunately, this act notwithstanding, women still earn only about 70% as much as men in similar jobs; we'll address this inequity and how to deal with it in our chapter on establishing strategic pay plans.

Age Discrimination in Employment Act of 1967

The **Age Discrimination in Employment Act of 1967 (ADEA)** made it unlawful to discriminate against employees or applicants who are between 40 and 65 years of age. Subsequent amendments effectively ended most mandatory retirement at age 65. Most states and local agencies, when acting as employers, must also adhere to the ADEA.[10]

You can't get around the ADEA by replacing employees who are, say, 60 with someone over 40. In one case the U.S. Supreme Court held that an employee who is over 40 years of age might sue for discrimination if a "significantly younger" employee replaces him or her, even if the replacement is also over 40. The Court didn't specify what "significantly younger" meant, but here the plaintiff was replaced by someone 16 years younger.[11]

Younger managers especially may have to guard against age prejudices. For example, Staples fired a 64-year-old man, saying he stole a bell pepper. He sued for age discrimination. It transpired that a Staples manager had told colleagues to "take a closer look at the older people" and "write them up and get rid of them." The fired employee won his case (for $16 million) and an appeal.[12]

Similarly, recruitment ads often use phrases like "applicants should have received their degrees 2014–2018," or "should have 4–6 years' experience." While not always illegal, such phrases sometimes mean, "if you're over 40, don't apply."[13] Age discrimination at large tech firms may exceed that for gender or race.[14]

Lawyers like the ADEA. It allows jury trials and double damages to those proving "willful" discrimination.[15] It's advisable to have antiharassment policies addressing older employees. For example ban derogatory use of words like "grandpa" to refer to older people.[16]

Vocational Rehabilitation Act of 1973

The **Vocational Rehabilitation Act of 1973** requires employers with federal contracts of more than $2,500 to take affirmative action in employing handicapped persons. It does not require hiring unqualified people. It does require an employer to take steps to accommodate a handicapped worker unless doing so imposes an undue hardship on the employer.

Pregnancy Discrimination Act of 1978

The **Pregnancy Discrimination Act** of 1978 prohibits using pregnancy, childbirth, or related medical conditions to discriminate in hiring, promotion, suspension, or discharge, or in any term or condition of employment. Furthermore, under the act, if an employer offers its employees disability coverage, then it must treat pregnancy and childbirth like any other disability, and include it in the plan as a covered condition.[17]

More women are suing under this act, and it's easy to see why.[18] As one example, a Chipotle restaurant let go a pregnant employee. She told the jury that despite a history

of positive performance feedback, her manager allegedly began harassing her when she said she was pregnant. For example, she was made to announce bathroom breaks to coworkers and told she couldn't leave early for doctors' appointments.

The jury awarded her actual losses plus $500,000 in punitive damages.[19] The bottom line is that managers should base "any [such] decision on whether an employee can do the job and on medical documentation, not on a manager's interpretation."[20]

Federal Agency Guidelines

The federal agencies charged with ensuring compliance with these laws and executive orders have their own implementing guidelines. These spell out recommended procedures for complying with the law.[21]

The EEOC, Civil Service Commission, Department of Labor, and Department of Justice together issued **Uniform Guidelines.**[22] These set forth "highly recommended" procedures for things like employee selection and record keeping. As an example, they specify that employers must *validate* any employment selection devices (like tests) that screen out disproportionate numbers of women or minorities, and they explain how to do so. (We explain this procedure in Chapter 6.) The EEOC and other agencies also periodically issue updated guidelines clarifying and revising their positions on matters such as sexual harassment. The American Psychological Association has its own (non-legally binding) Standards for Educational and Psychological Testing.

Early Court Decisions Regarding Equal Employment Opportunity

Several court decisions between 1964 and 1991 helped clarify courts' interpretations of equal employment opportunity (EEO) laws such as Title VII.

GRIGGS V. DUKE POWER COMPANY   *Griggs* was a landmark case because the Supreme Court used it to define unfair discrimination. Lawyers sued the Duke Power Company on behalf of Willie Griggs, an applicant for a job as a coal handler. The company required its coal handlers to be high school graduates. Griggs claimed this requirement was illegally discriminatory. He said it wasn't related to success on the job, and it resulted in more blacks than whites being rejected for these jobs. Griggs won the case. The Court's decision was unanimous. In his written opinion, Chief Justice Burger laid out three crucial guidelines affecting equal employment legislation.

- First, the Court ruled that the *discrimination does not have to be overt to be illegal.* The plaintiff does not have to show that the employer intentionally discriminated against the employee or applicant. Instead, the plaintiff just has to show that discrimination took place.
- Second, the Court held that an employment practice (in this case, requiring the high school degree) *must be job related* if it has an unequal impact on members of a **protected class.** (For example, if arithmetic is not required to perform the job, don't test for arithmetic.)
- Third, Chief Justice Burger's opinion placed the *burden of proof on the employer* to show that the hiring practice is job related. Thus, the employer must show that the employment practice (in this case, requiring a high school degree) is necessary for satisfactory job performance if the practice discriminates against members of a protected class. Said Justice Burger:

> The act proscribes not only overt discrimination, but also practices that are fair in form, but discriminatory in operation. The touchstone is business necessity. If an employment practice which operates to exclude Negroes cannot be shown to be related to job performance, the practice is prohibited.[23]

For employers, *Griggs* established these five principles:

1. A test or other selection practice must be job related, and the burden of proof is on the employer.
2. An employer's intent not to discriminate is irrelevant.[24]

Uniform Guidelines
Guidelines issued by federal agencies charged with ensuring compliance with equal employment federal legislation explaining recommended employer procedures in detail.

protected class
Persons such as minorities and women protected by equal opportunity laws, including Title VII.

3. If a practice is "fair in form but discriminatory in operation," the courts will not uphold it.
4. *Business necessity* is the defense for any existing program that has adverse impact. The court did not define business necessity.
5. Title VII does not forbid testing. However, the test must be job related (valid), in that performance on the test must relate to performance on the job.

ALBEMARLE PAPER COMPANY V. MOODY   In the *Albemarle* case, the Court provided more details on how employers could prove that tests or other screening tools relate to job performance.[25] For example, the Court said that if an employer wants to test candidates for a job, then the employer should first clearly document and understand the job's duties and responsibilities. Furthermore, the job's performance standards should be clear and unambiguous. That way, the employer can identify which employees are performing better than others. The Court's ruling also established the EEOC (now Federal) Guidelines on validation as the procedures for validating employment practices.

The Laws Enacted from 1991 to the Present

The Civil Rights Act of 1991

Several subsequent Supreme Court rulings in the 1980s limited the protection of women and minority groups under equal employment laws. For example, they raised the plaintiff's burden of proving that the employer's acts were in fact discriminatory. This prompted Congress to pass a new Civil Rights Act. President George H. W. Bush signed the **Civil Rights Act of 1991 (CRA 1991)** into law in 1991. The effect of CRA 1991 was to roll back equal employment law to where it stood before the 1980s decisions and to place more responsibility on employers.

BURDEN OF PROOF   First, CRA 1991 addressed the issue of *burden of proof.* Burden of proof—what the plaintiff must show to establish possible illegal discrimination, and what the employer must show to defend its actions—plays a central role in equal employment cases.[26] Today, in brief, once an aggrieved applicant or employee demonstrates that an employment practice (such as "must lift 100 pounds") has an adverse impact on a particular group, then the burden of proof shifts to the employer, who must show that the challenged practice is job related.[27] For example, the employer has to show that lifting 100 pounds is required for performing the job in question, and that the business could not run efficiently without the requirement—that it is a business necessity.[28]

MONEY DAMAGES   Before CRA 1991, victims of *intentional* discrimination (which lawyers call *disparate treatment*) who had not suffered financial loss and who sued under Title VII could not then sue for compensatory or punitive damages. All they could expect was to have their jobs reinstated (or to get a particular job). They were also eligible for back pay, attorneys' fees, and court costs.

CRA 1991 makes it easier to sue for *money damages* in such cases. It provides that an employee who is claiming intentional discrimination can ask for (1) compensatory damages, and (2) punitive damages, if he or she can show the employer engaged in discrimination "with malice or reckless indifference to the federally protected rights of an aggrieved individual."[29]

MIXED MOTIVES   Some employers in **"mixed-motive" cases** had taken the position that even though their actions were discriminatory, other factors like the employee's dubious behavior made the job action acceptable. Under CRA 1991, an employer cannot avoid liability by proving it would have taken the same action—such as terminating someone—even without the discriminatory motive.[30] *If there is any such motive, the practice may be unlawful.*[31]

LEARNING OBJECTIVE 2-2

List the basic features of at least five post-1990 employment laws, and explain with examples how to avoid accusations of sexual harassment at work.

Civil Rights Act of 1991 (CRA 1991)

The act that places the burden of proof back on employers and permits compensatory and punitive damages.

"mixed-motive" case

A discrimination allegation case in which the employer argues that the employment action taken was motivated not by discrimination, but by some nondiscriminatory reason such as ineffective performance.

The Americans with Disabilities Act

The **Americans with Disabilities Act (ADA)** of 1990 prohibits employment discrimination against qualified disabled individuals.[32] It prohibits employers with 15 or more workers from discriminating against qualified individuals with disabilities, with regard to applications, hiring, discharge, compensation, advancement, training, or other terms, conditions, or privileges of employment.[33] It also says employers must make "reasonable accommodations" for physical or mental limitations unless doing so imposes an "undue hardship" on the business.

The ADA does not list specific disabilities. Instead, EEOC guidelines say someone is disabled when he or she has a physical or mental impairment that "substantially limits" one or more major life activities. Initially, impairments included any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of several body systems, or any mental or psychological disorder, but the list is growing.[34] (Recently, a Massachusetts court held that firing a qualified medical marijuana user may qualify for disability discrimination).[35]

The act specifies conditions that it does *not* regard as disabilities, including homosexuality, compulsive gambling, pyromania, and certain disorders resulting from the current illegal use of drugs.[36]

Mental disabilities account for the greatest number of ADA claims.[37] Under EEOC ADA guidelines, "mental impairment" includes "any mental or psychological disorder, such as . . . emotional or mental illness." Examples include major depression, anxiety disorders, and personality disorders. The ADA also protects employees with intellectual disabilities, including those with IQs below 70–75.[38] The guidelines say employers should be alert to the possibility that traits normally regarded as undesirable (such as chronic lateness, hostility, or poor judgment) may reflect mental impairments. Reasonable accommodation might then include providing barriers between work spaces.

QUALIFIED INDIVIDUAL   Just being disabled doesn't qualify someone for a job, of course. Instead, the act prohibits discrimination against **qualified individuals**—those who, with (or without) a reasonable accommodation, can carry out the *essential functions* of the job. The individual must have the requisite skills, educational background, and experience. A job function is essential when, for instance, it is the reason the position exists, or it is so highly specialized that the employer hires the person for his or her expertise or ability to perform that particular function. For example, when an Iowa county highway worker had an on-the-job seizure, his driver's license was suspended, and the court ruled he had no ADA claim because he couldn't perform the essential functions of the job.[39]

REASONABLE ACCOMMODATION   If the individual can't perform the job as currently structured, the employer must make a "reasonable accommodation" unless doing so would present an "undue hardship."[40] Reasonable accommodation might include redesigning the job, modifying work schedules, or modifying or acquiring equipment or other devices; widening door openings or permitting telecommuting are examples.[41] For example, about 70% of working-age blind adults are unemployed or underemployed. Existing technologies such as screen-reading programs might enable most to work successfully.[42] Review the company's Web sites to ensure they don't hamper people with handicaps.[43]

Attorneys, employers, and the courts continue to work through what "reasonable accommodation" means.[44] In one classic case, a Walmart door greeter with a bad back asked if she could sit on a stool while on duty. The store said no. The federal court agreed door greeters must act in an "aggressively hospitable manner," which can't be done from a stool.[45] Standing was an essential job function. You can use technology and common sense to make reasonable accommodation (see Figure 2-1).

THE ADA AMENDMENTS ACT OF 2008 (ADAAA)   Employers traditionally prevailed in almost all—96%—federal circuit court ADA decisions.[46] One case typifies what plaintiffs faced. An assembly worker sued Toyota, arguing that carpal tunnel syndrome

- Employees with *mobility or vision impairments* may benefit from voice-recognition software.
- Word-prediction software suggests words based on context with just one or two letters typed.
- Real-time translation captioning enables employees to participate in meetings.
- Vibrating text pagers notify employees when messages arrive.
- Arizona created a disability-friendly Web site to help link prospective employees and others to various agencies.

prevented her from doing her job.[47] The U.S. Supreme Court ruled that the ADA covers carpal tunnel syndrome only if her impairments affect not just her job performance, but also her daily living activities. The employee admitted that she could perform personal chores such as washing her face and fixing breakfast. The Court said the disability must be central to the employee's daily living (not just to his or her job).[48]

However, the ADA Amendments Act of 2008 (ADAAA) made it easier for employees to show that their disabilities are influencing one of their "major life activities," such as reading and thinking.[49] For example, sensitivity to perfume might be considered a disability.[50] Employers must therefore redouble their efforts to ensure they're complying with the ADA.[51]

Many employers simply take a progressive approach. Common employer concerns about people with disabilities (for instance, that they are less productive and have more accidents) are generally baseless.[52] For example, Walgreens tries to fill at least one-third of the jobs at its large distribution centers with people with disabilities.[53]

Figure 2-2 summarizes some important ADA guidelines for managers and employers.

Uniformed Services Employment and Reemployment Rights Act

Under the Uniformed Services Employment and Reemployment Rights Act (1994), employers are generally required, among other things, to reinstate employees returning from military leave to positions comparable to those they had before leaving.[54]

Genetic Information Nondiscrimination Act of 2008 (GINA)

The Genetic Information Nondiscrimination Act of 2008 (GINA) prohibits discrimination by health insurers and employers based on people's genetic information. Specifically, it prohibits the use of genetic information in employment, prohibits the intentional acquisition of genetic information about applicants and employees, and imposes strict confidentiality requirements.[55]

Technology enables employers to accommodate disabled employees.

mark adams/123RF

FIGURE 2-2 **ADA Guidelines for Managers and Employers**

- *Do not* deny a job to a disabled individual if the person is qualified and able to perform the essential job functions.
- *Make* a reasonable accommodation unless doing so would result in undue hardship.
- *Know* what you can ask applicants. In general, you may *not* make preemployment inquiries about a person's disability before making an offer. However, you *may* ask questions about the person's ability to perform essential job functions.
- *Itemize* essential job functions on the job descriptions. In virtually any ADA legal action, a central question will be, what are the essential functions of the job?
- *Do not* allow misconduct or erratic performance (including absences and tardiness), even if that behavior is linked to the disability.

State and Local Equal Employment Opportunity Laws

In addition to federal laws, all states and many local governments prohibit employment discrimination. The state or local laws usually cover employers (like those with less than 15 employees) not covered by federal legislation.[56]

Employers ignore city and state EEO laws at their peril. In New York City, for instance, city law applies to employers with as few as 4 employees (not 15, as under Title VII).[57] Managers use manuals such as *HR Compliance Basics: Your State and Federal Employment Law Manual* (available from the SHRM) to understand local EEO requirements.

State and local equal employment opportunity agencies (often called *Human Resources Commissions* or *Fair Employment Commissions*) also play a role in equal employment compliance. When the EEOC receives a discrimination charge, it usually defers it for a limited time to the state and local agencies that have comparable jurisdiction. If that doesn't achieve satisfactory remedies, the charges go back to the EEOC for resolution.

Religious Discrimination[58]

The EEOC enforces laws prohibiting discrimination based on age, disability, equal pay/compensation, genetic information, national origin, pregnancy, race/color, religion, retaliation, sex, and sexual harassment.

Religious discrimination involves treating someone unfavorably because of his or her religious beliefs. The law protects not only people who belong to traditional, organized religions, such as Buddhism, Christianity, Hinduism, Islam, and Judaism, but also others who have sincerely held religious, ethical, or moral beliefs. Unless it would be an undue hardship on the employer, an employer must reasonably accommodate an employee's religious beliefs or practices. This applies to schedule changes or leave for religious observances, as well as to such things as religious dress or grooming practices. These might include, for example, wearing particular head coverings or other religious dress (such as a Jewish yarmulke or a Muslim headscarf), or wearing certain hairstyles or facial hair (such as Rastafarian dreadlocks or Sikh uncut hair and beard).

One question is how far employers must go to accommodate employees' religious practices. For example, the EEOC found reasonable cause that food giant Cargill violated Title VII by telling Muslim employees at one plant they couldn't have prayer breaks.[59] Here what is "reasonable" depends partly on how disruptive the accommodation would be. For example, such breaks might be too disruptive for high-speed continuous production lines.[60]

Trends in Discrimination Law

Some trends are expanding equal employment's impact, while others are forming new headwinds.

In terms of the former, the U.S. Supreme Court held that the Federal Defence of Marriage Act's exclusion of state-sanctioned, same-sex marriages was unconstitutional.[61] The Department of Labor (DOL) then held that under the Employee

Retirement Income Security Act (ERISA), "The term 'spouse' will be read to refer to any individuals who are lawfully married under any state law, including those . . . who are [now] domiciled in a state that doesn't recognize such marriages."[62] In 2014, then-President Obama signed an executive order barring federal contractors from discriminating against lesbian, gay, bisexual, and transgender employees, for instance in benefits.[63] In 2017, a federal appeals court ruled that the Title VII ban on sex discrimination means employers cannot discriminate against lesbian and gay workers.[64] Several states require that employers permit people who don't identify with either the male or female gender to check off a third, "non-binary" classification.[65] The DOL passed regulations requiring that federal contractors employ a minimum (7%) of disabled workers or face penalties, possibly including loss of their contracts.[66]

Recent decisions may produce headwinds. The U.S. Supreme Court upheld a Michigan constitutional amendment banning affirmative action in admissions to the state's public universities. This may allow voters in other states to eliminate affirmative action-based admissions to their public universities.[67] And in two other decisions, the Court made it more difficult for someone to bring a retaliation claim against an employer; it also more strictly defined "supervisor," reducing the likelihood someone could show that an employer was responsible for a "supervisor's" harassing behavior.[68] With its stated goal of reducing regulations, the Republican administration could be less supportive of EEO regulations (and regulations in general). In 2017, Attorney General Sessions said religious organizations could employ only people whose beliefs are consistent with the companies' religious principles.[69]

Table 2-1 summarizes selected equal employment opportunity laws, actions, executive orders, and agency guidelines.

Sexual Harassment

The past few years have witnessed a dramatic increase in accusations and admissions of sexual harassment.[70]

Under Title VII, **sexual harassment** generally refers to harassment on the basis of sex when such conduct has the purpose or effect of substantially interfering with a person's work performance or creating an intimidating, hostile, or offensive work environment. In one recent year, the EEOC received 11,717 sexual harassment charges, about 15% of which were filed by men.[71] (The U.S. Supreme Court held, in *Oncale v. Sundowner Offshore Services Inc.,* that same-sex sexual harassment is also actionable under Title VII.[72]) One study found "women experienced more sexual harassment than men, minorities experienced more ethnic harassment than whites, and minority women experience more harassment overall than majority men, minority men, and majority women."[73] In late 2017 the EEOC updated its sexual harassment guidelines.[74]

Under EEOC guidelines, employers have an affirmative duty to maintain workplaces free of sexual harassment and intimidation. CRA 1991 permits victims of intentional discrimination, including sexual harassment, to have jury trials and to collect compensatory damages for pain and suffering and punitive damages, where the employer acted with "malice or reckless indifference" to the person's rights.[75] The **Federal Violence Against Women Act of 1994** further provides that a person "who commits a crime of violence motivated by gender and thus deprives another" of her rights shall be liable to the party injured.

WHAT IS SEXUAL HARASSMENT? EEOC guidelines define *sexual harassment* as unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature that takes place under any of the following conditions:

1. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment.
2. Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual.
3. Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment.

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sexual harassment

Harassment on the basis of sex that has the purpose or effect of substantially interfering with a person's work performance or creating an intimidating, hostile, or offensive work environment.

Federal Violence Against Women Act of 1994

The act that provides that a person who commits a crime of violence motivated by gender shall be liable to the party injured.

TABLE 2-1 Summary of Important Equal Employment Opportunity Laws*

Action	What It Does
Title VII of 1964 Civil Rights Act, as amended	Bars discrimination because of race, color, religion, sex, or national origin; instituted the EEOC.
Executive orders	Prohibit employment discrimination by employers with federal contracts of more than $10,000 (and their subcontractors); establish office of federal compliance; require affirmative action programs.
Federal agency guidelines	Guidelines cover discrimination based on sex, national origin, and religion, as well as on employee selection and other procedures such as test validation.
Supreme Court decisions: *Griggs v. Duke Power Co., Albemarle v. Moody*	Ruled that job requirements must be related to job success; that discrimination need not be overt to be proved; that the burden of proof is on the employer to prove the qualification is valid.
Equal Pay Act of 1963	Requires equal pay for men and women for performing similar work.
Age Discrimination in Employment Act of 1967	Prohibits discriminating against a person age 40 or over in any area of employment because of age.
State and local laws	Often cover organizations too small to be covered by federal laws.
Vocational Rehabilitation Act of 1973	Requires affirmative action to employ and promote qualified handicapped persons and prohibits discrimination against handicapped persons.
Pregnancy Discrimination Act of 1978	Prohibits discrimination in employment against pregnant women, or those with related conditions.
Vietnam Era Veterans' Readjustment Assistance Act of 1974	Requires affirmative action in employment for veterans of the Vietnam War era.
Ward Cove v. Atonio	Made it more difficult to prove a case of unlawful discrimination against an employer.
Americans with Disabilities Act of 1990	Strengthens the need for most employers to make reasonable accommodations for disabled employees at work; prohibits discrimination.
Civil Rights Act of 1991	Reverses various U.S. Supreme Court decisions; places burden of proof back on employer and permits compensatory and punitive money damages for discrimination.
ADA Amendments Act of 2008	Makes it easier for employee to show that his or her disability "substantially limits" a major life function.
Genetic Information Non-discrimination Act	Signed into law in May 2008, prohibits discriminating against employees and applicants based on their genetic information.

* The actual laws (and others) can be accessed via a search at www.usa.gov/Topics/Reference-Shelf/Laws.shtml, accessed June 28, 2018.

PROVING SEXUAL HARASSMENT   There are three main ways someone can prove sexual harassment:

1. *Quid Pro Quo.* The most direct is to prove that rejecting a supervisor's advances adversely affected what the EEOC calls a "tangible employment action," such as hiring, firing, promotion, demotion, and/or work assignment. In one case, the employee showed that continued job success and advancement were dependent on her agreeing to the sexual demands of her supervisors. "Sexual harassment" generally requires that the behavior be pervasive or severe. Thus, in one case, the court ruled that although the supervisor had touched the employee's shoulder twice as he drove her back from work and also mentioned that she "owed him" for hiring her, she did not have a trial-able sexual harassment claim.[76]
2. *Hostile Environment Created by Supervisors.* The harassment need not have tangible consequences such as demotion. For example, one court found that a male supervisor's behavior had substantially affected a female employee's emotional and psychological ability to the point that she felt she had to quit her job. Therefore, even though the supervisor made no direct threats or promises in exchange for sexual advances, his advances interfered with the woman's performance and created an offensive work environment. That was sufficient to prove sexual harassment. Courts generally do not interpret as sexual harassment sexual relationships that arise during the course of employment but that do not have a substantial effect on that employment.[77] The U.S. Supreme Court also held

that sexual harassment law doesn't cover ordinary "intersexual flirtation." In his ruling, Justice Antonin Scalia said courts must carefully distinguish between "simple teasing" and truly abusive behavior.[78]

3. ***Hostile Environment Created by Coworkers or Nonemployees.*** Coworkers or nonemployees can trigger such suits. One court held that a mandatory sexually provocative uniform led to lewd comments by customers. When the employee refused to wear the uniform, she was fired. The employer couldn't show there was a job-related necessity for the uniform, and only female employees wore it. The court ruled that the employer, in effect, was responsible for the sexually harassing behavior. Such abhorrent client behavior is more likely when the clients are in positions of power, and when they think no one will penalize them.[79] Employers are also liable for the sexually harassing acts of nonsupervisory employees if the employer knew or should have known of the conduct.

WHEN IS THE ENVIRONMENT "HOSTILE"?   Hostile environment sexual harassment generally means the intimidation, insults, and ridicule were sufficiently severe to alter the employee's working conditions. Courts look at several things. These include whether the discriminatory conduct is *frequent or severe*; whether it is *physically threatening* or humiliating, or a mere offensive utterance; and whether it unreasonably *interferes* with an employee's work performance.[80] Courts also consider whether the employee subjectively *perceives* the work environment as being abusive. For example, did he or she welcome the conduct or immediately complain?[81]

SUPREME COURT DECISIONS   The U.S. Supreme Court used a case called *Meritor Savings Bank, FSB v. Vinson* to endorse broadly the EEOC's guidelines on sexual harassment. Two other Supreme Court decisions further clarified sexual harassment law.

In the first, *Burlington Industries v. Ellerth*, the employee accused her supervisor of *quid pro quo* harassment. She said her boss propositioned and threatened her with demotion if she did not respond. He did not carry out the threats, and she was promoted. In the second case, *Faragher v. City of Boca Raton*, the employee accused the employer of condoning a hostile work environment. She said she quit her lifeguard job after repeated taunts from other lifeguards. The Court ruled in favor of the employees in both cases.

The Court's written decisions have two implications for employers and managers. First, in *quid pro quo* cases it is *not* necessary for the employee to suffer a tangible job action (such as a demotion) to win the case. Second, the Court laid out an important defense against harassment suits. It said the employer must show that it took "reasonable care" to prevent and promptly correct any sexually harassing behavior *and* that the employee unreasonably failed to take advantage of the employer's policy.

These decisions suggest an employer can defend itself against sexual harassment liability by showing two things:

- First, it must show "that the employer exercised reasonable care to *prevent* and *correct promptly* any sexually harassing behavior."[82]
- Second, it must demonstrate that the plaintiff "unreasonably *failed to take advantage* of any preventive or corrective opportunities provided by the employer." The employee's failure to use formal reporting systems would satisfy the second component.[83]

The following Tools feature provides guidelines for managers.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

How to Address Sexual Harassment:[84]

- Take all complaints about harassment seriously.
- Issue a strong policy statement condemning such behavior. Describe the prohibited conduct, assure protection against retaliation, describe a confidential complaint process, and provide impartial investigation and corrective action.

- Take steps to prevent sexual harassment from occurring. For example, communicate to employees that the employer will not tolerate sexual harassment, and take immediate action when someone complains. After firing host Matt Lauer, NBC now requires any employees who know of inappropriate workplace relationships to report them to human resources.[85]
- Establish a management response system that includes an immediate reaction and investigation. Some organizations use an app from www.projectcallisto.org/ to facilitate recording and reporting sexual harassment.[86]
- Train supervisors and managers to increase their awareness of the issues, and discipline managers and employees involved in sexual harassment. ■

WHY THE LAW ISN'T ENOUGH   Unfortunately, several problems can negate the legal requirements.

First, "Women perceive a broader range of socio-sexual behaviors (touching, for instance) as harassing."[87] In one study, about 58% of employees reported experiencing potentially harassment-type behaviors at work. About four times as many men as women found the behavior flattering or benign.[88] Sexual harassment training and policies can reduce this problem.[89]

Second, victims are often fearful (for instance, of not getting the job). In one study, the male interviewer asked female applicants improper questions such as "Do you have a boyfriend?" and "Do people find you desirable?"[90] All the applicants answered all the questions. When asked why, they said they felt more fear than anger in the interview.

Third, victims often won't complain. For example, two Air Force generals appeared before the U.S. Congress' House Armed Services Committee to explain (among other things) how 23 instructors at an Air Force base could engage in unprofessional relationships or sexual assaults against 48 female trainees. The Air Force blamed both a climate of fear among female personnel (who believed that reporting the offenses to superior officers would be futile or counterproductive) and "a weak command structure."[91]

Finally, neither harassment training nor the HR department are always helpful. Many such training programs simply fulfill the employer's legal obligation to show that it educated employees about the firm's antiharassment policies. And when they do receive harassment reports, many HR departments do nothing.[92] As one extreme example, the Weinstein Company's HR department allegedly bounced harassment complaints back to Mr. Weinstein when people made allegations about him.[93]

WHAT THE EMPLOYEE CAN DO   First, complain. Remember that courts generally look to whether *the harassed employee used the employer's reporting procedures to file a complaint promptly.* If the employer has an effectively communicated complaint procedure, use it and then cooperate in the investigation.[94] In that context, steps an employee can take include:

1. Speak with the harasser and his or her boss, stating that the unwanted overtures should cease.
2. Inform your own supervisor.
3. If the problem does not cease, file written reports regarding the unwelcome conduct and unsuccessful efforts to get it to stop with the harasser's manager and/or the human resource director.
4. If these do not suffice, the accuser may file a claim with the EEOC. In serious cases, the employee can also consult an attorney about suing the harasser for assault and battery, intentional infliction of emotional distress, injunctive relief, and to recover compensatory and punitive damages.[95]

MyLab Management Apply It!

What do you think of how one employer actually dealt with problems such as sexual harassment? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/ mylab/management** to complete the video exercise.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Some employees will use Facebook and other accounts to harass and bully coworkers (as with disparaging comments). Here, employers must distinguish between illegal online harassment (that applying to race, religion, national origin, age, sex/gender, genetic information, and disability discrimination) and common personality conflicts. However, at a minimum, employers should have a zero-tolerance policy on bullying.[96]

Of course, social media has also been a boon for staffing, for instance for finding candidates on LinkedIn. However, viewing an applicant's social media profile can be problematic, as it may reveal information on things like religion, race, and sexual orientation.[97] Some states forbid employers from requiring or even requesting employees' or applicants' passwords. It's therefore sensible to have policies restricting who can check out candidates online and how they can do it. Supervisors probably should not do such checking themselves. ∎

Defenses Against Discrimination Allegations

To understand how employers defend themselves against employment discrimination claims, we should first briefly review some basic legal terminology.

Discrimination law distinguishes between disparate *treatment* and disparate *impact. Disparate treatment* means intentional discrimination. Disparate treatment "exists where an employer treats an individual differently because that individual is a member of a particular race, religion, gender, or ethnic group."[98] A rule that says "We don't hire drivers over 60 years of age" exemplifies this.

Disparate impact means that "an employer engages in an employment practice or policy that has a greater adverse impact (effect) on the members of a protected group under Title VII than on other employees, regardless of intent."[99] A rule that says "Employees must have college degrees to do this particular job" exemplifies this (because more white males than some minorities earn college degrees).

Disparate impact claims do not require proof of discriminatory intent. Instead, the plaintiff must show that the apparently neutral employment practice (such as requiring a college degree) creates an adverse impact—a significant disparity—between the proportion of (say) minorities in the available labor pool and the proportion you hire. Thus, disparate impact allegations require showing that the act produced an adverse impact. If it has, then the employer will probably have to defend itself (for instance, by arguing that there is a business necessity for the practice). Adverse impact "refers to the total employment process that results in a significantly higher percentage of a protected group in the candidate population being rejected for employment, placement, or promotion."[100] Then the burden of proof shifts to the employer.

The Central Role of Adverse Impact

adverse impact
The overall impact of employer practices that result in significantly higher percentages of members of minorities and other protected groups being rejected for employment, placement, or promotion.

Showing that one of the employer's employment practices or policies has an **adverse impact** therefore plays a central role in discriminatory practice allegations.[101] Under Title VII and CRA 1991, a person who believes that (1) he or she was a victim of unintentional discrimination because of an employer's practices need only, (2) establish a *prima facie* case of discrimination. This means showing, for instance, that the employer's selection procedures (like requiring a college degree for the job) did have an adverse impact on the protected minority group.

So, for example, if a minority applicant feels he or she was a victim of discrimination, the person need only show that the employer's selection process resulted in an adverse impact on his or her group. (For example, if 80% of the white applicants passed the test, but only 20% of the black applicants passed, a black applicant has a *prima facie* case proving adverse impact.) Then the burden of proof shifts to the employer. It becomes the employer's task to prove that its test (or application blank or the like) is a valid predictor of performance on the job (and that it applied its selection process fairly and equitably to both minorities and nonminorities).

Employees who believe they are victims of harassment should have a mechanism for filing a complaint.

Dmytro Zinkevych/123RF

In practice, an applicant or employee can use one of the following five methods to show that one of an employer's procedures (such as a selection test) has an adverse impact on a protected group.

disparate rejection rates

A test for adverse impact in which it can be demonstrated that there is a discrepancy between rates of rejection of members of a protected group and of others.

4/5ths rule

Federal agency rule that a minority selection rate less than 80% (4/5ths) of that for the group with the highest rate is evidence of adverse impact.

DISPARATE REJECTION RATES   The **disparate rejection rate** method compares the rejection rates for a minority group and another group (usually the remaining nonminority applicants).[102]

Federal agencies use a **"4/5ths rule"** to assess disparate rejection rates: "A selection rate for any racial, ethnic, or sex group which is less than four-fifths or 80% of the rate for the group with the highest rate will generally be regarded as evidence of adverse impact, while a greater than four-fifths rate will generally not be regarded as evidence of adverse impact." For example, suppose the employer hires 60% of male applicants but only 30% of female applicants. Four-fifths of the 60% male hiring rate would be 48%. Because the actual female hiring rate of 30% is less than 48%, adverse impact exists as far as these federal agencies are concerned.[103]

THE STANDARD DEVIATION RULE   Similarly, the courts have used the *standard deviation rule* to confirm adverse impact. (The standard deviation is a statistical measure of variability. It is a measure of the dispersion of a set of data from its mean. Suppose we calculate the average height of students in your management class. In simplest terms, the standard deviation helps to describe, among other things, how wide a range there is in height between the shortest and tallest students and the class's average student height.) In selection, the standard deviation rule holds that, as a rule of thumb, the difference between the numbers of minority candidates we *would have expected* to hire and whom *we actually hired* should be less than two standard deviations.

Consider this example. Suppose 300 applicants apply for 20 openings; 80 of the applicants are women, and the other 220 are men. We use our screening processes and hire 2 females and 18 males. Did our selection process have an adverse impact? To answer this, we can compute the standard deviation:

$$SD = \sqrt{\frac{(\text{Number of minority applicants})}{(\text{Number of total applicants})} \times \frac{(\text{Number of nonminority applicants})}{(\text{Number of total applicants})} \times (\text{Number of applicants selected})}$$

In our case:

$$SD = \sqrt{\left(\frac{80}{300} \times \frac{220}{300} \times 20\right)} = \sqrt{(0.2667 \times 0.7333 \times 20)}$$
$$= \sqrt{3.911} = SD = 1.977$$

In our example, women are 26% (80/300) of the applicant pool. We should therefore *expect* to hire 26% of the 20 people hired, or about 5 women. We *actually* hired 2 women. The difference between the numbers of women we would expect to hire and whom we actually hired is $5 - 2 = 3$. We can use the standard deviation rule to gauge if there is adverse (disparate) impact. In our example, the standard deviation is 1.977. Again, the standard deviation rule holds that as a rule of thumb, the difference between the numbers of minority candidates we would have expected to hire and whom we actually hired should be less than two standard deviations. Two times 1.9777 is about 4. Since the difference between the number of women we would have expected to hire (5) and actually hired (2) is 3, the results suggest that our screening did not have adverse impact on women. (Put another way, in this case, hiring just 2 rather than 5 is not a highly improbable result.)[104]

restricted policy
Another test for adverse impact, involving demonstration that an employer's hiring practices exclude a protected group, whether intentionally or not.

RESTRICTED POLICY   The **restricted policy** approach means demonstrating that the employer's policy intentionally or unintentionally excluded members of a protected group. Here the problem is usually obvious—such as policies against hiring guards less than 6 feet tall. Evidence of restricted policies such as these is enough to prove adverse impact and to expose an employer to litigation.

POPULATION COMPARISONS   This approach compares (1) the percentage of minority/protected group and white workers in the organization with, (2) the percentage of the corresponding group in the labor market.

"Labor market," of course, varies with the job. For some jobs, such as secretary, it makes sense to compare the percentage of minority employees with the percentage of minorities in the surrounding community, since they will come from that community. But determining whether an employer has enough black engineers might involve determining the number available nationwide, not in the surrounding community.

Employers use *workforce analysis* to analyze the data regarding the firm's use of protected versus nonprotected employees in various job classifications. The process of comparing the percentage of minority employees in a job (or jobs) at the company with the number of similarly trained minority employees available in the relevant labor market is *utilization analysis*.

MCDONNELL DOUGLAS TEST   Lawyers in disparate impact cases use the previous approaches (such as population comparisons) to test whether an employer's policies or actions have the effect of unintentionally screening out disproportionate numbers of women or minorities. Lawyers use the McDonnell Douglas test for showing (intentional) disparate treatment, rather than (unintentional) disparate impact.

This test grew out of a case at the former McDonnell Douglas Corporation. The applicant was qualified, but the employer rejected the person and continued seeking applicants. Did this show that the hiring company intentionally discriminated against the female or minority candidate? The U.S. Supreme Court set four rules for applying the McDonnell Douglas test:

1. That the person belongs to a protected class;
2. That he or she applied and was qualified for a job for which the employer was seeking applicants;
3. That, despite this qualification, he or she was rejected; and
4. That, after his or her rejection, the position remained open and the employer continued seeking applications from persons with the complainant's qualifications.

If the plaintiff meets all these conditions, then a *prima facie* case of disparate treatment is established. At that point, the employer must articulate a legitimate non-discriminatory reason for its action, and produce evidence but not prove that it acted based on such a reason. If it meets this relatively easy standard, the plaintiff then has the burden of proving that the employer's articulated reason is merely a pretext for engaging in unlawful discrimination.

ADVERSE IMPACT EXAMPLE   Assume you turn down a member of a protected group for a job with your firm. You do this based on a test score (although it could have been interview questions or something else). Further, assume that this person feels he or she was discriminated against due to being in a protected class, and decides to sue your company.

Basically, all he or she must do is show that your procedure (such as the selection test) had an adverse impact on members of his or her minority group. The plaintiff can apply five approaches here. These are disparate rejection rates, the standard deviation rule, restricted policy, population comparisons, and, for disparate *treatment* cases, the McDonnell Douglas test. Once the person proves adverse impact (to the court's satisfaction), the burden of proof shifts to the employer. The employer must defend against the discrimination charges.

There is nothing in the law that says that because your procedure has an adverse impact on a protected group, you can't use it. In fact, it may well happen that some tests screen out disproportionately higher numbers of, say, blacks than they do whites. What the law does say is that once your applicant has made his or her case (showing adverse impact), the burden of proof shifts to you. Now the employer must defend use of the procedure.

There are then two basic defenses employers use to justify an employment practice that has an adverse impact on members of a minority group: the bona fide occupational qualification (BFOQ) defense and the business necessity defense.

Bona Fide Occupational Qualification

bona fide occupational qualification (BFOQ)
Requirement that an employee be of a certain religion, sex, or national origin where that is reasonably necessary to the organization's normal operation. Specified by the 1964 Civil Rights Act.

An employer can claim that the employment practice is a **bona fide occupational qualification (BFOQ)** for performing the job. Title VII specifically permits this defense. Title VII provides that "it should not be an unlawful employment practice for an employer to hire an employee . . . on the basis of religion, sex, or national origin *in those certain instances where religion, sex, or national origin is a bona fide occupational qualification* reasonably necessary to the normal operation of that particular business or enterprise."

However, courts usually interpret the BFOQ exception narrowly. It is usually a defense to a disparate treatment case based upon direct evidence of *intentional* discrimination, rather than to disparate impact (unintentional) cases. As a practical matter, employers use it mostly as a defense against charges of intentional discrimination based on age.

AGE AS A BFOQ   The Age Discrimination in Employment Act (ADEA) permits disparate treatment in those instances when age is a BFOQ.[105] For example, age is a BFOQ when the Federal Aviation Agency sets a compulsory retirement age of 65 for commercial pilots.[106] Actors required for youthful or elderly roles suggest other instances when age may be a BFOQ. However, courts set the bar high: The reason for the age limit must go to the essence of the business. A court said a bus line's maximum-age hiring policy for bus drivers was a BFOQ. The court said the essence of the business was safe transportation of passengers, and, given that, the employer could strive to employ the most qualified persons available.[107]

RELIGION AS A BFOQ   Religion may be a BFOQ in religious organizations or societies that require employees to share their particular religion. For example, religion may be a BFOQ when hiring persons to teach in a religious school. But again, courts construe this defense very narrowly.

GENDER AS A BFOQ   Gender may be a BFOQ for positions like actor, model, and restroom attendant requiring physical characteristics possessed by one sex. However, for most jobs today, it's difficult to claim that gender is a BFOQ. For example, gender is not a BFOQ just because the position requires lifting heavy objects. A Texas man filed a complaint against Hooters of America alleging that one of its franchisees would not hire him as a waiter because it "merely wishes to exploit female sexuality as a marketing tool to attract customers and ensure profitability" and so was limiting hiring to females.[108] Hooters argued a BFOQ defense before reaching a confidential settlement.

NATIONAL ORIGIN AS A BFOQ   A person's country of national origin may be a BFOQ. For example, an employer who is running the Chinese pavilion at a fair might claim that Chinese heritage is a BFOQ for persons to deal with the public.

Business Necessity

"Business necessity" is a defense created by the courts. It requires showing that there is an overriding business purpose for the discriminatory practice and that the practice is therefore acceptable.

It's not easy to prove business necessity.[109] The Supreme Court made it clear that business necessity does not encompass such matters as avoiding an employer inconvenience, annoyance, or expense. For example, an employer can't generally discharge employees whose wages have been garnished merely because garnishment (requiring the employer to divert part of the person's wages to pay his or her debts) creates an inconvenience. The Second Circuit Court of Appeals held that business necessity "must not only directly foster safety and efficiency" but also be essential to these goals.[110] Furthermore, "the business purpose must be sufficiently compelling to override any racial impact. . . ."[111]

However, many employers use the business necessity defense successfully. In an early case, *Spurlock v. United Airlines*, a minority candidate sued United Airlines. He said that its requirements that pilot candidates have 500 flight hours and college degrees were unfairly discriminatory. The court agreed that the requirements did have an adverse impact on members of the person's minority group. But it held that in light of the cost of the training program and the huge human and economic risks in hiring unqualified candidates, the selection standards were a business necessity and were job related.[112]

In general, when a job requires a small amount of skill and training, the courts closely scrutinize any preemployment standards or criteria that discriminate against minorities. There is a correspondingly lighter burden when the job requires a high degree of skill, and when the economic and human risks of hiring an unqualified applicant are great.[113]

Attempts by employers to show that their selection tests or other employment practices are *valid* are examples of the business necessity defense. Here the employer must show that the test or other practice is job related—in other words, that it is a valid predictor of performance on the job. Where the employer can establish such validity, the courts have generally supported using the test or other employment practice as a business necessity. In this context, *validity* means the degree to which the test or other employment practice is related to or predicts performance on the job; Chapter 6 explains validation. The following Know Your Employment Law discussion sums up how to apply all this.

KNOW YOUR EMPLOYMENT LAW

Examples of What You Can and Cannot Do

Before proceeding, we should review what federal fair employment laws allow (and do not allow) you to say and do.

Federal laws like Title VII usually don't expressly ban preemployment questions about an applicant's race, color, religion, sex, or national origin. In other words, "with the exception of personnel policies calling for outright discrimination against the

members of some protected group," it's not the questions but their impact.[114] Thus, illustrative inquiries and practices like those on the next few pages are not illegal per se. For example, it isn't illegal to ask a job candidate about her marital status (although such a question might seem discriminatory). You can ask. However, be prepared to show either that you do not discriminate or that you can defend the practice as a BFOQ or business necessity.

But, in practice, there are two reasons to avoid such questions. First, although federal law may not bar such questions, many state and local laws do.

Second, the EEOC has said that it will disapprove of such practices, so just asking the questions may draw its attention. Such questions become illegal if a complainant can show you use them to screen out a greater proportion of his or her protected group's applicants, and you can't prove the practice is required as a business necessity or BFOQ.

Let's look now at some of the potentially discriminatory practices to avoid.[115]

Recruitment

Word of Mouth   You cannot rely upon word-of-mouth dissemination of information about job opportunities when your workforce is all (or mostly all) white or all members of some other class such as all female, all Hispanic, and so on. Doing so reduces the likelihood that others will become aware of the jobs.

Misleading Information   It is unlawful to give false or misleading information to members of any group, or to fail or refuse to advise them of work opportunities and the procedures for obtaining them.

Help-Wanted Ads   "Help wanted—male" and "help wanted—female" ads are violations unless gender is a bona fide occupational qualification for the job. The same applies to ads that suggest age discrimination. For example, you cannot advertise for a "young" man or woman.

Selection Standards

Educational Requirements   Courts have found educational qualifications to be illegal when (1) minority groups are less likely to possess the educational qualifications (such as a high school degree), and (2) such qualifications are also not job related. However, there may be jobs for which educational requirements (such as college degrees for pilot candidates) are a necessity.

Tests   Courts deem tests unlawful if they disproportionately screen out minorities or women *and* they are not job related. According to a former U.S. Supreme Court Chief Justice,

> Nothing in the [Title VII] act precludes the use of testing or measuring procedures; obviously they are useful. What Congress has forbidden is giving these devices and mechanisms controlling force unless they are demonstrating a reasonable measure of job performance.

The employer must be prepared to show that the test results are job related—for instance, that test scores relate to on-the-job performance.

Preference to Relatives   Do not give preference to relatives of current employees with respect to employment opportunities if your current employees are substantially nonminority.

Height, Weight, and Physical Characteristics   Physical requirements such as minimum height are unlawful unless the employer can show they're job related. For example, a U.S. Appeals Court upheld a $3.4 million jury verdict against Dial Corp. Dial rejected 52 women for entry-level jobs at a meat-processing plant because they failed strength tests, although strength was not a job requirement.[116] *Maximum* weight

rules generally don't trigger adverse legal rulings. To qualify for reasonable accommodation, obese applicants must be at least 100 pounds above their ideal weight or there must be a physiological cause for their disability. However, legalities aside, managers should be vigilant.[117] Studies show that obese individuals are less likely to be hired, less likely to receive promotions, more likely to get undesirable sales assignments, and more likely to receive poor customer service.[118]

Arrest Records   Unless the job requires security clearance, do not ask an applicant whether he or she has been arrested or spent time in jail, or use an arrest record to disqualify a person automatically. Due to racial and ethnic disparities in arrest and prison rates, both the EEOC and the Office of Federal Contract Compliance Programs (OFCCP) set forth new guidance discouraging employers from using blanket exclusions against individuals with criminal records.[119]

Application Forms   Employment applications generally shouldn't contain questions about applicants' disabilities, workers' compensation history, age, arrest record, or U.S. citizenship. It's generally best to collect personal information required for legitimate reasons (such as emergency contact) after you hire the person.[120]

Discharge Due to Garnishment   Disproportionate numbers of minorities suffer garnishment procedures (in which creditors make a claim to some of the person's wages). Therefore, firing a minority member whose salary is garnished is illegal, unless you can show some overriding business necessity.

Sample Discriminatory Promotion, Transfer, and Layoff Practices

Fair employment laws protect not just job applicants but also current employees. For example, the Equal Pay Act requires that equal wages be paid for substantially similar work performed by men and women. Therefore, courts may hold that any employment practices regarding pay, promotion, termination, discipline, or benefits that

1. Are applied differently to different classes of persons,
2. Adversely impact members of a protected group, and
3. Cannot be shown to be required as a BFOQ or business necessity are illegally discriminatory.

Personal Appearance Regulations and Title VII   Employees sometimes file suits against employers' dress and appearance codes under Title VII. They usually claim sex discrimination, but sometimes claim racial or even religious discrimination. A sampling of court rulings follows:[121]

- *Dress.* In general, employers do not violate the Title VII ban on sex bias by requiring all employees to dress conservatively. For example, a supervisor's suggestion that a female attorney tone down her attire was permissible when the firm consistently sought to maintain a conservative dress style and counseled men to dress conservatively. However, Alamo Rent-A-Car lost a case when it tried to prevent a Muslim woman employee from wearing a headscarf.
- *Hair.* Courts usually favor employers here. For example, employer rules against facial hair do not constitute sex discrimination because they discriminate only between clean-shaven and bearded men, discrimination not qualified as sex bias under Title VII. Courts have also rejected arguments that prohibiting cornrow hairstyles infringed on black employees' expression of cultural identification.
- *Uniforms.* When it comes to discriminatory uniforms and/or suggestive attire, however, courts frequently side with employees. For example, requiring female employees (such as waitresses) to wear sexually suggestive attire as a condition of employment has been ruled as violating Title VII in many cases.[122]
- *Tattoos and body piercings.* About 38% of Millennials in one survey had tattoos as compared with 15% of baby boomers. About 23% of Millennials had body

piercings as compared with 1% of baby boomers. One case involved a waiter with religious tattoos on his wrists at Red Robin Gourmet Burgers. The company insisted he cover his tattoos at work; he refused. Red Robin settled the suit after the waiter claimed that covering the tattoos would be a sin based on his religion.[123] ■

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. Have you ever had an experience in which an employer apparently violated one or more of the preceding guidelines—for example, told you to change your hairstyle—or have you ever simply noticed a violation (such as a store posting a sign that said "delivery boy wanted")? What was your reaction? What did you do? Are there situations in which the employer may have been within the law to do what he or she did?

Finally, keep three other things in mind:

1. *Good intentions are no excuse.* As the Supreme Court held in the *Griggs* case, good intent or absence of discriminatory intent does not redeem procedures that operate as built-in headwinds for minority groups and are unrelated to measuring job capability.
2. One cannot claim that a *union agreement necessitates some discriminatory practice*. Equal employment opportunity laws prevail.[124]
3. A strong defense *is not your only recourse.* The employer can agree to eliminate the illegal practice and (when required) to compensate the people discriminated against.

KNOWLEDGE BASE

The EEOC Enforcement Process

Even careful employers eventually face employment discrimination claims and have to deal with the EEOC.[125] All managers (not just human resource managers) play roles in this process. Figure 2-3 provides an overview of this EEOC enforcement process.[126]

- *File Charge.* The process begins when someone files a claim with the EEOC. Either the aggrieved person or a member of the EEOC who has reasonable cause to believe that a violation occurred must file the claim in writing and under oath.[127] Under CRA 1991, the discrimination claim must be filed within 300 days (when there is a similar state law) or 180 days (where there is no similar state law) after the alleged incident took place (2 years for the Equal Pay Act).[128] The U.S. Supreme Court, in *Ledbetter v. Goodyear Tire & Rubber Company,* held that employees claiming Title VII pay discrimination must file their claims within 180 days of when they first receive the allegedly discriminatory pay. Congress then passed, and President Obama signed, the Lilly Ledbetter Fair Pay Act into law. Employees can now file such claims anytime, as long as they're still receiving an "infected" paycheck. (The EEOC recently received 91,503 private-sector discrimination charges in one fiscal year.[129]) One may obtain employment practices liability insurance against discrimination claims.[130]
- *Charge Acceptance.* The EEOC's common practice is to accept a charge and orally refer it to the state or local agency on behalf of the charging party. If the agency waives jurisdiction or cannot obtain a satisfactory solution, the EEOC processes it upon the expiration of the deferral period.[131]
- *Serve Notice.* After a charge is filed (or the state or local deferral period has ended), the EEOC has 10 days to serve notice on the employer. Attorneys advise against submitting lengthy statements in response to a charge. Instead, provide a concise explanation describing why the actions were lawful.[132] Figure 2-4 lists some questions to ask after receiving a bias complaint from the EEOC.

FIGURE 2-3 The EEOC Charge-Filing Process

Note: Parties may settle at any time.

Source: Based on www.eeoc.gov.

Applicant or employee files charge

EEOC advises employer of charge, and if mediation is an option

Successful mediation

Unsuccessful mediation

EEOC may ask employer to submit statement of position of employer's side of story

and

EEOC may ask employer to respond to request for information (personnel files, etc.)

and

EEOC may ask employer to permit on-site visit by EEOC and to provide information for witness interview

EEOC completes investigation

Finds no reasonable cause

Finds reasonable cause

Issues charging party *Dismissal and Notice of Rights*

Issues *Letter of Determination*

Charging party may file lawsuit in federal court within 90 days

Offers parties conciliation

Conciliation fails

Conciliation successful

EEOC may litigate in federal court within 180 days of charge

EEOC may decide not to litigate

Sends charging party notice of *Right to Sue*

Party may sue within 90 days

FIGURE 2-4 Questions to Ask When an Employer Receives Notice That the EEOC Has Filed a Bias Claim

Source: Based on Bureau of National Affairs, Inc., "Fair Employment Practices: Summary of Latest Developments," January 7, 1983, p. 3; Kenneth Sovereign, *Personnel Law* (Upper Saddle River, NJ: Prentice Hall, 1999), pp. 36–37; and Equal Employment Opportunity Commission, "What You Can Expect After a Charge Is Filed," www.eeoc.gov/employers/process.cfm, accessed June 28, 2018.

1. Exactly what is the charge, and is your company covered by the relevant statutes? (For example, Title VII and the Americans with Disabilities Act generally apply only to employees with 15 or more employees.) Did the employee file his or her charge on time, and was it processed in a timely manner by the EEOC?
2. What protected group does the employee belong to?
3. Is the EEOC claiming disparate impact or disparate treatment?
4. Are there any obvious bases upon which you can challenge and/or rebut the claim? For example, would the employer have taken the action if the person did not belong to a protected group?
5. If it is a sexual harassment claim, are there offensive comments, calendars, posters, screensavers, and so on, on display in the company?
6. In terms of the practicality of defending your company against this claim, who are the supervisors who actually took the allegedly discriminatory actions, and how effective will they be as potential witnesses? Have you received an opinion from legal counsel regarding the chances of prevailing?

- *Investigation/Fact-Finding Conference.* The EEOC then investigates the charge to determine whether there is reasonable cause to believe it is true; it has 120 days to decide.[133] Early in the investigation, the EEOC holds an initial *fact-finding conference.* The EEOC's focus here is often to find weak spots in each party's position. It uses these to push for a settlement.
- *Cause/No Cause.* If it finds no reasonable cause, the EEOC must dismiss the charge and issue the charging party a Notice of Right to Sue. The person then has 90 days to file a suit on his or her own behalf.
- *Conciliation.* If the EEOC does find cause, it has 30 days to work out a conciliation agreement. The EEOC conciliator meets with the employee to determine what remedy would be satisfactory. It then tries to negotiate a settlement with the employer.
- *Notice to Sue.* If this conciliation is not satisfactory, the EEOC may bring a civil suit in a federal district court, or issue a Notice of Right to Sue to the person who filed the charge.

KNOWLEDGE BASE

Voluntary Mediation

The EEOC refers about 10% of its charges to a voluntary mediation mechanism, "an informal process in which a neutral third party assists the opposing parties to reach a voluntary, negotiated resolution of a charge of discrimination."[134] If the parties don't reach agreement (or one of the parties rejects participation), the EEOC processes the charge through its usual mechanisms.[135]

Faced with an offer to mediate, the employer has three options: Agree to mediate the charge; make a settlement offer without mediation; or prepare a "position statement" for the EEOC. If the employer does not mediate or make an offer, the position statement is required. It should include a robust defense, including information relating to the company's business and the charging party's position; a description of any rules or policies and procedures that are applicable; and the chronology of the offense that led to the adverse action.[136]

Mandatory Arbitration of Discrimination Claims

Many employers, to avoid EEOC litigation, require applicants and employees to agree to arbitrate such claims. The EEOC does not favor mandatory arbitration. However, the U.S. Supreme Court's decisions (in *Gilmer v. Interstate/Johnson Lane Corp.* and similar cases) make it clear that "employment discrimination plaintiffs [employees] may be compelled to arbitrate their claims under some circumstances."[137] Given this, employers "may wish to consider inserting a mandatory arbitration clause in their employment applications or employee handbooks."[138] To protect such a process against appeal, the employer should institute steps to protect against arbitrator bias, allow the arbitrator to offer a claimant

broad relief (including reinstatement), and allow for a reasonable amount of pre-hearing fact finding.

Rockwell International has a grievance procedure that provides for binding arbitration as the last step. Called (as is traditional) an **alternative dispute resolution or ADR program,** Rockwell gradually extended the program to all nonunion employees at some locations. New hires at Rockwell must sign the agreement. Current employees must sign it prior to promotion or transfer. U.S. federal agencies must have ADR programs.[139] ADR plans are popular, although the EEOC generally prefers mediation for handling bias claims.[140]

The accompanying HR Tools feature provides some guidelines to follow in addressing EEOC claims.

alternative dispute resolution or ADR program
Grievance procedure that provides for binding arbitration as the last step.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

Chances are the EEOC won't file a suit, but getting a notice saying it's investigating is still scary. Whether you are managing one team or your own small business, every manager should know in advance what the EEOC will be looking for and what to do. A checklist follows.[141]

During the EEOC Investigation:
- ✓ *Conduct your own investigation* to get the facts.
- ✓ Ensure that there is information in the EEOC's file *demonstrating lack of merit* of the charge.
- ✓ *Limit the information supplied* to only those issues raised in the charge itself.
- ✓ *Get as much information* as possible about the *charging party's claim*.
- ✓ *Meet with the employee* who made the complaint to clarify all the relevant issues. For example, what happened? Who was involved?
- ✓ Remember that *the EEOC can only ask (not compel) employers* to submit documents and ask for the testimony of witnesses under oath.
- ✓ Give the EEOC a *position statement*. It should contain words to the effect that "the company has a policy against discrimination and would not discriminate in the manner charged in the complaint."
- ✓ Support the statement with documentation.

During the Fact-Finding Conference:
- ✓ Because the only official record is the notes the EEOC investigator takes, *keep your own records*.
- ✓ Bring an *attorney*.
- ✓ Make sure you are *fully informed* of the charges and facts of the case.
- ✓ Before appearing, *witnesses (especially supervisors) need to be aware* of the legal significance of the facts they will present.

During the EEOC Determination and Attempted Conciliation:
- ✓ If there is a finding of cause, *review it carefully*, and point out inaccuracies in writing to the EEOC.
- ✓ Use this letter to try again to convince the parties that the charge is *without merit*.
- ✓ *Conciliate prudently*. If you have properly investigated the case, there may be no real advantage in settling at this stage.
- ✓ Remember: Odds are that *no suit will be filed* by the EEOC.

Two Mistakes to Avoid

Finally, keep two other things in mind.

- ✓ First, avoid *management malpractice,* which is aberrant managerial conduct that "exceeds all bounds usually tolerated by society."[142] In one outrageous example,

the employer demoted a manager to janitor and humiliated him. The jury awarded the man millions. Supervisors who commit management malpractice may be personally liable for paying some of the judgment.

✓ Second, *do not retaliate*. Retaliation occurs when employers treat applicants, employees, former employees, or people closely associated with them, less favorably because, for instance, they threatened to file a discrimination charge.[143] Retaliation is the most common charge filed with the EEOC.[144] ■

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/ management** to complete these discussion questions. Check with the EEOC's Web site and compile a list of the biggest financial settlements this past year for retaliation claims. About how much was the average claim? What you would do to *avoid* doing something that prompted the EEOC to become interested in your company?

KNOWLEDGE BASE

LEARNING OBJECTIVE 2-5

Give examples of attitudes that undermine diversity efforts, and explain how you would create a diversity management program.

diversity

The variety or multiplicity of demographic features that characterize a company's workforce, particularly in terms of race, sex, culture, national origin, handicap, age, and religion.

stereotyping

Ascribing specific behavioral traits to individuals based on their apparent membership in a group.

gender-role stereotypes

The tendency to associate women with certain (frequently nonmanagerial) jobs. On the other hand, diversity can be an engine of performance, as the following feature shows.

discrimination

Taking specific actions toward or against a person based on the person's group.

tokenism

When a company appoints a small group of women or minorities to high-profile positions, rather than more aggressively seeking full representation for that group.

ethnocentrism

The tendency to view members of other social groups less favorably than members of one's own group.

Diversity Management

Diversity means being diverse or varied and at work means having a workforce composed of two or more groups of employees with various racial, ethnic, gender, cultural, national origin, handicap, age, and religious backgrounds.[145] We introduce diversity and diversity management here, and then address them in features throughout the book.

Potential Threats to Diversity

Workforce diversity produces both benefits and problems for employers. Unmanaged, it can produce behavioral barriers that reduce cooperation. Potential problems include:

- **Stereotyping.** Here someone ascribes specific behavioral traits to individuals based on their apparent membership in a group:[146] for example, "older people can't work hard." Cheryl Sandberg, Facebook's Chief Operating Officer, says many people hold such unconscious assumptions (stereotypes); one is that men are expected to be assertive while women should be collaborative. So, a woman who pushes for more for herself is viewed as "bossy," whereas a man is viewed as doing his job.[147] Put another way, women confront **gender-role stereotypes,** the tendency to associate women with certain (frequently nonmanagerial) jobs.[148]

  Prejudice is a bias toward prejudging someone based on that person's traits, as in "we won't hire him because he's old." Some people's biases are subconscious. To check, try asking questions like, "Do I typically hire the same type of person?" and "To whom do I generally assign the best projects?"[149]

- **Discrimination** is prejudice in action. It means taking specific actions toward or against the person based on the person's group.[150] Of course, it's generally illegal to discriminate at work based on someone's age, race, gender, disability, or national origin. But in practice, discrimination may be subtle. For example, many argue that a "glass ceiling," enforced by an "old boys' network" (friendships built in places like exclusive clubs), hinders women from reaching top management.

- **Tokenism** means a company appoints a small group of women or minorities to high-profile positions, rather than more aggressively seeking full representation for that group.[151]

- **Ethnocentrism** is the tendency to view members of other social groups less favorably than one's own. Thus, in one study, managers attributed the performance of some minorities less to their abilities and more to help they received from others. The same managers attributed the performance of *non*minorities to their own abilities.[152]

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Diversity can actually drive higher profits. In one study, researchers examined the diversity climate in 654 stores of a large U.S. retail chain. They defined *diversity climate* as the extent to which employees in the stores said the firm promotes equal opportunity and inclusion. They found the highest sales growth in stores with the highest pro-diversity climate, and the lowest in stores where subordinates and managers reported less hospitable diversity climates.[153] Another study found racial discrimination to be related negatively to employee commitment, while organizational efforts to support diversity reduced such negative effects.[154] When Merck needed halal certification for one of its medicines, it turned to its Muslim employees. They helped Merck bring the product to market faster and helped ensure its acceptance among Muslims.[155]

More than 50 of the largest U.S. companies, including GE, Microsoft, and Walmart, filed briefs with the U.S. Supreme Court arguing that affirmative action produces increased sales and profits. ■

MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. What do you think accounts for the fact that diversity apparently seems to produce higher profits? Do you think that would always be the case? Why or why not?

Managing Diversity

managing diversity

Maximizing diversity's potential benefits while minimizing its potential barriers.

The key to deriving such benefits is properly managing diversity's potential problems. **Managing diversity** means maximizing diversity's potential benefits while minimizing the potential problems—such as prejudice—that can undermine cooperation. In practice, diversity management requires both compulsory and voluntary actions. Compulsory actions (particularly EEO law compliance) can't guarantee cooperation. Managing diversity therefore also relies on taking voluntary steps to encourage employees to work together productively.[156]

TOP-DOWN DIVERSITY MANAGEMENT PROGRAMS   The employer may institute a *diversity management program,* usually at the initiative of a top executive. The program's main aim is to make employees more sensitive to and better able to deal with cultural differences. First, make sure diversity training is the solution, or if some other approach is more advisable. Next, set measurable program goals, for instance, in terms of quantifiable attitudes toward diversity.[157] Then, five steps are typical:[158]

Provide strong leadership. Companies with exemplary reputations in managing diversity typically have CEOs who champion the cause of diversity. Leadership here means, for instance, becoming a role model for the behaviors required for the change. One study concluded that top managers who excelled at creating inclusive organizations were also those who were personally passionate about encouraging inclusion and diversity.[159]

Assess the situation. One study found that the most common tools for assessing a company's diversity include equal employment hiring and retention metrics, employee attitude surveys, management and employee evaluations, and focus groups.

Provide diversity training and education. The most common starting point for a diversity management effort is usually some type of employee education program.

Change culture and management systems. Combine education programs with other concrete steps aimed at changing the organization's culture and management systems. For example, change the performance appraisal procedure to appraise supervisors based partly on their success in reducing intergroup conflicts.

Evaluate the diversity management program. For example, do employee attitude surveys now indicate any improvement in employees' attitudes toward diversity?

The problem is that many diversity programs are ineffective. Some fail because even positively inclined employees may resist participating in mandatory programs.[160] Others fail by providing a false sense of security. For instance one study found that appointing diversity committees and chief diversity officers lulled managers into believing their workplace was inclusive when it was not.[161]

Some firms are therefore pursuing alternatives. The consulting firm Deloitte LLP concluded that gender-based diversity groups are no longer the best way to encourage diversity. Instead, it is creating what it calls inclusion councils. Rather than groups comprised of only women or minorities, the councils each include a diversity of inputs and points of view.[162]

DIVERSITY THROUGH ENGAGEMENT   Others wisely design their diversity efforts to elicit their employees' engagement and active participation.[163] For example, at software company SAP, the Chief Learning Officer discovered that while participants rated SAP's diversity training program highly, the program seemed to produce only limited results. She therefore replaced it with a year-long leadership development program she called the "Leadership Excellence Acceleration Program" (LEAP). Every year LEAP gathers together high-performing female employees. For a year they then engage in exercises such as in-house team consulting assignments and listening to speakers.[164] SAP also offers female employees a global business network of 8,000 female employees, and SAP's board recently committed to boosting the leadership positions held by SAP women to 25% (from 23%).[165] SAP's efforts seem to be successful, in terms its female employees moving into management positions.[166]

Implementing the Affirmative Action Program

Equal employment opportunity aims to ensure that anyone, regardless of race, color, disability, sex, religion, national origin, or age, has an equal opportunity based on his or her qualifications. *Affirmative action* means taking actions (in recruitment, hiring, promotions, and compensation) to eliminate the current effects of past discrimination.

Affirmative action is still a significant workplace issue. The incidences of major court-mandated affirmative action programs are down, but courts still use them. Furthermore, many employers must still engage in voluntary programs. For example, Executive Order (EO) 11246 (issued in 1965) requires federal contractors to take affirmative action to improve employment opportunities for groups such as women and racial minorities. It covers about 22% of the U.S. workforce.[167] In discussing methods for increasing diversity, two researchers say that "few are as effective as affirmative action policies."[168]

Under guidelines such as EO 11246, the key aims of affirmative action programs are (1) to use numerical analysis to determine which (if any) target groups the firm is underutilizing relative to the relevant labor market, and (2) to eliminate the barriers to equal employment. Many employers pursue these aims with a **good-faith effort strategy;** this emphasizes identifying and eliminating the obstacles to hiring and promoting women and minorities, and increasing the minority or female applicant flow. Reasonable steps to take include those shown in Figure 2-5 (page 58).

For example, place recruiting ads on online minority-oriented job sites. Diversity candidate Web sites with job banks include the National Urban League, Hispanic Online, Latino Web, Society of Hispanic Engineers, Gay.com, Association for Women in Science, and Minorities Job Bank.

EMPLOYEE RESISTANCE   Avoiding employee resistance to affirmative action programs is important. Here, studies suggest that current employees need to believe the program is fair. *Transparent selection procedures* (explaining clearly what selection tools and standards the company uses) help in this regard. *Communication* is also crucial. Show that the program doesn't involve preferential selection standards. Provide details on the qualifications of all new hires (both minority and nonminority). *Justifications* for the program should emphasize redressing past discrimination and the practical value of diversity, not underrepresentation.[169]

good-faith effort strategy
An affirmative action strategy that emphasizes identifying and eliminating the obstacles to hiring and promoting women and minorities, and increasing the minority or female applicant flow.

FIGURE 2-5 Steps in an Affirmative Action Program

1. Issue a written equal employment policy indicating that the firm is an equal employment opportunity employer and the employer's commitment to affirmative action.
2. Demonstrate top-management support for the equal employment policy—for instance, appoint a high-ranking EEO administrator.
3. Publicize internally and externally the equal employment policy and affirmative action commitment.
4. Survey current minority and female employment by department and job classification to determine where affirmative action programs are especially desirable.
5. Carefully analyze employer human resources practices to identify and eliminate hidden barriers.
6. Review, develop, and implement specific HR programs to improve female and minority utilization.
7. Use focused recruitment to find qualified applicants from the target group(s).
8. Establish an internal audit and reporting system to monitor and evaluate progress.
9. Develop support for the affirmative action program, inside the company and in the community.

PROGRAM EVALUATION   Is the diversity program effective? Some commonsense questions to ask include:

- Are there women and minorities reporting directly to senior managers, and in senior manager positions?
- Do women and minorities have a fair share of the jobs that are the traditional stepping-stones to successful careers in the company?
- Do women and minorities have equal access to international assignments?
- Is the employer taking steps that ensure that female and minority candidates will be in the company's career development pipeline?
- Are turnover rates for female and minority managers the same or lower than those for white males?
- Do employees report that they perceive positive behavior changes as a result of the diversity efforts?[170]

reverse discrimination
Claim that due to affirmative action quota systems, white males are discriminated against.

Reverse Discrimination

Reverse discrimination means discriminating against *non*minority applicants and employees.[171] Many court cases have addressed these issues.

Diversity management can blend a diverse workforce into a close-knit and productive community.

Rawpixel.com/Shutterstock

In one of the first such cases, *Bakke v. Regents of the University of California* (1978), the University of California at Davis Medical School denied admission to white student Allen Bakke, allegedly because of the school's affirmative action quota system, which required that a specific number of openings go to minority applicants. In a 5-to-4 vote, the U.S. Supreme Court struck down the policy that made race the only factor in considering applications for a certain number of class openings and thus allowed Bakke's admission.

Bakke was followed by many other cases. In 2009, the U.S. Supreme Court ruled in an important reverse discrimination suit brought by Connecticut firefighters. In *Ricci v. DeStefano*, 19 white firefighters and one Hispanic firefighter said the city of New Haven should have promoted them based on their successful test scores. The city argued that certifying the tests would have left them vulnerable to lawsuits from minorities for violating Title VII.[172] The Court ruled in favor of the (predominantly white) plaintiffs. In New Haven's desire to avoid making promotions that might appear to adversely impact minorities, Justice Kennedy wrote that "the city rejected the test results solely because the higher scoring candidates were white." The consensus of observers was that the decision would make it harder for employers to ignore the results obtained by valid tests, even if the results disproportionately impact minorities.[173]

The bottom line seems to be that employers should emphasize the external recruitment and internal development of better-qualified minority and female employees, "while basing employment decisions on legitimate criteria."[174]

Chapter Review

Chapter Section Summaries

2-1. Several of the most important **equal employment opportunity laws became law in the period from 1964 to 1991.**

- Title VII of the 1964 Civil Rights Act states that an employer cannot discriminate based on race, color, religion, sex, or national origin. Title VII established the Equal Employment Opportunity Commission and covers most employees.
- Under the Equal Pay Act of 1963 (amended in 1972), it is unlawful to discriminate in pay on the basis of sex when jobs involve equal work, skills, effort, and responsibility and are performed under similar working conditions.
- The Age Discrimination in Employment Act of 1967 made it unlawful to discriminate against employees or applicants who are between 40 and 65 years of age.
- The Vocational Rehabilitation Act of 1973 requires most employers with federal contracts to take affirmative action when employing handicapped persons.
- The Pregnancy Discrimination Act of 1978 prohibits using pregnancy, childbirth, or related medical conditions to discriminate in

hiring, promotion, suspension, or discharge or in any term or condition of employment.
- The EEOC, Civil Service Commission, Department of Labor, and Department of Justice together issued Uniform Guidelines. These set forth "highly recommended" procedures regarding HR activities like employee selection and record keeping.
- *Griggs v. Duke Power Company* was an important early case. Here, Chief Justice Burger held that in employment, discrimination does not have to be overt to be illegal, and an employment practice that discriminates must be job related.

2-2. Equal employment law continues to evolve, with important **new legislation enacted since 1990–1991.**

- The Civil Rights Act of 1991 reversed the effects of several Supreme Court rulings—for instance, underscoring that the burden of proof is the employer's once a plaintiff establishes possible illegal discrimination.
- The Americans with Disabilities Act prohibits employment discrimination against qualified disabled individuals. It also says

employers must make "reasonable accommodations" for physical or mental limitations unless doing so imposes an "undue hardship" on the business.

- The Federal Violence Against Women Act of 1994 provided women with another way to seek relief for (violent) sexual harassment. Basically, sexual harassment refers to unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature that takes place, for instance, when such conduct is made either explicitly or implicitly a term or condition of an individual's employment. Three main ways to prove sexual harassment include *quid pro quo*, hostile environment created by supervisors, and hostile environment created by coworkers or those who are not employees.

2-3. Employers use various **defenses against discrimination allegations.** Here employers need to distinguish between disparate treatment (intentional discrimination) and disparate impact (a policy that has an adverse impact regardless of intent). Plaintiffs show adverse impact by the standard deviation rule or by showing disparate rejection rates, restricted policy, or population comparisons, or by applying the McDonnell Douglas test. Employers defend themselves by showing that the employment practice is a bona fide occupational qualification (for instance, gender is a BFOQ for a position such as model).

Or they may defend themselves by using the business necessity defense, which requires showing that there is an overriding business purpose. Given all this, the manager needs a working knowledge of *discriminatory employment practices*. For example, in recruitment, employers no longer use "help wanted—male" ads.

2-4. All managers play an important role in **the EEOC enforcement process.** The basic steps in this process include filing the charge, charge acceptance by the EEOC, serving notice on the employer, the investigation/fact-finding conference, a finding of cause/no cause, conciliation efforts, and (if necessary) a notice to sue. The EEOC refers about 10% of its charges to voluntary mediation mechanisms.

2-5. **Managing diversity** means maximizing diversity's potential benefits while minimizing the potential barriers. General steps include providing strong leadership, assessing the situation, providing diversity training and education, changing the culture and management systems, and evaluating the diversity management program's results. Affirmative action generally means taking actions to eliminate the present effects of past discrimination. Many employers still pursue voluntary, good-faith effort strategies in identifying and eliminating the obstacles to hiring and promoting women and minorities. Other employers are under court-mandated requirement to do so.

Discussion Questions

2-1. What important precedents were set by the *Griggs v. Duke Power Company* case? The *Albemarle v. Moody* case?

2-2. Explain each of the four examples of a bona fide occupational qualification.

2-3. What is sexual harassment? How can an employee prove sexual harassment?

2-4. What is the difference between disparate treatment and disparate impact?

Individual and Group Activities

2-5. Working individually or in groups, respond to these three scenarios based on what you learned in this chapter. Under what conditions (if any) do you think the following constitute sexual harassment? (a) A female manager fires a male employee because he refuses her requests for sexual favors. (b) A male manager refers to female employees as "sweetie" or "baby." (c) A female employee overhears two male employees exchanging sexually oriented jokes.

2-6. Working individually or in groups, discuss how you would set up an affirmative action program.

2-7. Compare and contrast the issues presented in *Bakke* with more recent court rulings on affirmative action. Working individually or in groups, discuss the current direction of affirmative action.

2-8. Working individually or in groups, write a one-page paper titled "What the Manager Should

Know About How the EEOC Handles a Person's Discrimination Charge."

2-9. Explain the difference between affirmative action and equal employment opportunity.

2-10. Assume you are the manager in a small restaurant; you are responsible for hiring employees, supervising them, and recommending them for promotion. Working individually or in groups, compile a list of potentially discriminatory management practices you should avoid.

2-11. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and, (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

Experiential Exercise

"Space Cadet" or Victim?[175]

Written and copyrighted by Gary Dessler, PhD.

Discrimination lawsuits are rarely simple because the employer will often argue that the person was fired due to poor performance rather than discrimination. So, there's often a "mixed-motive" element to such situations. The facts of a case illustrate this (*Burk v. California Association of Realtors*, California Court of Appeals, number 161513, unpublished, 12/12/03). The facts were as follows. The California Association of Realtors maintained a hotline service to provide legal advice to real estate agents. One of the 12 lawyers who answered this hotline was a 61-year-old California attorney who worked there from 1989 to 2000. Until 1996 he received mostly good reviews. At that time, association members began filing complaints about his advice. His supervisor told him to be more courteous.

Two years later, association members were still complaining about this individual. Among other things, association members who called in filed complaints referring to him as "a space cadet" and "incompetent." Subsequently, his supervisor contacted six association members whom the 61-year-old lawyer had recently counseled; five of the six said they had had bad experiences. The association fired him for mistreating association members and providing inadequate legal advice.

The 61-year-old lawyer sued the association, claiming that the firing was age related. To support his claim, he noted that one colleague had told him that he was "probably getting close to retirement" and that another colleague had told him he was "getting older." The appeals court had to decide whether the association fired the 61-year-old lawyer because of his age or because of his performance.

Purpose: The purpose of this exercise is to provide practice in analyzing and applying knowledge of equal opportunity legislation to a real problem.

Required Understanding: Be thoroughly familiar with the material presented in this chapter. In addition, read the preceding "space cadet" case on which this experiential exercise is based.

How to Set Up the Exercise/Instructions:

- Divide the class into groups.
- Each group should develop answers to the following questions:

    2-12. Based on what you read in this chapter, on what legal basis could the 61-year-old California attorney claim he was a victim of discrimination?

    2-13. On what laws and legal concepts did the employer apparently base its termination of this 61-year-old attorney?

    2-14. Based on what laws or legal concepts could you take the position that it is legal to fire someone for poor performance even though there may be a discriminatory aspect to the termination? (This is not to say that there necessarily was such a discriminatory aspect with this case.)

    2-15. If you were the judge called on to make a decision on this case, what would your decision be, and why?

- The court's decision follows, so please do not read this until you've completed the exercise.

In this case, the California State Appeals court held that "the only reasonable inference that can be drawn from the evidence is that [plaintiff] was terminated because he failed to competently perform his job of providing thorough, accurate, and courteous legal advice to hotline callers."

Application Case

Seeking Gender Equity at Starbucks

Written and copyrighted by Gary Dessler PhD.

Starbucks is progressive in terms of gender equity policies.[176] By the 1990s it was offering health insurance coverage to Starbucks partners (employees) who were in lesbian and gay relationships, and its health care insurance covers gender reassignment surgery. More recently it announced that it had eliminated its partners' gender wage gap: Starbucks male and female partners performing similar work are paid almost exactly the same—within 99.7% of each other (compared with about 70% nationwide).

However, several large Starbucks shareholders think its gender efforts still fall short. For example, Zevin Asset Management proposed that Starbucks report on whether its paid family leave policy was discriminatory. According to Starbucks, the policy is generous and competitive for a retail chain. For example, it gives Starbucks corporate office workers 16 weeks paid leave if they gave birth, and 12 weeks if they are new fathers or adoptive parents. Starbucks says its program is exceptional because even employees who work just 20 hours a week can use it. But Zevin says the problem is that the policy is discriminatory because retail store workers who give birth or adopt only get six weeks of paid leave and fathers get none. Some shareholders say this will harm Starbucks' reputation, because it is on record as saying that it tries to treat corporate and retail partners the same.

Although shareholders often reject proposals like these, employers may still implement the recommendations, particularly when they involve equitable treatment. Several years ago, for instance another investment firm proposed that several tech giants like Amazon and Apple pay male and female employees equitably. The proposal never came to a vote, because the tech firms soon closed their gender wage gaps.

So at the end of the day, such proposals present top managers with a dilemma. Starbucks, for instance, believed that its parental leave policy was already one of the best in the industry, and that was probably true. Yet it did seem somewhat inequitable to offer better benefits to corporate office workers then to those in the retail stores.

Questions

2-16. Do you agree that it is inequitable to offer the corporate workers better benefits then the store partners? Why? Is that what the law would seem to say?

2-17. What arguments would you make as Starbucks' CEO concerning why the current policy is fair?

2-18. How would you handle this situation if you were running a company that was confronted by a shareholder making these demands?

Continuing Case

Carter Cleaning Company

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A Question of Discrimination

One of the first problems Jennifer faced at her father's Carter Cleaning Centers concerned the inadequacies of the firm's current HR management practices and procedures.

One problem that particularly concerned her was the lack of attention to equal employment matters. Each store manager independently handled virtually all hiring; the managers had received no training regarding such fundamental matters as the types of questions they should not ask of job applicants. It was therefore not unusual for female applicants to be asked questions such as "Who's going to take care of your children while you are at work?" and for minority applicants to be asked questions about arrest records and credit histories. Nonminority applicants—three store managers were white males and three were white females—were not asked these questions, as Jennifer discerned from her interviews with the managers. Based on discussions with her father, Jennifer deduced two reasons for the laid-back attitude toward equal employment: (1) her father's lack of insight about the legal requirements, and (2) the fact that, as Jack Carter put it, "Virtually all our workers are women or minority members anyway, so no one can come in here and accuse us of being discriminatory, can they?"

Jennifer decided to mull that question over, but before she could, she was faced with two serious equal rights problems. Two women in one store privately confided to her that their manager was making unwelcome sexual advances toward them. One claimed he had threatened to fire her unless she "socialized" with him after hours. And during a fact-finding trip to another store, an older gentleman—he was 73 years old—complained of the fact that although he had almost 50 years of experience, he was paid less than people half his age in the same job. Jennifer's review of the stores resulted in the following questions.

Questions

2-19. Is it true, as Jack Carter claims, that "virtually all our workers are women or minority members anyway, so no one can come in here and accuse us of being discriminatory"?

2-20. How should Jennifer and her company address the sexual harassment charges and problems?

2-21. How should she and her company address the possible problems of age discrimination?

2-22. Given the fact that each of its stores has only a handful of employees, is her company covered by equal rights legislation?

2-23. And finally, aside from the specific problems, what other personnel management matters (application forms, training, and so on) have to be reviewed given the need to bring them into compliance with equal rights laws?

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

2-24. Explain the main features of Title VII, the Equal Pay Act, the Pregnancy Discrimination Act, the Americans with Disabilities Act, and the Civil Rights Act of 1991.

2-25. What are the two main defenses you can use in the event of a discriminatory practice allegation, and what exactly do they involve?

2-26. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

P I A PERSONAL INVENTORY ASSESSMENT

How sensitive to different cultures are you? Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

Title VII of the 1964 Civil Rights Act, 33
Equal Employment Opportunity Commission (EEOC), 33
affirmative action, 34
Office of Federal Contract Compliance Programs (OFCCP), 34
Equal Pay Act of 1963, 34
Age Discrimination in Employment Act of 1967 (ADEA), 34

Vocational Rehabilitation Act of 1973, 34
Pregnancy Discrimination Act, 34
Uniform Guidelines, 35
protected class, 35
Civil Rights Act of 1991 (CRA 1991), 36
"mixed-motive" case, 36
Americans with Disabilities Act (ADA), 37
qualified individuals, 37

sexual harassment, 40
Federal Violence Against Women Act of 1994, 40
adverse impact, 44
disparate rejection rates, 45
4/5ths rule, 45
restricted policy, 46
bona fide occupational qualification (BFOQ), 47
alternative dispute resolution or ADR program, 54
diversity, 55

stereotyping, 55
gender-role stereotypes, 55
discrimination, 55
tokenism, 55
ethnocentrism, 55
managing diversity, 56
good-faith effort strategy, 57
reverse discrimination, 58

Endnotes

1. Patrick Dorrian, "Uber Accused of Nationwide Sex-Based Pay and Promotional Bias," *Bloomberg BNA Bulletin to Management*, November 7, 2017.
2. For example, see http://eeoc.gov/eeoc/newsroom/index.cfm. As another example, see "Wells Fargo to Pay $3.5 Million to Resolve Black Brokers' Claims," *Bloomberg BNA Bulletin to Management*, January 10, 2017.
3. Betsy Morris, "How Corporate America Is Betraying Women," *Fortune*, January 10, 2005, pp. 64–70.
4. Based on or quoted from International Association of Official Human Rights Agencies, *Principles of*

Employment Discrimination Law (Washington, DC). See also Bruce Feldacker, *Labor Guide to Labor Law* (Upper Saddle River, NJ: Prentice Hall, 2000); "EEOC Attorneys Highlight How Employers Can Better Their Nondiscrimination Practices," *Bloomberg BNA Bulletin to Management*, July 20, 2008, p. 233; and www.eeoc.gov, accessed August 4, 2013. Plaintiffs still bring equal employment claims under the Civil Rights Act of 1866. For example, in 2008 the U.S. Supreme Court held that the act prohibits retaliation against someone who complains of discrimination against others when

contract rights (in this case, an employment agreement) are at stake. Charles Louderback, "U.S. Supreme Court Decisions Expand Employees' Ability to Bring Retaliation Claims," *Compensation & Benefits Review*, September/October 2008, p. 52. Employment discrimination law is a changing field, and the appropriateness of the rules, guidelines, and conclusions in this chapter may also be affected by factors unique to the employer's operation. They should be reviewed by the employer's attorney before implementation.
5. For a conciliation agreement, see "FedEx to Pay $3 Million,

Amend Practices to Settle OFCCP Charges of Bias in Hiring," *Bloomberg BNA Bulletin to Management*, March 27, 2012, p. 97.
6. Individuals may file under the Equal Employment Act of 1972.
7. By 2018, for the first time in many years, the EEOC had a Republican majority; this will probably change the EEOC's enforcement policies. Josh Eidelson, "US Discrimination Watchdog Is Headed for Pro-Business Makeover," *Bloomberg BNA Bulletin to Management*, October 17, 2017.
8. This is based on Joshua Brustein "Studies Show Racial

and Gender Discrimination Throughout the Gig Economy," https://www.bloomberg.com/news/articles/2016-11-22/studies-show-racial-and-gender-discrimination-throughout-the-gig-economy November 22, 2016; Marta Moakley, "EEOC Targets Gig Economy, Workplace Discrimination in Strategic Enforcement Plan," *XpertHR Legal Editor*, October 25, 2016, http://www.xperthr.com/news/eeoc-targets-gig-economy-workplace-discrimination-in-strategic-enforcement-plan/23960/; Will Knight, "Is the Gig Economy Rigged?" *MIT Technology Review*, November 17, 2016, https://www.technologyreview.com/s/602832/is-the-gig-economy-rigged/. Such discrimination seems to work both ways. For example, one of these studies found that Boston Uber drivers cancelled trips more often when prospective riders had African-American sounding names.

9. "The Employer Should Validate Hiring Tests to Withstand EEOC Scrutiny, Officials Advise," *Bloomberg BNA Bulletin to Management*, April 1, 2008, p. 107. President Obama's administration directed more funds and staffing to the OFCCP. "Restructured, Beefed Up OFCCP May Shift Policy Emphasis, Attorney Says," *Bloomberg BNA Bulletin to Management*, August 18, 2009, p. 257. When the Labor Department demanded pay information back to Google's formation, as well as names and contacts for about 20,000 of its workers, Google sued; in 2017 an administrative law judge ruled that for now it didn't have to give the OFCCP that information. See Chris Opfer, "Google Faced the Labor Department, and Google Won," *Bloomberg BNA Bulletin to Management*, April 4, 2017.

10. See, for example, "Divided EEOC Approves Draft of Rule Amending Age Discrimination Regulations," *Bloomberg BNA Bulletin to Management*, November 22, 2011, p. 369.

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of Labor Research 17, no. 1 (Winter 2006), pp. 89–99; www.eeoc.gov/laws/statutes/adea.cfm, accessed October 3, 2011; and Patrick Dorrian, "Older Workers Can Sue for Age Bias Even if Comparators Are 40-Plus," *Bloomberg BNA Bulletin to Management*, January 17, 2017.

12. "Staples Must Pay Fired Older Workers $16M for Age Bias," *Bloomberg BNA Bulletin to Management*, June 7, 2016, p. 181.

13. Another lawsuit was filed against RJ Reynolds Tobacco Company. The plaintiff was 49 years old when he first applied, and the company never replied to him. His attorneys subsequently told him that the employer's resume screening guidelines allegedly bump out older candidates. "Applicant Can Use Disparate Impact Theory for Age Claim," *Bloomberg BNA Bulletin to Management*, December 8, 2015, p. 389.

14. Jeff Greene, "Men and Women in Tech Struggle to Land Work after 40," *Bloomberg BNA Bulletin to Management*, October 3, 2017.

15. www.eeoc.gov/laws/statutes/adea.cfm, accessed October 3, 2011.

16. Martin Berman-Gorvine, "Older Workers Need Reassurance against Age Bias," *Bloomberg BNA Bulletin to Management*, June 20, 2017.

17. The U.S. Supreme Court ruled in *California Federal Savings and Loan Association v. Guerra* that if an employer offers no disability leave to any of its employees, it can (but need not) grant pregnancy leave to a woman disabled for pregnancy, childbirth, or a related medical condition.

18. John Kohl, Milton Mayfield, and Jacqueline Mayfield, "Recent Trends in Pregnancy Discrimination Law," *Business Horizons* 48, no. 5 (September 2005), pp. 421–429; and www.eeoc.gov/eeoc/statistics/enforcement/pregnancy.cfm, accessed October 3, 2011.

19. Lisa Nagele-Piazza, "Pregnant Worker Awarded 550,000K in Discrimination Suit," *HR Magazine*, October 2016, p. 14.

20. "Pregnancy Claims Rising; Consistent Procedures Paramount," *Bloomberg BNA Bulletin to Management*, November 23, 2010, p. 375.

21. www.uniformguidelines.com/uniformguidelines.html, accessed November 23, 2007.

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Coordinated Enforcement, Data Sharing," *Bloomberg BNA Bulletin to Management*, November 22, 2011, p. 371.

23. *Griggs v. Duke Power Company*, 3FEP cases 175.

24. This is applicable only to Title VII and CRA 91; other statutes require intent.

25. James Ledvinka, *Federal Regulation of Personnel and Human Resources Management* (Boston: Kent, 1982), p. 41.

26. Bruce Feldacker, *Labor Guide to Labor Law* (Upper Saddle River, NJ: Prentice Hall, 2000), p. 513.

27. "The Eleventh Circuit Explains Disparate Impact, Disparate Treatment," *BNA Fair Employment Practices*, August 17, 2000, p. 102. See also Kenneth York, "Disparate Results in Adverse Impact Tests: The 4/5ths Rule and the Chi Square Test," *Public Personnel Management* 31, no. 2 (Summer 2002), pp. 253–262; and "Burden of Proof Under the Employment Non-Discrimination Act," www.civilrights.org/lgbt/enda/burden-of-proof.html, accessed August 8, 2011.

28. We'll see that the process of filing a discrimination charge goes something like this: The plaintiff (say, a rejected applicant) demonstrates that an employment practice (such as a test) has a disparate (or "adverse") impact on a particular group. *Disparate impact* means that an employer engages in an employment practice or policy that has a greater adverse impact (effect) on the members of a protected group under Title VII than on other employees, regardless of intent. (Requiring a college degree for a job would have an adverse impact on some minority groups, for instance.) Disparate impact claims do *not* require proof of discriminatory intent. Instead, the plaintiff's burden is to show two things. First, he or she must show that a significant disparity exists between the proportion of (say) women in the available labor pool and the proportion hired. Second, he or she must show that an apparently neutral employment practice, such as word-of-mouth advertising or a requirement that the jobholder "be able to lift 100 pounds," is causing the disparity. Then, once the plaintiff fulfills his or her burden of showing such disparate impact, the *employer* has the heavier burden of proving that the challenged practice is job related. For example, the employer has to show that lifting 100 pounds is actually required for effectively performing the position in question, and that the business could not run efficiently without the

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37. James McDonald Jr., "The Americans with Difficult Personalities Act," *Employee Relations Law Journal* 25, no. 4 (Spring 2000), pp. 93–107; and Betsy Bates, "Mental Health Problems Predominate in ADA Claims," *Clinical Psychiatry News*, May 2003, http://findarticles.com/p/articles/mi_hb4345/is_5_31/ai_n29006702, accessed September 24, 2011. For a detailed discussion of dealing with this issue, see www.eeoc.gov/facts/intellectual_disabilities.html, accessed September 2, 2011.

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Workforce Management, March 2005, p. 16.

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40. www.ada.gov/reg3a.html#Anchor-Appendix-52467, accessed January 23, 2009.

41. See "EEOC Guidance on Telecommuting as ADA Accommodation Discussed," *Bloomberg BNA Bulletin to Management*, October 16, 2012, p. 335.

42. Martha Frase, "An Underestimated Talent Pool," *HR Magazine*, April 2009, pp. 55–58; and Nicole LaPorte, "Hiring the Blind, While Making a Green Statement," *The New York Times*, March 25, 2012, p. b3; and http://www.freedomscientific.com/Products/Blindness/Jaws, accessed January 23, 2017.

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47. *Toyota Motor Manufacturing of Kentucky, Inc. v. Williams*. 534 U.S. 184 (2002).

48. "Supreme Court Says Manual Task Limitation Needs Both Daily Living, Workplace Impact," *BNA Fair Employment Practices*, January 17, 2002, p. 8.

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50. "Rise in ADA Cases Calls for Focus on Accommodations, Job Descriptions," *Bloomberg BNA Bulletin to Management*, September 25, 2012, p. 310.

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57. "Employers More Vulnerable Under New York City Statute," *Bloomberg BNA Bulletin to Management*, July 31, 2012, p. 245.

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97. "Be Careful with Social Media When Vetting Potential Workers," *Bloomberg BNA Bulletin to Management*, June 25, 2013, p. 206.

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99. "The Eleventh Circuit Explains Disparate Impact, Disparate Treatment," p. 102.

100. John Klinefelter and James Thompkins, "Adverse Impact in Employment Selection," *Public Personnel Management*, May/June 1976, pp. 199–204; and www.eeoc.gov/policy/docs/ factemployment_procedures .html, accessed October 2, 2011.

101. Moran, *Employment Law*, p. 168.

102. Employers use several types of statistics in addressing adverse impact. (For a discussion, see Robert Gatewood and Hubert Feild, *Human Resource Selection* [Fort Worth, TX: The Dryden Press, 1994], pp. 40–42, and Jean Phillips and Stanley Gully, *Strategic Staffing* [Upper Saddle River, NJ: Pearson, 2012], pp. 68–69.) For example, *stock statistics* might compare *at a single point in time* (1) the percentage of female engineers the company has, as a percentage of its total number of engineers, with (2) the number of trained female engineers in the labor force as a percentage of the total number of trained engineers in the labor force. Here, the question of relevant labor market is important. For example, the relevant labor market if you're hiring unskilled assemblers might be the local labor market within, say, 20 miles from your plant, whereas the relevant labor market for highly skilled engineers might well be national and possibly international. *Flow statistics* measure proportions of employees, in particular, groups at two points in time: before selection and after selection takes place. For example, when comparing the percentage of minority applicants who applied with the percentage hired, the employer is using flow statistics.

An employer's company-wide minority hiring statistics may be defensible company-wide but not departmentally. The employer therefore may employ *concentration statistics* to drill down and determine the concentration of minorities versus nonminorities in particular job categories.

103. One study found that using the 4/5ths rule often resulted in false-positive ratings of adverse impact, and that incorporating tests of statistical significance could improve the accuracy of applying the 4/5ths rule. See Philip Roth, Philip Bobko, and Fred Switzer, "Modeling the Behavior of the 4/5ths Rule for Determining Adverse Impact: Reasons for Caution," *Journal of Applied Psychology* 91, no. 3 (2006), pp. 507–522.

104. The results must be realistic. In this example, hiring 2 out of 5 women suggests there is no adverse impact. But suppose we had hired only 1 woman. Then the difference between those we would be expected to hire (5) and whom we actually hired (1) would rise to 4. Hiring just one less woman might then trigger adverse impact issues, because twice the standard deviation is also about 4. However, realistically, it probably would not trigger such concerns, because with such small numbers, one person makes such a difference. The point is that tools like the 4/5ths rule and the standard deviation rule are only rules of thumb. They do not themselves determine if the employer's screening process is discriminatory. This fact may work both for and against the employer. As the Uniform Guidelines (www .uniformguidelines.com/ qandaprint.html) put it, "Regardless of the amount of difference in selection rates, unlawful discrimination may be present, and may be demonstrated through appropriate evidence. . . ."

105. The ADEA does not just protect against intentional discrimination (disparate treatment). Under a Supreme Court decision (*Smith v. Jackson*, Miss., 2005), it also covers employer practices that seem neutral but that actually bear more heavily on older workers (disparate impact). "Employees Need Not Show Intentional Bias to Bring Claims Under ADEA, High Court Says," *BNA Bulletin to Management* 56, no. 14 (April 5, 2005), p. 105.

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a Reprieve," *HR Magazine*, February 2008, p. 24.

107. *Usery v. Tamiami Trail Tours*, 12FEP cases 1233. Alternatively, an employer faced with an age discrimination claim may raise the factors other than age (FOA) defense. Here, it argues that its actions were "reasonable" based on some factor other than age, such as the terminated person's poor performance.

108. www.foxnews.com/story/ 0,2933,517334,00.html, accessed January 7, 2010.

109. Howard Anderson and Michael Levin-Epstein, *Primer of Equal Employment Opportunity* (Washington, DC: The Bureau of National Affairs, 1982), pp. 13–14.

110. *U.S. v. Bethlehem Steel Company*, 3FEP cases 589.

111. *Robinson v. Lorillard Corporation*, 3FEP cases 653.

112. *Spurlock v. United Airlines*, 5FEP cases 17.

113. Anderson and Levin-Epstein, *Primer of Equal Employment Opportunity*, p. 14.

114. Ledvinka and Gatewood, "EEO Issues with Preemployment Inquiries," pp. 22–26.

115. Ibid.; www.eeoc.gov/laws/ practices/index.cfm, accessed August 2, 2013.

116. "Eighth Circuit OKs $3.4 Million EEOC Verdict Relating to Pre-Hire Strength Testing Rules," *BNA Bulletin to Management*, November 28, 2006, p. 377.

117. Svetlana Shkolnikova, "Weight Discrimination Could Be as Common as Racial Bias," www.usatoday.com/news/ health/weightloss/2008-05-20-overweight-bias_N.htm, accessed January 21, 2009.

118. Jenessa Shapiro et al., "Expectations of Obese Trainees: How Stigmatized Trainee Characteristics Influence Training Effectiveness," *Journal of Applied Psychology* 92, no. 1 (2007), pp. 239–249. See also Lisa Finkelstein et al., "Bias Against Overweight Job Applicants: Further Explanations of When and Why," *Human Resource Management* 46, no. 2 (Summer 2007), pp. 203–222. For an interesting study, see T. A. Judge and D. M. Cable, "When It Comes to Pay, Do the Thin Win? The Effect of Weight on Pay for Men and Women," *Journal of Applied Psychology*, January 2011.

119. "OFCCP Issues Criminal Records Directive, Cautions Contractors on Blanket Exclusions," *Bloomberg BNA Bulletin to Management*, February 12, 2013, p. 49; and "EEOC to Focus on Hiring, Pay and Harassment," *HR Magazine*, February 2013, p. 11.

120. See, for example, www.eeoc.gov/ policy/docs/guidance-inquiries .html, accessed June 28, 2009.

121. This is based on *BNA Fair Employment Practices*, April 13, 1989, pp. 45–47; and "Crossed: When Religion and Dress Code Policies Intersect," www.mcguire_woods .com/news-resources/item .asp?item=3108, accessed October 2, 2011.

122. Eric Matusewitch, "Tailor Your Dress Codes," *Personnel Journal* 68, no. 2 (February 1989), pp. 86–91; Matthew Miklave, "Sorting Out a Claim of Bias," *Workforce* 80, no. 6 (June 2001), pp. 102–103, and "Laws and Cases Affecting Appearance," www.boardmanlawfirm .com/perspectives_articles/ appearance.php, accessed September 8, 2011.

123. Rita Pyrillis, "Body of Work," *Workforce Management*, November 7, 2010, pp. 20–26.

124. This isn't ironclad, however. For example, the U.S. Supreme Court, in *Stotts*, held that a court cannot require retention of black employees hired under a court's consent decree in preference to higher-seniority white employees who were protected by a bona fide seniority system. It's unclear whether this decision also extends to personnel decisions not governed by seniority systems. *Firefighters Local 1784 v. Stotts* (*BNA*, April 14, 1985).

125. In a more recent plan, the EEOC said it would focus on hiring, and particularly enforcing its guidance on indiscriminate use of criminal conduct in background screening; on gender-based pay discrepancies; and on enforcing its requirements against harassment based on race, ethnicity, religion, age, and disability. "EEOC to Focus on Hiring, Pay and Assessment," p. 11.

126. Prudent employers often purchase employment practices liability insurance to insure against some or all of the expenses involved with defending against discrimination, sexual harassment, and wrongful termination-type claims. Antone Melton-Meaux, "Maximizing Employment Practices Liability Insurance Coverage," *Compensation & Benefits Review*, May/ June 2008, pp. 55–59.

127. Litigants must watch the clock. In an equal pay decision, the U.S. Supreme Court held (in *Ledbetter v. Goodyear Tire & Rubber Company*) that the employee must file a complaint within 180 (or 300) days of the employer's decision to pay the allegedly unfair wage. The clock starts with that first pay decision, not with the subsequent paychecks that the employee receives. "Justices Rule 5–4 Claim-Filing Period Applies to Pay Decision, Not Subsequent Paycheck," *BNA Bulletin to Management* 58, no. 23 (June 5, 2007), pp. 177–184; and www.eeoc.gov/eeoc/statistics/ enforcement/charges.cfm, accessed May 1, 2012. A U.S. Supreme Court case will make it more difficult for plaintiffs to file class-action claims for discrimination. See "Supreme Court Hands Wal-Mart Big Victory: Reverses Approval of Class-Action Claim," *BNA Bulletin to Management*, June 21, 2011, p. 193.

128. In 2007, the U.S. Supreme Court, in *Ledbetter v. Goodyear Tire & Rubber Company*, held that employees claiming Title VII pay discrimination must file their claims within 180 days of when they first receive the allegedly discriminatory pay. As of 2009, Congress was working to formulate new legislation enabling an employee to file a claim at any time, as long as the person is still receiving an "infected" paycheck.

129. www.eeoc.gov/eeoc/statistics/ enforcement/charges.cfm accessed January 24, 2017.

130. "EPLI Now Established Employer Litigation Strategy," *Bloomberg BNA Bulletin to Management*, November 29, 2011, p. 382.

131. If the charge was filed initially with a state or local agency within 180 days after the alleged unlawful practice occurred, the charge may then be filed with the EEOC within 30 days after the practice occurred or within 30 days after the person received notice that the state or local agency has ended its proceedings.

132. "Attorneys: Employer Should Handle EEOC Discharges Strategically," *Bloomberg BNA Bulletin to Management*, October 15, 2013, p. 334.

133. "EEOC Attorneys Stress the Importance of Cooperation During Investigations," *Bloomberg BNA Bulletin to Management*, March 8, 2011, p. 73.

134. www.eeoc.gov/mediate/facts .html, accessed June 29, 2009.

135. "EEOC's New Nationwide Mediation Plan Offers Option of Informal Settlements," *BNA Fair Employment Practices*, February 18, 1999, p. 21; and www.eeoc.gov/employees/ mediation.cf, accessed October 2, 2011.

136. Timothy Bland, "Sealed Without a Kiss," *HR Magazine*, October 2000, pp. 85–92.

137. Stuart Bompey and Michael Pappas, "Is There a Better Way? Compulsory Arbitration of Employment Discrimination Claims After *Gilmer*," *Employee Relations Law Journal* 19, no. 3 (Winter 1993–1994), pp. 197–216, and www.eeoc .gov/policy/docs/mandarb.html, accessed September 5, 2011. The EEOC says here, for instance, that "the employer imposing mandatory arbitration is free to manipulate the arbitral mechanism to its benefit."

138. See Bompey and Pappas, pp. 210–211.

139. David Nye, "When the Fired Fight Back," *Across-the-Board*, June 1995, pp. 31–34; and www.eeoc.gov/federal/fed_ employees/adr.cfm, accessed October 3, 2011.

140. "EEOC Opposes Mandatory Arbitration," *BNA Fair Employment Practices*, July 24, 1997, p. 85; and www.eeoc.gov/ employees/mediation.cfm, accessed October 2, 2011.

141. "Tips for Employers on Dealing with EEOC Investigations," *BNA Fair Employment Practices*, October 31, 1996, p. 130; "Conducting Effective Investigations of Employee Bias Complaints," *BNA Fair Employment Practices*, July 13, 1995, p. 81; Commerce Clearing House, *Ideas and Trends*, January 23, 1987, pp. 14–15; http://eeoc.gov/employers/ investigations.html, accessed October 4, 2009; and www.eeoc .gov/employers/process.cfm, accessed January 25, 2017.

142. Kenneth Sovereign, *Personnel Law*, 4th ed. (Upper Saddle River, NJ: Prentice Hall, 1999), p. 220. Perhaps surprisingly, more senior managers than nonmanagers report suffering retaliation when reporting workplace misconduct. *Bloomberg BNA Bulletin to Management*, September 11, 2012, p. 294. This includes what one report calls "traceable retaliation," such as demotions, physical harm, and online harassment.

143. www.eeoc.gov/employers/ smallbusiness/faq/what_is_ retaliation.cfm, accessed January 24, 2017.

144. https://www.eeoc.gov/eeoc/plan/ upload/2016par.pdf, accessed January 24, 2017.

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3

Human Resource Management Strategy and Performance

When you finish studying this chapter, you should be able to:

3-1 **Give** examples of each of the seven steps in the strategic management process.

3-2 **List** with examples the main types of strategies.

3-3 **Define** *strategic human resource management*, and give an example of strategic human resource management in practice.

3-4 **Give** at least five examples of HR metrics.

3-5 **Give** five examples of what employers can do to have high-performance systems.

3-6 **Explain** how you would design a program to improve employee engagement.

When the Ritz-Carlton Company took over managing the Portman Hotel in Shanghai, China, the hotel already had a good reputation among business travelers. However, many luxury hotels were opening there. To stay competitive, the Portman's new managers decided to reposition the hotel with a new strategy, one that emphasized outstanding customer service. But they knew that improving the service would require new employee behaviors, and therefore new selection, training, and pay policies and practices. We will see what they did.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Strategic and Legal Environment

Recruitment and Placement

Training and Development

Compensation

Employee Relations

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

WHERE ARE WE NOW . . .

The next part of this book, Part 2, turns to the nuts and bolts of human resource management, including activities like analyzing jobs and recruiting and selecting employees. Ideally, activities like these should produce the employee behaviors and competencies the firm needs to achieve its strategic goals. Therefore, the main purpose of the present chapter is to explain how managers formulate human resource strategies for their companies. We'll address the **Strategic Management Process**, **Types of Strategies**, **Strategic Human Resource Management**, **HR Metrics and Benchmarking**, **High-Performance Work Systems**, and **Employee Engagement**. We'll turn in the following chapter to how to analyze jobs and recruit employees.

The Strategic Management Process

Employers can't intelligently design their human resource policies and practices without understanding the role these policies and practices are to play in achieving their companies' strategic goals. In this chapter, we look at how managers design strategic and human resource plans, and how they evaluate the results of their plans. We start with an overview of the basic management planning process.

The Management Planning Process

The basic management planning process consists of five steps: setting objectives, making basic planning forecasts, reviewing alternative courses of action, evaluating which options are best, and then choosing and implementing your plan. A *plan* shows the course of action for getting from where you are to the goal. *Planning* is always "goal-directed" (such as, "double sales revenue to $16 million in fiscal year 2020").

In companies, it is traditional to view the goals from the top of the firm down to front-line employees as a chain or *hierarchy of goals*. Figure 3-1 illustrates this. At the top, the president sets long-term or "strategic" goals (such as "double sales revenue to $16 million in fiscal year 2020"). His or her vice presidents then set goals for their units that flow from, and make sense in terms of accomplishing, the president's goal (see Figure 3-1). Then their own subordinates set goals, and so on down the chain.[1]

Policies and procedures provide day-to-day guidance employees need to do their jobs in a manner that is consistent with the company's plans and goals. Policies set broad guidelines delineating how employees should act. For example, "It is the policy of this company to comply with all laws, regulations, and principles of ethical conduct." *Procedures* spell out what to do if a specific situation arises. For example:

> Any employee who believes this policy has been violated must report this belief to the employee's immediate supervisor. If that is not practical, the employee should file a written report with the Director of Human Resources. There is to be no retaliation in any form.[2]

Employers write their own policies and procedures, or adapt ones from existing sources (or both). For example, most employers have employee manuals listing the

FIGURE 3-1 **Sample Hierarchy of Goals Diagram for a Company**

company's human resource policies and procedures. An online search for prepackaged HR policies manuals would produce choices (for instance go to www.bizmanualz.com/, and then click HR Policies and Procedures Manual).[3]

What Is Strategic Planning?

Setting goals for the company usually starts at the top, by formulating an overall strategic plan for the company. A **strategic plan** is the company's overall plan for how it will match its internal strengths and weaknesses with its external opportunities and threats in order to maintain a competitive position. The strategic planner asks, "Where are we now as a business, and where do we want to be?" He or she then formulates a strategic plan to help guide the company to the desired end point.[4] When Walmart bought Jet.com to expand online, and WeWork branched out into renting entire facilities to companies like IBM, they were engaged in strategic planning.

A **strategy** is a course of action. Both PepsiCo and Coca-Cola face the same basic problem—people are drinking fewer sugared drinks. However, they each chose different strategies to deal with this. PepsiCo *diversified* by selling more food items like chips. Coca-Cola *concentrated* on sweet beverages, and on boosting advertising to (hopefully) boost Coke sales.[5]

Finally, **strategic management** is the process of identifying and executing the organization's strategic plan by matching the company's capabilities (strengths and weaknesses) with the demands of its environment (its competitors, customers, and suppliers, for instance).

The Strategic Management Process

Figure 3-2 summarizes the strategic management process. Its seven steps include (1) ask, "What business are we in now?"; (2) evaluate the firm's internal and external strengths, weaknesses, opportunities, and threats; (3) formulate a new business direction; (4) decide on strategic goals; and (5) choose specific strategies or courses of action. Steps (6) and (7) are to implement and then evaluate the strategic plan.

The strategic management process begins (step 1) by asking, "What business are we in?" Here the manager defines the company's current business. Specifically, "What products do we sell, where do we sell them, and how do our products or services differ from our competitors'?" For example, the Coca-Cola Company sells mostly sweetened beverages such as Coke and Sprite, while PepsiCo sells drinks but also foods such as Quaker Oats and Frito chips.

The second step is to ask, "*Are we in the right business* given our strengths and weaknesses and the challenges that we face?" To answer this, managers "audit" or study both the firm's environment and the firm's internal strengths and weaknesses. The *environmental scan worksheet* in Figure 3-3 is a guide for compiling information

strategic plan
The company's plan for how it will match its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage.

strategy
A course of action the company can pursue to achieve its strategic aims.

strategic management
The process of identifying and executing the organization's strategic plan by matching the company's capabilities with the demands of its environment.

| Step 1: Define the current business | Step 2: Perform external and internal audits | Step 3: Formulate a new direction | Step 4: Translate the mission into strategic goals | Step 5: Formulate strategies to achieve the strategic goals | Step 6: Implement the strategies | Step 7: Evaluate performance |

Strategic Planning — Strategic Execution — Strategic Evaluation

FIGURE 3-2 **The Strategic Management Process**

Economic Trends
(such as recession, inflation, employment, monetary policies)
_____
_____
_____
_____
_____

Competitive and Market Trends
(such as market/customer trends, entry/exit of competitors, new products from competitors)
_____
_____
_____
_____
_____

Political Trends
(such as legislation and regulation/deregulation)
_____
_____
_____
_____
_____

Technological Trends
(such as introduction of new production/distribution technologies, rate of product obsolescence, trends in availability of supplies and raw materials)
_____
_____
_____
_____
_____

Social Trends
(such as demographic trends, mobility, education, evolving values)
_____
_____
_____
_____
_____

Geographic Trends
(such as opening/closing of new markets, factors affecting current plant/office facilities location decisions)
_____
_____
_____
_____
_____

about the company's environment. As you can see, this includes the economic, competitive, and political trends that may affect the company. The *SWOT chart* in Figure 3-4 is widely used. Managers use it to compile and organize the company's strengths, weaknesses, opportunities, and threats. This audit may also include analyzing the so-called PEST factors. These include Political factors such as government regulations and employment laws; Economic factors including unemployment and economic growth; Social factors such as changing demographics and health consciousness trends; and Technological factors such as social media, digitalization, and self-driving vehicles. In any case, the manager's aim is to create a strategic plan that makes sense in terms of the company's strengths, weaknesses, opportunities, and threats.

Next, based on this analysis (in other words, on the environmental scan, SWOT, and PEST analyses), the task in step 3 is to decide *what should our new business be*, in terms of what we sell, where we will sell it, and how our products or services differ from

FIGURE 3-4 SWOT Matrix, with Generic Examples

Potential Strengths

- Market leadership
- Strong research and development
- High-quality products
- Cost advantages
- Patents

Potential Weaknesses

- Large inventories
- Excess capacity for market
- Management turnover
- Weak market image
- Lack of management depth

Potential Opportunities

- New overseas markets
- Failing trade barriers
- Competitors failing
- Diversification
- Economy rebounding

Potential Threats

- Market saturation
- Threat of takeover
- Low-cost foreign competition
- Slower market growth
- Growing government regulation

vision statement

A general statement of the firm's intended direction; it shows, in broad terms, "what we want to become."

mission statement

Summarizes the answer to the question, "What business are we in?"

competitors' products and services? Some managers express the essence of their new business with a *vision statement*. A **vision statement** is a general statement of the firm's intended direction; it shows, in broad terms, "what we want to become."[6] For example, PepsiCo's vision is to pursue performance within a framework of socially responsible purposes. Because of this, PepsiCo CEO Indra Nooyi and her executives choose which businesses to be in based on that vision's focus on human sustainability, environmental sustainability, and talent sustainability.[7] For example, that vision prompted PepsiCo to add the healthy Quaker Oats and Gatorade to its lineup of products.

Whereas the vision statement describes in broad terms what the business should be, the company's **mission statement** summarizes what the company's main tasks are today. Several years ago, Ford adopted what was for several years a powerful Ford mission statement—making "Quality Job One."

In any case, the next step (step 4) is to translate the desired new direction into *strategic goals*. At Ford, for example, what exactly did making "Quality Job One" mean for each department in terms of how they would boost quality? The answer was laid out in goals such as "no more than 1 initial defect per 10,000 cars."

Next, (step 5) the manager *chooses strategies*—courses of action—that will enable the company to achieve its strategic goals. For example, how should Ford pursue its goal of no more than 1 initial defect per 10,000 cars? Perhaps open two new high-tech plants, and put in place new, rigorous employee selection, training, and performance-appraisal procedures.

Step 6, *strategy execution,* means translating the strategies into action. This means actually hiring (or firing) people, building (or closing) plants, and adding (or eliminating) products and product lines.

Finally, in step 7, the manager *evaluates* the results of his or her planning and execution. Things don't always turn out as planned. All managers should periodically assess the progress of their strategic decisions.

LEARNING OBJECTIVE 3-2

List with examples the main types of strategies.

corporate-level strategy

Type of strategy that identifies the portfolio of businesses that, in total, comprise the company and the ways in which these businesses relate to each other.

Types of Strategies

In practice, managers engage in three types or levels of strategic planning, *corporate-level* strategic planning, *business unit* (or *competitive*) strategic planning, and *functional* (or *departmental*) strategic planning (see Figure 3-5).

Corporate Strategy

For any business, the corporate strategy answers the question, "What businesses will we be in?" Specifically, the **corporate-level strategy** identifies the portfolio of businesses that, in total, comprise the company and how these businesses relate to each other. For example, with a *concentration* (single-business) corporate strategy,
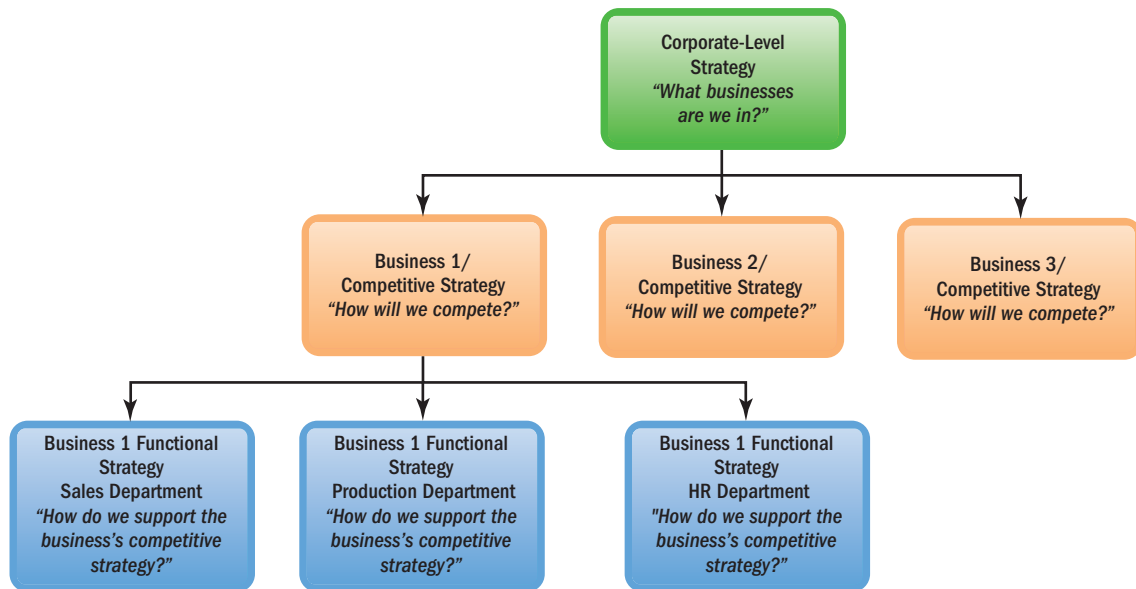
FIGURE 3-5 Type of Strategy at Each Company Level

the company offers one product or product line, usually in one market. WD-40 Company is one example. With one spray lubricant, its product scope is narrow. A *diversification* corporate strategy means the firm will expand by adding new product lines. Here product scope is wider. PepsiCo is diversified. Thus, PepsiCo added Frito-Lay chips and Quaker Oats to its drinks businesses, and both Google (with its Waymo division) and Apple are moving into the self-driving car business.[8]

A *vertical integration* strategy means the firm expands by, perhaps, producing its own raw materials, or selling its products directly. Thus, Apple opened its own Apple stores. With a *consolidation* strategy, the company reduces its size. With *geographic expansion*, the company grows by entering new territorial markets, for instance, by taking the business abroad.

Competitive Strategy

Once the manager decides what businesses to be in, each business needs a basis on which to compete. For example, within PepsiCo, each of its businesses (such as Pepsi and Frito-Lay) should have a *business-level/competitive strategy* (again, see Figure 3-5). The **competitive strategy** identifies how to build and strengthen the business's competitive position in the marketplace.[9] It answers the question, for instance, How should Pizza Hut compete with Papa John's? or How should Walmart compete with Target?

Managers build their competitive strategies around their businesses' competitive advantages. **Competitive advantage** means any factors that allow a company to differentiate its product or service from those of its competitors to increase market share. Coca-Cola has a "secret formula" that shows how to create its famous beverage. However, competitive advantages needn't be tangible. For example, here is how a former vice president of human resources at the Toyota Motor Manufacturing facility in Georgetown, Kentucky, described the importance of human capital as a competitive advantage:

> People are behind our success. Machines don't have new ideas, solve problems, or grasp opportunities. Only people who are involved in thinking can make a difference. . . . Every auto plant in the United States has basically the same machinery. But how people are utilized and involved varies widely from one company to another. The workforce gives any company its true competitive edge.[10]

competitive strategy
A strategy that identifies how to build and strengthen the business's long-term competitive position in the marketplace.

competitive advantage
Any factors that allow an organization to differentiate its product or service from those of its competitors to increase market share.

Managers typically adopt one or more of three standard competitive strategies—cost leadership, differentiation, or focus—to achieve competitive advantage. *Cost leadership* means becoming the low-cost leader in an industry; Walmart is an example. With *differentiation,* the firm seeks to be unique in its industry along dimensions that are widely valued by buyers.[11] Thus, Volvo stresses its cars' safety, and Artisan Pizza stresses fresh ingredients. *Focusers* carve out a market niche. Thus Jopwell.com is "The leading career advancement platform for Black, Latinx, and Native American students and professionals."[12]

Functional Strategy

functional strategy
A strategy that identifies the broad activities that each department will pursue in order to help the business accomplish its competitive goals.

Each department should operate within the framework of its business's competitive strategy. **Functional strategies** identify what each department must do to help the business accomplish its strategic goals. Thus, for, say, P&G to make its Olay skincare products a top-tier brand, its product development, production, marketing, sales, and human resource departments must engage in activities that are consistent with this unit's high-quality mission.[13] Inferior products, cheap packaging, or sloppy salespeople would not do.

Managers' Roles in Strategic Planning

Devising the company's overall strategic plan is top management's responsibility. However, few top executives formulate strategic plans without lower-level managers' input. No one knows more about the firm's competitive pressures, product and industry trends, and employee capabilities than do the company's department managers.

For example, the human resource manager is in a good position to supply "competitive intelligence"—information on competitors. Details regarding competitors' incentive plans, employee opinion surveys about customer complaints, and information about pending legislation such as labor laws are examples. Human resource managers should also be the masters of information about their own firms' employees' strengths and weaknesses.

In practice, devising the firm's overall strategic plan involves frequent discussions among and between top and lower-level managers. The top managers then use this information to hammer out their strategic plan.

KNOWLEDGE BASE

LEARNING OBJECTIVE 3-3

Define *strategic human resource management*, and give an example of strategic human resource management in practice.

Strategic Human Resource Management

The company's top managers choose overall corporate strategies, and then choose competitive strategies for each of the company's businesses. Then departmental managers within each of these businesses formulate functional strategies for their departments. Their aim should be to have functional strategies that will support the competitive strategy and the company-wide strategic aims. The marketing department would have marketing strategies. The production department would have production strategies. The human resource management ("HR") department would have *human resource management strategies*.

HR in Action at the Hotel Paris   Starting as a single hotel in a Paris suburb in 1995, the Hotel Paris is now a chain of nine hotels, with two in France, one each in London and Rome, and others in New York, Miami, Washington, Chicago, and Los Angeles. To see how managers use strategic human resource management to improve performance, see the Hotel Paris Case on pages 92–93 and answer the questions.

What Is Strategic Human Resource Management?

strategic human resource management
Formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

Every company's human resource management policies and activities should make sense in terms of the firm's strategic aims. For example, a high-end hotel like the Shanghai Portman will have different employee selection, training, and pay policies than will a small roadside motel because the Shanghai's customers expect exceptional service. **Strategic human resource management** means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims. The following Strategic Context feature illustrates this.

■ **IMPROVING PERFORMANCE:** *THE STRATEGIC CONTEXT*

The Shanghai Ritz-Carlton Portman Hotel

When the Ritz-Carlton Company took over managing the Portman Hotel in Shanghai, China, the new management reviewed the Portman's strengths and weaknesses and its fast-improving local competitors. They decided that to compete, they had to improve the hotel's level of service. Achieving that in turn meant formulating new human resource management plans for hiring, training, and rewarding hotel employees. It meant putting in place a new human resource strategy for the Portman Hotel, one aimed at improving customer service. Their HR strategy involved taking these steps:

- *Strategically*, they set the goal of making the Shanghai Portman outstanding by offering superior customer service.
- To achieve this, Shanghai Portman employees would have to exhibit new *skills and behaviors*, for instance, in terms of how they treated and responded to guests.
- To produce these employee skills and behaviors, management implemented new human resource management *plans, policies, and procedures*. For example, they introduced the Ritz-Carlton Company's *human resource system* to the Portman: "Our selection [now] focuses on talent and personal values because these are things that can't be taught . . . it's about caring for and respecting others."[14] In 2017 Ritz-Carlton became part of Marriott, but Ritz-Carlton's "Gold Standards" credo remains the same. It says, in part: "We pledge to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed, yet refined ambience."[15]

Management's efforts paid off. Their new human resource plans and practices helped to produce the employee behaviors required to improve the Portman's level of service, thus attracting new guests. Travel publications were soon calling it the "best employer in Asia," "overall best business hotel in Asia," and "best business hotel in China," recognition that continues to this day.[16] Profits soared, in no small part due to effective strategic human resource management.

> ### MyLab Management Talk About It 1
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. Asian culture is different from that in the United States. For example, team incentives tend to be more attractive to people in Asia than are individual incentives. How do you think these cultural differences would have affected how the hotel's new management selected, trained, appraised, and compensated the Shanghai Portman's employees?

The basic idea of strategic human resource management is this: In formulating human resource management policies and activities, the manager should formulate policies that produce the employee skills and behaviors that the company needs to achieve its strategic goals.[17]

The HR strategy is dynamic, not static. In other words, the manager should determine where each HR activity (recruiting, and so on) is now, and where it should be in order to support the employer's strategic aims. The key to success is to think through how the manager is going to transform the various HR activities so that they align with and support the company's strategic priorities.[18] The bottom line is that the manager should not design any HR activities without understanding very clearly the business's strategic needs, and how to align the HR activities with those strategic needs.

Figure 3-6 outlines this idea. First, the manager formulates *strategic plans* and goals. Next, he or she asks, "What *employee skills and behaviors* will we need to achieve these plans and goals?" And finally, he or she asks, "Specifically what recruitment, selection, training, and other *HR policies and practices* should we put in place so as to produce the required employee skills and behaviors?" Managers often refer to their specific HR policies and practices as *human resource strategies*.[19] The accompanying HR as a Profit Center feature presents another strategic human resource management example.

FIGURE 3-6 The HR Strategy Model

Note: This figure opens each chapter of this book and says this: The company's HR policies and practices should produce the employee competencies and behaviors that the company needs to achieve its strategic goals.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Strategic and Legal Environment

Recruitment and Placement

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Training and Development

Compensation

Employee Relations

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

The Zappos "WOW" Way

When your strategy involves selling shoes and clothes online to people who can't try them on, you need employees who are energized and enjoy what they're doing—Zappos (part of Amazon) wants employees to deliver "WOW" through service.[20] That's why Zappos' founders knew they needed special methods for hiring, developing, and retaining employees, and that's just what they created. As their Web site says, "This ain't your mama's HR! Recruiting, benefits, and employee relations keep this cruise ship afloat with fun, inventive ways of getting employees motivated and educated about the Zappos Family of companies, their benefits, and the other fun stuff going on around here!"[21]

While they may not appeal to everyone, these "fun, inventive techniques" include interviewing job applicants in what looks like the set of a talk show, asking employees to submit their own designs for Steve Madden shoes, and (during Zappos' annual "Bald & Blue Day") having some employees volunteer to shave their heads or dye their hair blue.[22] And, if you're not happy working at Zappos, the company will pay you to leave—it wants no one there who doesn't truly want to be there. Zappos also believes in what it calls "Holacracy," namely encouraging every employee to be innovative.[23]

Again, that may not be for everyone, but it works for Zappos. It knows that selling online profitably requires energized employees who really enjoy what they're doing. Management uses these special HR practices to cultivate the energized and fun environment that Zappos needs to execute its strategy, and judging from Zappos' success they seem to be working. ■

> **MyLab Management** Talk About It 2
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. Why do you think Zappos' top managers believe it is so important for employees to provide a "WOW" factor in their business?

Sustainability and Strategic Human Resource Management

Today's emphasis on *sustainability* has important consequences for human resource management. *Strategic human resource management* means having human resource policies and practices that produce the employee skills and behaviors that are necessary to achieve the company's strategic goals, and these often include sustainability goals.

For example, PepsiCo wants to deliver "Performance with Purpose." This means achieving financial performance while also achieving human sustainability, environmental sustainability, and talent sustainability.[24] PepsiCo's human resource managers can help the company achieve these goals.[25] For example, they can work with top management to institute *flexible work arrangements* that help sustain the environment by reducing commuting. They can use *incentive systems* to motivate employees to achieve PepsiCo's sustainability goals.[26] The bottom line is that HR policies and practices can support a firm's sustainability strategy and goals.

MyLab Management Apply It!

How would you evaluate the process these managers used to formulate their strategic plan? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

Strategic Human Resource Management Tools

Managers use several tools to translate the company's strategic goals into human resource management policies and practices. These tools include the strategy map, the HR scorecard, and the digital dashboard.

strategy map

A strategic planning tool that shows the "big picture" of how each department's performance contributes to achieving the company's overall strategic goals.

STRATEGY MAP   The **strategy map** summarizes how each department's performance contributes to achieving the company's overall strategic goals. It helps the manager and each employee visualize and understand the role his or her department plays in achieving the company's strategic plan. Management gurus sometimes say that the map clarifies employees' "line of sight." It does this by visually linking their efforts with the company's ultimate goals.[27]

Figure 3-7 presents a strategy-map example for Southwest Airlines. The top-level target is to achieve its profitability, costs, and revenue goals. Then the strategy map shows the chain of activities that help Southwest Airlines achieve these goals. Like Walmart, Southwest has a low-cost-leader strategy. So, for example, to boost revenues and profitability Southwest must fly fewer planes (to keep costs down), maintain low prices, and maintain on-time flights. In turn (further down the strategy map), on-time flights and low prices require fast turnaround. This, in turn, requires motivated ground and flight crews. The resulting strategy map helps each department understand what it needs to do to support Southwest's low-cost strategy.[28] For example, what steps must Southwest's human resource team take to boost the motivation and dedication of its ground crews?

HR scorecard

A process for assigning financial and nonfinancial goals or metrics to the human resource management–related chain of activities required for achieving the company's strategic aims and for monitoring results.

THE HR SCORECARD   Many employers quantify and computerize the strategy map's activities. The HR scorecard helps them to do so. The **HR scorecard** is not a scorecard. It refers to a process for assigning financial and nonfinancial goals or metrics

FIGURE 3-7 **Strategy Map for Southwest Airlines**

Source: Based on TeamCHRYS-ALIS.com, accessed July 2006; http://mcknightkaney.com/Strategy_Maps_Primer.html; www.strategymap.com.au/home/StrategyMapOverview.html.
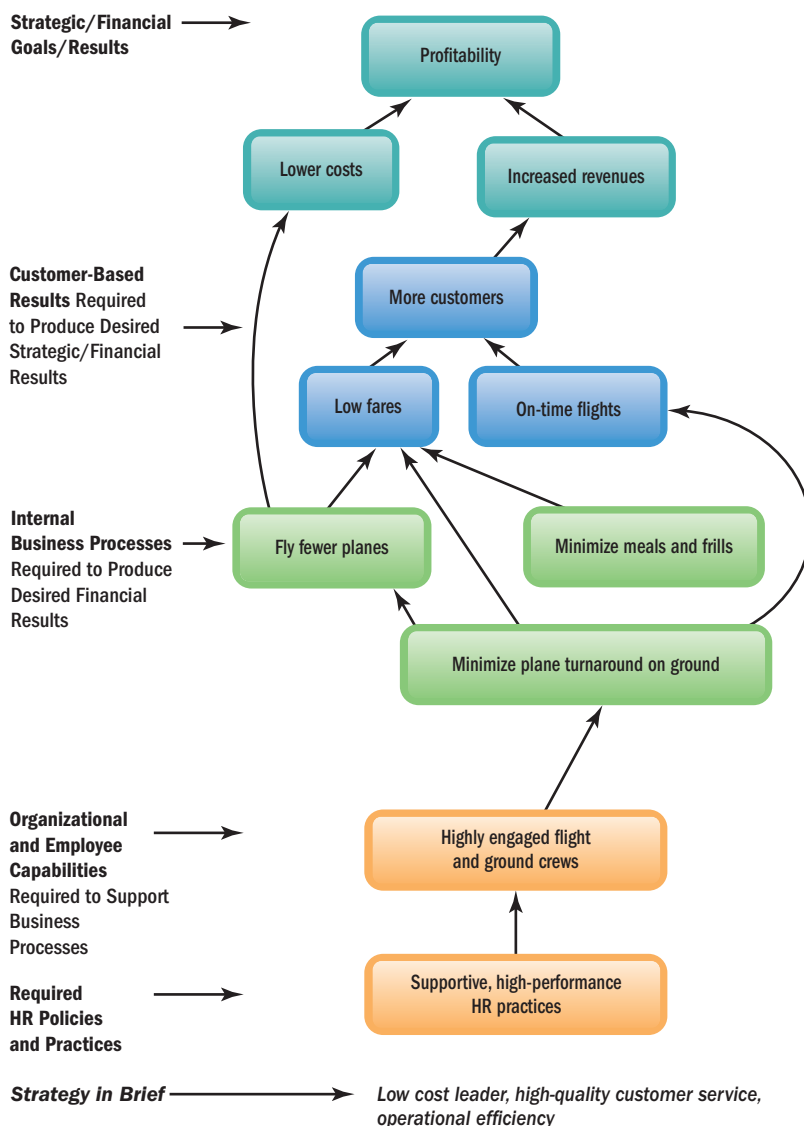
A digital dashboard presents the manager with desktop graphs and charts, showing a computerized picture of how the company is doing on all the metrics from the HR scorecard process.
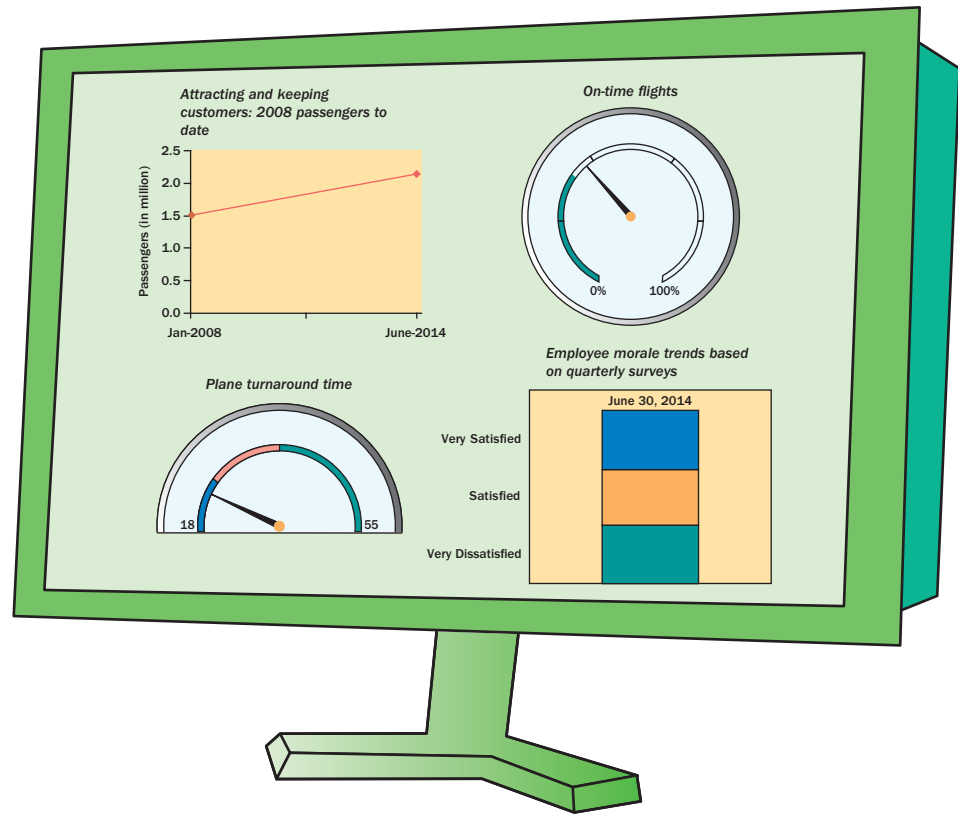
to the human resource management-related strategy-map chain of activities required for achieving the company's strategic aims.[29] (Metrics for Southwest might include airplane turnaround time, percent of on-time flights, and ground crew productivity.) The idea is to take the strategy map and to quantify it.

Managers use special scorecard software to facilitate this. The computerized scorecard process helps the manager quantify the relationships between (1) the HR activities (amount of testing, training, and so forth), (2) the resulting employee behaviors (customer service, for instance), and (3) the resulting firm-wide strategic outcomes and performance (such as customer satisfaction and profitability).[30] The HR scorecard derives from the "balanced scorecard" planning approach, which aims to balance hard data such as financial measures with soft data such as customer satisfaction in assessing a company's performance.

digital dashboard
Presents the manager with desktop graphs and charts, and shows a computerized picture of where the company stands on all those metrics from the HR scorecard process.

DIGITAL DASHBOARDS   The saying "a picture is worth a thousand words" explains the purpose of the digital dashboard. A **digital dashboard** presents the manager with desktop graphs and charts, showing a computerized picture of how the company is doing on all the metrics from the HR scorecard process. As in the preceding illustration, a top Southwest Airlines manager's dashboard might display real-time trends for various strategy-map activities, such as fast turnarounds and on-time flights. This enables the manager to take corrective action. For example, if ground crews are turning planes around slower today, financial results tomorrow may decline unless the manager takes action.

Figure 3-8 summarizes the three strategic planning tools.

Strategy Map	HR Scorecard	Digital Dashboard
Graphical tool that summarizes the chain of activities that contribute to a company's success, and so shows employees the "big picture" of how their performance contributes to achieving the company's overall strategic goals.	A process for assigning financial and nonfinancial goals or metrics to the human resource management–related chain of activities required for achieving the company's strategic aims and for monitoring results.	Presents the manager with desktop graphs and charts, so he or she gets a picture of where the company has been and where it's going, in terms of each activity in the strategy map.

FIGURE 3-8 Three Important Strategic HR Tools

KNOWLEDGE BASE

HR Metrics, Benchmarking, and Data Analytics

We've seen that strategic human resource management means formulating HR policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic goals. Being able to measure results is essential to this process. For example, it would have been futile for the Ritz-Carlton Portman Shanghai's managers to set "better customer service" as a goal if they couldn't measure customer service.[31] Relevant measures might include, for instance, hours of training per employee, productivity per employee, and (via customer surveys) customer satisfaction.

human resource metrics

The quantitative gauge of a human resource management activity, such as employee turnover, hours of training per employee, or qualified applicants per position.

Human resource managers use many such measures (or **"human resource metrics"**). For example, there is (on average) one human resource employee per 100 company employees for firms with 100–249 employees. This HR employee-to-employee ratio drops to about 0.79 for firms with 1,000–2,499 employees and to 0.72 for firms with more than 7,500 employees.[32] Figure 3-9 illustrates other human resource management metrics. They include employee tenure, cost per hire, and annual overall turnover rate.[33]

Benchmarking

Just measuring how one is doing (for instance, in terms of employee productivity) is rarely enough for deciding what (if anything) to change. Instead, most managers want to know

Organizational Data

- Revenue
- Revenue per FTE
- Net Income Before Taxes
- Net Income Before Taxes per FTE
- Positions Included Within the Organization's Succession Plan

HR Department Data

- Total HR Staff
- HR-to-Employee Ratio
- Percentage of HR Staff in Supervisory Roles
- Percentage of HR Staff in Professional/Technical Roles
- Percentage of HR Staff in Administrative Support Roles
- Reporting Structure for the Head of HR
- Types of HR Positions Organizations Expect to Hire in this year

HR Expense Data

- HR Expenses
- HR Expense to Operating Expense Ratio
- HR Expense to FTE Ratio

Compensation Data
- Annual Salary Increase
- Salaries as a Percentage of Operating Expense
- Target Bonus for Non-Executives
- Target Bonus for Executives

Tuition/Education Data
- Maximum Reimbursement Allowed for Tuition/Education Expenses per Year
- Percentage of Employees Participating in Tuition/Education Reimbursement Programs

Employment Data

- Number of Positions Filled
- Time-to-Fill
- Cost-Per-Hire
- Employee Tenure
- Annual Overall Turnover Rate
- Annual Voluntary Turnover Rate
- Annual Involuntary Turnover Rate

Expectations for Revenue and Organizational Hiring

- Percentage of Organizations Expecting Changes in Revenue in Current Year Compared with Previous Year
- Percentage of Organizations Expecting Changes in Hiring in Current Year Compared with Previous Year

Metrics for More Profitable Organizations

- Total HR Staff
- HR-to-Employee Ratio
- HR Expenses
- HR Expense to Operating Expense Ratio
- HR Expense to FTE Ratio
- Annual Salary Increase
- Target Bonus for Non-Executives
- Target Bonus for Executives
- Maximum Reimbursement Allowed for Tuition/Education Expenses-Per-Year
- Percentage of Employees Participating in Tuition/Education Reimbursement Programs
- Time-to-Fill
- Cost-Per-Hire
- Annual Overall Turnover Rate

FIGURE 3-9 **Metrics for the SHRM® 2017 Customized Human Capital Benchmarking Report**

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"How are we doing?" *in relation to something*. For example, are our accident rates rising or falling? Similarly, the manager may want to *benchmark* the results—compare high-performing companies' results to your own, to understand what makes them better.[34]

The Society for Human Resource Management's (SHRM's) benchmarking service enables employers to compare their own HR metrics with those of other companies. The employer can request comparable (benchmark) figures not just by industry, but by employer size, company revenue, and geographic region. (See http://shrm.org/research/benchmarks/.)

Figure 3-10 illustrates one of the SHRM's many sets of comparable benchmark measures. It shows how much employers are spending for tuition reimbursement programs.

Strategy-Based Metrics

Benchmarking provides one perspective on how your company's human resource management system is performing.[35] It shows how your human resource management system's performance compares to the competition. However, it may *not* reveal the extent to which your firm's HR practices are supporting its strategic goals. Thus, if the strategy calls for doubling profits by improving customer service, to what extent are our new training practices helping to improve customer service?

strategy-based metrics
Metrics that specifically focus on measuring the activities that contribute to achieving a company's strategic aims.

Managers use *strategy-based metrics* to answer such questions. **Strategy-based metrics** measure the activities that contribute to achieving a company's strategic aims.[36] Thus, for the Portman Shanghai, the strategic HR metrics might include 100% employee testing, 80% guest returns, incentive pay as a percent of total salaries, and sales up 50%. If changes in HR practices such as increased training have their intended effects, then strategic metrics like guest returns should also rise.

What Are HR Audits?

Human resource managers often assess matters like employee turnover and safety via *human resource audits*. An **HR audit** is an analysis of the completeness, efficiency, and effectiveness of the organization's HR functions, including its HR policies, practices, processes, and relevant metrics.[37] This generally involves using a checklist to review the company's human resource functions (recruiting, testing, training, and so on), as well as ensuring that the firm is adhering to regulations, laws, and company policies. The HR auditor may first review payroll data, focusing on what and when each employee was paid. He or she will then turn to whether the human resource records are in order (for instance, are medical records kept separate from résumés?). He or she will also review the employer's handbooks and policies, for instance, checking for disability accommodation policies, social media policies, and family and medical leave policies.[38]

HR audit
An HR audit is an analysis of the completeness, efficiency, and effectiveness of the organization's HR functions, including its HR policies, practices, processes, and relevant metrics.

FIGURE 3-10 SHRM Customized Human Capital Benchmarking Report

Source: "HR Expense Data," from *SHRM Customized Human Capital Benchmarking Report*. Reprinted with permission from the Society for Human Resource Management. All rights reserved. www.shrm .org/Research/benchmarks/ Documents/sample_humnba_ capital_report.pdf.

Tuition/Education Data					
	n	25th Percentile	Median	75th Percentile	Average
Maximum reimbursement allowed for tuition/education expenses per year	32	$1,000	$5,000	$7,500	$6,000
Percentage of employees participating in tuition/education reimbursement programs	32	1.0%	3.0%	5.0%	4.0%

Beyond that, HR audits vary in scope. Typical areas audited include:[39]

1. Roles and headcount (including job descriptions, and employees categorized by exempt/nonexempt and full- or part-time)
2. Compliance with federal, state, and local employment-related legislation
3. Recruitment and selection (including use of selection tools, background checks, and so on)
4. Compensation (policies, incentives, survey procedures, and so on)
5. Employee relations (union agreements, performance management, disciplinary procedures, employee recognition)
6. Mandated benefits (Social Security, unemployment insurance, workers' compensation, and so on)
7. Group benefits (insurance, time off, flexible benefits, and so on)
8. Payroll (such as legal compliance)
9. Documentation and record keeping. For example, do our files include résumés and applications, offer letters, job descriptions, performance evaluations, benefit enrollment forms, payroll change notices, and documentation related to personnel actions such as employee handbook acknowledgments?[40]
10. Training and development (new employee orientation, development, technical and safety, career planning, and so on)
11. Employee communications (employee handbook, newsletter, recognition programs)
12. Termination and transition policies and practices

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Data like monthly payroll costs are interesting but relatively useless until converted to information. *Information* is data presented in a form that makes it useful for making decisions. For example, knowing your cost per hire is interesting. However, presenting cost-per-hire data that shows whether the cost is trending up or down provides information you can use to make decisions.[41]

Data analytics means using statistical and mathematical analysis to find relationships and make predictions. For example, when online bookstores use algorithms to predict which books you're most likely to buy based on things like what books you've already bought and similarities between you and other groups, they are using data analytics.[42] Data analytics relies on data mining. *Data mining* sifts through huge amounts of employee data to identify correlations that employers then use to improve their employee-selection and other practices. *Data mining* is "the set of activities used to find new, hidden, or unexpected patterns in data."[43]

Big data is basically data analytics on steroids. The basic idea (of scientifically analyzing data to find relationships and make predictions) is the same. However, with "big data" the volume, velocity, and variety of data that are analyzed are much greater. In terms of *volume,* for example, Walmart now collects about 2.5 petabytes of data—2.5 million gigabytes—*every hour* from its customer transactions.[44] Similarly, in terms of *velocity*, all these data are being created more or less instantaneously (as at Walmart); that means companies can use them to more quickly adapt in real time (for instance, to who's buying what products, and so how to adjust online promotions). Finally, big data capitalizes on the huge *variety* of data now available. For instance, data come not just from Walmart's transactions but from customers' mobile phones, GPS, and social networks too.

Talent Analytics

Data analytics tools like these enable employers to analyze together employee data (like employee demographics, training, and performance ratings) from traditional sources such as employee records, as well as data from new sources (like company internal social media sites, GPS tracking, and e-mail activity).[45] Employers then use *talent analytics* (data analytics applied to HR issues) to answer questions that

in the past they couldn't answer, or couldn't answer as well. For example, human resource consultant Aon Hewitt has an "analytics engine" that analyzes its client's employee and performance data. Computer dashboards then enable its clients to answer questions such as "Are there potential turnover trends we should further analyze to head off potential problems?"[46] "What factors drive our high-performing salespeople?" And, "what sorts of people are most likely to have accidents and submit claims?"

Talent analytics can produce striking profitability results. For example, Best Buy used talent analytics to discover that a 0.1% increase in employee engagement led to a more than $100,000 rise in a Best Buy store's annual operating income.[47] Employers use talent analytics to answer several types of talent management questions:

- **Human Capital Facts**   For example, "What are the key indicators of my organization's overall health?" JetBlue found that employee engagement correlated with financial performance.
- **Analytical HR**   For example, "Which units, departments, or individuals need attention?" Lockheed Martin collects performance data in order to identify units needing improvement.
- **Human Capital Investment Analysis**   For example, "Which actions have the greatest impact on my business?" By monitoring employee satisfaction levels, Cisco improved its employee retention rate from 65% to 85%, saving the company nearly $50 million in recruitment, selection, and training costs. A Google talent analytics team analyzed data on employee backgrounds, capabilities, and performance.[48] It identified factors (such as an employee feeling underutilized) likely to lead to the employee leaving—and thus helped it reduce turnover. Microsoft identified correlations among the schools and companies its employees arrived from and the employees' subsequent performance. This helped it improve its recruitment and selection practices.[49] ■

MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/ management** to complete this discussion question. Could Best Buy or some of these other companies have made the same discoveries without using talent analytics tools? How?

Digital tools like talent analytics enable HR managers to be more scientific and analytical. And, they often shift "who does HR" *from* the human resource department *to* other departments (such as finance), and sometimes to line managers like the heads of departments (for instance, Aon Hewitt's digital dashboard shows line managers when there's a turnover problem).

Digital tools like these show great promise. In one study, 82% of high-performing organizations gave human resource management leaders such analytical workforce data, compared with 33% of low-performing ones.[50]

TRENDS SHAPING HR: *SCIENCE IN TALENT MANAGEMENT*

Data analytics facilitates making decisions based on a measurable and objective review of the situation. Managers have a name for this. *Evidence-based human resource management* means using data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.[51]

You may sense that being evidence-based is similar to being scientific, and if so, you are correct. A *Harvard Business Review* article even argues that managers must become more scientific and "think like scientists" when making business decisions.[52]

But how can managers think like scientists? Objectivity, experimentation, and prediction are the heart of science. In gathering evidence, scientists (or managers) first need to be *objective*, or there's no way to trust their conclusions. Recently, a medical school disciplined several professors. They had failed to reveal that they were on the payroll of the drug company that supplied the drugs, the results of which the doctors were studying. Who could trust their objectivity or conclusions?

Being scientific also requires *experimentation.* An experiment is a test one sets up in such a way as to ensure that he or she understands the reasons for the results obtained. For example, in their *Harvard Business Review* article, "A Step-by-Step Guide to Smart Business Experiments," the authors argue that if you want to judge a new incentive plan's impact on corporate profits, don't start by implementing the plan with all employees. Instead, implement it with an "experimental" group (which gets the incentive plan) *and* with a "control" group (a group that does *not* get the incentive plan). Doing so will help you gauge if any performance improvement stemmed from the incentive or from some other cause (such as a new company-wide training program).[53] And, it will enable you to *predict* how changing the incentive plan will affect performance.

For managers, the point of being "scientific" is to make better decisions by forcing you to gather the facts. "Is this sales incentive plan really boosting sales?" "We've spent $40,000 in the past 5 years on our tuition-refund plan; what (if anything) did we get out of it?" What's the evidence?

Successful HR managers need to be scientific today. As an example, the chemical company BASF Corp. used talent analytics to analyze data on the relationship among stress, health, and productivity in its 15,000 U.S. headquarters staff. Based on that analysis, the company instituted health programs that it calculated would more than pay for themselves in increased productivity by reducing stress.[54]

Throughout this book we will show examples of how managers use evidence to make better human resource management decisions. For example: Which recruitment source produces our best candidates? Does it pay to use this testing program? And, does our safety program really lead to fewer accidents? ■

MyLab Management Talk About It 4

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. If it is apparently so easy to do what BASF did to size up the potential benefits of health programs, why do more employers not do so?

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high-performance work system (HPWS)

A set of human resource management policies and practices that promote organizational effectiveness.

High-Performance Work Systems

One reason to measure, benchmark, and scientifically analyze HR practices is to promote high-performance work practices. A **high-performance work system (HPWS)** is a set of human resource management policies and practices that together produce superior employee performance.

What exactly are these high-performance work practices? In one study, researchers collected data from 359 firms before, during, and after the 2007–2009 recession. They found that firms that used more effective staffing and training outperformed competitors before, during, and after the recession.[55]

Another study looked at 17 manufacturing plants, some of which adopted high-performance work system practices. The high-performance plants paid more (median wages of $16 per hour compared with $13 per hour for all plants), trained more, used more sophisticated recruitment and hiring practices (tests and validated interviews, for instance), and used more self-managing work teams.[56] Those with the high-performance HR practices performed significantly better than did those without such practices. Service companies (such as hotels) particularly gain from such high-performance work systems and practices.[57]

Studies like these show that high-performance work systems' policies and practices do differ from less productive ones (Table 3-1). For example, high-performing companies recruit more job candidates, use more selection tests, and spend many more hours training employees. Table 3-1 illustrates three things.

First, it shows examples of *human resource metrics* such as hours of training per employee, or qualified applicants per position. (In Table 3-1, the metric for "Number of qualified applicants per position" is 37 in the high-performing companies.) Managers use these to assess their companies' performance and to compare one firm with another.[58]

Second, it illustrates *what employers must do* to have high-performance systems. For example, high-performing companies have more than four times the number of qualified applicants per job than do low performers. They also hire based on validated selection tests, and extensively train employees.

Third, Table 3-1 shows that high-performance work practices usually *aspire to encourage employee involvement and self-management.* In other words, an aim of the high-performance recruiting, screening, training, and other human resources practices is to nurture an engaged, involved, informed, empowered, and self-motivated workforce.[59]

TABLE 3-1 Examples Selected from Several Studies of How Recruitment, Selection, Training, Appraisal, Pay, and Other Practices Differ in High-Performance and Low-Performance Companies

	Lower-Performance Companies' HR Practice Averages (e.g., company performance in terms of sales/employee, innovation, and employee retention)*	Higher-Performance Companies' HR Practice Averages (e.g., company performance in terms of sales/employee, innovation, and employee retention)*
Recruitment: Average number of qualified applicants per position	8	37
Selection: Average percentage of employees hired based on a validated *selection* test	4%	30%
Training: Average number of hours of *training* for new employees	35 hours	117 hours
Appraisal: Average percentage of employees receiving a regular *performance appraisal*	41%	95%
Pay Practices: Average percentage of the workforce eligible for *incentive pay*	28%	84%
Use of Teams: Average percentage of the workforce routinely working in all teams: semiautonomous, cross-functional, or project teams	11%	42%
Self-Directed Teams: Percent of companies with *semiautonomous or autonomous* work teams	9%	70%
Operational Information Sharing: Employees receive relevant operating performance information	62%	82%
Financial Information Sharing: Employees receive relevant financial performance information	43%	66%

*Findings rounded.

Based on "Comparison of HR Practices in High-Performance and Low-Performance Companies," by B. E. Becker, et al., from *The HR Scorecard: Linking People, Strategy and Performance* (Boston: Harvard Business School Press, 2001); Barry Macy, Gerard Farias, Jean-Francois Rosa, and Curt Moore, "Built to Change: High-Performance Work Systems and Self-Directed Work Teams—A Longitudinal Field Study," *Research in Organizational Change and Development,* 16, pp. 339–418, 2007; James Gathrie, Wenchuan Liu, Patrick Flood, and Sarah MacCurtain, "High Performance Work Systems, Workforce Productivity, and Innovation: A Comparison of MNCs and Indigenous Firms," The Learning, Innovation and Knowledge (LINK) Research Centre Working Paper Series, WP 04-08, 2008. Michael C. Campion, and Malika Masimova, "A High Performance Work Practices Taxonomy: Integrating the Literature and Directing Future Research," *Journal of Management*, 39, no. 5, July 2013, pp. 1184–1220.

Employee Engagement Guide for Managers: Employee Engagement and Performance

Employee engagement refers to being psychologically involved in, connected to, and committed to getting one's jobs done. Engaged employees "experience a high level of connectivity with their work tasks," and work hard to accomplish their task-related goals.[60]

Employee engagement is important because it drives performance and productivity. For example, based on a Gallup survey, business units with the highest levels of employee engagement have an 83% chance of performing above the company median; those with the lowest employee engagement have only a 17% chance.[61] According to one review of the evidence, employee engagement is correlated with employees' customer service productivity, and improvements in employee engagement were associated with significant increases in sales, product quality, productivity, safety incidents at work, retention and absenteeism, and revenue growth.[62] One consulting firm estimates that a 5% increase in employee engagement correlates to a 0.7% increase in operating margins.[63] Companies with highly engaged employees are also less likely to be unionized.[64] In one survey, highly engaged employees lost only about 7.5 days of productivity per year, compared to about 14 days for disengaged employees.[65] A survey by consultants Watson Wyatt Worldwide concluded that companies with highly engaged employees have 26% higher revenue per employee.[66]

The Employee Engagement Problem

The problem is that, depending on the study, only about 21–30% of employees nationally are engaged.[67] Gallup distinguishes among engaged employees "who work with passion and feel a profound connection to their company," not-engaged employees who are essentially "checked out," and actively disengaged employees. The latter "act out their unhappiness" by undermining what their engaged coworkers are accomplishing.[68] Gallup found that about 30% of employees were engaged, 50% were not engaged, and 20% were actively disengaged.

What Can Managers Do to Improve Employee Engagement?

Managers improve employee engagement by taking concrete steps to do so. We'll look more closely at how they do this in a moment, but one important activity is *providing supportive supervision.* For example, a Gallup survey found that managers who focus their support and coaching on their employees' strengths can "practically eliminate active disengagement"; conversely, "bosses from hell" kill employee engagement.[69] Other steps managers can take to foster engagement include making sure employees (1) *understand* how their departments contribute to the company's success, (2) *see how their efforts contribute* to achieving the company's goals, (3) get a *sense of accomplishment* from working at the firm,[70] and (4) are highly *involved*— as when working in self-managing teams.[71] Employers should also *hold managers responsible* for employee engagement. For example, WD-40 Company has its managers meet periodically with their employees to discuss how to improve employee engagement.[72]

How to Measure Employee Engagement

Firms like Gallup (www.gallup.com), and Towers Watson (go to www.towerswatson .com/en-US, then click Solutions, and then Surveys) offer comprehensive employee engagement survey services. However, monitoring employee engagement needn't be complicated. With about 180,000 employees worldwide, the consulting firm Accenture uses a three-part "shorthand" method it calls "say, stay, and strive." First, Accenture assesses how positively the employee speaks about the company and recommends it to others. Second, it looks at who stays with the company, and

why. Third, it looks at "strive." For instance, "do employees take an active role in the overall success of the organization by moving beyond just doing tasks to going above and beyond?"[73]

The Employee Engagement Guide for Managers sections in this and the following chapters will show how managers use human resource activities to improve employee engagement.

How Kia Motors (UK) Improved Performance with an HR Strategy Aimed at Boosting Employee Engagement

Kia Motors is a successful automobile manufacturer employing tens of thousands of employees around the world, and one famous for its 10-year warranty and for the quality and value of its products. However, Kia was not always so successful. In July 1997, Kia was under bankruptcy protection and having difficulty servicing its $10.6 billion of debt.[74] In 1998, Hyundai Motorcar Company of Korea purchased 51% of Kia. That triggered a multiyear program aimed at improving Kia's operating performance. Today, Hyundai owns about one-third of Kia Motors, although Kia is still a close-knit part of Hyundai Motor Group.

THE CHALLENGES   After several years of improving operating conditions under Hyundai Motor Group, Kia (as well as most auto manufacturers around the world) ran into strong headwinds as credit tightened and consumers cut spending around 2006. Looking at the situation in 2006–2007, Kia's chairman, writing in the company's annual report said,

> In today's automobile industry, competition is so severe that even the bold at heart, if well-informed, would be hesitant to confidently predict future victors in the car market. Japanese automobile companies are unrelenting in their measures against us, while latecomers, such as China, are speeding up to catch up with us as far as they can. Stagnation and the world economic growth, coupled with exchange-rate risks and other major threats, present unfavorable economic conditions for any global player.[75]

In the face of these challenges, the chairman went on to lay out what Kia's strategy for dealing with this intense global competition would be. As he said:

> We intend to base future growth on raising our competencies as a global maker in all areas including production, sales, marketing, branding, as well as before and after servicing. We will also concentrate on our global quality management we have driven so far. We will first strengthen our basic competitiveness in terms of production costs and final products. Second, we will exclude all the unnecessary elements from the management through advanced systems to groundwork the base of stable profit making. Third, we will efficiently invest in new future businesses with our specialized R&D and global production bases.[76]

Also in 2006–2007, Kia Motor's UK subsidiary (Kia UK), which employed about 2,500 people, faced particularly dire circumstances; these included rapidly falling sales, increased financial losses, and low levels of employee engagement. Employee turnover was 31%. The direct cost to the company from the 31% turnover alone was estimated at about 600,000 British pounds (about $1 million) in 2006 (due to higher than necessary recruitment, legal, and employee dismissal costs).[77]

THE NEW HUMAN RESOURCE MANAGEMENT STRATEGY   Gary Tomlinson, Kia UK's newly appointed head of HR, believed that Kia UK's low employee engagement was probably both a cause and an effect of the unit's poor performance. In fact, a survey of Kia UK employees had identified numerous personnel issues including possibly poor morale and communications. He knew Kia UK needed a new HR strategy to address this. He also knew that this strategy should support the parent company's strategy of basing "future growth on raising our competencies as a global maker in

all areas including production, sales, marketing, branding, as well as before and after servicing."

Tomlinson (with the support of Kia UK's top management) wisely decided to develop, as he put it, "an employee engagement strategy to improve employee morale and address the high levels of employee turnover."[78] In brief, the idea was that, by (1) putting in place new HR policies and practices aimed at improving employee engagement, he could (2) change Kia UK employees' behavior (improve performance and reduce turnover, for instance), and thereby (3) support the parent company's stated strategy of "raising our competencies as a global maker in all areas." The following shows what he actually did to boost employee engagement.

HOW TO EXECUTE AN EMPLOYEE ENGAGEMENT STRATEGY   Actually executing Kia UK's employee engagement HR strategy involved six steps (and these provide a roadmap for any such endeavor). First, Kia UK set *measurable objectives* for the program. These objectives included improving by at least 10% survey feedback scores for line managers' behaviors in terms of communication, the quality of appraisal feedback they gave their direct reports, the recognition of work done, and the respect between manager and employee.[79] Other objectives included reducing employee turnover employment costs (e.g., recruitment costs) by at least 10% per year.

Second, Kia UK held an extensive *leadership development* program. For example, it sent all managers for training to improve their management skills. Kia then tested the new skills with "360-degree" assessment tools (having managers' bosses, peers, and subordinates rate the managers' new leadership skills).

Third, Kia UK instituted new *employee recognition programs.* These included, for instance, giving "Outstanding Awards" to selected employees quarterly, and "Kia thank you" cards for jobs well done.[80]

Fourth, Kia UK *improved internal communications.* For example, it instituted quarterly employee briefings and more extensive use of performance appraisals, and launched a new corporate intranet called Kia Vision (this provided key business information and other useful communiqués to all employees). Based on employee feedback, Kia UK also decided, as part of the enhanced communications, to institute an *employee forum.* This consisted of one representative from each department; the forum in effect empowered and involved employees by enabling them to express opinions, suggestions, and concerns about their jobs.

Fifth, Kia instituted a new *employee development program.* This involved using the company's appraisal process to identify employees' training needs. Kia then created training plans for each employee. It based these plans on Kia's needs and on the employee's stated career aspirations.

Sixth, Kia UK made a number of changes to its *compensation and other policies*. For instance, it eliminated bonuses and substituted fixed-rate percentage-based salary increases. It also rewrote the entire employee handbook and all HR policies and procedures "to ensure they were aligned with [Kia UK's new] cultural values."[81]

THE RESULTS   The results of the new employee engagement program were impressive. Employee surveys of employee engagement and of line managers' communications and other behaviors improved markedly; employee turnover fell from 31% in 2006 to 15% in 2007, to 5% in 2008, and to below 2% by the end of 2009. Recruitment and turnover costs fell by more than 400,000 British pounds within two years, a 71% reduction.[82]

Earlier we said that *strategic human resource management* means having the HR policies and practices that will produce the employee competencies and behaviors that the company needs to achieve its strategic goals. Kia UK's employee engagement program illustrates how one company actually did this.

Chapter Review

Chapter Section Summaries

3-1. All managers' personnel and other decisions should be consistent with the goals that cascade down from the firm's overall strategic plan. Those goals form a hierarchy, starting with the president's overall strategic goals (such as double sales revenue to $16 million) and filtering down to what each individual manager needs to do in order to support that overall company goal.

   The strategic planning process's seven steps include: (1) ask, "Where are we now as a business?"; (2) evaluate the firm's internal and external strengths, weaknesses, opportunities, and threats; (3) formulate a new business direction; (4) decide on strategic goals; and (5) choose specific strategies or courses of action; steps (6) and (7) are to implement and then evaluate the strategic plan.

3-2. We distinguished among **three types of strategies:** corporate, business/competitive, and functional/department strategies.

3-3. Each function or department in the business needs its own functional strategy, and **strategic human resource management** means formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims. Human resource strategies are the specific human resource management policies and practices managers use to support their strategic aims. Important and popular

strategic human resource management tools include the strategy map, the HR scorecard, and digital dashboards.

3-4. The manager will want to gather and analyze data prior to making decisions. **Human resource metrics** (quantitative measures of some human resource management activities such as employee turnover) are critical in creating high-performance human resource policies and practices.

3-5. A **high-performance work system** is a set of human resource management policies and practices that together produce superior employee performance.

3-6. Employee engagement is important because it drives performance and productivity. Actually **executing Kia UK's employee engagement HR strategy** involved six steps. These were: set *measurable objectives* for the program; provide *leadership development,* for example, send all managers for training to improve their management skills; institute new *employee recognition programs,* for instance, giving "Outstanding Awards" to selected employees quarterly; institute a new *employee development program,* for instance, using the company's appraisal process to identify employees' training needs and to create training plans for each employee; and change the *compensation* and *other policies* to ensure they are aligned with the new cultural values.

Discussion Questions

3-1. Give an example of hierarchical planning in an organization.

3-2. What is the difference between a corporate strategy and a competitive strategy? Give one example of each.

3-3. Explain why strategic planning is important to all managers.

3-4. Explain with examples each of the eight steps in the strategic management process.

3-5. Explain with examples how human resources management can be instrumental in helping a company create a competitive advantage.

3-6. Outline how you would implement an employee engagement program.

Individual and Group Activities

3-7. With three or four other students, form a strategic management group for your college or university. Your assignment is to develop the outline of a strategic plan for the college or university. This

should include such things as strategic goals and corporate, competitive, and functional strategies. In preparing your plan, make sure to show the main strengths, weaknesses, opportunities, and

threats the college faces, and which prompted you to develop your particular strategic plans.

3-8. Using the Internet or library resources, review the annual reports of five companies. Bring to class examples of how those companies say they are using their HR processes to help the company achieve its strategic goals.

3-9. Interview an HR manager and write a short report on "The Strategic Roles of the HR Manager at XYZ Company."

3-10. Using the Internet or library resources, bring to class and discuss at least two examples of how companies are using an HR scorecard to help create HR systems that support the company's strategic aims. Do all managers seem to mean the same thing when they refer to HR scorecards? If not, how do they differ?

3-11. In teams of several students, choose a company for which you will develop an outline of a strategic HR plan. What seem to be this company's main strategic aims? What is the firm's competitive strategy?

What would the strategic map for this company look like? How would you summarize your recommended strategic HR policies for this company?

3-12. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

Experiential Exercise

Developing an HR Strategy for Starbucks

Written and copyrighted by Gary Dessler, PhD.

A few years ago, Starbucks was facing serious challenges. Sales per store were stagnant or declining, and its growth rate and profitability were down. Many believed that its introduction of breakfast foods had diverted its "baristas" from their traditional jobs as coffee-preparation experts. McDonald's and Dunkin' Donuts were introducing lower-priced but still high-grade coffees. Starbucks' former CEO stepped back into the company's top job. You need to help him formulate a new direction for his company.

Purpose: The purpose of this exercise is to give you experience in developing an HR strategy, in this case, by developing one for Starbucks.

Required Understanding: You should be thoroughly familiar with the material in this chapter.

How to Set Up the Exercise/Instructions: Set up groups of several students for this exercise. You are probably already quite familiar with what it's like to have a cup of coffee or tea in a Starbucks coffee shop, but if not, spend some time in one prior to this exercise. Meet in groups and develop an outline for an HR strategy for Starbucks Corp. Assume that for a corporate strategy Starbucks will remain primarily an international chain of coffee shops. Your outline should include four basic elements: a business/competitive strategy for Starbucks, the workforce requirements (in terms of employee competencies and behaviors) this strategy requires, specific HR policies and the activities necessary to produce these workforce requirements, and suggestions for metrics to measure the success of the HR strategy.

Application Case

Tesla's Strategy

Written and copyrighted by Gary Dessler, PhD.

By 2017 Tesla Motors briefly had a market value higher than the much-larger General Motors. Tesla's strategic plan, formulated in 2006 by company founder Elon Musk, was to start by offering a high-performance energy-efficient electric roadster "without compromises" and then expand to offer less-expensive family cars, while eventually enabling battery recharging with solar power devices.[83]

By early 2017, it was clear that Tesla was not soon going to achieve its goal of producing 5,000 Model 3 family sedans per week, and the company also faced numerous human resource management–related challenges.[84]

For example, hundreds of workers stopped building Tesla's battery factory near Reno, Nevada, claiming that outside contract workers were lowering their pay. Workers at Tesla's car plant complained of high employee accident rates. Musk reportedly said that Tesla wasn't skimping on safety to make more profit, but rather to survive and continue to offer employment.

Tesla also laid off about 700 workers at its California manufacturing facility. Many union activists asked why, having to ramp up production of the new Tesla Model 3, the company would dismiss so many employees. Some felt it wasn't because of poor performance reviews, but because Tesla wanted to fire employees who wanted a union. Elon Musk defends dismissing the 700 workers. Basically, he said (1) most companies have performance reviews and use them to screen out employees, and (2) because it wants the highest-quality cars, Tesla needs to have higher performance standards than its competitors. As Musk says, if a little company wants to compete with a giant one, the little one must have a lot more skill, or it will get pummeled.

Some of Tesla's HR procedures are also somewhat unusual. For example, Tesla requires that new employees sign confidentiality agreements prohibiting them from discussing Tesla's business strategy and working conditions. The United Auto Workers filed unfair labor practice charges against Tesla, claiming that such agreements violate employees' rights.

Tesla does use some sophisticated HR tools to improve its HR processes. For example, they used talent analytics to determine if employee referral programs improve their recruitment and retention processes and distributed an employee engagement survey.

By May 2017, Tesla appointed a new HR head, Gaby Toledano, with the title Chief People Officer. In announcing the appointment, Tesla noted that she would help Tesla address its labor and harassment disputes. Ms. Toledano acknowledged that some disputes between workers weren't reaching the HR office fast enough, but she said she's working on the problem. Furthermore, Tesla employees receive antidiscrimination and antiharassment training.

Questions

3-13. Was Tesla's human resource strategy consistent with its overall strategy to produce "uncompromising" high-performance cars?

3-14. Given what Kia UK accomplished, should Tesla implement such an engagement program? Why?

3-15. What would you do now if you were Tesla's Chief People Officer?

3-16. Based on the case, provide examples for Tesla of at least four strategically required organizational outcomes, and four required workforce competencies and behaviors.

3-17. Provide a brief illustrative outline of a strategy map for Tesla.

Continuing Case

Carter Cleaning Company

Written and copyrighted by Gary by Dessler, PhD.

The High-Performance Work System

As a person who keeps up with the business press, Jennifer Carter is familiar with the benefits of programs such as total quality management and high-performance work systems.

Jack, her father, actually installed a total quality program of sorts at Carter, and it has been in place for about 5 years. This program takes the form of employee meetings. Jack holds employee meetings periodically, but particularly when there is a serious problem in a store—such as poor-quality work or machine breakdowns. When problems like these arise, instead of trying to diagnose them himself or with Jennifer, he contacts all the employees in that store and meets with them when the store closes. Hourly employees get extra pay for these meetings. The meetings have been useful in helping Jack to identify and rectify several problems. For example, in one store all the fine white blouses were coming out looking dingy. It turned out

that the cleaner/spotter had been ignoring the company rule that required cleaning ("boiling down") the perchloroethylene cleaning fluid before washing items like these. As a result, these fine white blouses were being washed in cleaning fluid that had residue from other, earlier washes.

Jennifer now wonders whether these employee meetings should be expanded to give the employees an even bigger role in managing the Carter stores' quality. "We can't be everywhere watching everything all the time," she said to her father. "Yes, but these people only earn about $8 to $15 per hour. Will they really want to act like mini-managers?" he replied.

Questions

3-18. Would you recommend that the Carters expand their quality program? If so, specifically what form should it take?

3-19. Assume the Carters want to institute a high-performance work system as a test program in one of their stores. Write a one-page outline summarizing important HR practices you think they should focus on.

Translating Strategy into HR Policies and Practices Case*,§

* The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The Hotel Paris International

Starting as a single hotel in a Paris suburb in 1995, the Hotel Paris is now a chain of nine hotels, with two in France, one each in London and Rome, and others in New York, Miami, Washington, Chicago, and Los Angeles. As a corporate strategy, the Hotel Paris's management and owners want to continue to expand geographically. They believe doing so will let them capitalize on their reputation for good service, by providing multicity alternatives for their satisfied guests. The problem is, their reputation for good service has been deteriorating. If they cannot improve service, it would be unwise for them to expand, since their guests might prefer other hotels after trying the Hotel Paris.

Several things are complicating their problem. Tourists increasingly stay at short-term rental apartments (often through sites such as airbnb.com) for a fraction of what fine hotels cost. In 2018 Airbnb agreed to more stringently comply with the limits on the lengths of rentals in the heart of Paris, but not elsewhere. Marriott recently acquired the Starwood hotels chain (including many brands such as Ritz-Carlton) and will present increased competition. And the election as French president of Emmanuel Macron in 2017 prompted widespread optimism among many in France regarding the country's growth prospects, but also the possibility of some labor strife, at least in the short run.

The Strategy

Top management, with input from the HR and other managers, and with the board of directors' approval, chooses a new competitive

strategy and formulates new strategic goals. It decides: "The Hotel Paris International will use superior guest services to differentiate the Hotel Paris properties, and to thereby increase the length of stays and the return rate of guests, and thus boost revenues and profitability." All Hotel Paris managers—including the director of HR services—must now formulate strategies that support this competitive strategy.

The Strategically Required Organizational Outcomes

The Hotel Paris's basic strategy is to use superior guest services to expand geographically. For HR director Lisa Cruz, reviewing the hotel's activities makes it clear that achieving the hotel's strategic aims means achieving a number of required organizational outcomes. For example, Lisa and her management colleagues must take steps that produce fewer customer complaints and more written compliments, more frequent guest returns and longer stays, and higher guest expenditures per visit.

The Strategically Relevant Workforce Competencies and Behaviors

The question facing Lisa, then, is this: What competencies and behaviors must our hotel's employees exhibit, if we are to produce required organizational outcomes such as fewer customer complaints, more compliments, and more frequent guest returns? Thinking through this question helps Lisa come up with an answer. For example, the hotel's required employee competencies and behaviors would include, "high-quality front-desk customer service," "taking calls for reservations in a friendly manner," "greeting guests at the front door," and "processing guests' room service meals efficiently." All require motivated, high-morale employees.

The Strategically Relevant HR Policies and Activities

The HR manager's task now is to identify and specify the HR policies and activities that will enable the hotel to produce these crucial workforce competencies and behaviors. For example, "high-quality front-desk customer service" is one such required behavior. From this, the HR director identifies HR activities to produce such front-desk customer service efforts. For example, she decides to *institute practices to improve the disciplinary fairness and justice in the company*, with the aim of *improving employee morale*. Her assumption is that enhanced fairness will produce higher morale and that higher morale will produce improved front-desk service.

The Strategy Map

Next, Lisa, working with the hotel's chief financial officer (CFO), outlines a strategy map for the hotel. This outlines the cause-and-effect links among the HR activities, the workforce behaviors, and the organizational outcomes (the figure on this book's inside back cover shows the overall map; you'll find detailed maps for each HR function in each chapter's related MyLab Management page).

This map and its linkages reflect certain assumptions on Lisa's part. For example, based on experience and discussions with the firm's other managers, she formulates the following *hypothesis* about how HR affects hotel performance: Improved grievance procedures cause improved morale, which leads to improved front-desk service, which leads to increased guest returns, which leads to improved financial performance. The HR director then chooses metrics to measure each of these factors. For example, she decides to measure "improved disciplinary procedures" in terms of how many grievances employees submit each month. She measures "improved morale" in terms of "scores on our hotel's semi-annual attitude survey," and measures "high-quality front-desk customer service" in terms of "customer complaints per month."

She moves on to quantifying the cause-and-effect links among these measures. For example: "Can we show top management that there is a measurable, sequential link between improved disciplinary procedures, high morale, improved front-desk service, number of guest return visits, and hotel financial performance (revenues and profits)?" If she can show such links, she has a persuasive case that shows HR's measurable contribution to the hotel's bottom-line financial performance.

In practice, the HR manager may well just rely on a largely subjective but logical argument to make the case for such cause-and-effect linkages. But ideally, she will use statistical methods such as correlation analysis to determine if measurable links exist, and (if so) what their magnitudes are. In this way, she might find, for instance, that a 10% improvement in grievance rates is associated with an almost 20% improvement in morale. Similarly, a 20% improvement in morale is associated with a 30% reduction in customer front-desk complaints. Furthermore, a 30% reduction in complaints is associated with a 20% increase in guest return visits, and a 20% increase in return rate is associated with a 6% rise in hotel revenues. It would appear that a relatively small HR effort in reducing grievances might have a big effect on this hotel's bottom-line performance!

Several things complicate this measurement process. For example, it's risky to draw cause–effect conclusions from correlation measures like these (do fewer grievances lead to higher morale, or vice versa?). Furthermore, it's rare that a single factor (such as grievance rates) will have such effects alone, so we may want to measure the effects of several HR policies and activities on morale simultaneously.

As explained in this chapter, computerization could enable Lisa to build a more comprehensive HR scorecard process, one that might handle links among dozens of cause-and-effect metrics. (Several vendors supply such scorecard software.) If not, then she will rely more on the logic and common sense underlying the strategy map to make her case.

How We Will Use the Hotel Paris Case

A Hotel Paris case in each chapter will show how Lisa, the Hotel Paris's HR director, uses that chapter's concepts and techniques to: (1) create HR policies and practices that help the Hotel Paris, (2) produce the employee competencies and behaviors the company needs, and (3) to produce the customer service the Hotel Paris requires to achieve its strategic goals.

For example, she will endeavor to improve workforce competencies and behaviors by instituting improved recruitment (processes Chapter 5), and measure improved recruitment in terms of "number of qualified applicants per position." Similarly, she will recommend to management that they change the company's pay policies, so that the "target percentile for total compensation is in the top 25%." She could argue, based on competitors' experience, that doing so will translate into improved customer service behavior, more satisfied customers, and improved hotel performance. In practice, all the human resource management functions we discuss in this book influence employee competencies and behaviors, and thereby organizational performance.

You will find the strategy map for each Dessler *Human Resource Management* chapter's topic in the chapter's MyLab Management; the summary map on the inside back cover of this book outlines the overall relationships involved for the Hotel Paris.

Questions

3-20. Draw a more simplified and abbreviated strategy map for the Hotel Paris. Specifically, summarize in your own words an example of the hierarchy of links among the hotel's *HR practices*, necessary *workforce competencies* and behaviors, and required *organizational outcomes.*

3-21. Using Table 3-1 and Figure 3-9, list at least 15 metrics the Hotel Paris could use to measure its HR practic*es.*

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

3-22. Define and give at least two examples of the cost-leadership competitive strategy and the differentiation competitive strategy.

3-23. You own a small business, and your friend, over lunch, just mentioned that "it sounds like you have an employee engagement problem." What exactly would you do to improve employee engagement in your company now?

3-24. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

P I A PERSONAL INVENTORY ASSESSMENT

Personality plays a big role in empowering employees. Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

strategic plan, 72
strategy, 72
strategic management, 72
vision statement, 74
mission statement, 74

corporate-level
   strategy, 74
competitive strategy, 75
competitive advantage, 75
functional strategy, 76

strategic human resource
   management, 76
strategy map, 79
HR scorecard, 79
digital dashboard, 80

human resource metric, 81
strategy-based metrics, 82
HR audit, 82
high-performance work system
   (HPWS), 85

Endnotes

1. For a good discussion of aligning goals, see, for example, Eric Krell, "Change Within," *HR Magazine,* August 2011, pp. 43–50.
2. James Jenks, *The Hiring, Firing (And Everything in Between) Personnel Forms Book* (Ridgefield, CT: Round Lake Publishing Co., 1994).
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5. For example see, http://www.coca-colacompany.com/brands/the-coca-cola-company#, and http://www.pepsico.com/

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4

Job Analysis and the Talent Management Process

When you finish studying this chapter, you should be able to:

4-1 **Define** talent management, and explain what talent management-oriented managers do.

4-2 **Discuss** the process of job analysis, including why it is important.

4-3 **Explain and use** at least three methods of collecting job analysis information.

4-4 **Explain** how you would write a job description, and what sources you would use.

4-5 **Explain** how to write a job specification.

4-6 **Give** examples of competency-based job analysis.

When Daimler opened its Mercedes-Benz assembly plant in Alabama, its managers had a dilemma. Their strategy was to create a high-performance plant that Daimler could then extend to other plants in America, South Africa, Brazil, and Germany. The dilemma was that while plant managers couldn't hire, train, or pay their employees without knowing what each employee was expected to do, in this plant self-managing teams assembled the vehicles, and so workers' tasks might change every day. How do you hire people whose job duties are always changing?[1] We'll see what they did.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Recruitment and Placement

Strategic and Legal Environment

Training and Development

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Employee Relations

Compensation

WHERE ARE WE NOW . . .

Managers should know what a job entails before deciding who to recruit and hire for it, so human resource management really starts with determining what the job entails. The main purpose of this chapter is to show you how to analyze jobs and write job descriptions. We discuss several techniques for analyzing jobs and explain how to write job descriptions and job specifications. The main topics we address include **The Talent Management Process**, **The Basics of Job Analysis**, **Methods for Collecting Job Analysis Information**, **Writing Job Descriptions**, **Writing Job Specifications**, and **Using Competencies Models**. Then, in Chapter 5 (Personnel Planning and Recruiting), we'll see how to actually find the employees you need.

Talent Management Process

For many people, Chapters 4–13 represent the heart of this book, specifically recruitment, selection, training, appraisal, career planning, and compensation. Managers traditionally view these activities as a series of steps:

1. Decide what positions to fill, through job analysis, personnel planning, and forecasting.
2. Build a pool of job applicants, by recruiting internal or external candidates.
3. Obtain application forms and perhaps have initial screening interviews.
4. Use selection tools like tests, interviews, background checks, and physical exams to identify viable candidates.
5. Decide to whom to make an offer.
6. Orient, train, and develop employees so they have the competencies to do their jobs.
7. Appraise employees to assess how they're doing.
8. Compensate employees to maintain their motivation.

This stepwise view makes sense. For example, the employer needs job candidates before selecting whom to hire.

The problem with the stepwise view is twofold. First, the process usually isn't really stepwise. For example, managers don't just train employees (step 6 above) and then appraise how they're doing (step 7). Instead (to use our example), the appraisal may well also loop back to shape the employee's subsequent training. So, first, rather than view these eight HR activities as stepwise, it is best to view them holistically—because the steps interactively affect each other and work together. The second problem is that focusing just on each step may cause the manager to miss the forest for the trees. It's not just each step but the *results you obtain* by applying them together that's important. So, second, it's important to remember that each and every step should be focused on achieving, in unison, some specific result (such as, say, improving customer service).

Recognizing all this, the trend today is to view these eight activities not stepwise but as part of a coordinated *talent management* effort.[2] We will define **talent management** as *the holistic, integrated and results- and goal-oriented process of planning, recruiting, selecting, developing, managing, and compensating employees.*[3] What does this mean in practice? The manager who takes a talent management approach tends to take actions such as the following:

talent management

The goal-oriented and integrated process of planning, recruiting, developing, managing, and compensating employees.

1. He or she starts with the results and asks, "What recruiting, testing, training, or pay action should I take to produce the employee competencies we need *to achieve our company's goals*?"
2. He or she treats activities such as recruiting and training as interrelated. For example, the manager knows that having employees with the right skills depends as much on recruiting and training as on applicant testing.
3. Because talent management is holistic and integrated, he or she will probably use the same "profile" of required human skills, knowledge, and behaviors ("competencies") for formulating a job's recruitment plans as for making selection, training, appraisal, and compensation decisions for it.
4. And, to ensure the activities are all focused on the same ends, the manager will take steps to coordinate the talent management functions (recruiting and training, for example). Doing so often involves using talent management software.

Talent Management Software

Employers use talent management software to help ensure that their talent management activities are aimed in a coordinated way to achieve the company's HR aims. For example, Oracle says its Talent Management suite helps the manager to hire the best talent, provide real-time evaluations of workforce performance, and "[a]lign and

develop your workforce with your talent management goals."[4] SilkRoad Technology's Talent Management Solution includes applicant tracking, onboarding, performance management, and compensation support. It helps the manager to " . . . recruit, manage, and retain your best employees."[5]

The Basics of Job Analysis

Talent management starts with understanding what jobs need to be filled, and the human traits and competencies employees need to do those jobs effectively.

What Is Job Analysis?

Organizations consist of positions that have to be staffed. The organization chart (see Figure 4-1) shows the title of each supervisor's position and, by means of connecting lines, who is accountable to whom, who has authority for each area, and who is expected to communicate with whom. **Job analysis** is the procedure through which you determine the duties of the company's positions and the characteristics of the people to hire for them.[6] Job analysis produces information for writing **job descriptions** (a list of what the job entails) and **job** (or "person") **specifications** (what kind of people to hire for the job). Virtually every personnel-related action—interviewing applicants, and training and appraising employees, for instance—requires knowing what the job entails and what human traits one needs to do the job well.[7] Just about every employer today—from Marriott to Airbnb—uses job analysis and the job descriptions that stem from it.[8]

The supervisor or human resources specialist normally collects one or more of the following types of information via the job analysis:

- *Work activities*. Information about the job's actual work activities, such as cleaning, selling, teaching, or painting. This list may also include how, why, and when the worker performs each activity.
- *Human behaviors*. Information about human behaviors the job requires, like sensing, communicating, lifting weights, or walking long distances.
- *Machines, tools, equipment, and work aids*. Information regarding tools used, materials processed, knowledge dealt with or applied (such as finance or law), and services rendered (such as counseling or repairing).

LEARNING OBJECTIVE 4-2

Discuss the process of job analysis, including why it is important.

job analysis
The procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it.

job descriptions
A list of a job's duties, responsibilities, reporting relationships, working conditions, and supervisory responsibilities—one product of a job analysis.

job specifications
A list of a job's "human requirements," that is, the requisite education, skills, personality, and so on—another product of a job analysis.

FIGURE 4-1 Organization Chart

- *Performance standards.* Information about the job's performance standards (in terms of quantity or quality levels for each job duty, for instance).
- *Job context.* Information about such matters as physical working conditions, work schedule, incentives, and, for instance, the number of people with whom the employee would normally interact.
- *Human requirements.* Information such as knowledge or skills (education, training, work experience) and required personal attributes (aptitudes, personality, interests).

Uses of Job Analysis Information

As Figure 4-2 summarizes, job analysis is important because it supports just about all human resource management activities.

RECRUITMENT AND SELECTION   Information about what duties the job entails and what human characteristics are required to perform these duties helps managers decide what sort of people to recruit and hire.

EEO COMPLIANCE   Knowing a job's duties is necessary for determining, for example, whether a selection test is a valid predictor of success on the job. Furthermore, to comply with the ADA, employers should know each job's *essential job functions—which requires a job analysis.*

PERFORMANCE APPRAISAL   A performance appraisal compares an employee's actual performance of his or her duties with the job's performance standards. Managers use job analysis to learn what these duties and standards are.

COMPENSATION   Compensation (such as salary and bonus) usually depends on the job's required skill and education level, safety hazards, degree of responsibility, and so on—all factors you assess through job analysis.

TRAINING   The job description lists the job's specific duties and requisite skills—thus pinpointing what training the job requires.

Conducting a Job Analysis

There are six steps in doing a job analysis of a job, as follows.

STEP 1:   Identify the use to which the information will be put because this will determine how you collect the information. Some data collection techniques—like interviewing the employee—are good for writing job descriptions. Other techniques, like the position
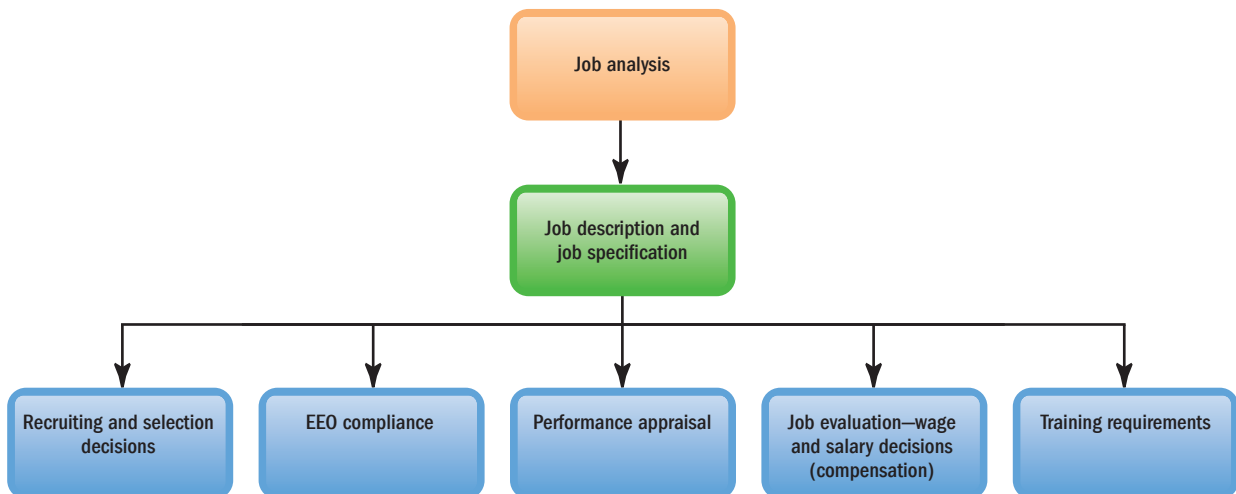
FIGURE 4-2 Uses of Job Analysis Information

analysis questionnaire we describe later, provide numerical ratings for each job; these can be used to compare jobs for compensation purposes.

organization chart

A chart that shows the organization-wide distribution of work, with titles of each position and interconnecting lines that show who reports to and communicates with whom.

process chart

A workflow chart that shows the flow of inputs to and outputs from a particular job.

workflow analysis

A detailed study of the flow of work from job to job in a work process.

STEP 2: *Review Relevant Background Information About the Job, Such as Organization Charts and Process Charts*[9] It is important to understand the job's context. For example, **organization charts** show the organizationwide division of work, and where the job fits in the overall organization. A **process chart** provides a detailed picture of the workflow. Thus, in the process chart in Figure 4-3, the quality control clerk should review components from suppliers, check components going to the plant managers, and give information regarding the components' quality to these managers. Finally, an existing job description may provide a starting point for revising the job description.

Workflow Analysis   Reviewing the organization chart, process chart, and job description helps the manager identify what a job's duties and demands are now. However, it does *not* answer questions like "Does how this job relates to other jobs make sense?" or "Should this job even exist?" To answer such questions, the manager may conduct a *workflow analysis*. **Workflow analysis** is a detailed study of the flow of work from job to job in one identifiable work process (such as processing a mortgage application). In turn, this analysis may lead to changing or "reengineering" the job. The following HR as a Profit Center feature illustrates workflow analysis.

IMPROVING PEFORMANCE: *HR AS A PROFIT CENTER*

Boosting Productivity Through Work Redesign[10]

The Atlantic American insurance company conducted a workflow analysis to identify inefficiencies in how it processes insurance claims. As the firm's HR director said, "We followed the life of a claim to where it arrived in the mail and where it eventually ended up" in order to find ways to improve the process.[11]

The workflow analysis prompted several performance-boosting redesigns of the insurance claim jobs. The firm reduced from four to one the number of people opening mail, replacing three people with a machine that does it automatically. A new date stamping machine lets staff stamp 20 pages at a time rather than one. A new software program adds bar codes to each claim automatically, rather than manually. The new system lowered costs. ■

> MyLab Management Talk About It 1
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. Based on your experience, what would the workflow look like for the process a dry-cleaning store uses to accept and chronicle a new order of clothes from a customer? How might this process be improved?

FIGURE 4-3 Process Chart for Analyzing a Job's Workflow

Source: Henderson, Richard I., *Compensation Management in a Knowledge Based World*, 9th Ed., © 2003, p.137. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.
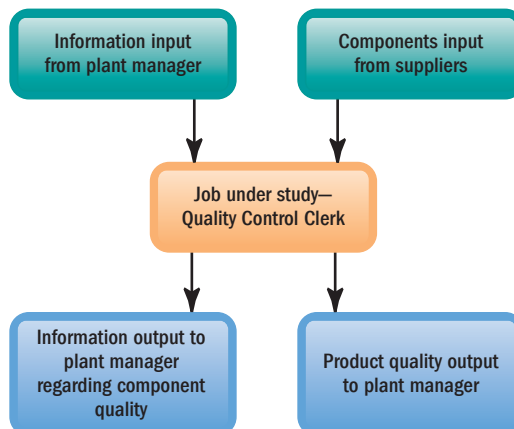
In conducting a workflow analysis, the manager may use a *flow process chart*; this lists in order each step of the process. The manager may convert this step-by-step flow process chart into a diagrammatic process chart. This shows, with arrows and circles, each step in the process.

Business Process Reengineering   The workflow analysis at American Atlantic led to a *reengineering* of its claims processing operation. **Business process reengineering** means redesigning business processes, usually by combining steps so that small multi-function teams, often using information technology, do the jobs formerly done by a sequence of departments. The basic reengineering approach is to:

1. Identify a business process to be redesigned (such as processing an insurance claim)
2. Measure the performance of the existing processes
3. Identify opportunities to improve these processes
4. Redesign and implement a new way of doing the work
5. Assign ownership of sets of formerly separate tasks to an individual or a team who use new computerized systems to support the new arrangement

As at Atlantic American, reengineering usually requires redesigning individual jobs. For example, workers doing date stamping must now know how to use the new date-stamping machine.

Job Redesign   Early economists enthusiastically described why specialized jobs were more efficient (as in, "practice makes perfect"). Today, most agree that specialized jobs can backfire, for instance by sapping morale. Experts typically suggest three ways to redesign specialized jobs to make them more challenging. **Job enlargement** means assigning workers additional same-level activities. Thus, the worker who previously only bolted the seat to the legs might attach the back too. **Job rotation** means systematically moving workers from one job to another.

Psychologist Frederick Herzberg argued that the best way to motivate workers is through what he called job enrichment. **Job enrichment** means redesigning jobs in a way that increases the opportunities for the worker to experience feelings of responsibility, achievement, growth, and recognition—and therefore more motivation. It does this by *empowering* the worker—for instance, by giving the worker the skills and authority to inspect the work, instead of having supervisors do that. Herzberg said empowered employees would do their jobs well because they wanted to, and quality and productivity would rise. That philosophy, in one form or another, is the theoretical basis for the team-based self-managing jobs in many companies around the world today.

STEP 3:   *Select Representative Positions* Next, with a job to analyze, the manager generally selects a sample of positions to focus on. For example, it is usually unnecessary to analyze the jobs of all the firm's 200 assembly workers; instead a sample of 10 jobs will do.

STEP 4:   *Actually Analyze the Job* The actual job analysis involves greeting each job holder; briefly explaining the job analysis process and the participants' roles in this process; spending about 15 minutes interviewing the employee to get agreement on a basic summary of the job; identifying the job's broad areas of responsibility, such as "calling on potential clients"; and then interactively identifying specific duties/tasks within each area using one of the methods we describe just below.[12]

STEP 5:   *Verify the Job Analysis Information with the Worker Performing the Job and with His or Her Immediate Supervisor* This will help confirm that the information (for instance, on the job's duties) is correct and complete and help to gain their acceptance.

STEP 6:   *Develop a Job Description and Job Specification* The *job description* lists the duties, activities, and responsibilities of the job, as well as its important features, such as working conditions. The *job specification* summarizes the personal qualities, traits, skills, and background required for getting the job done.

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business process reengineering

Redesigning business processes, usually by combining steps, so that small multifunction process teams using information technology do the jobs formerly done by a sequence of departments.

job enlargement

Assigning workers additional same-level activities.

job rotation

Systematically moving workers from one job to another.

job enrichment

Redesigning jobs in a way that increases the opportunities for the worker to experience feelings of responsibility, achievement, growth, and recognition.

Methods for Collecting Job Analysis Information

There are many ways (interviews or questionnaires, for instance) to collect job information.[13] The basic rule is to use those that best fit your purpose. Thus an interview might be best for creating a list of job duties. The more quantitative "position analysis questionnaire" may be best for quantifying each job's value for pay purposes. Before actually analyzing the job, keep several things in mind.

- Make the job analysis a *joint effort by a human resources manager, the worker, and the supervisor.* The human resource manager might observe the worker doing the job, and have the supervisor and worker complete job questionnaires. The supervisor and worker then verify the HR manager's list of job duties.
- *Make sure the questions and the process are clear* to the employees.
- *Use several job analysis methods.* For example, a questionnaire might miss a task the worker performs just occasionally. Therefore it's prudent to follow up the questionnaire with a short interview.

KNOWLEDGE BASE

The Interview

Job analysis interviews range from unstructured ("Tell me about your job") to highly structured ones with hundreds of specific items to check off.

Managers may conduct individual interviews with each employee, group interviews with groups of employees who have the same job, and/or supervisor interviews with one or more knowledgeable supervisors. Use group interviews when a large number of employees are performing similar or identical work, since this can be a quick and inexpensive way to gather information. As a rule, the workers' immediate supervisor attends the group session; if not, you can interview the supervisor separately.

The interviewee should understand the reason for the interview. There's a tendency for workers to view such interviews, rightly or wrongly, as "efficiency evaluations." If so, interviewees may hesitate to describe their jobs accurately.

TYPICAL QUESTIONS Typical interview questions include the following:

What is the job being performed?
What exactly are the major duties of your position?

It is helpful to spend several minutes prior to collecting job analysis information explaining the process that you will be following.

Hero Images/Getty Images

What physical locations do you work in?

What are the education, experience, skill, [and any certification and licensing] requirements?

In what activities do you participate?

What are the job's responsibilities and duties?

What are the basic accountabilities or performance standards that typify your work?

What are your responsibilities? What are the environmental and working conditions involved?

What are the job's physical, emotional, and mental demands?

What are the health and safety conditions?

Are you exposed to any hazards or unusual working conditions?

STRUCTURED INTERVIEWS   Many managers use questionnaires to guide the interview. Figure 4-4 presents one example. It includes questions regarding matters like the general purpose of the job, supervisory responsibilities, job duties, and skills required.

PROS AND CONS   The interview's wide use reflects its advantages. It's a simple and quick way to collect information. Skilled interviewers can also unearth important activities that occur occasionally, or informal contacts not on the organization chart. The employee can also vent frustrations that might otherwise go unnoticed.

Distortion of information is the main problem.[14] Job analysis often precedes changing a job's pay rate. Employees therefore often view it as pay-related, and exaggerate some responsibilities while minimizing others. In one study, researchers listed possible job duties either as simple task statements ("record phone messages and other routine information") or as ability statements ("ability to record phone messages and other routine information"). Respondents were more likely to report performing the ability-based versions of the statements. There may be a tendency for people to inflate their job's importance when abilities are involved, to impress the perceptions of others.[15]

INTERVIEWING GUIDELINES   To get the best information possible:

- Establish rapport with the interviewee. Know the person's name, speak understandably, briefly review the interview's purpose, and explain how the person was chosen for the interview.
- Use a structured guide that lists questions. This ensures you'll identify crucial questions ahead of time and that all interviewers (if more than one) cover all the required questions. (However, also ask, "Was there anything we didn't cover with our questions?")
- Make sure you don't overlook crucial but infrequently performed activities—like a nurse's occasional emergency room duties. Ask the worker to list his or her duties in order of importance and frequency of occurrence.
- After completing the interview, review the information with the worker's supervisor and the worker.

Questionnaires

Having employees fill out questionnaires to describe their job duties and responsibilities is another popular job analysis approach.

Some questionnaires are structured checklists. Here each employee gets an inventory of perhaps hundreds of specific duties or tasks (such as "change and splice wire"). He or she must indicate if he or she performs each task and, if so, how much time is normally spent on each. At the other extreme, the questionnaire may simply ask, "describe the major duties of your job."

FIGURE 4-4 **Job Analysis Questionnaire for Developing Job Descriptions**

Source: Adapted from www.tsu.edu/PDFFiles/Human%20Resources/HR%20Forms/JAQ%20FORM_rev%20100809%20a.pdf; www.delawarepersonnel.com/class/forms/jaq/jaq.shtml; www.uh.edu/human-resources/forms/JAQ.doc; www.tnstate.edu/hr/documents/.../Job%20Analysis%20Questionnaire.doc (all accessed July 24, 2013).

JOB ANALYSIS QUESTIONNAIRE*

PURPOSE AND INSTRUCTIONS

Because no one knows the job as well as the person doing it, we are asking you to complete this form. The purpose is to obtain current information on your job based on a review of job duties and responsibilities. We are not asking you about your job performance; only what your job requires you to do.

EMPLOYEE DATA (PLEASE PRINT):

Your Name: _____   Today's date _____

Employee ID: _____

Location/Department: _____

Your Job Title: _____   Job Code: _____

How long have you been in your current position: _____

Work Telephone Number: _____

Supervisor's Name: _____   Supervisor's Title: _____

SUMMARY OF DUTIES/RESPONSIBILITIES

Give a brief description of the main function/purpose of your job. This statement should be a brief summary of the responsibilities listed in the next section.

_____

_____

_____

Listing of Job Duties

What do you do on your job? Please list your job's specific duties/responsibilities in the space below. In doing so:

　　Please list the most important duties/responsibilities first. Write a separate statement for each duty/responsibility.

　　At the end of each statement please indicate the approximate percent of your workday (25%, 7%, etc.) you spend on that duty.

　　Please place an asterisk (*) next to the duties that you consider to be absolutely essential to this job.

_____

_____

_____

_____

_____

(Add additional duties as necessary)

Are there duties you are now performing that are not now in your job description? If so please list them on back of this page.   *(Continued)*

FIGURE 4-4 *Continued*

Minimum Level of Education (or Equivalent Experience) This Job Requires

What is the minimum level of education necessary to perform your job? Select only one please:
1. Elementary education.
2. Some high school.
3. A high school diploma or equivalent (G.E.D.).
4. A formal vocational training program (approximately one year), an apprenticeship, or some formal college education.
5. An associate's degree (AA, AS).
6. A bachelor's degree (BA, BS).
7. A master's degree (MA, MS, MBA, MPA).
8. A doctorate degree (Ph.D., MD, JD, EED).
9. Are you required to be licensed or certified to perform your work?

[ ] Yes [ ] No List type _____

Required Training on Job

What is the level of on-the-job or classroom training someone requires to do your job? Please select one choice below:
1. No additional training required.
2. A day or two.
3. A week.
4. A month.
5. Several months.
6. One year.
7. Two years or more.

SUPERVISORY RESPONSIBILITIES

Do you supervise others as part of your job? If so please briefly describe the nature of your supervisory responsibilities.

PHYSICAL JOB DEMANDS

Please briefly describe this job's main physical demands. For example, does it involve Sitting? Walking? Standing? Lifting? Detailed repetitive motions? Climbing? Etc.

Working Conditions: Environmental and Safety Job Demands

Please list this job's working conditions, such as: air-conditioned office work; outdoor or indoor extreme heat or cold; wet; noise; job hazards; working in elevated conditions; etc.

EMPLOYEE COMMENTS

Is there any other information that would be important in understanding your job? If so, please give us your comments below.

SUPERVISOR'S REVIEW

Based on your understanding of the job as it currently exists, please review the employee's response and provide your own comments in the space below. **Please do not change the employee's responses.**

* Copyright Gary Dessler, PhD

In practice, the questionnaire often falls between these two extremes. As illustrated in Figure 4-4, a typical job analysis questionnaire might include several open-ended questions (such as "Give a brief description of the main function/purpose of your job.") as well as structured questions (concerning, for instance, education required).

Questionnaires have pros and cons. This is a quick and efficient way to obtain information from a large number of employees; it's less costly than interviewing dozens of workers, for instance. However, developing and testing it (perhaps by making sure the workers understand the questions) can be time-consuming. And as with interviews, employees may distort their answers.

Observation

Direct observation is especially useful when jobs consist of observable physical activities—assembly-line worker and accounting clerk are examples. However, it's usually not appropriate when the job entails a lot of mental activity (lawyer, design engineer). Nor is it useful if the employee only occasionally engages in important activities, such as a nurse who handles emergencies. *Reactivity*—the worker's changing what he or she normally does because you are watching—is another problem.

Managers often use direct observation and interviewing together. One approach is to observe the worker on the job during a complete work cycle. (The *cycle* is the time it takes to complete the job; it could be a minute for an assembly-line worker or an hour, a day, or longer for complex jobs.) Here you take notes of all the job activities. Then, ask the person to clarify open points and to explain what other activities he or she performs that you didn't observe.

Participant Diary/Logs

diary/log
Daily listings made by workers of every activity in which they engage along with the time each activity takes.

Another method is to ask workers to keep a **diary/log;** here for every activity engaged in, the employee records the activity (along with the time) in a log.

Some firms give employees pocket dictating machines and pagers. Then randomly during the day, they page the workers, who dictate what they are doing at that time.

Quantitative Job Analysis Techniques

Qualitative methods like interviews and questionnaires are not always suitable. For example, if your aim is to compare jobs for pay purposes, a mere listing of duties may not suffice. You may need to say that, in effect, "Job A is twice as challenging as Job B, and so is worth twice the pay." To do this, it helps to have quantitative ratings for each job. The position analysis questionnaire and the Department of Labor approach are quantitative methods for doing this.

position analysis questionnaire (PAQ)
A questionnaire used to collect quantifiable data concerning the duties and responsibilities of various jobs.

POSITION ANALYSIS QUESTIONNAIRE   The **position analysis questionnaire (PAQ)** is a very popular quantitative job analysis tool, consisting of a questionnaire containing 194 items.[16] The 194 items (such as "written materials") each represent a basic element that may play a role in the job.[17] The items each belong to one of five PAQ basic activities: (1) Having Decision-Making/Communication/Social Responsibilities, (2) Performing Skilled Activities, (3) Being Physically Active, (4) Operating Vehicles/Equipment, and (5) Processing Information. The final PAQ "score" reflects the job's rating on each of these five activities. To get those scores, the job analyst decides if each of the 194 items (such as one on using "written materials") applies to the job and, if so, to what extent. For example, within the "Processing Information" activity section, an item on the extent to which the job requires using "written materials" such as books and reports might get a rating of 4. Since the PAQ scale ranges from 1 to 5, a 4 suggests that written materials do play a significant role in this job. The analyst can use an online version of the PAQ (see www.paq.com) for each job he or she is analyzing.

One of the PAQ's strengths is in assigning jobs to job classes for pay purposes. With ratings for each job's decision-making, skilled activity, physical activity, vehicle/equipment operation, and information-processing characteristics, you can quantitatively compare jobs relative to one another,[18] and then classify jobs for pay purposes.[19]

DEPARTMENT OF LABOR (DOL) PROCEDURE   Experts at the U.S. Department of Labor did much of the early work developing job analysis.[20] They used their results to compile what was for many years the bible of job descriptions, the *Dictionary of Occupational Titles*. This mammoth book contained detailed information on virtually every job in America. Internet-based tools have largely replaced the *Dictionary*.[21] However, the U.S. Department of Labor job analysis procedure remains a good example of how to quantitatively rate, classify, and compare jobs. As Table 4-1 shows, the DOL method uses a set of standard activities called *worker functions* to describe what a worker must do with respect to *data, people*, and *things*. With respect to data, for instance, the functions include synthesizing and copying. For people, they include mentoring and supervising. For things, basic functions include manipulating and handling.

Each worker function has an importance rating. Thus, "coordinating" is 1, whereas "copying" is 5. If you were analyzing the job of a receptionist/clerk, for example, you might label the job 5, 6, 7 to represent copying data, speaking/signaling people, and handling things. You might code a psychiatric aide in a hospital 1, 7, 5 in relation to data, people, and things. In practice, you would score each task that the worker performed as part of his or her job in terms of data, people, and things. Then you would use the highest combination (say 4, 6, 5) to rate the overall job, since this is the highest level that you would expect a successful job incumbent to attain. If you were selecting a worker for that 4, 6, 5 job, you'd expect him or her to be able to at least compute (4), speak/signal (6), and tend (5). If you were comparing jobs for pay purposes, a 4, 6, 5 job should rank higher (see Table 4-1) than a 6, 8, 6 job. The manager can then present a summary of the job along with its 3-digit rating on a form such as in Figure 4-5.[22]

Online Job Analysis Methods[23]

Employers also use online job analysis methods. Here the human resource department generally distributes standardized job analysis questionnaires to geographically disbursed employees online, with instructions to complete the forms and return them by a particular date. The job analyst may then convene, online, job experts to

TABLE 4-1 Basic Department of Labor Worker Functions

	Data	People	Things
Basic Activities	0 Synthesizing	0 Mentoring	0 Setting up
	1 Coordinating	1 Negotiating	1 Precision working
	2 Analyzing	2 Instructing	2 Operating/controlling
	3 Compiling	3 Supervising	3 Driving/operating
	4 Computing	4 Diverting	4 Manipulating
	5 Copying	5 Persuading	5 Tending
	6 Comparing	6 Speaking/signaling	6 Feeding/offbearing
		7 Serving	7 Handling
		8 Taking instructions/helping	

Note: Determine employee's job "score" on data, people, and things by observing his or her job and determining, for each of the three categories, which of the basic functions illustrates the person's job. "0" is high; "6," "8," and "7" are lows in each column.

FIGURE 4-5 Sample Report Based on Department of Labor Job Analysis Technique

Job Analysis Schedule

1. Established Job Title _____ DOUGH MIXER

2. Ind. Assign _____ (bake prod.)

3. SIC Code(s) and Title(s) _____ 2051 Bread and other bakery products

4. JOB SUMMARY:

Operates mixing machine to mix ingredients for straight and sponge (yeast) doughs according to established formulas, directs other workers in fermentation of dough, and curls dough into pieces with hand cutter.

5. WORK PERFORMED RATINGS:

Worker Functions	D Data	P People	(T) Things
	5	6	2

Work Field _____ Cooking, Food Preparing

6. WORKER TRAITS RATING (to be filled in by analyst):

Training time required
Aptitudes
Temperaments
Interests
Physical demands
Environment conditions

discuss and finalize the knowledge, skills, abilities, and other characteristics doing the job requires.[24]

Without a job analyst actually sitting there with the employee or supervisor, there's a chance they won't cover important points or that misunderstandings arise. Therefore, all instructions should be clear, and test the process first.

The U.S. Navy used Internet-based job analysis.[25] To keep ambiguities to a minimum, it had the employees complete structured online job analysis forms step by step and duty by duty, as follows:

- First, the online form lists *a set of work activities* (such as "Getting Information" and "Monitor Processes") from the Department of Labor O*NET work activities list (see Figure 4-6).[26]
- Next, the form directs employees to *select those work activities* that are important to their job.
- Then, the form asks them to *list actual duties* of their jobs that fit each of those selected work activities. For example, suppose an employee chose "Getting Information" as an important work activity. Now he or she would list next to "Getting Information" specific job duties, such as "bring new orders from our vendors to the boss's attention."

Again, the main caveat with online job analysis is to strip the process of ambiguities. The Navy's online method proved effective.[27]

FIGURE 4-6 O*NET Generalized Work Activities Categories

Note: The U.S. Navy employees were asked to indicate if their jobs required them to engage in work activities such as: Getting Information; Monitoring Processes; Identifying Objects; Inspecting Equipment; and Estimating Quantifiable Characteristics.

Source: From O*NET Web site, www.onetonline.org.

MyLab Management Apply It!

If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/ mylab/management** to complete the video exercise.

Writing Job Descriptions

KNOWLEDGE BASE

The most important product of job analysis is the job description. A job description is a written statement of what the worker actually does, how he or she does it, and what the job's working conditions are. You use this information to write a job specification; this lists the knowledge, abilities, and skills required to perform the job satisfactorily.[28]

LEARNING OBJECTIVE 4-4

Explain how you would write a job description, and what sources you would use.

HR in Action at the Hotel Paris In reviewing the Hotel Paris's employment systems, the HR manager was concerned that virtually all the company's job descriptions were out of date, and that many jobs had no descriptions at all. She knew that without accurate job descriptions, all her improvement efforts would be in vain. To see how this was handled, see the case on page 127 of this chapter.

Diversity Counts

You might assume that job descriptions are only of use in business settings, but that's not the case. For example, for parents who want the best care for their kids, writing up a job description before hiring a child-care worker could be quite useful. For instance, because what children learn when they're very young predicts their future academic and career success, facilitating early-childhood learning is a crucial task for many caregivers.[29] And yet because few parents think through and write a job description before recruiting their child-care workers, many hire this important person not clearly crystallizing what they want this person to do—including, for instance, facilitating learning.

A well-thought-out job description might benefit everyone involved. The parent—knowing that supporting early-childhood learning is so important—might put more effort into finding and training the child's caregiver (95% of whom are women). The child might benefit from a more nurturing learning environment. And the caregiver would gain if, after recognizing how many challenging tasks she is responsible for, the parent would raise her salary from the current national average of about $19,000 per year—just about the poverty level for a family of three. ■

There is no standard format for writing a job description. However, most descriptions contain sections that cover:

1. Job identification
2. Job summary
3. Responsibilities and duties
4. Authority of incumbent
5. Standards of performance
6. Working conditions
7. Job specification

Figures 4-7 and 4-8 present two sample forms of job descriptions.

Job Identification

As in Figure 4-7, the job identification section (on top) contains several types of information.[30] The *job title* specifies the name of the job, such as *inventory control clerk*. The Fair Labor Standards Act (FLSA) status section identifies the job as exempt or nonexempt. (Under the FLSA, certain positions, primarily administrative and professional, are exempt from the act's overtime and minimum wage provisions.) *Date* is the date the job description was approved.

There may also be a space to indicate who approved the description and perhaps one showing the job's location in terms of facility/division and department. This section might also include the supervisor's title and information regarding salary and/or pay scale. There might also be space for the pay grade/level of the job, if there is one. For example, a firm may classify programmers as programmer II, programmer III, and so on.

WHAT'S IN A NAME (OR IN A JOB TITLE)?   Some job titles are quite creative. For example, Pinterest calls its designers Pixel Pushers, and its interns Pinterns.[31] One study concluded that employees who participate in retitling their jobs and who have more descriptive job titles tend to be more satisfied and to feel more recognized.[32]

The U.S. Navy discovered that the hard way. From the Navy's earliest days, sailors traditionally had descriptive job titles such as "electrician's mate first class." In part to strip its job titles of gender-specific labels containing "man" or "men," the Navy decided to group all sailors with the same pay rate together, with the same (bland) job title such as "petty officer first class."[33] An uproar ensued. A petition with over 100,000 signatures got to the White House. The Navy returned to its traditional job titles.

Job Summary

The job summary should summarize the essence of the job, and should include only its major functions or activities. Thus (in Figure 4-7), the telesales rep " . . . is responsible for selling college textbooks. . . ." For the job of mailroom supervisor, "the mailroom supervisor receives, sorts, and delivers all incoming mail properly, and he or she handles all outgoing mail including the accurate and timely posting of such mail."[34]

Some experts state unequivocally that "one item frequently found that should never be included in a job description is a 'cop-out clause' like 'other duties, as assigned,'"[35] since this leaves open the nature of the job. Finally, state in the summary that the employee is expected to carry out his or her duties efficiently, attentively, and conscientiously.

JOB TITLE: Telesales Respresentative	JOB CODE: 100001
RECOMMENDED SALARY GRADE:	EXEMPT/NONEXEMPT STATUS: Nonexempt
JOB FAMILY: Sales	EEOC: Sales Workers
DIVISION: Higher Education	REPORTS TO: District Sales Manager
DEPARTMENT: In-House Sales	LOCATION: Boston
	DATE: April 2013

SUMMARY (Write a brief summary of job.)

The person in this position is responsible for selling college textbooks, software, and multimedia products to professors, via incoming and outgoing telephone calls, and to carry out selling strategies to meet sales goals in assigned territories of smaller colleges and universities. In addition, the individual in this position will be responsible for generating a designated amount of editorial leads and communicating to the publishing groups product feedback and market trends observed in the assigned territory.

SCOPE AND IMPACT OF JOB
Dollar responsibilities (budget and/or revenue)

The person in this position is responsible for generating approximately $2 million in revenue, for meeting operating expense budget of approximately $4000, and a sampling budget of approximately 10,000 units.

Supervisory responsibilities (direct and indirect)

None

Other

REQUIRED KNOWLEDGE AND EXPERIENCE (Knowledge and experience necessary to do job)
Related work experience

Prior sales or publishing experience preferred. One year of company experience in a customer service or marketing function with broad knowledge of company products and services is desirable.

Formal education or equivalent

Bachelor's degree with strong academic performance or work equivalent experience.

Skills

Must have strong organizational and persuasive skills. Must have excellent verbal and written communications skills and must be PC proficient.

Other
Limited travel required (approx 5%)

(*Continued*)

FIGURE 4-7 **Sample Job Description, Pearson Education**
Source: Reprinted and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

Relationships

There may be a "relationships" statement (not in Figure 4-7) that shows the jobholder's relationships with others inside and outside the organization. The following presents some illustrative relationships for a human resource manager.[36]

PRIMARY RESPONSIBILITIES (List in order of importance and list amount of time spent on task.)

<u>Driving Sales (60%)</u>
- Achieve quantitative sales goal for assigned territory of smaller colleges and universities.
- Determine sales priorities and strategies for territory and develop a plan for implementing those strategies.
- Conduct 15–20 professor interviews per day during the academic sales year that accomplishes those priorities.
- Conduct product presentations (including texts, software, and Web site); effectively articulate author's central vision of key titles; conduct sales interviews using the PSS model; conduct walk-through of books and technology.
- Employ telephone selling techniques and strategies.
- Sample products to appropriate faculty, making strategic use of assigned sampling budgets.
- Close class test adoptions for first edition products.
- Negotiate custom publishing and special packaging agreements within company guidelines.
- Initiate and conduct in-person faculty presentations and selling trips as appropriate to maximize sales with the strategic use of travel budget. Also use internal resources to support the territory sales goals.
- Plan and execute in-territory special selling events and book-fairs.
- Develop and implement in-territory promotional campaigns and targeted email campaigns.

<u>Publishing (editorial/marketing) 25%</u>
- Report, track, and sign editorial projects.
- Gather and communicate significant market feedback and information to publishing groups.

<u>Territory Management 15%</u>
- Track and report all pending and closed business in assigned database.
- Maintain records of customer sales interviews and adoption situations in assigned database.
- Manage operating budget strategically.
- Submit territory itineraries, sales plans, and sales forecasts as assigned.
- Provide superior customer service and maintain professional bookstore relations in assigned territory.

<u>Decision-Making Responsibilities for This Position:</u>
Determine the strategic use of assigned sampling budget to most effectively generate sales revenue to exceed sales goals.
Determine the priority of customer and account contacts to achieve maximum sales potential.
Determine where in-person presentations and special selling events would be most effective to generate the most sales.

Submitted By: Jim Smith, District Sales Manager	Date: April 10, 2013
Approval:	Date:
Human Resources:	Date:
Corporate Compensation:	Date:

FIGURE 4-7 *Continued*

Reports to: Vice president of employee relations.
Supervises: Human resource clerk, test administrator, labor relations director, and one secretary.
Works with: All department managers and executive management.
Outside the company: Employment agencies, executive recruiting firms, union representatives, state and federal employment offices, and various vendors.[37]

FIGURE 4-8 Marketing Manager Description from Standard Occupational Classification

Source: U.S. Department of Labor, Bureau of Labor Statistics.

U.S. Department of Labor
Bureau of Labor Statistics
Standard Occupational Classification

www.bls.gov   **Advanced Search | A-Z Index**

BLS Home | Programs & Surveys | Get Detailed Statistics | Glossary | What's New | Find It! In DOL

11-2021 Marketing Managers

Determine the demand for products and services offered by a firm and its competitors and identify potential customers. Develop pricing strategies with the goal of maximizing the firm's profits or share of the market while ensuring the firm's customers are satisfied. Oversee product development or monitor trends that indicate the need for new products and services.

Responsibilities and Duties

This is the heart of the job description. It should present a list of the job's responsibilities and duties. As in Figure 4-7, list each of the job's major duties separately, and describe it in a few sentences. In the figure, for instance, the job's duties include "achieve quantitative sales goal . . ." and "determine sales priorities. . . ." Typical duties for other jobs might include making accurate postings to accounts payable, maintaining favorable purchase price variances, and repairing production-line tools and equipment. This section may also define the jobholder's authority limits. For example, the jobholder might have authority to approve purchase requests up to $5,000, grant time off or leaves of absence, discipline department personnel, recommend salary increases, and interview and hire new employees.

Usually, the manager's basic question here is, "How do I determine what the job's duties are and should be?" The answer first is, from the *job analysis*; this should reveal what the employees on each job are doing now.

Second, you can review various sources of standardized job description information. For example, the U.S. government's **Standard Occupational Classification (SOC)** (www.bls.gov/soc/socguide.htm) classifies all workers into one of 23 major groups of jobs, such as "Management Occupations" and "Healthcare Occupations." These in turn contain 96 minor groups of jobs, which in turn include 821 detailed occupations, such as the marketing manager description in Figure 4-8. The employer can use standard descriptions like these to identify a job's duties and responsibilities, such as "Determine the demand for products."

The employer may also use other popular sources of job description information, such as www.jobdescription.com. Another simple solution is just to *Google* the job description you want, by seeing online what others are doing. Thus, someone writing job descriptions for *marketing manager* would readily find relevant online descriptions using methods like these:

- Go to http://hiring.monster.com. Then click Resource Center, then Recruiting and Hiring Advice, then Job Descriptions. Then find the Marketing and Sales Manager Sample Job Description.[38]
- Go to www.careerplanner.com. Then click Job Descriptions, then scroll down to the job description you're interested in.[39]
- O*NET online, as noted, is another option for finding job duties. We present an example in the HR Tools for Line Managers and Small Businesses feature at the end of this section.

Standard Occupational Classification (SOC)

Classifies all workers into one of 23 major groups of jobs that are subdivided into minor groups of jobs and detailed occupations.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Thanks to social media such as LinkedIn, line managers today can do things for which they formerly required HR managers. For example, (to paraphrase what someone posted on LinkedIn): *I hope some of you IT recruiters out there can help me to better understand what I need to put into the job descriptions that I'm writing for the O*NET developers and development managers I'm recruiting for*. The first of many replies listed 12 tasks including: (1) Do technical skills match the desired job?, (2) What technical problems were solved by the job seeker?, and (3) Did job seeker know about Cloud Deployment?[40] ■

Writing clear job duties is an art. For a teacher, for example, one duty might be:[41]

Incorrect: Ensures that students learn fifth-grade English with the aim of passing the required common exam.

Comment: What the teacher does is ambiguous, and the expected process and results of the teacher's actions aren't clear.

Correct: Studies past common English exams to understand what they typically involve; prepares yearly, weekly, and daily lesson plans; presents each day's lesson clearly with follow-up questions to ensure learning; administers weekly tests to confirm learning; and counsel students one-on-one in class lessons as necessary.

KNOW YOUR EMPLOYMENT LAW

Writing Job Descriptions That Comply with the ADA

The list of job duties is crucial to employers' efforts to comply with the Americans with Disabilities Act (ADA). Under the ADA, the individual must have the requisite skills, educational background, and experience to perform the job's essential functions. The EEOC says, "Essential functions are the basic job duties that an employee must be able to perform, with or without reasonable accommodation."[42] Factors to consider include:

- Whether the position exists to perform that function
- The number of other employees available to perform the function
- The degree of expertise or skill required to perform the function
- Whether employees in the position are actually required to perform the function[43]
- What the degree of expertise or skill required to perform the function is[44]

As an example, answering calls and directing visitors to the proper offices might be essential functions for a receptionist. The EEOC says it will consider both the employer's judgment about which functions are essential, and a written job description prepared before advertising or interviewing for a job as evidence of essential functions. Other evidence includes the actual work experience of present or past employees in the job, the time spent performing a function, and the consequences of not requiring that function.

If the disabled individual can't perform the job as currently structured, the employer is required to make a "reasonable accommodation," unless doing so would present an "undue hardship." The EEOC says reasonable accommodation may include:

- acquiring or modifying equipment or devices,
- part-time or modified work schedules,
- adjusting or modifying examinations, training materials, or policies,
- providing readers and interpreters, and
- making the workplace readily accessible to and usable by people with disabilities. ■

Standards of Performance and Working Conditions

A "standards of performance" section lists the standards the company expects the employee to achieve for each of the job description's main duties and responsibilities. One way to set standards is to finish the statement, "I will be completely satisfied with your work when . . . ." This sentence, completed for each duty, should produce a usable set of performance standards. For example:

Duty: **Accurately Posting Accounts Payable**

1. Post all invoices received within the same working day.
2. Route all invoices to the proper department managers for approval no later than the day following receipt.
3. Commit an average of no more than three posting errors per month.

Finally, the job description may list the job's working conditions, such as noise level or hazardous conditions.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

Using O*NET

Without their own job analysts or even HR managers, many small business owners face two hurdles when doing job analyses. First, most need a more streamlined approach than those provided by questionnaires like Figure 4-4. Second is the concern that, in writing their job descriptions, they'll overlook duties that should be assigned. What they need is an encyclopedia listing all the possible positions they might encounter, including a list of the duties normally assigned to these positions.

The small business owner has at least three options. The *Standard Occupational Classification*, mentioned earlier, provides detailed descriptions of thousands of jobs and their human requirements. Web sites like www.jobdescription.com provide customizable descriptions by title and industry. And the Department of Labor's O*NET is a third alternative. We'll focus here on how to write a job description using O*NET (http://online.onetcenter.org).[45] It is free to use.

O*NET

The U.S. Department of Labor's online occupational information network, called O*NET, enables anyone to see the most important characteristics of various occupations, as well as the experience, education, and knowledge required to do each job well. Both the Standard Occupational Classification and O*NET list the specific duties associated with numerous occupations. O*NET also lists skills, including *basic skills* such as reading and writing, *process skills* such as critical thinking, and *transferable skills* such as persuasion and negotiation.[46] An O*NET job listing also includes information on worker requirements (required knowledge, for instance), occupation requirements (such as compiling, coding, and categorizing data, for instance), and experience requirements (including education and job training). Employers and career planners also use O*NET to check the job's labor market characteristics, such as employment projections and earnings data.[47]

The steps in using O*NET to facilitate writing a job description follow.

STEP 1.   *Review Your Plan.* Ideally, the jobs you need should flow from your departmental or company plans. Do you plan to enter or exit businesses? What do you expect your sales to be in the next few years? What departments will have to be expanded or reduced? What kinds of new positions will you need?

STEP 2.   *Develop an Organization Chart.* Start with the organization as it is now. Then produce a chart showing how you want it to look in a year or two. Microsoft Office and others offer free tools.[48]

STEP 3.   *Use a Job Analysis Questionnaire.* Next, gather information about each job's duties. (You can use job analysis questionnaires, such as those shown in Figures 4-4 and 4-9.)

STEP 4.   *Obtain Job Duties from O*NET.* The list of job duties you uncovered through the job analysis in step 3 may or may not be complete. We'll therefore use O*NET to compile a more complete list. (Refer to the A, B, and C examples pictured.)

A (above)

B (above)

C (above)

Start by going to www.onetonline.org/[49] (A). Here, click on *Find Occupations*. Assume you want to create job descriptions for a retail salesperson. Key *Retail Sales* in the Industry Keyword drop-down box. This brings you to the Occupations matching "retail sales" page (B).[50]

Clicking on the *Retail Salespersons* summary produces the job summary and specific occupational duties for retail salespersons (C).[51] For a small store, you might want to combine the duties of the "retail salesperson" with those of "first-line supervisors/managers of retail sales workers."

STEP 5.   *List the Job's Human Requirements from O*NET.* Next, return to the summary for *Retail salespersons* (C). Here, click, for example, Knowledge, Skills, and Abilities. Use this information to help develop a job specification for your job. Use this information for recruiting, selecting, and training your employees.

STEP 6.   *Finalize the Job Description.* Finally, perhaps using Figure 4-9 as a guide, write an appropriate job summary for the job. Then use the information obtained previously in steps 4 and 5 to create a complete listing of the tasks, duties, and human requirements of each of the jobs you will need to fill. ■

FIGURE 4-9 **Simple Job Description Questionnaire**

Source: Copyright Gary Dessler, PhD.

Background Data for Job Description

Job Title _____   Department _____

Job Number _____   Written by _____

Today's Date _____   Applicable DOT Codes _____

I. Applicable DOT Definition(s):

II. Job Summary:
(List the more important or regularly performed tasks.)

III. Reports To:

IV. Supervises: _____

V. Job Duties: _____
(Briefly describe, for each duty, what employee does and, if possible, how employee does it. Show in parentheses at end of each duty the approximate percentage of time devoted to duty.)

A. Daily Duties:

B. Periodic Duties:
   (Indicate whether weekly, monthly, quarterly, etc.)

C. Duties Performed at Irregular Intervals:

KNOWLEDGE BASE

LEARNING OBJECTIVE 4-5

Explain how to write a job specification.

Writing Job Specifications

The job specification takes the job description and answers the question, "What human traits and experience are required to do this job effectively?" It shows what kind of person to recruit and for what qualities you should test that person. It may be a section of the job description, or a separate document. Often—as in Figure 4-7 ("REQUIRED KNOWLEDGE AND EXPERIENCE") on pages 113–114—it is part of the job description.[52]

Specifications for Trained versus Untrained Personnel

Writing job specifications for trained and experienced employees is relatively straightforward. Here job specifications tend to focus on factors such as length of previous service, quality of relevant training, and previous job performance.

The problems are more complex when you're filling jobs with untrained people (with the intention of training them on the job). Here you must specify qualities such as physical traits, personality, interests, or sensory skills that imply some potential for performing the job or for trainability. Thus, for a job that requires detailed manipulation, you might want someone who scores high on a test of finger dexterity. Employers identify the job's human requirements either through a subjective, judgmental approach or through statistical analysis (or both).

Filling jobs with untrained employees requires identifying the personal traits that predict performance.

Blend Images - Hill Street Studios/Brand X Pictures/Getty Images

Specifications Based on Judgment

Most job specifications simply reflect the educated guesses of people like supervisors and human resource managers. The basic procedure here is to ask, "What does it take in terms of education, intelligence, training, and the like to do this job well?"

How does one make such "educated guesses"? You could simply review the job's duties, and deduce from those what human traits and skills the job requires. You can also choose human traits and skills from those listed in Web-based job descriptions like those at www.jobdescription.com. (For example, one job description there lists "Generates creative solutions" and "Manages difficult or emotional customer situations.") O*NET online is another option. Job listings there include lists of required education, experience, and skills.

In any case, use common sense. Don't ignore behaviors that may apply to almost any job but that might not normally surface through a job analysis. Industriousness is an example. Who wants an employee who doesn't work hard? One researcher collected information from 18,000 employees in 42 different hourly entry-level jobs.[53] Generic work behaviors that he found to be important to all jobs included thoroughness, attendance, unruliness [lack of], and scheduling flexibility (for instance, offers to stay late when store is busy). Another study, of over 7,000 executives, found that crucial top-leader behaviors included: takes initiative, practices self-development, displays high integrity, drives for results, and develops others.[54]

■ **HR AND THE GIG ECONOMY** *DO GIG WORKERS NEED JOB SPECIFICATIONS?*

Hiring nonemployee gig workers doesn't mean the employer doesn't need job descriptions and job specifications. The employer must still ensure that the workers at least fit certain minimum requirements.

Therefore both Lyft and Uber list "driver requirements," which are essentially job specifications.[55] Driver requirements vary somewhat by location, but both Uber and Lyft require drivers to be at least 21, have a Social Security number and in-state driver's license (at least one year old), have in-state insurance, and undergo both DMV and national and county-wide background checks. For Uber the background check also requires no recent DUI or drug-related offenses, or incidents of driving without insurance or license, or fatal accidents, or history of reckless driving, and no criminal history. And your car must pass muster. For example, it must be a four-door sedan, seat four or more (excluding driver), be 2001 or newer, have in-state plates and be currently registered, and pass Uber's vehicle inspection.

> ## MyLab Management Talk About It 3
>
> If your professor has chosen to assign this, go to the Assignments section of **www.pearson.com/ mylab/management** to complete these discussion questions. Based on your experience, what other human requirements would you say there are to be a good Uber or Lyft driver? Should the companies add these as requirements? Why?

Job Specifications Based on Statistical Analysis

Basing job specifications on statistical analysis (rather than only judgment) is more defensible, but it's also more difficult. The aim is to determine statistically the relationship between (1) some *predictor* (human trait such as height, intelligence, or finger dexterity), and (2) some indicator or *criterion* of job effectiveness, such as performance as rated by the supervisor. The basic procedure is predictive validation.

This procedure has five steps: (1) analyze the job and decide how to measure job performance, (2) select personal traits like finger dexterity that you believe should predict performance, (3) test candidates for these traits, (4) measure these candidates' subsequent job performance, and (5) statistically analyze the relationship between the human trait (finger dexterity) and job performance. Your aim is to determine whether the trait predicts performance.

Why is this more defensible than the judgmental approach? First, if the trait doesn't predict performance, why use it? Second, equal rights laws prohibit using traits that you can't prove distinguish between high and low job performers. But, in practice, most employers rely on judgmental approaches.

The Job-Requirements Matrix

job-requirements matrix
A more complete description of what the worker does and how and why he or she does it; it clarifies each task's purpose and each duty's required knowledge, skills, abilities, and other characteristics.

Although most employers use job descriptions and specifications to summarize their jobs' duties and responsibilities, the **job-requirements matrix** is also popular.[56] A typical matrix lists the following information, in five columns:

Column 1: Each of the job's four or five *main job duties* (such as *post accounts payable*)

Column 2: The *task statements* for the main tasks associated with each main job duty

Column 3: The relative *importance* of each main job duty

Column 4: The *time spent* on each main job duty

Column 5: The *knowledge, skills, ability,* and *other* human characteristics (KSAO) related to each main job duty[57]

task statement
Written item that shows *what* the worker does on one particular job task; *how* the worker does it; the *knowledge, skills, and aptitudes required* to do it; and the *purpose of the task.*

The main step in creating a job-requirements matrix involves writing the *task statements.* Each **task statement** describes *what* the worker does on each of a main job duty's separate job tasks and *how* the worker does it.

Employee Engagement Guide for Managers

As noted earlier, the manager should not ignore, while writing the job specification, desirable on-the-job behaviors that apply to almost any job but that might not normally surface through a job analysis. *Employee engagement* is an example.

The human resource consulting company Development Dimensions International conducted a study of 3,800 employees, and identified several personal characteristics that seemed to predict the likelihood someone would be engaged.[58] These traits included adaptability, passion for work, emotional maturity, positive disposition, self-advocacy, and achievement orientation.

A sensible suggestion is to seek out people who already have records of being engaged employees. Because past behavior is often the best predictor of future behavior, one suggestion is that if you want to hire people who are more likely to become engaged employees, " . . . look for examples of engagement in other areas of life."[59] For example, seek out candidates with a demonstrated commitment to serve others, such as nurses, veterans, and voluntary first responders.

Using Competencies Models

Many people still think of a "job" as a set of specific duties someone carries out for pay, but the concept of job is changing. Companies today continue to flatten their hierarchies, squeezing out managers, and leaving the remaining workers with more jobs to do. Changes like these tend to blur where one job starts and another ends. In situations like these, relying on a list of job duties that itemizes specific things you expect the worker to do is often impractical.[60]

Many employers are therefore using a different job analysis approach. Instead of listing the job's duties, they list, in *competency models* (or profiles), the knowledge, skills, and experience someone needs to do the job. Such models or profiles (see Figure 4-10) list the competencies employees must be able to exhibit to get their jobs done.[61] In

FIGURE 4-10 **HR Manager Competency Model**

Source: The SHRM Body of Competency and Knowledge. ©2014, Society for Human Resource Management, Alexandria, VA. Used with permission. All rights reserved.

SHRM Body of Competency & Knowledge™
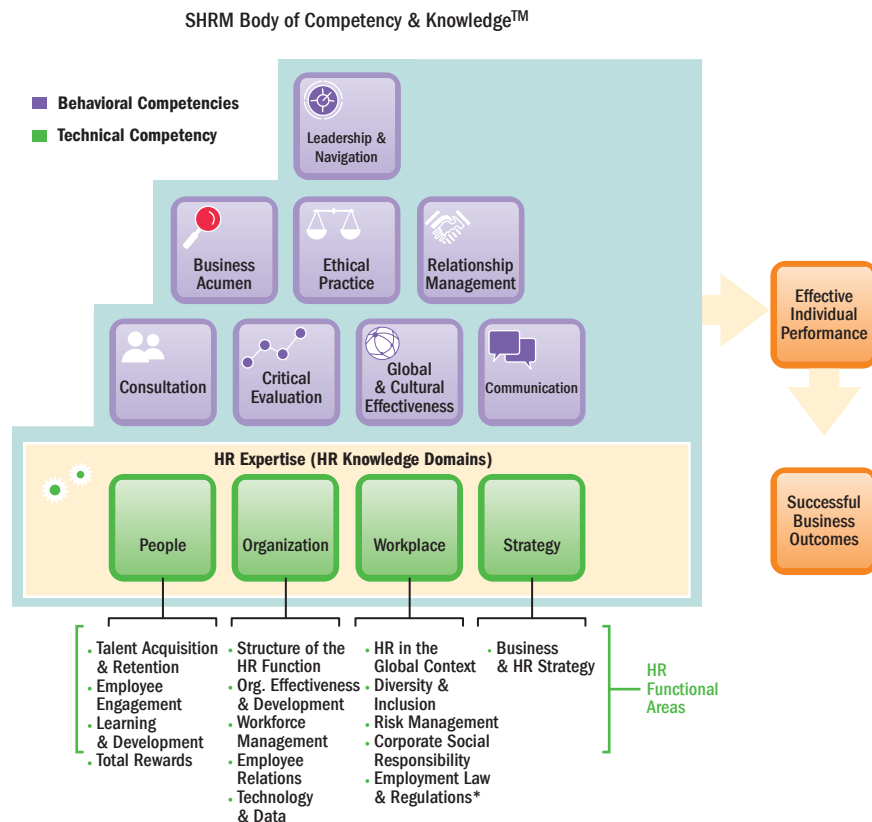
creating a competency model for HR managers, the Society for Human Resource Management describes a competency as a "cluster of highly interrelated attributes" (such as research design knowledge, critical thinking skills, and deductive reasoning abilities) that give rise to the behaviors (such as *critical evaluation*) someone would need to perform a given job (in this case, HR manager) effectively.[62]

The competency model or profile then becomes the guidepost for recruiting, selecting, training, evaluating, and developing employees for each job.[63] In other words, the manager *hires* new employees using tests that measure the profile's list of competencies, *trains* employees with courses that develop these competencies, and *appraises* performance by assessing the worker's competencies. The accompanying Strategic Context feature illustrates.

■ IMPROVING PERFORMANCE: *THE STRATEGIC CONTEXT*

Daimler Alabama

By 2020, Daimler intends to use its expanded Tuscaloosa, Alabama factory complex to start building hybrid and (eventually) electric SUVs.[64] That's a step it could take because its original factory there, which came on line about 20 years before, has been so successful.

In planning its original Alabama Mercedes-Benz factory, Germany-based Daimler's strategy was to design a high-tech factory.[65] The plant emphasizes *just-in-time* inventory methods, so inventories stay negligible due to the arrival "just in time" of parts. It also organizes employees into *work teams*, and emphasizes that all employees must dedicate themselves to *continuous improvement* (seeking continuously to find better ways to do things).

Such a production strategy requires certain employee competencies (skills and behaviors). For example, it requires multiskilled and flexible employees who are eager to work cooperatively in teams. *Competency-based job analysis* played an important role in this factory. Guidelines here regarding whom to hire and how to train them are based more on the competencies someone needs to do the job (such as "ability to work cooperatively on a team") than on lists of job duties. Because employees don't have to follow detailed job descriptions showing what "my job" is, it's easier for employees to move from job to job within their teams. Not being pigeonholed also encourages workers to look beyond their own jobs to find ways to improve things. For instance, one team found a $0.23 plastic prong that worked better than the one for $2.50 the plant was using to keep car doors open during painting. Building its modern "continuous improvement" plant meant Daimler needed employees who thought for themselves. Organizing its jobs around worker competencies and using **competency-based job analysis** helped Daimler achieve its strategic aims here.

> #### MyLab Management Talk About It 4
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete these discussion questions. Specifically, what competencies would you look for in a prospective Alabama plant employee? Why?

competency-based job analysis
Describing the job in terms of measurable, observable, behavioral competencies (knowledge, skills, and/or behaviors) that an employee doing that job must exhibit to do the job well.

How to Write Competencies Statements

The process for identifying a job's required competencies (competency-based job analysis—describing the job in terms of measurable, observable, behavioral competencies) is similar to a traditional job analysis. Thus, you might interview job incumbents and ask about job responsibilities and activities, and required skills and knowledge.

But instead of compiling lists of job duties, your aim is to finish the statement, "*In order to perform this job competently, the employee should be able to. . . .*" Use your knowledge of the job to answer this, or the worker's or supervisor's insights, or use information from a source such as O*NET, or from the Department of Labor's Office of Personnel Management (see www.opm.gov). Then, for each competency write a *competency statement*.

A good competency statement includes three elements.[66] One is the *name and a brief description* of the competency, such as "Project Management—creating accurate and effective project schedules." The second is a *description of the observable behaviors* that represent proficiency in the competency, such as "continuously manage project

FIGURE 4-11 Skills Matrix

Note: This is an example of a skills matrix for technical/engineering product development employees. The blue numbered boxes show the level required for each skill for these product development employees. An accompanying key would provide specific examples for each level of each skill, with difficulty increasing for each skill level starting at Level 1. For example, Level 1 for Technical Expertise/Skills might say "has or is in process of acquiring the basic knowledge necessary to do this type of job," while Level 6 might say, "Capable of conducting and supervising highly complex analytical tasks requiring advanced technical know-how and skills."
Source: Copyright Gary Dessler, PhD.

	Technical Expertise/Skills	Decision-Making and Problem Solving Skills	Interpersonal Skills	Leadership Skills	Commercial Awareness Skills
Level 6	6	6	6	6	6
Level 5	5	5	5	5	5
Level 4	4	4	4	4	4
Level 3	3	3	3	3	3
Level 2	2	2	2	2	2
Level 1	1	1	1	1	1

risks and dependencies by making timely decisions." Third are *proficiency levels.* For example (for project management from low to high):[67]

- **Proficiency Level 1.** *Identify* project risks and dependencies and communicate routinely to stakeholders
- **Proficiency Level 2.** *Develop systems to monitor* risks and dependencies and report changes
- **Proficiency Level 3.** *Anticipate* changing conditions and impact to risks and dependencies and take preventive action

BP EXAMPLE British Petroleum's (BP's) exploration division executives wanted to shift employees from a job duties–oriented "that's-not-my-job" attitude to one that motivated employees to obtain the skills required to accomplish broader responsibilities.[68]

Their solution was a skills matrix like that in Figure 4-11. They had skills matrices for each job or job family (such as drilling managers). As in Figure 4-11, each matrix listed (1) the types of skills required to do that job, such as technical expertise, and (2) the minimum skill required for proficiency at each level. The figure's note shows how to actually use the matrix.

BP's talent management efforts in this unit could now focus on recruiting, hiring, training, appraising, and rewarding employees based on the set of skills employees need to perform the job in question.

Chapter Review

Chapter Section Summaries

4-1. Employers today often view all the staff–train–reward activities as part of a single integrated talent management **process.** Talent management is *the holistic, integrated, and results and goal-oriented process of planning, recruiting, selecting, developing, managing, and compensating employees*. Taking a talent management perspective means: keep in mind that the talent management tasks are parts of a single interrelated talent management process; make sure talent management decisions such as

staffing and pay are goal-directed; use the same "profile" for formulating recruitment plans for a job as you do for making selection, training, appraisal, and payment decisions for it; and integrate all the talent management functions.

4-2. **Job analysis** is the procedure through which you determine the duties of the department's positions and the characteristics of the people to hire for them. Job descriptions are a list of what the job entails, while job specifications identify what kind of people to hire for the

job. The job analysis itself involves collecting information on matters such as work activities; required human behaviors; and machines, tools, and equipment used. The basic steps in job analysis include deciding on the use of the job analysis information, reviewing relevant background information, analyzing the job, verifying the information, and developing job descriptions and job specifications.

4-3. There are various **methods for collecting job analysis information.** These include interviews, questionnaires, observation, participant diary/logs, and quantitative techniques such as position analysis questionnaires. Employers increasingly collect information from employees via the Internet.

4-4. Managers should know how to **write job descriptions.** While there is no standard format, most descriptions contain sections that cover job identification, a job summary, a listing of responsibilities and duties, the job incumbent's authority, and performance standards. It may also contain information regarding the job's working conditions and the job specifications. Many employers use Internet sources such as www.jobdescription.com to facilitate writing job descriptions.

4-5. In **writing job specifications,** distinguish between specifications for trained versus untrained personnel. For trained employees, you're looking primarily for traits like experience. For untrained personnel, you should identify traits that might predict success on the job. Most job specifications come from the educated guesses of people like supervisors, and are based mostly on judgment. Some employers use statistical analyses to identify predictors or human traits that relate to success on the job. Human traits that may predict the job candidates' likelihood to be *engaged* and that the manager might therefore want to include in the job specification include adaptability, passion for work, emotional maturity, positive disposition, self-advocacy, achievement orientation, and a work history that includes a demonstrated commitment to serve others.

4-6. With **competencies models** and profiles, the aim is to create descriptions of what is required for exceptional performance in a given role or job, in terms of required competencies, knowledge, and experience. Each job's profile then becomes the benchmark for creating recruitment, selection, training, and evaluation and development plans for each job. *Competency-based job analysis* means describing the job in terms of measurable, observable, behavioral competencies (such as skills).

Discussion Questions

4-1. Why, in summary, should managers think of staffing, training, appraising, and paying employees as a talent management process?

4-2. What items are typically included in the job description?

4-3. We discussed several methods for collecting job analysis data—questionnaires, the position analysis questionnaire, and so on. Compare and contrast these methods, explaining what each is useful for and listing the pros and cons of each.

4-4. Describe the types of information typically found in a job specification.

4-5. Explain how you would conduct a job analysis.

4-6. Do you think all companies can really do without detailed job descriptions? Why or why not?

4-7. Explain how you would create a job-requirements matrix for a job.

4-8. In a company with only 25 employees, is there less need for job descriptions? Why or why not?

Individual and Group Activities

4-9. Working individually or in groups, obtain copies of job descriptions for clerical positions at the college or university where you study, or the firm where you work. What types of information do they contain? Do they give you enough information to explain what the job involves and how to do it? How would you improve on the description?

4-10. Working individually or in groups, use O*NET to develop a job description for your professor in this class. Based on that, use your judgment to develop a job specification. Compare your conclusions with those of other students or groups. Were there any significant differences? What do you think accounted for the differences?

4-11. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management

(such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or Appendix B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

Experiential Exercise

The Instructor's Job Description

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Purpose: The purpose of this exercise is to give you experience in developing a job description, by developing one for your instructor.

Required Understanding: You should understand the mechanics of job analysis and be thoroughly familiar with the job analysis questionnaires. (See Figures 4-4 and 4-9.)

How to Set Up the Exercise/Instructions: Set up groups of several students for this exercise. As in all exercises in this book, the groups should be separated and should not converse with each other. Half of the groups in the class will develop the job description using the job analysis questionnaire (Figure 4-4), and the other half of the groups will develop it using the job description questionnaire (Figure 4-9). Each student should review his or her questionnaire (as appropriate) before joining his or her group.

4-12. Each group should do a job analysis of the instructor's job: Half of the groups will use the Figure 4-4 job analysis questionnaire for this purpose, and half will use the Figure 4-9 job description questionnaire.

4-13. Based on this information, each group will develop its own job description and job specification for the instructor.

4-14. Next, each group should choose a partner group, one that developed the job description and job specification using the alternate method. (A group that used the job analysis questionnaire should be paired with a group that used the job description questionnaire.)

4-15. Finally, within each of these new combined groups, compare and critique each of the two sets of job descriptions and job specifications. Did each job analysis method provide different types of information? Which seems superior? Does one seem more advantageous for some types of jobs than others?

Application Case

The Flood

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In August 2017, hurricane Maria hit Miami, Florida, and the Optima Air Filter Company. Many employees' homes were devastated. Optima found that it had to hire almost three completely new crews, one for each shift. The problem was that the "old-timers" had known their jobs so well that no one had ever bothered to draw up job descriptions for them. When about 30 new employees began taking their places, there was general confusion about what they should do and how they should do it.

The flood quickly became old news to the firm's out-of-state customers, who wanted filters, not excuses. Phil Mann, the firm's president, was at his wits' end. He had about 30 new employees, 10 old-timers, and his original factory supervisor, Maybelline. He decided to meet with Linda Lowe, a consultant from the local university's business school. She immediately had the old-timers fill out a job questionnaire that listed all their duties. Arguments ensued almost at once: Both Phil and Maybelline thought the old-timers were exaggerating to make themselves look more important, and the old-timers insisted that the lists faithfully reflected their duties. Meanwhile, the customers clamored for their filters.

Questions

4-16. Should Phil and Linda ignore the old-timers' protests and write the job descriptions as they see fit? Why? Why not? How would you go about resolving the differences?

4-17. How would you have conducted the job analysis? What should Phil do now?

Continuing Case

Carter Cleaning Company

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The Job Description

Based on her review of the stores, Jennifer concluded that one of the first matters she had to attend to involved developing job descriptions for her store managers.

As Jennifer tells it, her lessons regarding job descriptions in her basic management and HR management courses were insufficient to convince her of the pivotal role job descriptions actually play in the smooth functioning of an enterprise. Many times during her first few weeks on the job, Jennifer found herself asking one of her store managers why he was violating what she knew to be recommended company policies and procedures. Repeatedly, the answers were either "Because I didn't know it was my job" or "Because I didn't know that was the way we were supposed to do it." Jennifer knew that a job description, along with a set of standards and procedures that specified what was to be done and how to do it would go a long way toward alleviating this problem.

In general, the store manager is responsible for directing all store activities in such a way that quality work is produced, customer relations and sales are maximized, and profitability is maintained through effective control of labor, supply, and energy costs. In accomplishing that general aim, a specific store manager's duties and responsibilities include quality control, store appearance and cleanliness, customer relations, bookkeeping and cash management, cost control and productivity, damage control, pricing, inventory control, spotting and cleaning, machine maintenance, purchasing, employee safety, hazardous waste removal, human resource administration, and pest control.

The questions that Jennifer had to address follow.

Questions

4-18. What should be the format and final form of the store manager's job description?

4-19. Is it practical to specify standards and procedures in the body of the job description, or should these be kept separate?

4-20. How should Jennifer go about collecting the information required for the standards, procedures, and job description?

4-21. What, in your opinion, should the store manager's job description look like and contain?

Translating Strategy into HR Policies and Practices Case*,§

The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The New Job Descriptions

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy and boost performance by eliciting the required employee behaviors and competencies.

As an experienced human resource director, the Hotel Paris's Lisa Cruz knew that recruitment and selection processes invariably influenced employee competencies and behavior and, through them, the company's bottom line. Everything about the workforce—its collective skills, morale, experience, and motivation—depended on attracting and then selecting the right employees.

In reviewing the Hotel Paris's employment systems, she was therefore concerned that virtually all the company's job descriptions were out of date, and that many jobs had no descriptions at all. She knew that without accurate job descriptions, all her improvement efforts would be in vain. After all, if you don't know a job's duties, responsibilities, and human requirements, how can you decide whom to hire or how to train them? To create human resource policies and practices that would produce employee competencies and behaviors needed to achieve the hotel's strategic aims, Lisa's team first had to produce a set of usable job descriptions.

A brief analysis, conducted with her company's CFO, reinforced that observation. They chose departments across the hotel chain that did and did not have updated job descriptions. While they understood that many other factors might be influencing the results, they believed that the statistical relationships they observed did suggest that having job descriptions had a positive influence on various employee behaviors and competencies. Perhaps having the descriptions facilitated the employee selection process, or perhaps the departments with the descriptions just had better managers. In any case, Lisa received the go-ahead to design new job descriptions for the chain.

While the resulting job descriptions included numerous traditional duties and responsibilities, most also included several competencies unique to each job. For example, job descriptions for the front-desk clerks included competencies such as "able to check a guest in or out in five minutes or less." Most service employees' descriptions included the competency, "able to exhibit patience and guest supportiveness even when busy with other activities." Lisa knew that including these competencies would make it easier for her team to devise useful employee selection, training, and evaluation processes.

Questions

In teams or individually:

4-22. Based on the hotel's stated strategy and on what you learned here in Chapter 4 of Dessler *Human Resource Management*, list at least four more important employee behaviors important for the Hotel Paris's staff to exhibit.

4-23. If time permits, spend some time prior to class observing the front-desk clerk at a local hotel. In any case, create a job description for a Hotel Paris front-desk clerk.

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MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

4-24. What is job analysis? How can you make use of the information it provides?

4-25. Explain what a competencies model is and what the model would look like for the job of university professor.

4-26. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

How good are you at sizing up one's skills? Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

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job analysis, 100
job description, 100
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    Classification (SOC), 115
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    analysis, 123

CHAPTER 4

Endnotes

1. Daimler is expanding this plant; see Gail Kalinoski, "Daimler AG to Invest $1B in AL Mercedes-Benz Facility," October 20, 2017, *Commercial Property Executive*, https://www.cpexecutive.com/post/daimler-ag-to-invest-1b-in-al-mercedes-benz-facilities/, February 2, 2018.

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11. Ron Miller, "Streamlining Claims Processing," *eWeek* 23, no. 25 (June 19, 2006), pp. 33, 35.

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14. Wayne Cascio, *Applied Psychology in Human Resource Management* (Upper Saddle River, NJ: Prentice Hall, 1998), p. 142. Distortion of information is a potential problem with all self-report methods of gathering information. See, for example, http://apps.opm.gov/ADT/ContentFiles/Assessment DecisionGuide071807.pdf, accessed October 1, 2011.

15. Frederick Morgeson et al., "Self Presentation Processes in Job Analysis: A Field Experiment Investigating Inflation in Abilities, Tasks, and Competencies," *Journal of Applied Psychology* 89, no. 4 (November 4, 2004), pp. 674–686; and Frederick Morgeson and Stephen

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16. Note that the PAQ (and other quantitative techniques) can also be used for job evaluation, which is explained in Chapter 11.

17. http://www.paq.com/, accessed February 2, 2017.

18. We will see that job evaluation is the process through which jobs are compared to one another and their values determined for pay purposes. Some use the PAQ for job evaluation.

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20. www.paq.com/index .cfm?FuseAction=bulletins .job-analysis, accessed February 3, 2009.

21. For an online version see https://occupationalinfo.org/, accessed February 2, 2018.

22. Another technique, *functional job analysis*, is similar to the DOL method. However, it rates the job not just on data, people, and things, but also on the extent to which performing the task requires four other things—specific instructions, reasoning and judgment, mathematical ability, and verbal and language facilities.

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35. Evered, "How to Write a Good Job Description," p. 16.

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37. Ibid.

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44. Kearney, *Reasonable Accommodations*.

45. O*Net™ is a trademark of the U.S. Department of Labor, Employment, and Training Administration. https://www .onetonline.org/, accessed February 3, 2017.

46. See, for example, Christelle Lapolice et al., "Linking O*NET Descriptors to Occupational Literacy Requirements Using Job Component Validation," *Personnel Psychology* 61 (2008), pp. 405–441.

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CHAPTER 4

5

Personnel Planning and Recruiting

When you finish studying this chapter, you should be able to:

5-1 **Define** workforce planning, and explain how to develop a workforce plan.

5-2 **Explain** the need for effective recruiting and how to make recruiting more effective.

5-3 **Discuss** the main internal sources of candidates.

5-4 **Describe** how to use recruiting to improve employee engagement.

5-5 **Discuss** the main outside sources of candidates, and create an employment ad.

5-6 **Explain** how to recruit a more diverse workforce.

5-7 **Discuss** practical guidelines for obtaining application information.

like most luxury hotel chains, Four Seasons builds its strategy around offering superior customer service, and doing that requires highly motivated and high-morale employees.[1] Therefore, in thinking through how to recruit employees, Four Seasons managers decided to use recruitment to help increase the employee motivation and morale that they believed would lead to improved customer service. We will see what they did.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Recruitment and Placement

Strategic and Legal Environment

Training and Development

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Employee Relations

Compensation
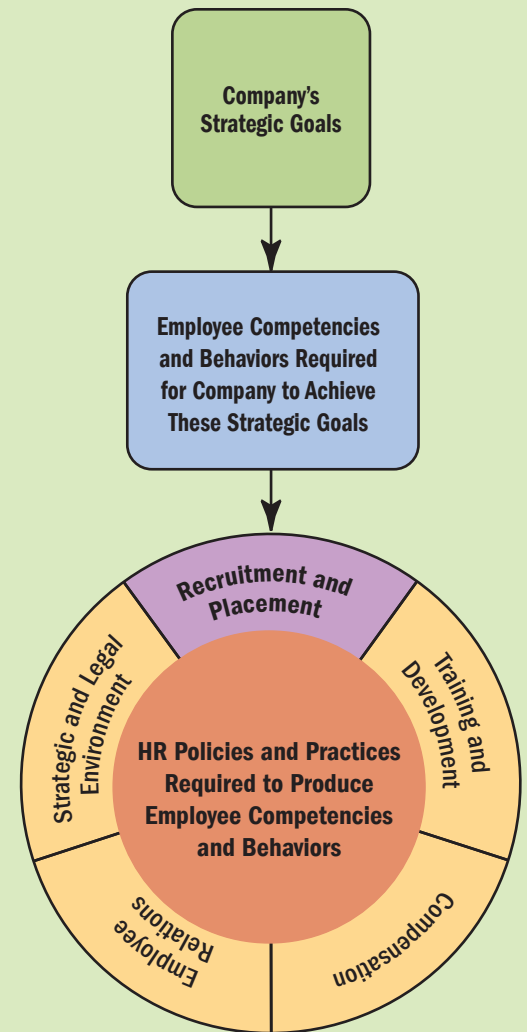
WHERE ARE WE NOW . . .

In Chapter 4, we discussed job analysis and the methods managers use to create job descriptions, job specifications, and competency profiles or models. The purpose of this chapter is to improve your effectiveness in recruiting candidates. The topics we discuss include include **Workforce Planning and Forecasting, Why Effective Recruiting is Important, Internal Sources of Recruits, Employee Engagement Guide, Outside Sources of Recruits, Recruiting a More Diverse Workforce,** and **Developing and Using Application Forms.** Then, in Chapter 6, we'll turn to the methods managers use to select the best employees from this applicant pool.

Introduction

Job analysis identifies the duties and human requirements of each of the company's jobs. The next step is to decide which of these jobs you need to fill, and to recruit and select employees for them.

The recruiting and selecting process can be envisioned as a series of hurdles, as illustrated in Figure 5-1: [2]

1. Decide what positions to fill, through *workforce/personnel planning and forecasting*.
2. Build a pool of candidates for these jobs, by *recruiting* internal or external candidates.
3. Have candidates complete *application forms* and perhaps undergo initial screening interviews.
4. Use *selection tools* like tests, background investigations, and physical exams to screen candidates.
5. Decide who to make an offer to, by having the supervisor and perhaps others *interview* the candidates.

This chapter focuses on personnel planning and on recruiting employees. Chapters 6 and 7 address tests, background checks, physical exams, and interviews.

KNOWLEDGE BASE

LEARNING OBJECTIVE 5-1

Define workforce planning, and explain how to develop a workforce plan.

workforce (or employment or personnel) planning
The process of deciding what positions the firm will have to fill, and how to fill them.

Workforce Planning and Forecasting

Workforce (or employment or personnel) planning is the process of deciding what positions the firm will have to fill, and how to fill them. Its aim is to identify and to eliminate the gaps between the employer's projected workforce needs and the current employees who might be suitable for filling those needs. The manager should engage in workforce planning before recruiting and hiring employees. After all, if you don't know what your employment needs will be in the next few months or years, why are you hiring?

One consulting firm's workforce planning methodology illustrates the basic workforce planning process.[3]

First, Towers Watson *reviews the client's business plan and workforce data* (for instance, on how revenue influences staffing levels). This helps them understand how projected business changes may influence the client's headcount and skills requirements.

Second, they *forecast and identify what positions the firm will have to fill and potential workforce gaps*; this helps them understand what new future positions they'll have to fill, and what current employees may be promotable into them.

Third, they develop a *workforce strategic plan*; here they prioritize key workforce gaps (such as, what positions will have to be filled, and who do we have who can fill them?) and identify specific (recruitment, training, and other) plans for filling any gaps.

FIGURE 5-1 Steps in Recruitment and Selection Process
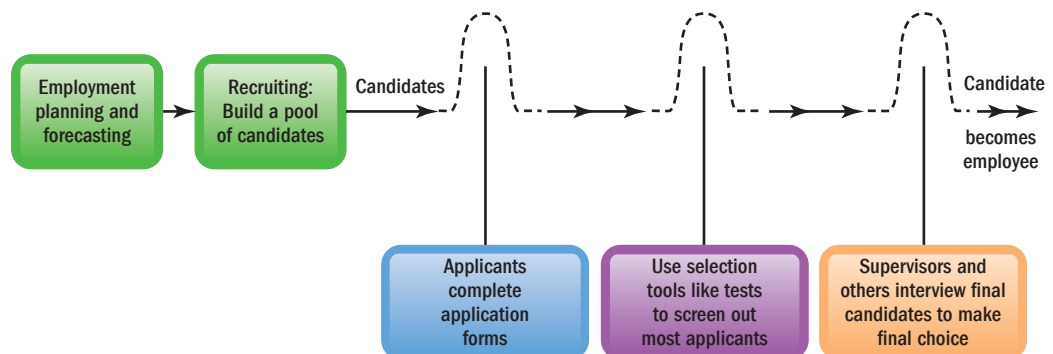
The recruitment and selection process is a series of hurdles aimed at selecting the best candidate for the job.

The dashboards, which are part of Towers Watson's workforce planning Internet software, help clients manage the workforce planning process.

Source: © Towers Watson 2012. Used with permission.

Workforce scan

Dashboards

Workforce projection model
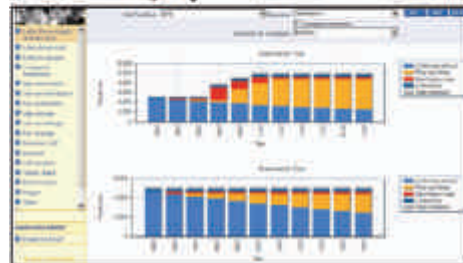
External labour scan

Finally, they implement the plans (for instance, new recruiting and training programs), and use various metrics to monitor the process.

Towers Watson clients can use its special "MAPS" software to facilitate this workforce planning process. MAPS contains dashboards (see the preceding four exhibits). The manager uses these, for instance, to monitor key recruitment metrics and for a detailed analysis of the current workforce and historical workforce trends.

Workforce planning embraces all future positions, from maintenance clerk to CEO. However, we'll see that most firms call the process of deciding how to fill executive jobs *succession planning*.[4]

Strategy and Workforce Planning

Workforce planning should be an integral part of the firm's strategic planning process. For example, plans to enter new businesses, to build new plants, or to reduce activities will all influence the personnel skills the employer needs and the positions to be filled. At the same time, decisions regarding *how* to fill these positions will require other HR plans, such as training and recruiting plans. The Strategic Context feature illustrates.

■ **IMPROVING PERFORMANCE:** *THE STRATEGIC CONTEXT*

Four Seasons[5]

As noted, Four Seasons builds its strategy around offering superior customer service, and that requires highly motivated and high-morale employees.[6] Four Seasons uses its recruitment practices to inspire such motivation and morale. One way Four Seasons does this is by filling hotel positions around the world with internal transfers. In one year, for instance, about 280 employees relocated from hotels from one country to another within the Four Seasons chain. Employees love it. It gives them a chance to see the world, while building a career with a great hotel chain.[7] And it's great for Four Seasons too, because the resulting high morale and motivation supports Four Seasons' strategic goal of superior customer service. In other words, Four Seasons uses recruitment practices that produce the excellent service the chain needs to achieve its strategic goals.

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/ management** to complete these discussion questions. Can you think of any other benefits Four Seasons may derive from its policy of transferring employees among its hotels? What are they?

Like any good plans, employment plans are built on forecasts—basic assumptions about the future. Here, the manager will usually need three sets of employment forecasts: one for *personnel needs* (demand), one for the supply of *inside candidates*, and one for the supply of *outside candidates*. (As at Four Seasons, the employer will usually have to decide whether to fill projected openings internally with current employees or externally by bringing in new people). Then with these three forecasts, the manager can identify needs-supply gaps, and develop training and other plans to fill the anticipated gaps. We will start with forecasting personnel needs/demand.

Forecasting Personnel Needs (Labor Demand)

How many people with what skills will we need? Managers consider several factors.[8]

Most importantly, a firm's future staffing needs reflect demand for its products or services, adjusted for changes in its turnover rate and productivity, and for changes the firm plans to make in its strategic goals. Forecasting workforce demand therefore starts with estimating what the demand will be for your products or services. Short term, management should be concerned with daily, weekly, and seasonal forecasts.[9] For example, retailers track daily sales trends because they know, for instance, that Mother's Day produces a jump in business and a need for additional store staff. Seasonal forecasts are critical for retailers contemplating end-of-year holiday sales, and for many firms such as landscaping and air-conditioning vendors. Longer term, managers will try to get a sense for future demand by speaking with customers and by following industry publications and economic forecasts. Such future predictions won't be precise, but should help you address the potential changes in demand.

The basic process for forecasting personnel needs is to forecast revenues first. Then estimate the size of the staff required to support this sales volume. However, managers must also consider other factors. These include projected turnover, decisions to upgrade (or downgrade) products or services, productivity changes, financial resources, and decisions to enter or leave businesses. The basic tools for projecting personnel needs include trend analysis, ratio analysis, and the scatter plot.

trend analysis
Study of a firm's past employment needs over a period of years to predict future needs.

TREND ANALYSIS   **Trend analysis** means studying variations in the firm's employment levels over the past few years. For example, compute the number of employees at the end of each of the last 5 years in each subgroup (like sales, production, secretarial, and administrative) to identify trends.

Trend analysis can provide an initial rough estimate of future staffing needs. However, employment levels rarely depend just on the passage of time. Other factors (like productivity and retirements, for instance), and changing skill needs will influence impending workforce needs.

ratio analysis
A forecasting technique for determining future staff needs by using ratios between, for example, sales volume and number of employees needed.

RATIO ANALYSIS   Another simple approach, **ratio analysis,** means making forecasts based on the historical ratio between (1) some causal factor (like sales volume), and (2) the number of employees required (such as number of salespeople). For example, suppose a salesperson traditionally generates $500,000 in sales. If the sales revenue to salespeople ratio remains the same, you would require six new salespeople next year (each of whom produces an extra $500,000) to produce a hoped-for extra $3 million in sales.

Like trend analysis, ratio analysis assumes that things like productivity remain about the same. If sales productivity were to rise or fall, the ratio of sales to salespeople would change.

scatter plot
A graphical method used to help identify the relationship between two variables.

THE SCATTER PLOT   A **scatter plot** shows graphically how two variables—such as sales and your firm's staffing levels—are related. If they are, then if you can forecast the business activity (like sales), you should also be able to estimate your personnel needs.

For example, suppose a 500-bed hospital expects to expand to 1,200 beds over the next 5 years. The human resource director wants to forecast how many registered nurses the hospital will need. The human resource director realizes she must determine the relationship between hospital size (in number of beds) and number of nurses required. She calls eight hospitals of various sizes and finds this:

Size of Hospital (Number of Beds)	Number of Registered Nurses
200	240
300	260
400	470
500	500
600	620
700	660
800	820
900	860

Figure 5-2's graph compares hospital size and number of nurses. If the two are related, then the points you plot (from the data in the table above) will tend to fall on a straight line, as here. If you carefully draw in a line to minimize the distances between the line and each one of the plotted points, you will be able to estimate the number of nurses needed for each hospital size. Thus, for a 1,200-bed hospital, the human resource director would assume she needs about 1,210 nurses.

While simple, tools like scatter plots have drawbacks.[10]

1. Historical sales/personnel relationships assume that the firm's existing activities and skill needs will continue as is.
2. They tend to reward managers for adding employees, irrespective of the company's needs.
3. They tend to institutionalize existing ways of doing things, even in the face of change.

Computerized systems (like Towers Watson's) and Excel spreadsheets help managers translate estimates of projected productivity and sales levels into forecastable personnel requirements. *Computerized forecasts* enable managers to build more variables into their personnel projections. Thus, at Chelan County Public Utility District, the development manager built a statistical model encompassing such things as age, tenure,

FIGURE 5-2 **Determining the Relationship between Hospital Size and Number of Nurses**

Note: After fitting the line, you can project how many employees you'll need, given your projected volume.
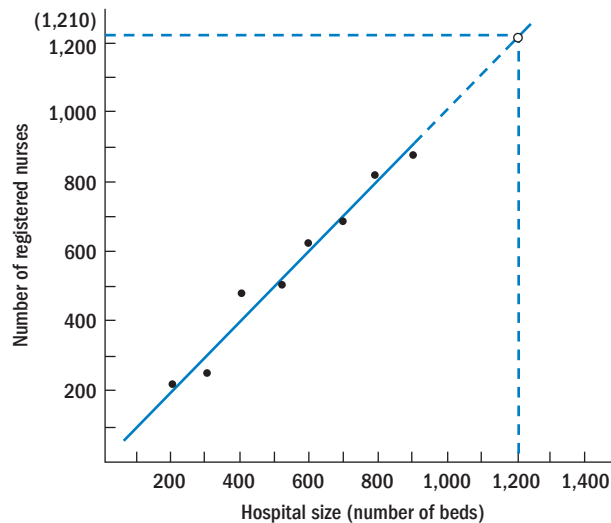
turnover rate, and time to train new employees.[11] This model helped quickly identify five occupational "hotspots" among 33 occupational groups at the company. This in turn prompted Chelan to focus more closely on creating plans to retain and hire, for instance, more systems operators.[12]

MANAGERIAL JUDGMENT   Few historical trends, ratios, or relationships will continue unchanged into the future. Judgment is thus needed to adjust the forecast. Important factors that may modify your initial forecast of personnel requirements include decisions to upgrade quality or enter into new markets; technological and administrative changes resulting in increased productivity; and financial resources available, for instance, a projected budget crunch.

Forecasting the Supply of Inside Candidates

The personnel demand forecast provides only half the staffing equation, by answering the question: "How many employees in what positions will we *need*?" Next, the manager must forecast the *supply* (availability) of inside and outside candidates.

Most firms start with possible inside candidates. The main task here is determining which current employees are qualified or trainable for the projected openings. Department managers or owners of smaller firms can use manual devices to track employee qualifications (or will simply know who can do what). For example, you can create your own *personnel skills inventory and development record form*.[13] For each current employee, list the person's skills, education, company-sponsored courses taken, career and development interests, languages, desired assignments, and other relevant experiences. Computerized versions of skills inventory systems are also available.[14]

personnel replacement charts
Company records showing present performance and promotability of inside candidates for the most important positions.

position replacement card
A card prepared for each position in a company to show possible replacement candidates and their qualifications.

Personnel replacement charts (Figure 5-3) are another option, particularly for the firm's top positions. They show the present performance and promotability for each position's potential replacement. As an alternative, with a **position replacement card** you create a card for each position, showing possible replacements as well as their present performance, promotion potential, and training.

Larger firms obviously can't track the qualifications of hundreds or thousands of employees manually. They therefore computerize this information, using various packaged software systems such as Survey Analytics's Skills Inventory Software.

FIGURE 5-3 Personnel or Management Replacement Chart Showing Development Needs of Potential Future Division Vice Presidents
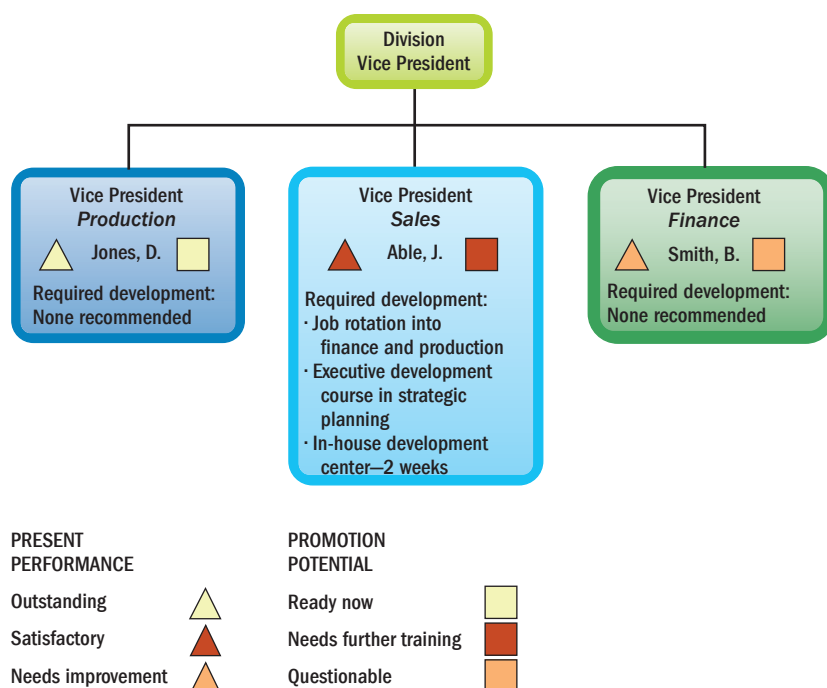
Skills inventory systems such as one from Perceptyx (www.perceptyx.com) enables employers to collect and compile employee skills information in real time via online employee surveys. Skills inventory programs help management anticipate staffing and skills shortages, and also facilitate workforce planning, recruitment, and training.[15] They typically include items like *work experience codes, product knowledge*, the employee's *level of familiarity* with the employer's product lines or services, the person's *industry experience, formal education*, industry *experiences*, foreign *language* skills, *relocation* limitations, *career* interests, and *performance* appraisals.

The usual skills inventory process is for the employee, the supervisor, and human resource manager to enter information about the employee's background, experience, and skills via the system. Then, when a manager needs someone for a position, he or she uses key words to describe the position's specifications (for instance, in terms of education and skills). The computerized system then produces a list of qualified candidates. As the user of one such system said, "The [SumTotal] platform allows us to track and assess the talent pool and promote people within the company. . . . The succession module helps us to identify who the next senior managers could be and build development plans to help them achieve their potential."[16]

The employer must secure all its employee data.[17] Employees have legal rights regarding who has access to information about them.[18] Internet access makes it relatively easy for more people to access the firm's computerized files.[19] The U.S. Office of Personnel Management lost data on as many as 14 million current and former employees this way.[20] Figure 5-4 summarizes some guidelines for keeping employee data safe.

MARKOV ANALYSIS   Employers also use a mathematical process known as *Markov analysis* (or "transition analysis") to forecast availability of internal job candidates. Markov analysis involves creating a matrix that shows the probabilities that employees in the chain of feeder positions for a key job (such as from junior engineer, to engineer, to senior engineer, to engineering supervisor, to director of engineering) will move from position to position and therefore be available to fill the key position.

Forecasting the Supply of Outside Candidates

If there won't be enough skilled inside candidates to fill the anticipated openings (or you want to go outside for another reason), you will turn to outside candidates.

Forecasting workforce availability depends first on the manager's own sense of what's happening in his or her industry and locale. For example, unemployment rates above 7% a few years ago signaled to HR managers that finding good candidates might be easier.[21] The manager then supplements such observations with formal labor market analyses. For example, look for economic projections online from the U.S. Congressional Budget Office (www.cbo.gov) and the Bureau of Labor Statistics (www.bls.gov/emp/ep_pub_occ_projections.htm). You may also want to forecast specific occupations. O*NET (discussed in Chapter 4) reports

FIGURE 5-4 **Keeping Data Safe**

Source: Reprinted with permission from *HR Magazine*, November 2005. © SHRM.

Since intruders can strike from outside an organization or from within, HR departments can help screen out potential identity thieves by following four basic rules:

- Perform background checks on anyone who is going to have access to personal information.
- If someone with access to personal information is out sick or on leave, don't hire a temporary employee to replace him or her. Instead, bring in a trusted worker from another department.
- Perform random background checks such as random drug tests. Just because someone passed 5 years ago doesn't mean their current situation is the same.
- Limit access to information such as SSNs, health information, and other sensitive data to HR managers who require it to do their jobs.

projections for most occupations. The U.S. Bureau of Labor Statistics publishes annual occupational projections both online and in the *Monthly Labor Review* and in *Occupational Outlook Quarterly*.

Today's emphasis on technology means many applicants may lack basic skills such as math, communication, creativity, and teamwork.[22] Such needs, too, get factored into the employer's workforce and training plans.

Predictive Workforce Monitoring

When a new executive took over staffing at Valero Energy, he reviewed Valero's projected retirements, growth plans, and turnover history. He discovered that projected employment shortfalls were four times what Valero could fill with its current recruitment plans. He formulated new personnel plans for boosting employee retention and for recruiting and screening more candidates.[23]

Most employers review their workforce plans every year or so, but this isn't always sufficient For instance, Valero almost lacked sufficient time to implement a plan to address replacing employees who would soon retire.

Some employers therefore plan continuously: they do *predictive workforce monitoring*. For example, Intel conducts semiannual "Organization Capability Assessments." The staffing department works with the firm's business heads twice a year to assess workforce needs—both immediate and up to 2 years off.[24] Boeing considers various factors when predicting talent gaps as part of its periodic "workforce modeling" process. These include workforce characteristics such as age, retirement eligibility for job groups, economic trends, anticipated increases or decreases in staffing levels, and internal transfers/promotions.[25]

Matching Projected Labor Supply and Demand with a Plan

Workforce planning should culminate in a workforce plan. This plan should identify the positions to be filled; potential internal and external candidates or sources (such as temp agencies) for these positions; the training and promotions moving people into the positions will entail; and the resources that implementing the plan will require, for instance, in recruiter fees, estimated training costs, and interview expenses.[26]

Succession Planning

In 2018, Apple CEO Tim Cook announced that Apple's board had a succession plan for who could become CEO should Cook step down.[27]

Succession planning involves developing workforce plans for the company's top positions. **Succession planning** is the ongoing process of systematically identifying, assessing, and developing organizational leadership to enhance performance.[28] It entails three main steps: identify key position needs, develop inside candidates, and assess and choose inside (or outside) candidates who will fill the key positions.[29]

First, based on the company's strategic and business plans, top management and the human resource director identify what the company's future key position needs will be. Matters to address include defining key positions and "high potentials," reviewing the company's current talent, and creating (based on the company's strategy) skills profiles for the key positions.[30]

After identifying future key positions, management turns to creating candidates for these jobs. "Creating" means identifying inside (or bringing in outside) candidates and providing them with the developmental experiences they require to be viable candidates. Employers develop high-potential employees through internal training and cross-functional experiences, job rotation, external training, and global/regional assignments.[31]

Finally, succession planning requires assessing these candidates and selecting those who will actually fill the key positions.[32]

As at Apple, the firm's board of directors should ensure that top management succession plans are in place. In fact, monitoring plans for and approving top management appointments is one of a corporate board's essential roles. (The others are overseeing strategy, performance, governance, and integrity.)[33]

succession planning
The ongoing process of systematically identifying, assessing, and developing organizational leadership to enhance performance.

EXAMPLE Several years ago, Dole Foods' strategy involved improving financial performance by reducing redundancies and centralizing certain activities, including succession planning.[34] For succession planning, Dole chose software from Pilat. (Several vendors supply succession planning software.[35]) The Pilat system keeps the data on its own servers for a fee. Dole's managers access the program via the Web using a password. They fill out online résumés for themselves, including career interests, and note special considerations such as geographic restrictions.

The managers also assess themselves on several competencies. Then, once the manager provides his or her input, the program notifies that manager's boss, who assesses his or her subordinate and indicates whether the person is promotable. This assessment and the online résumés then go automatically to the division head and the divisional HR director. Dole's senior vice president for human resources then uses the information to create career development plans for each manager, including seminars and other programs.

MyLab Management Apply It!

How does a company actually do workforce planning? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

employee recruiting

Finding and/or attracting applicants for the employer's open positions.

Why Effective Recruiting Is Important

Assuming the company authorizes you to fill a position, the next step is to build up, through recruiting, an applicant pool.[36] **Employee recruiting** means finding and/or attracting applicants for the employer's open positions.

Recruiting is important. If only two candidates apply for two openings, you may have little choice but to hire them. But if 10 or 20 applicants appear, you can use interviews and tests to screen out all but the best.

Improving Recruitment Effectiveness: Recruiters, Sources, and Branding

Of course, it's not just recruiting but effective recruiting that you want. Recruiters, sources, and employer "brand" are important.

In one early study of recruiter effectiveness, subjects were 41 graduating college students who'd been on several job interviews.[37] When asked afterwards why they thought a particular company might be a good fit, 39 mentioned the nature of the job, but 23 said they'd been turned off by the recruiters. For example, some were dressed sloppily; others were rude. Therefore, the employer should carefully select and train recruiters. Training should include interpersonal skills (such as in communicating), and basic knowledge about how to recruit and how EEO laws affect recruiters.

Recruitment sourcing involves determining what your recruitment options (referrals, online ads, and so on) are, and then assessing which are best for the job in question. For assessing which source is best, most employers look at how many applicants the source generates. However quantity doesn't necessarily mean quality. Other effectiveness metrics should include, for each source, how many of its applicants were hired, how well its applicants performed on the job, how many failed and had to be replaced, and applicants' performance in terms of training, absence, and turnover.[38]

Similarly, the employer's *brand* or reputation affects recruiting success. Most obviously, it is futile to recruit if the employer's reputation is that it's an awful place to work.

How does the employer want others to see it as a place to work? The branding often focuses on what it's like to work at the company, including company values and the work environment.[39] GE, for instance, stresses innovation (hiring "bright, interesting people working together on new and exciting projects").[40] Others stress being environmentally responsible.[41]

Job applicants' employer reviews are widely available on sites like glassdoor.com, so employers must be diligent. Ensure that all applicants are treated courteously and that no reviews go unanswered.[42]

The Recruiting Yield Pyramid

recruiting yield pyramid
The historical arithmetic relationships between recruitment leads and invitees, invitees and interviews, interviews and offers made, and offers made and offers accepted.

Filling a handful of positions might require recruiting dozens or hundreds of candidates. Managers therefore use a staffing or **recruiting yield pyramid,** as shown in Figure 5-5, to gauge the staffing issues it needs to address. In Figure 5-5, the company knows it needs 50 new entry-level accountants next year. From experience, the firm also knows the following:

- The ratio of offers made to actual new hires is 2 to 1.
- The ratio of candidates interviewed to offers made is 3 to 2.
- The ratio of candidates invited for interviews to candidates interviewed is about 4 to 3.
- Finally, the firm knows that of six leads that come in from all its recruiting sources, it typically invites only one applicant for an interview—a 6-to-1 ratio.

Therefore, the firm must generate about 1,200 leads to be able to invite in 200 viable candidates of which it interviews about 150, and so on.

KNOW YOUR EMPLOYMENT LAW

Recruiting Employees

As we explained in Chapter 2, numerous federal, state, and local laws and court decisions restrict what employers can and cannot do when recruiting job applicants. In practice, "the key question in all recruitment procedures is whether the method limits qualified applicants from applying."[43] So, for example, gender-specific ads that call for "busboy" or "fireman" would obviously raise red flags. Similarly, courts will often question word-of-mouth recruiting because workers tend to nominate candidates of the same nationality, race, and religion.[44]

Other laws are relevant. For example, it is illegal for employers to conspire not to hire each other's employees. Yet Apple and Google paid over $400 million to settle a claim alleging that they did just that.[45] ■

THE SUPERVISOR'S ROLE Line and staff cooperation in recruitment is essential. The human resource manager charged with filling an open position is seldom very familiar with the job itself. So, for example, the recruiter will want to know from the supervisor what the job really entails and its job specifications, as well as informal things like the supervisor's leadership style and how the team gets along.

HR in Action at the Hotel Paris As they reviewed the details of the Hotel Paris's current recruitment practices, Lisa Cruz and the firm's CFO became increasingly concerned. They found that the recruitment function was totally unmanaged. To see how they handled this, see the case on pages 163–164 of this chapter.

FIGURE 5-5 Recruiting Yield Pyramid

Value	Label
50	New hires
100	Offers made (2:1)
150	Candidates interviewed (3:2)
200	Candidates invited (4:3)
1,200	Leads generated (6:1)

Internal Sources of Candidates

Recruiting typically brings to mind LinkedIn, employment agencies, and classified ads, but internal sources—in other words, current employees or "hiring from within"—are often the best sources of candidates.

Filling open positions with inside candidates has advantages. There is really no substitute for knowing a candidate's strengths and weaknesses, as you should after working with them for some time. Current employees may also be more committed to the company. Morale and engagement may rise if employees see promotions as rewards for loyalty and competence. And inside candidates should require less orientation and (perhaps) training than outsiders.

There are other advantages. External hires tend to come in at higher salaries than do those promoted internally, and some apparent "stars" hired from outside may still disappoint. On the other hand, some firms—particularly those facing challenges, such as McDonald's—have done very well by bringing in outsiders.[46]

One executive recruiter argues that internal candidates are always better than external ones unless the internal candidates simply can't pass muster. One study concluded that firms that hired their CEOs from inside rather than outside performed better.[47]

Hiring from within can also backfire. Inbreeding is a potential drawback, if new perspectives are required. The process of posting openings and getting inside applicants can also be a waste of time, when the department manager already knows whom he or she wants to hire. Rejected inside applicants may become discontented; telling them why you rejected them and what remedial actions they might take is crucial.

There are some practical rules to use in determining whether to go outside or promote from within. For example, if you need specific skills that aren't currently available in your company, or have to embark on a tough turnaround, or your current succession planning or skills inventory systems are inadequate, it may be best to look outside. On the other hand, if your company is thriving and you have effective succession planning and skills inventories, have the skills you need internally, and have a unique and strong company culture, then look within.[48]

Finding Internal Candidates

job posting

Publicizing an open job to employees (often by literally posting it on bulletin boards) and listing its attributes, like qualifications, supervisor, working schedule, and pay rate.

In a perfect world, the employer will adhere to formal internal-recruitment policies and procedures. These typically rely heavily on job posting and on the firm's skills inventories. **Job posting** means publicizing the open job to employees (usually by literally posting it on company intranets or bulletin boards). These postings list the job's attributes, like qualifications, supervisor, work schedule, and pay rate. *Qualifications skills inventories* may reveal to the company's recruiters those employees who have the right background for the open job. Ideally, the employer's internal-recruitment system therefore matches the best inside candidate with the job. In practice, this doesn't always happen. For better or worse, internal politics and having the right connections may well lead to placements that seem (and indeed may be) unfair and suboptimal.

Rehiring someone who left your employ has pros and cons. Former employees are known quantities (more or less) and are already familiar with how you do things. On the other hand, employees who you let go may return with negative attitudes.[49] Inquire (before rehiring) about what they did during the layoff and how they feel about returning. After a probationary period, credit them with the years of service they had accumulated before they left.[50]

Employee Engagement Guide for Managers

Promotion from Within

Many employers encourage internal recruiting, on the reasonable assumption that doing so improves employee engagement. Thus, as IBM shifted from supplying mostly hardware to consulting, it assessed its skills gaps and instituted workforce plans to train current employees for new jobs; this assumedly fostered employee engagement.

Similarly, International Paper appointed a single person "to provide support to all [business units], Staff Groups and Regions for Workforce Planning and Engagement."[51] Conversely, other employers, faced with strategic shifts, simply dismiss employees who don't "fit."

FedEx has had strong internal recruiting and promotion-from-within policies almost from its inception. FedEx's commitment to promotion from within grew out of founder Frederick Smith's belief that "when people are placed first they will provide the highest possible service, and profits will follow."[52] FedEx weaves together promotion from within with other policies—including annual employee attitude surveys, employee recognition and reward programs, a leadership evaluation process, extensive employee communication, and an employee appeals process—to foster employee commitment and engagement. FedEx's approach underscores the need to take an integrated approach to fostering employee engagement. For example, promotion-from-within is futile without effective performance appraisal and training practices.

Also, as at FedEx, effective promotion from within requires a system for accessing career records and *posting job openings*, one that guarantees eligible employees are informed of openings and considered for them. FedEx calls its job posting system JCATS (Job Change Applicant Tracking System). Announcements of new job openings via this online system usually take place each Friday. All employees applying for the position get numerical scores based on job performance and length of service. They are then advised as to whether they were chosen as candidates.

A manager interested in fostering his or her employees' engagement can draw several useful guidelines from FedEx's system: show a genuine interest in your employees' career aspirations; provide career-oriented appraisals; have a formal job-posting system; see that your employees have access to the training they need; and balance your desire to keep good employees with the benefits of helping them learn of and apply for other positions in your company.

Outside Sources of Candidates

Employers can't always get all the employees they need from their current staff, and sometimes they just don't want to. We look at the sources firms use to find outside candidates next.

Informal Recruiting and the Hidden Job Market

Many job openings aren't publicized at all; jobs are created and become available when employers serendipitously encounter the right candidates. The author of *Unlock the Hidden Job Market* estimates that perhaps half of all positions are filled without formal recruiting.[53] Similarly, one survey found that 28% of those surveyed found their most recent job through word of mouth. Nineteen percent used online job boards, 16% direct approaches from employers and employment services, 7% print ads, and only 1% social media sites (although 22% used sites like LinkedIn to *search* for jobs).[54]

Recruiting via the Internet[55]

Most employers post ads on their own Web sites, as well as on job boards such as Indeed.com, Monster, and CareerBuilder. For example, by using Indeed's smartphone app, job hunters can search for jobs by key word, read job descriptions and salaries, save jobs to a list of favorites, e-mail job links, search for jobs nearby, and often directly apply for the job. Employers should also make their job listings easily recognizable by Google's job search tool. When a job seeker types a specific job search term (such as, "social media marketing director jobs for law firms in Cleveland Ohio") into Google's search box, its search algorithms unearth relevant listings from both employers and from job listings services like LinkedIn and CareerBuilder.[56]

Employers use various methods to facilitate online recruiting. In Hungary, the local office of accountants PriceWaterhouseCoopers (PWC) lets prospective applicants use a online simulation it calls Multipoly, to let applicants better understand what working

for PWC is like. The firm attributes a significant increase in applicants to use of the game.[57] McDonald's posted employee testimonials on social networking sites to attract applicants.[58] Other employers simply scan through job boards' résumé listings. The *dot-jobs* domain gives job seekers a one-click conduit for finding jobs at the employers who register at www.[employer's name].jobs. For example, applicants seeking a job at Disneyland can go to www.Disneyland.jobs. *HireVue* "lets candidates create video interviews and send them to employers to review, share, and compare with other applicants."[59]

Virtual (fully online) job fairs are another option. Here online visitors see a similar setup to a regular job fair. They can listen to presentations, visit booths, leave résumés and business cards, participate in live chats, and get contact information from recruiters and hiring managers.[60] Fairs last about 5 hours.

ONLINE RECRUITMENT AROUND THE GLOBE Just about every country has its own recruitment sites, such as Zhaopin.com in China. The popularity of baitoru.com in Japan shows how culture is changing there. After decades in which most workers there had lifetime job security, that system recently has broken down. Today large numbers of Japanese workers are part-time or temporary. They use baitoru.com to find jobs.[61]

PROS AND CONS Online recruiting generates more responses quicker and for a longer time at less cost than just about any other method. And, because they are more comprehensive in describing the jobs, Web-based ads have a stronger effect on applicant attraction than do printed ads.[62] But, online recruiting has two potential problems.

First is bias.[63] Older people and some minorities are less likely to be online, so such recruiting may exclude some older applicants (and certain minorities). Similarly, some ads reportedly have dropdown boxes that won't allow (older applicants) adding data prior to 1980, and some media, such as Facebook, enable recruiters to specify that ads target particular (usually younger) age groups.

The second problem is Internet overload: Employers end up deluged with résumés. Self-screening helps: The Cheesecake Factory posts detailed job duties listings, so those not interested needn't apply. Another approach is to have job seekers complete a short online prescreening questionnaire, then use these to identify those who may proceed in the hiring process.[64] Most employers also use applicant tracking systems, to which we now turn.

Using Recruitment Software and Artificial Intelligence

applicant tracking systems (ATS)

Online systems that help employers attract, gather, screen, compile, and manage applicants.

Internet overload means that most employers use applicant tracking software to screen applications.[65] **Applicant tracking systems (ATS)** are online systems that help employers attract, gather, screen, compile, and manage applicants.[66] They also provide other services, including requisitions management (for monitoring the firm's open jobs), applicant data collection (for scanning applicants' data into the system), and reporting (to create various reports such as cost per hire and hire by source).[67] Most systems are from *application service providers* (ASPs). These basically redirect applicants from the employer's to the ASP's site. Thus, applicants who log on to take a test at the employer are actually taking the test at the ASP's site.[68] As one example, a bank uses its ATS to bump applicants who don't meet the job's basic requirements; it then e-mails them suggesting they review the bank's site for more appropriate positions. This bank then uses either phone or video interviews to reduce the applicant pool to a few candidates. Then its recruiters interview those at headquarters and send them through the final selection process.[69]

Similarly, software like that from Breezy HR (https://breezy.hr/) offers what it calls "end-to-end" recruitment solutions. For example, the recruitment manager can use Breezy HR's software application to create the position title and position description for the ad, and to automatically post the ad to more than 40 job boards such as Indeed and ZipRecruiter. The recruiter then uses the Breezy HR application to schedule interviews, conduct video interviews, keep track of applicants in tabular form, discuss each applicant within the app with members of the recruiter's team, and compile and

report statistics, for instance to the EEOC. Similar systems are available from Automatic Data Processing (ADP.com), HRsmart (hrsmart.com), SilkRoad Technology (silkroad.com), and Monster (monster.com).

ARTIFICIAL INTELLIGENCE SYSTEMS Employers also use artificial intelligence–based systems to improve recruitment.[70]

Here the main focus is on automating the résumé analysis. To paraphrase one expert, why read through 10,000 résumés if a machine can instantaneously find the top 20?

For example, Textkernel (www.textkernel.com/) can quickly scan thousands of résumés and find viable candidates. It uses AI to identify alternative words. Thus if a recruiter wants a candidate with experience in autonomous driving technology, Textkernel would scan the résumés not just for "autonomous driving" but also for similar words (like "self-driving") that its algorithms have found people use in place of "autonomous driving." SAP's Resume Matcher takes the employer's position description and scans Wikipedia entries to better understand the human traits, skills, and experience the job requires.[71] That helps it quickly read through résumés to rank those that are best.

Even with AI, beware of bias. How the bots define "good candidate" depends on what the employer did in the past. So, if the employer usually chose young white candidates from top universities to hire from its applicant pool, then the AI system will tend to favor such candidates.

TRENDS SHAPING HR: *SCIENCE IN TALENT MANAGEMENT*

When research from Google's "People Operations" (HR) group found that job boards weren't cost-effective for them, they created their own in-house recruiting team. This in-house team uses a proprietary candidate database called gHire. Google's recruiters continually expand and winnow this candidate list, by searching social networking and other sites, by searching who's working where, and by reaching out to prospective hires and maintaining dialogues with them, sometimes for years. These in-house recruiters produce handpicked candidates and account for about half of Google's yearly hires.[72]

Google also actively solicits employee referrals. Because inside referrals turned out to be great candidates, Google analyzed how to boost employee referrals. It found that higher referral fees weren't the answer (because Googlers already loved recommending great candidates). Instead, Google streamlined the selection process, so more referrals got hired.

Google uses outside recruiters sparingly for special assignments and dropped job boards years ago.[73] ■

IMPROVING ONLINE ADS The ad you post requires thought. The best Web ads don't just transfer newspaper ads to the Web. As one specialist put it, "Getting recruiters out of the 'shrunken want ad mentality' is a big problem." Figure 5-6 is an example of recycling a print ad to the Web. The ineffective Web ad has needless abbreviations and doesn't say much about why the job seeker should want that job.[74]

Now look at the effective Web ad in Figure 5-6. It provides good reasons to work for this company. It starts with an attention-grabbing heading and uses the extra space to provide more specific job information. Many employers include the entire job description.[75] Ideally, an ad also should provide a way (such as a checklist of the job's human requirements) for potential applicants to gauge if the job is a good fit.[76]

Furthermore, it's best to place employment information one click away from the home page. Applicants can submit their résumés online at most larger firms' Web sites.

Finally, online recruiting requires caution for *applicants*. Some job boards don't check the legitimacy of the "recruiters" who place ads. Applicants may submit personal details, not realizing who is getting them.[77]

FIGURE 5-6 Ineffective and Effective Web Ads

Ineffective Ad, Recycled from Magazine to the Web	Effective Web Ad (Space Not an Issue)
Process Engineer Pay: $65k–$85k/year Immediate Need in Florida for a Wastewater Treatment Process Engineer. Must have a min. 4–7 years Industrial Wastewater exp. Reply KimGD@WatersCleanX.com	Do you want to help us make this a better world? We are one of the top wastewater treatment companies in the world, with installations from Miami to London to Beijing. We are growing fast and looking for an experienced process engineer to join our team. If you have at least 4–7 years' experience designing processes for wastewater treatment facilities and a dedication to make this a better world, we would like to hear from you. Pay range depending on experience is $65,000–$85,000. Please reply in confidence to KimGD@WatersCleanX.com

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

LinkedIn and Beyond

Accenture predicts that about 80% of new recruits will soon come through prospective employees' social media connections.[78]

Recruiters use social media recruiting in several ways. They dig through social Web sites and competitors' publications to find applicants who may not even be looking for jobs. They seek passive candidates (people not actively looking for jobs) by using social networking sites such as *LinkedIn Recruiter Lite* (a premium service) to browse members' résumés and to find such candidates.[79] Many firms use Twitter to announce job openings to job seekers who subscribe to their Twitter feeds.[80] Theladders.com's Pipeline™ networking tool lets recruiters maintain a dialogue with prospective job seekers even before they're interested in seeking a job. Others use Facebook's friend-finding search function, and Twitter, to learn more about prospective and actual candidates. TalentBin searches sites such as Pinterest to find qualified tech workers.[81] Many employers have social media strategies and career pages that establish an online presence highlighting the benefits of working for them.[82] At one diversity conference, consultants Hewitt Associates displayed posters asking attendees to text message *hewdiversity* to a specific 5-digit number. Each person texting then became part of Hewitt's "mobile recruiting network," periodically receiving text messages regarding Hewitt openings.[83] (The employer should retain the text messages, in case it is audited, for instance by the EEOC.)[84]

LinkedIn Recruiter Lite lets employers post jobs on LinkedIn. The employer can also conduct its own LinkedIn search for talent, by using Recruiter Lite's search filters to search through LinkedIn's database. Recruiters then use LinkedIn's InMail to send short personalized messages to people they're interested in. And by joining relevant LinkedIn groups the recruiter can discover other LinkedIn group members who might be potential hires.[85] This not only helps them generate more relevant applicants, but also lets the recruiter mine the applicants' sites for feedback from the person's blog comments and his or her likes/dislikes. Recruiters also post job openings on professional associations and other social networks.[86] (Note that in one scam, hackers created LinkedIn profiles and then engaged in online chats with recruiters, to obtain access to employees' e-mails and profiles within the company.)[87]

The Oracle Taleo Social Sourcing Cloud Service is integrated with social sites like LinkedIn, Twitter, and Facebook. It notifies the company's current employees about open positions, and then scans their social connections for referral suggestions that they may want to make. With the My Staffing Pro applicant tracking system, applicants can apply on Facebook, share job openings, and connect with hiring managers.[88] ■

Advertising

While Web-based recruiting is replacing traditional help wanted ads, print ads are still popular. To use such help wanted ads successfully, employers should address two issues: the advertising medium and the ad's construction.

THE MEDIA The best medium—the local paper, *The Wall Street Journal*, *The Economist*, for instance—depends on the positions for which you're recruiting. For example, the local newspaper is often a good source for local blue-collar help, clerical employees, and lower-level administrative employees. On the other hand, if recruiting for workers with special skills, such as furniture finishers, you'd probably want to advertise in places with furniture manufacturers, such as the Carolinas, even if your plant is in Tennessee. The point is to target your ads where they'll reach your prospective employees.

For specialized employees, advertise in trade and professional journals like *American Psychologist*, *Sales Management*, *Chemical Engineering*, and *Women's Wear Daily*. Help wanted ads in papers like *The Wall Street Journal* can be good sources of middle- or senior-management personnel. Most of these print outlets include online ads with the purchase of print help wanted ads. Electronic Arts included information about its internship program on its video game manuals.

CONSTRUCTING (WRITING) THE AD Experienced advertisers use the guide AIDA (attention, interest, desire, action) to construct ads. First, you must grab attention to the ad. Why does the ad in Figure 5-7 attract attention? The phrase "next key player" helps.

Next, develop interest in the job. For instance, "Are you looking to make an impact?"

Create desire by spotlighting words such as *travel* or *challenge*. As an example, having a graduate school nearby may appeal to engineers and professional people.

Finally, the ad should prompt action with a statement like "call today."

Job applicants view ads with more specific job information as more attractive and more credible.[89] If the job has big drawbacks, consider a realistic ad. When the New York City Administration for Children's Services was having problems with employee

FIGURE 5-7 **Help Wanted Ad That Draws Attention**

Source: "Help Wanted Ad That Draws Attention," in Giombetti Associates, Hampden, MA. Reprinted with permission.

retention, it began using these ads: "Wanted: men and women willing to walk into strange buildings in dangerous neighborhoods, [and] be screamed at by unhinged individuals. . . ."[90]

Employment Agencies

There are three main types of employment agencies: (1) public agencies operated by federal, state, or local governments; (2) agencies associated with nonprofit organizations; and (3) privately owned agencies.

PUBLIC AND NONPROFIT AGENCIES Every state has a public, state-run employment service agency. The U.S. Department of Labor supports these agencies, through grants and through other assistance such as a nationwide computerized job bank. Similarly the DOL's CareerOneStop enables agency counselors to advise applicants about available jobs in other states as well.

Some employers have mixed experiences with public agencies. For one thing, applicants for unemployment insurance are required to register and to make themselves available for job interviews. Some of these people are not interested in returning to work, so employers can end up with applicants who have little desire for immediate employment. And fairly or not, employers probably view some of these local agencies as lethargic in their efforts to fill area employers' jobs.

Yet these agencies are useful. Beyond just filling jobs, counselors will visit an employer's work site, review the employer's job requirements, and even assist the employer in writing job descriptions. Most states have turned their local state employment service agencies into "one-stop" shops—neighborhood training/employment/career assessment centers.[91] At Oregon State's centers, job seekers can use "iMatch" skills assessment software, while employers can get up-to-date local economic news and use the center's online recruitment tools.[92] More employers should be taking advantage of these centers (formerly the "unemployment offices" in many cities).

Most (nonprofit) professional and technical societies, such as the Institute for Electrical and Electronic Engineers (IEEE), have units that help members find jobs. Many special public agencies place people who are in special categories, such as those who are disabled.

PRIVATE AGENCIES Private employment agencies are important sources of clerical, white-collar, and managerial personnel. They charge fees (set by state law and posted in their offices) for each applicant they place. Most are "fee-paid" jobs, in which the employer pays the fee. Use one if:

1. Your firm doesn't have its own human resources department and feels it can't do a good job recruiting and screening.
2. You must fill a job quickly.
3. There is a perceived need to attract more minority or female applicants.
4. You want to reach currently employed individuals, who might feel more comfortable dealing with agencies than with competing companies.
5. You want to reduce the time you're devoting to recruiting.[93]

Yet using employment agencies requires avoiding the potential pitfalls. For example, the employment agency's screening may let poor applicants go directly to the supervisors responsible for hiring, who may in turn naively hire them. Conversely, improper screening at the agency could block potentially successful applicants.

To help avoid problems:

1. Give the agency an accurate and complete job description.
2. Make sure tests, application blanks, and interviews are part of the agency's selection process.
3. Periodically review equal employment data on candidates accepted or rejected by your firm, and by the agency.

4. Screen the agency. Check with other managers to find out which agencies have been the most effective at filling the sorts of positions you need filled. Review the Internet and classified ads to discover the agencies that handle the positions you seek to fill.
5. Supplement the agency's reference checking by checking at least the final candidate's references yourself.

Recruitment Process Outsourcers

Recruitment process outsourcers (RPOs) are special vendors that handle all or most of an employer's recruiting needs. They usually sign short-term contracts with the employer, and receive a monthly fee that varies with the amount of actual recruiting the employer needs done. This makes it easier for an employer to ramp up or ramp down its recruiting expenses, as compared with paying the relatively fixed costs of an in-house recruitment office.[94] Large RPOs include Manpower Group Solutions, Allegis Global Solutions, and IBM Recruitment Services.[95]

On-Demand Recruiting Services

on-demand recruiting services (ODRS)
Services that provide short-term specialized recruiting to support specific projects without the expense of retaining traditional search firms.

On-demand recruiting services (ODRS) are recruiters who are paid by the hour or project, instead of a percentage fee, to support a specific project. For example, when the human resource manager for a biotech firm had to hire several dozen people with scientific degrees and experience in pharmaceuticals, she used an ODRS firm. A traditional recruiting firm might charge 20% to 30% of each hire's salary. The ODRS firm charged by time, rather than per hire. It handled recruiting and prescreening, and left the client with a short list of qualified candidates.[96]

■ HR AND THE GIG ECONOMY: *TEMPORARY WORKERS AND ALTERNATIVE STAFFING*

Vast numbers of workers today work in the gig (also called the sharing, 1099, and on-demand) economy.[97] From Uber drivers to temp employees, they typically work in freelance, contract, temporary, or consultant capacities.

For example, many employers build their staff wholly or in part around freelance programmers, designers, or marketers. Freelancer community Web sites enable such employers to recruit based on the freelancer's reputation and work product. For example, upwork.com (see www.upwork.com) reports its members' skills assessments, and lists detailed project work experience, making it easier for prospective employers to decide who to hire. The TopCoder.com (see www.topcoder.com/how-it-works/) programming community site enables employers to identify top programmers based on their reputations.

Temporary Workers

Employers also increasingly supplement their permanent workforces by hiring contingent or temporary workers, often through temporary help employment agencies. Also known as *part-time* or *just-in-time workers*, the contingent workforce is big and growing, and it isn't limited to clerical or maintenance staff. It includes thousands of engineering, science, and management support occupations, such as temporary chief financial officers, human resource managers, and chief executive officers.[98]

Employers use temps for many reasons. One is the trend toward organizing around short-term projects. For example, Makino, which manufactures machine tools, now outsources the installation of large machines to contract firms, who in turn hire temps to do the installations. Flexibility is another concern, with more employers wanting to quickly reduce employment levels if the economic turnaround proves short-lived.[99] Other employers use temp agency–supplied workers to "try out" prospective employees. Employers have also long used "temps" to fill in for employees who were out sick or on vacation.

The employer should compare costs of temps versus permanent employees. Productivity in output per hour paid can be higher, since temps often only get paid when they're working—not for days off. However, temps often cost employers more per hour because the agency gets a fee. But the agency also does the recruiting, whereas for permanent employees the employer should include costs such as for placing ads and interviewers' time.[100]

alternative staffing
The use of nontraditional recruitment sources.

Temporary employees are examples of **alternative staffing**—basically, the use of nontraditional recruitment sources. Other alternative staffing arrangements include "in-house temporary employees" (people employed directly by the company, but on an explicit short-term basis) and "contract technical employees" (highly skilled workers like engineers, who are supplied for long-term projects under contract from outside technical services firms).

THE TEMP AGENCY   Employers hire temp workers either through direct hires or through temporary staff agencies. Direct hiring involves simply hiring workers and placing them on the job. The employer usually pays these people directly, as it does all its employees, but classifies them separately, as casual, seasonal, or temporary employees, and often pays few if any benefits.[101] The other approach is to use a temp agency. Here the agency handles all the recruiting, screening, and payroll administration for the temps. Thus, Nike hired Kelly Services to manage Nike's temp needs.

When working with temporary agencies, understand their policies. For example, with temps, the time sheet is not just a verification of hours worked. Once the worker's supervisor signs it, it's usually an agreement to pay the agency's fees. What is the policy if the client wants to hire one of the agency's temps as a permanent employee? How does the agency plan to recruit employees? And finally, check their references.[102]

TEMP EMPLOYEES' CONCERNS   To make temporary relationships successful, those supervising temps should understand their concerns. In one survey, temporary workers said they were:

1. Treated by employers in a dehumanizing and ultimately discouraging way.
2. Insecure about their employment and pessimistic about the future.
3. Worried about their lack of insurance and pension benefits.
4. Misled about their job assignments and in particular about whether temporary assignments were likely to become full-time.
5. "Underemployed" (particularly those trying to return to the full-time labor market).[103]

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/ mylab/management** to complete these discussion questions. Go to one or more sites like elance.com. If you were a programming manager for a company, could you use the site to find and hire a new employee directly? If not, what else might you need?

KNOW YOUR EMPLOYMENT LAW

Contract Employees

For purposes of most employment laws, with certain limited exceptions, employees of temporary staffing firms working in an employer's workplace will be considered to be employees both of the agency and of the employer.[104] The employer's liability depends on the degree to which its supervisors control the temp employee's activities. Therefore, the more the agency does, the better. For example, have the agency handle training. Let it negotiate and set the pay rates and vacation/time-off policies.

Employers can take other steps. Require the agency to follow the employer's background checking process, and to assume the legal risks if the employer and agency are found to be jointly responsible. Carefully track how many temporary employees your company actually has. Screen and supervise temporary employees with care if they may have access to your intellectual property and computer systems.[105] Don't treat temporary workers as "employees," for instance, in terms of business cards, employee handbooks, or employee ID badges.[106] ■

POACHING   In 2018 Uber agreed to pay Google about $245 million to settle claims that an employee of Google's Waymo driverless car division took Waymo secrets with him when he joined Uber.

"Poaching" employees from competitors can produce good recruits but can be problematical. For example, the employee almost always has a fiduciary responsibility to the current employer, for instance, regarding proprietary information. Therefore, keep the possibility of litigation in mind. Don't ask for or accept proprietary information about your competitor.

There is no way for a target firm to become "poaching proof." However, steps such as having employees sign noncompete agreements and antisolicitation clauses prohibiting them from soliciting current customers may help protect the employer for

a time.[107] Both Apple and Google allegedly took a more dubious approach: According to several lawsuits, they simply agreed between themselves not to poach each other's employees, but then agreed to a $415 million legal settlement.[108]

Offshoring and Outsourcing Jobs

Rather than bringing people in to do the company's jobs, outsourcing and offshoring send the jobs out. *Outsourcing* means having outside vendors supply services (such as benefits management, market research, or manufacturing) that the company's own employees previously did in-house. *Offshoring* means having outside vendors or employees *abroad* supply services that the company's own employees previously did in-house.

Employees, unions, legislators, and even many business owners feel that "shipping jobs out" (particularly overseas) is ill-advised. That notwithstanding, employers are sending jobs out, and not just blue-collar jobs. For example, U.S. employers shipped about 135,000 IT jobs recently to countries like India.[109]

Sending out jobs, particularly overseas, presents employers with special personnel challenges. One is the likelihood of cultural misunderstandings (such as between your home-based customers and the employees abroad). Others are security and information privacy concerns; the need to deal with foreign contract, liability, and legal systems issues; and the fact that the offshore employees need special training (for instance, in using pseudonyms like "Jim" without discomfort).

Rising wages in Asia, coupled with reputational issues, a desire to invest more in local communities, and political pressures are prompting employers to bring jobs back. Several U.S. employers including Apple and Microsoft are shifting jobs back to America.[110]

America's H-1B visa program originally aimed to help U.S. employers temporarily hire workers from abroad in specialty occupations. Today, newspaper accounts of employers bringing in foreign workers to be trained by their American counterparts before taking over their jobs has prompted legislators (and others) to argue that the program is misused.[111] For example, they want to limit use of H-1B visas to skilled foreign workers.[112] With the program under scrutiny, the number of evidence requests (required to confirm the need for the visa) recently rose from about 17% of

The numbers of temporary and freelance workers are increasing all over the world.

Hero Images/Getty Images

applications to over 46%.[113] Giant outsourcers, such as India's Infosys Ltd, reacted with plans to hire thousands of U.S. workers, and by opening technology centers in the United States.[114]

Executive Recruiters

Executive recruiters (also known as *headhunters*) are special employment agencies employers retain to seek out top-management talent for their clients. The percentage of your firm's positions filled by these services might be small. However, these jobs include key executive and technical positions. For executive positions, headhunters may be your only source of candidates. The employer always pays the fees.

There are contingent and retained executive recruiters. Members of the Association of Executive Search Consultants usually focus on executive positions paying $150,000 or more and on "*retained* executive search." They are paid regardless of whether the employer hires the executive through the search firm's efforts. *Contingency-based recruiters* tend to handle junior- to middle-level management job searches in the $80,000 to $160,000 range. Recruiter fees are around 15% to 25% of the executive's total first-year pay (salary plus bonus).[115] Top recruiters (all retained) include Heidrick and Struggles, Egon Zehnder International, Russell Reynolds, and Spencer Stuart.

The challenging part of recruiting has always been finding potential candidates. Not surprisingly, Internet-based databases now dramatically speed up such searches. Executive recruiters are also creating specialized units aimed at specialized functions (such as sales) or industries (such as oil products).

Recruiters bring a lot to the table. They have many contacts and are relatively adept at finding qualified candidates who aren't actively looking to change jobs. They can keep your firm's name confidential, and can save top management's time by building an applicant pool. The recruiter's fee might actually turn out to be small when you compare it to the executive time saved.

The big issue is ensuring that the recruiter really understands your needs and then delivers properly vetted candidates. It is essential that the employer explain completely what sort of candidate is required. Some recruiters also may be more interested in persuading you to hire a candidate than in finding one who will really do the job. And one or two of the "final candidates" may actually just be fillers to make the recruiter's one "real" candidate look better.

WORKING WITH RECRUITERS   Retaining and working with executive recruiters require some caution. In choosing and working with one, guidelines include[116]

1. Make sure the firm can conduct a thorough search. Under their ethics code, a recruiter can't approach the executive talent of a former client for a period of 2 years after completing a search for that client. Since former clients are off limits for 2 years, the recruiter must search from a constantly diminishing pool.[117]
2. Meet the individual who will actually handle your assignment.
3. Make sure to ask how much the search firm charges. Get the agreement in writing.[118]
4. Make sure the recruiter and you agree on what sort of individual to hire for the position.
5. Ask if the recruiter has vetted the final candidates. Do not be surprised if the answer is, "No, I just get candidates—we don't really screen them."
6. *Never* rely solely on any recruiter to do all the reference checking. Let them check the candidates' references, but get notes of these references in writing from the recruiter (if possible). Recheck at least the final candidates' references yourself.
7. Consider using a recruiter who has a special expertise in your specific industry—he or she may have the best grasp of who is available.

INTERNAL RECRUITING   More employers are bringing management recruiting in-house. They still use executive recruiters such as Heidrick and Struggles to conduct top officer (CEO and president) and board member placements, and to conduct confidential searches. But employers such as General Electric and Google now have their own internal recruiting offices doing much of their own management recruiting. Time Warner reported saving millions of dollars per year using internal recruiting teams.[119]

With employers increasingly finding new ways of recruiting top management talent, executive search firms are diversifying. For example, the head of Korn/Ferry says his firm is increasingly being asked to investigate prospective candidates' backgrounds, and his firm is also expanding into areas such as employee development.[120] The accompanying HR Tools feature explains what small businesses can do.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

Recruiting 101

There comes a time in the life of most small businesses when it dawns on the owner that new blood is needed to take the company to the next level. Should the owner personally recruit this person?

While most large firms don't think twice about hiring executive search firms, small-firm owners will understandably hesitate before committing to a fee that could reach $60,000 or more for a $120,000 marketing manager.

However, engaging in a search like this is not like seeking supervisors or data entry clerks. Chances are, you won't find a top manager by placing ads. He or she is probably not reading the want ads. You'll end up with résumés of people who are, for one reason or another, out of work, unhappy with their work, or unsuited for your job. Many may be capable. But you will have to ferret out the gem by interviewing and assessing them.

You won't know where to place or how to write the ads; or where to search, who to contact, or how to screen out the laggards who may appear to be viable candidates. Even if you do, this process will be time-consuming and will divert your attention from other duties.

If you do decide to do the job yourself, consider retaining an industrial psychologist to spend 4 or 5 hours assessing the problem-solving ability, personality, interests, and energy level of the two or three candidates in which you are most interested. The input can provide a valuable perspective on the candidates.

Exercise special care with applicants from competing companies. Some of the issues at 2018's Uber versus Google Waymo autonomous driving technology trial included, for instance, "Is information 'stolen' if you simply remember it?", and "Even if the engineer developed the solution him or herself, the person cannot tell new employers about specific engineering solutions." Always ascertain if applicants are bound by noncompete or nondisclosure agreements. And perhaps check with an attorney before asking certain questions—regarding patents or potential antitrust issues, for instance.[121]

If you're a manager with an open position to fill in a *Fortune* 500 company, even you may find you have a dilemma. You may find that your firm's HR office will do little recruiting, other than, perhaps, placing an ad on CareerBuilder. On the other hand, your firm almost surely will not let you place your own help wanted ads. What to do? Use word of mouth to "advertise" your open position within and outside your company. And contact your colleagues in other firms to let them know you are recruiting. ■

MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/ management** to complete these discussion questions. You own a small chemical engineering company and want to hire a new president. Based on what you read in this chapter, how would you go about doing so, and why?

Referrals and Walk-Ins

Employee referral campaigns are a very important recruiting option. Here the employer posts announcements of openings and requests for referrals on its Web site, bulletin boards, and/or wallboards. It often offers prizes or cash awards for referrals that lead to hiring. For example, at health-care giant Kaiser Permanente, referring someone for one of its "award-eligible positions" can produce bonuses of $3,000 or more.[122] The Container Store trains employees to recruit candidates from among the firm's customers. Many employers use tools like Jobvite Refer to make it easier for their employees to publicize the firm's open positions via their own social media sites.[123]

Referral's big advantage is that it tends to generate "more applicants, more hires, and a higher yield ratio (hires/applicants)."[124] Current employees tend to provide accurate information about their referrals because they're putting their own reputations on the line. And the new employees may come with a more realistic picture of what the firm is like. A SHRM survey found that of 586 employer respondents, 69% said employee referral programs are more cost-effective than other recruiting practices, and 80% specifically said they are more cost-effective than employment agencies. On average, referral programs cost around $400–$900 per hire in incentives and rewards.[125]

If morale is low, address that prior to asking for referrals. And if you don't hire someone's referral, explain to your employee/referrer why you did not hire his or her candidate. In addition, remember that relying on referrals might be discriminatory where a workforce is already homogeneous. Employee referral programs can also backfire when most of a firm's employees are nonminority. Here one suggestion is to offer bigger bonuses for diversity hires.[126]

WALK-INS Particularly for hourly workers, walk-ins—direct applications made at your office—are a big source of applicants. Sometimes, posting a "Help Wanted" sign outside the door may be the most cost-effective way of attracting good local applicants. Treat walk-ins courteously, for both the employer's community reputation and the applicant's self-esteem. Many employers give every walk-in a brief interview, even if it is only to get information on the applicant "in case a position should be open in the future." Employers also typically receive unsolicited applications from professional and white-collar applicants. Good business practice requires answering all applicants' letters of inquiry promptly.

College Recruiting

college recruiting

Sending an employer's representatives to college campuses to prescreen applicants and create an applicant pool from the graduating class.

College recruiting—sending an employer's representatives to college campuses to prescreen applicants and create an applicant pool from the graduating class—is important. Recently, the entry-level job market has been the strongest it's been in years, and historically, almost 40% of such jobs have gone to recent college graduates.[127]

One problem is that such recruiting is expensive. Schedules must be set well in advance, company brochures printed, interview records kept, and much time spent on campus. And recruiters are sometimes ineffective. Some are unprepared, show little interest in the candidate, and act superior. Many don't screen candidates effectively. Employers need to train recruiters in how to interview candidates, how to explain what the company has to offer, and how to put candidates at ease. The recruiter should be personable and have a record of attracting good candidates.[128]

The campus recruiter has two main goals. One is to determine if a candidate is worthy of further consideration. Traits to assess include communication skills, education, experience, and technical and interpersonal skills. The other aim is to make the employer attractive to candidates. A sincere and informal attitude, respect for the applicant, and prompt follow-up emails/letters can help sell the employer to the interviewee.

Employers who build relationships with opinion leaders such as career counselors and professors have better recruiting results.[129] Building close ties with a college's career center provides recruiters with useful feedback regarding things like labor market conditions and the effectiveness of one's online and offline recruiting ads.[130]

Employers should narrow the list of schools its recruiters visit, using criteria such as quality of academic program, number of students enrolled, curriculum, distance to campus, competitive environment (students salary expectations, and so forth), and student body diversity.[131]

Employers generally invite good candidates for an on-site visit. The invitation should be warm but businesslike, and provide a choice of dates. Have a host meet the applicant, preferably at the airport or at his or her hotel. A package containing the applicant's schedule as well as other information—such as annual reports and employee benefits—should be waiting for the applicant at the hotel.

Plan the interviews and adhere to the schedule. Avoid interruptions; give the candidate the undivided attention of each person with whom he or she interviews. Have another recently hired graduate host the candidate's lunch. Make any offer as soon as possible, preferably at the time of the visit. Frequent follow-ups to "find out how the decision process is going" may help to tilt the applicant in your favor.

What else to do? A study of 96 graduating students provides some insights. Fifty-three percent said "on-site visit opportunities to meet with people in positions similar to those applied for, or with higher-ranking persons" had a positive effect. Fifty-one percent mentioned, "impressive hotel/dinner arrangements and having well-organized site arrangements." "Disorganized, unprepared interviewer behavior, or uninformed, useless answers" turned off 41%. Schools such as the University of Virginia provide job-seeking students with guidelines about what to expect at the employer's on-site visit.[132]

INTERNSHIPS   Internships can be win–win situations. For students, they can mean honing business skills, learning more about potential employers, and discovering one's career likes (and dislikes). Employers can use the interns to make useful contributions while evaluating them as possible full-time employees. A study found that about 60% of internships turned into job offers.[133]

Unfortunately, some internships turn into nightmares. Many interns, particularly in industries like fashion and media, report long unpaid days of menial work.[134] Courts have laid out several criteria for determining whether someone is actually an "intern." Criteria include: whether both the intern and employer understand that no compensation is expected; whether the internship provides training similar to an educational environment; and whether the internship is tied to the person's formal education program.[135]

Military Personnel

Returning and discharged U.S. military personnel provide an excellent source of trained and disciplined recruits.[136] Yet all too often they have trouble getting placed. To help remedy this, the federal government offers tax credits to employers who hire veterans, and many employers including Walmart have special programs to recruit veterans.[137] The military also has programs to facilitate soldiers finding jobs. Thus the U.S. Army's Partnership for Youth Success enables someone entering the Army to select a post-Army corporate partner as a way to help soldiers find a job after leaving the Army.[138]

Misconceptions about veterans (for instance, that posttraumatic stress disorders influence job performance) are generally not valid.[139] Walmart has a program offering jobs to honorably discharged veterans who left the service in the past year.[140] The Web site www.helmetstohardhats.org puts vets together with building trades employers.[141]

The accompanying Profit Center feature describes how one employer reduced recruiting costs.

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Cutting Recruitment Costs[142]

GE Medical hires about 500 technical workers a year to design sophisticated medical devices such as CT scanners. It has cut its hiring costs by 17%, reduced time to fill the positions by 20% to 30%, and cut in half the percentage of new hires who don't work out.[143]

GE Medical's HR team accomplished this in part by applying its purchasing techniques to its dealings with recruiters. For example, it called a meeting and told 20 recruiters that it would work with only the 10 best. To measure "best," the company created measures inspired by manufacturing techniques, such as "percentage of résumés that result in interviews" and "percentage of interviews that lead to offers." Similarly, GE Medical discovered that current employees are very effective as references. For instance, GE Medical interviews just 1% of applicants whose résumés it receives, while 10% of employee referrals result in actual hires. So GE Medical took steps to double the number of employee referrals. It simplified the referral forms, eliminated bureaucratic submission procedures, and added a small reward like a gift certificate for referring a qualified candidate. GE also upped the incentive—$2,000 if someone referred is hired, and $3,000 if he or she is a software engineer. (In 2018, GE spun off ownership of its Medical/Healthcare unit to GE shareholders.) ■

> **MyLab Management Talk About It 4**
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. What other tools described in this chapter could GE Medical use to improve recruiting efficiency?

Recruiting a More Diverse Workforce

The recruiting tools we described to this point are certainly useful for recruiting minority applicants, too. However, diversity recruiting requires several special steps. For example, Facebook is said to award its recruiters more points for hiring black, Hispanic, or female engineers.[144] Facebook also has its hiring managers interview at least one person from an underrepresented group for each open position.[145] Pinterest recently set aggressive diversity goals, such as to hire women for 30% of open engineer jobs. Although it missed that goal, women still represented 22% of the engineers it hired. Microsoft ties manager bonuses to hiring diverse employees.[146]

Recruiting Women

Given the progress women have made in getting and excelling in a wide range of professional, managerial, and military occupations, one might assume that employers need no special recruitment efforts to recruit women, but that's not the case. For example, women still face headwinds in certain male-dominated occupations such as engineering. Women also carry the heavier burden of child-rearing, fill proportionately fewer high-level managerial posts, and still earn only about 70% of what men earn for similar jobs. Many employers therefore focus particular efforts on recruiting qualified women.[147]

The most effective strategy is top management driven.[148] Here the employer emphasizes the importance of recruiting women, identifies gaps in the recruitment and retention of women, and implements a comprehensive plan to attract female applicants. The overall aim is to show that the employer is somewhere women want to work, and the details of any such plan needn't be complicated. For example, particularly for "nontraditional" jobs (like engineering), use the company Web site to highlight women now doing those jobs. Emphasize the employer's mentoring program for moving women up. Offer real workplace flexibility; for example, not just flexible hours but the option of staying on a partner track even while working part-time. Focus some of the recruiting effort on women's organizations, women's employment Web sites, and women's colleges. Make sure benefits cover matters such as prenatal care. Maintain a zero-tolerance sexual harassment policy.

Recruiting Single Parents

Recently, there were about 15 million single-parent families with children under 18 maintained by the mother and about 5 million maintained by the father.[149] (And keep

in mind that many of these issues also apply to families in which both parents are struggling to make ends meet.) In one survey:

> Many described falling into bed exhausted at midnight without even minimal time for themselves. . . . They often needed personal sick time or excused days off to care for sick children. As one mother noted, "I don't have enough sick days to get sick."[150]

Given such concerns, the first step in attracting and keeping single parents is making the workplace user friendly.[151] A supportive attitude on the supervisor's part can go far toward making the single parent's work–home balancing act more bearable.[152] Many firms have *flextime* programs that provide employees some schedule flexibility (such as 1-hour windows at the beginning or end of the day). Unfortunately, for many single parents this may not be enough. CNN even offered a "Work/Life Balance Calculator" to assess how far out of balance one's life may be.[153] We'll discuss other options in Chapter 13, Benefits and Services.

Older Workers

About 32% of Americans age 65 to 69 were employed recently, as were 19% of all those over 65.[154] It therefore makes sense for employers to encourage older workers to stay (or to come to work at the company). The big draw is to provide opportunities for flexible (and often shorter) work schedules.[155] At one company, workers over 65 can progressively shorten their work schedules; another company uses "mini shifts" to accommodate those interested in working less than full-time. Other suggestions include the following: phased retirement that allows workers to ease out of the workforce,[156] portable jobs for "snowbirds" who wish to live in warmer climates in the winter, part-time projects for retirees, and full benefits for part-timers.[157]

As always in recruiting, project the right image. The most effective ads emphasize schedule flexibility, and accentuate the firm's equal opportunity employment statement, *not* "giving retirees opportunities to transfer their knowledge."[158]

Not just single parents, but also their children may occasionally need some extra support.

Stewart Cohen/Agefotostock

Diversity Counts: Older Workers

Older workers are good workers. A study focused on the validity of six common stereotypes about older workers: that they are less motivated, less willing to participate in training and career development, more resistant to change, less trusting, less healthy, and more vulnerable to work–family imbalance.[159] They actually found not a negative but a weakly positive relationship between age and motivation and job involvement (suggesting that as age goes up motivation rises). They did find a weak negative relationship between age and trainability. Age was weakly but positively related to willingness to change, and to being more trusting. Older workers were no more likely than younger ones to have psychological problems or day-to-day physical health problems, but were more likely to have heightened blood pressure and cholesterol. Older workers did not experience more work–family imbalance. So there was little support for the common age stereotypes.

What should employers do? First, raise employees', managers', and recruiters' awareness about incorrect age stereotypes. And provide opportunities for more contacts with older people and for information flows between younger and older workers.[160] ■

Recruiting Minorities

Similar prescriptions apply to recruiting minorities.[161] First, *understand* the barriers that prevent minorities from applying. For example, some minority applicants won't meet the educational or experience standards for the job; many employers therefore offer remedial training. In one retail chain, a lack of role models stopped women from applying. Other times schedule flexibility is crucial.

After recognizing the impediments, one turns to formulating plans for remedying them and for attracting and retaining minorities and women. This may include, for instance, basic skills training, flexible work options, role models, and redesigned jobs.

Next, implement these plans. For example, many job seekers check with friends when job hunting, so encouraging your minority employees to assist in your recruiting makes sense. Diversity recruitment specialists include www.diversity.com and www.2trabajo.com.[162] Others collaborate with specialist professional organizations, such as the National Black MBA Association (http://careersuccess.nbmbaa.org/).

Some employers experience difficulty in assimilating people previously on welfare. Applicants sometimes lack basic work skills, such as reporting for work on time, or working in teams. The key to welfare-to-work seems to be a pretraining program, consisting of counseling and basic skills training over several weeks, offered by the employer and/or many states.[163]

The Disabled

Bias against disabled applicants may or may not be intentional but surely occurs. In one study, researchers replied to accounting job openings by sending résumés and cover letters from fictitious candidates; all "candidates" were qualified, but some letters revealed a disability. The candidates with expressed disabilities were chosen by recruiters 26% less frequently for follow-up than were those with no revealed disability.[164]

The research is quite persuasive regarding the fact that in terms of virtually all work criteria, employees with disabilities are capable workers. Thousands of employers in the United States and elsewhere have found that disabled employees provide an excellent and largely untapped source of competent, efficient labor for jobs ranging from information technology to creative advertising to receptionist.[165]

Employers can do several things to tap this huge potential workforce. The U.S. Department of Labor's Office of Disability Employment Policy offers several programs, including one that helps link disabled college undergraduates who are looking for summer internships with potential employers.[166] All states have local agencies

(such as "Corporate Connections" in Tennessee) that provide placement services and other recruitment and training tools and information for employers seeking to hire the disabled. Employers also must use common sense. For example, employers who post job openings only in newspapers may miss potential employees who are visually impaired.[167]

application form
The form that provides information on education, prior work record, and skills.

Developing and Using Application Forms

Purpose of Application Forms

With a pool of applicants, the prescreening process can begin. The **application form** is usually the first step in this process (some firms first require a brief, prescreening interview or online test).

A filled-in application provides four types of information. First, you can make judgments on *substantive matters*, such as whether the applicant has the education and experience to do the job. Second, you can draw conclusions about the applicant's *previous progress* and growth, especially important for management candidates. Third, you can draw tentative conclusions about the applicant's *stability* based on previous work record (although years of downsizing suggest the need for caution here). Fourth, you may be able to use the data in the application to *predict* which candidates will succeed on the job.

Application Guidelines

Ineffective use of the application can cost the employer dearly. Managers should keep several practical guidelines in mind. In the "Employment History" section, request detailed information on each prior employer, including the name of the supervisor and his or her e-mail address and telephone number; this is essential for reference checking. In signing the application, the applicant should certify that falsified statements may be cause for dismissal, that investigation of credit and employment and driving record is authorized, that a medical examination and drug screening tests may be required, and that employment is for no definite period.

Estimates of how many applicants exaggerate their qualifications range from 40% to 70%.[168] The most common problems concern education and job experience. A majority of graduating seniors reportedly believe that employers expect a degree of exaggeration on résumés. Much of this exaggeration occurs on résumés, but may occur on application forms too. Therefore, make sure applicants complete the form and sign a statement on it indicating that the information is true. The court will almost always support a discharge for falsifying information when applying for work.[169]

Finally, doing a less-than-complete job of filling in the form may reflect poor work habits. Some applicants scribble "see résumé attached" on the application. This is not acceptable. You need the signed, completed form. Some firms no longer ask applicants for résumés at all, but instead request (where permitted) and then peruse Web presence links, such as Twitter or LinkedIn accounts.[170]

Most employers need several application forms. For technical and managerial personnel, the form may require detailed answers to questions about education and training. The form for hourly factory workers might focus on tools and equipment. Figure 5-8 illustrates one employment application.

KNOW YOUR EMPLOYMENT LAW

Application Forms and EEO Law[171]

Application forms must comply with equal employment laws. Problematical items include

Education. A question on dates of attendance and graduation is a potential violation, since it may reveal the applicant's age.

FIGURE 5-8 FBI
Employment Application

Source: From FBI Preliminary
Application for Honors Intern-
ship Program, Federal Bureau of
Investigation.

Arrest record. The courts have usually held that employers violate Title VII by disqualifying applicants from employment because of an arrest. This item has an adverse impact on minorities, and employers usually can't show it's required as a business necessity.

Notify in case of emergency. It is generally legal to require the name, address, and phone number of a person to notify in case of emergency. However, asking the relationship of this person could indicate the applicant's marital status or lineage.

Membership in organizations. Some forms ask to list memberships in clubs, organizations, or societies. Employers should include instructions not to include organizations that would reveal race, religion, physical handicaps, marital status, or ancestry.

Physical handicaps. It is usually illegal to require the listing of an applicant's physical handicaps or past illnesses unless the application blank specifically asks only for those that "may interfere with your job performance." Similarly, it is generally illegal to ask if the applicant has received workers' compensation.

Marital status. In general, the application should not ask whether an applicant is single, married, divorced, separated, or living with anyone, or the names, occupations, and ages of the applicant's spouse or children.

Housing. Asking whether an applicant *owns, rents*, or *leases* a house may be discriminatory. It can adversely affect minority groups and is difficult to justify on business necessity.

Video résumés. More candidates are submitting video résumés, a practice replete with benefits and threats. To facilitate using video résumés, several Web sites compile multimedia résumés for applicants.[172] The danger is that a video makes it more likely that rejected candidates may claim discrimination.[173] ■

Using Application Forms to Predict Job Performance

Some employers analyze application information ("biodata") to *predict* employee tenure and performance. In one study, the researchers found that applicants who had longer tenure with previous employers were less likely to quit, and also had higher performance within 6 months after hire.[174] Examples of predictive biodata items might include "quit a job without giving notice," "graduated from college," and "traveled considerably growing up."[175]

Choose biodata items with three things in mind. First, equal employment law limits the items you'll want to use (avoid age, race, or gender, for instance). And, noninvasive items are best. In one study, subjects perceived items such as "dollar sales achieved" and "grade point average in math" as not invasive. Items such as "birth order" and "frequent dates in high school" were more invasive. Finally, some applicants will successfully fake biodata answers ("quit my job") to impress the employer.[176]

Mandatory Arbitration

Many employers, aware of the high costs of litigation, require applicants to agree on their applications to mandatory arbitration should a dispute arise.

Different federal courts have taken different positions on the enforceability of such "mandatory alternative dispute resolution" clauses. They are generally enforceable, with two caveats. First, it must be a fair process. For example, the agreement should be a signed and dated separate agreement. Use simple wording. Provide for reconsideration and judicial appeal if there is an error of law. The employer must absorb most of the cost of the arbitration process. The process should be reasonably swift. Employees should be eligible to receive the full remedies they would have had if they had access to the courts.[177]

Second, mandatory arbitration clauses turn some candidates off. In one study, 389 MBA students read simulated employment brochures. Mandatory employment arbitration had a significantly negative impact on the attractiveness of the company as a place to work.[178]

Building Your Management Skills: The Human Side of Recruiting

In one survey, almost 60% of job seekers said they had a poor applicant experience; the worst feedback came from those who never even heard back from the companies they applied to.[179] In another study, recruiter incivility hurt job seekers' "self-efficacy"—basically, the person's confidence in his or her ability to get a job. What comments qualified as "uncivil"? Comments or action that were *dismissive* of the applicant's qualifications (" the recruiter looked at my résumé and said they'd never hire someone like me"); *unresponsive* or untimely communication ("they said they'd get back to me and they never did"); *rude* interactions ("after waiting for my interview for 15 minutes, the interviewer just kept checking her watch while I was talking"); *belittling* ("the interviewer talked down to me in a demeaning tone"); and *rushing* through the interview.[180] Most employers can and should do better.

Chapter Review

Chapter Section Summaries

5-1. Recruitment and selection start with **workforce planning and forecasting.** Workforce planning is the process of deciding what positions the firm will have to fill, and how to fill them. This often starts by forecasting personnel needs, perhaps using trend analysis, ratio analysis, scatter plots, or computerized software packages. Next forecast the supply of inside candidates. Here employers use manual systems and replacement charts and computerized skills inventories. Forecasting the supply of outside candidates is important, particularly when good candidates are more difficult to come by.

5-2. Managers need to understand why **effective recruiting is important.** Without enough candidates, employers cannot effectively screen the candidates or hire the best. Some employers use a recruiting yield pyramid to estimate how many applicants they need to generate in order to fill predicted job openings.

5-3. Filling open positions with **internal sources of candidates** has several advantages. You are familiar with their strengths and weaknesses, and they require less orientation. Finding internal candidates often utilizes job posting. For filling the company's projected top-level positions, succession planning—the ongoing process of systematically identifying, assessing, and developing organizational leadership to enhance performance—is the process of choice.

5-4. Workforce plans influence **employee engagement.** For example, plans to develop and retain employees and promote from within tend to foster engagement, while contrary policies may erode it. Recognizing this, at some companies such as FedEx, internal recruiting and promotion from within both play central roles in employee engagement. The promotion-from-within policy includes helping employees identify and develop their promotion potential. It also requires a coordinated system for accessing career records and posting job openings.

5-5. Employers use a variety of **outside sources of candidates** when recruiting applicants. These include recruiting via the Internet, advertising and employment agencies (including public and nonprofit agencies, and private agencies), temporary agencies and other alternative staffing methods, executive recruiters, college recruiting, referrals and walk-ins, and military personnel.

5-6. Understanding how to **recruit a more diverse workforce** is important. Whether the target is the single parent, older workers, or minorities, the basic rule is to understand their special needs and to create a set of policies and practices that create a more hospitable environment in which they can work.

5-7. **Employers develop and use application forms** to collect essential background information about the applicant. The application should enable you to make judgments on substantial matters such as the person's education and to identify the person's job references and supervisors. Of course, it's important to make sure the application complies with equal employment laws, for instance, with respect to questions regarding physical handicaps.

Discussion Questions

5-1. Briefly outline the workforce planning process.

5-2. Briefly explain each step in the recruitment and selection process.

5-3. What are the four main types of information that application forms provide?

5-4. How, specifically, do equal employment laws apply to personnel recruiting activities?

5-5. What are the five main things you would do to recruit and retain a more diverse workforce?

CHAPTER 5

Individual and Group Activities

5-6. Bring to class several classified and display ads from the Web or the Sunday help wanted ads. Analyze the effectiveness of these ads using the guidelines discussed in this chapter.

5-7. Working individually or in groups, develop a 5-year forecast of occupational market conditions for five occupations such as accountant, nurse, and engineer.

5-8. Working individually or in groups, visit the local office of your state employment agency (or check out its site online). Come back to class prepared to discuss the following questions: What types of jobs seem to be available through this agency, predominantly? To what extent do you think this particular agency would be a good source of professional, technical, and/or managerial applicants? What sorts of paperwork are applicants to the state agency required to complete before their applications are processed by the agency? What other services does the office provide? What other opinions did you form about the state agency?

5-9. Working individually or in groups, find at least five employment ads, either on the Internet or in a local newspaper, that suggest that the company is family friendly and should appeal to women, minorities, older workers, and single parents. Discuss what the firm is doing to be family friendly.

5-10. Working individually or in groups, interview a manager between the ages of 25 and 35 at a local business who manages employees age 40 or older. Ask the manager to describe three or four of his or her most challenging experiences managing older employees.

5-11. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and, (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

Experiential Exercise

The Nursing Shortage

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As of February 2018, U.S. unemployment was quite low, and that was doubly the case for nurse professionals. Virtually every hospital was aggressively recruiting nurses. Many were turning to foreign-trained nurses, for example, by recruiting nurses in the Philippines. Experts expect nurses to be in very short supply for years to come.

Purpose: The purpose of this exercise is to give you experience in creating a recruitment program.

Required Understanding: You should be thoroughly familiar with the contents of this chapter, and with the nurse recruitment program of a hospital such as Mt. Sinai Hospital in New York (see https://careers.mountsinai.org/).[181]

How to Set Up the Exercise/Instructions: Set up groups of four to five students for this exercise. The groups should work separately and should not converse with each other. Each group should address the following tasks:

5-12. Based on information available on the hospital's Web site, create a hard-copy ad for the hospital to place in the Sunday edition of *The New York Times*. Which (geographic) editions of the *Times* would you use, and why?

5-13. Analyze the hospital's current online nurses' ad. How would you improve on it?

5-14. Prepare in outline form a complete nurses' recruiting program for this hospital, including all recruiting sources your group would use.

Application Case

Techtonic Group

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It's been estimated that there are more than 600,000 unfilled technical jobs (systems engineers, programmers, and so on) in the United States.[182] Therefore, IT companies like Techtonic Group are continually battling for good applicants.

For many years, Techtonic outsourced app software development to Armenia; CEO Heather Terenzio flew twice a year to work with the people there. However, programmers' salaries in Eastern Europe were

rising, and the distances involved and the language differences complicated managing the projects. Therefore, the CEO decided there had to be a better way. Since the programmers abroad required more and more detailed instructions, she decided she could hire junior people closer to home. Then with about the same effort and instructions Techtonic could do its programming locally.

The problem was, how do you recruit talent when the unemployment rate for tech workers is close to zero? Ms. Terenzio had a novel solution. Rather than looking for college graduates with technical degrees, Techtonic set up a training/apprenticeship program. The aim was to attract people who didn't necessarily have college degrees but who expressed a strong desire for doing programming. People apply for the five-week program at "Techtonic Academy," where they learn basic computer coding skills. Some of the graduates than qualify for an eight-month paid apprenticeship at Techtonic, where they learn software development.

The program is successful. They usually get about 400 applicants for each of the 15 spots in each five-week Academy program. The city of Boulder helps subsidize the program, and the applicants don't pay for classes. The company is now expanding its academy/apprenticeship programs to other U.S. cities.

Questions

5-15. Specifically what recruiting sources would you use to attract participants to the Techtonic Academy, and apprenticeship programs?

5-16. What other recruitment sources (other than the academy and apprenticeship programs) would you recommend Techtonic use, and why?

5-17. What suggestions would you make to Techtonic for improving its recruiting processes?

Continuing Case

Carter Cleaning Company

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Getting Better Applicants

If you were to ask Jennifer and her father what the main problem was in running their firm, their answer would be quick and short: hiring good people. Originally begun as a string of coin-operated laundromats requiring virtually no skilled help, the chain grew to six stores, each heavily dependent on skilled managers, cleaner/spotters, and pressers. Employees generally have no more than a high school education, and the market for them is very competitive. Over a typical weekend, literally dozens of want ads for experienced pressers or cleaner/spotters can be found in area newspapers. All these people usually are paid around $15 per hour, and they change jobs frequently. Jennifer and her father thus face the continuing task of recruiting and hiring qualified workers out of a pool of individuals they feel are almost nomadic in their propensity to move from area to area and job to job. Turnover

in their stores (as in the stores of many of their competitors) often approaches 400%. "Don't talk to me about human resources planning and trend analysis," says Jennifer. "We're fighting an economic war, and I'm happy just to be able to round up enough live applicants to be able to keep my trenches fully manned."

In light of this problem, Jennifer's father asked her to answer the following questions:

Questions

5-18. First, how would you recommend we go about reducing the turnover in our stores?

5-19. Provide a detailed list of recommendations concerning how we should go about increasing our pool of acceptable job applicants so we no longer face the need to hire almost anyone who walks in the door. (Your recommendations regarding the latter should include completely worded online and hard-copy advertisements and recommendations regarding any other recruiting strategies you would suggest we use.)

Translating Strategy into HR Policies and Practices Case*,§

The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The New Recruitment Process

The Hotel Paris's competitive strategy is "to use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy and boost performance, by eliciting the required employee behaviors and competencies.

As a longtime HR professional, Lisa Cruz was well aware of the importance of effective employee recruitment. If the Hotel Paris didn't get enough applicants, it could not be selective about who to hire. And, if it could not be selective about who to hire, it wasn't likely that the hotels would enjoy the customer-oriented employee behaviors that the company's strategy relied on. She was therefore disappointed to discover that the Hotel Paris was paying virtually no attention to the job of recruiting prospective employees. Individual hotel managers slapped together help wanted ads when they had positions to fill, and no one in the chain had any measurable idea of how many recruits these ads were producing or which recruiting approaches worked the

best (or worked at all). Lisa knew that it was time to step back and get control of the Hotel Paris's recruitment function.

As they reviewed the details of the Hotel Paris's current recruitment practices, Lisa Cruz and the firm's CFO became increasingly concerned. What they found, basically, was that the recruitment function was totally unmanaged. The previous HR director had simply allowed the responsibility for recruiting to remain with each separate hotel, and the hotel managers, not being HR professionals, usually just took the path of least resistance when a job became available by placing help wanted ads in their local papers. There was no sense of direction from the Hotel Paris's headquarters regarding what sorts of applicants the company preferred, what media and alternative sources of recruits its managers should use, no online recruiting, and, of course, no measurement at all of effectiveness of the recruitment process. The company totally ignored recruitment-source metrics that other firms used effectively, such as number of qualified applicants per position, percentage of jobs filled from within, the offer-to-acceptance ratio, acceptance by recruiting source, turnover by recruiting source, and selection test results by recruiting source. This despite the fact, as the CFO put it, "that high-performance companies consistently score much higher

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than low-performing firms on HR practices such as number of qualified applicants per position, and percentage of jobs filled from within."

It was safe to say that achieving the Hotel Paris's strategic aims depended largely on the quality of the people that it attracted to, and then selected for, employment at the firm. "What we want are employees who will put our guests first, who will use initiative to see that our guests are satisfied, and who will work tirelessly to provide our guests with services that exceed their expectations," said the CFO. Lisa and the CFO both knew this process had to start with better recruiting. The CFO gave her the green light to design a new recruitment process.

Lisa and her team had the firm's IT department create a central recruiting link for the Hotel Paris's Web site, with geographical links that each local hotel could use to publicize its openings. The HR team created a series of standard ads the managers could use for each job title. These standard ads emphasized the company's service-oriented values, and basically said (without actually saying it) that if you were not people oriented you should not apply. They emphasized what it was like to work for the Hotel Paris, and the excellent benefits (which the HR team was about to get started on) the firm provided. It created a new intranet-based job posting system and encouraged employees to use it to apply for open positions. For several jobs, including housekeeping crew and front-desk clerk, applicants must now first pass a short prescreening test to apply. The HR team analyzed the performance (for instance, in terms of applicants/source and applicants hired/source) of the various local newspapers and recruiting firms the hotels had used in the past, and chose the best to be the approved recruiting sources in their local areas.

After 6 months with these and other recruitment function changes, the number of applicants was up on average 40%. Lisa and her team were now set to institute new screening procedures that would help them select the high-commitment, service-oriented, motivated employees they were looking for.

Questions

5-20. Given the hotel's required personnel skills, what recruiting sources would you have suggested it use, and why?

5-21. What would a Hotel Paris help wanted ad look like?

5-22. Based on what you know and on what you learned here in Chapter 5 of Dessler *Human Resource Management*, how would you suggest Hotel Paris measure the effectiveness of its recruiting efforts?

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

5-23. What are the pros and cons of five sources of job candidates?

5-24. As explained in this chapter, technology is in many ways revolutionizing how employers recruit for employees. You manage a small women's clothing store and need to hire an assistant manager. How would you use social media to recruit candidates?

5-25. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

Key Terms

workforce (or employment or personnel) planning, 132
trend analysis, 134
ratio analysis, 134
scatter plot, 134

personnel replacement charts, 136
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applicant tracking systems (ATS), 143
on-demand recruiting services (ODRS), 148

alternative staffing, 148
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application form, 158

Endnotes

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6

Employee Testing and Selection

When you finish studying this chapter, you should be able to:

6-1 **Answer** the question: Why is it important to test and select employees?

6-2 **Explain** what is meant by reliability and validity.

6-3 **List** and briefly describe the basic categories of selection tests, with examples.

6-4 **Explain** how to use two work simulations for selection.

6-5 **Describe** four ways to improve an employer's background checking process.

Zulily offers fashions, shoes, and other items through its online e-commerce site. Because it's competing with Amazon and other such sites, Zulily has to differentiate itself. Part of how it does this is by running new sales daily, offering up to 70% off, and offering "big brands you love."[1] Another way is by ensuring that employees adhere to its basic values, namely: "we work for mom" (meaning "we do everything for our customers"); "make the impossible happen"; "embrace change"; "color outside the lines" (don't imitate); "take ownership"; and "work as a team." But with strategic values like those, how do you select employees who you're sure will fit in?[2] We'll see what they did.
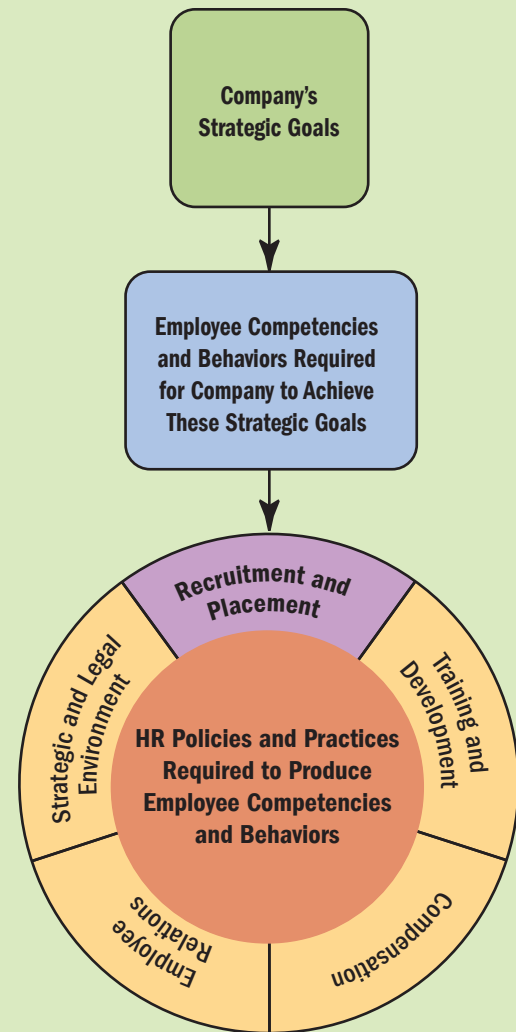
WHERE ARE WE NOW . . .

Chapter 5 focused on how to build an applicant pool. The purpose of Chapter 6 is to explain how to use various tools to select the best candidate for the job. The main topics we'll cover include the **Selection Process**, **Basic Testing Techniques**, **Types of Tests**, **Work Samples and Simulations**, and **Making Background and Reference Checks**. In Chapter 7, we will turn to the techniques you can use to improve your skills at what is probably the most widely used screening tool, the selection interview.

Why Employee Selection Is Important

After reviewing the applicants' résumés, the manager turns to selecting the best candidate for the job. This usually means using the screening tools we discuss in this and the following chapter: tests, assessment centers, interviews, and background and reference checks.[3] (Applicants may first be prescreened to reduce the applicant pool to a manageable number, as discussed in Chapter 5.) The aim of employee selection is to achieve *person–job fit*. This means matching the knowledge, skills, abilities, and other competencies (KSACs) that are required for performing the job (based on job analysis) with the applicant's KSACs.

Of course, a candidate might be "right" for a job, but wrong for the organization.[4] For example, an experienced airline pilot might excel at American Airlines but perhaps not at Southwest, where the organizational values require that all employees help out, even with baggage handling. Therefore, while person–job fit is usually the main consideration, *person–organization fit* is important too.

In any case, selecting the right person is crucial for several reasons. First, employees with the right skills will perform better for you and the company. Those without these skills or who are abrasive or obstructionist won't perform effectively, and your own performance and the firm's will suffer. The bad apple on a team will diminish its morale and engagement, along with its efforts.[5] The time to screen out undesirables is before they are in the door.

Second, effective selection is important because it is costly to recruit and hire employees. One survey found that the average cost of hiring an employee who doesn't work out is about $50,000.[6] Testing can help: in one call center, the 90-day employee attrition rate fell from 41% to 12% after testing began.[7]

Third, inept hiring has legal consequences. Equal employment laws require nondiscriminatory selection procedures.[8] And **negligent hiring** means hiring employees with criminal records or other problems who then use access to customers' homes (or similar opportunities) to commit crimes.[9] In one case, an apartment manager entered a woman's apartment and assaulted her.[10] The court found the apartment complex's owner negligent for not checking the manager's background properly.[11] Such suits are rising.[12]

negligent hiring

Hiring workers with questionable backgrounds without proper safeguards.

The Basics of Testing and Selecting Employees

As with most personnel functions, technology (including *machine learning*) is changing how employers select employees. In this chapter, we'll discuss these and other popular selection tools, starting with tests. A *test* is basically a sample of a person's behavior. Any test or screening tool has two important characteristics, *reliability* and *validity*. We'll start with the former.

reliability

The consistency of scores obtained by the same person when retested with the identical tests or with alternate forms of the same test.

Reliability

Reliability is a selection tool's first requirement and refers to its consistency: "A reliable test is one that yields consistent scores when a person takes two alternate forms of the test or when he or she takes the same test on two or more different occasions."[13] If a person scores 90 on an intelligence test on a Monday and 130 when retested on Tuesday, you probably wouldn't have much faith in the test.

You can measure reliability in several ways. One is to administer a test to a group one day, re-administer the same test several days later to the same group, and then correlate the first set of scores with the second (called *test-retest reliability estimates*).[14] Or you could administer a test and then administer what experts believe to be an equivalent test later; this would be an *equivalent or alternate form estimate*. (The Scholastic Assessment Test [SAT] is one example.) Or, compare the test taker's answers to certain questions on the test with his or her answers to a separate set of questions on the same test aimed at measuring the same thing. This is an *internal comparison estimate*. For example, a psychologist includes 10 items on a test believing that they all measure interest in working outdoors, and then determines the degree to which responses to these 10 items vary together.

FIGURE 6-1 Test Score
Correlation Examples
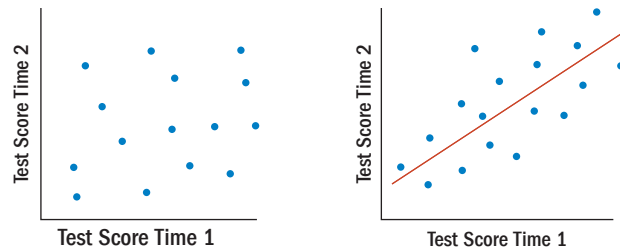
Many things cause a test to be unreliable. These include physical conditions (quiet one day, noisy the next), differences in the test taker (healthy one day, sick the next), and differences in test administration (courteous one day, curt the next). Or the questions may do a poor job of sampling the material; for example, test one focuses more on Chapters 1 and 3, while test two focuses more on Chapters 2 and 4.

Because measuring reliability generally involves comparing two measures that assess the same thing, it is typical to judge a test's reliability in terms of a *reliability coefficient*. This basically shows the degree to which the two measures (say, test score one day and test score the next day) are correlated.

Figure 6-1 illustrates correlation. In both the left and the right scatter plots, the psychologist compared each applicant's time 1 test score (on the *x*-axis) with his or her subsequent (time 2) test score (on the *y*-axis). On the left, the scatter plot points (each point showing one applicant's test score and subsequent test performance) are dispersed. There seems to be no correlation between test scores obtained at Time 1 and at Time 2. On the right, the psychologist tried a new test. Here the resulting points fall in a predictable pattern. This suggests that the applicants' test scores correlate closely with their previous scores.

Validity

Reliability, while indispensable, tells you only that the test is measuring something consistently. *Validity* tells you whether the test is measuring what you think it's supposed to be measuring.[15] **Test validity** answers the question "Does this test measure what it's supposed to measure?" Put another way, it refers to the correctness of the inferences that we can make based on the test.[16] For example, if Jane's scores on mechanical comprehension tests are higher than Jim's, can we be sure that Jane possesses more mechanical comprehension than Jim?[17] With employee selection tests, *validity* often refers to evidence that the test is job related—in other words, that performance on the test accurately predicts job performance. A selection test must be valid because, without proof of validity, there is no logical or (under EEO law) legally permissible reason to use it to screen job applicants.

A test, as we said, is a sample of a person's behavior, but some tests are more clearly representative of the behavior being sampled than others. A swimming test clearly corresponds to a lifeguard's on-the-job behavior. On the other hand, there may be no apparent relationship between the test and the behavior. Thus, in Figure 6-2, the psychologist asks the person to interpret the picture, and then draws conclusions about the person's personality and behavior. Here it is more difficult to prove that the tests are measuring what they are said to measure, in this case, some aspect of the person's personality—in other words, prove that they're valid.

There are several ways to demonstrate a test's validity.[18] **Criterion validity** involves demonstrating statistically a relationship between scores on a selection procedure and job performance of a sample of workers. For example, it means demonstrating that those who do well on the test also do well on the job, and that those who do poorly on the test do poorly on the job. The test has validity to the extent that the people with higher test scores perform better on the job. In psychological measurement, a *predictor* is the measurement (in this case, the test score) that you are trying to relate to a *criterion*, such as performance on the job. The term *criterion validity* reflects that terminology.

test validity
The accuracy with which a test, interview, and so on, measures what it purports to measure or fulfills the function it was designed to fill.

criterion validity
A type of validity based on showing that scores on the test (predictors) are related to job performance (criterion).

FIGURE 6-2 **A Slide from the Rorschach Test**

Fotografie/123RF

content validity

A test that is content valid is one that contains a fair sample of the tasks and skills actually needed for the job in question.

Content validity is a demonstration that the content of a selection procedure is representative of important aspects of performance on the job. For example, employers may demonstrate the *content validity* of a test by showing that the test constitutes a fair sample of the job's content. The basic procedure here is to identify job tasks that are critical to performance, and then randomly select a sample of those tasks to test. In selecting students for dental school, one might give applicants chunks of chalk, and ask them to carve something like a tooth. If the content you choose for the test is a representative sample of the job, then the test is probably content valid. Clumsy dental students need not apply. Subject matter experts (SMEs, such as practicing dentists) help choose the tasks.

construct validity

A test that is construct valid is one that demonstrates that a selection procedure measures a construct and that construct is important for successful job performance.

Construct validity means demonstrating that (1) a selection procedure measures a construct (an abstract idea such as morale or honesty) and (2) that the construct is important for successful job performance.

At best, invalid tests are a waste of time; at worst, they are discriminatory. Tests you buy "off the shelf" should include information on their validity.[19] But ideally, you should revalidate the tests for the job(s) at hand. In any case, tests rarely predict performance with 100% accuracy (or anywhere near it). Therefore, don't make tests your only selection tool; also use other tools like interviews and background checks.

KNOWLEDGE BASE

Evidence-Based HR: How to Validate a Test

Employers often opt to demonstrate evidence of a test's validity using criterion validity. Here, in order for a selection test to be useful, you need evidence that scores on the test relate in a predictable way to performance on the job. Thus, other things being equal, students who score high on the graduate admissions tests also do better in graduate school. Applicants who score high on mechanical comprehension tests perform better as engineers. In other words, you validate the test before using it by ensuring that scores on the test are a good predictor of some *criterion* like job performance—thus demonstrating the test's *criterion validity*.[20]

An industrial psychologist usually conducts the validation study. The human resource department coordinates the effort. Strictly speaking, the supervisor's role is just to make sure that the job's human requirements and performance standards are

clear to the psychologist. But in practice, anyone using tests (or test results) should know something about validation. Then you can better understand how to use tests and interpret their results. The validation process consists of five steps.

STEP 1: ANALYZE THE JOB   The first step is to analyze the job and write job descriptions and job specifications. The aim here is to specify the human traits and skills you believe are required for job performance. These requirements become the *predictors,* the human traits and skills you believe predict success on the job. For an assembler's job, *predictors* might include manual dexterity and patience.[21]

In this first step, also define "success on the job," since it's this success for which you want predictors. The standards of success are *criteria*. You could use production-related criteria (quantity, quality, and so on), personnel data (absenteeism, length of service, and so on), or worker performance (reported by supervisors).

STEP 2: CHOOSE THE TESTS   Once you know the predictors (such as manual dexterity) the next step is to decide how to test for them. Employers usually base this choice on experience, previous research, and "best guesses." They usually don't start with just one test. Instead, they choose several tests and combine them into a test battery. The test battery aims to measure an array of possible predictors, such as aggressiveness, extroversion, and numerical ability.

What tests are available and where do you get them? Ideally, use a professional, such as an industrial psychologist. However, many firms publish tests.[22] Some tests are available to virtually any purchaser, others only to qualified buyers (such as with advanced degrees in psychology). Figure 6-3 lists some Web sites that provide information about tests or testing programs. Firms such as HRdirect of Pompano Beach, Florida, offers employment testing materials including a clerical skills test, telemarketing ability test, and sales abilities test.

STEP 3: ADMINISTER THE TEST   Next, administer the selected test(s). One option is to administer the tests to employees currently on the job. You then compare their test scores with their current performance; this is *concurrent (at the same time) validation*. Its advantage is that data on performance are readily available. The disadvantage is that current employees may not be representative of new applicants (who, of course, are really the ones for whom you are interested in developing a screening test). Current employees have already had on-the-job training and screening by your existing selection techniques.

Predictive validation is the second and more dependable way to validate a test. Here you administer the test to applicants before you hire them, then hire these applicants using only existing selection techniques, not the results of the new tests. After they've been on the job for some time, measure their performance and compare it to their earlier test scores. You can then determine whether you could have used their performance on the new test to predict their subsequent job performance.

FIGURE 6-3 Examples of Web Sites Offering Information on Tests or Testing Programs

- www.hr-guide.com/data/G371.htm
  Provides general information and sources for all types of employment tests.
- http://ericae.net
  Provides technical information on all types of employment and nonemployment tests.
- www.ets.org/testcoll
  Provides information on more than 20,000 tests.
- www.kaplan.com
  Information from Kaplan test preparation on how various admissions tests work.
- www.assessments.biz
  One of many firms offering employment tests.

STEP 4: RELATE YOUR TEST SCORES AND CRITERIA   Here, ascertain if there is a significant relationship between test scores (the predictor) and performance (the criterion). The usual method is to determine the statistical relationship between (1) scores on the test and (2) job performance using correlation analysis, which shows the degree of statistical relationship.

If there is a correlation between test and job performance, you can develop an **expectancy chart.** This presents the relationship between test scores and job performance graphically. To do this, split the employees into, say, five groups according to test scores, with those scoring the highest fifth on the test, the second highest fifth, and so on. Then compute the percentage of high job performers in each of these five test score groups, and present the data in an expectancy chart like that in Figure 6-4.

In this case, someone scoring in the top fifth of the test has a 97% chance of being a high performer, while one scoring in the lowest fifth has only a 29% chance of being a high performer.[23]

STEP 5: CROSS-VALIDATE AND REVALIDATE   Before using the test, you may want to check it by "cross-validating"—in other words, by again performing steps 3 and 4 on a new sample of employees. At a minimum, revalidate the test periodically.

Psychologists easily score many psychological tests online or using interpretive Windows-based software. However, managers can easily score many tests, like the Wonderlic Personnel Test, themselves.

Bias

Most employers know they shouldn't use biased tests in the selection process.[24] For example, a particular IQ test may provide a valid measure of cognitive ability for middle-class whites but not for some minorities, if the score depends on familiarity with certain aspects of middle-class culture.[25] For many years many industrial psychologists believed they were adequately controlling test bias, but experts have questioned that.[26] Employers should therefore redouble their efforts to ensure that the tests they're using aren't producing biased decisions.

Utility Analysis

Knowing that a test predicts performance isn't always useful. For example, if it's going to cost the employer $1,000 per applicant for the test, and hundreds of applicants must be tested, the cost of the test may exceed the benefits.

Answering the question, "Does it pay to use the test?" requires *utility analysis*. Two selection experts say, "Using dollar and cents terms, [utility analysis] shows the degree to which use of a selection measure improves the quality of individuals selected

expectancy chart
A graph showing the relationship between test scores and job performance for a group of people.

FIGURE 6-4 Expectancy Chart

Note: This expectancy chart shows the relation between scores made on the Minnesota Paper Form Board and rated success of junior draftspersons. *Example:* Those who score between 37 and 44 have a 55% chance of being rated high performer and those scoring between 57 and 64 have a 97% chance.
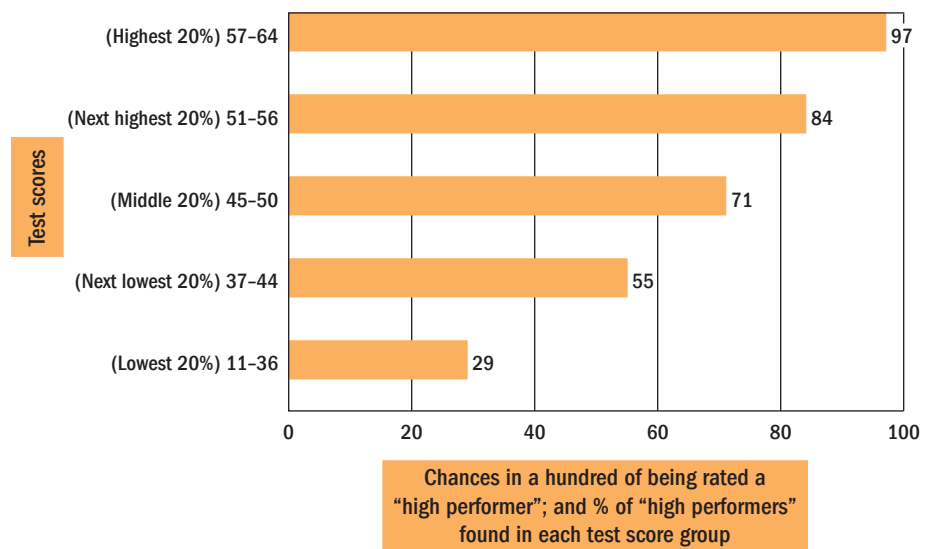
over what would have happened if the measure had not been used."[27] The information required for utility analysis generally includes, for instance, the validity of the selection measure, a measure of job performance in dollars, applicants' average test scores, cost of testing an applicant, and the number of applicants tested and selected. The accompanying HR as a Profit Center discussion shows how employers use tests to improve performance.

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Using Tests to Cut Costs and Boost Profits

Financial services firm Key Bank wanted a better way to screen and select tellers and call-center employees.[28] The company calculated it cost about $10,000 to select and train an employee, but it was losing 13% of new tellers and call-center employees within the first 90 days. That turnover number dropped to 4% after Key Bank implemented a computerized *virtual job tryout candidate assessment screening tool*. It requires candidates to respond to realistic situations, such as impatient customers. "We calculated a $1.7 million cost savings in teller turnover in one year, simply by making better hiring decisions, reducing training costs, and increasing quality of hires," said the firm's human resources director. ■

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Choose a position with which you are familiar, such as a counterperson at a McDonald's restaurant, and describe how you would create a selection process for it similar to those in this feature.

MyLab Management Apply It!

How does a company actually do testing? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

Validity Generalization

Many employers won't find it cost-effective to conduct validity studies for the selection tools they use. These employers must find tests and other screening tools that have been shown to be valid in other settings (companies), and then bring them in-house in the hopes that they'll be valid there, too.[29]

If the test is valid in one company, to what extent can we generalize those validity findings to our own company? *Validity generalization* "refers to the degree to which evidence of a measure's validity obtained in one situation can be generalized to another situation without further study."[30] Factors to consider include existing validation evidence regarding using the test for various specific purposes, the similarity of the subjects with those in your organization, and the similarity of the jobs.[31]

Under the Uniform Guidelines, validation of selection procedures is desirable, but "the Uniform Guidelines require users to produce evidence of validity only when adverse impact is shown to exist. If there is no adverse impact, there is no validation requirement under the Guidelines."[32]

KNOW YOUR EMPLOYMENT LAW

Testing and Equal Employment Opportunity

Suppose a plaintiff shows that one of your selection procedures has an adverse impact on his or her protected class. If so, you may have to demonstrate the validity and selection fairness of the allegedly discriminatory test or item. With respect to testing, the EEO laws boil down to two things: (1) You must be able to prove that your tests are related to success or failure on the job, and (2) you must prove that your tests don't

Many employers administer online employment tests to job candidates.

Image Source/Alamy Stock Photo

unfairly discriminate against either minority or nonminority subgroups.[33] (Note that the same burden of proving job relatedness falls on interviews and other techniques, including performance appraisals, that falls on tests.) ■

Test Takers' Individual Rights and Test Security

Test takers have rights to privacy and feedback under the American Psychological Association's (APA) standard for educational and psychological tests. These guide psychologists but are *not* legally enforceable. Test takers have rights such as:

- To the confidentiality of test results.
- To informed consent regarding use of these results.
- To expect that only people qualified to interpret the scores will have access to them, or that sufficient information will accompany the scores to ensure their appropriate interpretation.
- To expect the test is fair. For example, no test taker should have prior access to the questions or answers.[34]

The Federal Privacy Act gives federal employees the right to inspect their personnel files and limits the disclosure of personnel information without the employee's consent, among other things.[35] Common law provides employees some protection against disclosing information about them to people outside the company. The main application here involves defamation (either libel or slander), but there are privacy issues, too.[36] The bottom line is this:

1. Make sure you appreciate the need to keep employees' information confidential.
2. Adopt a "need to know" policy. For example, if an employee has been rehabilitated after a period of drug use, the new supervisor may not "need to know."

Diversity Counts: Gender Issues in Testing

Employers using selection tests should know that gender issues may distort results. Some parents and others socialize girls into traditionally female roles and boys into traditionally male roles. For example, they may encourage young boys but not girls to make things with tools, or young girls but not boys to take care of their siblings. Such encouragement may translate into differences in how males and females answer items on and score on, say, tests of vocational interests. And these test score differences may

FIGURE 6-5 **Sample Test**

Source: Based on a sample selection test from *The New York Times*.

CHECK YES OR NO	YES	NO

1. You like a lot of excitement in your life.

2. An employee who takes it easy at work
   is cheating on the employer.

3. You are a cautious person.

4. In the past three years you have found yourself
   in a shouting match at school or work.

5. You like to drive fast just for fun.

Analysis: According to John Kamp, an industrial psychologist, applicants who answered no, yes, yes, no, no to questions 1, 2, 3, 4, and 5 are statistically likely to be absent less often, to have fewer on-the-job injuries, and, if the job involves driving, to have fewer on-the-job driving accidents. Actual scores on the test are based on answers to 130 questions.

cause counselors and others to nudge men and women into what tend to be largely gender-segregated occupations, for instance, male engineers and female nurses.

The bottom line is that employers and others need to interpret the results of various tests (including of interests and aptitudes) with care. Such results may sometimes say more about how the person was brought up and socialized than about the person's inherent ability to do some task. ■

How Do Employers Use Tests at Work?

About 80% of the biggest U.S. employers now use testing.[37] To see what such tests are like, try the short test in Figure 6-5.

Tests are not just for lower-level workers. In general, as work demands increase (in terms of skill requirements, training, and pay), employers tend to rely more on selection testing.[38] And, employers don't use tests just to find good employees, but to screen out bad ones.[39] For good reason: In retail, employers apprehended about one out of every 28 workers for stealing.[40]

HR in Action at the Hotel Paris As she considered what to do next to improve the employees' performance in a way that would support the Hotel Paris's strategy, Lisa Cruz, the Hotel Paris's HR director, knew that employee selection had to play a role. The Hotel Paris currently had an informal screening process in which local hotel managers obtained application forms, interviewed applicants, and checked their references. To see how she improved their system, see the case on page 199.

Types of Tests

We can conveniently classify tests according to whether they measure cognitive (mental) abilities, motor and physical abilities, personality and interests, or achievement.[41] We'll look at each.

Tests of Cognitive Abilities

Cognitive tests include tests of general reasoning ability (intelligence) and tests of specific mental abilities like memory and inductive reasoning.

Which gear will turn the same way as the driver?

DRIVER

A   B
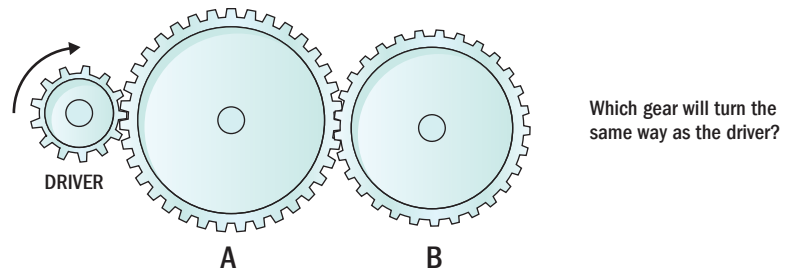
INTELLIGENCE TESTS   Intelligence (IQ) tests are tests of general intellectual abilities. They measure not a single trait but rather a range of abilities, including memory, vocabulary, verbal fluency, and numerical ability. An adult's IQ score is a "derived" score; it reflects the extent to which the person is above or below the "average" adult's intelligence score.

Intelligence is often measured with individually administered tests like the Wechsler Adult Intelligence Scale. Employers can administer other IQ tests such as the Wonderlic individually or to groups of people.[42] In one illustrative study of firefighter trainees' performance over 23 years, the researchers found that a measure of general intellectual ability and a physical ability assessment were highly predictive of trainee performance.[43]

SPECIFIC COGNITIVE ABILITIES   There are also measures of specific mental abilities, such as deductive reasoning, verbal comprehension, memory, and numerical ability.

Psychologists often call such tests *aptitude tests*, since they purport to measure aptitude for the job in question. Consider the Test of Mechanical Comprehension illustrated in Figure 6-6, which tests applicants' understanding of basic mechanical principles. This may reflect a person's aptitude for jobs—like that of machinist or engineer—that require mechanical comprehension. Other tests of mechanical aptitude include the Mechanical Reasoning Test and the SRA Test of Mechanical Aptitude.

Tests of Motor and Physical Abilities

You might also want to measure motor abilities, such as finger dexterity, manual dexterity, and (if hiring pilots) reaction time. Thus, the Crawford Small Parts Dexterity Test measures the speed and accuracy of simple judgment as well as the speed of finger, hand, and arm movements.

Tests of *physical* abilities may also be required. These include static strength (such as lifting weights), dynamic strength (pull-ups), body coordination (jumping rope), and stamina.[44] Applicants for the U.S. Marines must pass its Initial Strength Test (2 pull-ups, 35 sit-ups, and a 1.5-mile run).

KNOWLEDGE BASE

Measuring Personality and Interests

A person's cognitive and physical abilities alone seldom explain his or her job performance. As one consultant put it, most people are hired based on qualifications, but are fired because of attitude, motivation, and temperament.[45]

Personality tests measure basic aspects of an applicant's personality. Industrial psychologists often focus on the "big five" personality dimensions: extraversion, emotional stability/neuroticism, agreeableness, conscientiousness, and openness to experience.[46]

Neuroticism represents a tendency to exhibit poor emotional adjustment and experience negative effects, such as anxiety, insecurity, and hostility. Extraversion represents a tendency to be sociable, assertive, active, and to experience positive effects, such as energy and zeal. Openness to experience is the disposition to be imaginative, nonconforming, unconventional, and autonomous. Agreeableness is the tendency to be trusting, compliant, caring, and gentle. Conscientiousness is comprised of two related facets: achievement and dependability.[47]

Some personality tests are *projective*. The psychologist presents an ambiguous stimulus (like an inkblot or clouded picture), and the person reacts. The person supposedly projects into the ambiguous picture his or her attitudes, such as insecurity. Other projective techniques include Make a Picture Story (MAPS) and the Forer Structured Sentence Completion Test.

Other personality tests are *self-reported*: applicants fill them out. Thus, available online,[48] the Myers-Briggs test provides a personality type classification useful for decisions such as career selection and planning. Similarly the DISC Profile learning instrument enables the user to gain insight into his or her behavioral style.[49]

Personality test results do often correlate with job performance. For example, "in personality research, conscientiousness has been the most consistent and universal predictor of job performance."[50] Neuroticism is negatively related to motivation and to job engagement.[51] Extroversion correlates with success in sales, management, and expatriate jobs.[52] Emotional stability, extroversion, and agreeableness predicted whether expatriates would leave their overseas assignments early.[53] The HR Practices feature presents an example.

■ **IMPROVING PERFORMANCE:** *HR PRACTICES AROUND THE GLOBE*

Testing for Assignments Abroad[54]

Living and working abroad require some special talents. Not everyone can easily adapt to having one's family far away, and to dealing with colleagues with different cultural values. Doing so requires high levels of adaptability and interpersonal skills.[55]

Employers often use special inventories such as the Global Competencies Inventory (GCI) here. It focuses on three aspects of adaptability.

✓ The Perception Management Factor assesses people's tendency to be rigid in their view of cultural differences, to be judgmental about those differences, and to deal with complexity and uncertainty.
✓ The Relationship Management Factor assesses a person's awareness of the impact he or she is having on others.
✓ The Self-Management Factor assesses one's mental and emotional health.

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/ mylab/management** to complete this discussion. You are trying to decide if you would be a good candidate for a job abroad, but you don't want to take any formal tests. Discuss another indicator you would use to answer the question, "Would I be a good candidate for a job abroad?"

There are several personality test caveats. *First,* projective personality tests are difficult to interpret and score; it usually requires an expert to analyze test takers' responses and infer their personalities. *Second,* for this and other reasons, personality tests can trigger legal challenges.[56] *Third,* experts debate whether self-report personality tests suffer from low validity.[57] *Fourth,* people can and will fake responses to personality and integrity tests.[58] The bottom line: make sure the personality tests you use predict performance for the jobs you are testing for.

interest inventory

A personal development and selection device that compares the person's current interests with those of others now in various occupations so as to determine the preferred occupation for the individual.

INTEREST INVENTORIES   **Interest inventories** compare one's interests with those of people in various occupations. Thus, the Strong Career Interests Test provides a report comparing one's interests to those of people already in occupations like accounting or engineering. Someone taking the Self-Directed Search (SDS) (www.self-directed-search .com) uses it to identify likely high-fit occupations. The assumption is that someone will do better in occupations in which he or she is interested, and indeed such inventories can predict employee performance and turnover.[59] Poor fit frustrates workers.[60]

Achievement Tests

Achievement tests measure what someone has learned. Most of the tests you take in school are achievement tests. They measure your "job knowledge" in areas like economics, marketing, or human resources. Achievement tests are also popular at work. For example, the Purdue Test for Machinists and Machine Operators tests the job knowledge of experienced machinists with questions like "What is meant by 'tolerance'?" Some achievement tests measure the applicant's abilities; a swimming test is one example.

IMPROVING PERFORMANCE THROUGH HRIS: *COMPUTERIZATION AND ONLINE TESTING*

Computerized and/or online testing is increasingly replacing paper-and-pencil tests. For example, Timken Company uses online assessment of math skills for hourly position applicants.[61] The applicant tracking systems we discussed in Chapter 5 often include online prescreening tests.[62] (Here ATS users should particularly ensure that rejection standards are valid, and inform applicants quickly regarding their status.)[63] Vendors (as in www.iphonetypingtest.com) make tests available for applicants to take via smart phones.[64] Development Dimensions International developed a computerized multimedia skill test that Ford uses for hiring assembly workers. "The company can test everything from how people tighten the bolt, to whether they followed a certain procedure correctly. . . ."[65]

In addition to being quicker and less expensive to administer, computerized tests have other benefits. For example, vendors such as PreVisor (www.previsor.com) offer adaptive personality tests. These adapt the next question to each test taker's answers to the previous question. This improves validity and makes it less likely candidates can share test questions (because each candidate gets what amounts to a customized test).[66] For essay tests, a computer program trained to read applicants' essays recently produced scores as reliable as those of a human rater.[67] Most tests described in this chapter are available in computerized form. ■

TRENDS SHAPING HR: *USING ANALYTICS, MACHINE LEARNING, AND ARTIFICIAL INTELLIGENCE IN EMPLOYEE SELECTION*

The Holy Grail of employee selection is to identify predictors that characterize top-notch candidates and to do so quickly and effectively. Employers increasingly use several related analytical and technical tools to improve and expedite the employee selection process.

analytics
Using tools like statistical techniques to examine data, in order to draw cause–effect conclusions from that data.

Analytics refers to using tools like statistical techniques to examine data, in order to draw cause–effect conclusions from that data.[68] *Talent analytics* means using such techniques to let employers search through their employee data to identify patterns and correlations that show what types of people or processes succeed or fail.[69]

For example, a financial services company hired people on the assumption that what mattered for job performance were things like where they went to school and their grades.[70] However, a statistical analysis found that school and grades didn't matter at all. What did matter were things like whether the applicant had demonstrated success in prior jobs, had shown an ability to succeed with vague instructions, and had "no typos, errors, or grammatical mistakes on résumés."

As another example, department store chain Bon-Ton Stores Inc. had high turnover among its cosmetics sales associates. Bon-Ton chose 450 current cosmetics associates who filled out anonymous surveys aimed at identifying employee traits. By using talent analytics to analyze these and other data, the company identified cosmetics associates' traits that correlated with performance and tenure. Bon-Ton had assumed that the best associates were friendly and enthusiastic about cosmetics. However, the best were actually problem solvers. They take information about what the customer wants and needs, and solve the problem.[71] Talent analysis thereby helped Bon-Ton formulate better selection criteria.

machine learning
Software that can improve its own performance and learn on its own.

Machine learning basically refers to software that can improve its own performance and learn on its own. For example, the newsfeeds you subscribe to are often designed to identify the types of articles you prefer, and to feed you more of those articles: The software is "learning" without human intervention.[72]

Machine learning software "learns" to associate the (1) characteristics of an input (like loan applications) with (2) responses (like who defaults on loans). For example, a bank might use machine learning to review the data in its thousands of loan applications (the input) to determine the characteristics of the people who are most likely to repay their loans (the response).[73] Then, going forward, it could use what the machine learning software learned, to scrutinize future loan applicants who do not meet those characteristics.[74]

Machine learning doesn't just rely on tests, although tests may be one component. Instead, it can identify how factors like word use (does the person often say "tired"?), comments in social media postings, and tiny video interview facial gestures, were related to employee performance in particular companies in the past, and therefore how they may do so in the future.[75] For example, HireVue's software analyzes its clients' past video employment interviews for signs like facial expressions and voice modulation to determine which predict applicant's suitability for jobs. It can then analyze each new candidate's interview for tell-tale signs that predict performance. For checking references, Skillsurvey's tools help employers anticipate the candidate's prospective performance based on words his or her references use when responding to job specific behavioral questions.[76] Koru has an employer's current employees complete short surveys. Then its software identifies the traits and behaviors (such as persistence) for which applicant should be assessed, and provides a graphic profile.[77]

Many such tools use *algorithms*. These programs quickly crunch through thousands of "if–then" branches (sequentially checking experience, traits, word usage, facial gestures, and so on), to find the best matching candidates for the job. They do this based on what the systems previously learned about what traits historically correlated with high performance on that particular job.[78]

artificial intelligence
Using technology (particularly computers) to carry out tasks in a way that we would consider "human" or "smart."

Finally, these and other tools are building blocks for artificial intelligence systems. **Artificial intelligence** basically means using technology (particularly computers) to carry out tasks in a way that we would consider "human" or "smart."[79] ■

> **LEARNING OBJECTIVE 6-4**
> **Explain** how to use two work simulations for selection.

Work Samples and Simulations

With **work samples**, you present examinees with situations representative of the job for which they're applying, and evaluate their responses.[80] Experts consider these (and *simulations,* like the assessment centers we also discuss in this section) to be tests. But they differ from most tests because they directly measure job performance.

work samples
Actual job tasks used in testing applicants' performance.

Using Work Sampling for Employee Selection

The **work sampling technique** tries to predict job performance by requiring job candidates to perform one or more samples of the job's tasks. For example, work samples for a cashier may include counting money.[81]

work sampling technique
A testing method based on measuring performance on actual basic job tasks.

Work sampling has advantages. It measures actual job tasks, so it's harder to fake answers. The work sample's content—the actual tasks the person must perform—is not as likely to be unfair to minorities (as might a personnel test that possibly emphasizes middle-class concepts and values).[82] Work sampling doesn't delve into the applicant's personality, so there's little chance of applicants viewing it as an invasion of privacy. Designed properly, work samples also exhibit better validity than do other tests designed to predict performance.

The basic procedure is to select a sample of several tasks crucial to performing the job, and then to test applicants on them.[83] An observer monitors performance on each task, and indicates on a checklist how well the applicant performs. For example, in creating a work sampling test for maintenance mechanics, experts first listed all crucial job tasks (like "install pulleys and belts"). Four crucial tasks were installing pulleys and belts, disassembling and installing a gearbox, installing and

FIGURE 6-7 **Example of a Work Sampling Question**

Note: This is one step in installing pulleys and belts.

Checks key before installing against:

—shaft   score 3
—pulley   score 2
—neither   score 1

Note: This is one step in installing pulleys and belts.

aligning a motor, and pressing a bushing into a sprocket. Since mechanics could perform each task in a slightly different way, the experts gave different weights to different approaches.

Figure 6-7 shows one of the steps required for the task *installing pulleys and belts*—"checks key before installing . . ." Here the examinee might choose to check the key against (1) the shaft, (2) the pulley, or (3) neither. The applicant performs the task, and the observer checks off the score for the approach used.

Situational Judgment Tests

Situational judgment tests are personnel tests "designed to assess an applicant's judgment regarding a situation encountered in the workplace."[84] For example:

> You are a sales associate at Best Buy in Miami, Florida. The store sells electronics, including smart phones. Competition comes from other neighborhood retailers, and from online firms. Many customers who come to your store check the product with you, and then buy it on Amazon. As a sales associate, you are responsible for providing exceptional customer service, demonstrating product knowledge, and maximizing sales. You get a weekly salary, with no sales incentive. How would you respond to this situation?

> **Situation:**

> A customer comes to you with a printout for a Samsung Galaxy phone from Amazon.com, and proceeds to ask detailed questions about battery life and how to work the phone, while mentioning that "Amazon's price is $50 less than yours." You have been with this customer for almost 30 minutes, and there are other customers waiting. You would:

> 1. Tell the customer to go buy the phone on Amazon.
> 2. Tell the customer to wait 20 minutes while you take care of another customer.
> 3. Tell the customer that the local Sprint Mobility dealer has the phone for even less than Amazon.
> 4. Explain the advantages of similar phones you have that may better fulfill the buyer's requirements.
> 5. Ask your supervisor to come over and try to sell the customer on buying the Galaxy from you.

■ HR AND THE GIG ECONOMY: *FREELANCE WORKERS*

Many employers today build their staff wholly or in part around freelance workers like short-term self-employed programmers, designers, or marketers. One Web site design company owner says that if he needs designers for short projects he "just posts" the job online and gets multiple applications within minutes.[85]

Freelancer community Web sites enable such employers to recruit and select the right freelance team, based on each freelancer's reputation and work product. For example, Upwork.com (see www.upwork.com/) reports its members' skills assessments and lists detailed project work experience, making it easier for prospective employers to decide who to hire. Similarly, the TopCoder.com (see www.topcoder.com/) programmer community site helps employers identify top programmers based on the reputations they earned within the community.

MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of **www.pearson.com/ mylab/management** to complete these discussion questions. Go to one or more sites like these. If you were a programming manager for a company, could you use the site to find and hire a new employee directly? If not, what else might you need?

Management Assessment Centers

management assessment center

A simulation in which management candidates are asked to perform realistic tasks in hypothetical situations and are scored on their performance. It usually also involves testing and the use of management games.

A **management assessment center** is a 2- to 3-day simulation in which 10 to 12 candidates perform realistic management tasks (like making presentations) under the observation of experts who appraise each candidate's leadership potential. For example, The Cheesecake Factory created its Professional Assessment and Development Center to help select promotable managers. Candidates undergo 2 days of exercises, simulations, and classroom learning to see if they have the skills for key management positions.[86]

Typical simulated tasks include

- *The in-basket.* The candidate gets reports, memos, notes of incoming phone calls, e-mails, and other materials collected in the actual or computerized in-basket of the simulated job he or she is about to start. The candidate must take appropriate action on each item. Trained evaluators review the candidate's efforts.
- *Leaderless group discussion.* Trainers give a leaderless group a discussion question and tell members to arrive at a group decision. They then evaluate each group member's interpersonal skills, acceptance by the group, leadership ability, and individual influence.
- *Management games.* Participants solve realistic problems as members of simulated companies competing in a marketplace.
- *Individual oral presentations.* Here trainers evaluate each participant's communication skills and persuasiveness.
- *Testing.* These may include tests of personality, mental ability, interests, and achievements.
- *The interview.* Most require an interview with a trainer to assess interests, past performance, and motivation.

Supervisor recommendations usually play a big role in choosing center participants. Line managers usually act as assessors and arrive at their ratings through consensus.[87] Assessment centers are expensive to develop, take longer than conventional tests, require managers acting as assessors, and often require psychologists. However, studies suggest they are worth it.[88] For many years, studies suggested that cognitive ability tests did a better job of predicting job performance then did assessment centers. A recent study found assessment centers were superior.[89]

Situational Testing and Video-Based Situational Testing

situational test

A test that requires examinees to respond to situations representative of the job.

video-based simulation

A situational test in which examinees respond to video simulations of realistic job situations.

Situational tests require examinees to respond to situations representative of the job. Work sampling (discussed earlier) and some assessment center tasks (such as in-baskets) are "situational," as are miniature job training (described next) and the situational interviews we address in Chapter 7.[90]

The **video-based simulation** presents the candidate with several online or computer video situations, each followed by one or more multiple-choice questions. For example, the scenario might depict an employee handling a situation on the job. At a critical moment, the scenario ends, and the video asks the candidate to choose from several courses of action. For example:

(*A manager is upset about the condition of the department and takes it out on one of the department's employees.*)

Manager: Well, I'm glad you're here.

Associate: Why?

> MANAGER: I take a day off and come back to find the department in a mess. You should know better.
>
> ASSOCIATE: But I didn't work late last night.
>
> MANAGER: But there have been plenty of times before when you've left this department in a mess.

(*The scenario stops here.*)

If you were this associate, what would you do?

a. Let the other associates responsible for the mess know that you took the heat.
b. Straighten up the department, and try to reason with the manager later.
c. Suggest to the manager that he talk to the other associates who made the mess.
d. Take it up with the manager's boss.[91]

The Miniature Job Training and Evaluation Approach

miniature job training and evaluation

Training candidates to perform several of the job's tasks, and then evaluating the candidates' performance prior to hire.

Miniature job training and evaluation involves training candidates to perform several of the job's tasks, and then evaluating their performance prior to hire. Like work sampling, *miniature job training and evaluation* tests applicants with actual samples of the job, so it is inherently content relevant and valid.

For example, when Honda built an auto plant in Lincoln, Alabama, it had to hire thousands of new employees. Working with an Alabama industrial development training agency, Honda began running help wanted ads.

Honda and the agency first eliminated those applicants who lacked the education or experience, and then gave preference to applicants near the plant. About 340 applicants per 6-week session received special training at a new facility about 15 miles south of the plant. It included classroom instruction, watching videos of current Honda employees in action, and actually practicing particular jobs. Some candidates who watched the videos simply dropped out when they saw the work's pace and repetitiveness.

The training sessions served two purposes. First, job candidates learned the actual skills they'll need to do the Honda jobs. Second, the training sessions enabled special assessors from the Alabama state agency to scrutinize the trainees' work and to rate them. They then invited those who graduated to apply for jobs at the plants. Honda teams, consisting of employees from HR and departmental representatives, did the final screening.[92]

Realistic Job Previews

Sometimes, a dose of realism makes the best screening tool. For example, when Walmart began explicitly explaining and asking about work schedules and work preferences, turnover improved.[93] In general, applicants who receive realistic job previews are more likely to turn down job offers, but their employers are more likely to have less turnover and be more resilient.[94] The Strategic Context feature illustrates this principle.

■ IMPROVING PERFORMANCE: *THE STRATEGIC CONTEXT*

"Speed Dating" Employee Selection at Zulily

With guiding values like "we work for mom," and "take ownership," Zulily must carefully select employees who fit its culture and adhere to its values. How does Zulily do that?[95] By ensuring that candidates actually experience what it's like to work there. For example, Zulily holds periodic online candidate screening events. At these events, prospective candidates meet the teammates they might be working with at the company, and participate in speed dating–type interviews; some candidates then may get job offers right there.

The speed dating format might seem a bit impersonal, but it's effective for Zulily. To paraphrase a manager there, the speed dating interviews give candidates a chance to experience the fast-paced way we do business, and to see firsthand our employees' commitment to customers, and to embracing change, and working in teams. For Zulily, a realistic exposure to what it's like to work there has proven to be an effective way to select candidates who fit, and therefore to executing its strategy.[96]

Choosing a Selection Method

The employer should consider several things before choosing a particular selection tool (or tools). These include the tool's reliability and validity, its practicality (in terms of utility analysis), applicant reactions, adverse impact, cost, and the tool's *selection ratio* (does it screen out, as it should, a high percentage of applicants or admit virtually all?).[97] Table 6-1 summarizes the validity, potential adverse impact, and cost of several assessment methods. The HR Tools discussion shows how line managers may devise their own tests.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

Employee Testing and Selection

One of the ironies of being a line manager in even the largest of companies is that, when it comes to screening employees, you're often on your own. Some large firms' HR departments may work with the hiring manager to design and administer the sorts of screening tools we discussed in this chapter. But in many of these firms, the HR departments do little more than some preliminary prescreening (for instance, arithmetic tests for clerical applicants), and then follow up with background checks and drug and physical exams.

What should you do if you are, say, a marketing manager, and want to screen some of your job applicants more formally? It is possible to devise your own test battery, but caution is required. Purchasing and then using packaged intelligence tests or psychological tests or even tests of marketing ability could be problematical. Doing so may violate company policy, raise validity questions, and expose your employer to EEO liability if problems arise.

A preferred approach is to devise and use screening tools, the face validity of which is obvious. The work sampling test we discussed is one example. It's not unreasonable, for instance, for the marketing manager to ask an advertising applicant to spend half an hour designing an ad, or to ask a marketing research applicant to quickly outline a marketing research program for a hypothetical product. Similarly, a production manager might reasonably ask an inventory control applicant to spend a few minutes using a standard inventory control model to solve an inventory problem.

For small business owners, some tests' ease of use makes them particularly good for small firms. One is the *Wonderlic Personnel Test*; it measures general mental ability in about 15 minutes. The tester reads the instructions, and then keeps time as the candidate works through the 50 short problems on two pages. The tester scores the test by totaling the number of correct answers. Comparing the person's score with the minimum scores recommended for various occupations

Employers such as Honda first train and then have applicants perform several of the job tasks, and then evaluate the candidates before hiring them.

Anday Sacks/Getty Images

TABLE 6-1 Evaluation of Selected Assessment Methods

Assessment Method	Validity	Adverse Impact	Costs (Develop/Administer)
Cognitive ability tests	High	High (against minorities)	Low/low
Job knowledge test	High	High (against minorities)	Low/low
Personality tests	Low to moderate	Low	Low/low
Integrity tests	Moderate to high	Low	Low/low
Structured interviews	High	Low	High/high
Situational judgment tests	Moderate	Moderate (against minorities)	High/low
Work samples	High	Low	High/high
Assessment centers	Moderate to high	Low to moderate, depending on exercise	High/high
Physical ability tests	Moderate to high	High (against females and older workers)	High/high

Source: From Selection Assessment Methods, SHRM Foundation, 2005. Reprinted by permission from SHRM Foundation.

shows whether the person achieved the minimally acceptable score for the type of job in question. The *Predictive Index* measures work-related personality traits on a two-sided sheet. For example, there is the "social interest" pattern for a person who is generally unselfish, congenial, and unassuming. This person would be a good personnel interviewer, for instance. A template makes scoring simple.

Finally, for some jobs past performance is a more useful predictor of performance than are formal selection tests. For example, one study of prospective NFL players concluded that collegiate performance was a significantly better predictor of NFL performance than were physical ability tests.[98] ■

MyLab Management Talk About It 5

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. You own a small ladies' dress shop in a mall and want to hire a salesperson. Create a test for doing so.

KNOWLEDGE BASE

Background Investigations and Other Selection Methods

Testing is only part of an employer's selection process. Other tools may include background investigations and reference checks, preemployment information services, honesty testing, and substance abuse screening.

LEARNING OBJECTIVE 6-5

Describe four ways to improve an employer's background checking process.

Why Perform Background Investigations and Reference Checks?

One major company was about to announce a new CEO until they discovered he had a wife and two children in one state as well as a wife and two children in another state.[99] More mundanely, the recruiter HireRight found that of the over 600,000 educational verifications they did in one 12-month period, 32% had discrepancies.[100]

One of the easiest ways to avoid hiring mistakes is to check the candidate's background thoroughly. Doing so is inexpensive and (if done right) useful. There's usually no reason why even supervisors in large companies can't check the references of someone they're about to hire, as long as they know the rules.

Most employers check and verify the job applicant's background information and references. In one survey of about 700 human resource managers, 87% said they conduct reference checks, 69% conduct background employment checks, 61% check employee criminal records, 56% check employees' driving records, and 35% sometimes or always check credit.[101] Commonly verified data include legal eligibility for employment (in compliance with immigration laws), dates of prior employment, military service (including discharge status), education, identification (including date of birth and address to confirm identity), county criminal records (current residence, last residence), motor vehicle record, credit, licensing verification, Social Security number, and reference checks.[102] Some employers check executive candidates' civil litigation records, with the candidate's prior approval.[103] Some states prohibit private employers

from asking about criminal records on initial written applications.[104] Some employers also do ongoing due diligence background checks for current employees.[105]

There are two main reasons to check backgrounds—to verify the applicant's information (name and so forth) and to uncover damaging information.[106] Lying on one's application isn't unusual. A survey found that 23% of 7,000 executive résumés contained exaggerated or false information.[107]

How deeply you search depends on the position. For example, a credit check is more important for hiring an accountant than a groundskeeper. In any case, also periodically check the credit ratings of employees (like cashiers) who have easy access to company assets, and the driving records of employees who use company cars.

Yet most managers don't view references as very useful. Few employers will talk freely about former employees. For example, in one poll, the Society for Human Resource Management found that 98% of 433 responding members said their organizations would verify dates of employment for current or former employees. However, 68% said they wouldn't discuss work performance; 82% said they wouldn't discuss character or personality; and 87% said they wouldn't disclose a disciplinary action.[108]

Many supervisors don't want to damage a former employee's chances for a job; others might prefer giving an incompetent employee good reviews to get rid of him or her.

Another reason is legal. Employers providing references generally can't be successfully sued for defamation unless the employee can show "malice"—that is, ill will, culpable recklessness, or disregard of the employee's rights.[109] But many managers and companies understandably still don't want the grief.

KNOW YOUR EMPLOYMENT LAW

Giving References

Federal laws that affect references include the Privacy Act of 1974, the Fair Credit Reporting Act of 1970, the Family Education Rights and Privacy Act of 1974 (and Buckley Amendment of 1974), and the Freedom of Information Act of 1966. They give people the right to know the nature and substance of information in their credit files and files with government agencies, and (Privacy Act) to review records pertaining to them from any private business that contracts with a federal agency. The person may thus see your comments.[110] The employer must also adhere to the Fair Credit Reporting Act's requirements. For instance, make sure applicants consent to having their credit checked.[111]

Beyond that, common law (and in particular the tort of defamation) applies to any information you supply. Communication is defamatory if it is false and tends to harm the reputation of another by lowering the person in the estimation of the community or by deterring other persons from dealing with him or her.

Truth is not always a defense. In some states, employees can sue employers for disclosing to a large number of people true but embarrassing private facts about the employee. One older case involved a supervisor shouting that the employee's wife had been having sexual relations with certain people. The jury found the employer liable for invasion of the couple's privacy and for intentional infliction of emotional distress.[112]

Although the risk of suit may be low,[113] the net result is that most employers and managers restrict who can give references and what they can say. (One study found a "culture of silence" among hospitals regarding sharing such information.)[114] As a rule, only authorized managers should provide information. Other suggestions include "Don't volunteer information," "Avoid vague statements," and "Do not answer trap questions such as, 'Would you rehire this person?'" In practice, many firms have a policy of not providing any information about former employees except for their dates of employment, last salary, and position titles.[115]

(However, *not* disclosing relevant information can be dangerous, too. In one case, a company fired an employee for allegedly bringing a handgun to work. After his next employer fired him for absenteeism, he returned to that company and shot several employees. The injured parties and their relatives sued the previous employer, who had provided the employee with a clean letter of recommendation.)

The person alleging defamation has various legal remedies, including suing the source of the reference for defamation, invasion of privacy, interference with contract, and discrimination.[116] In one case, a court awarded a man $56,000 after a company turned him down for a job after the former employer called him a "character." Many firms will check references for a small fee (Google *reference checking service*).[117] One supervisor hired such a firm. It found that someone at the supervisor's previous company suggested that the employee was ". . . not comfortable with taking risks, or making big decisions." The former employee sued, demanding an end to defamation and $45,000 in compensation.[118]

There are several things managers and employers can do to get better information.

Most employers still at least try to verify an applicant's current (or former) position and salary with his or her current (or former) employer by phone (assuming you cleared doing so with the candidate). Others call the applicant's current and previous supervisors to try to discover more about the person's motivation, technical competence, and ability to work with others (although, again, many employers have policies against providing such information). Figure 6-8 shows one form for phone references. ■

Automated online reference checking can improve the results. With a system such as Skill Survey's Pre-Hire 360 (www.skillsurvey.com/reference-checking-solution/), the hiring employer inputs the applicant's name and e-mail address. Then the person's pre-selected references rate the applicant's skills anonymously, using a survey. The system then compiles these references into a report for the employer.[119]

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Digital tools are changing the background-checking process. Employers are Googling applicants or checking Facebook and LinkedIn, and what they're finding isn't always pretty. One candidate described his interests on Facebook as smoking pot and shooting people. The student may have been kidding, but didn't get the job.[120] An article called "Funny, They Don't Look Like My References" notes that the LinkedIn premium service "Reference Search" lets employers identify people in their own networks who worked for the same company when a job candidate did, and to thus use them to get references on the candidate.[121] According to LinkedIn, you just select Reference Search, then enter a company name, candidate's name, and the timeframe, and click search. Employers are integrating such tools with software solutions such as Oracle's Taleo system, to facilitate obtaining such information and then integrating it into the candidate's dashboard-accessible profile.

Web and social media background searches can be problematical. Although applicants usually don't list race, age, disability or ethnic origin on their résumés, their Facebook pages may reveal such information, setting the stage for possible EEOC claims. Or, an overeager supervisor might conduct his or her own Facebook page "background check."[122]

In any case, it's probably best to get the candidate's prior approval for a social networking search.[123] And do not use a pretext or fabricate an identity.[124] Maryland law restricts employer demands for applicant usernames and passwords.[125] Other states will undoubtedly follow.

The solution isn't necessarily to prohibit the legitimate use of social media–based information (unless perusing such information is illegal under the law, as in Maryland). Instead, follow intelligent social media staffing policies and procedures. For example, inform employees and prospective employees ahead of time regarding what information the employer plans to review. Assign one or two specially trained human resource professionals to search social media sites. And warn unauthorized employees (such as prospective supervisors) about accessing such information.[126] ■

MyLab Management Talk About It 6

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/ management** to complete this discussion question. Review your Facebook or other social media site. How do you think a prospective employer would react to what you've posted there?

FIGURE 6-8 Reference Checking Form

Source: Reprinted with permission of the Society for Human Resource Management (www.shrm.org), Alexandria, VA 22314.

(Verify that the applicant has provided permission before conducting reference checks.)

Candidate
Name _____

Reference
Name _____

Company
Name _____

Dates of Employment
From: _____   To: _____

Position(s)
Held _____

Salary
History _____

Reason for
Leaving _____

Explain the reason for your call and verify the above information with the supervisor (including the reason for leaving)
_____
_____
_____

1. Please describe the type of work for which the candidate was responsible.
_____
_____
_____

2. How would you describe the applicant's relationships with coworkers, subordinates (if applicable), and with superiors?
_____
_____
_____

3. Did the candidate have a positive or negative work attitude? Please elaborate.
_____
_____
_____

4. How would you describe the quantity and quality of output generated by the former employee?
_____
_____
_____

5. What were his/her strengths on the job?
_____
_____

6. What were his/her weaknesses on the job?
_____
_____

7. What is your overall assessment of the candidate?
_____
_____
_____

8. Would you recommend him/her for this position? Why or why not?
_____
_____
_____

9. Would this individual be eligible for rehire? Why or why not?
_____
_____

Other comments?
_____
_____
_____

Using Preemployment Information Services

It is easy to have employment screening services check out applicants. Big providers include Accurate Background (accuratebackground.com), First Advantage (FADV.com), HireRight LLC (hireright.com), and Sterling Talent Solutions (https://www.sterlingtalentsolutions.com/).[127] They use databases to access information about matters such as workers' compensation, credit histories, and conviction and driving records. For example, retail employers use First Advantage Corporation's Esteem Database to see if their job candidates have previously been involved in suspected retail thefts.[128] Another firm advertises that for less than $50 it will do a criminal history report, motor vehicle/driver's record report, and (after the person is hired) a workers' compensation claims report history, plus confirm identity, name, and Social Security number. There are thousands of databases, including sex offender registries and criminal and educational histories. Blockchain technology expedites checking applicants' credentials. For example, when a university issues a digital diploma, the *blockcerts* mobile app creates a unique "fingerprint" of it. This facilitates quickly confirming the degree's legitimacy.[129]

There are three reasons to use caution with background checking services.[130] First, EEO laws apply. For example, many states have "Ban the Box" laws prohibiting prospective employers from questioning applicants about convictions until late in the hiring process.[131] So be careful not to use the product of an unreasonable investigation.

Second, various federal and state laws govern how employers acquire and use applicants' and employees' background information. At the federal level, the Fair Credit Reporting Act is the main directive. In addition, at least 21 states impose their own requirements. Authorizing background reports while complying with these laws requires four steps, as follows:

Step 1: *Disclosure and authorization.* Before requesting reports, the employer must disclose to the applicant or employee that a report will be requested and that the employee/applicant may receive a copy. (Do this on the application form.)

Step 2: *Certification.* The employer must certify to the background checking firm that the employer will comply with the federal and state legal requirements— for example, that the employer obtained written consent from the employee/applicant.

Step 3: *Providing copies of reports.* Under federal law, the employer must provide copies of the report to the applicant or employee if adverse action (such as withdrawing a job offer) is contemplated.[132]

Step 4: *Notice after adverse action.* If the employer anticipates taking an adverse action, the employee/applicant must get an *adverse action notice*. The employee/applicant then has various remedies under the law.[133]

Finally, the criminal background information may be flawed. Many return "possible matches" for the wrong person (who happens to be a criminal).[134] One such firm paid a $2.6 million penalty after the Federal Trade Commission sued it for such erroneous reporting.[135]

Steps for Making the Background Check More Valuable

There are steps one can take to improve the usefulness of the background information being sought. Specifically:

- Include on the application form a statement for applicants to sign explicitly authorizing a background check, such as:

  I hereby certify that the facts set forth in the above employment application are true and complete to the best of my knowledge. I understand that falsified statements or misrepresentation of information on this application or omission of any information sought may be cause for dismissal, if employed,

or may lead to refusal to make an offer and/or to withdrawal of an offer. I also authorize investigation of credit, employment record, driving record, and, once a job offer is made or during employment, workers' compensation background if required.

- Phone references tend to produce more candid assessments. Use a form, such as Figure 6-8. Remember that you can get relatively accurate information regarding dates of employment, eligibility for rehire, and job qualifications. It's more difficult to get other background information (such as reasons for leaving a previous job).[136]
- Persistence and attentiveness to possible red flags improve results. For example, if the former employer hesitates or seems to qualify his or her answer, don't go on to the next question. Try to unearth what the applicant did to make the former employer pause. If he says, "Joe requires some special care," say, "Special care?"
- Compare the application to the résumé; people tend to be more creative on their résumés than on their application forms, where they must certify the information.
- Try to ask open-ended questions (such as, "How much structure does the applicant need in his/her work?") to get the references to talk more about the candidate. But keep in mind:[137] Stick to information that you're going to use; using arrest information is highly problematical; use information that is specific and job related; many states and municipalities prohibit asking about salary history; and keep information confidential.
- Ask the references supplied by the applicant to suggest other references. You might ask each of the applicant's references, "Could you give me the name of another person who might be familiar with the applicant's performance?" Then you begin getting information from references that may be more objective, because they did not come directly from the applicant (or use LinkedIn's Reference Search service).
- Aim for "360" reference checking: A full picture requires contacting the person's former supervisors, colleagues, and subordinates.[138]

The Polygraph and Honesty Testing

polygraph

A device that measures physiological changes like increased perspiration, on the assumption that such changes reflect lying.

The **polygraph** is a device that measures physiological changes like increased perspiration. The assumption is that such changes reflect changes in emotional state that accompany lying.

Complaints about offensiveness plus grave doubts about the polygraph's accuracy culminated in the Employee Polygraph Protection Act of 1988.[139] With a few exceptions, the law prohibits employers from conducting polygraph examinations of all job applicants and most employees.[140] Federal laws don't prohibit paper-and-pencil honesty tests or chemical testing, as for drugs.

Local, state, and federal government employers (including the FBI) can use polygraphs for selection screening and other purposes, but state laws restrict many local and state governments. Private employers can use polygraph testing, but only under strictly limited circumstances.[141] These include firms with national defense or security contracts, and private businesses (1) hiring private security personnel, (2) hiring persons with access to drugs, or (3) some doing ongoing investigations, such as a theft.

WRITTEN HONESTY TESTS Paper-and-pencil (or computerized or online) honesty tests are special types of personality tests designed to predict job applicants' proneness to dishonesty and other forms of counterproductivity.[142] Most measure attitudes regarding things like tolerance of others who steal and admission of theft-related activities. They include the MINT test of integrity, published by Assessio (www.assessio.com/).[143]

Studies support such tests' validity.[144] One study involved 111 employees hired by a convenience store chain to work at store or gas station counters.[145] The firm estimated

that "shrinkage" equaled 3% of sales, and believed that internal theft accounted for much of this. Scores on an honesty test successfully predicted theft here (as measured by termination for theft).

graphology
The use of handwriting analysis to determine the writer's personality characteristics and moods, and even illnesses, such as depression.

Graphology is the use of handwriting analysis to determine the writer's personality characteristics and moods, and even illnesses, such as depression.[146] It thus bears some resemblance to projective personality tests, although graphology's validity is highly suspect. The handwriting analyst studies an applicant's handwriting and signature to discover the person's needs, desires, and psychological makeup. In one typical example, the graphologist notes that a writing sample has small handwriting, a vertical stance, and narrow letters (among other things) and so is indicative of someone with uptight tendencies. One recent study reports successfully identifying writers' genders through graphology.[147] There are computerized systems for expediting graphology analyses.[148]

Most scientific studies suggest graphology has little or no validity, or that when graphologists do accurately size up candidates, it's because they were also privy to other background information. Yet some firms have embraced it.[149] Given the practical need to validate selection tools, most experts shun it.

"HUMAN LIE DETECTORS"   Some employers use so-called human lie detectors, experts who may (or may not) be able to identify lying just by watching candidates.[150] One Wall Street firm uses a former FBI agent. He sits in on interviews and watches for signs of candidate deceptiveness. Signs include pupils changing size (fear), irregular breathing (nervousness), crossing legs ("liars distance themselves from an untruth"), and quick verbal responses (scripted statements).

TESTING FOR HONESTY: PRACTICAL GUIDELINES   With or without testing, there's a lot a manager can do to screen out dishonest applicants or employees. Specifically:

- Ask blunt questions.[151] Says one expert, there is nothing wrong with asking the applicant direct questions, such as, "Have you ever stolen anything from an employer?" "Have you recently held jobs other than those listed on your application?" "Is any information on your application misrepresented or falsified?"
- Listen carefully. Thus liars may try to answer direct questions somewhat evasively. For example, ask them if they've ever used drugs, and they might say, "I don't take drugs."[152]
- Watch for telltale body signals. For example, someone who is not telling the truth may move his or her body slightly away from you.[153] Establish a baseline by seeing how the person's body is positioned when he or she is undoubtedly telling the truth. Know that it is *not* true that adult liars won't look you in the eye when they're lying; polished liars may actually do so excessively.[154]
- Do a credit check. Include a clause in your application giving you the right to conduct background checks, including credit checks and motor vehicle reports.
- Check all employment and personal references.
- Use written honesty tests and psychological tests.
- Test for drugs. Devise a drug-testing program and give each applicant a copy of the policy.
- Establish a search-and-seizure policy, and conduct searches. Give each applicant a copy of the policy and require each to return a signed copy. The policy should state, "All lockers, desks, and similar property remain the property of the company and may be inspected routinely."

Honesty testing requires caution. Having just taken and "failed" what is fairly obviously an "honesty test," the candidate may leave the premises feeling mistreated. Some "honesty" questions also pose invasion-of-privacy issues. And some states such as Massachusetts and Rhode Island limit paper-and-pencil honesty testing.

Physical Exams

Once the employer extends the person a job offer, a medical exam is often the next step in selection (although it may also occur after the new employee starts work).

There are several reasons for preemployment medical exams: to verify that the applicant meets the job's physical requirements, to discover any medical limitations you should consider in placement, and to establish a baseline for future workers' compensation claims. Exams can also reduce absenteeism and accidents and detect communicable diseases.

Under the Americans with Disabilities Act, an employer cannot reject someone with a disability if he or she is otherwise qualified and can perform the essential job functions with reasonable accommodation. Recall that the ADA permits a medical exam during the period between the job offer and commencement of work if such exams are standard practice for all applicants for that job category.[155]

Substance Abuse Screening

Most employers conduct drug screenings, and many applicants are flunking the tests.[156] The most common practice is to test candidates just before they're formally hired. Many also test current employees when there is reason to believe they've been using drugs—after a work accident, or with obvious behavioral symptoms such as chronic lateness. Some firms routinely administer drug tests on a random or periodic basis, while others require drug tests when they transfer or promote employees to new positions. Most employers that conduct such tests use urine sampling. Numerous vendors provide workplace drug-testing services.[157] Employers may use urine testing to test for illicit drugs, breath alcohol tests to determine amount of alcohol in the blood, blood tests to measure alcohol or drugs in the blood at the time of the test, hair analyses to reveal drug history, saliva tests for substances such as marijuana and cocaine, and skin patches to determine drug use.[158] It is more difficult recently to find applicants who can pass a drug test.[159] As a result, more employers today are relaxing their standards about hiring those who fail tests, particularly for marijuana.[160]

Drug testing, while ubiquitous, is neither as simple nor as effective as it might appear. First, no drug test is foolproof. Some urine sample tests can't distinguish between legal and illegal substances; for example, Advil can produce positive results for marijuana. Furthermore, there's a cottage industry offering products that purportedly help applicants pass drug tests (Google *products for beating drug tests*).[161] (Employers should view the presence of adulterants in a sample as a positive test.) One alternative, hair follicle testing, requires a small sample of hair, which the lab analyzes.[162] But here, too, classified ads advertise chemicals to rub on the scalp to fool the test. Employers should choose the lab they engage for testing with care.

There's also the question of what is the point. Unlike roadside breathalyzers for DUI drivers, tests for drugs show only whether drug residues are present; they do not indicate impairment (or, for that matter, habituation or addiction). To paraphrase one pundit, "Do you really want to fire someone for using marijuana at home?"[163] Some therefore argue that testing is not justifiable on the grounds of boosting workplace safety.[164] Many feel the testing procedures themselves are degrading and intrusive. Many employers reasonably counter that they don't want drug-prone employees on their premises.

Drug Testing Legal Issues

Drug testing raises numerous legal issues. Employees may claim drug tests violate their rights to privacy. Hair follicle testing is less intrusive than urinalysis but can actually produce more personal information: A short hair segment could record months of drug use.[165] The National Labor Relations Board upheld a union member's right to have representation after failing a drug test; this may "severely disrupt and limit" unionized employers' ability to test and deal with employees who are under the influence.[166] Courts require that employers who administer drug tests to employees who have accidents focus on recent drug use.[167]

Several federal laws affect workplace drug testing, and multistate employers must ensure they also comply with state laws (some states permit medical marijuana use, for instance).[168] Under the Americans with Disabilities Act, a court would probably consider a former drug user (who no longer uses illegal drugs and has successfully completed or is participating in a rehabilitation program) as a qualified applicant with a disability.[169] Under the Drug Free Workplace Act of 1988, federal contractors must maintain a workplace free from illegal drugs. While this doesn't require contractors to conduct drug testing or rehabilitate affected employees, many do. Under the U.S. Department of Transportation workplace regulations, firms with over 50 eligible employees in transportation industries must conduct alcohol testing on workers with sensitive or safety-related jobs. These include mass transit workers, air traffic controllers, train crews, and school bus drivers.[170] Other laws, including the Federal Rehabilitation Act of 1973 and various state laws, protect rehabilitating drug users or those who have a physical or mental addiction.

What should an employer do when a job candidate tests positive? As a rule, most companies won't hire such candidates, but current employees have more legal recourse. Most must be told the reason for dismissal if the reason is a positive drug test. And again, there are industry-specific and state-specific requirements. For example, certain transportation companies and federal contractors must comply with federal drug-testing rules for their industries. Similarly, state laws vary. For example, in several states you cannot fire someone for a first failed drug test if he or she agrees to rehabilitation.[171]

Particularly where sensitive jobs are concerned, courts tend to side with employers. In one classic case, a U.S. Court of Appeals ruled that Exxon acted properly in firing a truck driver who failed a drug test. Exxon requires random testing of employees in safety-sensitive jobs. The employee drove a tractor-trailer carrying 12,000 gallons of flammable motor fuel and tested positive for cocaine. The union representing the employee challenged the firing. An arbitrator reduced the penalty to a 2-month suspension, but the appeals court ruled that the employer acted properly in firing the truck driver.[172]

Complying with Immigration Law

Employees hired in the United States must prove they are eligible to work here. The requirement to verify eligibility does not provide any basis to reject an applicant just because he or she is a foreigner, not a U.S. citizen, or an alien residing in the United States, as long as that person can prove his or her identity and employment eligibility. To comply with this law, employers should follow procedures outlined in the so-called I-9 Employment Eligibility Verification form. Recently the federal government has been tightening its oversight.[173] Many employers are using the federal government's voluntary electronic employment verification program, E-Verify.[174] Federal contractors must use it.[175] There is no charge to use E-Verify.[176] Many employers now use automated I-9 verification systems with drop-down menus to electronically compile and submit applicants' I-9 data.[177] The I-9 forms contain a prominent "antidiscrimination notice."[178]

Applicants can prove their eligibility for employment in two ways. One is to show a document (such as a U.S. passport or alien registration card with photograph) that proves both identity and employment eligibility. The other is to show a document that proves the person's identity, along with a second document showing his or her employment eligibility, such as a work permit.[179] In any case, it's always advisable to get two forms of proof of identity.

Identity theft—undocumented workers stealing and using an authorized worker's identity—is a problem even with E-Verify.[180] The federal government is tightening restrictions on hiring undocumented workers. Realizing that many documents are fakes, the government is putting the onus on employers to make sure whom they're hiring.

You can verify Social Security numbers by calling the Social Security Administration. Employers can avoid accusations of discrimination by verifying the documents of all applicants, not just those they may think are suspicious.[181]

Chapter Review

Chapter Section Summaries

6-1. Careful **employee selection is important** for several reasons. Your own performance always depends on your subordinates; it is costly to recruit and hire employees; and mismanaging the hiring process has various legal implications including equal employment, negligent hiring, and defamation.

6-2. Whether you are administering tests or making decisions based on test results, managers need to understand several **basic testing concepts.** Reliability refers to a test's consistency, while validity tells you whether the test is measuring what you think it's supposed to be measuring. Criterion validity means demonstrating that those who do well on the test also do well on the job while content validity means showing that the test constitutes a fair sample of the job's content. Validating a test involves analyzing the job, choosing the tests, administering the test, relating your test scores and criteria, and cross-validating and revalidating. Test takers have rights to privacy and feedback as well as to confidentiality.

6-3. Whether they are administered via paper and pencil, by computer, or online, we discussed several main **types of tests.** Tests of cognitive abilities measure things like reasoning ability and include intelligence tests and tests of specific cognitive abilities such as mechanical comprehension. There are also tests of motor and physical abilities, and measures of personality and interests. With respect to personality, psychologists often focus on the "big five" personality dimensions: extroversion, emotional stability/neuroticism, agreeableness, conscientiousness, and openness to experience. Achievement tests measure what someone has learned.

6-4. With **work samples and simulations,** you present examinees with situations representative of the jobs for which they are applying. One example is the management assessment center, a 2- to 3-day simulation in which 10 to 12 candidates perform realistic management tasks under the observation of experts who appraise each candidate's leadership potential. Video-based situational testing and the miniature job training and evaluation approach are two other examples.

6-5. Testing is only part of an employer's selection process; you also want to conduct **background investigations and other selection procedures.**

- The main point of doing a background check is to verify the applicant's information and to uncover potentially damaging information. However, care must be taken, particularly when giving a reference, that the employee not be defamed and that his or her privacy rights are maintained.
- Given former employers' reluctance to provide a comprehensive report, those checking references need to do several things. Make sure the applicant explicitly authorizes a background check, use a checklist or form for obtaining telephone references, and be persistent and attentive to potential red flags.
- Given the growing popularity of computerized employment background databases, many or most employers use preemployment information services to obtain background information.
- For many types of jobs, honesty testing is essential, and paper-and-pencil tests have proven useful.
- Most employers also require that new hires, before actually coming on board, take physical exams and substance abuse screening. It's essential to comply with immigration law, in particular by having the candidate complete an I-9 Employment Eligibility Verification Form and submit proof of eligibility.

Discussion Questions

6-1. What is the difference between reliability and validity?

6-2. Explain why you think a certified psychologist who is specifically trained in test construction should (or should not) be used by a small business that needs an employment test.

6-3. Why is it important to conduct preemployment background investigations? How would you do so?

6-4. Explain how you would get around the problem of former employers being unwilling to give bad references on their former employees.

6-5. How can employers protect themselves against negligent hiring claims?

Individual and Group Activities

6-6. Write a short essay discussing some of the ethical and legal considerations in testing.

6-7. Working individually or in groups, develop a list of specific selection techniques that you would suggest your dean use to hire the next HR professor at your school. Explain why you chose each selection technique.

6-8. Working individually or in groups, contact the publisher of a standardized test such as the Scholastic Assessment Test, and obtain from it written information regarding the test's validity and reliability. Present a short report in class discussing what the test is supposed to measure and the degree to which you think the test does what it is supposed to do, based on the reported validity and reliability scores.

6-9. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

Experiential Exercise

A Test for a Reservation Clerk

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Purpose: The purpose of this exercise is to give you practice in developing a test to measure *one specific ability* for the job of airline reservation clerk for a major airline. If time permits, you'll be able to combine your tests into a test battery.

Required Understanding: Your airline has decided to outsource its reservation jobs to Asia. You should be fully acquainted with the procedure for developing a personnel test and should read the following description of an airline reservation clerk's duties:

> Customers contact our airline reservation clerks to obtain flight schedules, prices, and itineraries. The reservation clerks look up the requested information on our airline's online flight schedule systems, which are updated continuously. The reservation clerk must speak clearly, deal courteously and expeditiously with the customer, and be able to find quickly alternative flight arrangements in order to provide the customer with the itinerary that fits his or her needs. Alternative flights and prices must be found quickly, so that the customer is not kept

waiting, and so that our reservations operations group maintains its efficiency standards. There may be a dozen or more alternative routes between the customer's starting point and destination.

You may assume that we will hire about one-third of the applicants as airline reservation clerks. Therefore, your objective is to create a test that is useful in selecting a third of those available.

How to Set Up the Exercise/Instructions: Divide the class into teams of five or six students. The ideal candidate will need to have a number of skills to perform this job well. Your job is to select a single skill and to develop a test to measure that skill. Please use only the materials available in the room. The test should permit quantitative scoring and may be an individual or a group test.

Please go to your assigned groups. As per our discussion of test development in this chapter, each group should make a list of the skills relevant to success in the airline reservation clerk's job. Each group should then rate the importance of these skills on a 5-point scale. Then, develop a test to measure what you believe to be the top-ranked skill. If time permits, the groups should combine the various tests from each group into a test battery. If possible, leave time for a group of students to take the test battery.

CHAPTER 6

Application Case

The Insider

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A federal jury convicted a stock trader who worked for a well-known investment firm, along with two alleged accomplices, of insider trading. According to the indictment, the trader got inside information about pending mergers from lawyers. The lawyers allegedly browsed around their law firm picking up information about corporate deals others in the firm were working on. The lawyers would then allegedly pass their information on to a friend, who in turn passed it on to the trader. Such "inside" information reportedly helped the trader (and his investment firm) earn millions of dollars. The trader would then allegedly thank the lawyers, for instance, with envelopes filled with cash.

Things like that are not supposed to happen. Federal and state laws prohibit them. And investment firms have their own compliance procedures to identify and head off shady trades. The problem is that controlling such behavior once the firm has someone working for it who may be prone to engage in inside trading isn't easy. "Better to avoid hiring such people in the first place," said one pundit.

Over lunch at Bouley restaurant in Manhattan's TriBeCa area, the heads of several investment firms were discussing the conviction, and what they could do to make sure something like that didn't occur in their firms. "It's not just compliance," said one. "We've got to keep out the bad apples." They ask you for your advice.

Questions

6-10. We want you to design an employee selection program for hiring stock traders. We already know what to look for as far as technical skills are concerned—accounting courses, economics, and so on. What we want is a program for screening out potential bad apples. To that end, please let us know the following: What screening test(s) would you suggest, and why? What questions should we add to our application form? Specifically how should we check candidates' backgrounds, and what questions should we ask previous employers and references?

6-11. What else (if anything) would you suggest?

Continuing Case

Carter Cleaning Company

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Honesty Testing

Jennifer Carter, of the Carter Cleaning Centers, and her father have what the latter describes as an easy but hard job when it comes to screening job applicants. It is easy because for two important jobs—the people who actually do the pressing and those who do the cleaning/spotting—the applicants are easily screened with about 20 minutes of on-the-job testing. As with typists, Jennifer points out, "Applicants either know how to press clothes fast or how to use cleaning chemicals and machines, or they don't, and we find out very quickly by just trying them out on the job." On the other hand, applicant screening for the stores can also be frustratingly hard because of the nature of some of the other qualities that Jennifer would like to screen for. Two of the most critical problems facing her company are employee turnover and employee honesty. Jennifer and her father sorely need to implement practices that will reduce the rate of employee turnover. If there is a way to do this through employee testing and screening techniques, Jennifer would like to know about it because of the management time and money that are now being wasted by the never-ending need to recruit and hire new employees. Of even greater concern to Jennifer and her father is the need to institute new practices to screen out those employees who may be predisposed to steal from the company.

Employee theft is an enormous problem for the Carter Cleaning Centers, and not just cash. For example, the cleaner/spotter often opens the store without a manager present, to get the day's work started, and it is not unusual for that person to "run a route." Running a route means that an employee canvasses his or her neighborhood to pick up people's clothes for cleaning and then secretly cleans and presses them in the Carter store, using the company's supplies, gas, and power. It would also not be unusual for an unsupervised person (or his or her supervisor, for that matter) to accept a 1-hour rush order for cleaning or laundering, quickly clean and press the item, and return it to the customer for payment without making out a proper ticket for the item posting the sale. The money, of course, goes into the worker's pocket instead of into the cash register.

The more serious problem concerns the store manager and the counter workers who actually handle the cash. According to Jack Carter, "You would not believe the creativity employees use to get around the management controls we set up to cut down on employee theft." As one extreme example of this felonious creativity, Jack tells the following story: "To cut down on the amount of money my employees were stealing, I had a small sign painted and placed in front of all our cash registers. The sign said: YOUR ENTIRE ORDER FREE IF WE DON'T GIVE YOU A CASH REGISTER RECEIPT WHEN YOU PAY. CALL 552–0235. It was my intention with this sign to force all our cash-handling employees to give receipts so the cash register would record them for my accountants. After all, if all the cash that comes in is recorded in the cash register, then we should have a much better handle on stealing in our stores. Well, one of our managers found a way around this. I came into the store one night and noticed that the cash register this particular manager was using just didn't look right, although the sign was placed in front of it. It turned out that every afternoon at about 5:00 p.m. when the other employees left, this character would pull his own cash register out of a box that he hid underneath our supplies. Customers coming in would notice the sign and, of course, the fact that he was meticulous in ringing up every sale. But unknown to them, for about 5 months the sales that came in for about an hour every day went into his cash register, not mine. It took us that long to figure out where our cash for that store was going."

Here is what Jennifer would like you to answer:

Questions

6-12. What would be the advantages and disadvantages to Jennifer's company of routinely administering honesty tests to all its employees?

6-13. Specifically, what other screening techniques could the company use to screen out theft-prone and turnover-prone employees, and how exactly could these be used?

6-14. How should her company terminate employees caught stealing, and what kind of procedure should be set up for handling reference calls about these employees when they go to other companies looking for jobs?

Translating Strategy into HR Policies and Practices Case*,§

The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The New Employee Testing Program

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy and boost performance, by eliciting the required employee behaviors and competencies.

As she considered what to do next, Lisa Cruz, the Hotel Paris's HR director, knew that employee selection had to play a role. The Hotel Paris currently had an informal screening process in which local hotel managers obtained application forms, interviewed applicants, and checked their references. However, a pilot project using an employment test for service people at the Chicago hotel had produced startling results. Lisa found consistent, significant relationships between test performance and a range of employee competencies and behaviors such as speed of check-in/out, employee turnover, and percentage of calls answered with the required greeting. She knew that such employee capabilities and behaviors translated into the improved guest service performance the Hotel Paris needed to execute its strategy. She therefore had to decide what selection procedures would be best.

Lisa's team, working with an industrial psychologist, designs a test battery that they believe will produce the sorts of high-morale, patient, people-oriented employees they are looking for. It includes a preliminary, computerized test in which applicants for the positions of front-desk clerk, door person, assistant manager, and security guard must deal with an apparently irate guest; a work sample in which front-desk clerk candidates spend 10 minutes processing an incoming "guest"; a personality test aimed at weeding out applicants who lack emotional stability; the Wonderlic test of mental ability; and the Phase II Profile for assessing candidate honesty. Their subsequent validity analysis shows that scores on the test batteries predict scores on the hotel's employee capabilities and behavior metrics. A second analysis confirmed that, as the percentage of employees hired after testing rose, so too did the hotel's employee capabilities and behaviors scores, for instance (see the strategy map), in terms of speed of check-in/out, and the percent of guests receiving the Hotel Paris required greeting.

Lisa and the CFO also found other measurable improvements apparently resulting from the new testing process. For example, it took less time to fill an open position, and cost per hire diminished, so the HR department became more efficient. The new testing program thus did not only contribute to the hotel's performance by improving employee capabilities and behaviors. It also did so by directly improving profit margins and profits.

Questions

6-15. Provide a detailed example of a security guard work "sampletest."

6-16. Provide a detailed example of two personality test items you would suggest they use, and why you would suggest using them.

6-17. Based on what you read here in this Dessler *Human Resource Management* chapter, what other tests would you suggest to Lisa, and why would you suggest them?

6-18. How would you suggest Lisa try to confirm that it is indeed the testing and not some other change that accounts for the improved performance.

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MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

6-19. Explain how you would go about validating a test. How can this information be useful to a manager?

6-20. Explain how digital and social media have changed the employee selection process, and the advice you would give an employer about avoiding problems with using such tools for selection.

6-21. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

P I A PERSONAL INVENTORY ASSESSMENT

Personality plays a big role in selection and employee performance. Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

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Endnotes

1. https://a248.e.akamai.net/media.zulily.com/images/careers/landing/zulily_values_update_03.20.2017_150dpi.pdf, accessed February 23, 2018.

2. https://a248.e.akamai.net/media.zulily.com/images/careers/landing/zulily_values_update_03.20.2017_150dpi.pdf, accessed February 23, 2018.

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4. See, for example, Jean Phillips and Stanley Gully, *Strategic Staffing* (Upper Saddle River, NJ: Pearson Education, 2012), pp. 234–235.

5. www.pwc.com/us/en/hr, accessed February 24, 2018.

6. "Regret That Bad Hire? It's an Expensive Global Problem," *Bloomberg BNA Bulletin to Management*, June 4, 2013, p. 179. Note that in one survey, about 16% of HR professionals said their firms were less rigorous about checking the backgrounds of executive candidates then nonexecutives. This is a dubious practice, given the high cost of hiring the wrong executive. Genevieve Douglas, "Employers Beware Potential Skeletons in Executives' Closets," *Bloomberg BNA Bulletin to Management*, May 9, 2017.

7. Lauren Weber, "To Get a Job, New Hires Are Put to the Test," *The Wall Street Journal*, April 15, 2015, pp. A1, A10.

8. Even if they use a third party to prepare an employment test, contractors are "ultimately responsible" for ensuring the tests' job relatedness and EEO compliance. "DOL Officials Discuss Contractors' Duties on Validating Tests," *BNA Bulletin to Management*, September 4, 2007, p. 287. Furthermore, enforcement units are increasing their scrutiny of employers who rely on tests and screening. See "Litigation Increasing with Employer Reliance on Tests, Screening," *Bloomberg BNA Bulletin to Management*, April 8, 2008, p. 119. However, see also C. Tuna et al., "Job-Test Ruling Cheers Employers," *The Wall Street Journal*, July 1, 2009, p. B1–B2.

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10. For example, Ryan Zimmerman, "Wal-Mart to Toughen Job Screening," *The Wall Street Journal*, July 12, 2004, pp. B1–B8. See also Michael Tucker, "Show and Tell," *HR Magazine*, January 2012, pp. 51–52.

11. Negligent hiring highlights the need to think through what the job's human requirements really are. For example, "nonrapist" isn't likely to appear as a required knowledge, skill, or ability in a job analysis of an apartment manager, but in situations like this, screening for such tendencies is obviously required. To avoid negligent hiring claims, "make a systematic effort to gain relevant information about the applicant, verify documentation, follow up on missing records or gaps in employment, and keep a detailed log of all attempts to obtain information, including the names and dates for phone calls or other requests." Fay Hansen, "Taking 'Reasonable' Action to Avoid Negligent Hiring Claims," *Workforce Management*, September 11, 2006, p. 31. Similarly, the Employers Liability Act of 1969 holds employers responsible for their employees' health and safety at work. Because personality traits may predict problems such as unsafe behaviors and bullying, this act makes careful employee selection even more advisable.

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13. Kevin Murphy and Charles Davidshofer, *Psychological Testing: Principles and Applications* (Upper Saddle River, NJ: Prentice Hall, 2001), p. 73.

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20. The procedure you would use to demonstrate content validity differs from that used to demonstrate criterion validity (as described in steps 1 through 5). Content validity tends to emphasize judgment. Here, you first do a careful job analysis to identify the work behaviors required. Then combine several samples of those behaviors into a test. A typing and computer skills test for a clerk would be an example. The fact that the test is a comprehensive sample of actual, observable, on-the-job behaviors is what lends the test its content validity.

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29. The Uniform Guidelines say, "Employers should ensure that tests and selection procedures are not adopted casually by managers who know little about these processes . . . no test or selection procedure should be implemented without an understanding of its effectiveness and limitations for the organization, its appropriateness for a specific job, and whether it can be appropriately administered and scored."

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BravoKiloVideo/Shutterstock

7 Interviewing Candidates

When you finish studying this chapter, you should be able to:

7-1 **Give** examples of the main types of selection interviews.

7-2 **Give** examples of the main errors that can undermine an interview's usefulness.

7-3 **Define** a structured situational interview and explain how to conduct effective selection interviews.

7-4 **Give** examples of how to use employee selection to improve employee engagement.

7-5 **List** the main points in developing and extending the actual job offer.

When it comes to hiring, Urban Outfitters knows just what it's looking for.[2] The lifestyle retailer, with over 200 stores in the United States, Canada, and Europe, built its strategy around fostering a culture of creativity and individuality within its stores. Its managers know that maintaining this unique store environment requires employees that match its core values of community, pride, creativity, and respect. The question is, how do you find and attract such applicants, while controlling hiring costs in the competitive retail industry?

WHERE ARE WE NOW . . .

Chapter 6 discussed important tools managers use to select employees. Now we'll turn to one of these tools—the employment interview. The main topics we'll cover include **Types of Interviews**, **Things That Undermine Interviewing's Usefulness**, **Designing and Conducting Effective Selection Interviews**, **Using a Total Selection Process to Improve Employee Engagement**, and **Making the Offer**. In Chapter 8, we'll turn to training the new employee.

If the interview is just one of several selection tools, why devote a whole chapter to it? Because interviews are the most widely used selection procedure, and most people aren't nearly as good at interviewing as they think they are.[1]

Basic Types of Interviews

LEARNING OBJECTIVE 7-1

Give examples of the main types of selection interviews.

Managers use several interviews at work, such as performance appraisal interviews and exit interviews. A *selection interview* (the focus of this chapter) is a selection procedure designed to predict future job performance based on applicants' oral responses to oral inquiries.[3] Many techniques in this chapter also apply to appraisal and exit interviews. However, we'll postpone discussions of those two interviews until later chapters.

There are several ways to conduct selection interviews. For example, we can classify selection interviews according to

1. How *structured* they are
2. Their "content"—the *types of questions* they contain
3. How the firm *administers* the interviews (for instance, one-on-one or via a committee)

Each has pros and cons. We'll look at each.

Structured versus Unstructured Interviews

unstructured (or nondirective) interview

An unstructured conversational-style interview in which the interviewer pursues points of interest as they come up in response to questions.

structured (or directive) interview

An interview following a set sequence of questions.

First, most interviews vary in the degree to which the interviewer structures the interview process.[4] In **unstructured (or nondirective) interviews**, the manager follows no set format. A few questions might be specified in advance, but they're usually not, and there is seldom a formal guide for scoring "right" or "wrong" answers. Typical questions here might include, for instance, "Tell me about yourself," "Why do you think you'd do a good job here?" and "What would you say are your main strengths and weaknesses?" Some describe this as little more than a general conversation.[5]

At the other extreme, in **structured (or directive) interviews**, the employer lists questions ahead of time, and may even weight possible alternative answers for appropriateness.[6] McMurray's Patterned Interview was one early example. The interviewer followed a printed form to ask a series of questions, such as "How was the person's present job obtained?" Comments printed beneath the questions (such as "Has he/she shown self-reliance in getting his/her jobs?") then guide the interviewer in evaluating the answers. Some experts still restrict the term "structured interview" to interviews like these, which are based on carefully selected job-related questions with predetermined answers.

But in practice, interview structure is a matter of degree. Sometimes the manager may just want to ensure he or she has a list of questions to ask so as to avoid skipping any questions. Here, he or she might choose questions from a list like that in Figure 7-3 (page 219). The structured interview guide in Figure 7A-1 (pages 231–233) illustrates a more structured approach. As another example, the Department of Homeland Security uses the structured guide in Figure 7-1 (pages 208–209) to help screen Coast Guard officer candidates. It contains a formal candidate rating procedure, and enables geographically dispersed interviewers to complete the form via the Web.[7]

Structured interviews are generally best.[8] In such interviews, all interviewers generally ask all applicants the same questions. Partly because of this, these interviews tend to be more consistent, reliable, and valid. Having a standardized list of questions can also help less talented interviewers conduct better interviews. Standardizing the interview also enhances job relatedness (the questions chosen tend to provide insights into how the person will actually do the job), reduces overall subjectivity and thus the potential for bias, and may "enhance the ability to withstand legal challenge."[9] However, blindly following a structured format may not provide enough opportunity to pursue points of interest. The interviewer should always be able to ask follow-up questions and pursue points of interest as they develop. We'll see how to create a structured interview later in this chapter.

Interview Content (What Types of Questions to Ask)

We can also classify interviews based on the "content" or the types of questions interviewers ask. Many interviewers ask relatively unfocused questions, such as "What do you want to be doing in 5 years?" Questions like these usually don't provide much

insight into how the person will do on the job. That is why *situational, behavioral*, and *job-related* questions are best.

In a **situational interview,** you ask the candidate what his or her behavior *would be* in a given situation.[10] For example, ask a supervisory candidate how he or she would act in response to a subordinate coming to work late 3 days in a row.

Whereas situational interviews ask applicants to describe how they *would* react to a hypothetical situation today or tomorrow, **behavioral interviews** ask applicants to describe *how they reacted* to actual situations in the past.[11] *Situational* questions start with phrases such as, "Suppose you were faced with the following situation. . . . What would you do?" *Behavioral* questions start with phrases like, "Can you think of a time when. . . . What did you do?"[12] In one variant, Vanguard uses an interviewing

situational interview
A series of job-related questions that focus on how the candidate would behave in a given situation.

behavioral interview
A series of job-related questions that focus on how the candidate reacted to actual situations in the past.

FIGURE 7-1 **Officer Programs Applicant Interview Form**

Source: From Officer Programs Applicant Interview Form CG_5527, http://www.uscg.mil/forms/cg/CG_5527.pdf accessed August 29, 2015.

FIGURE 7-1 *Continued*

Page 2 - CG-5527 (06-04)

11. **Leadership Skills:** Measures an applicant's ability to support, develop, direct, and influence others in performing work.

Unsatisfactory	Limited Potential	Fair Performer	Good Performer	Excellent Performer	Exceptional Performer	Distinguished Performer
1 ☐	2 ☐	3 ☐	4 ☐	5 ☐	6 ☐	7 ☐

Comments:

12. **Personal and Professional Qualities:** Measures qualities which illustrate the applicant's character.

Unsatisfactory	Limited Potential	Fair Performer	Good Performer	Excellent Performer	Exceptional Performer	Distinguished Performer
1 ☐	2 ☐	3 ☐	4 ☐	5 ☐	6 ☐	7 ☐

Comments:

Reset

technique it calls STAR. Vanguard managers ask interviewees about a particular situation (S) or task (T) they faced to uncover the actions (A) the candidates took, and the results (R) of their actions.[13]

Behavioral interviews are increasingly popular.[14] When Citizen's Banking Corporation in Flint, Michigan, found that 31 of the 50 people in its call center quit in one year, the center's head switched to behavioral interviews. Many who left did so because they didn't enjoy irate questions from clients. So she no longer tries to predict how candidates will act based on asking them if they want to work with angry clients. Instead, she asks behavioral questions like, "Tell me about a time you were speaking with an irate person, and how you turned the situation around." This makes it harder to fool the interviewer; only four people left in the following year.[15]

Bain & Company uses case interviews as part of its candidate selection process. By having candidates explain how they would address the case "client's" problems, the case interview combines elements of behavioral and situational questioning to provide a more realistic assessment of the candidate's consulting skills.

job-related interview

A series of job-related questions that focus on relevant past job-related behaviors.

stress interview

An interview in which the applicant is made uncomfortable by a series of often rude questions. This technique helps identify hypersensitive applicants and those with low or high stress tolerance.

OTHER TYPES OF QUESTIONS In a **job-related interview,** the interviewer asks applicants questions about job-relevant past experiences. The questions here don't revolve around hypothetical or actual situations or scenarios. Instead, the interviewer asks questions such as, "Which courses did you like best in business school?" The aim is to draw conclusions about, say, the candidate's ability to handle the job's financial aspects.

There are other, lesser-used types of questions. In a **stress interview,** the interviewer seeks to make the applicant uncomfortable with occasionally rude questions. The aim is supposedly to spot sensitive applicants and those with low (or high) stress tolerance. Thus, a candidate for a customer relations manager position who obligingly mentions having had four jobs in the past 2 years might be told that frequent job changes reflect irresponsible and immature behavior. If the applicant then responds with a reasonable explanation of why the job changes were necessary, the interviewer might pursue another topic. On the other hand, if the formerly tranquil applicant reacts explosively, the interviewer might deduce that the person has a low tolerance for stress.

The stress interview's invasive and ethically dubious nature demands that the interviewer be both skilled in its use and sure the job really requires handling stress. This is

definitely not an approach for amateur interrogators or for those without the skills to keep the interview under control.

Puzzle questions are popular. Recruiters see how candidates think under pressure. For example, an interviewer at Microsoft asked a tech service applicant this: "Mike and Todd have $21 between them. Mike has $20 more than Todd does. How much money has Mike, and how much money has Todd?"[16] (The answer is two paragraphs below.)

> **HR in Action at the Hotel Paris** As an experienced HR professional, Lisa knew that the company's new testing program would go only so far. To see how the Hotel Paris created a new interview process, see the case on page 226.

How Should We Conduct the Interview?

Employers also administer interviews in various ways: *one-on-one or by a panel of interviewers, sequentially or all at once, computerized or personally,* or *online.*

Most selection interviews are probably still *one-on-one* and *sequential.* In a one-on-one interview, two people meet alone, and one interviews the other by seeking oral responses to oral inquiries. Employers tend to schedule these interviews *sequentially.* In a *sequential (or serial) interview*, several persons interview the applicant, in sequence, one-on-one, and then make their hiring decision. In an **unstructured sequential interview,** each interviewer generally just asks questions as they come to mind. In a **structured sequential interview,** each interviewer rates the candidates on a standard evaluation form, using standardized questions. The hiring manager then reviews these ratings before deciding whom to hire.[17] (Answer: Mike had $20.50, Todd $0.50.)

A **panel interview,** also known as a board interview, is an interview conducted by a team of interviewers (usually two to three), who together question each candidate and then combine their ratings of each candidate's answers into a final panel score. This contrasts with the *one-on-one interview* (in which one interviewer meets one candidate) and a *serial interview* (where several interviewers assess a single candidate one-on-one, sequentially).[18]

The panel format enables interviewers to ask follow-up questions, much as reporters do in press conferences. This may elicit more meaningful responses than a series of one-on-one interviews. On the other hand, some candidates find panel interviews more stressful, so they may actually inhibit responses. (An even more stressful variant is the **mass interview.** Here a panel interviews several candidates simultaneously. The panel might pose a problem, and then watches to see which candidate takes the lead in formulating an answer.)

Whether panel interviews are more or less reliable and valid than sequential interviews depends on how the employer actually does the panel interview. For example, *structured* panel interviews in which members use scoring sheets with descriptive scoring examples for "good" and "bad" sample answers are more reliable and valid than those that don't. Training panel interviewers may boost interview reliability.[19]

For better or worse, some employers use "speed dating" interviewing. One sent e-mails to all applicants for an advertised position. Four hundred (of 800 applicants) showed up. Over several hours, applicants first mingled with employees, and then (in a so-called speed dating area) had one-on-one contacts with employees for a few minutes each. Based on this, the recruiting team chose 68 candidates for follow-up interviews.[20]

PHONE INTERVIEWS   Employers also conduct interviews via phone. Somewhat counterintuitively, these can actually be more useful than face-to-face interviews for judging one's conscientiousness, intelligence, and interpersonal skills. Because they needn't worry about appearance or handshakes, each party can focus on answers. And perhaps candidates—somewhat surprised by an unplanned call from the recruiter—give more spontaneous answers.[21] In one study, interviewers tended to evaluate applicants more favorably in telephone versus face-to-face interviews, particularly where interviewees were less physically attractive. The applicants preferred the face-to-face interviews.[22]

unstructured sequential interview
An interview in which each interviewer forms an independent opinion after asking different questions.

structured sequential interview
An interview in which the applicant is interviewed sequentially by several persons; each rates the applicant on a standard form.

panel interview
An interview in which a group of interviewers questions the applicant.

mass interview
A panel interviews several candidates simultaneously.

COMPUTER-BASED JOB INTERVIEWS   A *computerized selection interview* is one in which a job candidate's oral and/or keyed replies are obtained in response to computerized oral, visual, or written questions and/or situations. Most such interviews present a series of multiple-choice questions regarding background, experience, education, skills, knowledge, and work attitudes. Some confront candidates with realistic scenarios (such as irate customers) to which they must respond.[23]

ONLINE VIDEO INTERVIEWS   With phone and tablet video functionalities like FaceTime™ and Skype™, Web-based "in-person" interview use is widespread; about 18% of candidates took such interviews in one study.[24] College career centers and outplacement firms use the InterviewStream 360 Video Practice Interview System, to have students or job seekers record interviews for their own development and for prospective employers.[25] InterviewStream, Inc. (www.InterviewStream.com) offers employer clients prerecorded and live video interview management systems for prescreening candidates and interviewing remote talent. Or, the client and candidate can use InterviewStream's live video conference platform for a live interview.[26] Employers including Microsoft use the virtual community Second Life to conduct job interviews. Job seekers create avatars to represent themselves.[27] And as explained in Chapter 6, HireVue's software analyzes its clients' past video employment interviews for signs like facial expressions and voice modulation to determine which predict applicants' suitability for jobs.

Hilton Worldwide recruits in 94 countries, so distances often make in-person interviews impractical. Now, online video interviews make it easy for Hilton to do initial screening interviews.[28] Another firm's CEO conducts initial screening interviews via text-only chats or instant messaging because, he says, it reduces potential distractions like gender, ethnicity, and body language.[29]

An online video interview requires little special preparation for employers, but Career FAQs (www.careerfaqs.com.au) lists things that *interviewees* should keep in mind. It's often the obvious things people overlook (for more on how to take interviews, see Appendix 2 to this chapter, page 234):[30]

- *Look presentable.* It might seem strange sitting at home in a suit, but it could make a difference.
- *Clean up the room.* Do not let the interviewer see clutter.
- *Test first.* As Career FAQs says, "Five minutes before the video interview is not a good time to realize that your Internet is down . . ."
- *Do a dry run.* Record yourself before the interview to see how you're "coming across."
- *Relax.* The golden rule with such interviews is to treat them like face-to-face meetings. Smile, look confident and enthusiastic, make eye contact, and don't shout, but do speak clearly.

■ **IMPROVING PERFORMANCE:** *THE STRATEGIC CONTEXT*

Asynchronous Interviews at Urban Outfitters

Asynchronous mobile device–based interviews let interviewees "do" the interview at their leisure from wherever they are, and the hiring managers to review the interviews at their leisure.[31]

For example, Urban Outfitters wants store employees who share its core values of Community, Pride, Creativity, and Respect.[32] The question is, how does it find and attract such applicants, while controlling hiring costs in the competitive retail industry? Because it receives so many applications, the company first used group interviews for selecting sales associates. Retail managers would interview six to eight candidates at once, in a group interview. Store managers didn't think this was a good fit for Urban Outfitter's culture, though.

Urban Outfitters switched to HireVue on-demand interviews in its 200 retail stores. The HireVue system enabled applicants to watch videos about Urban Outfitters and the job, and then to respond in writing and by video to Urban's interview questions and instructions, at their leisure, "on demand." The hiring managers then reviewed the recorded interviews, usually outside of peak business hours when the stores weren't as busy.

The new system reportedly has been a boon to Urban Outfitters. It reduced screening time by 80%, lets store managers process many more applicants, and is preferred by applicants, 90% of whom can do their interviews after hours. The HireVue system also supports Urban Outfitters' strategy. As it says:

Moving to digital interviewing has transformed our hiring process into a true reflection of the Urban Outfitters culture. Our value in creativity and community and our nonconformist approach now begins with our candidate experience. No other initiative has impacted our hiring teams like digital recruiting has.[33]

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/ mylab/management** to complete this discussion. You have to hire dozens of waitstaff every year for a new restaurant on Miami Beach. Explain how you would use a HireVue interview, including questions and tasks for candidates.

Avoiding Errors That Can Undermine an Interview's Usefulness

Interviews hold an ironic place in the hiring process: Everyone uses them, but they're generally not particularly valid. The key is to do them properly. If you do, then the interview is generally a good predictor of performance and is comparable with many other selection techniques.[34] Keep three things in mind—use structured interviews, know what to ask, and avoid the common interviewing errors.

First, *structure the interview*.[35] Structured interviews (particularly structured interviews using situational questions) are more valid than unstructured interviews for predicting job performance. They are more valid partly because they are more reliable—for example, the same interviewer administers the interview more consistently from candidate to candidate.[36] Situational structured interviews yield a higher mean validity than do job-related (or behavioral) interviews, which in turn yield a higher mean validity than do "psychological" interviews (which focus more on motives and interests).[37]

Second, interviews are better at revealing some things than others, so know what to focus on. In one study, interviewers were able to size up the interviewee's extroversion and agreeableness. What they could *not* assess accurately were important traits like conscientiousness and emotional stability.[38] Interview questions such as "Describe the work environment or culture in which you are most productive and happy" may help unearth cultural fit.[39] One implication seems to be, focus more on situational and job knowledge questions that help you assess how the candidate will actually respond to typical situations on that job.

Third, whether the interview is in person or online, effective employment interviewers understand and avoid the following common interview errors.[40]

First Impressions (Snap Judgments)

Interviewers tend to jump to conclusions—make snap judgments—about candidates during the first few minutes of the interview (or even before it starts, based on test scores or résumés). One researcher estimates that in 85% of the cases, interviewers had made up their minds before the interview even began, based on first impressions gleaned from candidates' applications and personal appearance.[41] In one study, giving interviewers the candidates' test scores biased the candidates' ultimate assessments. In another study, interviewers judged candidates who they were told once suffered from depression more negatively.[42] Even structured interviews are usually preceded by a brief discussion, and the impressions one makes here can contaminate even a structured interview's results.[43]

First impressions are especially damaging when the prior information is negative. In one study, interviewers who previously received unfavorable reference letters about applicants gave those applicants less credit for past successes and held them

more responsible for past failures after the interview. And the interviewers' final decisions (to accept or reject those applicants) *always* reflected what they expected of the applicants based on the references, quite aside from the applicants' actual interview performance.[44]

Add to this two more interviewing facts. First, interviewers are more influenced by unfavorable than favorable information about the candidate. Second, their impressions are much more likely to change from favorable to unfavorable than from unfavorable to favorable. Indeed, many interviewers mostly search for negative information, often without realizing it.

The bottom line is that most interviews are loaded against applicants. One who starts well could easily end up with a low rating because unfavorable information predominates. And for the interviewee who starts out poorly, it's almost impossible to overcome that first bad impression.[45] One psychologist interviewed CEOs of 80 top companies. She concluded that you "don't even get to open your mouth."[46] Instead, the interviewer will size up your posture, handshake, smile, and "captivating aura." It's difficult to overcome that first impression.

Not Clarifying What the Job Requires

Interviewers who don't have an accurate picture of what the job entails and the sort of candidate that's best for it usually make their decisions based on incorrect stereotypes of what a good applicant is. They then erroneously match interviewees with their incorrect stereotypes. You should clarify what sorts of traits you're looking for, and why, before starting the interview.

One classic study involved 30 professional interviewers.[47] Half got just this brief job description: "the eight applicants here represented by their application blanks are applying for the position of secretary." The other interviewers got much more explicit job information, including bilingual ability, for instance.

More job knowledge translated into better interviews. The 15 interviewers with more job information generally all agreed about each candidate's potential; those without it did not. The latter also didn't discriminate as well among applicants—they tended to give them all high ratings. (What screeners actually look for is another matter. A researcher spoke with 120 hiring decision makers. She found that most of them were actually looking for "personal chemistry," in terms of having things like backgrounds and hobbies that matched their own.)[48]

Candidate-Order (Contrast) Error and Pressure to Hire

candidate-order (or contrast) error
An error of judgment on the part of the interviewer due to interviewing one or more very good or very bad candidates just before the interview in question.

Candidate-order (or contrast) error means that the order in which you see applicants affects how you rate them. In one study, managers had to evaluate a sample candidate who was "just average" after first evaluating several "unfavorable" candidates. They scored the average candidate more favorably than they might otherwise because, in contrast to the unfavorable candidates, the average one looked better than he actually was. This contrast effect can be huge: In some early studies, evaluators based only a small part of the applicant's rating on his or her actual potential.[49]

Pressure to hire accentuates this problem. Researchers told one group of managers to assume they were behind in their recruiting quota. They told a second group they were ahead. Those "behind" rated the same recruits more highly.[50]

Nonverbal Behavior and Impression Management

The applicant's nonverbal behavior (smiling, avoiding your gaze, and so on) can affect his or her rating. In one study, 52 human resource specialists watched videotaped job interviews in which *the applicants' verbal content was identical*, but their nonverbal behavior differed markedly. Researchers told applicants in one group to exhibit minimal eye contact, a low energy level, and low voice modulation. Those in a second group demonstrated the opposite behavior. Twenty-three of the 26 personnel specialists who saw the high-eye-contact, high-energy candidate would have invited him or her for a second interview. None who saw the low-eye-contact, low-energy candidate would have recommended a second interview.[51] So, it pays interviewees to "look alive."

Nonverbal behaviors are probably so important because interviewers infer your personality from how you behave in the interview. In one study, 99 graduating college seniors completed questionnaires that included measures of personality, among other things. The students then reported their success in generating follow-up interviews and job offers. The interviewee's personality, particularly his or her level of extroversion, had a pronounced influence on whether he or she received follow-up interviews and job offers.[52] In turn, extroverted applicants seem particularly prone to self-promotion, and self-promotion is strongly related to the interviewer's perceptions of candidate–job fit.[53] Even structuring the interview doesn't cancel out such effects;[54] as one study concludes, "No matter how much an interview is structured, nonverbal cues cause interviewers to make attributions about candidates."[55]

IMPRESSION MANAGEMENT   Clever candidates capitalize on that fact. One study found that some used ingratiation to persuade interviewers to like them. For instance, the candidates praised the interviewers or appeared to agree with their opinions, thus signaling they shared similar beliefs. Sensing that a perceived similarity in attitudes may influence how the interviewer rates them, some interviewees try to emphasize (or fabricate) such similarities.[56] Others make self-promoting comments about their accomplishments.[57] Self-promotion means promoting one's own skills and abilities to create the impression of competence.[58] Psychologists call using techniques like ingratiation and self-promotion "impression management." Most interviewers aren't likely to know they're being misled.[59] Self-promotion can be an effective tactic, but faking or lying generally backfires.[60]

Effect of Personal Characteristics: Attractiveness, Gender, Race

Unfortunately, physical attributes also distort assessments.[61] For example, people usually ascribe more favorable traits and more successful life outcomes to attractive people.[62] Similarly, race can play a role, depending on how you conduct the interview. In one study, the white members of a racially balanced interview panel rated white candidates higher, while the black interviewers rated black candidates higher. But in all cases, *structured* interviews produced less of a difference between minority and white interviewees than did unstructured ones.[63] One study concludes, ". . . structured interviews can minimize or eliminate potential bias with respect to demographic similarity between applicants and interviewers."[64]

The use of employment discrimination "testers" makes nondiscriminatory interviewing even more important. The EEOC says testers are "individuals who apply for employment which they do not intend to accept, for the sole purpose of uncovering unlawful discriminatory hiring practices."[65] Although not really seeking employment, testers have legal standing with the courts and EEOC.[66]

One civil rights group sent four university students—two white, two black—to an employment agency, supposedly in pursuit of a job. The civil rights group gave the four "testers" backgrounds and training to make their qualifications appear almost identical. The white tester/applicants got interviews and job offers. The black tester/applicants got neither interviews nor offers.[67] The HR Practices feature (page 215) shows why care is required abroad too.

Diversity Counts: Applicant Disability and the Employment Interview

In general, candidates evidencing various attributes and disabilities (such as child-care demands, HIV-positive status, or being wheelchair-bound) have less chance of obtaining a positive decision, even when they perform well in a structured interview.[68] In one study, the researchers manipulated the candidates' appearance, for instance "by placing scar-like marks on the cheeks of some of the applicants for some interviews, but not for others." Results revealed that managers who interviewed a facially stigmatized applicant (versus a nonstigmatized applicant) "rated the applicant lower [and] recalled less information about the interview" (in part, apparently, because staring at the "scars" distracted the interviewers).[69] One study found interviewers to be more lenient toward those with disabilities, however.[70]

Another study surveyed 40 disabled people from various occupations. The disabled people felt that interviewers tend to avoid directly addressing the disability, and therefore make their decisions without all the facts.[71]

What the disabled people prefer is a discussion that lets the employer address his or her concerns and reach a knowledgeable conclusion. Among the questions they said they would like interviewers to ask were these: Is there any kind of setting or special equipment that will facilitate the interview process for you? Is there any specific technology that you currently use or have used that assists the way you work? What other kind of support did you have in previous jobs? Is there anything that would benefit you? Discuss a barrier or obstacle, if any, that you have encountered in any of your previous jobs. How was that addressed? And, do you anticipate any transportation or scheduling issues with the position's work schedule? ■

■ **IMPROVING PERFORMANCE:** *HR PRACTICES AROUND THE GLOBE*

Selection Practices Abroad[72]

In choosing selection criteria abroad, the manager walks a thin line between using the parent company's selection process and adapting it to local cultural differences. One study focused on Bangladesh.[73] Traditional selection practices there are different from the United States. For example, "age is considered synonymous to wisdom." Therefore, job advertisements for mid- and senior-level positions often set a *minimum* age as a selection criteria. But managers of multinational subsidiaries there are slowly implementing their corporate headquarters' prescribed HRM practices. As a result, the multinationals are influencing local recruitment and selection practices. That said, the manager should still factor in a country's unique cultural needs before holding an interview there.

> ### MyLab Management Talk About It 2
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. You are interviewing candidates in Bangladesh, and you have a great candidate who unfortunately is 25 years old, when the job calls for someone at least 40. List three interview questions you would ask to see if the person is still qualified.

Interviewer Behavior

Finally, the list of ways in which *interviewers* themselves wreck interviews is boundless. For example, some interviewers inadvertently telegraph the expected answers, as in: "This job involves a lot of stress. You can handle that, can't you?" Even subtle cues (like a smile or nod) can telegraph the desired answer.[74] Some interviewers talk so much that applicants can't answer questions. At the other extreme, some interviewers let the applicant dominate the interview. When interviewers have favorable preinterview impressions of the applicant, they tend to act more positively toward that person (smiling more, for instance).[75] Other interviewers play interrogator, gleefully pouncing on inconsistencies. Some interviewers play amateur psychologist, unprofessionally probing for hidden meanings in what the applicant says. Others ask discriminatory questions."[76]

In summary, interviewing errors to avoid include:

- First impressions (snap judgments)
- Not clarifying what the job involves and requires
- Candidate-order error and pressure to hire
- Nonverbal behavior and impression management
- The effects of interviewees' personal characteristics
- The interviewer's inadvertent behaviors

We'll address what *interviewees* can do to apply these findings and to excel in the interview in Appendix 2 to this chapter.

structured situational interview

A series of job-relevant questions with predetermined answers that interviewers ask of all applicants for the job.

How to Design and Conduct an Effective Interview

There is little doubt that the **structured situational interview**—a series of job-relevant questions with predetermined answers that interviewers ask of all applicants for the job—produces superior results.[77] The basic idea is to (1) write situational (what would you do), behavioral (what did you do), or job knowledge questions, *and* (2) have job experts (like those supervising the job) write several answers for each of these questions, rating the answers from good to poor. (A knowledge question for a social media marketing job would be: "How would you measure the success of your social campaigns?" A situational question would be, "There's a crisis on one of our social media channels. How do you handle it?" A behavioral question is, "Tell me about a successful social campaign you've run.")[78] The people (usually a panel of two to three) who interview the applicants then use rating sheets anchored with examples of good or bad answers to rate interviewees' answers.

Designing a Structured Situational Interview

The procedure is as follows.[79]

Step 1. **Analyze the job.** Write a job description including: a list of job duties; required knowledge, skills, and abilities; and other worker qualifications.

Step 2. **Rate the job's main duties.** Rate each job duty, say from 1 to 5, based on how important it is to the job.

Step 3. **Create interview questions.** Create situational, behavioral, and job knowledge interview questions for each job duty, with more questions for the important duties. The people who create the questions usually write them as critical incidents. For example, to probe for conscientiousness, the interviewer might ask this situational question:

> Your spouse and two teenage children are sick in bed with colds. There are no relatives or friends available to look in on them. Your shift starts in 3 hours. What would you do?

Step 4. **Create benchmark answers.** Next, *for each question*, develop ideal (benchmark) answers for good (a 5 rating), marginal (a 3 rating), and poor (a 1 rating) answers. The structured interview guide (pages 231–233) presents an example. Three benchmark answers (from low to high) for the example question in step 3 might be, "I'd stay home—my spouse and family come first" (1); "I'd phone my supervisor and explain my situation" (3); and "Because they only have colds, I'd come to work" (5).

Step 5. **Appoint the interview panel and conduct interviews.** Employers generally conduct structured situational interviews using a panel, rather than one-on-one. Panels usually consist of two or three members, preferably those who wrote the questions and answers. They may also include the job's supervisor and/or incumbent, and an HR representative. The same panel interviews all candidates for the job.[80]

The panel members review the job description, questions, and benchmark answers before the interview. One panel member introduces the applicant, and asks all questions of all applicants in this and succeeding candidates' interviews (to ensure consistency). However, all panel members record and rate the applicant's answers on the rating sheet (as on pages 232–233), by indicating where the candidate's answer to each question falls relative to the benchmark poor, marginal, or good answers. At the end of the interview, someone answers any questions the applicant has.[81]

Web-based programs help interviewers design and organize behaviorally based selection interviews. For example, SelectPro (www.selectpro.net) enables interviewers to create behavior-based selection interviews, custom interview guides, and automated online interviews. The following summarizes how to conduct an effective interview.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

In Summary: How to Conduct an Effective Interview

You may not have the time or inclination to create a structured situational interview. However, there is still much you can do to make your interviews systematic.

Step 1: First, know the job. Don't start the interview unless you understand the job's duties and what human skills you're looking for. Study the job description.

Step 2: Structure the interview. *Any* structuring is better than none. If pressed for time, you can still do several things to ask more consistent and job-relevant questions, without developing a full-blown structured interview.[82] For example:[83]

- Base questions on *actual job duties.* This will minimize irrelevant questions.
- Use *job knowledge, situational, or behavioral questions.* Questions that simply ask for opinions and attitudes, goals and aspirations, and self-evaluations allow candidates to present themselves in an overly favorable manner or avoid revealing weaknesses.[84] Figure 7-2 illustrates structured questions.
- *Use the same questions* with all candidates. This improves reliability. It also reduces bias by giving all candidates the same opportunity.
- For each question, if possible, *have several ideal answers* and a score for each. Then rate each candidate's answers against this scale.
- If possible, use an *interview form.* Interviews based on structured guides like the ones in Figure 7-1 (pages 208–209) or Figure 7A-1, the "structured interview guide" on pages 232–233, usually result in better interviews.[85] At least list your questions before the interview.

Step 3: Get organized. Hold the interview in a private place to minimize interruptions. Prior to the interview, review the candidate's application and résumé. Note any areas that are vague or that may indicate strengths or weaknesses.

Step 4: Establish rapport. The main reason for the interview is to find out about the applicant. Start by putting the person at ease. Greet the candidate, and start the interview by asking a noncontroversial question, perhaps about the weather that day.

Step 5: Ask questions. Try to follow the situational, behavioral, and job knowledge questions you wrote out ahead of time. (That notwithstanding,

FIGURE 7-2 Examples of Questions That Provide Interview Structure

Job Knowledge Questions

1. What steps would you follow in changing the fan belt on a Toyota Camry?
2. What factors would you consider in choosing a computer to use for work?

Experience Questions

3. What experience have you had actually repairing automobile engines?
4. What experience have you had creating marketing programs for consumer products?

Behavioral (Past Behavior) Questions

5. Tell me about a time when you had to deal with a particularly obnoxious person. What was the situation, and how did you handle it?
6. Tell me about a time when you were under a great deal of stress. What was the situation, and how did you handle it?

Situational (What Would You Do) Questions

7. Suppose your boss insisted that a presentation had to be finished by tonight, but your subordinate said she has to get home early to attend an online class, so she is unable to help you. What would you do?
8. The CEO just told you that he's planning on firing your boss, with whom you are very close, and replacing him with you. What would you do?

glassdoor.com says that "What are your strengths" is still the top [of 50] job interview questions asked.)[86] Figure 7-3 contains the list of 50 questions glassdoor.com found were most popular (such as "Why do you want to leave your current company?"). And remember that many states and municipalities now ban asking about job applicant pay history.[87] Also, in asking your questions:

Don't telegraph the desired answer.
Don't interrogate the applicant as if the person is on trial.
Don't monopolize the interview, nor let the applicant do so.
Do ask open-ended questions.
Do encourage the applicant to express thoughts fully.
Do draw out the applicant's opinions and feelings by repeating the person's last comment as a question (e.g., "You didn't like your last job?").
Do ask for examples.[88]
Do ask, "If I were to arrange for an interview with your boss, what would he or she say are your strengths, weaker points, and overall performance?"[89]

Step 6: Take brief, unobtrusive notes during the interview. This helps avoid making a snap decision early in the interview, and may help jog your memory once the interview is over. Jot down the key points of what the interviewee says.[90]

Step 7: Close the interview. Leave time to answer any questions the candidate may have and, if appropriate, to advocate your firm to the candidate.

Try to end the interview on a positive note. Tell the applicant whether there's any interest and, if so, what the next step will be. Make rejections diplomatically—"Although your background is impressive, there are other candidates whose experience is closer to our requirements." Remember, as one recruiter says, "An interview experience should leave a lasting, positive impression of the company, whether the candidate receives and accepts an offer or not."[91] If the applicant is still under consideration but you can't reach a decision now, say so.

Step 8: Review the interview. Once the candidate leaves, review your interview notes, score the interview answers (if you used a guide), and make a decision.

Go into the interview with an accurate picture of the traits of an ideal candidate, know what you're going to ask, and be prepared to keep an open mind about the candidate.

Chris Ryan/Caiaimage/Gettyimage

1. What are your strengths?
2. What are your weaknesses?
3. Why are you interested in working for *[insert company name here]*?
4. Where do you see yourself in five years? Ten years?
5. Why do you want to leave your current company?
6. Why was there a gap in your employment between *[insert date]* and *[insert date]*?
7. What can you offer us that someone else can not?
8. What are three things your former manager would like you to improve on?
9. Are you willing to relocate?
10. Are you willing to travel?
11. Tell me about an accomplishment you are most proud of.
12. Tell me about a time you made a mistake.
13. What is your dream job?
14. How did you hear about this position?
15. What would you look to accomplish in the first 30 days/60 days/90 days on the job?
16. Discuss your résumé.
17. Discuss your educational background.
18. Describe yourself.
19. Tell me how you handled a difficult situation.
20. Why should we hire you?
21. Why are you looking for a new job?
22. Would you work holidays/weekends?
23. How would you deal with an angry or irate customer?
24. What are your salary requirements? *(Hint: If you're not sure what's a fair salary range and compensation package, research the job title and/or company on Glassdoor.)*
25. Give a time when you went above and beyond the requirements for a project.
26. Who are our competitors?
27. What was your biggest failure?
28. What motivates you?
29. What's your availability?
30. Who's your mentor?
31. Tell me about a time when you disagreed with your boss.
32. How do you handle pressure?
33. What is the name of our CEO?
34. What are your career goals?
35. What gets you up in the morning?
36. What would your direct reports say about you?
37. What were your bosses' strengths/weaknesses?
38. If I called your boss right now and asked him/her what is an area that you could improve on, what would he/she say?
39. Are you a leader or a follower?
40. What was the last book you've read for fun?
41. What are your co-worker pet peeves?
42. What are your hobbies?
43. What is your favorite Web site?
44. What makes you uncomfortable?
45. What are some of your leadership experiences?
46. How would you fire someone?
47. What do you like the most and least about working in this industry?
48. Would you work 40+ hours a week?
49. What questions haven't I asked you?
50. What questions do you have for me?

FIGURE 7-3 Suggested Supplementary Questions for Interviewing Applicants

Source: www.glassdoor.com/blog/common-interview-questions.

In rejecting a candidate, one perennial question is, should you provide an explanation or not? In one study, rejected candidates who received an explanation felt that the rejection process was fairer. Unfortunately, doing so may not be practical. Most employers say little, to avoid pushback and legal problems.[92] Templates for rejections letters are available from SHRM and others.[93] ∎

MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Write a one-paragraph (single-spaced) memo to the people who do your company's recruiting on the topic, "The five most important things an interviewer can do to have a useful selection interview."

Competency Profiles and Employee Interviews

We've seen that many companies use competency models or profiles for recruiting, selecting, training, appraising, and compensating employees. Employers can use such a profile for formulating job-related situational, behavioral, and knowledge interview questions. Table 7-1 summarizes this, for chemical engineer candidates, with sample interview questions.

MyLab Management Apply It!

What do you think of how Zipcar conducts its interviewing candidates program? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

Employee Engagement Guide for Managers

Building Engagement: A Total Selection Program

Many employers create a *total selection program* aimed at selecting candidates whose totality of attributes best fits the employer's total requirements. The program Toyota Motor uses to select employees for auto assembly team jobs illustrates this.

Toyota looks for several things. It wants employees with good interpersonal skills, due to the job's emphasis on teamwork. Toyota's emphasis on *kaizen*—on having the workers improve job processes through worker commitment to top quality—helps explain its emphasis on reasoning and problem-solving skills and on hiring intelligent, educated, and engaged workers.[94] Quality is a Toyota core value, so Toyota wants a history of quality commitment in those it hires. Toyota holds group interviews. By asking candidates about what they are proudest of, Toyota gets a better insight into the person's values regarding quality and doing things right. Toyota also wants employees with an eagerness to learn, and who are willing to try things Toyota's way or the team's way. Toyota's production system relies on consensus decision making, job rotation, and flexible career paths, which in turn require open-minded, flexible team players, not dogmatists.

TABLE 7-1 **Asking Competency Profile-Oriented Interview Questions**

Profile Competency	Example of Competency	Sample Interview Question
Skill	Able to use computer drafting software	Tell me about a time you used CAD Pro computerized design software.
Knowledge	How extreme heat affects hydrochloric acid (HCl)	Suppose you have an application where HCl is heated to 400 degrees Fahrenheit at 2 atmospheres of pressure; what happens to the HCl?
Trait	Willing to travel abroad at least 4 months per year visiting facilities	Suppose you had a family meeting to attend next week and we informed you that you had to leave for a job abroad immediately. How would you handle that?
Experience	Designed pollution filter for acid-cleaning facility	Tell me about a time when you designed a pollution filter for an acid-cleaning facility. How did it work? What particular problems did you encounter?

The Toyota Way

Toyota's hiring process aims to identify such assembler candidates. The process takes about 20 hours and six phases over several days:[95]

Step 1: an in-depth online application (20–30 minutes)

Step 2: a 2- to 5-hour computer-based assessment

Step 3: a 6- to 8-hour work simulation assessment

Step 4: a face-to-face interview

Step 5: a background check, drug screen, and medical check

Step 6: job offer

For example, in step 1, applicants complete applications summarizing their experience and skills, and often view a video describing Toyota's work environment and selection system. This provides a realistic preview of the work and of the hiring process's extensiveness. Many applicants drop out here.

Step 2 assesses the applicant's technical knowledge and potential. Here applicants take tests that help identify problem-solving skills, learning potential, and occupational preferences. Skilled trade applicants (experienced mechanics, for instance) also take tool and die or general maintenance tests. Vendors offer practice Toyota tests.[96]

In step 3, applicants engage in simulated realistic production activities in Toyota's assessment center, under the observation of Toyota screening experts. The production (work sample) test assesses how well each candidate does on an actual assembler task. Also here, group discussion exercises help show how each applicant interacts with others in their group and solves problems.

In one simulation, candidates play the roles of the management and the workers of a firm making electrical circuits. During one scenario, the team must decide which circuit should be manufactured and how to effectively assign people, materials, and money to produce them. In another, participants role-play a team responsible for choosing new features for next year's car. Team members first individually rank 12 features based upon market appeal and then suggest one feature not included on the list. They must then come to a consensus on the best rank ordering. As one candidate who went through this process said, "There are three workstations in which you will be required to spend 2 hours at each one. You then have to get in a group and problem-solve a special project with them for another hour or so. I left my house at 5 A.M. and did not return until 6:30 P.M.; it was a very long day."[97]

The time and effort applicants must invest in their Toyota visits are no accident. Toyota seeks engaged, flexible, quality-oriented team players, and those who lack these traits tend not to make it through the screening process. The rigorousness of the process tends to screen out the less engaged.

In summary, Toyota uses a total hiring process to identify and select engaged employees. Four common themes are apparent from Toyota's process. First, *value-based hiring* means it clarifies its own values before it embarks on an employee selection program. Whether based on excellence, kaizen/continuous improvement, integrity, or some other, value-based hiring begins with clarifying what your firm's values are and what you're looking for in employees.

Second, high-engagement firms such as Toyota commit the time and effort for an *exhaustive screening process*. Eight to ten hours of interviewing even for entry-level employees is not unusual, and firms like this will often spend 20 hours or more with someone before deciding to hire. Many are rejected.

Third, the screening process doesn't just identify knowledge and technical skills. Instead, it seeks candidates whose *values and skills match* the needs of the firm. Teamwork, kaizen, problem solving, engagement, and flexibility are essential values at Toyota, so problem-solving skills, interpersonal skills, and engagement with the firm's commitment to quality are crucial human requirements.

Fourth, *self-selection* is important. In some firms this just means realistic previews. At others, practices such as long probationary periods in entry-level jobs help screen

out those who don't fit. At Toyota, the long screening process itself demands a sacrifice in terms of time and effort.

TRENDS SHAPING HR: *SCIENCE IN TALENT MANAGEMENT*

As another example, Google takes a scientific, evidence-based approach to its selection (and other HR) practices.

In its hiring process, Google starts (as explained in Chapter 4) with strong candidates. For example, its internal recruiting group proactively identifies candidates, rather than using job boards to attract unscreened résumés.

The main elements in Google's selection process include work samples, testing, and interviewing. Virtually all of Google's technical hires take work sample tests, such as actually writing algorithms. Work samples are combined with testing of cognitive ability (similar to IQ tests), and of conscientiousness. Early in its evolution Google put candidates through a dozen or more interviews. However, Google's analysis showed that after the first four interviews the amount of useful information it got was small. It therefore now generally makes hiring decisions after the fourth interview.

The interviews emphasize situational and behavioral questions. For specific questions, Google provides its interviewers with its QDroid system; this e-mails each interviewer specific questions to ask the candidate for the specific job. Google interviewers were once known for trick questions, but the emphasis now is on using validated questions (from the QDroid system). The questions aim to assess the candidate's cognitive ability, leadership (particularly willingness to lead projects), "Googleyness" (values such as fun-loving and conscientious), and role-related knowledge (such as in computer science).

Who actually does the interviewing? Here Google believes in the "wisdom of crowds": the interviewing "crowd" includes not just the prospective boss but also prospective subordinates and representatives of other unrelated departments. Google then averages all the interviewers' interview ratings on a candidate to get a score. Finally, the hiring committee reviews the file, as does a Google senior manager, and then the CEO, before an offer is made.[98]

Google is continually analyzing and improving its selection process. For example, it periodically runs experiments that identify common keywords so as to analyze résumés of successful Google employees in particular jobs. Google then looks for these keywords in applicants who it *rejected* over the past year, and reevaluates these rejected applicants for these keywords, hiring many of these former "rejects" as a result. Similarly, interviewers get printouts showing how effective they've been as interviewers in terms of candidates hired or not hired. The process is thus analytical, evidence-based, and scientific. ■

Developing and Extending the Job Offer

After all the interviews, background checks, and tests, the employer decides to whom to make an offer, using one or more approaches. The *judgmental* approach subjectively weighs all the evidence about the candidate. The *statistical* approach quantifies all the evidence and perhaps uses a formula to predict job success. The *hybrid* approach combines statistical results with judgment. Statistical and hybrid are more defensible; judgmental is better than nothing.

The employer will base the details of the actual offer on, for instance, the candidate's apparent attractiveness as a prospective employee, the level of the position, and pay rates for similar positions. Next the employer extends an actual job offer to the candidate verbally. Here, the employer's point person (who might be the person to whom the new employee will report, or the human resource director, for instance) discusses the offer's main parameters. These include, for instance, pay rates, benefits, and actual job duties. There may be some negotiations. Then, once agreement is reached, the employer will extend a written job offer to the candidate.

There are several issues to consider with the written offer. Perhaps most important, understand the difference between a job offer letter and a contract. In a job offer letter, the employer lists the offer's basic information. This typically starts with a welcome sentence. It then includes job-specific information (such as details on salary and pay), benefits information, paid leave information, and terms of employment (including, for instance, successful completion of physical exams). There should be a strong statement that the employment relationship is "at will." There is then a closing statement. This again welcomes the employee, mentions who the employer's point person is if any questions arise, and instructs the candidate to sign the letter of offer if it is acceptable. It is prudent to have an attorney review the offer before extending it.[99]

For many positions (such as executive) a contract is in order. Unlike a letter of offer (which should always be "at will"), an employment contract may have a duration (such as 3 years). Therefore, the contract will also describe grounds for termination or resignation, and severance provisions. The contract will almost always also include terms regarding confidentiality, nondisclosure requirements, and covenants not to compete (some *job offer letters* for positions such as engineer may include such provisions as well). See www.shrm.org/template-tools/toolkits for more information.

Depending upon the position, the employment contract (and, occasionally, the offer letter) may include a relocation provision. This lays out what the employer is willing to pay the new employee to relocate, for instance, in terms of moving expenses. State law generally governs enforcement of individual employment contracts. Letter of offer and employment contract samples are available online.[100]

Chapter Review

Chapter Section Summaries

7-1. A selection interview is a selection procedure designed to predict future job performance based on applicants' oral responses to oral inquiries; we discussed several **basic types of interviews.** There are structured versus unstructured interviews. We also distinguished between interviews based on the types of questions and on how you administer the interview.

7-2. One reason selection interviews are often less useful than they should be is that managers make predictable **errors that undermine an interview's usefulness.** They jump to conclusions or make snap judgments based on preliminary information, they don't clarify what the job really requires, they succumb to candidate-order error and pressure to hire, and they let a variety of nonverbal behaviors and personal characteristics undermine the validity of the interview.

7-3. The manager should know how to **design and conduct an effective interview.** The structured situational interview is a series of job-related questions with predetermined answers that

interviewers ask of all applicants for the job. Steps in creating a structured situational interview include analyzing the job, rating the job's main duties, creating interview questions, creating benchmark answers, and appointing the interview panel and conducting interviews.

7-4. **High-engagement firms** like Toyota use total hiring programs to select employees. Activities include clarifying the firm's values, committing the time and effort, matching the applicant's values with the firm's, having realistic previews, and encouraging self-selection.

7-5. Finally the employer turns to **developing and extending the job offer.** Distinguish between a job offer letter and a contract. The former lists the offer's basic information, including details on salary and pay, benefits information, paid leave information, and terms of employment. There should be a strong statement specifying that the employment relationship is "at will." In contrast to a letter of offer, it is not unusual for an employment contract to have a duration (such as 3 years).

Discussion Questions

7-1. There are several ways to conduct a selection interview. Explain and illustrate the basic ways in which you can classify selection interviews.

7-2. Briefly describe each of the following types of interviews: unstructured panel interviews, structured sequential interviews, job-related structured interviews.

7-3. For what sorts of jobs do you think unstructured interviews might be most appropriate? Why?

7-4. How would you explain the fact that structured interviews, regardless of content, are generally more valid than unstructured interviews for predicting job performance?

7-5. Briefly discuss what an interviewer can do to improve his or her interviewing performance.

7-6. What items should a letter of offer definitely contain?

7-7. What parallels do you see between the Toyota and Google total selection processes? What differences?

Individual and Group Activities

7-8. Prepare and give a short presentation titled "How to Be Effective as a Selection Interviewer."

7-9. Use the Internet to find employers who now do preliminary selection interviews via the Web. Do you think these interviews are useful? Why? How would you improve them?

7-10. In groups, discuss and compile examples of "the worst interview I ever had." What was it about these interviews that made them so bad? If time permits, discuss as a class.

7-11. In groups, prepare an interview (including a sequence of at least 20 questions) you'll use to interview candidates for the job of teaching a course in human resource management. Each group should present its interview questions in class.

7-12. Several years ago, Lockheed Martin Corp. sued the Boeing Corp., accusing it of using Lockheed's trade secrets to help win a multibillion-dollar government contract. Among other things, Lockheed claimed that Boeing had obtained those trade secrets from a former Lockheed employee who switched to Boeing.[101] But of the methods companies use to commit corporate espionage, one writer says that hiring away the competitor's employees is just the most obvious method companies use. One writer says, "One of the more unusual scams—sometimes referred to as 'help wanted'—uses a person posing as a corporate headhunter who approaches an employee of the target company with a potentially lucrative job offer. During the interview, the employee is quizzed about his responsibilities, accomplishments, and current projects. The goal is to extract information without the employee realizing there is no job."[102]

Assume you own a small high-tech company. What would you do (in terms of employee training, or a letter from you, for instance) to try to minimize the chance that one of your employees will fall into that kind of a trap? Also, compile a list of 10 questions that you think such a corporate spy might ask one of your employees.

7-13. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

KNOWLEDGE BASE

Experiential Exercise

The Most Important Person You'll Ever Hire

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Purpose: The purpose of this exercise is to give you practice using some of the interview techniques you learned from this chapter.

Required Understanding: You should be familiar with the information presented in this chapter, and read this: For parents, children are precious. It's therefore interesting that parents who hire "nannies" to take care of their children usually do little more than ask several interview

questions and conduct what is often, at best, a perfunctory reference check. Given the often questionable validity of interviews, and the (often) relative inexperience of the father or mother doing the interviewing, it's not surprising that many of these arrangements end in disappointment. You know from this chapter that it is difficult to conduct a valid interview unless you know exactly what you're looking for and, preferably, structure the interview. Most parents simply aren't trained to do this.

How to Set Up the Exercise/Instructions: Set up groups of five or six students. Two students will be the interviewees, while the other students in the group will serve as panel interviewers. The interviewees will develop an interviewer assessment form, and the panel interviewers will develop a structured situational interview for a "nanny."

7-14. Instructions for the interviewees: The interviewees should leave the room for about 20 minutes. While out of the room, the interviewees should develop an "interviewer assessment form" based on the information presented in this chapter regarding factors that can undermine the usefulness of an interview. During the panel interview, the interviewees should assess the interviewers using the interviewer assessment form. After the panel interviewers have conducted the interview, the interviewees should leave the room to discuss their notes. Did the interviewers exhibit any of the factors that can undermine the usefulness of an interview? If so, which ones? What suggestions would you (the interviewees) make to the interviewers on how to improve the usefulness of the interview?

7-15. Instructions for the interviewers: While the interviewees are out of the room, the panel interviewers will have 20 minutes to develop a short structured situational interview form for a "nanny." The panel interview team will interview two candidates for the position. During the panel interview, each interviewer should be taking notes on a copy of the structured situational interview form. After the panel interview, the panel interviewers should discuss their notes. What were your first impressions of each interviewee? Were your impressions similar? Which candidate would you all select for the position, and why?

Application Case

The Out-of-Control Interview

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Maria Fernandez is a bright, popular, and well-informed mechanical engineer who graduated with an engineering degree from State University in June 2018. During the spring preceding her graduation, she went out on many job interviews, most of which she thought were conducted courteously and were reasonably useful in giving both her and the prospective employer a good impression of where each of them stood on matters of importance to both of them. It was, therefore, with great anticipation that she looked forward to an interview with the one firm in which she most wanted to work: Apex Environmental. She had always had a strong interest in the environment and believed that the best use of her training and skills lay in working for a firm like Apex, where she thought she could have a successful career while making the world a better place.

The interview, however, was a disaster. Maria walked into a room where five men—the president of the company, two vice presidents, the marketing director, and another engineer—began throwing questions at her that she felt were aimed primarily at tripping her up rather than finding out what she could offer through her engineering skills. The questions ranged from being unnecessarily discourteous ("Why would you take a job as a waitress in college if you're such an intelligent person?") to being irrelevant and sexist ("Are you planning on starting a family anytime soon?"). Then, after the interview, she met with two of the gentlemen individually (including the president), and the discussions focused on her technical expertise. She thought that these later discussions went fairly well. However, given the apparent aimlessness and even mean-spiritedness of the panel interview, she was astonished when several days later the firm made her a job offer.

The offer forced her to consider several matters. From her point of view, the job itself was perfect. She liked what she would be doing, the industry, and the firm's location. And in fact, the president had been quite courteous in subsequent discussions. She was left wondering whether the panel interview had been intentionally tense to see how she'd stand up under pressure, and, if so, why they would do such a thing.

Questions

7-16. How would you explain the nature of the panel interview Maria had to endure? Specifically, do you think it reflected a well-thought-out interviewing strategy on the part of the firm or carelessness on the part of the firm's management? If it were carelessness, what would you do to improve the interview process at Apex Environmental?

7-17. Would you take the job offer if you were Maria? If you're not sure, what additional information would help you make your decision?

7-18. The job of applications engineer for which Maria was applying requires (a) excellent technical skills with respect to mechanical engineering, (b) a commitment to working in the area of pollution control, (c) the ability to deal well and confidently with customers who have engineering problems, (d) a willingness to travel worldwide, and (e) a very intelligent and well-balanced personality. List 10 questions you would ask when interviewing applicants for the job.

Continuing Case

Carter Cleaning Company

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The Better Interview

Like virtually all the other HR-related activities at Carter Cleaning Centers, the company currently has no organized approach to interviewing job candidates. Store managers, who do almost all the hiring, have a few of their own favorite questions that they ask. But in the absence of any guidance from management, they all admit their interview performance leaves something to be desired. Similarly, Jack Carter himself is admittedly most comfortable dealing with what he calls the "nuts and bolts" machinery aspect of his business and has never felt particularly comfortable having to interview management or other job applicants. Jennifer is sure that this lack of formal interviewing practices, procedures, and training account for some of the employee turnover and theft problems. Therefore, she wants to do something to improve her company's performance in this important area.

Questions

7-19. In general, what can Jennifer do to improve her employee interviewing practices? Should she develop interview forms that list questions for management and nonmanagement jobs? If so, how should these look, and what questions should be included? Should she initiate a computer-based interview approach? If so, why and how?

7-20. Should she implement an interview training program for her managers, and if so, specifically what should be the content of such a training program? In other words, if she did decide to start training her management people to be better interviewers, what should she tell them, and how should she tell it to them?

Translating Strategy into HR Policies and Practices Case*,§

The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The New Interviewing Program

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy, by eliciting the required employee behaviors and competencies.

As an experienced HR professional, Lisa knew that the company's new testing program would go only so far. She knew that, at best, employment tests accounted for perhaps 30% of employee performance. It was essential that she and her team design a package of interviews that her hotel managers could use to assess—on an interactive and personal basis—candidates for various positions. It was only in that way that the hotel could hire the sorts of employees whose competencies and behaviors would translate into the kinds of outcomes—such as improved guest services—that the hotel required to achieve its strategic goals.

Lisa received budgetary approval to design a new employee interview system. She and her team started by reviewing the job descriptions and job specifications for the positions of front-desk clerk, assistant manager, security guard, valet, door person, and housekeeper. Focusing on developing structured interviews for each position, the team set about devising interview questions. For example, for the front-desk clerk and assistant manager, they formulated several *behavioral questions*, including, "Tell me about a time when you had to deal with an irate person, and what you did," and "Tell me about a time when you had to deal with several conflicting demands at once, such as having to study for several final exams at the same time, while working. How did you handle the situation?" They also developed a number of *situational questions*, including "Suppose you have a very pushy incoming guest who insists on being checked in at once, while at the same time you're trying to process the check-out for another guest who must be at the airport in 10 minutes. How would you handle the situation?" For these and other positions, they also developed several *job knowledge* questions. For example, for security guard applicants, one question her team created was, "What are the local legal restrictions, if any, regarding using products like Mace if confronted by an unruly person on the hotel grounds?" The team combined the questions into structured interviews for each job, and turned to testing, fine-tuning, and finally using the new system.

Questions

7-21. For the jobs of security guard and valet, develop five additional situational, five behavioral, and five job knowledge questions, with descriptive good/average/poor answers.

7-22. Combine, (based on what you read in this Dessler, *Human Resource Management* chapter) your questions into a complete interview that you would give to someone who must interview candidates for these jobs.

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MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

7-23. Briefly discuss and give examples of at least five common interviewing mistakes. What recommendations would you give for avoiding these interviewing mistakes?

7-24. What parallels do you see between the Toyota and Google total selection processes? What differences?

7-25. MyLab Management only—comprehensive writing assignment for this chapter.

PERSONAL INVENTORY ASSESSMENTS

Motivation plays a big role in any job. Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

unstructured (or nondirective) interview, 207
structured (or directive) interview, 207
situational interview, 208

behavioral interview, 208
job-related interview, 209
stress interview, 209
unstructured sequential interview, 210

structured sequential interview, 210
panel interview, 210
mass interview, 210

candidate-order (or contrast) error, 213
structured situational interview, 216

Endnotes

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10. Williamson et al., "Employment Interview on Trial."
11. McDaniel et al., "The Validity of Employment Interviews," p. 602.
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Appendix 1 for Chapter 7

Structured Interview Guide

STEP 1—Create a Structured Interview Guide

Instructions:
First, here in step 1, create a structured interview guide like this one (including a competency definition, a lead question, and benchmark examples and answers, for instance) *for each of the job's required competencies*:

Competency: Interpersonal Skills

Definition:
Shows understanding, courtesy, tact, empathy, concern; develops and maintains relationships; may deal with people who are difficult, hostile, distressed; relates well to people from varied backgrounds and situations; is sensitive to individual differences.

Lead Questions:
Describe a situation in which you had to deal with people who were upset about a problem. What specific actions did you take? What was the outcome or result?

Benchmark Level	Level Definition	Level Examples
5	Establishes and maintains ongoing working relationships with management, other employees, internal or external stakeholders, or customers. Remains courteous when discussing information or eliciting highly sensitive or controversial information from people who are reluctant to give it. Effectively handles situations involving a high degree of tension or discomfort involving people who are demonstrating a high degree of hostility or distress.	Presents controversial findings tactfully to irate organization senior management officials regarding shortcomings of a newly installed computer system, software programs, and associated equipment.
4		Mediates disputes concerning system design/ architecture, the nature and capacity of data management systems, system resources allocations, or other equally controversial/sensitive matters.
3	Cooperates and works well with management, other employees, or customers, on short-term assignments. Remains courteous when discussing information or eliciting moderately sensitive or controversial information from people who are hesitant to give it. Effectively handles situations involving a moderate degree of tension or discomfort involving people who are demonstrating a moderate degree of hostility or distress.	Courteously and tactfully delivers effective instruction to frustrated customers. Provides technical advice to customers and the public on various types of IT such as communication or security systems, data management procedures or analysis.
2		Familiarizes new employees with administrative procedures and office systems.
1	Cooperates and works well with management, other employees, or customers during brief interactions. Remains courteous when discussing information or eliciting non-sensitive or non-controversial information from people who are willing to give it. Effectively handles situations involving little or no tension, discomfort, hostility, or distress.	Responds courteously to customers' general inquiries. Greets and assists visitors attending a meeting within own organization.

FIGURE 7A-1 Structured Interview Guide

Source: From Conducting Effective Structured Interviews Resource Guide for Hiring Managers and Supervisors, 2005, United States Department of State Bureau of Human Resources.

STEP 2—INDIVIDUAL EVALUATION FORM

Instructions:
Next, in step 2, create a form for evaluating each job candidate on each of the job's competencies:

Candidate to be assessed: _____

Date of Interview:_____

Competency: Problem Solving

Definition:
Identifies problems; determines accuracy and relevance of information; uses sound judgment to generate and evaluate alternatives, and to make the recommendations.

Question:
Describe a situation in which you identified a problem and evaluated the alternatives to make a recommendation or decision. What was the problem and who was affected?

Probes:
How did you generate and evaluate your alternatives? What was the outcome?

Describe specific behaviors observed: (Use back of sheet, if necessary)

1–Low	2	3–Average	4	5–Outstanding
Uses logic to identify alternatives to solve routine problems. Reacts to and solves problems by gathering and applying information from standard materials or sources that provide a limited number of alternatives.		Uses logic to identify alternatives to solve moderately difficult problems. Identifies and solves problems by gathering and applying information from a variety of materials or sources that provide several alternatives.		Uses logic to identify alternatives to solve complex or sensitive problems. Anticipates problems and identifies and evaluates potential sources of information and generates alternatives to solve problems where standards do not exist.

Final Evaluation:	Printed Name:	Signature:

FIGURE 7A-1 *Continued*

STEP 3—PANEL CONSENSUS EVALUATION FORM

Instructions:
Finally, in step 3, create a panel consensus evaluation form like this one, which the members of the panel who interviewed the candidate will use to evaluate his or her interview performance.

Candidate: _____

Date:_____

<table>
<tr><td colspan="5" align="center">**Panel Consensus Evaluation Form**</td></tr>
<tr><td colspan="5">**Instructions:**
Translate each individual evaluation for each competency onto this form. If all of the individual competency evaluations are within one rating scale point, enter the average of the evaluations in the column labeled Group Evaluation. If more than one point separates any two raters, a consensus discussion must occur with each party justifying his/her evaluation. The lead interviewer or his/her designee should take notes on the consensus discussion in the space provided. Any changes in evaluation should be initialed and a final evaluation entered for each competency.</td></tr>
<tr><td rowspan="2" align="center">**Competency**</td><td colspan="3" align="center">**Final Individual Evaluations**</td><td rowspan="2" align="center">**Group Evaluation**</td></tr>
<tr><td align="center">**(1)**</td><td align="center">**(2)**</td><td align="center">**(3)**</td></tr>
<tr><td>**Interpersonal Skills**</td><td></td><td></td><td></td><td></td></tr>
<tr><td>**Self-Management**</td><td></td><td></td><td></td><td></td></tr>
<tr><td>**Reasoning**</td><td></td><td></td><td></td><td></td></tr>
<tr><td>**Decision Making**</td><td></td><td></td><td></td><td></td></tr>
<tr><td>**Problem Solving**</td><td></td><td></td><td></td><td></td></tr>
<tr><td>**Oral Communication**</td><td></td><td></td><td></td><td></td></tr>
<tr><td>**Total Score**</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">**Consensus Discussion Notes:**

</td></tr>
</table>

Signature Panel Member 1: _____

Signature Panel Member 2: _____

Signature Panel Member 3: _____

FIGURE 7A-1 *Continued*

CHAPTER 7

Appendix 2 for Chapter 7

Interview Guide for Interviewees

Before managers move into positions where they have to interview others, they usually must navigate some interviews themselves. It's therefore useful to apply some of what we discussed in this chapter to navigating one's own interviews.

Beyond trying to determine how you would perform the technical parts of the job, interviewers will try to discover what you are like as a person. In other words, how you get along with other people and your desire to work. They will look here at how you behave. For example, they will note whether you respond concisely, cooperate fully in answering questions, state personal opinions when relevant, and keep to the subject at hand; these are very important elements in influencing the interviewer's decision.

Getting an Extra Edge

There are six things to do to get an extra edge in the interview.[103]

1. *Preparation is essential.* Before the interview, learn all you can about the employer, the job, and the people doing the recruiting. On the Web, using social media, or looking through business periodicals, find out what is happening in the employer's field. Try to unearth the employer's problems. Be ready to explain why you think you would be able to solve such problems, citing some of your *specific accomplishments* to make your case.
2. *Uncover the interviewer's real needs.* Spend as little time as possible briefly answering your interviewer's first questions and as much time as possible getting him or her to describe his or her needs. Determine what the person is expecting to accomplish, and the type of person he or she feels is needed. Use open-ended questions such as, "Could you tell me more about that?"
3. *Relate yourself to the interviewer's needs.* Once you know the type of person your interviewer is looking for and the sorts of problems he or she wants solved, you are in a good position to describe your own accomplishments *in terms of the interviewer's needs.* Start by saying something like, "One of the problem areas you've said is important to you is similar to a problem I once faced." Then state the problem, describe your solution, and reveal the results.
4. *Think before answering.* Answering a question should be a three-step process: Pause—Think—Speak. *Pause* to make sure you understand what the interviewer is driving at, *think* about how to structure your answer, and then *speak.* In your

answer, try to emphasize how hiring you will help the interviewer solve his or her problem.
5. *Remember that appearance and enthusiasm are important.* Appropriate clothing, good grooming, a firm handshake, and energy are important. Maintain eye contact. In addition, speak with enthusiasm, nod agreement, and remember to take a moment to frame your answer (pause, think, speak) so that you sound articulate and fluent. Remember that many interviewers seek "chemistry" in terms of similarity of experiences when they're interviewing.
6. *Make a good first impression.* Remember that in most cases interviewers make up their minds about the applicant early in the interview. A good first impression may turn to bad during the interview, but it's unlikely. Bad first impressions are almost impossible to overcome. Experts suggest paying attention to the following key interviewing considerations:

   - Appropriate clothing
   - Good grooming
   - A firm handshake
   - The appearance of controlled energy
   - Pertinent humor and readiness to smile
   - A genuine interest in the employer's operation and alert attention when the interviewer speaks
   - Pride in past performance
   - An understanding of the employer's needs and a desire to serve them

Tackling the "Standard" Questions

Be vigilant in answering familiar, standard questions such as "tell me about yourself."[104] For example, know that asking "tell me about yourself" helps recruiters size up your poise and communication skills. A good answer to "What are your greatest strengths?" should focus on the strengths related to the job you're interviewing for. Good answers to "What are your weaknesses?" include what you're doing to improve yourself. Interviewees who can't answer "What can you tell me about our company and industry?" may lack conscientiousness. Answering "What you like most and least about your most recent job?" should touch on liking the same values, activities, and culture that the job at hand involves. And someone who says "no" when asked "Do you have any questions?" may have thought too little about the job.

Should You Be Forthright?

Imagine a job candidate who by experience and education is highly qualified for a job, but who lacks some important trait(s): for example, he or she doesn't dress

stylishly for an interview with an upscale department store. How forthright should you be if asked why you didn't dress up more?

Based on a recent study, otherwise top-notch candidates should be forthright.[105] This study found that a strong drive to "self-verify"—to "present oneself accurately so that others understand you as you understand yourself"—may help differentiate you from the other top candidates. The researchers measured self-verification with items such as "I like to be myself rather than trying to act like someone I'm not."

So, if you like being authentic and presenting yourself accurately to others, do so, as long as for the job at hand you're an otherwise top-notch candidate. (Doing this backfired for inferior candidates.)

Jonathan Weiss/Shutterstock

8 Training and Developing Employees

When you finish studying this chapter, you should be able to:

8-1 **Summarize** the purpose and process of employee orientation.

8-2 **Give** an example of how to design onboarding to improve employee engagement.

8-3 **List and briefly explain** each of the steps in the training process.

8-4 **Explain** how to use five training techniques.

8-5 **List and briefly discuss** four management development methods.

8-6 **List and briefly discuss** the importance of the steps in leading organizational change.

8-7 **Explain** why a controlled study may be superior for evaluating the training program's effects.

For a century AT&T was America's "phone company," but it has changed dramatically in the past few years. In 2000, its wireless network data traffic was negligible.[1] The part of its business depending on software was similarly negligible, but by 2020 it will have risen to 75%. Like competitors such as Comcast, AT&T's strategy is to drive the company toward a new digital future, one in which telecommunications, media, and entertainment converge, and customers can get the information, access, and entertainment they need, anywhere, on whatever digital device they choose to use. That's exciting for AT&T's customers and shareholders. But what do you do with the 150,000 or so AT&T employees who were hired by a phone company years ago to do very different, nondigital, nonsoftware jobs? We'll see what AT&T did.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Training and Development

Recruitment and Placement

Compensation

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Strategic and Legal Environment

Employee Relations

WHERE ARE WE NOW . . .

Chapters 6 and 7 focused on the methods managers use to interview and select employees. Once employees are on board, the employer must train them. The purpose of this chapter is to increase your effectiveness in training employees. The main topics we'll cover include **Orienting and Onboarding New Employees**, **Designing Onboarding to Improve Employee Engagement**, **The Training Process**, **Implementing Training Programs**, **Management Development Methods**, **Leading Organizational Change**, and **Evaluating the Training Effort**. Then, in Chapter 9, we'll turn to appraising employees.

LEARNING OBJECTIVE 8-1

Summarize the purpose and process of employee orientation.

employee orientation

A procedure for providing new employees with basic background information about the firm.

Orienting and Onboarding New Employees

Carefully selecting employees doesn't guarantee they'll perform effectively. Even high-potential employees can't do their jobs if they don't know what to do or how to do it. Making sure your employees do know what to do and how to do it is the purpose of orientation and training. The human resources department usually designs the orientation and training programs, but the supervisor does most of the day-to-day orienting and training. Every manager therefore should know how to orient and train employees. We will start with orientation.

The Purposes of Employee Orientation/Onboarding

Employee orientation (or *onboarding*) provides new employees with the basic background information (such as computer passwords and company rules) they need to do their jobs; ideally it should also help them start becoming emotionally attached to and engaged in the firm.[2] The manager wants to accomplish four things when orienting new employees:

1. Make the new employee feel welcome and at home and part of the team.
2. Make sure the new employee has the basic information to function effectively, such as e-mail access, personnel policies and benefits, and work behavior expectations.
3. Help the new employee understand the organization in a broad sense (its past, present, culture, and strategies and vision of the future).
4. Start socializing the person into the firm's culture and ways of doing things.[3] For example, the Mayo Clinic's "heritage and culture" program emphasizes Mayo Clinic values such as teamwork, integrity, customer service, and mutual respect.[4]

The Orientation Process

Onboarding ideally begins before the person's first day, with a welcome note, orientation schedule, and list of documents (such as tax documents) needed the first day. On the first day, make sure colleagues know the new employee is starting, and arrange for one or more of them to take the person to lunch. On subsequent days, the new employee should meet colleagues in other departments. After about two weeks, speak with the employee to identify any concerns.[5]

The length of the onboarding program depends on what you cover. Some take several hours. The human resource specialist (or, in smaller firms, the office manager) performs the first part of the orientation by explaining basic matters like working hours and benefits. Then the supervisor continues by explaining the department's organization, introducing the person to his or her new colleagues, familiarizing him or her with the workplace, and reducing first-day jitters. At a minimum, the orientation should provide information on matters such as employee benefits, personnel policies, safety measures and regulations, and a facilities tour; making the new employee feel special and proud about working for the company is advisable;[6] new employees should receive (and sign for) print or Internet-based employee handbooks covering such matters. You'll find a variety of orientation checklists online.[7]

At the other extreme, L'Oréal's onboarding program extends about 2 years. It includes roundtable discussions, meetings with key insiders, on-the-job learning, individual mentoring, and experiences such as site visits.[8]

Supervisors should be vigilant. Follow up on and encourage new employees to engage in activities (such as taking breaks with colleagues) that will enable them to "learn the ropes." Especially for new employees with disabilities, integration and socialization are highly influenced by coworkers' and supervisors' behavior.[9]

Those *being* oriented should show they're involved. Two things seem to show managers that the people they're orienting are engaged. First, show you're trying to master and perform the tasks at hand (such as learning about the new job and company). Second, show you're trying to assimilate socially, for instance by interacting with new colleagues.[10]

Employers should onboard new executives too. In one survey "poor grasp of how the organization works" was a problem for 69% of new senior executives. This onboarding should include the firm's operational plans and key business areas, key team members' career histories, key external stakeholders, and briefings on the firm's culture and how it "gets things done."[11]

THE EMPLOYEE HANDBOOK   Employers should assume that their employee handbook's contents are legally binding commitments. Even apparently sensible handbook policies (such as "the company will not retaliate against employees who raise concerns about important issues in the workplace") can backfire without proper disclaimers. The handbook should include a disclaimer stating "nothing in this handbook should be taken as creating a binding contract between employer and employees, and all employment is on an at will basis."[12] Say that statements of company policies, benefits, and regulations do not constitute the terms and conditions of an employment contract, either expressed or implied. Do not insert statements such as "No employee will be fired without just cause" or statements that imply or state that employees have tenure. The firm's handbook policies may then evolve, as the prevailing political climate—for instance in terms of EEOC and union–management relations guidelines—change.[13]

ORIENTATION TECHNOLOGY   Employers use technology to support orientation. For example, at the University of Cincinnati, new employees spend about 45 minutes online learning about their new employer's mission, organization, and policies and procedures. ION Geophysical uses an online onboarding portal solution called RedCarpet. It includes a streaming video welcome message, and photos and profiles of new colleagues.[14] With Workday's iPhone app, users can search their company's directory for names, images, and contact information; call or e-mail coworkers directly; and view physical addresses on Google Maps.[15] Some employers place scannable QR codes along the orientation tour's stops, to provide information about each department and its role.[16] Employers use team activities and gamification (awarding points for completing parts of the program, for instance) to energize their onboarding programs.[17]

Employee Engagement Guide for Managers: Onboarding at Toyota

In many firms today, orientation goes well beyond providing basic information about things like work hours.[18] Onboarding at Toyota Motor Manufacturing USA illustrates this. While it does cover routine topics such as company benefits, its main aim is to engage Toyota's new employees in the firm's ideology of quality, teamwork, personal development, open communication, and mutual respect.[19] The initial program takes about 4 days:[20]

Day 1: The first day begins early and includes an overview of the program, a welcome to the company, and a discussion of the firm's organizational structure and human resource department by the firm's human resources vice president. He or she devotes about an hour and a half to discussing Toyota history and culture, and about 2 hours to employee benefits. Managers then spend several hours discussing Toyota's commitment to quality and teamwork.

Day 2: A typical second day focuses first on the importance of mutual respect, teamwork, and open communication at Toyota. The rest of the day covers topics such as safety, environmental affairs, and the Toyota production system.

Day 3: Given the importance of working in teams at Toyota, this day begins with 2½ to 3 hours devoted to communication training, such as "making requests and giving feedback." The rest of the day covers matters such as

Toyota's problem-solving methods, quality assurance, hazard communications, and safety.

Day 4: Topics today include teamwork training and the Toyota suggestion system. This session also covers what work teams are responsible for and how to work together as a team. The afternoon session covers fire prevention and fire extinguisher training. By the end of day 4, new employees should be well on their way to being engaged in Toyota's ideology, in particular its mission of quality and its values of teamwork, continuous improvement, and problem solving.[21]

The bottom line is that there's more to orienting employees than introducing them to new coworkers. Even without a program like Toyota's, use the onboarding opportunity to start instilling in the new employee the company values and traditions in which you expect the person to become engaged.

training
The process of teaching new or current employees the basic skills they need to perform their jobs.

Overview of the Training Process

Directly after orientation, training should begin. **Training** means giving new or current employees the skills that they need to perform their jobs, such as showing new salespeople how to sell your product. Training might involve having the current jobholder explain the job to the new hire, or multiweek classroom or Internet classes. In one recent year, employers spent about $1,300 per employee on training.[22]

Training is important.[23] If even high-potential employees don't know what to do and how to do it, they will improvise or do nothing useful at all. Furthermore, high achievers often begin looking for new positions due to dissatisfaction with inadequate training.[24] Employers also know that training fosters engagement. For example, Coca-Cola UK uses employee development plans, training, and leadership development to attract and retain the best employees and inspire their engagement.[25]

KNOW YOUR EMPLOYMENT LAW

Training and the Law

Managers should understand training's legal implications. With respect to *discrimination*, Title VII of the Civil Rights Act of 1964 and related legislation requires that the employer avoid discriminatory actions in all aspects of its human resource management process, and that applies to selecting which employees to train. Employers face much the same consequences for discriminating against protected individuals when selecting candidates for training as they would in selecting candidates for jobs or for promotion.

negligent training
A situation where an employer fails to train adequately, and the employee subsequently harms a third party.

Inadequate training can also expose the employer to liability for **negligent training.** As one expert puts it, "It's clear from the case law that where an employer fails to train adequately and an employee subsequently does harm to third parties, the court will find the employer liable." Among other things, the employer should confirm the applicant/employee's claims of skill and experience, provide adequate training (particularly where employees work with dangerous equipment), and evaluate the training to ensure that it is actually reducing risks.[26] ■

Aligning Strategy and Training

The employer's strategic plans should guide its long-range training goals.[27] In essence, the task is to identify the employee behaviors the firm will need in order to execute its strategy, and then to deduce what skills and knowledge employees will need. Then, put in place training goals and programs to instill these competencies. For example, with the health-care landscape changing, the Walgreens chain had to reformulate its strategy. It broadened its offerings, and today is the second-largest dispenser of flu shots in the United States. Its in-store health clinics provide medical care. It purchased drugstore.com.

The strategic changes affected the skills that Walgreens employees required, and therefore its training and other staffing policies. For example, Walgreens established Walgreens University. It offers more than 400 programs Walgreens employees can take to build their skills (and even get college credit in pharmacy-related topics). For example, some programs develop assistant store manager skills, and Walgreens in-store health clinic nurse practitioners can take courses to expand their medical care expertise. Thus, Walgreens reformulated its training (and other) HR policies to produce the employee skills the company needed to support its new strategy.[28] The accompanying Strategic Context feature provides another example.

■ IMPROVING PERFORMANCE: *THE STRATEGIC CONTEXT*

Supporting AT&T's Strategy for a Digital Future

AT&T's strategy is to drive the company toward a new digital future ("from cables to the cloud," to paraphrase a top manager). But what do you do with the employees hired years ago to do very different jobs?[29]

AT&T embarked on a massive retraining program, called Workforce 2020. It had three main pillars: *Skill needs identification, training and development,* and *evaluation.*

First, AT&T's managers *identified the skills* its employees would need for its new digital future, along with the current skills gaps, and what it called "future role profiles." These individual profiles itemized the skills the company and therefore each of its employees would need.

Second, AT&T helped employees identify and obtain the required *training and development*. For example, it created an online employee career platform. This contains tools such as for assessing one's aptitudes against the jobs AT&T would need. It also contains online courses, ultra-short "nanodegree" training programs (on coding, for instance), and access to special online graduate and undergraduate degree programs.

Third, AT&T *evaluates the effectiveness* of its Workforce 2020 program in terms of *Activity, Hydraulics, Business Outcomes,* and *Sentiment*. *Activity* means measuring things such as skills gaps. *Hydraulics* means people actually moving into new roles throughout AT&T. *Business outcomes* means tangible organizational improvements, for instance in efficiency. And, *sentiment* refers to measuring attitudes such as employees' inclination to recommend AT&T as a place to work.

AT&T's Worforce 2020 program enabled its current employees to develop the skills AT&T's digital convergence strategy required. Over 140,000 employees were recently pursuing the learning they need to fill AT&T's new jobs and roles.

> MyLab Management Talk About It 1
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. What other human resource management steps should AT&T take in order to help it achieve its digital futures strategy?

The ADDIE Five-Step Training Process

The employer should use a rational training process. The gold standard here is still the basic analysis-design-develop-implement-evaluate (ADDIE) training process model that training experts have used for years.[30] As an example, one training vendor describes its training process as follows:[31]

- *Analyze* the training need.
- *Design* the overall training program.
- *Develop* the course (actually assembling/creating the training materials).
- *Implement* training, by actually training the targeted employee group using methods such as on-the-job or online training.
- *Evaluate* the course's effectiveness.

We'll look at each step next.

Analyzing the Training Needs

The training needs analysis may address the employer's *strategic/longer-term* training needs and/or its *current* training needs.

STRATEGIC TRAINING NEEDS ANALYSIS Strategic goals (perhaps to enter new lines of business or to expand abroad) often mean the firm will have to fill new jobs. *Strategic training needs analysis* identifies the training employees will need to fill these future jobs. For example, when Wisconsin-based Signicast Corp. decided to build a new high-tech plant, its top managers knew the plant's employees would need new skills to run the computerized machines. They worked closely with their HR team to formulate hiring and training programs to ensure the firm would have the people required to populate the new plant.

CURRENT EMLPLOYEES' TRAINING NEEDS ANALYSIS Most training efforts aim to improve current performance—specifically training new employees, and those whose performance is deficient.

How you analyze current training needs depends on whether you're training new or current employees. The main task for *new* employees is to determine what the job entails and to break it down into subtasks, each of which you then teach to the new employee.

Analyzing *current* employees' training needs is more complex, because you must also ascertain whether training is the solution. For example, performance may be down due to poor motivation. Managers use *task analysis* to identify new employees' training needs, and *performance analysis* to identify current employees' training needs.

task analysis
A detailed study of a job to identify the specific skills required.

NEW EMPLOYEES: TASK ANALYSIS FOR ANALYZING TRAINING NEEDS Particularly with lower-level workers, it's customary to hire inexperienced personnel and train them. The aim here is to give these new employees the skills and knowledge they need to do the job. **Task analysis** is a detailed study of the job to determine what specific skills (like reading spreadsheets) the job requires. Here job descriptions and job specifications are essential. They list the job's specific duties and skills, which are the basic reference points in determining the training required. Managers also uncover training needs by reviewing performance standards, performing the job, and questioning current jobholders and supervisors.[32]

Some managers supplement the job description and specification with a *task analysis record form*. This form (see Table 8-1) consolidates information regarding required tasks and skills. As it illustrates, the form contains six columns of information, such as "Skills or knowledge required."

performance analysis
Verifying that there is a performance deficiency and determining whether that deficiency should be corrected through training or through some other means (such as transferring the employee).

CURRENT EMPLOYEES: PERFORMANCE ANALYSIS OF TRAINING NEEDS For underperforming current employees, you can't assume that training is the solution. In other words, is it lack of training, or something else? **Performance analysis** is the process of verifying that there is a performance deficiency and determining whether the employer should correct such deficiencies through training or some other means (like transferring the employee).

Performance analysis begins with comparing the person's actual performance to what it should be. Doing so helps to confirm that there is a performance deficiency, and (hopefully) helps the manager to identify its cause. Examples of performance deficiencies might be:

> *I expect each salesperson to make 10 new contracts per week, but John averages only six.*

> *Other plants our size average no more than two serious accidents per month; we're averaging five.*

TABLE 8-1 Sample Task Analysis Record Form

	Task List	When and How Often Performed	Quantity and Quality of Performance	Conditions Under Which Performed	Skills or Knowledge Required	Where Best Learned
1.	Operate paper cutter	4 times per day		Noisy pressroom: distractions		
1.1	Start motor	4 times per day				On the job
1.2	Set cutting distance		±tolerance of 0.007 in.		Read gauge	On the job
1.3	Place paper on cutting table		Must be completely even to prevent uneven cut		Lift paper correctly	On the job
1.4	Push paper up to cutter				Must be even	On the job
1.5	Grasp safety release with left hand		100% of time, for safety		Essential for safety	On the job but practice first with no distractions
1.6	Grasp cutter release with right hand				Must keep both hands on releases	On the job but practice first with no distractions
1.7	Simultaneously pull safety release with left hand and cutter release with right hand				Must keep both hands on releases	On the job but practice first with no distractions
1.8	Wait for cutter to retract		100% of time, for safety		Must keep both hands on releases	On the job but practice first with no distractions
1.9	Retract paper				Wait until cutter retracts	On the job but practice first with no distractions
1.10	Shut off		100% of time, for safety			On the job but practice first with no distractions
2.	Operate printing press					
2.1	Start motor					

Note: Task analysis record form showing some of the tasks and subtasks performed by a printing press operator.

Ways to identify how a current employee is doing include

- Performance appraisals
- Job-related performance data (including productivity, absenteeism and tardiness, grievances, waste, late deliveries, product quality, repairs, and customer complaints)
- Observations by supervisors or other specialists
- Interviews with the employee or his or her supervisor
- Tests of things like job knowledge, skills, and attendance
- Attitude surveys
- Individual employee daily diaries
- Assessment center results
- Special performance gap analytical software, such as from Saba Software, Inc.

CAN'T DO/WON'T DO   Uncovering *why* performance is down is the heart of performance analysis. The aim here is to distinguish between can't-do and won't-do problems. First, determine whether it is a *can't-do* problem and, if so, its specific causes.

For example: The employees don't know what to do or what your standards are; there are obstacles such as lack of tools or supplies; there are no job aids (such as color-coded wires that show assemblers which wire goes where); you've hired people who haven't the required skills; or training is inadequate.

Or, it might be a *won't-do* problem. Here employees could do a good job if they wanted to. One expert says, "Perhaps the biggest trap that trainers fall into is [developing] training for problems that training just won't fix."[33] For instance, the better solution might be to change the incentives.

COMPETENCY PROFILES AND MODELS IN TRAINING AND DEVELOPMENT Employers often focus on building work-related competencies or skills.[34] The **competency model** consolidates, usually in one diagram, a precise overview of the competencies someone would need to do the job well. Figure 4-10 (on page 122) was one example. For example, the Association for Talent Development (ATD) built a competencies model for the job of training and development professional. It includes 10 core trainer competencies, including *being able to achieve performance improvement, instructional design*, and *training delivery*. As one competency example, the model describes *instructional design* as "designing, creating, and developing formal learning solutions to meet organizational needs; analyzing and selecting the most appropriate strategy, methodologies, and technologies to maximize the learning experience and impact."[35] Training a trainer would thus require, for instance, making sure he or she could, once training is complete, exhibit these skills and knowledge (competencies).[36]

Competencies-oriented training is similar to other training. Trainees often learn through a mix of real-world exercises, teamwork, classes, and online resources, under a learning coach; the aim is to show mastery of particular competencies.[37] This often involves starting with a list of competencies to be learned, criteria for assessing competencies mastery, and examples of the competencies (such as using a spreadsheet). Students then complete their projects and assessors evaluate their competencies.

Designing the Training Program

Armed with the needs analysis results, the manager next designs the training program. *Design* means planning the overall training program including training objectives, delivery methods, and program evaluation. Substeps include setting performance objectives, creating a detailed training outline (all training program steps from start to finish), choosing a program delivery method (such as lectures or Web), and verifying the overall program design with management.

KNOWLEDGE BASE

competency model
A graphic model that consolidates, usually in one diagram, a precise overview of the competencies (the knowledge, skills, and behaviors) someone would need to do a job well.

Most employers can build training programs based on existing online and offline content offered by training content providers.

Tinpixels/Getty Images

The design should include summaries of how you plan to set a training environment that motivates your trainees both to learn and to transfer what they learn to the job. It is also here that the manager reviews possible training program content (including workbooks, exercises, and activities), and estimates a training program budget.[38] If the program will use technology, the manager should include a review of the technology as part of the analysis.[39] We'll look more closely next at several specific design issues.

SETTING LEARNING OBJECTIVES[40]   At the outset, the trainer should clearly define the program's desired learning outcomes.[41] "Clients" will usually phrase their training requests in broad terms, such as "we need sales training." It's the trainer's job to unearth the reasons behind the request, so as to formulate tangible program outcomes (such as "improved product knowledge").

Training, development, learning, or (more generally) *instructional objectives* should specify in measurable terms what the trainee should be able to do after successfully completing the training program.[42] For example:

> *The technical service representative will be able to adjust the color guidelines on this HP Officejet All-in-One printer copier within 10 minutes according to the device's specifications.*

The learning objectives should first address any performance deficiencies that you identified. Thus, if the sales team's sales are 40% too low, the objectives should focus on ensuring that the team members get the product knowledge they need to boost sales. But at the same time, the learning objectives must be practical, given the constraints.

One constraint is financial. The employer will generally want to see and approve a *training budget* for the program. Typical costs include the development costs (of having, say, a human resource specialist working on the program for a week or two), the direct and indirect (overhead) costs of the trainers' time, participant compensation (for the time they're actually being trained), and the cost of evaluating the program. There are algorithms for estimating training program costs, for instance, in terms of labor hours and direct costs.[43] The question, of course, isn't just "Can we afford this program?" but "Does it pay to spend this much, given the benefits we'll receive—will it improve performance, and if so by how much?" Therefore, prepare to defend the program on a benefits-versus-costs basis.

There are also other constraints to consider. For example, time constraints may require reducing three or four desirable learning objectives to one or two.

CREATING A MOTIVATIONAL LEARNING ENVIRONMENT   Municipalities running programs for traffic violators know there's often no better way to get someone's attention than to present a terrifying video accident. They know the best training starts not with a lecture but by making the material meaningful.

The same is true at work. Learning requires both ability and motivation, and the training program's design should accommodate both. In terms of *ability*, the learner–trainee needs (among other things) the required reading, writing, and mathematics skills. Trainees are rarely homogeneous, for instance, in terms of intellectual capacity. In setting the learning environment, the manager therefore should address several trainee-ability issues. For example, how will our program accommodate differences in trainee abilities? Do we need to provide remedial training?

Second, the learner must also be motivated. No manager should waste his or her time showing a disinterested employee how to do something (even if he or she has the requisite ability).

Many books exist on how to motivate employees, but several specific observations are pertinent here.[44] The training program's effects will be diminished if trainees return to their jobs to snide comments such as, "I hope you liked your little vacation" from colleagues. Therefore, the low-hanging fruit in motivating trainees is to make sure the trainee's peers and supervisor support the training effort. Ideally, particularly for larger programs, top management should visibly support the program. Beyond that, various

motivation theories provide useful guidance. From behavior modification, we know that the training should provide opportunities for positive reinforcement. "Expectancy theory" shows us that the trainees need to know they have the ability to succeed in the program, and that the value to them of completing the program is high. Self-efficacy is crucial—trainees must believe they have the capacity to succeed. We can summarize such motivational points as follows.

MAKE THE LEARNING MEANINGFUL   Learners are more motivated to learn something that has meaning for them. Therefore:

1. Provide a bird's-eye view of the material that you are going to present. For example, show why it's important, and provide an overview.[45]
2. Use familiar examples.
3. Organize the information so you can present it logically.
4. Use familiar terms and concepts.
5. Use visual aids.
6. Create a perceived training need in trainees' minds.[46] In one study, pilots who experienced pretraining accident-related events subsequently learned more from an accident-reduction training program than did those experiencing fewer such events.[47] Similarly, "before the training, managers need to sit down and talk with the trainee about why they are enrolled in the class, what they are expected to learn, and how they can use it on the job." Creating "a desire to learn is crucial."[48]
7. Goal setting is important. In one study, some trainees set goals at the start of the program for the skills they were being taught. After training, they were rated more highly on these skills than were those who hadn't set goals.[49]

MAKE SKILLS TRANSFER OBVIOUS AND EASY   Make it easy to transfer new skills and behaviors from the training site to the job site:

1. Maximize the similarity between the training situation and the work situation.
2. Provide adequate practice.
3. Label or identify each feature of the machine and/or step in the process.
4. Direct the trainees' attention to important aspects of the job. For example, if you're training a customer service rep to handle calls, explain the different types of calls he or she will encounter.[50]
5. Provide "heads-up" information. For example, supervisors often face stressful conditions. You can reduce the negative impact by letting supervisory trainees know they might occur.[51]
6. Trainees learn best at their own pace. If possible, let them pace themselves.
7. Intermingle opportunities for trainees to use their new skills or knowledge throughout the training.[52]

REINFORCE THE LEARNING   Make sure the learner gets plenty of feedback. In particular:

1. Trainees learn best when the trainers immediately reinforce correct responses, perhaps with a quick "well done."
2. Learning diminishes late in the day. Partial-day training is generally superior to full-day training.
3. Provide follow-up assignments at the close of training, so trainees are reinforced by applying back on the job what they've learned.[53]
4. Incentivize. For example, Hudson Trail Outfitters offers trainees incentives of outdoor gear for completing training program segments.[54]

ENSURE TRANSFER OF LEARNING TO THE JOB   Less than 35% of trainees seem to be transferring what they learned to their jobs a year after training. Improving on that requires steps at each training stage. *Prior to training*, get trainee and supervisor input in designing the program, institute a training attendance policy, and encourage employees to participate.

During training, provide trainees with training experiences and conditions (surroundings, equipment) that resemble the actual work environment.

After training, reinforce what trainees learned, for instance, reward employees for using new skills.[55]

the cloud

Refers to placing software programs and services on vendors' remote servers, from which they can then deliver these programs and services seamlessly to employees' digital devices.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

When designing the program, a key question is how to deliver it. Increasingly, this occurs via "the cloud." Basically, **the cloud** refers to placing software programs and services on vendors' remote servers, from which they can then deliver these programs and services seamlessly to employees' digital devices.

Cloud-based training revolutionized training, by enabling employers to outsource much or all of their training activities. Because the vendor hosts both the courses and the overall learning management system, the employer need not concern itself with setting up or updating the programs on its own computers; the vendor manages the software. Furthermore, the more advanced cloud-based learning management systems let trainees access the training software and courses from wherever they are, using a variety of mobile devices. This not only improves convenience, but also facilitates collaboration among employees when, for instance, they're working together on a training project. ■

Developing the Program

Program development means actually assembling the program's training content and materials. It means choosing the specific content the program will present, as well as designing/choosing the specific instructional methods (lectures, cases, Web-based, and so on) you will use. Training equipment and materials include (for example) iPads, workbooks, lectures, PowerPoint slides, Web- and computer-based activities, course activities, and trainer resources (manuals, for instance).

Some employers create their own training content, but there's also a vast selection of online and offline content. The Association for Talent Development's Web site (www.td.org) illustrates the many off-the-shelf training and development offerings available. It includes certificate programs on topics such as coaching, consulting skills, and presentation skills, as well as online workshops on hundreds of topics such as game design, survey design, and developing a mentoring program. (Trainers Warehouse and HRdirect are among many other suppliers.)[56]

MyLab Management Apply It!

What do you think of how Wilson Learning conducts its training programs? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

HR in Action at the Hotel Paris As Lisa and the CFO reviewed measures of the Hotel Paris's current training efforts, it was clear that some changes were in order. Most other service companies provided at least 40 hours of training per employee per year, while the Hotel Paris offered, on average, no more than five or six. To see how they handled this, see the case on pages 271–272.

LEARNING OBJECTIVE 8-4

Explain how to use five training techniques.

Implementing the Training Program

Once you design and develop the training program, management can implement and then evaluate it. *Implement* means actually provide the training, using one or more of the instructional methods we discuss next.

Note first that there are several practical steps one can take before, during, and after the actual training to improve trainees' learning and engagement:

Before the actual training, send announcements far in advance, provide directions, provide a contact, and make sure participants have pretraining materials.

During training, make sure all participants have a point of contact in case they have questions or need guidance.

After training, remember training does *not* end when the program ends. Instead, periodically ascertain that trainees are transferring their learning to the job.[57]

On-the-Job Training

We'll see that much training today takes place online or uses other digital tools such as iPhones or iPads. However, much training is still in-person and interpersonal, as on-the-job training notably illustrates.

on-the-job training (OJT)
Training a person to learn a job while working on it.

   On-the-job training (OJT) means having a person learn a job by actually doing it. Every employee, from mailroom clerk to CEO, should get on-the-job training when he or she joins a firm. In many firms, OJT is the only training available.[58]

TYPES OF ON-THE-JOB TRAINING   The most familiar on-the-job training is the *coaching or understudy method*. Here, an experienced worker or the trainee's supervisor trains the employee. This may involve simply observing the supervisor, or (preferably) having the supervisor or job expert show the new employee the ropes, step-by-step. On-the-job training was part of multifaceted training at Men's Wearhouse, which combined on-the-job training with comprehensive initiation programs and continuing-education seminars. Every manager was accountable for developing his or her subordinates.[59] *Job rotation*, in which an employee (usually a management trainee) moves from job to job at planned intervals, is another OJT technique. *Special assignments* similarly give lower-level executives firsthand experience in working on actual problems.

   Do not take the on-the-job training effort for granted. Instead, plan out and structure the OJT experience. Train the trainers themselves (often the employees' supervisors), and provide training materials. (They should know, for instance, how to motivate learners). Because low expectations may translate into poor trainee performance, supervisor/trainers should emphasize their high expectations. Effective coaching is essential. In one study of pharmaceuticals sales representatives, supervisors' coaching skills were associated with significant differences in goal attainment between sales districts.[60]

   Many firms use *peer training* for OJT.[61] For example, some adopt "peer-to-peer development." The employer selects several employees who spend several days per week over several months learning what the technology or change will entail, and then spread the new skills and values to their colleagues back on the job.[62] Others use employee teams to analyze jobs and prepare training materials. Some teams reportedly conduct task analyses more quickly and effectively than did training experts. Figure 8-1 presents steps to help ensure OJT success.[63]

Apprenticeship Training

apprenticeship training
A structured process by which people become skilled workers through a combination of classroom instruction and on-the-job training.

Apprenticeship training is a process by which people become skilled workers, usually through a combination of formal learning and long-term on-the-job training, often under a master craftsperson's tutelage. When steelmaker Dofasco (now part of ArcelorMittal) discovered that many of its employees would be retiring within 5 to 10 years, it revived its apprenticeship program. New recruits spent about 32 months learning various jobs under the tutelage of experienced employees.[64]

   Many apprenticeships pay well. For example, at the Tennessee Valley Authority, starting apprentices earn about $40,000 a year and can earn up to $65,000, before moving onto $75,000 jobs as linemen.[65] The Manufacturing Institute provides a step-by-step manual for creating apprenticeship programs.[66]

   The U.S. Department of Labor promotes apprenticeship programs. More than 460,000 apprentices participate in 28,000 programs, and registered programs can receive federal and state contracts and other assistance.[67] The Trump administration recently proposed boosting government spending on its Apprenticeship USA program, to encourage more employers to offer apprenticeships.[68]

   Figure 8-2 lists popular apprenticeships.

FIGURE 8-1 Steps in On-the-Job Training

Step 1: Prepare the learner
1. Put the learner at ease.
2. Explain why he or she is being taught.
3. Create interest and find out what the learner already knows about the job.
4. Explain the whole job and relate it to some job the worker already knows.
5. Place the learner as close to the normal working position as possible.
6. Familiarize the worker with equipment, materials, tools, and trade terms.

Step 2: Present the operation
1. Explain quantity and quality requirements.
2. Go through the job at the normal work pace.
3. Go through the job at a slow pace several times, explaining each step. Between operations, explain the difficult parts, or those in which errors are likely to be made.
4. Again, go through the job at a slow pace several times; explain the key points.
5. Have the learner explain the steps as you go through the job at a slow pace.

Step 3: Do a tryout
1. Have the learner go through the job several times, slowly, explaining each step to you. Correct mistakes and, if necessary, do some of the complicated steps the first few times.
2. Run the job at the normal pace.
3. Have the learner do the job, gradually building up skill and speed.
4. Once the learner can do the job, let the work begin, but don't abandon him or her.

Step 4: Follow-up
1. Designate to whom the learner should go for help.
2. Gradually decrease supervision, checking work from time to time.
3. Correct faulty work patterns before they become a habit. Show why the method you suggest is superior.
4. Compliment good work.

Informal Learning

Training experts use the notation "70/20/10" to show that as a rule, 70% of job learning occurs informally on or off the job, 20% reflects social interactions (for instance, among employees on the job), and only 10% is actual formal training.[69] A sampling of what would constitute informal training would include participating in meetings, coaching other people, attending conferences, searching the Internet for information, working with customers, job rotation, reading books and journals, playing video games, and watching TV.[70]

FIGURE 8-2 Some Popular Apprenticeships

Source: From Available Occupations, www.doleta.gov/OA/occupations.cfm, accessed March 4, 2018. This lists apprenticeships by city and state.

The U.S. Department of Labor's Registered Apprenticeship program offers access to more than 1,000 occupations, such as the following:

- Able seaman
- Carpenter
- Chef
- Child care development specialist
- Construction craft laborer
- Dental assistant
- Electrician
- Elevator constructor
- Fire medic
- Law enforcement agent
- Over-the-road truck driver
- Pipefitter

Employers facilitate informal learning. For example, one Siemens plant places tools in cafeteria areas to take advantage of the work-related discussions taking place. Even installing whiteboards with markers can facilitate informal learning.[71] Google supports on-site cafeterias, with free or subsidized food. Employees eat together, and through their interactions learn new ideas and build stronger relationships.[72]

Job Instruction Training

Many jobs consist of a sequence of steps best learned step-by-step. Such step-by-step training is called **job instruction training (JIT).** First, list the job's required steps (let's say for using a mechanical paper cutter) each in its proper sequence. Then list a corresponding "key point" (if any) beside each step. The steps in such a *job instruction training sheet* show trainees what to do, and the key points show how it's to be done—and why, as follows:

Steps	Key Points
1. Start motor	None
2. Set cutting distance	Carefully read scale—to prevent wrong-sized cut
3. Place paper on cutting table	Make sure paper is even—to prevent uneven cut
4. Push paper up to cutter	Make sure paper is tight—to prevent uneven cut
5. Grasp safety release with left hand	Do not release left hand—to prevent hand from being caught in cutter
6. Grasp cutter release with right hand	Do not release right hand—to prevent hand from being caught in cutter
7. Simultaneously pull cutter and safety releases	Keep both hands on corresponding releases—avoid hands being on cutting table
8. Wait for cutter to retract	Keep both hands on releases—to avoid having hands on cutting table
9. Retract paper	Make sure cutter is retracted; keep both hands away from releases
10. Shut off motor	None

As another example, the "van exit" steps UPS teaches drivers include: Shift into the lowest gear or into park; turn off the ignition; apply the parking brake; release the seatbelt with left hand; open the door; place the key on your ring finger.[73]

Lectures

Lecturing is a quick and simple way to present knowledge to large groups of trainees, as when the sales force needs to learn a new product's features.[74] Here are some guidelines for presenting a lecture:[75]

- Don't start out on the wrong foot, for instance, with an irrelevant joke.
- Speak only about what you know well.
- Remember that clarity is king: make sure your audience is clear about what you're saying.
- Give your listeners signals. For instance, if you have a list of items, start by saying something like, "There are four reasons why the sales reports are necessary. . . . The first. . . ."
- Use anecdotes and stories to show rather than tell.
- Be alert to your audience. Watch body language for negative signals like fidgeting or boredom.
- Maintain eye contact with the audience.
- Make sure everyone can hear. Repeat questions that you get from trainees.
- Leave hands hanging naturally at your sides.
- Talk from notes or PowerPoint slides, rather than from a script.

- Break a long talk into a series of short talks. Don't give a short overview and then spend a 1-hour presentation going point by point through the material. Break the long talk into a series of 10-minute talks, each with its own introduction. Write brief PowerPoint slides, and spend about a minute on each. Each introduction highlights what you'll discuss, why it's important to the audience members, and why they should listen to you.[76]
- Practice. If possible, rehearse under conditions similar to those under which you will actually give your presentation.

Programmed Learning

programmed learning

A systematic method for teaching job skills, involving presenting questions or facts, allowing the person to respond, and giving the learner immediate feedback on the accuracy of his or her answers.

Whether the medium is a textbook, iPad, or the Internet, **programmed learning** is a step-by-step, self-learning method that consists of three parts:

1. Presenting questions, facts, or problems to the learner
2. Allowing the person to respond
3. Providing feedback on the accuracy of answers, with instructions on what to do next

Generally, programmed learning presents facts and follow-up questions frame by frame. What the next question is often depends on how the learner answers the previous question. The built-in feedback from the answers provides reinforcement.

Programmed learning reduces training time. It also facilitates learning by letting trainees learn at their own pace, get immediate feedback, and reduce their risk of error. Some argue that trainees do not learn much more from programmed learning than from a textbook. Yet studies generally support programmed learning's effectiveness.[77] In addition to the usual programmed learning, computerized *intelligent tutoring systems* learn what questions and approaches worked and did not work for the learner, and then adjust the instructional sequence to the trainee's unique needs.

Behavior Modeling

behavior modeling

A training technique in which trainees are first shown good management techniques in a film, are asked to play roles in a simulated situation, and are then given feedback and praise by their supervisor.

Behavior modeling involves (1) showing trainees the right (or "model") way of doing something, (2) letting trainees practice that way, and then (3) giving feedback on the trainees' performance. Behavior modeling is one of the most widely used, well-researched, and highly regarded psychologically based training interventions.[78] The basic procedure is as follows:

1. *Modeling.* First, trainees watch live or video examples showing models behaving effectively in a problem situation. Thus, the video might show a supervisor effectively disciplining a subordinate, if teaching "how to discipline" is the aim of the training program.
2. *Role-playing.* Next, the trainees get roles to play in a simulated situation; here they are to practice the effective behaviors demonstrated by the models.
3. *Social reinforcement.* The trainer provides reinforcement in the form of praise and constructive feedback.
4. *Transfer of training.* Finally, trainees are encouraged to apply their new skills when they are back on their jobs.

Audiovisual-Based Training

Although increasingly replaced by Web-based methods, audiovisual-based training techniques like DVDs, films, PowerPoint, and audiotapes are still used.[79] The Ford Motor Company uses videos in its dealer training sessions to simulate problems and reactions to various customer complaints, for example.

Vestibule Training

With vestibule training, trainees learn on the actual or simulated equipment but are trained off the job (perhaps in a separate room or *vestibule*). Vestibule training is necessary when it's too costly or dangerous to train employees on the job. Putting new assembly-line workers right to work could slow production, for instance, and when

safety is a concern—as with pilots—simulated training may be the only practical alternative. As an example, UPS uses a life-size learning lab to provide a 40-hour, 5-day realistic training program for driver candidates.[80]

Electronic Performance Support Systems (EPSS)

electronic performance support systems (EPSS)

Sets of computerized tools and displays that automate training, documentation, and phone support; integrate this automation into applications; and provide support that's faster, cheaper, and more effective than traditional methods.

job aid

A set of instructions, diagrams, or similar methods available at the job site to guide the worker.

Electronic performance support systems (EPSS) are computerized tools and displays that automate training, documentation, and phone support.[81] When you call a Dell service rep, he or she is probably asking questions prompted by an EPSS; it takes you both, step-by-step, through an analytical sequence. Without the EPSS, Dell would have to train its service reps to memorize an unrealistically large number of solutions. Clients such as Oracle, HP, and L'Oréal use customized EPSS solutions from Whatfix (https://whatfix.com/reviews/).[82]

Performance support systems are modern job aids. **Job aids** are sets of instructions, diagrams, or similar methods available at the job site to guide the worker.[83] Job aids work particularly well on complex jobs that require multiple steps, or where it's dangerous to forget a step. For example, airline pilots use job aids (a checklist of things to do prior to takeoff).

Videoconferencing

Videoconferencing involves delivering programs over broadband lines, the Internet, or satellite. Vendors such as Cisco offer videoconference products such as Webex and TelePresence.[84] Cisco's Unified Video Conferencing (CUVC) product line combines Cisco group collaboration and decision-making software with videoconferencing, video telephony, and realistic "TelePresence" capabilities.[85]

Computer-Based Training

Computer-based training (CBT) uses interactive computer-based systems to increase knowledge or skills. For example, employers use CBT to teach employees safe methods for avoiding falls. The system lets trainees replay the lessons and answer questions and is especially effective when paired with actual practice under a trainer.[86]

Computer-based training is increasingly realistic. For example, *interactive multimedia training* integrates text, video, graphics, photos, animation, and sound to create a complex training environment with which the trainee interacts.[87] In training a physician, for instance, such systems let medical students take a hypothetical patient's medical history, conduct an examination, and analyze lab tests. The students can then interpret the data and make a diagnosis.

SIMULATED LEARNING AND GAMING "Simulated learning" means different things to different people. A survey asked training professionals what experiences qualified as simulated learning experiences. Answers included "virtual reality-type games," "step-by-step animated guide," "scenarios with questions and decision trees overlaying animation," and "online role-play with photos and videos."[88]

The U.S. Armed Forces use simulation-based training programs. For example, the army developed video game–type training programs called Full-Spectrum Command and Full-Spectrum Warrior for training troops in urban warfare. They offer realistic "you are there" features and cultivate real-time leadership and decision-making skills.[89]

Many employers use computerized simulations (sometimes called *interactive learning*) to inject realism into their training. Orlando-based Environmental Tectonics Corporation created an Advanced Disaster Management simulation for emergency medical response trainees. One simulated scenario involves a plane crash. So realistic that it's "unsettling," trainees including firefighters and airport officials respond to the simulated crash's sights and sounds via pointing devices and radios.[90] The Cheesecake Factory uses a simulation that shows employees how to build the "perfect hamburger."[91]

Specialist multimedia companies such as Simulation Development Group (www.simstudios.com) produce programs like these. They produce custom titles as well as generic programs, for instance for leadership development.

Virtual reality puts the trainee in an artificial three-dimensional environment that simulates events and situations experienced on the job.

Egor Kotenko/123RF

Virtual reality (VR) puts the trainee in an artificial three-dimensional environment that simulates events and situations experienced on the job.[92] Sensory devices transmit how the trainee is responding to the computer, and the trainee "sees, feels, and hears" what is going on, assisted by special goggles and sensory devices.[93] Several National Football League teams use VR to train their quarterbacks in going through plays, and thousands of students have taken virtual field trips via Google's VR pioneer expeditions program.[94] Facebook's purchase of virtual reality glasses maker Oculus VR Inc. highlights virtual reality's growing potential.[95]

Training games needn't be complicated. For example, the trainers at Korea Ginseng Corporation (a leader in health-foods) wrote games accessible through app interfaces. Each round of each game is comprised of five multiple-choice quizzes. The more answers the employees get right and the quicker they give their answers, the more points they earn. The trainee/players compete against each other, with the top trainees profiled publicly with their names and pictures.[96]

Online/Internet-Based Training

Most employers are moving from classroom-based to online-based learning because of the efficiencies involved. For example, until recently, Utah-based Clearlink's employee training was classroom based. Sales agents often returned to the field without being tested on what they learned, and in general the training was less than effective. Clearlink switched to online learning. Its trainers turned from classroom training to creating new online e-learning courses and monitoring training results. The agents were relieved to be able to get their training on demand without interfering with their daily duties. The company estimates it saved almost $800,000 in one recent year by digitizing its training.[97]

Employers use online learning to deliver almost all the types of training we've discussed to this point. For example, China's state-owned postal service, China Post, created a center to manage its online training college, which now delivers about 9,000 hours of training annually, offering over 600 programs.[98] ADP trains new salespeople online, using a Blackboard learning management system similar to one used by college students.[99]

Learning management systems (LMS) are special software tools that support online training by helping employers identify training needs and to schedule, deliver, assess, and manage the online training itself. GM uses an LMS to help dealers deliver training. The LMS includes a course catalog, supervisor-approved self-enrollment, and pre- and postcourse tests.[100] Other typical LMS features include a course library,

quizzes, reports and dashboards (for monitoring training performance), gamification elements (such as points and badges), messaging and notification systems, and a facility for scheduling and delivering both virtual and classroom training.[101]

Online learning doesn't necessarily teach individuals faster or better.[102] But, of course, the need to teach large numbers of students remotely, or to enable trainees to study at their leisure, often makes e-learning attractive.[103] Some employers opt for *blended learning*. Here, trainees use multiple delivery methods (such as manuals, in-class lectures, and Web-based seminars or "webinars") to learn the material.[104] Thus, the tool manufacturer Stihl offers prospective tool and die makers online learning combined with hands-on technical training classes.[105] We'll look closer at some online learning elements.

LEARNING PORTALS A learning portal offers employees online access to training courses. Many employers arrange to have an online training vendor make its courses available via the employer's portal. Most often, the employer contracts with application service providers (ASPs). When employees go to their firm's learning portal, they actually link to the menu of training courses that the ASP offers for the employer.

Suppliers of learning portals include Pathgather (www.pathgather.com), and PwC's L&D app.[106] Skillsoft (www.skillsoft.com) offers access to thousands of cases, courses, webinars, and other education content. Grovo (www.grovo.com/content) offers short, micro learning content. Open Sesame (www.opensesame.com) combines and curates thousands of online courses from various sources, in Business Skills, Safety, Compliance, Technology, Industry, and Specific Certifications.[107] Employers such as L'Oréal, Marks & Spencer, and AT&T help their employees enroll in moocs (massive open online courses), widely available through platforms such as Coursera and EDX.

virtual classroom

Teaching method that uses special collaboration software to enable multiple remote learners, using their PCs or laptops, to participate in live audio and visual discussions, communicate via written text, and learn via content such as PowerPoint slides.

THE VIRTUAL CLASSROOM A **virtual classroom** uses collaboration software to enable multiple remote learners, using their PCs, tablets, or laptops, to participate remotely in live audio and visual discussions, communicate via written text, and learn via content such as PowerPoint slides.

The virtual classroom combines the best of online learning offered by systems like Blackboard with live video and audio.[108] Thus, Elluminate Live! lets learners view video, collaborate with colleagues, and learn with shared PowerPoint slides.[109]

MOBILE AND MICRO LEARNING More and more learning and development is being "microsized" and delivered through mobile devices.[110]

Mobile learning (or "on-demand learning") means delivering learning content on the learner's demand, via mobile devices like smart phones, laptops, and tablets, wherever and whenever the learner has the time and desire to access it.[111] For example, trainees can take full online courses using dominKnow's (www.dominknow.com) iPhone-optimized Touch Learning Center Portal.[112]

Most large employers distribute internal communications and training via mobile devices.[113] Employees at CompuCom Systems Inc. access instruction manuals through mobile devices; the company subsidizes employee purchases of smart phones or tablets to facilitate this. J. P. Morgan encourages employees to use instant messaging, for instance, to update colleagues about new products quickly. Natural user interfaces such as Apple's Siri facilitate such training.[114]

The essential requirement here is to link desired outcomes (such as quickly brushing up on "how to close a sale") with concise and targeted micro lessons.[115] IBM uses mobile learning to deliver just-in-time information (for instance, about new product features) to its sales force. To facilitate this, its training department often breaks up, say, an hour program into "micro" 10-minute pieces. Such "micro learning" training requires "stripping down" the message to its essentials.[116] Graphics and videos improve the learning experience.

Employers also use social media such as LinkedIn, Facebook, and Twitter, and virtual worlds like Second Life to communicate company news and messages and to provide training.[117] For example, British Petroleum (BP) uses Second Life to train new gas station employees. The aim here is to show new gas station employees how to use the safety features of gasoline storage tanks. BP built three-dimensional renderings of the tank

Web 2.0 learning
Training that uses online technologies such as social networks, virtual worlds (such as Second Life), and systems that blend synchronous and asynchronous delivery with blogs, chat rooms, bookmark sharing, and tools such as 3-D simulations.

systems in Second Life. Trainees use these to "see" underground and observe the effects of using the safety devices.[118]

Web 2.0 learning is learning that utilizes online technologies such as social networks, virtual worlds (such as Second Life), and systems blending synchronous and asynchronous delivery with blogs, chat rooms, bookmark sharing, and tools like 3-D simulations.[119] *Collaborative peer forums* require trainee teams to virtually "sell" their sales solution to an executive.[120] *Scenario-based e-learning* involves inserting realistic problems ("work scenarios") into trainees' e-learning lessons.[121]

Diversity Counts: Online Accessibility

Various laws and initiatives require that individuals with handicaps have full access to online training courses and content.[122] For example, the Web Content Accessibility Guidelines 2.0[123] requires that educational and training content be *perceivable*, *operable*, *understandable*, and *robust* for people with handicaps. *Perceivable* means, for instance, that the program provides captions for multimedia and enables them to see and hear content. *Operable* means, for instance, that users have enough time to use the content. *Understandable* means the text is readable and understandable. *Robust* means the program is compatible with browsers and user tools. ■

■ HR AND THE GIG ECONOMY: *ON-DEMAND MICRO LEARNING AT UBER*[124]

If you think all those Uber drivers simply go on the road with no formal training, you're wrong. There are hundreds of things those drivers must know about driving for Uber—from how to use the Uber app and driving systems, to how to greet and deal with customers—and Uber needs to train more than 30,000 new drivers every week. How do they do it?

Uber's training challenge is similar to that of most firms that rely on gig workers. The main problems are (1) the trainees aren't permanent employees but largely just "passing through," so you must carefully control what you invest in their training; and (2) the workers are all working on their own schedules, so training must be available when each worker wants it, on demand.

So, the short answer to "How does Uber do it?" is that driver training is online, on-demand, and delivered in microparcels. Uber uses a learning management system called MindFlash, which offers its clients around the globe thousands of courses, often focused on training gig workers like Uber's.[125] Among other benefits, the MindFlash system provides real-time reporting of trainees' results, so Uber knows if a driver is ready to go to work.

Gig-friendly training programs like Uber's have several characteristics. First, everyone involved—management, HR, and especially the gig workers—submit detailed "blueprints" of the workers' daily activities, from which workers' (in this case drivers') duties, skills and knowledge, and required training can be ascertained. Then, the courses are split into short digestible microcourses, stored on the vendor's cloud, and delivered on demand to each worker's mobile device when he or she wants it.

Lifelong and Literacy Training Techniques

lifelong learning
Provides employees with continuing learning experiences over their tenure with the firm, with the aims of ensuring they have the opportunity to learn the skills they need to do their jobs and to expand their occupational horizons.

Lifelong learning means providing employees with continuing learning experiences over their time with the firm, with the aim of ensuring they have the opportunity to learn the skills they need to do their jobs and to expand their horizons. Lifelong learning may thus range from basic remedial skills (for instance, English as a second language) to college degrees. So, for example, a restaurant server might work during the day and pursue a college degree at night, through an employer-subsidized lifelong learning program. Some states support lifelong learning with tax credits. For example, Washington State's Workforce Board offers state employers a lifelong learning account (LiLA) program. Somewhat similar to 401(k) plans, LiLA plans accept employer and employee contributions (without the tax advantages of 401(k) plans), and the employee can use these funds to better himself or herself.[126]

LITERACY TRAINING By one estimate, about one in seven workers can't read their employers' manuals.[127]

Employers often turn to private firms like Education Management Corporation to provide the requisite education.[128] Another simple approach is to have supervisors teach basic skills by giving employees writing and speaking exercises.[129] For example, if

an employee needs to use a manual to find out how to change a part, teach that person how to use the index to locate the relevant section. Some call in teachers from a local high school. The National Center for Literacy Education provides source material and suggestions for literacy training.[130]

DIVERSITY TRAINING Diversity training aims to improve cross-cultural sensitivity, so as to foster more harmonious working relationships among a firm's employees. It typically includes improving interpersonal skills, understanding and valuing cultural differences, improving technical skills, socializing employees into the corporate culture, indoctrinating new workers into the U.S. work ethic, improving English proficiency and basic math skills, and improving bilingual skills for English-speaking employees.[131]

Most employers opt for an off-the-shelf diversity training program such as Just Be F.A.I.R. from Sollah Interactive. It includes full video, audible narration, user interactions, and pre- and postassessments. Vignettes illustrate such things as the potential pitfalls of stereotyping people.[132] Prism (www.prismdiversity.com/) offers employers diversity and inclusion courses such as "Choosing Respectful Behaviors for All Employees" and "Inclusion and Diversity Training for Executives."[133]

Team Training

Teamwork doesn't always come naturally. Companies devote many hours to training new employees to listen to each other and to cooperate. For example, a plant suffered from high turnover and absenteeism.[134] The plant manager addressed these in part through team training to improve team functioning. Team training focused on technical, interpersonal, and team management issues. In terms of *technical training*, for instance, management encouraged team employees to learn each other's jobs, to encourage flexible team assignments. **Cross training** means training employees to do different tasks or jobs than their own; doing so facilitates job rotation, as when you expect team members to occasionally share jobs or parts of jobs. Thus, some auto dealerships cross train sales and finance employees, so they each learn more about the challenges and details of selling and financing cars.[135]

Interpersonal problems often undermine teamwork. Team training therefore typically includes *interpersonal skills* training such as in listening, communicating, handling conflict, and negotiating. Effective teams also require *team management* skills, for instance, in problem solving, meetings management, consensus decision making, and team leadership.

Many employers use team training to build more cohesive management teams. Some use outdoor "adventure" training for this. This involves taking the management team out into rugged terrain, perhaps to learn "survival" skills and thereby foster trust and cooperation. App builder RealScout used the California Survival School for one program. Coders, marketing executives, and others spent several days in the mountains surviving—building their own shelters and learning to forage for food and start fires without matches. The reasonable assumption is that the teamwork learned surviving in the field will carry over once the team is back in the office.[136]

The accompanying HR Tools discussion shows how managers can create their own training programs.

cross training

Training employees to do different tasks or jobs than their own; doing so facilitates flexibility and job rotation.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

Creating Your Own Training Program

While it would be nice if supervisors in even the largest firms could expect their firms to provide packaged training programs to train the new people they hire, many times they cannot. However, you still have many options.

Create Your Own Five-Step Training Program

Remember ADDIE—analyze (is training the problem?), design (including learning objectives, and motivating the trainee), develop (what specific materials and methods

will we use?), implement (train the person), and evaluate. For many types of jobs, start by *setting training objectives*—be specific about what your employee should be able to do after training. Write a job description—list of the job's duties—if not already available. Write (see Table 8-1, page 243) a *task analysis record form* showing the steps in each of the employee's tasks. Write a *job instruction training form*; here list a key point (such as "carefully read scale") for each step (such as "set cutting distance"). Finally, compile the objectives, job description, task analysis form, and job instruction form in a *training manual*. Also, include an introduction to the job and an explanation of how the job relates to other jobs in the company.

Use Private Vendors

The small business owner can tap hundreds of suppliers of prepackaged training solutions. These range from self-study programs from the American Management Association (www.amanet.org) and SHRM (www.shrm.org), to specialized programs. For example, the employer might arrange with PureSafety to have its employees take occupational safety courses from www.puresafety.com.

SkillSoft.com is another example.[137] Its courses include software development, business strategy and operations, professional effectiveness, and desktop computer skills. The buyer's guide from the Association for Talent Development (www.td.org) is a good place to start to find a vendor (check under "Resources and Tools").[138]

Check the SBA

The government's Small Business Administration (see www.SBA.gov/training) provides a virtual campus that offers online courses, workshops, publications, and learning tools aimed at supporting small businesses.[139] For example, the small business owner can link under "Small Business Planner" to "Writing Effective Job Descriptions," and "The Interview Process: How to Select the Right Person." See the site map at www.sba.gov/sitemap for examples of what it offers.

Check NAM

The National Association of Manufacturers (NAM) is the largest industrial trade organization in the United States. It represents about 14,000 member manufacturers, including 10,000 small and midsized companies.

NAM helps employees maintain and upgrade their work skills and continue their professional development. It offers courses and a skills certification process.[140] There are no long-term contracts to sign. Employers simply pay about $10–$30 per course taken by each employee. The catalog includes OSHA, quality, and technical training as well as courses in areas like customer service. ■

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. What would you tell the owner of a small restaurant whose employees haven't been trained properly to do?

KNOWLEDGE BASE

Implementing Management Development Programs

Management development is any attempt to improve managerial performance by imparting knowledge, changing attitudes, or increasing skills. It thus includes in-house programs like courses, coaching, and rotational assignments; professional programs like those given by SHRM; online programs from various sources; and university programs like MBAs.

Management development is important for several reasons. For one thing, promotion from within is a major source of management talent, and virtually all promoted managers require development to prepare them for their new jobs. Furthermore, management development facilitates organizational continuity, by preparing employees and current managers to smoothly assume higher-level positions.

management development
Any attempt to improve current or future management performance by imparting knowledge, changing attitudes, or increasing skills.

Strategy's Role in Management Development

Management development programs should reflect the firm's strategic plans. For example, strategies to enter new businesses or expand overseas imply that the employer will need succession plans to obtain and/or develop managers who have the skills to manage these new businesses. Management development programs then impart the knowledge, attitudes, and skills these managers will need to excel at their jobs.[141]

Some management development programs are company-wide and involve all or most new (or potential) managers. Thus, new MBAs may join GE's management development program and rotate through various assignments and educational experiences. The firm may then slot superior candidates onto a "fast track," a development program that prepares them more quickly for senior-level commands. Other development programs aim to fill specific top positions, such as CEO.

Management development supports the employer's *succession planning process*.[142] *Succession planning*, as explained in Chapter 5 (page 138), involves developing workforce plans for the company's top positions; it is the ongoing process of systematically identifying, assessing, and developing organizational leadership to enhance performance.

Candidate Assessment and the 9-Box Grid

Some high-potential managers fail in their jobs, while some low-potential managers excel. How then does an employer choose who to send through an expensive development program?

The 9-Box Grid is one tool. It shows *Potential* from low to medium to high on the vertical axis, and *Performance* from low to medium to high across the bottom—a total of nine possible boxes.

The grid can simplify, somewhat, the task of choosing development candidates. At the extremes, for instance, low potentials/low performers would not move on. The high-potential/high-performance stars most assuredly would. Most employers focus their development resources on high-performance/high-potential stars, and secondarily on those rated high-potential/moderate-performance, or high-performance/moderate-potential.[143] Other employers focus development resources on the company's "mission-critical employees"—those central to the firm's success and survival. We'll see how later in this section.

In any case, individual assessment should always precede development. At frozen foods manufacturer Schwan, senior executives first whittle 40 or more development candidates down to about 10. Then their program begins with a 1-day assessment by outside consultants of each manager's leadership strengths and weaknesses. This assessment becomes the basis for each manager's individual development plan. Action-learning (practical) projects then supplement individual and group training activities.[144]

We'll look at some popular development activities next.

Managerial On-the-Job Training and Rotation

Managerial on-the-job training methods include job rotation, the coaching/understudy approach, and action learning. **Job rotation** means moving managers from department to department to broaden their understanding of the business and to test their abilities. The trainee may be a recent college graduate, or a senior manager being groomed for further promotion. In addition to providing a well-rounded experience, job rotation helps avoid stagnation, through the constant introduction of new points of view in each department. It also helps identify each trainee's strong and weak points. Periodic job changing can also improve interdepartmental cooperation: managers become more understanding of each other's problems; and rotation widens one's acquaintances among management. At LVMH (which owns Louis Vuitton), rotating employees among luxury brands gives employees what two experts call "extraordinarily rich learning opportunities."[145]

The accompanying HR Practices feature illustrates this.

job rotation
A management training technique that involves moving a trainee from department to department to broaden his or her experience and identify strong and weak points.

■ **IMPROVING PERFORMANCE:** *HR PRACTICES AROUND THE GLOBE*

Global Job Rotation

As firms expand globally, job rotation takes on a new meaning. At firms like Shell and BP, rotating managers globally is a primary means through which the firms maintain their flexibility and responsiveness even as they grow to an enormous size.

An advantage of global job rotation (rotating managers from, say, Sweden to New York) is that it builds a network of informal ties that ensures superior cross-border communication and mutual understanding as well as tight interunit coordination and control.

Improved communication and understanding stem from the personal relationships forged as managers work in the firm's various locations. These activities can also enhance organizational control. When employees from the firm's global locations are rotated or brought together at, say, the Harvard Business School or Europe's INSEAD for a management-training program, the aim is more than just teaching basic skills. It is also to build a stronger identification with the company's culture and values. By creating shared experiences and values and a consistent view of the firm and its goals, such activities can facilitate communication. Similarly the sense of shared values (such as "the customer is always right") can facilitate self control, by helping keep managers' behavior in line with the firm's policies and procedures. Finally, cross-border assignments can be magnets for attracting and retaining the best management talent.[146]

> ### MyLab Management Talk About It 3
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Using Web sites such as www.sony.net (click "Careers") and www.mckinsey.com (insert *how multinationals can attract the talent they need* into their search box), discuss examples of how multinational companies use job rotation and other means to develop their managers.

COACHING/UNDERSTUDY APPROACH   In this on-the-job method, the trainee works directly with a senior manager or with the person he or she is to replace; the latter is responsible for the trainee's coaching. Normally, the understudy relieves the executive of certain responsibilities, giving the trainee a chance to learn the job.

action learning

A training technique by which management trainees are allowed to work full-time analyzing and solving problems in other departments.

ACTION LEARNING   **Action learning** programs give managers released time to work analyzing and solving problems in departments other than their own. It is one of the fastest-growing leadership development techniques, used by companies ranging from Wells Fargo to Boeing.[147] Basics include carefully selecting teams of 5 to 25 members, assigning them real-world business problems that extend beyond their usual areas of expertise, and structured learning through coaching and feedback. The employer's senior managers usually choose the projects and decide whether to accept the teams' recommendations.[148]

For example, one Pacific Gas & Electric Company (PG&E) program had three phases:

1. A 6- to 8-week *framework* phase, where the team defines and collects data on an issue;
2. The *action forum*—2 to 3 days at PG&E's learning center discussing the issue and developing recommendations; and
3. *Accountability sessions*, where the teams meet with management to review progress.[149]

STRETCH ASSIGNMENTS   Stretch assignments are assignments that "push employees beyond their comfort zone," placing them in jobs and assignments different from and more demanding than those to which they are accustomed.[150] The critical issue here is to understand the employee's capabilities: The assignment should be challenging but not overwhelming.

Off-the-Job Management Training and Development Techniques

There are also many off-the-job methods for training and developing managers.

case study method

A development method in which the manager is presented with a written description of an organizational problem to diagnose and solve.

As most everyone knows, the **case study method** has trainees solve realistic problems after studying written or video case descriptions. The person then analyzes the case, diagnoses the problem, and presents his or her findings and solutions in a discussion with other trainees. *Integrated case scenarios* create long-term, comprehensive case situations. One FBI Academy scenario starts with "a concerned citizen's telephone call and ends 14 weeks later with a simulated trial. In between is the stuff of a genuine investigation. . . ." The scripts include background stories, detailed personnel histories, and role-playing instructions; their aim is to develop specific skills, such as interviewing witnesses.[151]

management game

A development technique in which teams of managers compete by making computerized decisions regarding realistic but simulated situations.

Computerized **management games** enable trainees to learn by making realistic decisions in simulated situations. For example, *Interpret* is a team exercise that "explores team communication, the management of information and the planning and implementation of a strategy. It raises management trainees' communication skills, helps them to better manage the information flow between individuals and the team, and improves planning and problem-solving skills."[152] In other games each team might have to decide how much to spend on advertising, how much to produce, and how much inventory to maintain.

People learn best by being involved, and games gain such involvement. They also help trainees develop problem-solving skills, and focus attention on planning rather than just putting out fires. They can develop leadership skills and foster cooperation and teamwork.

"Gamification" of training in general also reportedly improves learning, engagement, and morale and is fairly easy to achieve. For instance, use point systems, badges, and leaderboards in the training.[153]

OUTSIDE SEMINARS   Numerous companies and universities offer Web-based and traditional classroom management development seminars and conferences. The selection of 1- to 3-day training programs offered by the American Management Association illustrates what's available. For instance, its offerings range from "developing your emotional intelligence" to "assertiveness training," "assertiveness training for managers," "assertiveness training for women in business," "dynamic listening skills for successful communication," and "fundamentals of cost accounting."[154] Specialized groups, such as SHRM, provide specialized seminars for their professions' members.[155]

UNIVERSITY-RELATED PROGRAMS   Many universities provide executive education in leadership, supervision, and the like. These can range from 1- to 4-day programs to executive development programs lasting 1 to 4 months. The Advanced Management Program of Harvard's Graduate School of Business Administration is one of many such programs.[156]

Many employers want customized programs. In one, Hasbro sought to improve its executives' creativity skills. Dartmouth's Amos Tuck Business School provided a "custom approach to designing a program that would be built from the ground up to suit Hasbro's specific needs."[157] Technology giant Philips sought to accelerate innovation and leadership excellence. It entered a 6-year collaboration with the University of Pennsylvania's Wharton School and the Center for Creative Leadership (CCL). Their customized "Octagon" leader development program emphasized both strategic business skills, and behavioral leadership skills.[158]

role-playing

A training technique in which trainees act out parts in a realistic management situation.

ROLE-PLAYING   The aim of **role-playing** is to create a realistic situation and then have the trainees assume the parts (or roles) of specific persons in that situation. Each trainee gets a role, such as:

> You are the head of a crew of telephone maintenance workers, each of whom drives a small service truck to and from the various jobs. Every so often you get a new truck to exchange for an old one, and you have the problem of deciding

to which of your crew members you should give the new truck. Often there are hard feelings, so you have a tough time being fair.[159]

When combined with the general instructions and other roles, role-playing can trigger spirited discussions among the trainees. The aim is to develop trainees' skills in areas like leadership and delegating. For example, a supervisor could experiment with both a considerate and an autocratic leadership style, whereas in the real world this isn't so easy. Role-playing may also help someone to be more sensitive to others' feelings.

in-house development center
A company-based method for exposing prospective managers to realistic exercises to develop improved management skills.

CORPORATE UNIVERSITIES Many firms establish **in-house development centers** (often called *corporate universities*). GE's Crotonville, New York, management training center was one of the first; it provides GE management employees with a very extensive range of courses and seminars, such as one 2-week program for selected middle managers where they receive coaching on topics ranging from finance to presentation skills.[160] As with management development in general, the best corporate universities (1) actively align offerings with corporate goals, (2) focus on developing skills that support business needs, (3) evaluate learning and performance, (4) use technology to support learning, and (5) partner with academia.[161]

Increasingly employers offer virtual—rather than brick-and-mortar—corporate university services. For example, Cerner Health offers its employees "Cerner KnowledgeWorks." This provides three types of knowledge. *Dynamic knowledge* "is real-time content . . . such as e-mails, instant messages, or conference calls." *Moderated content* "includes best practices, such as case studies or wikis that capture information about situations where we did well and how we did it." *Codified content* "is more formal documentation of official company practices, and includes installation guides, help files, and formal training or courses."[162]

executive coach
An outside consultant who questions the executive's associates in order to identify the executive's strengths and weaknesses, and then counsels the executive so he or she can capitalize on those strengths and overcome the weaknesses.

EXECUTIVE COACHES Many firms retain executive coaches to help develop their top managers' effectiveness. An **executive coach** is an outside consultant who questions the executive's boss, peers, subordinates, and (sometimes) family in order to identify the executive's strengths and weaknesses, and to counsel the executive so he or she can capitalize on those strengths and overcome the weaknesses.[163] Executive coaching can cost $50,000 per executive or more, so a careful evaluation is needed before retaining one. In particular, ask, how valuable is the manager's performance to the company, how willing is he or she to participate, what is the challenge the manager is facing, and what if any are the alternatives to executive coaching? Experts recommend using formal assessments prior to coaching, to uncover strengths and weaknesses and to provide more focused coaching.[164]

The coaching field is unregulated, so managers should do their due diligence. Check references, and consult the International Coach Federation, a trade group.[165]

THE SHRM LEARNING SYSTEM The Society for Human Resource Management (SHRM) encourages HR professionals to qualify for certification by taking examinations. The society offers several preparatory training programs.[166] These include self-study, and a college/university option that includes classroom interaction with instructors and other learners.[167]

Leadership Development at Cigna

As a leadership development example, Cigna offers various leadership development programs by specialty, for example, an Actuarial Executive Development Program, a Financial Development Program, and a HealthService Leadership Program.[168] According to Cigna, its HealthService Leadership Program (HLP) "focuses on building general leadership talent through executive coaching, dynamic rotational roles, and personalized development to create a pipeline for future executive positions at Cigna." The program entails functional rotations each lasting 12 to 24 months, during which trainees improve their general management and leadership skills. They do this,

for instance, through leadership assessments, mentorships, and experiential learning. The functions the trainees are exposed to include, for example, Marketing, Product, Finance, Service Operations, and Strategy and Business Development.

TRENDS SHAPING HR: *CUSTOMIZED TALENT MANAGEMENT-DIFFERENTIAL DEVELOPMENT ASSIGNMENTS*

In today's competitive environment, the usual HR practice of allocating development opportunities and other scarce resources across the board or based solely on performance makes less sense. It often makes more sense to focus more of the employer's resources on the "mission-critical employees" who the employer deems most crucial to the company's future growth.

We'll look closer at how employers do this in the following chapter, but several examples follow:

- High-potential trainees in Johnson & Johnson's "LeAD" leadership development program receive advice and regular assessments from coaches brought in from outside the company.[169]
- Some companies share future strategies on a privileged basis with rising leaders. For example, they invite them to quarterly meetings with high-level executives, and they let them access an online portal where the rising leaders can review the company's strategy and critical metrics.[170] ■

Characteristics of Effective Leadership Development Programs

What are the characteristics of effective leadership training programs?[171] One major study's findings suggest this: The best programs begin with *a thorough needs analysis* to determine tangible program goals; *mandatory participation* in the program is as effective as voluntary participation; self-administered programs are *less* effective than *trainer-based programs; practice-based programs* are more effective than information-based programs; providing *feedback* to trainees boosts the program's effectiveness; *on-site programs* (at the company's facilities) are generally more effective than off-site training programs; *face-to-face* leadership training programs are more effective than virtually based programs; and leadership training is as effective for *senior-level leaders* as for lower-level ones.

Managing Organizational Change Programs

With firms from AT&T and Comcast to Barnes & Noble and Macy's being disrupted by digital competitors, reorganizations are increasingly familiar, but often fail. McKinsey and Company surveyed 1,800 executives to identify why reorganizations fail. Top reasons included *employees resisting the changes*, *insufficient resources devoted to the effort*, *individual productivity declining as employees become distracted*, *leaders resisting the changes*, and *the organization chart changes but the people are still working the same*.[172]

In addition, *clarity of purpose* is essential. For example, two change experts say that most major change programs (or "transformations") aim to achieve one of five basic purposes or "quests": *customer focus, nimbleness, innovation, sustainability,* or *boosting global presence*.[173] They found that when transformations fail, it's generally because those running them either neglect to clarify up front the program's purpose/ quest, or pursue the wrong quest, or focus on multiple quests.

In any case, companies often have little choice but to change how they do things. For example, Microsoft changed its CEO a few years ago, then reorganized, changed its strategy to include supplying hardware (tablets, etc.), and made other personnel changes. As here, organizational change may impact a company's strategy, culture, structure, technologies, or the attitudes and skills of its employees.

Again, the hardest part is often overcoming employee resistance. Individuals, groups, and even entire organizations tend to resist change. They do this because

KNOWLEDGE BASE

LEARNING OBJECTIVE 8-6

List and briefly discuss the importance of the steps in leading organizational change.

they're accustomed to the usual way of doing things or because of perceived threats to their influence, for instance.[174]

Lewin's Change Process

Psychologist Kurt Lewin formulated a model to summarize the basic process for implementing a change with minimal resistance. To Lewin, all behavior in organizations was a product of two kinds of forces: those striving to maintain the status quo and those pushing for change. Implementing change thus means reducing the forces for the status quo or building up the forces for change. Lewin's process consists of three steps:

1. *Unfreezing* means reducing the forces that are striving to maintain the status quo, usually by presenting a provocative problem or event to get people to recognize the need for change and to search for new solutions.
2. *Moving* means developing new behaviors, values, and attitudes. The manager may accomplish this through organizational structure changes, through conventional training and development activities, and sometimes through the other organizational development techniques (such as team building) we'll discuss later.
3. *Refreezing* means building in the reinforcement to make sure the organization doesn't slide back into its former ways of doing things—for instance, change the incentive system.

In practice, to deal with employee intransigence, some experts suggest that the manager use a process such as the following to implement the change.[175] To bring about a desired organizational change at work:

1. *Establish a sense of urgency.* For example, present employees with a (fictitious) analyst's report describing the firm's imminent demise.
2. *Mobilize commitment* through joint diagnoses of problems. Create a task force to diagnose the problems facing the department or the company. This can help to produce a shared understanding of what can and must be improved.
3. *Create a guiding coalition.* It's never easy to implement big changes alone. Therefore, create a "guiding coalition" of influential people. They'll act as missionaries and implementers.
4. *Develop and communicate a shared vision* of what you see coming from the change. Keep the vision simple (for example, "We will be faster than anyone at satisfying customer needs.").[176]

Create a sense of urgency, for example, by presenting employees with a report describing the firm's imminent demise—if corrective actions aren't taken.

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5. ***Help employees make the change.*** Eliminate impediments. For example, do current policies or procedures make it difficult to act? Do intransigent managers discourage employees from acting?

6. ***Aim first for attainable short-term accomplishments.*** Use the credibility from these to make additional changes.[177]

7. ***Reinforce the new ways of doing things*** with changes to the company's systems and procedures. For example, use new appraisal systems and incentives to reinforce the desired new behaviors.

8. ***Monitor and assess progress.*** In brief, this involves comparing the company's progress with where it should be.

Using Organizational Development

Beyond this process, there are many other ways to reduce resistance. Among the many suggestions here are that managers impose rewards or sanctions that guide employee behaviors, explain why the change is needed, negotiate with employees, give inspirational speeches, or ask employees to help design the change.[178]

organizational development

A special approach to organizational change in which employees themselves formulate and implement the change that's required.

Organizational development (OD) taps into the latter. **Organizational development** is a change process through which employees formulate the change that's required and implement it, often with the assistance of trained consultants. OD has several distinguishing characteristics:

1. It usually involves *action research*, which means collecting data about a group, department, or organization, and feeding the information back to the employees so they can analyze it and develop hypotheses about what the problems might be.

2. It applies behavioral science knowledge to improve the organization's effectiveness.

3. It changes the organization in a particular direction—toward empowerment, improved problem solving, responsiveness, quality of work, and effectiveness.

For example, according to experts French and Bell, one OD method, *team-building meetings*, begins with the consultant interviewing each of the group members and the leader before the meeting.[179] They are asked what their problems are, how they think the group functions, and what obstacles are keeping the group from performing better. The consultant then categorizes the interview data into themes (such as "inadequate communications") and presents the themes to the group at the start of the meeting. The group ranks the themes in terms of importance, and the most important ones become the agenda for the meeting. The group then explores and discusses the issues, examines the underlying causes of the problems, and begins devising solutions.

Survey research is another of many OD options (see Table 8-2). It requires having employees, usually throughout the organization, complete attitude surveys. The

TABLE 8-2 **Categories of OD Interventions**

Human Process	Human Resource Management
T-groups	Goal setting
Process consultation	Performance appraisal
Third-party intervention	Reward systems
Team building	Career planning and development
Organizational confrontation meeting	Managing workforce diversity
Survey research	Employee wellness

Technostructural	Strategic
Formal structural change	Integrated strategic management
Differentiation and integration	Culture change
Cooperative union–management projects	Strategic change
Quality circles	Self-designing organizations
Total quality management	
Work design	

facilitator then uses those data as a basis for problem analysis and action planning. Surveys are a convenient way to unfreeze a company's management and employees. They provide a comparative, graphic illustration of the fact that the organization does have problems to solve.

Evaluating the Training Effort

Two experts contend that after spending $560 billion on training in one recent year, employers are getting a poor return on their investment, because it "doesn't lead to better organizational performance. . . ."[180] Particularly with today's emphasis on measuring results, the manager should therefore evaluate the training program.

There are several things you can measure: participants' *reactions* to the program, what (if anything) the trainees *learned* from the program, and to what extent their on-the-job *behavior* or *results* changed as a result of the program. In one older survey of about 500 U.S. organizations, 77% evaluated their training programs by eliciting reactions, 36% evaluated learning, and about 10% to 15% assessed the program's behavior and/or results; recent evidence suggests these figures probably haven't changed much.[181]

There are two basic issues to address when evaluating training programs. One is the design of the evaluation study and, in particular, whether to use controlled experimentation. The second is, "What should we measure?"

Designing the Study

In deciding how to design the evaluation study, the basic concern is this: How can we be sure that the training (rather than, say, a company-wide wage increase) caused the results that we're seeing? The *time series design* is one option. Here, as in Figure 8-3, you take a series of performance measures before and after the training program. This can provide some insight into the program's effectiveness.[182]

FIGURE 8-3 Using a Time Series Graph to Assess a Training Program's Effects
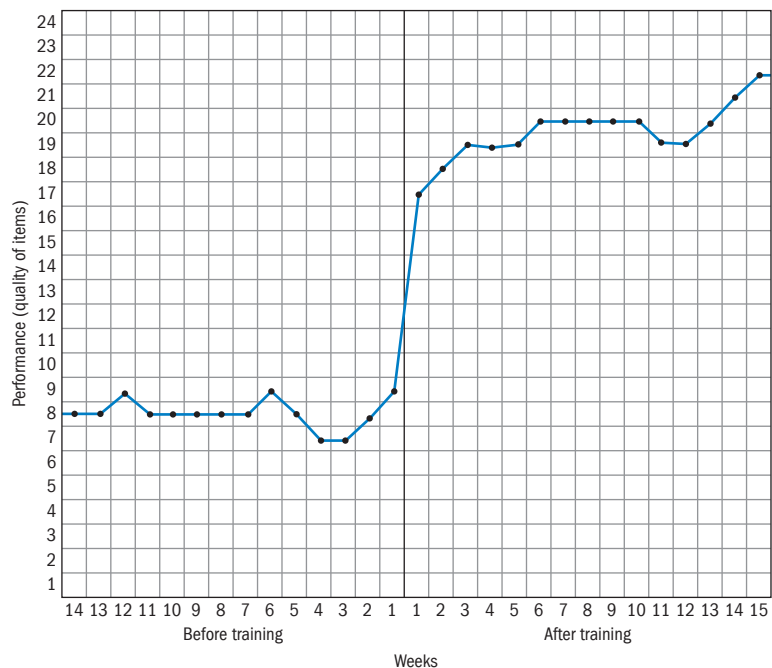
However, you can't be absolutely sure that the training (rather than, say, the raise) caused any change.

Controlled experimentation is therefore the gold standard. A controlled experiment uses a training group and a control group that receives no training. Data (for instance, on quantity of sales or quality of service) are obtained both before and after one group is exposed to training and before and after a corresponding period in the control group. This makes it easier to determine the extent to which any change in the training group's performance resulted from the training, rather than from some organizationwide change like a raise in pay. (The pay raise should have affected employees in both groups.)[183]

Training Effects to Measure

The widely used Kirkpatrick Model of training evaluation (named for its developer) lists four training effects employers can measure:[184]

1. *Reaction.* Evaluate trainees' reactions to the program. Did they like the program? Did they think it worthwhile?
2. *Learning.* Test whether they learned the principles, skills, and facts they were supposed to learn.
3. *Behavior.* Ask whether the trainees' on-the-job behavior changed because of the training program. For example, are employees in the store's complaint department more courteous toward disgruntled customers?
4. *Results.* Most important, ask, "What results did we achieve, in terms of the training objectives previously set?" For example, did the number of customer complaints diminish? Reactions, learning, and behavior are important. But if the training program doesn't produce measurable performance-related results, then it probably hasn't achieved its goals.[185]

Evaluating each of these is straightforward. Figure 8-4 presents one page from a sample evaluation questionnaire for assessing *reactions*. Or, you might assess trainees' *learning* by testing their new knowledge. For *behavioral change,* perhaps assess the effectiveness of a supervisory performance appraisal training program by asking that person's subordinates, "Did your supervisor provide you with examples of good and bad performance when he or she appraised your performance most recently?" Finally, directly assess a training program's *results* by measuring, say, the percentage of phone caller questions that call center trainees subsequently answered correctly. Similarly, a careful comparison of the training program's costs and benefits can enable the human resource team to compute the program's return on investment. Online calculators are available to facilitate such analyses.[186]

A program at MGM Resorts illustrates training evaluation.[187] In the hospitality industry, how likely guests are to return is a crucial metric, and is measured at MGM by "Net Promoter Scores" (NPS). With MGM's NPS scores not up to par, its training team concluded "guest facing" employees weren't sufficiently engaged. It created an Essentials of Hotel Management Program for front desk and assistant managers. The program emphasized skills like collaboration and communications. At the end of the approximately 1-year program, NPS scores had risen about 2% (which is considered a notable accomplishment).[188]

<table>
<tr><td>OPM</td><td colspan="2">*INSTRUCTOR HANDOUTS*</td><td>*United States Office of Personnel Management*</td></tr>
</table>

TRAINING EVALUATION FORM

TITLE OF COURSE: "Work and Family Issues — A Module for Supervisors and Managers"

NAME OF INSTRUCTOR:

DATE OF TRAINING
Started:_____
Ended:_____

NAME:
(Optional)

POSITION TITLE/GRADE:

AGENCY:

OFFICE PHONE:
(Optional)

OFFICE ADDRESS:
(Optional)

Rate Your Knowledge and Skill Level
(Circle your rating)

Before this course Low --------------------------------------High
                     1   2   3   4   5

After this course   Low --------------------------------------High
                     1   2   3   4   5

Overall, how would you rate this course?

__ Excellent __Very Good __ Good

__ Fair __ Poor

EVALUATION OF COURSE
(Check appropriate box)

ITEMS OF EVALUATION How did the course sharpen your knowledge or skills in:	Excellent	Very Good	Good	Fair	Poor	Not Applicable
1. What work and family programs are	○	○	○	○	○	○
2. Who uses work and family programs	○	○	○	○	○	○
3. How to recognize/solve work/family issues	○	○	○	○	○	○
4. Helping you take practical steps on the job	○	○	○	○	○	○

RATING OF INSTRUCTOR

1. Presentation, organization, delivery	○	○	○	○	○	○
2. Knowledge and command of the subject	○	○	○	○	○	○
3. Use of audio-visuals or other training aids	○	○	○	○	○	○
4. Stimulation of an open exchange of ideas, participation, & group interaction	○	○	○	○	○	○

STRONG POINTS OF THE COURSE
○
○
○

WEAK POINTS OF THE COURSE
○
○
○

ADDITIONAL DATA YOU WOULD LIKE TO HAVE COVERED IN COURSE
○
○
○

ADDITIONAL COMMENTS/OR RECOMMENDATIONS

FIGURE 8-4 A Training Evaluation Form

Source: From Instructor Handouts: Training Evaluation Form, United States Office of Personnel Management.

Chapter Review

Chapter Section Summaries

8-1. Getting your new employee up to speed begins with **orienting and training** him or her. Employee orientation means providing new employees with the information they need to function, and helping them start being emotionally attached to the firm.

8-2. There is more to orienting employees than introducing them to their coworkers. Even without a company-wide program like Toyota's, use the onboarding opportunity to begin instilling in the new employee the company values and traditions in which you expect the person to become **engaged.**

8-3. We used the acronym **ADDIE** to outline the **training process:** analyze, develop, design, implement, and evaluate. Before training employees, it's necessary to analyze their training needs and design the training program. In training new employees, employers use task analysis— basically, a detailed study of the job—to determine what skills the job requires. For current employees, performance analysis is required, specifically to verify that there is performance efficiency and to determine if training is the solution. Distinguishing between can't-do and won't-do problems is the main issue here. Once you understand the issues, you can design a training program, which means identifying specific training objectives, clarifying a training budget, and then actually designing the program in terms of the actual content.

8-4. With this in place, you can turn to **implementing the training program.** Specific training methods include on-the-job training, apprenticeship training, informal learning, job instruction training, lectures, programmed learning, audiovisual-based training, vestibule training, videoconferencing, electronic performance support systems, and computer-based training. Frequently, programs are Internet-based, with employees accessing packaged online programs, backed up by learning management systems, through their company's learning portals. Employers also increasingly use mobile learning, for instance, delivering short courses and explanations to employees' smart phones. Lifelong learning can help ensure employees have the basic educational backgrounds they need to succeed on their jobs. Diversity training aims to create better cross-cultural sensitivity with the goal of fostering more harmonious working relationships.

8-5. Most training methods are useful for all employees, but some are particularly appropriate for **management development programs.** Like all employees, new managers often get on-the-job training, for instance, via job rotation and coaching. In addition, it's usual to supply various off-the-job training and development opportunities—for instance, using the case study method, management games, outside seminars, university-related programs, corporate universities, executive coaches, and (for human resource managers) the SHRM learning system.

8-6. When facing challenges, managers have to execute **organizational change programs.** These may aim at changing the company's strategy, culture, structure, technologies, or the attitudes and skills of the employees. Often, the trickiest part of organizational change is overcoming employees' resistance to it. With that in mind, steps in an effective organizational change program include establishing a sense of urgency, mobilizing commitment, creating a guiding coalition, developing and communicating a shared vision, helping employees make the change, consolidating gains, reinforcing new ways of doing things, and monitoring and assessing progress. Organizational development involves action research, which means collecting data about a group and feeding the information back to the employees so they can analyze it and develop hypotheses about what the problems might be.

8-7. Whatever the training program, it's important to **evaluate the training effort.** You can measure reaction, learning, behavior, or results, ideally using a control group that is not exposed to training, in parallel with the group that you're training.

Discussion Questions

8-1. "A well-thought-out orientation program is essential for all new employees, whether they have experience or not." Explain why you agree or disagree with this statement.

8-2. Explain how you would apply our "motivation points" (pages 246–247) in developing a lecture, say, on orientation and training.

8-3. What are some typical on-the-job training techniques? What do you think are some of the main drawbacks of relying on informal on-the-job training? What are some advantages to using cloud-based training?

8-4. Describe the pros and cons of five management development methods.

8-5. Do you think job rotation is a good method to use for developing management trainees? Why or why not?

8-6. What is organizational development, and how does it differ from traditional approaches to organizational change?

8-7. List and briefly explain each of the steps in the training process.

Individual and Group Activities

8-8. You're the supervisor of a group of employees whose task is to assemble disk drives that go into computers. You find that quality is not what it should be and that many of your group's devices have to be brought back and reworked. Your boss says, "You'd better start doing a better job of training your workers."
   a. What are some of the staffing factors that could be contributing to this problem?
   b. Explain how you would go about assessing whether it is in fact a training problem.

8-9. Choose a task with which you are familiar— mowing the lawn, making a salad, or studying for a test—and develop a job instruction sheet for it.

8-10. Working individually or in groups, develop a short, programmed learning program on the subject "Guidelines for Giving a More Effective Lecture."

8-11. Find three or four actual examples of employers using social media for training purposes. At what levels of managers are the offerings aimed? What seem to be the most popular types of programs? Why do you think that's the case?

8-12. Working individually or in groups, develop several specific examples to illustrate how a professor teaching human resource management could use at least four of the techniques described in this chapter in teaching his or her HR course.

8-13. Working individually or in groups, develop an orientation program for high school graduates entering your university as freshmen.

8-14. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

8-15. Perhaps no training task in Afghanistan was more pressing than creating the country's new army in the early 2000s, which is an ongoing task. These were the people who were to help the coalition bring security to Afghanistan. However, many new soldiers and even officers had no experience. There were language barriers between trainers and trainees. And some trainees found themselves quickly under fire from insurgents when they went as trainees out into the field. Based on what you learned about training from this chapter, list the five most important things you would tell the U.S. officer in charge of training to keep in mind as he designs the training program.

Experiential Exercise

Flying the Friendlier Skies

Written and copyrighted by Gary Dessler, PhD.

Purpose: The purpose of this exercise is to give you practice in developing a training program for the job of airline reservation clerk for a major airline.

Required Understanding: You should be fully acquainted with the material in this chapter and should read the following description of an airline reservation clerk's duties:

Customers contact our airline reservation clerks to obtain flight schedules, prices, and itineraries. The

reservation clerks look up the requested information on our airline's online flight schedule systems, which are updated continuously. The reservation clerk must deal courteously and expeditiously with the customer, and be able to quickly find alternative flight arrangements in order to provide the customer with the itinerary that fits his or her needs. Alternative flights and prices must be found quickly, so that the customer is not kept waiting, and so that our reservations operations group maintains its efficiency standards. It is often necessary to look under various routings, since there may be a dozen or more alternative routes between the customer's starting point and destination.

You may assume that we just hired 30 new clerks, and that you must create a 3-day training program.

How to Set Up the Exercise/Instructions: Divide the class into teams of five or six students.

Airline reservation clerks obviously need numerous skills to perform their jobs. This airline has asked you to quickly design the outline of a training program for its new reservation clerks.

8-16. You may want to start by listing the job's main duties and by reviewing any work you may have done for the exercise at the end of Chapter 6.

8-17. In any case, please produce the requested outline, making sure to be very specific about what you want to teach the new clerks, and what methods and aids you suggest using to train them.

Application Case

Reinventing the Wheel at Apex Door Company

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Jim Delaney, president of Apex Door, has a problem. No matter how often he tells his employees how to do their jobs, they invariably "decide to do it their way," as he puts it, and arguments ensue between Jim, the employee, and the employee's supervisor. One example is the door-design department, where the designers are expected to work with the architects to design doors that meet the specifications. While it's not "rocket science," as Jim puts it, the designers invariably make mistakes—such as designing in too much steel, a problem that can cost Apex tens of thousands of wasted dollars, once you consider the number of doors in, say, a 30-story office tower.

The order processing department is another example. Jim has a very specific and detailed way he wants the order written up, but most of the order clerks don't understand how to use the multipage order form. They simply improvise when it comes to a detailed question such as whether to classify the customer as "industrial" or "commercial."

The current training process is as follows. None of the jobs has a training manual per se, although several have somewhat out-of-date job descriptions. The training for new people is all on the job. Usually, the person leaving the company trains the new person during the 1- or 2-week overlap period, but if there's no overlap, the new person is trained as well as possible by other employees who have filled in occasionally on the job in the past. The training is the same throughout the company—for machinists, secretaries, assemblers, engineers, and accounting clerks, for example.

Questions

8-18. What do you think of Apex's training process? Could it help to explain why employees "do things their way"? If so, how?

8-19. What role should job descriptions play in training at Apex?

8-20. Explain in detail what you would do to improve the training process at Apex. Make sure to provide specific suggestions, please.

Continuing Case

Carter Cleaning Company

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The New Training Program

The Carter Cleaning Centers currently have no formal orientation or training policies or procedures, and Jennifer believes this is one reason why the standards to which she and her father would like employees to adhere to are generally not followed.

The Carters would prefer that certain practices and procedures be used in dealing with the customers at the front counters. For example, all customers should be greeted with what Jack refers to as a "big hello." Garments they drop off should immediately be inspected for any damage or unusual stains so these can be brought to the customer's attention, lest the customer later return to pick up the garment and

erroneously blame the store. The garments are then supposed to be placed together in a nylon sack immediately to separate them from other customers' garments. The ticket also has to be carefully written, with the customer's name and telephone number and the date clearly noted on all copies. The counter person is also supposed to take the opportunity to try to sell the customer additional services such as waterproofing, or simply notify the customer that "Now that people are doing their spring cleaning, we're having a special on drapery cleaning all this month." Finally, as the customer leaves, the counter person is supposed to make a courteous comment like "Have a nice day." Each of the other jobs in the stores—pressing, cleaning and spotting, and so forth—similarly contain certain steps, procedures, and, most important, standards the Carters would prefer to see upheld.

The company has had problems, Jennifer feels, because of a lack of adequate employee training and orientation. For example, two new

employees became very upset last month when they discovered that they were not paid at the end of the week, on Friday, but instead were paid (as are all Carter employees) on the following Tuesday. The Carters use the extra two days in part to give them time to obtain everyone's hours and compute their pay. The other reason they do it, according to Jack, is that "frankly, when we stay a few days behind in paying employees it helps to ensure that they at least give us a few days' notice before quitting on us. While we are certainly obligated to pay them anything they earn, we find that psychologically they seem to be less likely to just walk out on us Friday evening and not show up Monday morning if they still haven't gotten their pay from the previous week. This way they at least give us a few days' notice so we can find a replacement."

There are other matters that could be covered during orientation and training, says Jennifer. These include company policy regarding paid holidays, lateness and absences, health benefits (there are none, other than workers' compensation), substance abuse, eating or smoking on the job (both forbidden), and general matters like the maintenance of a clean and safe work area, personal appearance and cleanliness, time sheets, personal telephone calls, and personal e-mail.

Jennifer believes that implementing orientation and training programs would help to ensure that employees know how to do their jobs the right way. And she and her father further believe that it is only when employees understand the right way to do their jobs that there is any hope their jobs will be accomplished the way the Carters want them to be accomplished.

Questions

8-21. Specifically, what should the Carters cover in their new employee orientation program, and how should they convey this information?

8-22. In the HR management course Jennifer took, the book suggested using a job instruction sheet to identify tasks performed by an employee. Should the Carter Cleaning Centers use a form like this for the counter person's job? If so, what should the form look like, say, for a counter person?

8-23. Which specific training techniques should Jennifer use to train her pressers, her cleaner/spotters, her managers, and her counter people? Why should these training techniques be used?

Translating Strategy into into HR Policies and Practices Case*,§

*The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The New Training Program

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy, by eliciting the required employee behaviors and competencies.

As she reviewed her company's training processes, Lisa had many reasons to be concerned. For one thing, the Hotel Paris relied almost exclusively on informal on-the-job training. New security guards attended a 1-week program offered by a law enforcement agency, but all other new hires, from assistant manager to housekeeping crew, learned the rudiments of their jobs from their colleagues and their supervisors, on the job. Lisa noted that the drawbacks of this informality were evident when she compared the Hotel Paris's performance on various training metrics with those of other hotels and service firms. For example, in terms of number of hours training per employee per year, number of hours training for new employees, cost per trainee hour, and percent of payroll spent on training, the Hotel Paris was far from the norm when benchmarked against similar firms.

As Lisa and the CFO reviewed measures of the Hotel Paris's current training efforts, it was clear that (when compared to similar companies) some changes were in order. Most other service companies provided at least 40 hours of training per employee per year, while the Hotel Paris offered, on average, no more than 5 or 6. Similar firms offered at least 40 hours of training per *new* employee, while the Hotel Paris offered, at most, 10. Even the apparently "good" metrics comparisons simply masked poor results. For example, whereas most service firms spend about 8% of their payrolls on training, the Hotel Paris spent less than 1%. The problem, of course, was that the Hotel Paris's training wasn't more efficient, it was simply nonexistent.

Given this and the commonsense links between (1) employee training and (2) employee performance, the CFO gave his go-ahead for Lisa and her team to design a comprehensive package of training programs for all Hotel Paris employees. They retained a training supplier to design a 1-day training program composed of lectures and audiovisual material for all new employees. This program covered the Hotel Paris's history, its competitive strategy, and its critical employee capabilities and behaviors, including the need to be customer oriented. With a combination of lectures and video examples of correct and incorrect behaviors, the behavior-modeling part of this program aimed to cultivate in new employees the company's essential values, including, "we endeavor to do everything we can to make the guests' stay 100% pleasant."

The team developed separate training programs for each of the hotel's other individual job categories. For example, it retained a special vendor to create computer-based training programs, complete with interactive scenarios, for both the front-desk clerks and telephone operators. As with all the new training programs, they had these translated into the languages of the countries in which the Hotel Paris did business. The team chose to stay with on-the-job training for both the housekeeping and valet/door person job categories, but formalized this training with special handbooks for each job category's supervisory staff. For assistant managers, the team developed a new videoconference-based online training and development program. In this way, the new managers could interact with other assistant managers around the chain, even as they were learning the basics of their new jobs. Lisa and the CFO were not at all surprised to find that within a year of instituting the new training programs, scores on numerous employee capabilities and behavior metrics (including speed of check-in/out, percent of employees scoring at least 90% on Hotel Paris's values quiz, and percent room cleaning infractions) improved markedly. They knew from previous analyses that these improvements would, in turn, drive improvements in customer and organizational outcomes, and strategic performance.

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Questions

8-24. Based on what you read in this chapter, what would you have suggested Lisa and her team do first with respect to training, particularly in terms of the company's strategy? Why?

8-25. Have Lisa and the CFO sufficiently investigated whether training is really called for? Why? What would you suggest?

8-26. Based on what you read in this Dessler *Human Resource Management* chapter and what you may access via the Web, develop a detailed training program for one of these hotel positions: security guard, housekeeper, or door person.

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

8-27. John Santos is an undergraduate business student majoring in accounting. He just failed the first accounting course, Accounting 101. He is understandably upset. How would you use performance analysis to identify what, if any, are John's training needs?

8-28. Knowing that you are taking an HR management course, a friend asks you this: I just hired a nanny for my child, and I want to make sure she knows what to do; in outline form, what should I cover in the training program I give her?

8-29. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

P I A PERSONAL INVENTORY ASSESSMENT

What sort of leadership style do you think you would exhibit in leading an organizational change? Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

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Endnotes

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9

Performance Management and Appraisal

When you finish studying this chapter, you should be able to:

9-1 **Describe** the performance appraisal process.

9-2 **Discuss** the pros and cons of at least eight traditional performance appraisal methods.

9-3 **Give examples** of how to deal with potential appraisal error problems.

9-4 **List** steps to take in the appraisal interview.

9-5 **Explain** key points in how to use the appraisal interview to boost employee engagement.

9-6 **Explain** how you would take a performance management approach to appraisal.

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Company's Strategic Goals

↓

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

↓

Training and Development

Recruitment and Placement

Compensation

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Strategic and Legal Environment

Employee Relations

WHERE ARE WE NOW …

Chapters 6–8 explained selecting, training, and developing employees. After employees have been on the job for some time, you should appraise their performance. The purpose of this chapter is to show you how to do that. The main topics we cover include the **Basics of Performance Appraisal**, **Tools for Appraising Performance, Dealing with Rater Error Appraisal Problems, The Appraisal Interview**, **Employee Engagement Guide for Managers**, and **Performance Management**. Career planning is a logical consequence of appraisal: We'll turn to career planning in Chapter 10.

KNOWLEDGE BASE

Basics of Performance Appraisal

Few things supervisors do are fraught with more peril than appraising subordinates' performance. Employees tend to be overly optimistic about their ratings. And they know their raises, careers, and peace of mind may hinge on how you rate them. As if that's not enough, few appraisal processes are as fair as employers think they are. Many obvious and not-so-obvious problems (such as the tendency to rate everyone "average") distort the process.[2] However, the perils notwithstanding, performance appraisal plays a big role in managing people.

The Performance Appraisal Process

performance appraisal

Evaluating an employee's current and/or past performance relative to his or her performance standards.

performance appraisal process

A three-step appraisal process involving (1) setting work standards, (2) assessing the employee's actual performance relative to those standards, and (3) providing feedback to the employee with the aim of helping him or her to eliminate performance deficiencies or to continue to perform above par.

Performance appraisal means evaluating an employee's current and/or past performance relative to his or her performance standards. You may equate appraisal forms like Figure 9-1 with "performance appraisal," but appraisal involves more than forms. It also requires setting performance standards, and assumes that the employee receives the training, feedback, and incentives required to eliminate performance deficiencies. Stripped to its essentials, performance appraisal always involves the three-step **performance appraisal process:** (1) setting work standards; (2) assessing the employee's actual performance relative to those standards (this often involves some rating form); and (3) providing feedback to the employee with the aim of helping him or her to eliminate performance deficiencies or to continue to perform above par.

Effective appraisals actually begin before the actual appraisal, with the manager defining the employee's job and performance criteria. *Defining the job* means making sure that you and your subordinate agree on his or her duties and job standards and on the appraisal method you will use.

Why Appraise Performance?

There are five reasons to appraise subordinates' performance.

- First we'll see that although many employers are replacing or complementing annual reviews with frequent, informal discussions between managers and employees,[3] most employers base pay, promotion, and retention decisions in large part on the employee's appraisal.
- Appraisals play a central role in the employer's *performance management* process. Performance management means continuously ensuring that each employee's performance makes sense in terms of the company's overall goals.
- The appraisal lets the manager and subordinate develop plans for correcting deficiencies, and to reinforce strengths.
- Appraisals provide an opportunity to review the employee's career plans in light of his or her strengths and weaknesses. We address career planning in Chapter 10.
- Appraisals enable the supervisor to identify if there is a training need, and the training required.

FIGURE 9-1 Sample Faculty Evaluation Survey

Source: Copyright Gary Dessler, PhD.

Instructions: Thoughtful evaluations help the faculty member better understand and improve his or her teaching practices. For each of the following eight items, please assign a score, giving your highest score of 7 for Outstanding, a score of 4 for Average, your lowest score of 1 for Needs Improvement, and an NA if the question is not applicable:

Evaluation Items

_____ 1. The instructor was prepared for his/her lectures.
_____ 2. The course was consistent with the course objectives.
_____ 3. The instructor was fair in how he/she graded me.
_____ 4. The instructor carefully planned and organized this course.
_____ 5. The instructor was available during his/her posted office hours.
_____ 6. The instructor responded to online inquiries in a timely manner.
_____ 7. In terms of knowledge and/or experience, the instructor was competent to teach this course.
_____ 8. Overall how would you rate this course?

Defining the Employee's Goals and Performance Standards

The performance appraisal should compare "what should be" with "what is." Managers use one or more of three bases—*goals*, *job dimensions* or traits, and behaviors or *competencies*—to establish ahead of time what the person's performance standards should be.

First, the manager can assess to what extent *the employee is attaining his or her numerical goals*. Such goals should derive from the company's overall profitability, cost reduction, or efficiency goals. For example, a company-wide goal of reducing costs by 10% should translate into goals for how individual employees and/or teams will cut costs. The HR as a Profit Center discussion shows an example.

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Setting Performance Goals at Ball Corporation

Ball Corporation supplies metal packaging to customers such as food processors and paint manufacturers worldwide.[4] The management team at one Ball plant concluded that it could improve plant performance by instituting an improved process for setting goals and for ensuring that the plant employees' behaviors were in synch with these goals.[5] The new program began by training plant leaders on how to improve performance, and on communicating daily performance goals. They in turn communicated and tracked daily goal attainment by distributing team scorecards to the plant's work teams. Plant employees received special coaching and training to ensure they had the skills required for achieving the goals. Within 12 months the plant increased production by 84 million cans, reduced customer complaints by 50%, and obtained a return on investment of more than $3 million.[6] ■

> **MyLab Management Talk About It 1**
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Explain what performance appraisal process behaviors the Ball program included.

Managers often say that effective goals are "SMART." They are *specific*, and clearly state the desired results. They are *measurable*, and answer the question, "How much?" They are *attainable*. They are *relevant*, and clearly reflect what the company wants to achieve. And they are *timely*, with deadlines and milestones.[7] Research provides insights into setting motivational goals. The accompanying HR Tools discussion summarizes these.

IMPROVING PERFORMANCE: *HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES*

How to Set Effective Goals

Behavioral science research studies suggest four guidelines for setting performance goals:

1. Assign specific goals. Employees who receive specific goals usually perform better than those who do not. Don't just say, "do your best."
2. Assign measurable goals. Put goals in quantitative terms, and include target dates/deadlines. If measurable results will not be available, then "satisfactory completion"—such as "satisfactorily attended workshop"—is ok.
3. Assign challenging but doable goals. Goals should be challenging, but not so difficult that they appear unrealistic.
4. Encourage participation. Managers often face this question: Should I tell my employees what their goals are, or let them participate with me in setting their goals? The evidence suggests that participatively set goals do not consistently result in higher performance than assigned goals, nor do assigned goals

consistently result in higher performance than participative ones. It is only when the participatively set goals are set higher than the assigned ones that the participatively set goals produce higher performance. Because it tends to be easier to set higher standards when your employees participate, participation tends to improve performance.[8] ∎

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. "Why is it not a good idea to simply tell employees to 'do their best' when assigning a task?"

A *second* basis upon which to appraise someone is with a form with *basic job dimensions* or *traits* such as "communication" or "teamwork." The assumption is that "good teamwork" is a useful standard for "what should be."

A third option is to appraise employees based *on their mastery of the competencies* (the skills, knowledge, and/or personal behaviors) the job requires. For example, we saw in Chapter 4 that BP's exploration division appraises employees' skills using a skills matrix (see Figure 4-11, page 124). This matrix shows the basic skills to be assessed (such as "technical expertise"), and the minimum level of each skill the job requires. Employees with the requisite level of each skill are qualified to fill the position.

Who Should Do the Appraising?

Appraisal by the immediate supervisor is still the heart of most appraisals. This makes sense. The supervisor is usually in the best position to observe and evaluate the subordinate's performance, and is responsible for that person's performance.

The human resources department is advisory. Generally, they provide the advice on what appraisal tool to use, but leave final decisions on procedures to operating managers. The human resource team should also train supervisors to improve their appraisal skills, monitor the appraisal system's effectiveness, and ensure that it complies with EEO laws.

Relying only on supervisors' appraisals isn't advisable. For example, the supervisor may not appreciate how customers and colleagues see the employee's performance. There is also always some danger of bias. If so, managers have several options.

PEER APPRAISALS   Peer appraisals—appraisals by one's peers—are popular. The American military requires generals and admirals to be evaluated by their peers (and subordinates).[9] Facebook has employees compile peer reviews every 6 months.[10] Google employees receive annual feedback from their supervisor and their peers.[11] At one software firm, employees recognize each other with "wins" and "project completions" during monthly video meetings.[12]

Typically, an employee due for a peer appraisal chooses an appraisal chairperson. The latter (perhaps with the employee's input) then selects a supervisor and several peers to evaluate the employee's work.

Peer appraisals are useful. Peers see aspects of the person that the boss may never see, so peers' opinions can be useful. Knowing your colleagues will appraise you can also change behavior. In one study, instituting peer appraisals had "an immediate positive impact on [improving] perception of open communication, task motivation, social loafing, group viability, cohesion, and satisfaction."[13]

Crowd Appraisals   Social media tools allow almost everyone in the company (the "crowd," as in "crowd appraisals") to continuously appraise their peers' work. Rypple (owned by salesforce.com) illustrates one such "social performance management platform."[14] Employees and managers use it to provide feedback and recognition.[15] For example, Washington-based LivingSocial employees use Rypple to comment on each other's work. LivingSocial then uses these comments as input to its formal employee appraisals.[16] Employers often combine such reviews with Globoforce (www.globoforce.com)–type rewards sites, to automate the rewarding and recognizing of colleagues.[17]

Virtual Games   Many employers conduct peer appraisals by using virtual appraisal games. For example, one company created a virtual game that helps employees evaluate and reward each other. Each employee has an avatar. They use these to give real-time feedback to each other, along with virtual gifts and points.[18]

RATING COMMITTEES   A rating committee typically consists of the employee's immediate supervisor and three or four other supervisors.[19]

Using multiple raters is advantageous. It helps cancel out problems such as bias on the part of individual raters.[20] It can also help pick up the different facets of an employee's performance observed by different appraisers.[21] It's thus advantageous to obtain ratings from the supervisor, his or her boss, and at least one other manager who is familiar with the employee's work. At a minimum, require that the supervisor's boss sign off on any appraisals the supervisor does.

SELF-RATINGS   Some employers obtain employees' self-ratings, usually along with supervisors' ratings. The problem, of course, is that employees usually rate themselves higher than do their supervisors or peers.[22] One older study found that, when asked to rate their own job performances, 40% of employees in jobs of all types placed themselves in the top 10%, and virtually all remaining employees rated themselves in the top 50%; some believe incompetent performers aren't capable of objectively assessing themselves.[23] It's probably best to just ask subordinates to list their accomplishments for the period, before the manager does the appraisal.[24]

APPRAISAL BY SUBORDINATES   Many employers have subordinates rate their managers, usually for developmental rather than for pay purposes. Google, for example, has subordinates assess their managers twice a year with questions such as "my manager shows consideration for me as a person."[25] Not surprisingly, anonymity affects the feedback. Managers who receive feedback from subordinates who identify themselves view the upward feedback process more positively. However, subordinates who identify themselves tend to give inflated ratings.[26]

The evidence suggests that upward feedback does improve managers' performance. One study focused on 252 managers during five annual administrations of an upward

Many employers use rating committees to appraise employees.

Dave and Les Jacobs/Blend Images/Getty Images

feedback program. Managers who were initially rated poor or moderate "showed significant improvements in [their] upward feedback ratings over the five-year period."[27]

Of course, employees no longer need their employers in order to appraise their boss—sites like Glassdoor and apps like Memo let employees post anonymous comments.[28]

360-DEGREE FEEDBACK   With 360-degree feedback, the employer collects performance information all around an employee—from supervisors, subordinates, peers, and internal or external customers—generally for developmental rather than pay purposes.[29] The usual process is to have all raters complete online appraisal surveys. Computerized systems then compile this into individualized reports to ratees.

Results are mixed. An older study found that multisource feedback led to "generally small" improvements in subsequent ratings by supervisors, peers, and subordinates.[30] On the other hand, such feedback can wake someone up. One manager, surprised that peers and others called him "Attila the Hun," ratcheted down his disagreeable behaviors.[31] In any case, make sure the feedback the person receives is productive, unbiased, and development oriented.[32] And, collect multisource feedback by using an online system such as Sumtotal's 360 Degree Feedback.[33]

Traditional Tools for Appraising Performance

We'll see that many employers use online tools such as Oracle's TBE Performance Management Cloud Service to automate the performance appraisal/management process. With their digital dashboards, these tools monitor, report, and correct performance deviations in real time. Yet many employers still use traditional performance appraisal tools like those described next, often supplementing them with frequent coaching and/or continuous feedback via mobile platforms.[34]

Graphic Rating Scale Method

The **graphic rating scale** is the simplest and most popular method for appraising performance. You'll find several varieties. As in the one in Figure 9-2, the scale may list several *job dimensions or traits* (such as "communication" or "teamwork") and a range of performance values (from "below expectations" to "role model" or "unsatisfactory" to "outstanding") for each trait. The supervisor rates each subordinate by circling or checking the score that best describes the subordinate's performance for each trait, and totals the ratings.

A *competency-* (or *skill-* or *behavior-*) based graphic rating scale is another option.[35] Figure 9-3 (page 285) shows a partial form for a pizza chef. This rating form assesses the person's competencies and skills. Here the employer wants to appraise a pizza chef's job-related skills, one of which is: "Be able to maintain adequate inventory of pizza dough." As another example, Section I of Figure 9-4 (page 286) focuses on behavioral competencies. Here "Effectively leads and motivates nurses" is a required behavioral competency for a nurse supervisor. Some employers use competency-based self-appraisals, which the employee then discusses with his or her supervisor.[36]

Finally, the scale might rate (as in Section II of Figure 9-4) how well the employee did with respect to achieving specific profit, cost, or efficiency *goals*. "Nursing unit experienced zero patient medication errors in period" is one example.

Alternation Ranking Method

Ranking employees from best to worst on a trait or traits is another option. Since it's usually easier to distinguish between the worst and best employees, an **alternation ranking method** is most popular. First, list all subordinates to be rated, and then cross out the names of any not known well enough to rank. Then, on a form like that in Figure 9-5 (page 287), indicate the employee who is the highest on the performance dimension being measured and the one who is the lowest. Then choose the next highest and the next lowest, alternating between highest and lowest until all employees have been ranked.

LEARNING OBJECTIVE 9-2

Discuss the pros and cons of at least eight traditional performance appraisal methods.

graphic rating scale
A scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait.

alternation ranking method
Ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all are ranked.

Sample Performance Rating Form

Employee's Name _____   Level: Entry-level employee

Manager's Name _____

Key Work Responsibilities   Results/Goals to Be Achieved
1. _____   1. _____
2. _____   2. _____
3. _____   3. _____
4. _____   4. _____

Communication

1	2	3	4	5

Below Expectations	Meets Expectations	Role Model
Even with guidance, fails to prepare straight-forward communications, including forms, paperwork, and records, in a timely and accurate manner; products require considerable corrections. Even with guidance, fails to adapt style and materials to communicate straightforward information.	With guidance, prepares straightforward communications, including forms, paperwork, and records, in a timely and accurate manner; products require minimal corrections. With guidance, adapts style and materials to communicate straightforward information.	Independently prepares communications, such as forms, paperwork, and records, in a timely, clear, and accurate manner; products require few, if any, corrections. Independently adapts style and materials to communicate information.

Organizational Know-How

1	2	3	4	5

Below Expectations	Meets Expectations	Role Model
<performance standards appear here>	<performance standards appear here>	<performance standards appear here>

Personal Effectiveness

1	2	3	4	5

Below Expectations	Meets Expectations	Role Model
<performance standards appear here>	<performance standards appear here>	<performance standards appear here>

Teamwork

1	2	3	4	5

Below Expectations	Meets Expectations	Role Model
<performance standards appear here>	<performance standards appear here>	<performance standards appear here>

Achieving Business Results

1	2	3	4	5

Below Expectations	Meets Expectations	Role Model
<performance standards appear here>	<performance standards appear here>	<performance standards appear here>

FIGURE 9-2 Sample Graphic Performance Rating Form with Behavioral Examples
Source: Reproduced with permission of the SHRM Foundation.

FIGURE 9-3 One Item from an Appraisal Form Assessing Employee Performance on Specific Job-Related Skills

Position: Pizza Chef			
Competency/Skill 1: Be able to maintain adequate inventory of pizza dough		Rating	
Each round pizza dough must be between 12 and 14 ounces each, kneaded at least 2 minutes before being placed in the temperature- and humidity-controlled cooler, and kept there for at least 5 hours prior to use. There should be enough, but no more, for each day's demand.	Needs improvement	Satisfactory	Excellent

Paired Comparison Method

paired comparison method
Ranking employees by making a chart of all possible pairs of the employees for each trait and indicating which is the better employee of the pair.

The **paired comparison method** makes the ranking method more precise. For every trait (quantity of work, quality of work, and so on), you compare every employee with every other employee. With, say, five employees to rate, you use a chart as in Figure 9-6 (page 287) of all possible pairs of employees for each trait. Then choose who the better employee of the pair is. In Figure 9-6, Maria ranked highest (has the most + marks) for quality of work, whereas Art was ranked highest for creativity.

Forced Distribution Method

forced distribution method
Similar to grading on a curve; predetermined percentages of ratees are placed in various performance categories.

The **forced distribution method** is similar to grading on a curve. Here, the manager places predetermined percentages of ratees into performance categories. At Lending Tree, the top 15% ratees are "1's," the middle 75% are "2's," and the bottom 10% are "3's" and the "first to go." GE used top 20%, middle 70%, and bottom 10% for its managers, and most of the bottom 10% lost their jobs.[37] (GE no longer strictly adheres to its 20/70/10 split. Their current system is reportedly more informal and less stressful.)[38]

Forced distribution's big advantage is in preventing supervisors from simply rating all or most employees "satisfactory" or "high." But as students know, with this method you're either in the top 5% or 10% (and get that "A"), or you're not. Forced distribution systems may also increase the risk of discriminatory adverse impact.[39] One survey found that 77% of employers were at least "somewhat satisfied" with forced ranking, while the remaining 23% were dissatisfied. The biggest complaint: 44% said it damages morale.[40] Forced distribution motivates effort and perhaps performance, but leaves many employees feeling that their appraisals were dysfunctional.[41] Some writers call it "Rank and Yank."[42] Furthermore, distinguishing between top and bottom performers is usually not even the problem: "The challenge is to differentiate meaningfully between the other 80%."[43] Therefore, a committee should review any employee's low ranking.

For many years, Microsoft graded employees against each other in what employees called the "stack."[44] It now uses frequent qualitative appraisals.

Critical Incident Method

critical incident method
Keeping a record of uncommonly good or undesirable examples of an employee's work-related behavior and reviewing it with the employee at predetermined times.

With the **critical incident method,** the supervisor keeps a log of positive and negative examples (critical incidents) of a subordinate's work-related behaviors. Every 6 months or so, supervisor and subordinate meet to discuss the latter's performance, using the incidents as examples. One study involved 112 first-line supervisors. The conclusion of this and similar studies is that compiling critical incidents as they occur anchors the eventual appraisal in reality and thus improves appraisal outcomes.[45]

It's thus advisable to keep a diary of such incidents.[46] This provides examples the supervisor can use to explain the person's rating. It makes the supervisor think about the subordinate's appraisal all during the year (so the rating doesn't just reflect the employee's most recent performance). The downside is that such incidents don't produce relative ratings for pay raise purposes.

Section I: Competencies: Does this employee exhibit the core competencies the job requires?

Exhibits Leadership Competency

Effectively leads and motivates nurses: Builds a culture that is open and receptive to improved clinical care; sets clear goals for nurses; is supportive of nurses; motivates nurses to achieve their goals.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

Exhibits Technical Supervisory Competency

Effectively supervises nurses' technical activities: Exhibits the command of technical nursing knowledge and skills required to supervise nurses effectively, such as, assuring that nurses accurately administer medications, treat patients, intervene effectively to patients' expressions of symptoms, and accurately carry out physicians' instructions.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

Exhibits Managerial Supervisory Competency

Effectively manages unit: Develops annual, monthly, weekly, and daily plans within context of hospital's plans; effectively organizes and assigns nurses' work; maintains required nursing staffing levels and trains nurses; effectively monitors and controls nursing unit performance using hospital-approved metrics.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

Exhibits Communications Competency

Effectively communicates: Actively listens to and understands what others say; effectively conveys facts and ideas in writing and orally.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

Exhibits Decision-Making Competency

Effectively recognizes and solves problems and makes decisions: uses data to analyze alternatives and support conclusions; able to solve problems even of moderate to high complexity.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

Section II: Goals: Did this employee achieve his or her goals for the period you are appraising?

Primary goals employee was to achieve for this period (Note: list specific goals)	Rating 5 Exceeded goal 3 Met goal 1 Did not achieve goal	Explanations and/or examples
Goal 1 Zero patient medication errors	5 4 ③ 2 1	Nursing unit experienced zero patient medication errors.
Goal 2	5 4 3 2 1	
Goal 3	5 4 3 2 1	
Goal 4	5 4 3 2 1	
Goal 5	5 4 3 2 1	

Employee name and signature	Person doing appraisal	Date of appraisal

Source: Copyright Gary Dessler, PhD.

FIGURE 9-4 **Pearson Pennsylvania Hospital Competencies and Goals-Based Appraisal Form for a Nurse-Supervisor**

Source: Copyright Gary Dessler, PhD.

FIGURE 9-5 Alternation Ranking Method

ALTERNATION RANKING SCALE

Trait: _____

For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee's name on line 1. Put the lowest-ranking employee's name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on. Continue until all names are on the scale.

Highest-ranking employee

1. _____   11. _____

2. _____   12. _____

3. _____   13. _____

4. _____   14. _____

5. _____   15. _____

6. _____   16. _____

7. _____   17. _____

8. _____   18. _____

9. _____   19. _____

10. _____   20. _____

Lowest-ranking employee

In Table 9-1, one of the assistant plant manager's duties was to supervise procurement and minimize inventory costs. The critical incident log shows that he or she let inventory storage costs rise 15%; this provides an example of what performance to improve.

Narrative Forms

All or part of the written appraisal may be in narrative form, as in Figure 9-7. Here the person's supervisor assesses the employee's past performance and required areas of improvement. The supervisor's narrative assessment helps the employee understand where his or her performance was good or bad, and how to improve that performance.

FIGURE 9-6 Paired Comparison Method

Note: + means "better than." − means "worse than." For each chart, add up the number of +'s in each column to get the highest-ranked employee.

FOR THE TRAIT "QUALITY OF WORK"

Employee rated:

As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		+	+	−	−
B Maria	−		−	−	−
C Chuck	−	+		+	−
D Diane	+	+	−		+
E José	+	+	+	−	

Maria ranks highest here

FOR THE TRAIT "CREATIVITY"

Employee rated:

As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		−	−	−	−
B Maria	+		−	+	+
C Chuck	+	+		−	+
D Diane	+	−	+		−
E José	+	−	−	+	

Art ranks highest here

TABLE 9-1 Examples of Critical Incidents for Assistant Plant Manager

Continuing Duties	Targets	Critical Incidents
Schedule production for plant	90% utilization of personnel and machinery in plant; orders delivered on time	Instituted new production scheduling system; decreased late orders by 10% last month; increased machine utilization in plant by 20% last month
Supervise procurement of raw materials and inventory control	Minimize inventory costs while keeping adequate supplies on hand	Let inventory storage costs rise 15% last month; overordered parts "A" and "B" by 20%; underordered part "C" by 30%
Supervise machinery maintenance	No shutdowns due to faulty machinery	Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part

behaviorally anchored rating scale (BARS)

An appraisal method that aims at combining the benefits of narrative critical incidents and quantified ratings by anchoring a quantified scale with specific narrative examples of good and poor performance.

Behaviorally Anchored Rating Scales

A **behaviorally anchored rating scale (BARS)** is an appraisal tool that anchors a numerical rating scale with specific illustrative examples of good or poor performance. Developing a BARS typically involves five steps:

1. *Write critical incidents.* Ask the job's jobholders and/or supervisors to write specific illustrations (critical incidents) of effective and ineffective performance on the job.

FIGURE 9-7 Sample Narrative Appraisal Form

Source: Copyright Gary Dessler, PhD.

Supervisory Appraisal of Employee: Narrative Form		
Employee's Name	Department	Present Position
Appraisal Date	Supervisor Name/Title	Performance Period

Supervisor-Appraiser: First, briefly describe results for each of this employee's goals this year. Then, preferably using specific examples, describe the level of the employee's job knowledge, skills, and abilities. Then, jointly set goals for the coming period and describe required employee training and development in each area. Finally, describe your overall assessment of this employee's work this period.

Appraisal Criteria	Narrative Appraisal	Goals, Training, & Development
Job-Related Goals 1. _____ 2. _____ 3. _____	_____ _____ _____	_____ _____ _____
Employee Job Knowledge	Sam's knowledge of chemical engineering is exceptional; her colleagues use her as a resource when they have questions.	Help prepare her for more responsibility by enrolling in a chemical engineering masters degree program.
Employee Job Skills		
Employee Job Abilities		
Overall Assessment		

2. ***Develop performance dimensions.*** Have these people cluster the incidents into five or ten performance dimensions, such as "salesmanship skills."
3. ***Reallocate incidents.*** To verify these groupings, have another team who also knows the job reallocate the original critical incidents to the cluster they think it fits best. Retain a critical incident if most of this second team assigns it to the same cluster as did the first.
4. ***Scale the incidents.*** This second group then rates the behavior described by the incident as to how effectively or ineffectively it represents performance on the dimension.
5. ***Develop a final instrument.*** Choose about six or seven of the incidents as the performance dimension's behavioral anchors.[47] Figure 9-8 illustrates a BARS, for a car salesperson.

Three researchers developed a BARS for grocery checkout clerks.[48] They collected many checkout clerk critical incidents, and then grouped these into eight performance dimensions: Knowledge and Judgment; Conscientiousness; Skill in Human Relations;

FIGURE 9-8 Behaviorally Anchored Rating Scale

Automobile Salesmanship Skills

Persuade prospective buyers to buy one of our vehicles; use our vehicles' benefits to encourage people to buy; use salesmanship skills to overcome buyers' stated reasons not to buy; adjust sales pitch to buyer's needs.

10 —

A prospect said she would only buy one of our luxury convertibles or would buy a competitor's car. When the finance firm rejected her application, the salesperson compared our lower-priced car to the competitor's and convinced her to buy our lower-priced model.

9 —

8 —

Salesperson asks prospective buyer what he or she is looking for in a vehicle and why, listens carefully to the buyer, and then explains how our vehicle fulfills those needs and why.

7 —

6 —

The prospect said he was looking for a car that he could use to haul his boat and for off-road purposes, and the salesperson emphasized our vehicle's low price and quality in the sales pitch.

5 —

4 —

The prospective buyer said she really wanted to special-order a car with an unusual color and amenities, and the salesperson said she'd be better off not waiting 2 months and should settle for a standard model.

3 —

2 —

The prospect said he didn't "like the looks" of our vehicle, and the salesperson told him "the style is the style" and that he'd probably be happier with a competitor's vehicle.

1 —

Skill in Operation of Register; Skill in Bagging; Organizational Ability of Checkstand Work; Skill in Monetary Transactions; and Observational Ability.

They then developed behaviorally anchored rating scales *for each of these eight dimensions*. Each contained a vertical scale (ranging from 1 to 9) for rating performance from "extremely poor" to "extremely good." Then they inserted specific critical incidents (such as "by knowing the price of items, this checker would be expected to look for mismarked and unmarked items") to anchor or illustrate each level of performance.

The BARS method has several advantages. Most notably, the critical incidents along the scale illustrate what to look for in terms of superior, average, and poor performance. They also make it easier to explain the ratings to appraisees. And, the clustering of similar critical incidents into several performance dimensions (such as "salesmanship skills") helps make the performance dimensions more independent of one another. (For example, a rater should be less likely to rate an employee high on all dimensions simply because he or she was rated high in "salesmanship skills.")[49]

Management by Objectives

The term *management by objectives (MBO)* usually refers to a multistep company-wide goal-setting and appraisal program. MBO requires the manager to set specific measurable, organizationally relevant goals with each employee, and then periodically discuss the latter's progress toward these goals. The steps are

1. *Set the organization's goals.* Establish a company-wide plan for next year and set goals.
2. *Set departmental goals.* Department heads and their superiors jointly set goals for their departments.
3. *Discuss departmental goals.* Department heads discuss the department's goals with their subordinates and ask them to develop their own individual goals. They should ask, "How could each employee help the department attain its goals?"
4. *Define expected results (set individual goals).* Department heads and their subordinates set short-term performance targets for each employee.
5. *Conduct performance reviews.* After a period, department heads compare each employee's actual and expected results.
6. *Provide feedback.* Department heads hold periodic performance review meetings with subordinates. Here they discuss the subordinates' performance and make any plans for rectifying or continuing the person's performance.

Formal MBO programs require numerous time-consuming meetings, and their use has diminished.[50] However, some companies successfully use streamlined versions. For example, Google's CEO sets company-wide "OKRs" (objectives and key results) quarterly. All Google employees then make sure their own goals are in synch with the CEO's. All employees' goals are posted on Google's internal website next to their names.[51]

Appraisal in Practice: Using Forms, Installed Software, or Cloud-Based Systems

Employers use either hard-copy forms, installed appraisal software packages, or cloud-based systems to actually conduct appraisals. Many smaller employers use hard-copy forms, available from vendors such as Staples and HR Direct.[52] Forms are simple to use, but become time-consuming as headcount rises.

Computerization expedites appraisals. Thus with one early package, Employee Appraiser, the manager sees a graphic rating scale with behaviorally anchored examples (such as "presents ideas clearly" and "lacks structure"). The manager chooses the best phrase, and Employee Appraiser generates an appraisal with sample text.[53]

Most computerized appraisal packages today (whether installed locally or cloud-based) are *modules*—components of talent management systems that also

Many employers today make use of computerized or online appraisals for evaluating employee performance.

Hero Images/Getty Images

include, for instance, applicant tracking systems. For example, with Bamboo HR (see www.bamboohr.com) the employer can adopt the full bamboo HR system or just the appraisal module. The module is available as both a cloud service, or installed on Mac or Windows systems.[54]

Electronic Performance Monitoring

electronic performance monitoring (EPM)

Having supervisors electronically monitor the amount of computerized data an employee is processing per day, and thereby his or her performance.

Electronic performance monitoring (EPM) systems allow managers to monitor the employees' rate, accuracy, and time spent working online.[55]

EPM can improve productivity, but also seems to raise employee stress. However, one researcher concludes that electronic performance monitoring "represents the future of performance feedback where supervisors can electronically monitor the amount and quality of work an employee is producing and have objective indicators of employee performance immediately available and visible."[56]

Similarly, some employers track workers' performance through wearables. For example, the British retailer Tesco has warehouse workers wear armbands. These track which specific goods each worker is moving and how long the task is taking to complete, and quantify and report things like how long it takes each worker to fulfill each order.[57]

Conversation Days

When employees at Juniper Networks Inc. expressed concerns about their annual performance reviews and the lack of positive feedback, Juniper changed the process. Instead of once-a-year performance reviews, there are now semiannual "conversation days." The stress in these manager–employee conversations is on areas for improvement and growth, and on setting stretch goals that align with the employee's career interests. There are no explicit performance ratings. GE is similarly experimenting with substituting frequent conversations for traditional appraisals.

Using Multiple Methods

Which appraisal tool to use? In practice, most use a rating form that merges several approaches. For example, Figure 9-2 (page 284) has a numerical graphic rating scale anchored with behavioral incidents such as "Even with guidance, fails to…." The Strategic Context feature (page 302) shows how one employer created a new appraisal system.

TRENDS SHAPING HR: *CUSTOMIZED TALENT MANAGEMENT*

There is usually some customizing of appraisals. For example, rating a salesperson based on whether she attained her sales goals assumes she had her own goals to meet.

Today, some employers are customizing their appraisal in other ways. For example, some companies adapt their appraisals and rewards to how critical the employees are to the company's strategic success—their "mission-critical" employees. Thus, GE prioritizes jobs and focuses on what it calls its employee "game changers."[58] Unilever includes 15% of employees per management level in its high-potential list each year.[59] Shell China appoints "career stewards" to meet regularly with "emerging leaders."[60] McKinsey & Co. recommends limiting the "high potential group in whom the company invests heavily to no more than 10 to 20% of managerial and professional staff."[61]

Figure 9-9 illustrates one way to customize appraisals. One company might use a 3 × 3 matrix to plot employees by *Performance* (high, average, low) and *Value to the Organization* (critical, important, non-critical). Consider a chemical engineering company. Here the firm's experienced engineers may be "critical," engineer-trainees, sales, accounting, and HR "important," and outsourceable employees such as maintenance "non-critical."

This company would then tie each employee's pay, development, dismissal, and other personnel decisions to each employee's position in the matrix, in other words to both their performance rating and their criticalness to the company (so, not unreasonably, someone with more critical skills might get more development than would someone who is "non-critical"). This employer might also design its incentives, promotions, and raises to support rather than turn off the mission-critical engineers.[62] ■

The Gig Economy feature shows how Uber assesses its drivers.

■ **HR AND THE GIG ECONOMY:** *RATING UBER DRIVERS*[63]

Uber's driver rating system rates drivers on three metrics—on how passengers rate the driver, on what percentage of rides the driver accepts, and on how many he or she cancels. Uber reportedly wants drivers to maintain at least an 80–90% acceptance rate and no more than a 5% trip cancellation rate.

As most Uber users know, after every ride Uber prompts the passenger to rate the driver on a 1–5 star scale. A new driver begins with a 5-star rating. Then, as more passengers rate the driver, the driver's average rating tends to change. The driver's rating is generally an average of his or her last 500 trips. For drivers, an average below 4.6 reportedly puts the driver in the "danger zone" for possible deactivation. Only about 2–3% of drivers fall here. One or two star ratings often reflect arguments or harassment. Drivers get weekly emails with notices if their activation is in danger.

Potential Rating Problems

As with most ratings systems, the driver ratings may say more about the passenger than about the driver. For example, people may view a 4-star rating as a "B," when in fact at Uber it's a failing grade. Furthermore, most employers try to minimize biased appraisals by supervisors: that's harder to guard against when the rater isn't an employee (and is probably a stranger). Furthermore, extraneous factors (such as surge pricing) can trigger lower ratings.

How to Get a Better Driver Rating

In any case, Uber and Uber drivers list some of the things drivers can do to get better ratings. Some things to avoid include having an attitude, not knowing your way around, reckless driving, and texting while driving. Some "Do's" for drivers include offer passengers bottled water, open the door, offer to carry bags, keep the car clean—and don't ask for five-star ratings.

> **MyLab Management Talk About It 3**
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to discuss the following. Write a paragraph that addresses the question: "What (based on what I read in this chapter) is good about the Uber driver rating system, and what could Uber do to improve it?"

	EMPLOYEE PERFORMANCE		
How Critical Is This Person's Position to Our Company?	High	Average	Low
This person is in a position that is critical to our company's survival and growth	Provide additional development experiences and rewards	Provide additional development experiences and rewards	Consider additional training to improve performance
This person's position serves an important role but is not critical to our company's survival and growth	Provide additional development experiences to move to more important role	Consider additional training	Consider additional training, or replacement
This person is in a position that is non-critical and (for example) is outsourceable	Consider providing additional training and development to move to more important role	Consider additional training	Consider dismissal or outsourcing

(HOW CRITICAL? — row label spanning all three rows at left)

FIGURE 9-9 One Way to Customize Appraisals

Dealing with Rater Error Appraisal Problems

In a perfect world, all employers would use performance appraisal systems with clear goals, fair appraisals, swift feedback, and useful coaching. Alas, that is rarely the case.[64] Graphic-type rating forms in particular are susceptible to several "rater error" problems. These are systematic errors in judgment that occur when people evaluate each other: unclear standards, halo effect, central tendency, leniency or strictness, and bias.

Potential Rating Problems

unclear standards

An appraisal that is too open to interpretation.

UNCLEAR STANDARDS   Table 9-2 illustrates the **unclear standards** problem. This rating scale seems objective. However, it might well result in unfair appraisals, because the traits and degrees of merit are ambiguous. For example, different supervisors might define "good" performance, "fair" performance, and so on, differently. The same is true of traits such as "quality of work."[65]

The way to fix this problem is to include descriptive phrases that define or illustrate each trait, as in Figure 9-2. That form spells out what measures like "Role Model" or "Below Expectations" actually mean. This specificity leads to more consistent and more easily explained appraisals.

halo effect

In performance appraisal, the problem that occurs when a supervisor's rating of a subordinate on one trait biases the rating of that person on other traits.

HALO EFFECT   Experts define **halo effect** as "the influence of a rater's general impression on ratings of specific ratee qualities."[66] For example, supervisors often rate unfriendly employees lower on all traits, rather than just on "gets along well with others." Being aware of this problem is a step toward avoiding it. Supervisory training can also alleviate the problem, as can using a BARS (on which, recall, the performance dimensions are usually more independent of each other).

TABLE 9-2 A Graphic Rating Scale with Unclear Standards

	Excellent	Good	Fair	Poor
Quantity of work				
Quality of work				
Creativity				
Integrity				

Note: For example, what exactly is meant by "good," "quantity of work," and so forth?

Supervisors must be familiar with appraisal techniques, understand and avoid problems that can cripple appraisals, and know how to conduct appraisals fairly.

Issa Bin Saleh AlKindy/arabianEye/Getty Images

central tendency
A tendency to rate all employees the same way, such as rating them all average.

CENTRAL TENDENCY   **Central tendency** means rating all employees average. For example, if the rating scale ranges from 1 to 7, raters tend to avoid the highs (6 and 7) and lows (1 and 2) and rate most of their people between 3 and 5. Doing so distorts the evaluations, making them less useful for promotion, salary, or counseling purposes. Ranking employees instead of using graphic rating scales can reduce this problem, since ranking means you can't rate them all average.

strictness/leniency
The problem that occurs when a supervisor has a tendency to rate all subordinates either high or low.

LENIENCY OR STRICTNESS   Other supervisors tend to rate all their subordinates high (or low), just as some instructors are notoriously high or low graders. This **strictness/ leniency** problem is especially severe with graphic rating scales. *Ranking* forces supervisors to distinguish between high and low performers.

There are other solutions. The employer can recommend that supervisors avoid giving all their employees high (or low) ratings. A second is to require a distribution—that, say, about 10% of the people should be rated "excellent," 20% "good," and so forth. (But remember it may not be an error at all, as when all subordinates really are superior.)[67]

RECENCY EFFECTS   Recency means letting what the employee has done recently blind you to what his or her performance has been over the year. The main solution is to accumulate critical incidents all year long.

Diversity Counts: The Problem of Bias

bias
The tendency to allow individual differences such as age, race, and sex to affect the appraisal ratings employees receive.

Biased appraisals (**bias** means the tendency to allow individual differences such as age, race, and sex to affect the appraisal ratings employees receive) have various causes. One is rater personality. For example, raters who score higher on "conscientiousness" tend to give their peers lower ratings—they were stricter, in other words; those more "agreeable" gave higher ratings—they were more lenient.[68] Furthermore, "performance ratings amplify the quality of the personal relationship between boss and employee. Good relationships tend to create good [appraisal] experiences, bad relationships bad ones."[69]

Unfortunately, subordinates' demographic traits (age, race, gender, and so on) also affect ratings. For example, it's often argued that a "glass ceiling" largely explains the few women in top management jobs. A study suggests something more troubling.

The study concluded that "all else being equal, an evaluator will provide a lower performance evaluation to a female subordinate with stronger competence signals compared to a female subordinate with weaker competent signals."[70] In other words, the better a female employee is, in terms of her actual performance and her educational and work experience, the more likely it is that she'll be rated lower.

Is that possible? Unfortunately, based on this study, yes. Not all evaluators were prone to this negative bias. Only "male evaluators who are high on SDO [those inclined to be socially dominant] and evaluating a high-performing female subordinate appear to be prone."[71] But unless employers guard against such bias, they could be condoning biased promotion and pay decisions against some of their highest-performing and highest-potential employees.

Bias is one reason to use multiple raters, to have the supervisor's boss review ratings, and/or to have "calibration" meetings where supervisors explain among themselves the appraisals they gave.[72] ■

The Need for Fairness

So, due to either the supervisor's ineptness or the appraisal method's inherent unfairness, many appraisals are unfair. The employees' standards should be clear, employees should understand the basis on which you're going to appraise them, and the appraisal should be objective.[73] Give the employee an opportunity to express his or her opinions.

In practice, the quality of the interpersonal relationship between the supervisor and employee will shape the appraisal's impact. Supervisors should be trained in both the technical and interpersonal aspects of appraising employees and giving feedback.[74] They should understand how to build trust, engage in continuous performance conversations, diagnose and productively address performance issues, and deliver and react to feedback constructively.[75] To facilitate this, the employer should evaluate supervisors partly based on their effectiveness in managing performance.[76]

Figure 9-10 lists best practices for ensuring fair appraisals. Table 9-3 summarizes each appraisal method's pros and cons.

KNOW YOUR EMPLOYMENT LAW

Appraising Performance

The performance appraisal often plays a role in employment lawsuits, such as when employees claim that they were fired for poor performance in violation of an implied contract, or claim they were defamed during or in an appraisal.[77] Similarly, courts often find that inadequate appraisal systems lie at the root of illegal discriminatory

FIGURE 9-10 Checklist of Best Practices for Administering Fair Performance Appraisals

- Base the performance review on duties and standards from a job analysis.
- Try to base the performance review on observable job behaviors or objective performance data.
- Make it clear ahead of time what your performance expectations are.
- Use a standardized performance review procedure for all employees.
- Make sure whoever conducts the reviews has frequent opportunities to observe the employee's job performance.
- Either use multiple raters or have the rater's supervisor evaluate the appraisal results.
- Include an appeals mechanism.
- Document the appraisal review process and results.
- Discuss the appraisal results with the employee.
- Let the employees know ahead of time how you're going to conduct the reviews.
- Let the employee provide input regarding your assessment of him or her.
- Indicate what the employee needs to do to improve.
- Train the supervisors who will be doing the appraisals. Make sure they understand the procedure to use, how problems (like leniency and strictness) arise, and how to deal with them.

TABLE 9-3 Important Advantages and Disadvantages of Appraisal Tools

Tool	Advantages	Disadvantages
Graphic rating scale	Simple to use; provides a quantitative rating for each employee.	Standards may be unclear; halo effect, central tendency, leniency, bias can also be problems.
BARS	Provides behavioral "anchors." BARS is very accurate.	Difficult to develop.
Alternation ranking	Simple to use (but not as simple as graphic rating scales). Avoids central tendency and other problems of rating scales.	Can cause disagreements among employees and may be unfair if all employees are, in fact, excellent.
Forced distribution method	End up with a predetermined number or % of people in each group.	Employees' appraisal results depend on your choice of cutoff points.
Critical incident method	Helps specify what is "right" and "wrong" about the employee's performance; forces supervisor to evaluate subordinates on an ongoing basis.	Difficult to rate or rank employees relative to one another.
MBO	Tied to jointly agreed-upon performance objectives.	Time-consuming.

actions, such as in cases concerning layoffs, discharges, or merit pay.[78] For example, in one classic case the court held that the employer violated Title VII when it laid off several Hispanic-surnamed employees based on poor performance ratings. The court said the practice was illegal because: the firm based the appraisals on subjective supervisory observations; it did not administer and score the appraisals in a standardized fashion; and two of the three supervisory evaluators did not have daily contact with the employees they appraised. Personal bias, unreasonably rating everyone high or low, and relying just on recent events are some other reasons courts have used to declare appraisal processes as unfair.[79]

Steps to ensure your appraisals are legally defensible include the following:

- Base the appraised duties and criteria on a job analysis.
- Give performance standards to employees in writing.
- Don't just give a single overall rating; appraise several dimensions (quality, quantity, etc.) and have a system to combine these.
- One appraiser should never have absolute authority to determine a personnel action.
- Document everything.[80]
- Train supervisors. At least provide raters with written instructions on how to use the rating scale.
- In reviews of U.S. court decisions, actions reflecting *fairness* and *due process* were most important.[81]
- Finally, to help minimize the discriminatory effects of performance appraisal, "treat everyone in exactly the same way."[82] ■

Managing the Appraisal Interview

Periodic appraisals typically culminate in an **appraisal interview.** Here the manager and the subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths. These interviews are often uncomfortable. Few people like to receive—or give—negative feedback. Adequate preparation and effective

appraisal interview
An interview in which the supervisor and subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths.

implementation are essential. Supervisors face four types of appraisal situations, each with its unique objectives:[83]

- *Satisfactory—Promotable* is the easiest interview: The person's performance is satisfactory and promotion looms. Your objective is to develop specific development plans.
- *Satisfactory—Not promotable* is for employees whose performance is satisfactory but for whom promotion is not possible. The objective here is to maintain satisfactory performance. The best option is usually to find incentives that maintain performance, such as extra time off, a small bonus, or recognition.
- When the person's performance is *unsatisfactory but correctable*, the interview objective is to lay out an action/development plan for correcting the unsatisfactory performance.
- Finally, the interview where the employee is *unsatisfactory* and the situation is *uncorrectable* may be particularly tense. Dismissal is often the usual option.

How to Conduct the Appraisal Interview

Useful interviews begin before the interview. Beforehand, review the person's job description, compare performance to the standards, and review previous appraisals. Give the employee a week's notice to review his or her work. Set a time for the interview. Interviews with lower-level personnel like clerical workers should take less than an hour. Interviews with management employees often take 1 or 2 hours. Conduct the interview privately with no interruptions.

An effective interview requires effective coaching skills. Coaching doesn't mean telling someone what to do. Instead, it is a process.[84] *Preparation* means understanding the problem and the employee. Here the manager will watch the employee at work to see what he or she is doing, review productivity data, and observe the workflow.

Planning the solution is next. This requires reaching agreement on the problem, and laying out a change plan in the form of *steps to take, measures of success,* and *date to complete*.

With agreement on a plan, the manager can start the *actual coaching*. One writer says, "An effective coach offers ideas and advice in such a way that the subordinate can hear them, respond to them, and appreciate their value."[85] Useful guidelines include the following:

1. **Talk in terms of objective work data.** Use examples such as absences, tardiness, and productivity.
2. **Don't get personal.** Don't say, "You're too slow producing those reports." Instead, compare the person's performance to a standard. ("These reports should normally be done within 10 days.") Similarly, don't compare the person's performance to that of other people. ("He's quicker than you are.")
3. **Encourage the person to talk.** Stop and listen to what the person is saying; ask open-ended questions (such as, "What do you think we can do to improve the situation?"). Use a command such as "Go on." Restate the person's last point as a question, as in, "You don't think you can get the job done?"
4. **Get agreement.** Make sure the person leaves knowing specifically what he or she is doing right and doing wrong, and with agreement on how things will be improved, and has an action plan with targets and dates.

MAKE IT A DIALOGUE   Whether subordinates express satisfaction with the appraisal interview depends on their not feeling threatened, having an opportunity to present their feelings, and being able to influence the course of the interview.

For example, researchers audiotaped 48 actual annual appraisal interviews.[86] They analyzed these based on the communications that occurred between the supervisors and the employees. Some supervisors used more relation-oriented behaviors in the interviews, making comments like "I agree with that," and "that's a good idea." Other

supervisors did not. The researchers found that such relation-oriented comments elicited positive employee responses, such as "I see what you mean, could we do this?"

The results showed that the best appraisal interviews weren't monologues in which supervisors simply stuck to a script about what employees did right or wrong. Instead, to paraphrase the researchers, *the best appraisal interviews are dialogues between equal partners.*[87]

How to Handle a Defensive Subordinate

When a supervisor tells someone his or her performance is poor, the first reaction is often denial. Denial is a defense mechanism. By denying the fault, the person avoids having to question his or her own competence.

Therefore, dealing with defensiveness is an important appraisal skill. In his book *Effective Psychology for Managers*, psychologist Mortimer Feinberg suggests the following:

1. Recognize that defensive behavior is normal.
2. Never attack a person's defenses. Don't try to "explain someone to themselves" (as in, "You know the reason you're using that excuse is that you can't bear to be blamed."). Instead, concentrate on the fact ("sales are down").
3. Postpone action. Sometimes it's best to do nothing. Employees may react to sudden threats by hiding behind their defenses. Given sufficient time, a more rational reaction takes over.
4. Recognize your limitations. The supervisor is (probably) not a psychologist. Offering understanding is one thing; trying to deal with psychological problems is another.

How to Criticize a Subordinate

When necessary, criticize in a manner that lets the person maintain his or her dignity—in private, and constructively. Provide examples of critical incidents and specific suggestions. Avoid once-a-year "critical broadsides" by giving feedback periodically, so that the formal review contains no surprises. Never say the person is "always" wrong. Criticism should be objective and free of personal bias.

When the employee is not doing well, the manager will have to decide how candid to be. Former GE CEO Jack Welch once said it's cruel to tell someone who's mediocre that their work is satisfactory.[88] Someone who might have changed course may instead waste years in a dead-end job, only to be dismissed when a more demanding boss arrives.

Some managers do take a hard line. Not all employees are salvageable, and not all managers will spend time trying to overcome an employee's faults. For example, when one Netflix manager requested a performance improvement plan for a worker, the then-head of HR said basically, "Don't waste your time." Her position was, why waste time coaching this person if she'll probably never do the job right anyway?[89]

On the other hand, many employers are now emphasizing praise over criticism. One tells its managers not to touch on more than two areas that need improvement but instead to emphasize subordinates' strengths. Most *Fortune* 500 companies use the Gallup StrengthsFinder tool (www.gallupstrengthscenter.com) to help employees identify and build on their strengths. Facebook has used StrengthsFinder to help train supervisors in a style that better fits its mostly Millennial-aged staff. It would seem that to attract, motivate, and retain today's new employees, a less critical appraisal approach may be advisable.[90]

GET AGREEMENT ON A PLAN   The aim of the appraisal should be to improve unsatisfactory performance (and/or to reinforce exemplary performance). The appraisal should therefore result in a plan (Figure 9-11) for what the employee must do to improve his or her efforts.

How to Handle a Written Warning

The employee's performance may be so weak that it requires a written warning. Such warnings serve two purposes: (1) to shake your employee out of his or her bad habits, and (2) to help you defend your rating to your own boss and (if needed) to the courts.

FIGURE 9-11 Sample Employee Development Plan

SAMPLE EMPLOYEE DEVELOPMENT PLAN: Employee's Name			
Employee's main objectives for this period:	Did employee fully achieve objective (include rating from appraisal form, from Poor to Outstanding)?	What training or other actions are required for improved performance on this objective?	Completion dates:
1.			
2.			
3.			
4.			
5.			

Employee Signature   Manager Signature
---------------------------   ---------------------------
Copyright Gary dessler, PhD

Written warnings should list the employee's standards, make it clear that the employee was aware of the standard, specify any deficiencies relative to the standard, and show that the employee had an opportunity to correct his or her performance.

Figure 9-12 provides an appraisal interview checklist.

Appraisal Interview Checklist		
Interview Item: Did you	Yes	No
1. Review the employee's job description, previous appraisals, goals, and current job standards prior to the interview?		
2. Provide adequate time and a private, cordial, non-threatening environment for the interview?		
3. Focus your discussion and comments on objective work data?		
4. Encourage the appraisee to talk (restate last comment as a question, etc.), and make it clear you are listening (nod, etc.)?		
5. Give the appraisee an opportunity to fully present his or her ideas and feelings?		
6. Consciously avoid attacking the appraisee's defenses?		
7. Criticize in a way that allowed the appraisee to maintain his or her dignity?		
8. Discuss your evaluation of each of the appraisee's job duties and/or goals?		
9. Reach agreement on the training and development required to improve the appraisee's performance?		
10. Discuss, as appropriate, the steps the employer may take if improvement goals are not met?		
11. Discuss the appraisee's performance in light of his or her career aspirations?		

FIGURE 9-12 Appraisal Interview Checklist
Source: Copyright Gary Dessler, PhD.

Employee Engagement Guide for Managers

Use the Appraisal Interview to Build Engagement

Managers can use the appraisal interview to improve their employees' engagement. Here are relevant findings and implications.

1. Employees who understand how they and their departments contribute to the company's success are more engaged.[91] Therefore, *take the opportunity to show the employee how his or her efforts contribute to the "big picture"—to his or her team's and the company's success.*
2. Another study found that employees' engagement rose when they experienced what the researchers called "psychological meaningfulness" (namely, the perception that one's role in the organization is worthwhile and valuable).[92] *Use the interview to emphasize the meaningfulness to the company of what the employee is doing.*
3. Employees who experience "psychological safety" (the perception that it's safe to bring oneself to a role without fear of damage to self-image, status, or career) were more engaged.[93] Therefore, *be candid and objective but do so supportively and without unnecessarily undermining the employee's self-image.*[94]
4. Efficacy drives engagement, so use the interview to make sure your employee *has what he or she needs* to do a good job.[95]
5. Managers should be candid and honest, but don't unnecessarily emphasize the negatives. Doing so undermines employee engagement. In one survey, Gallup asked about 1,000 U.S. employees to respond to two statements: "My supervisor focuses on my strengths or positive characteristics" and "My supervisor focuses on my weaknesses or negative characteristics." It found that about three times more employees whose *managers focused on strengths* were engaged, compared with those who focused on weaknesses.[96]
6. Involvement in decision making and letting employees voice their opinions improve employee engagement.[97] Use the interview as an opportunity to *show your employees that you listen to their ideas and value their contributions.*
7. Engagement rises when employees have an opportunity to improve their careers.[98] During the interview discuss the person's evaluation *in the context of where he or she sees himself or herself heading career-wise.*[99]
8. Research shows "a significant positive association between (1) distributive [what rewards people get] and informational [what information they get] justice dimensions, and (2) employee engagement."[100] Bottom line: *Make sure that the interviewee views the appraisal and the rewards or remedial actions as fair.*

KNOWLEDGE BASE

Performance Management

Performance appraisal is fine in theory, but in practice appraisals don't always go smoothly. Goals aren't set, the "appraisal" is a form from an office supply store, and the yearly feedback, if any, may be agonizing, with both participants fleeing before any coaching takes place. This runs counter to common sense. Employees should know what their goals are, performance feedback should be useful, and if there is a problem, the time to take action is right away, not 6 months later.

Total Quality Management and Performance Appraisal

Management experts have long argued that most performance appraisals neither motivate employees nor guide their development.[101] Some proponents of the total quality management (TQM) movement even argued for eliminating performance appraisals altogether.[102] *Total quality management* (TQM) programs are organizationwide programs that integrate all functions and processes of the business such that all aspects of the business including design, planning, production, distribution, and field service are aimed at maximizing customer satisfaction through continuous improvements.[103] TQM programs are built on a philosophy encapsulated by several principles, such as: cease dependence on inspection to achieve quality; aim for continuous improvement; institute extensive training; drive out fear so that everyone may work effectively; remove barriers that rob employees of their pride of workmanship (in particular, the

annual merit rating); and institute a vigorous program of self-improvement.[104] Basically, TQM advocates argue that the organization is a system of interrelated parts, and that employees' performance is more a function of things like training, communication, tools, and supervision than of their motivation.

What would performance appraisal look like in such a company? Visitors to Toyota Motor's Lexington, Kentucky, Camry plant would find such a system. Teams of employees monitor their own results, generally without managers' interventions. In frequent meetings, the team members continuously align those results with the work team's standards and with the plant's overall quality and productivity goals. Team members who need coaching and training receive it. Procedures that need changing are changed.

What Is Performance Management?

That is performance management in action. In comparing performance management and performance appraisal, "the distinction is the contrast between (1) a year-end event (the completion of the appraisal form) and (2) a process that starts the year with performance planning and is integral to the way people are managed throughout the year."[105] **Performance management** is the *continuous* process of identifying, measuring, and developing the performance of individuals and teams and *aligning* their performance with the organization's *goals*.[106] We can summarize performance management's six basic elements as follows:[107]

- *Direction sharing* means communicating the company's goals to all employees and then translating these into departmental, team, and individual goals.
- *Goal alignment* means having a method that enables managers and employees to *see the link* between the employees' goals and those of their department and company.
- *Ongoing performance monitoring* usually means computerized systems to continuously measure the team's and/or employee's progress toward meeting performance goals.
- *Ongoing feedback* means providing face-to-face and computerized continuous feedback regarding progress toward goals.
- *Coaching and developmental support* should be part of the feedback process.
- *Recognition and rewards* should provide incentives to keep the employee's goal-directed performance on track.

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Employers often use technology to support performance management. For example, with Oracle's TBE Performance Management Cloud Service, performance management involves:

- First, *assign financial and nonfinancial goals* (goals that support the company's overall strategic goals) to each team's activities. For example, an airline might measure ground crew aircraft turnaround time in terms of "improve turnaround time to 26 minutes per plane this year."
- Second, *inform all teams and employees* of their goals.
- Next, *use technology* (cloud-based performance management software, HR scorecards, and digital dashboards) to continuously display, monitor, and assess each team's and employee's performance (see Figure 9-13). Oracle TBE Performance Management Cloud Service illustrates this.[108] Because the goals are "in the cloud" rather than printed in documents, managers needn't wait until the annual or semiannual reviews to revise them. And the system's portable dashboards enable managers to continuously monitor each team or employee's performance, let employees update progress toward goal achievement, and let employees and managers log comments so the process is real-time and interactive. For more details, see www.oracle.com/taleo-tbe.
- Finally, if exceptions are noted, *take corrective action* before things swing out of control. ■

PERFORMANCE GOAL MANAGEMENT

	📄 Report Card	✎ Link	✎ Edit	🖥 Options	📋 Copy

Details - 2018 Performance Goal Scorecard	In Progress (01/01/2018 - 12/31/2018)
Goals for Brown, Lisa	Score 4.5

Employee's Individual Performance Goals

Goal	Target	Weight	Score	Date
Achieve 10% Sales Increase	8	45	7.0	June 2018
Improved Customer Satisfaction Rating	4.2	25	4.0	June 2018
Meet Budgetary Constraints	5	15	2.5	June 2018
Improved Leadership Ratings	4.8	15	4.5	June 2018

Departmental Performance Goals

Goal	Target	Weight	Score	Date
Achieve 15% Sales Increase	5	50	3.5	June 2018
Increase Online sales 10%	3.5	25	2.8	June 2018
Meet Budgetary Constraints	5	10	4.2	June 2018
All Employees Cross-Trained on All Products	4.5	15	3.5	June 2018

FIGURE 9-13 **Summary of Performance Management Report**
Source: Based on "Personal Goal Management" from the Active Strategy Website. Copyright © 2012 by ActiveStrategy, Inc.

MyLab Management Apply It!

Who does this company have doing its appraisals? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

Performance Management in Action

The trend today is to provide real-time feedback on performance.[109] For example, GE began using a smart phone app it calls PD@GE to let supervisors assess employees continuously rather than once a year.[110] IBM Corp. introduced a new app-based performance review it calls Checkpoint.[111] It allows for more continuous monitoring of performance and feedback.

Goldman Sachs still uses annual reviews, but added a new system through which employees also get continuous feedback. Goldman also compiles 360-degree feedback on its employees. Morgan Stanley no longer uses numerical appraisal ratings, instead emphasizing qualitative feedback.[112]

"Performance management" doesn't mean a company can't be tough. For many years, Kimberly-Clark Corp. was reportedly known for lifetime employment and for retaining even underperforming employees. Then it instituted a new performance management system, including continuous online performance reviews to carefully track employees' performance relative to their goals. Turnover is up dramatically.[113]

The Strategic Context feature shows how one company developed a performance management system to support its strategy.

■ **IMPROVING PERFORMANCE:** *THE STRATEGIC CONTEXT*

Deloitte's New Performance Management Process[114]

The mission of Deloitte LLP and Deloitte USA LLP is to deliver results that are quantifiable and enduring. For a company that provides complex audit and consulting services to many of America's largest companies, delivering "enduring results" requires an effective performance management system.

Yet while the frequent subjective feedback at the heart of performance management is laudable, many performance management systems suffer from one calamitous weakness: at the end of the day, the employer needs a way to differentiate among employees and to make hard-nosed pay raise and promotional decisions; Any performance management process that can't do that isn't very practical.

THE PROBLEM   Deloitte's managers knew they could improve their performance management system. Many questioned whether the system improved performance. They knew traditional performance ratings often said more about the manager's personality than about the employee's performance. Furthermore, with 65,000 employees, Deloitte was devoting two *million* hours per year to appraisals. And the appraisals focused more on history than on how to improve employees' performance. Management decided to change the process.

THE NEW GOALS   The team creating the new performance management process set three goals: first, it should *recognize employee performance*, particularly in terms of bonuses; second, the new process should *clearly reflect employee performance*. Third, the new process should *energize performance*, by monitoring performance often enough so that employees could improve their performance during their assignments. (In any year, a Deloitte employee may be assigned to one or more teams working on assignments [such as an audit], for a particular client project.)

THE NEW PERFORMANCE MANAGEMENT PROCESS   Deloitte's new performance management process has several features. First, each team member *interacts with his or her team leader periodically* during the assignment, to get frequent feedback on how the employee is doing and how to improve.

Second, at the end of the assignment, rather than the team leaders just presenting their opinions about how the employee performed, the team leader provides an "employee performance snapshot" by reporting on how the team leader *plans to act* regarding the employee, specifically: (1) From what I know about this person's performance, if it were my money, here is how I would compensate this person; (2) based on what you know about this person's performance, would you want this person on your team again; (3) do you think this person's performance is such that it might harm the customer or the team; and (4) would you say this person is ready for promotion today?

Then, at the end of the year, Deloitte compiles all these assignment "snapshots" *in a year-end evaluation*. That evaluation, plus input from a team leader who knows the employee's performance personally, determines the employee's compensation.

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MyLab Management Talk About It 4

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Deloitte is a global company. Discuss two cultural differences between the United States and any one other country that you might have thought would make having a single system challenging.

</div>

The Manager's Role in Performance Management

Technology isn't mandatory for managers who want to take a performance management approach. What is mandatory is having the right managerial philosophy and on-the-job behaviors. As a philosophy, performance management reflects nonthreatening TQM principles such as cease dependence on inspection to achieve quality, aim for continuous improvement, institute extensive training, and drive out fear so that everyone may work effectively. The manager's behaviors should therefore include linking employees' goals to the company's goals, giving employees continuous feedback, providing required resources and coaching, rewarding good performance, and remembering that employees' performance reflects more than just whether they're "motivated."[115]

HR in Action at the Hotel Paris   Both Lisa and the firm's CFO were concerned by the current disconnect between (1) what their current appraisal process was focusing on and (2) what the company wanted to accomplish in terms of its strategic goals. They wanted the firm's new performance management system to help breathe life into the firm's strategic performance. To see what they did, read the case pages 306–307 of this chapter.

Chapter Review

Chapter Section Summaries

9-1. **Performance appraisal** means evaluating an employee's current or past performance relative to his or her performance standards. Managers appraise their subordinates' performance to obtain input on which promotion and salary raise decisions can be made, to develop plans for correcting performance deficiencies, and for career-planning purposes. Supervisory ratings are still at the heart of most appraisal processes.

9-2. The appraisal is generally conducted using one or more popular **appraisal methods or tools.** These include graphic rating scales, alternation ranking, paired comparison, forced distribution, critical incidents, behaviorally anchored rating scales, MBO, computerized performance appraisals, and electronic performance monitoring.

9-3. The appraisal process can be improved by eliminating chronic **problems** that often undermine appraisals and graphic rating scales in particular. These problems include unclear standards, halo effect, central tendency, leniency or strictness, and bias.

9-4. An appraisal typically culminates in an **appraisal interview.** Adequate preparation (including giving the subordinate notice, reviewing his or her job description and past performance, choosing the right place for the interview, and leaving enough time for it) is essential.

9-5. The manager can use the appraisal interview to improve the employees' level of **engagement.** For example, show the employee how his or her efforts contribute to the team's and the company's success; use the interview to emphasize the meaningfulness to the company of what the employee is doing; and emphasize support rather than threats.

9-6. **Performance management** is the *continuous* process of identifying, measuring, and developing the performance of individuals and teams and *aligning* their performance with the organization's *goals*. It means continuous interactions and feedback to ensure continuous improvement in the employee's and team's capacity and performance. Most important, it requires remembering that your employee's performance usually reflects more than just whether he or she is "motivated."

Discussion Questions

9-1. What is the purpose of a performance appraisal?
9-2. Answer the question, "Who should do the appraising?"
9-3. Discuss the pros and cons of four performance appraisal tools.
9-4. Explain how you would use the alternation ranking method, the paired comparison method, and the forced distribution method.
9-5. Explain in your own words how you would go about developing a behaviorally anchored rating scale.
9-6. Explain the problems to be avoided in appraising performance.
9-7. Compare and contrast performance management and performance appraisal.

Individual and Group Activities

9-8. Working individually or in groups, develop a graphic rating scale for the following jobs: secretary, professor, bus driver.
9-9. Working individually or in groups, describe the advantages and disadvantages of using the forced distribution appraisal method for college professors.
9-10. Working individually or in groups, develop, over the period of a week, a set of critical incidents covering the classroom performance of one of your instructors.
9-11. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four

multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

9-12. When he was doing his show *The Apprentice*, Donald Trump often told apprentices "You're fired!" Review recent (or archived) episodes of Donald Trump's *The Apprentice* and answer this: What performance appraisal system did Mr. Trump use, and do you think it resulted in valid appraisals? What techniques discussed in this chapter did he seem to apply? How would you suggest he might change his appraisal system to make it more effective?

Experiential Exercise

Grading the Professor

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Purpose: The purpose of this exercise is to give you practice in developing and using a performance appraisal form.

Required Understanding: You are going to develop a performance appraisal form for an instructor and should therefore be thoroughly familiar with the discussion of performance appraisals in this chapter.

How to Set Up the Exercise/Instructions: Divide the class into groups of four or five students.

9-13. First, based on what you now know about performance appraisal, do you think Figure 9-1 is an effective scale for appraising instructors? Why or why not?

9-14. Next, your group should develop its own tool for appraising the performance of an instructor. Decide which of the appraisal tools (graphic rating scales, alternation ranking, and so on) you are going to use, and then design the instrument itself.

9-15. Next, have a spokesperson from each group post his or her group's appraisal tool on the board. How similar are the tools? Do they all measure the same factors? Which factor appears most often? Which do you think is the most effective tool on the board?

9-16. The class should select the top ten factors from all of the appraisal tools presented to create what the class perceives to be the most effective tool for appraising the performance of the instructor.

CHAPTER 9

Application Case

Appraising the Secretaries at Sweetwater U

Written and copyrighted by Gary Dessler, PhD.

Rob Winchester, newly appointed vice president for administrative affairs at Sweetwater State University, faced a tough problem shortly after his university career began. Three weeks after he came on board in September, Sweetwater's president, Rob's boss, told Rob that one of his first tasks was to improve the appraisal system used to evaluate secretarial and clerical performance at Sweetwater U. The main difficulty was that the performance appraisal was traditionally tied directly to salary increases given at the end of the year. Therefore, most administrators were less than accurate when they used the graphic rating forms that were the basis of the clerical staff evaluation. In fact, what usually happened was that each administrator simply rated his or her clerk or secretary as "excellent." This cleared the way for them to receive a maximum pay raise every year.

But the current university budget simply did not include enough money to fund another "maximum" annual raise for every staffer. Furthermore, Sweetwater's president felt that the custom of providing invalid feedback to each secretary on his or her year's performance was not productive, so he had asked the new vice president to revise the system. In October, Rob sent a memo to all administrators, telling them that in the future no more than half the secretaries reporting to any particular administrator could be appraised as "excellent." This move, in effect, forced each supervisor to begin ranking his or her secretaries for quality of performance. The vice president's memo met widespread resistance immediately—from administrators, who were afraid that many of their secretaries would begin leaving for more lucrative jobs, and from secretaries, who felt that the new system was unfair and reduced each secretary's chance of receiving a maximum salary increase. A handful of secretaries had begun picketing outside the president's home on the university campus. The picketing, caustic remarks by disgruntled administrators, and rumors of an impending slowdown by the secretaries (there were about 250 on campus) made Rob Winchester wonder whether he had made the right decision by setting up forced ranking. He knew, however, that there were a few performance appraisal experts in the School of Business, so he decided to set up an appointment with them to discuss the matter.

He met with them the next morning. He explained the situation as he had found it: The current appraisal system had been set up when the university first opened 10 years earlier. A committee of secretaries had developed it. Under that system, Sweetwater's administrators filled out forms similar to the one shown in Table 9-2. This once-a-year appraisal (in March) had run into problems almost immediately because it was apparent from the start that administrators varied widely in their interpretations of job standards, as well as in how conscientiously they filled out the forms and supervised their secretaries. Moreover, at the end of the first year it became obvious to everyone that each secretary's salary increase was tied directly to the March appraisal. For example, those

rated "excellent" received the maximum increases, those rated "good" received smaller increases, and those given neither rating received only the standard across-the-board cost-of-living increase. Because universities in general—and Sweetwater, in particular—have paid secretaries somewhat lower salaries than those prevailing in private industry, some secretaries left in a huff that first year. From that time on, most administrators simply rated all secretaries excellent in order to reduce staff turnover, thus ensuring each a maximum increase. In the process, they also avoided the hard feelings aroused by the significant performance differences otherwise highlighted by administrators.

Two Sweetwater experts agreed to consider the problem, and in 2 weeks they came back to the vice president with the following recommendations. First, the form used to rate the secretaries was grossly insufficient. It was unclear what "excellent" or "quality of work" meant, for example. They recommended instead a form like that in Figure 9-2. In addition, they recommended that the vice president rescind his earlier memo and no longer attempt to force university administrators to arbitrarily rate at least half their secretaries as something less than excellent. The two consultants pointed out that this was unfair, since it was quite possible that any particular administrator might have staffers who were all or virtually all excellent—or conceivably, although less likely, all below standard. The experts said that the way to get all the administrators to take the appraisal process more seriously was to stop tying it to salary increases. In other words, they recommended that every administrator fill out a form as in Figure 9-2 for each secretary at least once a year and then use this form as the basis of a counseling session. Salary increases would

have to be made on some basis other than the performance appraisal, so that administrators would no longer hesitate to fill out the rating forms honestly.

Rob thanked the two experts and went back to his office to ponder their recommendations. Some of the recommendations (such as substituting the new rating form for the old) seemed to make sense. Nevertheless, he still had serious doubts as to the efficacy of any graphic rating form, particularly compared with his original, preferred forced ranking approach. The experts' second recommendation—to stop tying the appraisals to automatic salary increases—made sense but raised at least one very practical problem: If salary increases were not to be based on performance appraisals, on what were they to be based? He began wondering whether the experts' recommendations weren't simply based on ivory tower theorizing.

Questions

9-17. Do you think that the experts' recommendations will be sufficient to get most of the administrators to fill out the rating forms properly? Why or why not? What additional actions (if any) do you think will be necessary?

9-18. Do you think that Vice President Winchester would be better off dropping graphic rating forms, substituting instead one of the other techniques we discussed in this chapter, such as a ranking method? Why or why not?

9-19. What performance appraisal system would you develop for the secretaries if you were Rob Winchester? Defend your answer.

Continuing Case

Carter Cleaning Company

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The Performance Appraisal

After spending several weeks on the job, Jennifer was surprised to discover that her father had not formally evaluated any employee's performance for all the years that he had owned the business. Jack's position was that he had "a hundred higher-priority things to attend to," such as boosting sales and lowering costs, and, in any case, many employees didn't stick around long enough to be appraisable anyway. Furthermore, contended Jack, manual workers such as those doing the pressing and the cleaning did periodically get positive feedback in terms of praise from Jack for a job well done, or criticism, also from Jack, if things did not look right during one of his swings through the stores.

Similarly, Jack was never shy about telling his managers about store problems so that they, too, got some feedback on where they stood.

This informal feedback notwithstanding, Jennifer believes that a more formal appraisal approach is required. She believes that there are criteria such as quality, quantity, attendance, and punctuality that should be evaluated periodically even if a worker is paid on piece rate. Furthermore, she feels quite strongly that the managers need to have a list of quality standards for matters such as store cleanliness, efficiency, safety, and adherence to budget on which they know they are to be formally evaluated.

Questions

9-20. Is Jennifer right about the need to evaluate the workers formally? The managers? Why or why not?

9-21. Develop a performance appraisal method for the workers and managers in each store.

Translating Strategy into HR Policies and Practices Case*,§

The accompanying strategy map for this chapter is in the MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The New Performance Management System

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate appraisal policies and activities that support this competitive strategy, by eliciting the required employee behaviors and competencies.

Lisa knew that the Hotel Paris's performance appraisal system was inadequate. When the founders opened their first hotel, they went to

an office-supply store and purchased a pad of performance appraisal forms. The hotel chain used these. Each form was a two-sided page. Supervisors indicated whether the employee's performance in terms of various standard traits including quantity of work, quality of work, and dependability was excellent, good, fair, or poor. Lisa knew that, among other flaws, this appraisal tool did not force either the employee or the supervisor to focus the appraisal on the extent to which the employee was helping the Hotel Paris to achieve its strategic goals. She wanted a system that focused the employee's attention on taking those actions that would contribute to helping the company achieve its goals, for instance, in terms of improved customer service.

Both Lisa and the firm's CFO were concerned by the current disconnect between (1) what the current appraisal process was focusing on and (2) what the company wanted to accomplish in terms of its strategic goals. They wanted the firm's new performance management system to help breathe life into the firm's strategic performance, by focusing employees' behavior specifically on the performances that would help the Hotel Paris achieve its strategic goals.

Lisa and her team created a performance management system that focused on both competencies and objectives. In designing the new system, their starting point was the job descriptions they had created for the hotel's employees. These descriptions each included required competencies. Consequently, using a form similar to Figure 9-3, the front-desk clerks' appraisals now focus on competencies such as "able to check a guest in or out in 5 minutes or less." Most service employees' appraisals include the competency, "able to exhibit patience and guest support of this even when busy with other activities." There were other required competencies. For example, the Hotel Paris wanted all service employees to show initiative in helping guests, to be customer oriented, and to be team players (in terms of sharing information and best practices). Each of these competencies derives from the hotel's aim of becoming more service oriented. Each employee now also receives one or more strategically relevant objectives for the coming year. (One, for a housecleaning crewmember, said, "Martha will have no more than three room cleaning infractions in the coming year," for instance.)

In addition to the goals- and competencies-based appraisals, other Hotel Paris performance management forms laid out the development efforts that the employee would undertake in the coming year. Instructions also reminded the supervisors that, in addition to the annual and semiannual appraisals, they should continuously interact with and update their employees. The result was a comprehensive performance management system: The supervisor appraised the employee based on goals and competencies that were driven by the company's strategic needs. And, the actual appraisal resulted in new goals for the coming year, as well as in specific development plans that made sense in terms of the company's and the employees' needs and preferences.

Questions

9-22. Choose one job, such as front-desk clerk. Based on any information you have (including job descriptions you may have created in other chapters), write a list of duties, competencies, and performance standards for that chosen job.

9-23. Based on that, and on what you read in this Dessler *Human Resource Management* chapter, create a performance appraisal form for appraising that job.

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

9-24. Discuss the pros and cons of using different potential raters to appraise a person's performance.

9-25. As a new supervisor, you're about to hold your first-ever appraisal interview with one of your subordinates, someone who has not been performing very well for the past 6 months. What should you keep in mind about managing the appraisal interview as you begin the conversation?

9-26. MyLab Management only—comprehensive writing assignment for this chapter.

PERSONAL INVENTORY ASSESSMENTS   P I A PERSONAL INVENTORY ASSESSMENT

What sort of leadership style do you think you would exhibit in leading an organizational change? Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Key Terms

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10 Managing Careers and Retention

When you finish studying this chapter, you should be able to:

10-1 **Discuss** what employers and supervisors can do to support employees' career development needs.

10-2 **Explain** why career development can improve employee engagement.

10-3 **Describe** a comprehensive approach to retaining employees.

10-4 **List and briefly explain** the main decisions employers should address in reaching promotion and other employee life-cycle career decisions.

10-5 **Explain** each of the main grounds for dismissal.

With national grocery chains like Kroger's, local chains like Publix, and giants like Walmart and Amazon, it's not easy finding a grocery niche but Fresh Thyme Farmers Market did so.[1] They've only been in business since 2014, but already have more than 50 stores in 10 states, with plans to open 20 more stores soon. Their strategy is to offer fresh local organic foods, with about half of each store devoted to fresh produce. Its stores have dietitians on staff, and employees pride themselves on getting customers to eat healthy. The question is, how do you attract and retain employees like those. We'll see what they did.

WHERE ARE WE NOW . . .

Having invested in selecting, training, and appraising employees, the employer of course wants them to want to stay with the firm. The main purpose of this chapter is to explain how to support your employees' career development needs and improve employee retention. The main topics we'll address are **Career Management**, **Improving Employee Engagement Through Career Management**, **Managing Employee Turnover and Retention**, **Employee Life-Cycle Management**, and **Managing Dismissals**.

Career Management

After appraising performance, it's often necessary to address career-related issues and to discuss these issues with subordinates.

The traditional role of personnel activities like screening, training, and appraising is to staff the company with employees who have the requisite interests, abilities, and skills. Often, however, many employers also use human resource management activities to help their employees realize their full career potential.[2] They do this not just because they think that it's the right thing to do, but because hopefully everyone gains—the employees with more fulfilling careers, and the employer with improved employee relations, engagement, and retention. We'll address career planning and related topics in this chapter.

Before proceeding, we should define important terms we will be using throughout this chapter. We may define **career** as the occupational positions a person holds over the years. **Career management** is the process for enabling employees to better understand and develop their career skills and interests and to use these skills and interests most effectively both within the company and after they leave the firm. **Career development** is the lifelong series of activities (such as workshops) that contribute to a person's career exploration, establishment, success, and fulfillment. **Career planning** is the deliberate process through which someone becomes aware of personal skills, interests, knowledge, motivations, and other characteristics; acquires information about opportunities and choices; identifies career-related goals; and establishes action plans to attain specific goals.

career
The occupational positions a person has had over many years.

career management
The process for enabling employees to better understand and develop their career skills and interests, and to use these skills and interests more effectively.

career development
The lifelong series of activities that contribute to a person's career exploration, establishment, success, and fulfillment.

career planning
The deliberate process through which someone becomes aware of personal skills, interests, knowledge, motivations, and other characteristics and establishes action plans to attain specific goals.

HR in Action at the Hotel Paris If the Hotel Paris wanted satisfied guests, they had to have engaged employees who did their jobs as if they owned the company, even when the supervisor was nowhere in sight. But for the employees to be engaged, Lisa knew the Hotel Paris had to make it clear that the company was also committed to its employees. To see what they did, see the case on pages 336–337 of this chapter.

Careers Today

People once viewed careers as a sort of upward stairway from job to job, more often than not with one or a few firms. Today, many people do still move up, but many (or most) find themselves having to reinvent themselves. For example, the sales rep, laid off by a publishing firm that's just merged, may reinvent her career as an account executive at a media-oriented advertising firm.[3]

Careers today differ in other ways from a few years ago. With many more women pursuing professional and managerial careers, families must balance the challenges associated with dual-career pressures. What people want from their careers is changing too. Baby boomers—those retiring in the next few years—tended to be job- and employer-focused. People entering the job market now often covet opportunities for more balanced work–family lives.

The Psychological Contract

One implication is that what employers and employees expect from each other is changing. What the employer and employee expect of each other is part of what psychologists call a *psychological contract*. This is "an unwritten agreement that exists between employers and employees."[4] The psychological contract identifies each party's mutual expectations. For example, the unstated agreement is that management will treat employees fairly and provide satisfactory work conditions, hopefully in a long-term relationship. Employees are expected to respond "by demonstrating a good attitude, following directions, and showing loyalty to the organization."[5]

The problem is that with today's labor markets, neither the employer nor the employee can count on long-term commitments from each other. That changes the psychological contract, and makes career management more critical for the employee, who may have to prepare for the time that he or she must move on.

The Employee's Role in Career Management

The employee, the manager, and the employer all have roles in the employee's career development. For example, the manager should provide timely and objective performance feedback, offer developmental assignments and support, and have career development discussions with the employee. He or she should act as a coach, appraiser, advisor, and mentor, listening to and clarifying the employee's career plans, giving feedback, generating career options, and linking the employee to organizational resources and career options. For its part, the employer should provide career-oriented training, development, and promotional opportunities, offer career information and career programs, and give employees a variety of career options.

Ultimately, however, the employee is responsible for his or her own career. He or she must assess interests, skills, and values; seek out career information resources; and take steps to ensure a happy and fulfilling career. For the employee, career planning means matching individual strengths and weaknesses with occupational opportunities and threats. In other words, the person wants to pursue occupations, jobs, and a career that capitalize on his or her interests, aptitudes, values, and skills. The person also wants to choose occupations, jobs, and a career that make sense in terms of projected future demand for occupations. Ideally, he or she should think through an ideal future "self" to strive for.[6]

As one example, career-counseling expert John Holland says that personality (including values, motives, and needs) is an important career choice determinant. For example, a person with a strong social orientation might be attracted to careers that entail interpersonal rather than intellectual or physical activities and to occupations such as social work. Holland found six basic personality types or orientations. For a nominal fee, individuals can use his Self-Directed Search (SDS) test (available online at www.self-directed-search.com) to assess their occupational orientations and preferred occupations. The SDS has an excellent reputation, but one study of 24 no-cost online career assessment websites concluded that they were easy to use but suffered from insufficient validation and confidentiality. However, a number of online career assessment instruments such as Career Key (www.careerkey.org) do reportedly provide validated information.[7] O*NET offers a free online "My Next Move" occupations and career assessment system (www.onetcenter.org/mynextmove. html). You will find other useful career tools in the following two exercises, and in this chapter's appendix.

EXERCISE 1 One useful exercise for identifying occupational skills is to head a page "The School or Occupational Tasks I Most Enjoyed Doing." Then write a short essay describing the tasks. Provide as much detail as you can about your duties and responsibilities, and what you found enjoyable about each task. (It's not necessarily the most enjoyable *job* you've had, but the most enjoyable *task* you've had to perform within your jobs.) Next, on other pages, do the same thing for two other tasks. Now scrutinize the three essays. Underline the skills that you mentioned the most often. For example, did you especially enjoy the hours you spent on the Internet doing research when you worked one summer as an intern?[8]

EXERCISE 2 Another exercise can prove enlightening. On a page, answer the question: "If you could have any kind of job, what would it be?" Invent your own job if need be, and don't worry about what you *can* do—just what you want to do.[9]

■ **HR AND THE GIG ECONOMY:** *THE PORTFOLIO CAREER*

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portfolio careers
Careers based on using one's skills to create a livelihood from multiple income sources, often from several jobs paying different rates.

More people today—especially Millennials and Generation X-ers—are embracing **portfolio careers,** careers based on using one's skills to create a livelihood from multiple income sources, often from several jobs paying different rates.[10] For example, someone might use her marketing skills for temporary marketing manager gigs, her writing and marketing skills to write a column and blog, and her coaching skills to teach online courses.

Are Portfolio Careers for you?

Millions of people support themselves through portfolio careers today, and each is probably doing so for his or her own reasons—from just wanting to be independent, to not finding a full-time job, or needing flexibility for family matters.

DO YOU HAVE WHAT IT TAKES TO DO THIS? There are some questions to ask yourself. For example, are you comfortable not having the same job to go to every day; are you good at juggling several different big tasks; and do you have the social and salesmanship skills to get out and line up a continually changing cast of clients? And of course, what saleable skills do you have for which someone will pay you?

IS IT PRACTICAL? Think it through first. Ask yourself who your potential clients are, how much you might earn, and what the odds are you'll be able to put it all together. Bounce your ideas off friends, and talk with them about which ideas seem more likely to succeed. (On the other hand, "nothing ventured, nothing gained," so don't be too practical! One benefit of portfolio careers is that you can make adjustments as you learn.)

The Employer's Role in Career Management

Along with the employee, the person's manager and employer have career management responsibilities. These depend partly on how long the employee has been with the firm.

For example, *before hiring*, realistic job interviews can help prospective employees more accurately gauge whether the job is a good fit for them. Especially for recent college graduates, *the first job* can be crucial for building confidence and a more realistic picture of what he or she can and cannot do: providing challenging first jobs and having an experienced mentor who can help the person learn the ropes are important. Some refer to this as preventing **reality shock,** a phenomenon that occurs when a new employee's high expectations and enthusiasm confront the reality of a boring, unchallenging job. Periodic *job rotation* can help the person develop a more realistic picture of what he or she is good at, and thus the career moves that might be best. Thus, Intuit offers new graduates entrée into its Rotational Development Programs.[11] These are 2-year programs in which employees first learn about Intuit's products, customers, employees, strategies, and values. Next the employees complete four 6-month rotations, getting experience in a range of Intuit business units and a variety of functions, for instance, product management, marketing, and human resources. All Rotational Development Program participants are paired with an executive advisor, who provides career coaching and mentoring.

Finally, we will see that once the person has been *on the job* for a while, career-oriented appraisals are important. Here the manager not only appraises the employee but also uses the results to help the person to match his or her strengths and weaknesses with a feasible career path.

reality shock

Results of a period that may occur at the initial career entry when the new employee's high job expectations confront the reality of a boring or otherwise unattractive work situation.

KNOWLEDGE BASE

Employer Career Management Methods

Employers including AFLAC, American Express, and Accenture recognize that it pays to help employees improve their careers. For example, American Express opened several career counseling centers for its call-center workers, and both Genentech and AFLAC hired career counselors, and are better preparing their line managers to give career advice.[12] Google has employees who volunteer to act as career coaches and mentors for other employees, and who Google officially designates "career gurus." In one year, over 1,000 Google employees (Googlers) used the gurus' services.[13]

Self-help e-learning tools appear to be the most popular employer-provided career services, followed by career assessment and feedback, and on-site training.[14] Such tools—which help users work through career information and instructional resources themselves—are especially useful when users want to improve their careers, and where guidance counseling is available if questions arise.[15]

A *career planning workshop* is "a planned learning event in which participants are expected to be actively involved, completing career planning exercises and inventories and participating in career skills practice sessions."[16] A typical workshop includes self-assessment exercises (skills, interests, values, and so on), an assessment of important occupational trends, and goal-setting and action-planning segments.

Career coaches generally help employees create 1- to 5-year plans showing where their careers with the firm may lead. Then, the employer and employee base the latter's development plans on what he or she needs to move up.[17] The coaches help individual employees identify their development needs and to obtain the training, professional development, and networking opportunities that they require to satisfy those needs.

Career development systems needn't be complicated. Even just receiving performance feedback from supervisors, having individual development plans, and having access to training is enough for many employees. Beyond that, job postings, formal career-oriented performance appraisals, formal counseling and mentoring with managers, and individual succession planning for high-potential employees are valuable.[18] Figure 10-1 illustrates a simple employee career planning form.

IMPROVING PERFORMANCE: *THROUGH HRIS*

Integrating Talent Management and Career and Succession Planning

The employer should endeavor to integrate its career planning with its other HR activities efforts. As one example, an employee's career planning and development plans should reflect his or her performance appraisal ratings and training plans. Similarly, as explained in Chapter 5 (pages 138–139), succession plans should reflect employees' career interests.

Integrated talent management software helps to achieve such coordination. For example, Halogen Succession enables the employer to "identify the skills and competencies required to support your 3- to 5-year strategic plans and cultivate these in your high-potential employees with career and development planning."[19] ■

Diversity Counts: Toward Career Success

People with disabilities tend to have less career success than do those without disabilities.[20] Some barriers may be self-imposed. For instance, some with disabilities may have lower career expectations, or may not proactively seek the accommodations they are due under EEO law.

However, the problem more often reflects unfortunate assumptions and actions by managers and coworkers. Though well meaning, they may view those with disabilities as unable to perform various jobs, negatively evaluate them as being poor occupational fits, and assume that jobs designed for those without disabilities are inappropriate for those with disabilities. Figure 10-2 (page 318) presents some positive strategies for people with disabilities. ■

The Manager as Mentor and Coach

Do not underestimate the impact that a supervisor can have on his or her employee's career development. With little or no additional effort than realistic performance reviews and candid career advice, a competent supervisor can help the employee get on and stay on the right career track. At the other extreme, an unsupportive supervisor may look back on years of having inhibited his or her employees' career development. In a study of world-class leaders, one researcher says that his big surprise was the extent to which they engaged in "ongoing, intensive one-on-one tutoring" of their subordinates.[21]

The manager can do several things to support subordinates' career development needs. When the subordinate first starts, help the person develop the skills required to do the job well. Schedule regular performance appraisals, and address whether the person's skills and performance are consistent with his or her career aspirations. Ask questions such as "In terms of career, what are you interested in doing, in both the

Employee's Name	Employee's Current Position	Today's Date

I Performance Summary: *Briefly discuss this employee's performance over the past year (or other period), in terms of his or her achievement of assigned goals, effectiveness at interacting with colleagues, and any other criteria you believe are relevant here:*

II Strengths: *Based on your evaluation and experience with and discussions with employee, what would you say are his or her main strengths?*

III Career Aspirations and Goals: *Based on your experience with and discussions with employee, what would the two of you agree should be this person's career goals over the next 1-3 years and beyond?*

IV Areas for Development: *Based on what you know about this employee, what would the two of you agree are the main areas for development he or she should concentrate on over the next year or two?*

Development Objectives and Activities: *Planned to achieve this person's career goals.*

Development Activities	Specific Action Plans	Milestones/Dates
1		
2		
3		
4		
5		

Signatures: Supervisor_____   Employee_____

FIGURE 10-1 Employee Career Development Plan

Source: Copyright Gary Dessler, PhD.

short- and long-term?"[22] Provide the employee with at least an informal development plan like that in Figure 10-1. Keep subordinates informed about the firm's current career-related benefits, and encourage them to use them.[23]

    Here the manager may act as mentor. **Mentoring** means having experienced senior people advising, counseling, and guiding employees' longer-term career development.

mentoring
Advising, counseling, and guiding.

Strategy	Key Import of Strategy
Espousing a positive mind-set and demonstrating extreme persistence	Overcome worries and focus on tasks at hand
Sensitizing people to ability over disability: • Signaling ability by learning new skills • Signaling ability by helping coworkers through newly gained skills • Signaling ability by trying to enhance performance through feedback seeking	Trounce stereotypes regarding competence
Engaging in disability advocacy: • Awareness building • Influencing organizational policymaking with regard to accommodation	Sensitize others to performance potential of all PWD and help all PWD perform
Building, leveraging, and contributing to relevant networks: • Forming networks comprising PWD • Seeking mentors who have a disability • Serving as role models or mentors to other PWD	Aid general adjustment and career growth of self and other PWD

coaching
Educating, instructing, and training subordinates.

An employee who agonizes over which career to pursue or how to navigate office politics may need mentoring.

Mentoring may be formal or informal. Informally, mid- and senior-level managers may voluntarily help less-experienced employees—for instance, by giving them career advice and helping them to navigate office politics. Many employers also have formal mentoring programs. For instance, the employer may pair protégés with potential mentors, and provide training to help mentor and protégé better understand their respective responsibilities. Studies show that having a mentor give career-related guidance and act as a sounding board can enhance one's career satisfaction and success.[24]

For the supervisor, mentoring is both valuable and risky. It is valuable insofar as you can influence in a positive way the careers of your less-experienced subordinates and colleagues. The danger is that it can backfire. **Coaching** focuses on teaching daily tasks that you can easily relearn, so coaching's downside is usually limited. *Mentoring* focuses on relatively hard-to-reverse longer-term career issues, and often touches on the person's psychology (motives, and how one gets along with others, for instance). Because the supervisor is usually not a psychologist or trained career advisor, he or she must be cautious in the mentoring advice he or she gives.

Research on what supervisors can do to be better mentors reveals few surprises. Effective mentors *set high standards*, are willing to *invest the time* and effort the mentoring relationship requires, and actively *steer protégés* into important projects, teams, and jobs. They *model* the right behaviors, and *motivate and inspire* those they're mentoring.[25] Effective mentoring requires *trust*, and the level of trust reflects the mentor's *professional competence, consistency, ability to communicate*, and readiness to *share control*.[26]

However, studies suggest that traditional mentoring is less effective for women than it is for men. For example, in one survey of employees who had "active mentoring relationships" in one year, 72% of the men received one or more promotions in the ensuing 2 years, compared with 65% of the women. A CEO or other senior executive mentored 78% of the men, compared with 69% of the women.[27]

Some employers therefore assign female employees to mentors who have more organizational clout. For example, when Deutsche Bank discovered that several female managing directors had left the firm for better jobs at competitors, it began pairing them with mentor/sponsors from the bank's executive committee. The latter were in a position to advocate the women for promotion.

Employee Engagement Guide for Managers

Career Management

As mentioned earlier in this chapter, labor market turbulence has understandably prompted many people to ask why they should be loyal to their employers. "Why," they might ask, "should I be loyal to you if you're just going to dump me when you decide to cut costs again?" Employers today therefore have to think through how they're going to maintain employee engagement, and thereby minimize voluntary departures, and maximize employee effort.

Commitment-Oriented Career Development Efforts

Given the importance to most people of a fulfilling and successful career, career planning and development can play an important role in employee engagement. Managed effectively, the employer's career development process should send the signal that the employer cares about the employee's career success. As mentioned earlier, this doesn't necessarily have to be complicated. For example, performance appraisals provide an easy opportunity to link the employee's performance, career interests, and developmental needs into a coherent career plan. With *career-oriented appraisals*, the supervisor and employee jointly merge the latter's past performance, career preferences, and developmental needs into a formal career plan.

Such appraisals needn't be automated but online systems are available. For example, Halogen eAppraisal™ helps the manager to identify employee development activities that are appropriate given the employee's developmental needs and career preferences. The employer then organizes development activities around the person's needs.

The JCPenney Management Career-Grid approach provides another good example of what is possible (although tumultuous management changes several years ago sidelined much of this effort). Prior to the annual appraisal, the associate and his or her manager reviewed Penney's career grid. The grid listed all supervisory positions at Penney (grouped by operation jobs, merchandise jobs, personnel jobs, and general management jobs); it also included specific job titles such as "regional catalog sales manager." The firm also provided thumbnail job descriptions for all the grid's jobs.

The grid also identified typical promotional routes. For example, when considering the next assignment for a management associate, the supervisor could consider not only merchandise positions but also operations and personnel positions. Promotional projections could cross all four groups, as well as one or two job levels. For example, a senior merchandising manager might be projected for promotion to either assistant buyer or general merchandise manager. In sum, Penney's grid approach shows how employers can use a career-oriented appraisal process to guide the employee and manager to focus on the former's strengths, weaknesses, and career prospects and plans.[28]

Other employers use special training and development programs to facilitate their employees' career development. The accompanying HR Practices Around the Globe feature provides an example.

■ **IMPROVING PERFORMANCE:** *HR PRACTICES AROUND THE GLOBE*

Career Development at Medtronic[29]

Medtronic is a global medical technology company with more than 85,000 employees around the world. The company offers a wide range of career planning and development support tools aimed at helping employees understand their occupational strengths and weaknesses and reach their potential. These tools include customized development plans, self-assessment and feedback tools, mentoring programs, comprehensive on-site classes covering business, engineering, and science topics, tuition reimbursement scholarships, and online job listings so the employee can seek out new career opportunities within the company.

In addition, new MBA employees can participate in Medtronic's corporate Leadership Development Rotation Program. This is a 2- to 3-year program. It includes 12- to 18-month assignments in two different geographic locations, thus providing participants with both a broad understanding of Medtronics, and in-depth functional experiences. Functional tracks include clinical, corporate development, finance, and human resources, for instance.

In addition to their job assignments, participants engage in other developmental experiences including peer mentoring programs, functional training, and leadership workshops. Among other things, candidates for this program are required to have 3 to 5 years of professional and relevant work experience and an MBA (or other masters-level degree as appropriate) and to be mobile and willing to pursue opportunities abroad.

MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Look more closely at this program (go to www.Medtronic.com; then click "Careers" and "Career Growth") or a similar program and discuss why it should positively affect employee engagement.

KNOWLEDGE BASE

LEARNING OBJECTIVE 10-3

Describe a comprehensive approach to retaining employees.

Managing Employee Turnover and Retention

Not all employees' career plans will coincide with the company's needs. *Turnover*—the rate at which employees leave the firm—varies markedly among industries. For example, turnover in the accommodation and food services industry is very high, with over half the industry's employees voluntarily leaving each year. In contrast, voluntary turnover in educational services is about 12%.[30]

Furthermore, such figures only reflect employees who leave voluntarily. They don't include involuntary separations, such as for poor performance.[31] Combining voluntary and involuntary turnover produces some astounding statistics. For example, the turnover in many food service firms is around 100% per year. In other words, many restaurants need to replace just about all their employees every year! Turnover is expensive, as the HR as a Profit Center discussion shows.

IMPROVING PERFORMANCE: *HR AS A PROFIT CENTER*

Turnover and Performance

What is the link between turnover and organizational performance? One study analyzed the costs of turnover in a call center with 31 agents and 4 supervisors.[32] Tangible costs associated with an agent's leaving included the costs of recruiting, screening, interviewing, and testing applicants, as well as the cost of wages while the new agent was oriented and trained. Intangible costs included the cost of lost productivity for the new agent (who is less productive at first), the cost of rework for the new agent's errors, and the supervisory cost for coaching the new agent. The researchers estimated the cost of an agent leaving at about $21,551. This call center averaged 18.6 vacancies per year (about a 60% turnover rate). Therefore, the researchers estimated the total annual cost of agent turnover at $400,853. Taking steps to cut this turnover rate in, say, half could save this firm about $200,000 per year. The bottom line is that HR practices can have a big influence on employee turnover, and thereby on the company's profitability. ▪

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion. Discuss three steps you would take to reduce the need to dismiss employees.

Reducing turnover requires identifying and managing the reasons for both voluntary and involuntary turnover.[33] We address managing voluntary turnover here, and managing involuntary turnover later in the chapter.

Managing Voluntary Turnover

In reducing turnover, the logical place to start is by measuring the number of employees (particularly top performers and high potentials) who leave the company.[34] SHRM recommends computing turnover as follows: "First calculate turnover for each month by dividing the number of [voluntary] separations during the month by the average number of employees during that month and multiplying by 100. Then calculate the annual turnover rate by adding the 12 months of turnover percentages together."[35]

However, identifying *why* employees voluntarily leave isn't so easy. People dissatisfied with their jobs are more likely to leave, but the sources of dissatisfaction are many. In one survey, the five top reasons that top-performing employees gave for leaving (ranked from high to low) were pay, promotional opportunities, work–life balance, career development, and health-care benefits.[36] Another survey of employees based on exit interviews found the top five reasons employees left were, career development (22%), work–life balance (12%), management behavior (11%), compensation and benefits (9%), and well-being (9%).[37] Of those who left due to "career development," most said they didn't like the work they were doing, while others blamed lack of growth and development.[38] In another study job motivation, social support, and burnout correlated with turnover intentions.[39] Other reasons employees leave include unfairness, not having their voices heard, and lack of recognition.[40]

Practical considerations also affect turnover. For example, high unemployment reduces voluntary turnover, and some locales have fewer job opportunities (and thus turnover). Furthermore, losing low-performing employees isn't as problematic as losing high-performing ones. The restaurant chain Applebee's gives managers incentives for reducing turnover of top-performing employees.[41]

In any case, given the many things prompting employees to leave, what can one do to reduce voluntary turnover? We'll discuss some tactics, but there is no silver bullet. The manager should understand that retaining employees is a talent management issue, and that the best retention strategies are therefore multifunctional. For example, employees who aren't interested in their jobs, sense that they're not suited for their jobs, or feel undercompensated are more likely to leave. Employers can address such issues only by instituting effective and coordinated talent management (recruitment, selection, training, appraisal, and compensation) practices. Put another way, turnovers (both voluntary and involuntary) often start with poor selection decisions, compounded by inadequate training, insensitive appraisals, and inequitable pay. Trying to formulate a "retention strategy" without considering all HR practices is futile.

A Comprehensive Approach to Retaining Employees

However, identifying problems is an important first step. Effectively conducted *exit interviews* provide useful insights into turnover problem areas. Many employers routinely administer *attitude surveys* to monitor employees about matters such as supervision and pay. Sometimes simply asking, "All things considered, how satisfied are you with your job?" can be as effective as soliciting employees' attitudes toward various facets of the job (such as supervision and pay).[42] Open-door policies and anonymous "*hotlines*" help management identify and remedy morale problems. Usually conducted by the employee's manager, the aim of a *stay interview* is to head off retention problems by finding out "how the employee is doing." Typical questions include, "When you travel to work each day, what are you looking forward to?" and "How can I best support you?" Unlike anonymous group surveys, stay interviews are one on one, and reportedly provide useful information for reducing turnover and improving engagement.[43] Sometimes, analyzing the situation leads to simple solutions. Walmart discovered it could significantly reduce voluntary turnover by providing aggressively *realistic previews* about the job's demands and work hours.[44] Then, having identified potential problems, the employer can take steps like the following to boost employee retention.

RAISE PAY   The most obvious explanation for why employees quit is often also the correct one: low pay. Particularly for high performers and key employees, enhanced pay has been the retention tool of choice for many employers.[45]

HIRE SMART   "Retention starts up front, with the selection and hiring of the right employees."[46] This refers not just to the worker but also to hiring the right supervisors. For example, FedEx conducts periodic employee attitude surveys. The supervisor then meets to review the results with his or her employees to address any leadership problems the surveys raise.

DISCUSS CAREERS   One expert says, "Professionals who feel their company cares about their development and progress are much more likely to stay."[47] Periodically discuss with employees their career preferences and prospects, and help them lay out career plans.[48]

PROVIDE DIRECTION   People can't do their jobs if they don't know what to do or what their goals are. Therefore, retaining employees requires making it clear what your expectations are regarding their performance and what their responsibilities are.

OFFER FLEXIBILITY   In one survey, workers identified "flexible work arrangements" and "telecommuting" as the two top benefits that would encourage them to choose one job over another.

USE HIGH-PERFORMANCE HR PRACTICES   In one study, call centers that made more use of high-involvement work practices (for instance, employee empowerment, problem-solving groups, and self-directed teams) had lower rates of quits, dismissals, and total turnover. So did those that "invested" more in employees (for instance, in terms of promotion opportunities, high relative pay, pensions, and full-time jobs).[49]

COUNTEROFFER?   If a valued employee says he or she is leaving, should you make a counteroffer? Many argue against doing so, calling it a "Band-Aid for a head wound."[50] Employers who do allow counteroffers need a policy that specifies what people and positions are eligible for counteroffers, allowable compensation enhancements, and how to determine the offer.[51]

TRENDS SHAPING HR: *DIGITAL AND SOCIAL MEDIA*

Digital and social media tools can improve the employee retention process. Software company SAS's employee-retention program sifts through employee data on traits like skills, tenure, performance, education, and friendships. It can predict which high-value employees are more likely to quit in the near future (allowing SAS to try to head that off).[52] Alliant Techsystems created a "flight risk model" to calculate the probability an employee would leave and to take corrective action.[53] Based on its analysis of previous survey results, Google's "Googlegeist" survey contains five questions aimed at identifying Googlers who are more likely to leave; if a team's responses fall below 70% favorable, Google knows to take corrective action.[54] Websites such as Globoforce (www.globoforce.com) enable each employee's colleagues to comment on and to recognize and reward the person's contributions. Vendors assert this leads to "dramatic improvements in employee engagement, retention and measurable adoption of corporate culture."[55] ■

■ IMPROVING PERFORMANCE: *THE STRATEGIC CONTEXT*

Fresh Thyme Farmers Market

Strategic human resource management means formulating HR policies and practices that produce the employee skills and behaviors the company needs to achieve its strategic aims. Fresh Thyme's strategy

is to offer fresh, local, organic foods, with about half of each store devoted to fresh produce.[56] Its employees are evangelists about getting customers to eat healthy. What sorts of people does Fresh Thyme want to recruit and hire, and what do they do to retain them?

A company that sells "health and awareness" needs employees who enjoy engaging with customers, particularly about fresh and healthy foods. It helps that fast growth means big opportunities for employees. Fresh Thyme also works hard to develop its employees' careers. For example, it offers extensive training, from "bagging 101," to finance courses for managers. The point is Fresh Thyme has an integrated set of recruitment, selection, training, and career development practices that support its "fresh and healthy" strategy while also supporting employee retention.

MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of **www.pearson.com/ mylab/management** to complete this discussion question. Do you think Fresh Thyme should work out a career development plan for each of its employees? Why?

Job Withdrawal

Unfortunately, voluntary turnover is just one way that employees withdraw. Withdrawal in general means separating oneself from one's current situation—it's a means of escape for someone who is dissatisfied or fearful. At work, *job withdrawal* has been defined as "actions intended to place physical or psychological distance between employees and their work environments."[57]

Absences and voluntary turnover are two obvious types of job withdrawal. Others can be less obvious if no less corrosive. Some examples include "taking undeserved work breaks, spending time in idle conversation and neglecting aspects of the job one is obligated to perform."[58] Other employees stop "showing up" mentally ("psychological withdrawal"), perhaps daydreaming at their desks while productivity suffers.[59] The employee is there, but mentally absent. In fact, the *job withdrawal process* tends to be incremental, often evolving from daydreaming to absences to quitting: "When an employee perceives that temporary withdrawal will not resolve his/her problems, then the employee is apt to choose a more permanent form of withdrawal (i.e., turnover, assuming that alternative work opportunities are available)."[60]

Studies confirm the high costs of job withdrawal, so understanding its causes is important.[61] Many people have experienced the desire to withdraw—to "get away" from some situation—so it's perhaps not difficult to empathize with those who feel they must escape. Some think of it in terms of pain versus pleasure. People tend to move toward situations that make them feel good, and away from those that make them feel bad.[62] People are repelled by situations that produce unpleasant, uncomfortable emotions, and are attracted to those that produce pleasant, comfortable ones.[63]

The manager can therefore think of withdrawal-reducing strategies in terms of reducing the job's negative effects, and/or of raising its positive effects. Because potential negatives and positives are virtually limitless, addressing withdrawal problems again requires a comprehensive human resource management approach.[64] Illustrative potential negatives include, for instance, boring jobs, poor supervision, low pay, bullying, lack of career prospects, and poor working conditions. Potential positives include job enrichment, supportive supervision, equitable pay/family-friendly benefits, disciplinary/appeals processes, career development opportunities, safe working conditions, and high-morale colleagues.[65] Interviews, surveys, and observation can help identify issues to address.

With more employees taking their jobs home via smart phones and iPads, employee "detachment" (not withdrawal) isn't always a bad thing. Two researchers found detaching oneself from work improves family life. They advise working out a system for ensuring some quality family time. For example, the employee and his or her partner might "agree on certain rules such as keeping the weekend free of work, or switching off the mobile phone after dinner."[66]

promotion
Advancement to a position of increased responsibility.

Employee Life-Cycle Career Management

An employee's tenure with a firm tends to follow a life cycle, from employment interview to first job, promotion, transfer, and perhaps retirement. We'll look here at the latter three.

Making Promotion Decisions

Promotions traditionally mean advancements to positions of increased responsibility.

Promotions are important. They're obviously a good way to reward performance. Furthermore, hiring outsiders has become more expensive. By one estimate, it now costs about 36% more to hire new employees than it did a few years ago. (This is partly due to more job openings, and partly because the gig economy diverts many potential hires to working on their own). The bottom line is that employers need well thought-out promotion practices and policies. For example, unfairness or secrecy about why people get promoted can devalue the promotion process. An effective promotion strategy therefore includes effective promotion from within systems and practices, making more promotions available, and ensuring that your employees are as aware of their own company's job openings as they are of other companies'.[67]

Also address how to handle those *not* promoted.[68] In one study, military officer training candidates *not* promoted were more likely to engage in counterproductive work behaviors (such as verbal and physical aggression, property theft, and sleeping on duty) than were those who were promoted.

KNOW YOUR EMPLOYMENT LAW

Establish Clear Guidelines for Managing Promotions

In general, promotion processes must comply with all the same antidiscrimination laws as do procedures for recruiting and selecting employees or any other HR actions. For example, Title VII of the 1964 Civil Rights Act covers any "terms, conditions, or privileges of employment." Similarly, under the Age Discrimination in Employment Act of 1967, "covered employers may not select individuals for hiring, promotion, or reductions in force in a way that unlawfully discriminates on the basis of age."[69]

The employer should establish safeguards to ensure that promotion decisions don't prompt discrimination claims, or claims of retaliation, as many do. For example, the Fifth U.S. Circuit Court of Appeals allowed a woman's claim of retaliation to proceed when she showed that she was turned down for promotion because a supervisor she had previously accused of sexual harassment persuaded her current supervisor not to promote her.[70]

One way to defend against such claims is to make sure promotion procedures are clear and objective. For example, the Eighth U.S. Circuit Court of Appeals held that a company's failure to set objective guidelines and procedures for promoting employees may suggest employment discrimination.[71] (In this case, the court found that the organization, a community college, did not consistently use the same procedures for hiring and promotions, and did not clarify when and under what conditions vacant positions were announced.) In another case, the employer turned down a 61-year-old employee for a promotion because the person who interviewed him said he did not "get a real feeling of confidence" from the candidate.[72] In this case, "the court made it clear that while subjective reasons can justify adverse employment decisions, an employer must articulate any clear and reasonably specific factual bases upon which it based its decision." In other words, have objective evidence supporting your subjective assessment for promotion. ■

Crucial promotion-related decisions include the following.

DECISION 1: IS SENIORITY OR COMPETENCE THE RULE? In setting promotion policies, one decision is whether to base promotion on seniority or competence, or some combination of the two.

Today's focus on performance favors competence. However, this depends on several things. Union agreements sometimes contain clauses emphasizing seniority. Civil service regulations that stress seniority often govern promotions in many public-sector organizations.

DECISION 2: HOW SHOULD WE MEASURE COMPETENCE? If the firm opts for competence, it must define and measure competence. Defining and measuring *past* performance is relatively straightforward. But promotions should also rest on procedures for predicting the candidate's future performance.

For better or worse, most employers use prior performance as a guide, and assume that (based on exemplary prior performance) the person will do well on the new job. Many use tests or assessment centers, or tools such as the 9-Box Grid (Chapter 8, page 258), to evaluate promotable employees and identify those with executive potential.

For example, given the public safety issues involved, police departments tend to be very systematic when evaluating candidates for promotion to command positions. For the police, traditional promotion reviews include a written knowledge test, an assessment center, time-in-grade (for example, candidates for police captain in Little Rock, Arkansas, need a minimum 5 years as police officer, 2 years as sergeant, and 2 years as lieutenant before applying for promotion to captain),[73] a score based on recent performance appraisal ratings, and a personnel records review. The latter includes evaluation of supervisory-related education and experience, ratings from multiple sources, and systematic evaluation of behavioral evidence.[74]

DECISION 3: IS THE PROCESS FORMAL OR INFORMAL? Many firms have informal promotion processes. They may or may not post open positions, and key managers may use their own unpublished promotion criteria. Here employees (and courts) may conclude that factors like "who you know" are more important than performance, and that working hard to get ahead—at least in this firm—is futile.

Other employers set formal promotion policies and procedures. Employees receive a *formal promotion policy* describing the criteria by which the firm awards promotions. A *job posting policy* states the firm will post open positions and their requirements, and circulate these to all employees. As explained in Chapter 5 (Personnel Planning and Recruiting), many employers also maintain *employee qualification databanks* and use replacement charts and computerized employee information systems to assist in such planning.

DECISION 4: VERTICAL, HORIZONTAL, OR OTHER? Promotions aren't necessarily upward. Thus, some employees, such as engineers, may have little or no interest in promotion to managerial roles.

Several options are available. Some firms, such as the exploration division of British Petroleum (BP), create two parallel career paths, one for managers and another for "individual contributors" such as high-performing engineers. At BP, individual contributors can move up to nonsupervisory senior positions, such as "senior engineer." These jobs have most of the financial rewards attached to management-track positions at that level.

Another option is to move the person horizontally. For instance, a production employee may move to human resources to develop his or her skills and to test and challenge his or her aptitudes. In a sense, "promotions" are possible even when leaving the person in the same job. For example, you might enrich the job and provide training to enhance the opportunity for assuming more responsibility.

In any case, there are practical steps to take in formulating promotion policies.[75] Establish eligibility requirements, for instance, in terms of minimum tenure and performance ratings. Require the hiring manager to review the job description, and revise if necessary. Vigorously review all candidates' performance and history. Preferably promote only those who meet the job's requirements. And reach out to employees who may have aspired to a promotion but who were not yet ready to be promoted. To paraphrase Google's chief HR officer, doing so is far better than having them quit or withdraw.[76]

Diversity Counts: The Gender Gap

Women constitute more than 45% of the workforce, but hold less than 2% of top management positions. Blatant or subtle discrimination may account for much of this. In one study, promoted women had to receive higher performance ratings than promoted men to get promoted, "suggesting that women were held to stricter standards for promotion."[77] Women report greater barriers (such as being excluded from informal networks) than do men, and have more difficulty getting developmental assignments. Many employers obstruct women's promotional prospects from the beginning. For example, women make up almost half of entry-level hires, but are 18% less likely than men to be promoted to manager.[78]

Although there are notable exceptions (for instance, Ursula M. Burns was CEO of Xerox, and Indra Nooyi was Pepsico's CEO), minority women seem particularly at risk. An older survey asked minority women what they saw as the career barriers. They said not having an influential mentor (47%), lack of informal networking with influential colleagues (40%), lack of company role models for members of the same racial or ethnic group (29%), and a lack of high-visibility assignments (28%).[79] Yet a more recent survey from McKinsey & Company and LeanIn.org came to about the same conclusions: Managers don't advocate for them, help them manage company politics, provide advice, nor give them stretch assignments.[80]

What to do about this? Here are suggestions, aimed at addressing the key findings of the McKinsey & Company/Lean In survey *Women in the Workplace 2017*:[81]

"Women hit the glass ceiling early." Women are 18% less likely to be promoted to manager. *Recognize this as a potential problem, and ensure training and appraisal processes are proactively nondiscriminatory.*

"Men are more likely to say they get what they want without having to ask." Men are more likely to have gotten promotions and raises, and to thus already be satisfied without asking for more. *Make sure you execute promotion and compensation decisions equitably.*

"Women get less of the support that advances careers." Women are less likely to receive advice from managers on how to advance. *Improve mentoring and networking practices.* For example, Marriott instituted leadership conferences for women. Speakers offered practical tips for career advancement, and shared their experiences. The conferences also provided informal opportunities for Marriott women to meet and forge business relationships.

"Women are less optimistic they can reach the top." Women are less likely than men to aspire to top management. *Have mentors encourage, as appropriate, stretch assignments for female employees and encourage them to apply for promotions as appropriate, and have female top management role models.* Also, *eliminate barriers.* For example, some practices (such as required late-night meetings) may seem gender neutral but in fact disproportionately affect women.

"Men are less committed to gender diversity efforts." Men are less likely to consider gender diversity a priority; some even see it as impeding their own advancement. *The top manager should make it clear that he or she is fully committed to gender diversity.*

"Many women still work a double shift." About 54% of women do all or most of the household work, compared to 22% of men. *Institute career tracks (including reduced hours and flexible work schedules) that allow women to periodically reduce their time at work, but remain on a partner track.* When the accounting firm Deloitte saw it was losing female auditors, it instituted a new flexible/reduced work schedule. This enabled many working mothers to stay with the firm.[82] ■

Managing Transfers

transfers
Reassignments to similar positions in other parts of the firm.

A **transfer** is a move from one job to another, usually with no change in salary or grade. Employers may transfer a worker to vacate a position where he or she is no longer needed, to fill one where he or she is needed, or more generally to find a better fit for the

employee within the firm. Many firms today boost productivity by consolidating positions. Transfers are a way to give displaced employees a chance for another assignment or, perhaps, some personal growth. Employees seek transfers for many reasons, including personal enrichment, more interesting jobs, greater convenience—better hours, location of work, and so on—or to jobs offering greater advancement possibilities. Transfers for the firm's convenience—once widely used—are used less of late.

Managing Retirements

Retirement planning is a significant issue for employers.[83] In the United States, the number of 25- to 34-year-olds is growing relatively slowly, and the number of 35- to 44-year-olds is declining. So, with many employees in their 60s approaching retirement age, employers face a problem: either retain and attract potential retirees, or face the possibility of not filling all their open positions.

Many have wisely chosen to fill their staffing gaps in part with current or soon-to-be retirees. Fortuitously, 78% of employees in one survey said they expect to continue working in some capacity after normal retirement age (64% said they want to do so part-time). Only about a third plan to continue work for financial reasons; about 43% just want to stay active.[84]

The bottom line is that "retirement planning" is no longer just about helping current employees slip into retirement.[85] It should also help the employer to retain, in some capacity, the skills and brainpower of those who would normally retire and leave the firm. HR managers, employees, and supervisors should all have input into the employer's retirement processes.[86]

RETIREMENT PROGRAM STEPS A reasonable first step is to conduct numerical analyses of pending retirements. This should include a demographic analysis (including a census of the company's employees), determining the current average retirement age for the company's employees, and assessing how retirements will affect the employer's health-care and pension benefits. The employer can then determine the extent of the "retirement problem," and take fact-based steps to address it.[87]

Employers seeking to attract and/or retain retirees should take several steps. The general idea is to institute human resource policies that encourage and support older workers. Not surprisingly, studies show that loyal employees are more likely to stay beyond their normal retirement age.[88] It therefore helps to create a culture that honors

Employers are transferring employees less often, partly because of family resistance.

Cathy Yeulet/123RF

experience. For example, CVS knows that traditional recruiting media might not attract older workers; CVS thus works through the National Council on Aging, city agencies, and community organizations to find new employees. They also welcome older workers: "I'm too young to retire. [CVS] is willing to hire older people. They don't look at your age but your experience," said one dedicated older worker.[89] Others modify selection procedures. For example, one British bank stopped using psychometric tests, replacing them with role-playing exercises to gauge how candidates deal with customers.

Other techniques employers use to keep older workers include offering them part-time positions, hiring them as consultants or temporary workers, offering them flexible work arrangements, encouraging them to work past traditional retirement age, providing training to upgrade skills, and instituting phased retirement programs (gradually reduced work schedules).[90]

> **MyLab Management Apply It!**
>
> How would an attorney actually guide a client when it comes to dismissals? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the video exercise.

Managing Dismissals

KNOWLEDGE BASE

LEARNING OBJECTIVE 10-5

Explain each of the main grounds for dismissal.

dismissal
Involuntary termination of an employee's employment with the firm.

Not all employee separations are voluntary. Some career plans and appraisals end not in promotion or graceful retirement but in **dismissal**—involuntary termination of an employee's employment with the firm. Many dismissals are avoidable. For example, many dismissals flow from bad hiring decisions. Using assessment tests, background checks, drug testing, and clearly defined jobs can reduce such dismissals.[91]

Grounds for Dismissal

There are four bases for dismissal: unsatisfactory performance, misconduct, lack of qualifications for the job, and changed requirements of (or elimination of) the job.

Unsatisfactory performance refers to a persistent failure to perform assigned duties or to meet prescribed standards on the job.[92] Specific reasons include lack of productivity or poor-quality work, excessive absenteeism, tardiness, or an adverse attitude.

Misconduct is deliberate and willful violation of the employer's rules and may include stealing, rowdy behavior, sexual harassment, and physical violence or threats at work.

Lack of qualifications for the job is an employee's inability to do the assigned work, although he or she wants to. Because this employee may be trying to do the job, it is reasonable to try to salvage him or her—perhaps through further training or by assigning the employee to another job.

Changed requirements of the job is an employee's incapability of doing the job after the nature of the job has changed. Similarly, you may have to dismiss an employee when his or her job is eliminated. Again, the employee may be industrious, so it is reasonable to retrain or transfer this person, if possible.

insubordination
Willful disregard or disobedience of the boss's authority or legitimate orders; criticizing the boss in public.

Insubordination, a form of misconduct, is sometimes the grounds for dismissal. The two basic categories of insubordination are *unwillingness* to carry out the manager's orders, and *disrespectful behavior* toward the manager. (This assumes that the orders were legitimate, and that the manager did not incite the reaction through his or her own extreme behavior.) Examples of insubordination include the following:[93]

1. Direct disregard of the boss's authority
2. Direct disobedience of, or refusal to obey, the boss's orders, particularly in front of others
3. Deliberate defiance of clearly stated company policies, rules, regulations, and procedures
4. Public criticism of the boss
5. Blatant disregard of reasonable instructions
6. Contemptuous display of disrespect

7. Disregard for the chain of command
8. Participation in (or leadership of) an effort to undermine and remove the boss from power

FAIRNESS SAFEGUARDS   Dismissals are never easy. However, the manager can take steps to make them fair.[94] First, allow the employee to explain why he (or she) did what he did. It could turn out, for instance, that the employee "disobeyed" the order because he or she did not understand it. Second, people who get *full explanations* of why and how termination decisions were made "were more likely to perceive their layoff as fair . . . and indicate that they did not wish to take the past employer to court."

Third, have a formal *multistep procedure* (including warning) and an appeal process.

Fourth, *the person who actually does the dismissing* is important. Employees in one study whose managers informed them of an impending layoff viewed the dismissal fairer than did those told by, say, a human resource manager. Some employers take a less diplomatic approach. About 10% of respondents in one survey said they've used e-mail to fire employees.[95] When JCPenney dismissed thousands of employees in 2012, many were fired in groups of a few dozen to over 100 in an auditorium.[96] Use the right person, and dismiss humanely.

Fifth, dismissed employees who feel they've been treated unfairly financially are more likely to sue. Many employers use severance pay to blunt that (Figure 10-3). Most provide severance based on position level, salary, and tenure, but only about half have formal severance policies.[97]

KNOW YOUR EMPLOYMENT LAW

Termination at Will

terminate at will

In the absence of a contract, either the employer or the employee can terminate at will the employment relationship.

For more than 100 years, the prevailing rule in the United States has been that without an employment contract, either the employer or the employee can **terminate at will** the employment relationship. In other words, the employee could resign for any reason, at will, and the employer could similarly dismiss an employee for any reason, at will. Today, however, dismissed employees increasingly take their cases to court, and employers are finding that they no longer have a blanket right to fire.

Three main protections against wrongful discharge eroded the termination-at-will doctrine—*statutory exceptions, common law exceptions,* and *public policy exceptions.*

First, *statutory exceptions* include federal and state equal employment and workplace laws that prohibit certain dismissals. For example, Title VII of the Civil Rights Act of 1964 prohibits discharging employees based on race, color, religion, sex, or national origin.[98] Eighteen states and the District of Columbia have laws protecting LGBT workers from termination for sexual orientation. However, in 29 states someone can still be terminated based on sexual orientation.[99] For federal employees, the EEOC held that Title VII of the Civil Rights Act of 1964 applies to LGBT individuals.[100]

Second, numerous *common law exceptions* exist. Courts create these exceptions based on precedents. For example, courts have held that employee handbooks

FIGURE 10-3 Average Minimum and Maximum Weeks of Severance Pay by Position Level

Source: "Severance & Separation Benefits", 2017–2018 Seventh Edition, Lee Hecht Harrison, https://www.lhh.com/us/en/our-knowledge/2018/severance-and-separation-benefits, accessed March 17, 2018. Copyright 2018 by Lee Hecht Harrison. Reprinted with permission

AVERAGE MINIMUM AND MAXIMUM WEEKS BY POSITION LEVEL

Position Level (Employee Group)	Average Minimum # Weeks	Average Maximum # Weeks
C-Suite	22.9	44.7
Senior Management	16.1	39.0
Directors	8.9	32.2
Managers	6.0	29.3
Supervisors	5.2	27.4
Professional/Technical	4.9	27.3
Exempt	5.0	27.1
Non-Exempt	4.2	25.3

promising termination only "for just cause" may create an exception to the at-will rule.[101]

Finally, under the *public policy exception,* courts have held a discharge to be wrongful when it was against a well-established public policy. Thus, a public policy exception might prohibit an employer from firing an employee for refusing to break the law. ■

Avoiding Wrongful Discharge Suits

Wrongful discharge (or *wrongful termination*) occurs when an employee's dismissal does not comply with the law or with the contractual arrangement stated or implied by the employer. (In a wrongful *constructive discharge* claim, the plaintiff argues that he or she was forced to quit because the employer made the working conditions intolerable.)[102]

Avoiding wrongful discharge suits requires several things.[103] *First,* have employment policies including grievance procedures that help show that you treat employees fairly. Also use severance pay to blunt a dismissal's sting.[104] No termination is pleasant, but the first line of defense is to handle it justly.[105]

Second, review and refine all employment-related policies, procedures, and documents to limit challenges. Procedural steps include the following:[106]

- Have applicants sign the employment application. Make sure it contains a statement that "the employer can terminate at any time."
- Review your employee manual to delete statements that could undermine your defense in a wrongful discharge case. For example, delete "employees can be terminated only for just cause."
- Have written rules listing infractions that may require discipline and discharge.
- If a rule is broken, get the worker's side of the story in front of witnesses, and preferably get it signed. Then check out the story.
- Be sure employees get a written appraisal at least annually. If an employee shows evidence of incompetence, give that person a warning. Provide an opportunity to improve.
- Keep careful confidential records of all actions such as employee appraisals, warnings or notices, and so on.
- Finally, ask the questions in Figure 10-4.

FIGURE 10-4 Avoiding Wrongful Discharge Claims

Source: Sovereign, K. L. (1999). *Personal law (4th ed.).* Copyright © 1999 Pearson Education, Inc. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ; Pack, A., & Capito, K. (2012, September 11). 8 questions an employer should ask before taking an adverse employment action. www.dinsmore.com/adverse_employment_action_steps, accessed May 31, 2017; Wrongful termination checklist. http://employment.findlaw.com/losing-a-job/wrongful-termination-checklist.html, accessed May 1, 2017.

Avoiding Wrongful Discharge Claims: Some Questions to Ask Before Making the Dismissal Final

Avoiding wrongful discharge claims is a complicated matter that involves, for instance, ensuring that the dismissal is fair and that it does not involve issues of discrimination, harassment, retaliation, or breach of contract. Illustrative questions to ask would include:

- Is the employee covered by any type of written agreement, including a collective bargaining agreement?
- Is there any workers' compensation involvement?
- Have reasonable rules and regulations been communicated and enforced?
- Has the employee been given an opportunity to explain any rule violations or to correct poor performance?
- Is there any direct or circumstantial evidence (such as statements) that the employee is being terminated for discriminatory reasons?
- Are similar employees treated differently on the basis of age, gender, race or other protected group category?
- Did an employer make unwelcome sexual advances, request sexual favors, or seek to establish a romantic or sexual relationship?
- Before being fired, did the employee report potential violations in the company to a supervisor, colleagues, your human resources department, or an enforcement agency such as OSHA?
- Is the employee working under a written contract and if so, did it establish permissible reasons for termination or a termination procedure?
- Did the employer, supervisor, or superior make any verbal promises, such as saying the person's job was "guaranteed" or ensuring "tenure" at work?
- How long has the employee been working here and is this his or her first discipline issue?
- Are you sure there have been past warnings?
- Has anyone else committed this offense and been treated differently?

Supervisor Liability

Courts *may* hold managers personally liable for their supervisory actions, including for dismissals.[107] For example, the Fair Labor Standards Act defines *employer* to include "any person acting directly or indirectly in the interest of an employer in relation to any employee."[108] This can mean the individual supervisor.

There are several ways to reduce the likelihood of having personal liability become an issue.

- *Follow company policies and procedures.* An employee may initiate a claim against a supervisor who he or she alleges did not follow policies and procedures.
- *Carefully consider and fully document* the basis for any termination decision.
- Administer the dismissal in a manner that does not add to the employee's *emotional hardship* (as would having the employee publicly collect his or her belongings and leave the office).
- *Do not act in anger,* since doing so undermines the appearance of objectivity.
- Finally, *use the HR department* for advice regarding how to handle difficult dismissal situations.

Security Measures

The employer should use a checklist to ensure (for instance) that dismissed employees return all keys and company property, and (often) that they're accompanied out of the building.[109] For example, the employer should disable Internet-related accounts of former employees, plug holes that could allow them to gain illegal online access, and have rules for return of company laptops and handhelds. As a matter of policy, the employer should immediately inform the IT department of an impending employee separation, to enable IT to take the necessary actions. These actions should include, for instance, disabling access and passwords and changing IP addresses.[110]

The Termination Interview and Exit Process

Dismissing an employee is one of the most difficult tasks you can face at work. The dismissed employee, even if warned many times, may react with disbelief or even violence. (Review the impending interview with an attorney, if you believe protected characteristics such as gender or age may become issues during or after the interview.)[111] Guidelines for the **termination interview** are as follows:[112]

termination interview
The interview in which an employee is informed of the fact that he or she has been dismissed.

1. *Plan the interview.*

   - Make sure the employee keeps the appointment time.
   - Have employee agreements, the human resource file, and a release announcement prepared in advance.
   - Have phone numbers ready for medical or security emergencies.

2. *Get to the point.* When the employee enters, give the person a moment to get comfortable and then tell him or her the purpose of the meeting and of your decision.

3. *Describe the situation.* Briefly, in three or four sentences, explain why the person is being let go. For instance, "Production in your area is down 4%, and we are continuing to have quality problems. We have talked about these problems several times in the past 3 months, and the solutions are not being followed through on. We have to make a change." Don't personalize the situation as in, "Your production is just not up to par." Emphasize the decision is irrevocable. State the effective date of the termination. Preserving the employee's dignity is important. Point out that the situation was carefully reviewed, but do not provide a detailed analysis of the documents supporting the discharge.[113]

4. *Listen.* Continue the interview for several minutes until the person appears to be talking freely and reasonably calmly.

5. *Review the severance package.* Describe severance payments, benefits, access to office support people, and the way references will be handled. Make no promises of benefits beyond those already in the support package.

6. *Identify the next step.* The terminated employee may be disoriented and unsure what to do next. Explain where the employee should go next, upon leaving the interview.

OUTPLACEMENT COUNSELING With **outplacement counseling** the employer arranges for an outside firm to provide terminated employees with career planning and job search skills. *Outplacement firms* usually provide such outplacement services. Employees (usually managers or professionals) who are let go typically have office space and secretarial services they can use at local offices of such firms, plus the counseling services. The outplacement counseling is part of the terminated employee's support or severance package. Why not just give the person the outplacement fee as additional severance? In general, providing outplacement services seems to have positive effects for both the terminated employee and the employer.[114]

EXIT INTERVIEW Many employers conduct **exit interviews,** just prior to the employee leaving. These aim to give employers insights into their companies' strengths and weaknesses so as to improve employee retention.[115] Questions include: What made you start looking for a new job? How would you describe our company's culture? How would you describe your supervisor's management style? What did you like most/least about the company?[116] Other questions relate to HR (such as promotion processes), the work itself (including working conditions), and to competitive benchmarks (such as salaries compared to competitors'). Try to make sure the exiting employee leaves as a supporter of the employer.[117]

The assumption is that because the employee is leaving he or she will be candid, but this is debatable.[118] One older study found that at separation, 38% of those leaving blamed salary and benefits, and 4% blamed supervision. Followed up 18 months later, 24% blamed supervision and 12% blamed salary and benefits. That apparently hasn't changed. To paraphrase one top executive, someone's not going to blame his supervisor if he wants to get that person's recommendation.[119] Questioning should therefore be incisive.

THE EXIT PROCESS The exit interview is one part of a rational exit process. The employer should have a checklist.[120] As noted earlier, ensure that the employee returns all keys and company equipment, that all computer and database password access is terminated, that proper communications are sent internally (for instance, to other employees if appropriate, and to payroll) and externally, that the employee leaves the premises in a timely fashion, and that if necessary security precautions are followed.

More employees today quit without giving notice. Sometimes that's justified. For example, those taking jobs with competitors should no longer have access to the employer's information. But more often, quitting without notice reflects unfamiliarity with the traditional 2-week notice standard, or of seeing one's colleagues summarily dismissed.[121] Similarly, about 40% of workers laid off in one study placed negative social media reviews about the employer. The point is to make the separation as civil as possible.[122]

FOR THE EMPLOYEE What should you do if you get fired or passed over for a position?[123] Most people surrender to the usual stages of shock, denial, and anger. However, the better first step is usually to think through why you lost the job. Doing so isn't easy. Actively explore what (if anything) you did to contribute to the problem. Then objectively consider what you might do differently in the future, keeping in mind that you should view the loss (difficult though this may be) as an opportunity. Then evaluate your new options and be ready to seize the right opportunity.

Layoffs and the Plant Closing Law

A **layoff,** in which the employer sends workers home for a time for lack of work, is usually not a permanent dismissal (although it may turn out to be). Rather, it is a temporary one, which the employer expects will be short term. However, some employers use the term *layoff* as a euphemism for discharge or termination. In the deep recession

years of 2008 and 2009 combined, employers carried out a total of about 51,000 mass layoffs, idling over 5 million workers.[124]

A study illustrates one firm's layoff process. Senior management first met to make strategic decisions about the size and timing of the layoffs. They also debated the relative importance of the skills the firm needed going forward. Supervisors then assessed their subordinates, rating their nonunion employees either A, B, or C (union employees were covered by a union agreement making layoffs dependent on seniority). The supervisors then informed each of their subordinates about his or her A, B, or C rating, and told each that those with C grades were most likely to be laid off.[125]

LAYOFF'S EFFECTS   It's not surprising that layoffs often result in "deleterious psychological and physical health outcomes" for those losing their jobs, as well as for survivors.[126]

But not just the "victims" and "survivors" suffer. In one study, researchers "found that the more managers were personally responsible for handing out WARN notices to employees . . . the more likely they were to report physical health problems, to seek treatment for these problems, and to complain of disturbed sleep."[127]

Given all this, many employers try to minimize layoffs and dismissals during downturns. Reducing everyone's work hours and mandating vacations are two options. Others reduce layoffs by offering financial bonuses for improved productivity.[128]

Ironically, when some employees most need employee assistance programs (such as counseling)—after they're laid off—they lose them. More firms are therefore extending these program benefits for a month or two to former employees. For example, Florida's Sarasota County extended employee assistance program benefits for 2 months after it laid off some employees.[129]

The Worker Adjustment and Retraining Notification Act (WARN Act, or the plant closing law) requires employers of 100 or more employees to give 60 days' notice before closing a facility or starting a layoff of 50 or more people.[130]

Adjusting to Downsizings and Mergers

downsizing

The process of reducing, usually dramatically, the number of people employed by a firm.

Downsizing means reducing, usually dramatically, the number of people employed by a firm. The basic idea is to cut costs and raise profitability. Downsizings (some call them "productivity transformation programs")[131] require careful consideration of several matters.

1. First is making sure *the right people* are let go; this requires having an effective appraisal system in place.
2. Second is *compliance with all applicable laws,* including WARN.
3. Third is executing the dismissals in a manner that is *just and fair*.
4. Fourth is *security,* for instance, retrieving keys and ensuring that those leaving don't take prohibited items with them.
5. Fifth is reducing the remaining employees' uncertainty and addressing their concerns. This typically involves a postdownsizing announcement and program, including meetings where senior managers field questions from the remaining employees.

Providing advanced notice regarding the layoff can help cushion the otherwise negative effects. So can interpersonal sensitivity (in terms of the manager's demeanor during layoffs).[132] Layoffs can be more challenging abroad due to special legal obligations, such as requirements for a year's notice in some countries.

Supportiveness and creativity are especially important in companies that rely heavily on employee engagement and teamwork.[133] Here, turnover is especially disruptive, so it may be particularly important to avoid layoffs. Options here include: implement pay freezes or cuts; introduce a hiring freeze before reducing the workforce; provide candid communications about the need for the downsizing; give employees an opportunity to express their opinions about the downsizing; and be fair and compassionate in implementing the downsizing.[134]

Chapter Review

Chapter Section Summaries

10-1. Employees are ultimately responsible for their own careers, but employers and managers also have roles in **career management.** These include establishing company-based career centers, offering career planning workshops, providing employee development budgets, and offering online career development programs. Perhaps the simplest is to make the appraisal itself career-oriented, by linking the appraisal feedback to the employee's aspirations and plans.

10-2. The employer's career planning and development process and practices (including career-oriented appraisal) help to foster **employee engagement.** Managed effectively, the employer's career development process should send the signal that the employer cares about the employee's career success.

10-3. Managing voluntary turnover requires identifying its causes and then addressing them. A comprehensive approach to **retaining employees** should be multifaceted, and include improved selection, a well-thought-out training and career development program, assistance in helping employees lay out potential career plans, providing employees with meaningful work and recognition and rewards, promoting work–life balance, acknowledging employees' achievements, and providing all this within a supportive company culture.

10-4. Employers need to address employee **life-cycle career management** issues. Most notably, promotions can provide opportunities to reward exceptional performance, and to fill open positions with tested and loyal employees. Several decisions loom large in any firm's promotion process: Is seniority or competence the rule? How should we measure competence? Is the process formal or informal? Vertical, horizontal, or other? Women and people of color still experience relatively less career progress in organizations, and bias and more subtle barriers are often the cause. In general, the employer's promotion processes must comply with all the same antidiscrimination laws as do procedures for recruiting and selecting employees or any other HR actions. Transfers and retirements are other important career life-cycle issues.

10-5. **Managing dismissals** is an important part of any supervisor's job. Among the reasons for dismissal are unsatisfactory performance, misconduct, lack of qualifications, changed job requirements, and insubordination. In dismissing one or more employees, however, remember that termination at will as a policy has been weakened by exceptions in many states. Furthermore, care should be taken to avoid wrongful discharge suits.

Discussion Questions

10-1. Why is it advisable for an employee retention effort to be comprehensive? What activities would you say are involved in such a program?

10-2. What is the employee's role in the career development process? The manager's role? The employer's role?

10-3. What are the main decisions employers should address in reaching promotion decisions?

10-4. Discuss at least four procedural suggestions for managing dismissals effectively.

10-5. What would you as a supervisor do to avoid someone accusing you of wrongful dismissal?

Individual and Group Activities

10-6. Many rightfully offer IBM as an example of an employer that works hard to improve employee retention and engagement. Browse through the employment pages of IBM's website (such as http://www-03.ibm.com/employment/index.shtml). In this chapter, we discussed actions employers can take to improve employee retention and engagement. From the information on IBM's Web pages, what is IBM doing to support retention and engagement?

10-7. In groups of four or five students, meet with one or two administrators and faculty members in your college or university and, based on this, write a two-page paper on the topic "the faculty promotion process at our college." What do you think of the process? Based on our discussion in this chapter, could you make any suggestions for improving it?

10-8. Working individually or in groups, choose two occupations (such as management consultant, HR manager, or salesperson) and use sources such as O*NET to size up the future demand for this occupation in the next 10 years or so. Does this seem like a good occupation to pursue? Why or why not?

10-9. In groups of four or five students, interview a small business owner or an HR manager with the aim of writing a two-page paper addressing the topic "steps our company is taking to reduce voluntary employee turnover." What is this employer's turnover rate now? How would you suggest it improve its turnover rate?

10-10. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

10-11. Several years ago, a survey of college graduates in the United Kingdom found that although many hadn't found their first jobs, most were already planning "career breaks" and to keep up their hobbies and interests outside work. As one report of the findings put it, "the next generation of workers is determined not to wind up on the hamster wheel of long hours with no play."[135] Part of the problem seems to be that many already see their friends "putting in more than 48 hours a week" at work. Career experts reviewing the results concluded that many of these recent college grads "are not looking for high-pay, high-profile jobs anymore."[136] Instead, they seem to be looking to "compartmentalize" their lives. They want to keep the number of hours they spend at work down, so they can maintain their hobbies and outside interests. If you were mentoring one of these people at work, what three bits of career advice would you give him or her? Why? What (if anything) would you suggest their employers do to accommodate these graduates' stated career wishes?

10-12. Websites such as Sporting News occasionally run a story listing what they call the greatest coaches (for example, key "greatest coaches" into Google search).[137] Look at this list, and pick out two of the names. Then research these people online to determine what behaviors they exhibited that seem to account for why they were great coaches. How do these behaviors compare with what this chapter had to say about effective coaching?

Experiential Exercise

Where Am I Going . . . and Why?

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Purpose: The purpose of this exercise is to provide you with experience in analyzing your career preferences.

Required Understanding: Students should be thoroughly familiar with the "Employee's Role in Career Management" section in this chapter, as well as using O*NET (which we discussed in Chapter 4).

How to Set Up the Exercise/Instructions: Using O*NET and the "Employee's Role in Career Management" section in this chapter, analyze your career-related inclinations (you can also take the Self-Directed Search for about $10 at www.self-directed-search.com). Based on this analysis, answer the following questions (if you wish, you may do this analysis in teams of three or four students).

10-13. What does your research suggest to you about what would be your preferable occupational options?

10-14. What are the prospects for these occupations?

10-15. Given these prospects and your own occupational inclinations, outline a brief, one-page career plan for yourself, including current occupational inclinations, career goals, and an action plan listing four or five development steps you will need to take in order to get from where you are now career-wise to where you want to be, based on your career goals.

Application Case

Uber Technologies Inc.

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The year 2017 was a tough one for Uber Technologies Inc.[138] An Uber engineer posted a blog called "Reflecting on One Very, Very Strange Year in Uber," in which she detailed, among other things, a culture of harassment at Uber. Almost at once, Uber values that symbolized its "win at any cost" way of doing things (values like "builders build, always be hustlin'," and "meritocracy and toe stepping") were called into question. So in 2017, not only was Uber's core employee turnover too high, but six top executives stepped down, including the president, finance head, senior vice president of engineering, and CEO Travis Kalanick.

Uber's Board of Directors retained former attorney general Eric Holder, Jr. to conduct an analysis of Uber's culture. Holder's recommendations provide insight into the problems Uber needed to address. The lawyers recommended, for instance, that Uber: prohibit romantic relationships among employees where one person reports to the other; institute guidelines on using alcohol and controlled substances at work; adopt a zero tolerance policy with respect to harassment, discrimination, and retaliation; broaden its recruitment practices to include sources of minority job candidates; and that the Board of Directors create a special ethics and culture committee.

Questions

10-16. Without doing any more research beyond what you learned in this chapter, what steps would you suggest Uber take to improve employee retention?

10-17. Was there any information in previous chapters of this book that would help to illustrate other steps Uber could take to improve retention?

10-18. Use other Internet sources, including Uber.com, to finalize an answer to the question: What other steps should Uber take to improve employee retention?

Continuing Case

Carter Cleaning Company

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The Career Planning Program

Career planning has always been a pretty low-priority item for Carter Cleaning, since "just getting workers to come to work and then keeping them honest is enough of a problem," as Jack likes to say. Yet Jennifer thought it might not be a bad idea to give some thought to what a career planning program might involve for Carter. Many of their employees had been with them for years in dead-end jobs, and she frankly felt a little bad for them: "Perhaps we could help them gain a better perspective on what they want to do," she thought. And she definitely believed that career support would have an effect on improving Carter's employee retention.

Questions

10-19. What would be the advantages to Carter Cleaning of setting up a career planning program?

10-20. Who should participate in the program? All employees? Selected employees?

10-21. Outline and describe the career development program you would propose for the cleaners, pressers, counter people, and managers at the Carter Cleaning Centers.

Translating Strategy into HR Policies and Practices Case*,§

*The accompanying strategy map for this chapter is in MyLab Management; overall map on the inside back cover of this text outlines the relationships involved.

Improving Performance at the Hotel Paris

The New Career Management System

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy, by eliciting the required employee behaviors and competencies.

Lisa Cruz knew that, as a hospitality business, the Hotel Paris was uniquely dependent upon having engaged, high-morale employees. In a factory or small retail shop, the employer might be able to rely on direct supervision to make sure that the employees were doing their jobs. But in a hotel, just about every employee is "on the front line." There is usually no one there to supervise the limousine driver when he or she picks up a guest at the airport, or when the valet takes the guest's car, or the front-desk clerk signs the guest in, or the housekeeping clerk needs to handle a guest's special request. If the hotel wanted satisfied guests, they had to have engaged employees who did their jobs as if they owned the company, even when the supervisor was nowhere in sight. But for the employees to be engaged, Lisa knew, the Hotel Paris had to make it clear that the company was also committed to its employees.

From her experience, she knew that one way to do this was to help her employees have successful and satisfying careers, and she was therefore concerned to find that the Hotel Paris had no career management process at all. Supervisors weren't trained to discuss employees' developmental needs or promotional options during the performance appraisal interviews. Promotional processes were informal. And the firm made no attempt to provide any career development services that might help its employees to develop a better understanding of what their career options were, or should be. Lisa was sure that engaged employees were key to improving the experiences of the hotel's guests, and that she couldn't boost employee engagement without doing a better job of attending to her employees' career needs. In two hotels she began encouraging supervisors to at least engage in career-oriented appraisals with their subordinates, on a pilot project basis.

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For Lisa and the CFO, their preliminary research left little doubt about the advisability of instituting a new career management system at the Hotel Paris. Based on their pilot project, employees in those Hotel Paris hotels who had been working under the new career management directive were more engaged, received more complimentary letters from guests, and received higher performance appraisal ratings than did employees who did not have career plans. The CFO therefore gave the go-ahead to design and institute a new Hotel Paris career management program.

Lisa and her team knew that they already had most of the building blocks in place, thanks to the new performance management system they had instituted just a few weeks earlier. For example, the new performance management system already required that the supervisor appraise the employee based on goals and competencies that were driven by the company's strategic needs; and the appraisal itself produced new goals for the coming year and specific development plans for the employee. These development plans had to make sense in terms of both the company's and the employee's needs and preferences.

In addition to the new performance management elements already in place, Lisa and her team created an online "Hotel Paris Career Center." With links to a choice of career assessment tools such as the Self-Directed Search (www.self-directed-search.com) and wizard-based templates for developing one's own career plan, the site went far toward providing the Hotel Paris's employees with the career assistance that they required. Also on the site, a new "International Job Openings" link made it easier for Hotel Paris employees to identify positions for which they might be qualified. The results exceeded Lisa and the CFO's expectations. Virtually every employee produced a career plan within the first 6 months. The appraisal interviews often turned into animated, career-oriented development sessions, and soon the various measures of employee commitment and guest service were trending up.

Questions

10-22. "Many hotel jobs are inherently 'dead end'; for example, maids, laundry workers, and valets either have no great aspirations to move up, or are just using these jobs temporarily, for instance, to help out with household expenses." First, do you agree with this statement? Why, or why not? Second, list three more specific career activities you would recommend Lisa implement for these employees.

10-23. Using what you learned in this chapter of Dessler *Human Resource Management*, build on the company's new system by recommending two more specific career development activities the hotel should implement.

10-24. What other specific career development activities would you recommend in light of the fact that the Hotel Paris's hotels and employees are dispersed around the world?

MyLab Management

Go to **www.pearson.com/mylab/management** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

10-25. You manage a small restaurant in Columbus, Ohio and keeping good employees is one of your biggest challenges. Most waitstaff and kitchen staff last no more than 8–9 months. Explain what you would do to improve employee retention.

10-26. Explain what you as a supervisor can do to support your employees' career management needs.

10-27. MyLab Management only—comprehensive writing assignment for this chapter.

MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of **www.pearson.com/mylab/management** to complete the simulation.

PERSONAL INVENTORY ASSESSMENTS

P I A PERSONAL INVENTORY ASSESSMENT

Communicating plays a big role in coaching and mentoring and is important when dismissing an employee as well. Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

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CHAPTER 10

Endnotes

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Appendix for Chapter 10

Managing Your Career and Finding a Job

The individual must be responsible for creating and managing his or her own career. And, in today's job marketplace, knowing how to find and get a job is crucial.

Making Career Choices

Many people don't put much thought into their careers. Some choose majors based on class scheduling preferences, favorite professors, or unstated psychological motives. Others stumble into jobs because "that's all that was available." If there was ever anything that demanded fact-based decisions, it is choosing your career.

The first and essential step is to learn as much as possible about your interests, aptitudes, and skills. The most direct way to do this is through experience, preferably a roster of jobs, internships, and experiences that will help you crystallize what it is you like to do and are great at. Getting experience doesn't just help career planning: In one study, the researchers sent out 9,400 fictitious resumes for "applicants" that differed in things like grade point average, major, and university. On-the-job experience—for instance, via internships—seemed to be the single most important factor in getting a job interview.[139] Beyond that, there are career tests and exercises you can use.

IDENTIFY YOUR OCCUPATIONAL ORIENTATION Career-counseling expert John Holland says that personality (including values, motives, and needs) is one career choice determinant. For example, a person with a strong social orientation on Holland's Self-Directed Search (SDS) might be attracted to careers that entail interpersonal rather than intellectual or physical activities and to occupations such as social work. Based on research with his earlier Vocational Preference Test (VPT), Holland found six basic personality types or orientations (see www.self-directed-search.com).[140]

1. *Realistic orientation.* These people are attracted to occupations that involve physical activities requiring skill, strength, and coordination. Examples include forestry, farming, and agriculture.
2. *Investigative orientation.* Investigative people are attracted to careers that involve cognitive activities (thinking, organizing, understanding) rather than affective activities (feeling, acting, or interpersonal and emotional tasks). Examples include biologist, chemist, and college professor.
3. *Artistic orientation.* People here are attracted to careers that involve self-expression, artistic creation, expression of emotions, and individualistic activities. Examples include artists, advertising executives, and musicians.
4. *Social orientation.* These people are attracted to careers that involve interpersonal rather than intellectual or physical activities. Examples include clinical psychology, foreign service, and social work.
5. *Enterprising orientation.* Verbal activities aimed at influencing others characterize enterprising personalities. Examples include managers, lawyers, and public relations executives.

6. ***Conventional orientation.*** A conventional orientation favors careers that involve structured, rule-regulated activities, as well as careers in which it is expected that the employee subordinate his or her personal needs to those of the organization. Examples include accountants and bankers.

Most people have more than one "RIASEC" occupational orientation (they might be social, realistic, and investigative, for example), and Holland believed that the more similar or compatible these orientations are, the less internal conflict or indecision a person will face in making a career choice. You can take Holland's SDS online for a small fee (see www.self-directed-search.com). Of course, as someone gains experience, it is possible (or likely) that his or her RIASEC scores will change over time.[141]

IDENTIFY YOUR SKILLS   You may have a "conventional" orientation, but whether you have *the skills* to be an accountant, banker, or credit manager will affect which occupation you ultimately choose. Therefore, you have to identify your skills. We presented some exercises for this earlier in this chapter, on page 314.

APTITUDES AND SPECIAL TALENTS   For career planning purposes, a person's aptitudes are usually measured with a test battery such as the general aptitude test battery (GATB), which most state one-stop career centers make available. This instrument measures various aptitudes including intelligence and mathematical ability. You can also use specialized tests, such as for mechanical comprehension. Holland's Self-Directed Search will also provide some insights into your aptitudes, as will O*NET.[142]

O*NET   O*NET offers a free online "My Next Move" career assessment system (https://www.onetonline.org/help/onet/mynextmove).[143] It includes *O*NET Interest Profiler*, a tool that offers customized career suggestions on over 900 different careers based on a person's interests and level of education and work experience. Users obtain important information including skills, tasks, salaries, and employment outlook for occupations.[144]

IDENTIFY YOUR CAREER ANCHORS   Professor Edgar Schein says that career planning is a continuing process of discovery—one in which a person slowly develops a clearer occupational self-concept in terms of what his or her talents, abilities, motives, needs, attitudes, and values are. Schein also says that as you learn more about yourself, it becomes apparent that you have a dominant *career anchor*, a concern or value that you will not give up if a [career] choice has to be made.

Career anchors, as their name implies, are the pivots around which a person's career swings; a person becomes conscious of them because of learning, through experience, about his or her talents and abilities, motives and needs, and attitudes and values. Based on his research at the Massachusetts Institute of Technology, Schein believes that career anchors are difficult to predict because they are evolutionary and a product of

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As noted in the accompanying text, O*NET offers a free comprehensive online "My Next Move" occupation and career assessment system for building your future career (https://www.onetonline.org/help/onet/mynextmove).

Source: https://www.onetonline.org/help/onet/mynextmove, accessed August 6, 2018.

a process of discovery. Some people may never find out what their career anchors are until they have to make a major choice—such as whether to take the promotion to the headquarters staff or strike out on their own by starting a business. It is at this point that all the person's past work experiences, interests, aptitudes, and orientations converge into a meaningful pattern that helps show what (career anchor) is the most important factor in driving the person's career choices. Based on his study of MIT graduates, Schein identified five career anchors.[145]

TECHNICAL/FUNCTIONAL COMPETENCE People who had a strong technical/functional career anchor tended to avoid decisions that would drive them toward general management. Instead, they made decisions that would enable them to remain and grow in their chosen technical or functional fields.

MANAGERIAL COMPETENCE Other people showed a strong motivation to become managers, and their career experience enabled them to believe they had the skills and values required. A management position of high responsibility is their ultimate goal. When pressed to explain why they believed they had the skills necessary to gain such positions, many in Schein's research sample answered that they were qualified because of what they saw as their competencies in a combination of three areas: (1) *analytical competence* (ability to identify, analyze, and solve problems under conditions of incomplete information and uncertainty); (2) *interpersonal competence* (ability to influence, supervise, lead, manipulate, and control people at all levels); and (3) *emotional competence* (the capacity to be stimulated by emotional and interpersonal crises rather than exhausted or debilitated by them, and the capacity to bear high levels of responsibility without becoming paralyzed).

CREATIVITY Some of the graduates had become successful entrepreneurs. To Schein these people seemed to have a need "to build or create something that was entirely their own product—a product or process that bears their name, a company of their own, or a personal fortune that reflects their accomplishments." For example, one graduate had become a successful purchaser, restorer, and renter of townhouses in a large city; another had built a successful consulting firm.

AUTONOMY AND INDEPENDENCE Some seemed driven by the need to be on their own, free of the dependence that can arise when a person elects to work in a large organization where promotions, transfers, and salary decisions make them subordinate to others. Many of these graduates also had a strong technical/functional orientation. Instead of pursuing this orientation in an organization, they had decided to become consultants, working either alone or as part of a relatively small firm. Others had become professors of business, freelance writers, and proprietors of a small retail business.

SECURITY A few of the graduates were mostly concerned with long-run career stability and job security. They seemed willing to do what was required to maintain job security, a decent income, and a stable future in the form of a good retirement program and benefits. For those interested in *geographic security*, maintaining a stable, secure career in familiar surroundings was generally more important than pursuing superior career choices, if choosing the latter meant injecting instability or insecurity into their lives by forcing them to pull up roots and move to another city. For others, security meant *organizational security*. They might today opt for government jobs, where tenure still tends to be a way of life. They were much more willing to let their employers decide what their careers should be.

ASSESSING CAREER ANCHORS To help you identify career anchors, take a few sheets of blank paper and write out your answers to the following questions:[146]

1. What was your major area of concentration (if any) in high school? Why did you choose that area? How did you feel about it?
2. What is (or was) your major area of concentration in college? Why did you choose that area? How did you feel about it?
3. What was your first job after school? (Include military if relevant.) What were you looking for in your first job?
4. What were your ambitions or long-range goals when you started your career? Have they changed? When? Why?
5. What was your first major change of job or company? What were you looking for in your next job?
6. What was your next major change of job, company, or career? Why did you initiate or accept it? What were you looking for? (Do this for each of your major changes of job, company, or career.)
7. As you look back over your career, identify some times you have especially enjoyed. What was it about those times that you enjoyed?
8. As you look back, identify some times you have not especially enjoyed. What was it about those times you did not enjoy?
9. Have you ever refused a job move or promotion? Why?
10. Now review all your answers carefully, as well as the descriptions for the five career anchors (technical/functional competence, managerial competence, creativity and independence, autonomy, security). Based on your answers to the questions, rate, for yourself, each of the anchors from 1 to 5. 1 equals low importance, 5 equals high importance.

Technical/functional competence _____
Managerial competence _____
Creativity and independence _____
Autonomy _____
Security _____

CHAPTER 10

What Do You Want to Do?

IDENTIFY HIGH-POTENTIAL OCCUPATIONS   Learning about your skills and interests is only step one in choosing an occupation. You also have to identify those occupations that fit your occupational orientations, skills, career anchors, and occupational preferences, and that are (preferably) in high demand in the years to come.

Here, use the Internet. The U.S. Department of Labor's online *Occupational Outlook Handbook* (https://www.bls.gov/ooh/) is updated each year, and provides detailed descriptions and information on hundreds of occupations.[147] O*NET (https://www.onetonline.org/) provides occupational demand projections. Another site here is https://www.ncda.org/aws/NCDA/pt/sp/resources.

Finding the Right Job

Your next step is to find a job that you want in the company and locale where you want to work.

Before leaving a current job, make sure leaving is what you want. Many people, dissatisfied at work, assume it must be the job or the occupation. But why switch from being a lawyer to a teacher, when it's not the profession but your law firm's 80-hour weeks that are the problem?

One must use a process of elimination. For example, you may like your occupation and employer, but not how your specific job is structured. Others may find their employers' ways of doing things are the problem. Or, it may in fact be the occupation.

In any case, the solution should fit the cause. For example, if, after thinking it through, you are satisfied with your occupation and where you work, but not with your job as it's organized now, try reconfiguring it. For example, seek to delegate or eliminate job functions you least prefer; volunteer for new duties; seek out a challenging "stretch assignment"; even "decluttering" your office may help.[148] If it's the specific employer, look elsewhere.

If you're involuntarily out of work for more than a few years, perhaps take extra care. One study followed a group of workers, some of whom became and stayed unemployed. These unemployed workers' personalities changed. In before-and-after testing, the long-term unemployed showed reduced levels of agreeableness, conscientiousness, and openness. Don't hesitate to get some supportive counselling if need be.[149]

JOB SEARCH TECHNIQUES   Many people send out hundreds of resumes and get few replies. As we saw in Chapters 4 (Recruiting) and 5 (Selection) modern digital tools attract huge numbers of applicants and use software to screen out almost all of them.

As a result, most people seek jobs in a manner that's almost exactly opposite to the approach most experts deem best. For example, in surveys of human resource professionals, about 70% say the best way to get a job is through referrals, but less than 10% of job seekers see referrals as their best option. Instead they rely on job boards, which HR professionals rank much lower. Use sites such as LinkedIn and Facebook to help build your network, and to publicize your availability to potential job referrers.[150]

PERSONAL CONTACTS   *The best way to get job leads is usually through personal contacts (networking)*, such as friends, former colleagues, and relatives.[151] Let as many responsible people as possible know that you're looking for a job and the kind of job you want. (Beware, though, if you don't want your job search getting back to your current boss. If that's the case, then just choose two or three close friends and ask them to be discreet checking around for you.)

No matter how close your friends are to you, by the way, you do not want to impose on them—they're not an employment agency, remember. It's usually best to just ask them for the name of someone they think you should talk to. Then you do the heavy lifting.

SOCIAL MEDIA   In one survey, about 90% of HR professionals surveyed said it was "very important" or "somewhat important" for job seekers to be on LinkedIn, about 83% said the same for being on the job hunter's professional or association site, and about 60% cited Facebook.[152]

Employers scour social media for recruits, so job seekers should make sure their names stand out. For example, create a Twitter presence. Those "Liking" a company on Facebook may receive early notice of job openings. Spend a few minutes each day on LinkedIn making new connections, and share links and advice with your LinkedIn network.[153] Join LinkedIn industry groups to build visibility. Make sure your résumé is in PDF format and readable on a phone screen. To bring yourself to recruiters' attention, follow up on comments they make on their blogs or on industry websites. *Social résumés* provide snapshots of who the job searcher is by combining text material, photos, and samples of a person's work in infographic résumés posted on social media such as Twitter, LinkedIn, and blogs.[154]

Finally, remember that prospective employers may Google you before extending the offer, and ask for access to your Facebook and LinkedIn pages. Be careful what's on them.

ONLINE JOB BOARDS AND EMPLOYER WEBSITES   Most large job search sites such as Monster.com have local-area search capabilities. Useful open-job aggregator sites include Indeed.com and SimplyHired.com. Idealist.com is good for nonprofit jobs, and there's USAJobs for federal jobs.[155] Use *The Wall Street Journal's* career Web site

(www.careerjournal.com) for career advice and insights. Most big-city newspapers also have their own (or links to) online local job listings. In addition to job boards like Monster and specialized ones (like https://www .efinancialcareers.com/), virtually all large companies, industries, and crafts have their own specialized sites. For example, the American Marketing Association (https:// jobs.ama.org/) and Financial Executives International (www.fei.org) have active job sites.

ANSWERING ADVERTISEMENTS   Answering ads is a low-probability way to get a job, and this is particularly so as the level of jobs increases. Furthermore, applicant tracking services crunch through thousands of résumés in seconds, making it even harder to stand out by answering ads. Nevertheless, good sources of classified ads for professionals and managers include *The New York Times*, *The Wall Street Journal*, and specialized journals in your field that list job openings. All these sources also post the positions online, of course.

For application letters or résumés, be sure to create the right impression with the materials you submit; check the style, grammar, and neatness, and adapt your résumé to the job for which you are applying. In your cover letter or email, specifically address why your background and accomplishments fit the advertised position.

Be careful in replying to blind ads. Some recruiters and employers run ads even when no position exists just to gauge the market, and there is also some risk of blundering into responding to your own firm.

EMPLOYMENT AGENCIES   Agencies are especially good at placing people in jobs paying up to about $80,000, but they can be useful for higher-paying jobs as well. The employer usually pays the fees for professional and management jobs. Assuming you know the job you want, review a few back issues of your paper's Sunday classified ads and sites like LinkedIn to identify agencies that handle the positions you want. Approach three or four initially, preferably in response to specific ads, and avoid signing any contract that gives an agency the exclusive right to place you.

States' one-stop career centers can be helpful. In them, job seekers can not only apply for unemployment benefits, but also register with the state job service, talk to career counselors, use computers to write résumés and access the Internet, take tests, and use career libraries offering books and videos on various employment topics. In some centers job hunters can make use of free computers and photocopiers to facilitate job searches.

EXECUTIVE RECRUITERS   Employers retain executive recruiters to seek out top talent for their clients; employers always pay any fees. Recruiters do not do career counseling, but if you know the job you want, it pays to contact

a few (but they usually use contacts, and LinkedIn to find passive candidates). Send/email your résumé and a cover note summarizing your objective in precise terms, including job title and the size of company desired, work-related accomplishments, current salary, and salary requirements. (Beware, because some firms call themselves executive search or career consultants but do no searches: In return for an (often hefty) fee they help you manage your search. Remember that with a search firm you never pay a fee.)

CAREER COUNSELORS   Career counselors will not help you find a job per se; rather, they specialize in aptitude testing, career counseling, and resume preparation. Search under "Career Counseling" or "Vocational Guidance." Their services usually cost $500 or so and may include some psychological testing and interviews with an experienced career counselor. Check the firm's services, prices, and history as well as the credentials of the person you will be dealing with.

EXECUTIVE SEARCH CONSULTANTS   Executive marketing consultants manage your job-hunting campaign. They generally are not recruiters and do not have jobs to fill. Depending on the services you choose, your cost will range from $600 to $5,000 or more. The process may involve months of weekly meetings. Services include résumé and letter writing, interview skill building, and developing a full job-hunting campaign. Before approaching a consultant, it's advisable to do your own self-appraisal (as explained in this appendix) and read books like Richard Bolles's *What Color Is Your Parachute?*

Also do your due diligence, and remember these consultants are *not* recruiters and will not get you a job—you must do the legwork. Then check the Better Business Bureau, and decide which of these firms (if any) is for you.

WRITING YOUR RÉSUMÉ   Your résumé usually still plays a big role in determining whether you get the interview. Of course, don't produce a slipshod résumé: Avoid overcrowded pages, hard-to-read copies, typographical errors, and other problems of this sort. And do not use a make-do résumé. Produce a new résumé for each job you are applying for, gearing your job objective and accomplishments to the job you want. Here are some résumé pointers, as offered by employment counselor Richard Payne and other experts.[156]

Start your résumé with your name, home and e-mail and website (if any) addresses, and home or cell phone number. Next, state your *job objective*. Gear this to the job you're applying for. It should summarize in one sentence the specific position you want, where you want to do it (type and size of company), and a special reason an employer might have for wanting you to fill the job.

For example, "Marketing manager in a medium-size e-commerce company in a situation in which strong creative skills would be valuable."

For each of your previous jobs, write a paragraph that shows job title, whom (job title) you reported to, who reported to you, how many people reported to you, the operational and human resource budgets you controlled, and what your job entailed (in one sentence).

Your accomplishments should be the heart of your résumé. These show for each of your previous jobs: (1) a concrete action you took and why you took it and (2) the specific result of your action—the "payoff." For example, "As production supervisor, I introduced a new process to replace costly hand soldering of component parts. The new process reduced assembly time per unit from 30 to 10 minutes and reduced labor costs by over 60%." Use several of these statements for each job.

Keep your résumé to two pages or less, and list education, military service (if any), and personal background (hobbies, interests, associations) on the last page. For most job applications today, it's important that the résumé is electronically readable. Applicant tracking systems scan through résumés, screening out those that don't seem to match (often based on the absence of certain key words). Therefore, present your qualifications using powerful key words appropriate to the job or jobs for which you are applying. For example, a trainer might use key words and phrases such as: *computer-based training, interactive video*, and *group facilitator*.

If you post your résumé online, experts suggest taking precautions. At a minimum, date your résumé (in case it lands on your boss's desk 2 years from now). Also insert a disclaimer forbidding unauthorized transmission by headhunters; consider posting a "confidential" resume on a job board listing your capabilities but not your name or employer—you can be reached via the job board. Scammers will use someone's online resume to pretend to be an employer, and then request bank account information "to facilitate salary direct deposits".[157]

ONLINE BIOS   Employers often encourage or require their professionals and managers to post brief biographies on corporate intranets or websites. These bios let other employees know about their colleagues' expertise; they can also attract recruiters' inquiries. Tips for writing such bios include:[158]

> *Fill it with details.* "The more information you enter, the more likely a person seeking someone with your background will find you."
> *Avoid touchy subjects.* For example, avoid religion and politics.
> *Look the part.* Your profile may require posting photos. If so, dress in professional attire.

> *Make it search friendly.* Make sure your profile contains the key words you think someone searching for someone with your background and expertise would be looking for, such as *manager, supervisor*, or *engineer*.
> *Use abbreviations.* Abbreviations are important. For example, someone searching the site might more readily punch in "MBA" than "Masters in Business Administration."
> *Say it with numbers.* Describe specifically how your work has contributed to your current employer's and past employer's bottom lines.
> *Proofread.* Carefully proofread your online profile, as you would your résumé.

Handling the Interview

You have done all your homework, and now you have a job interview scheduled. What must you do to excel in the interview? First review our "Interview Guide for Interviewees" on page 234. Then, here are other suggestions.

PREPARE   Before the interview, learn about the employer, the job, and the people doing the recruiting. Search the Internet to find out what's happening in the industry. Know that you may have a "job tryout," in which you'll have to show how well you can do aspects of the job.[159] Many locales prohibit employers from asking applicants about their salary histories, but realistically be prepared to answer when the interviewer asks for your salary requirements.

FIRST IMPRESSIONS   Interviewers usually jump to conclusions about candidates during the first few seconds of the interview. Therefore, you really do have just one chance to make a good first impression. Appropriate clothing, good grooming and posture, eye contact, a firm handshake, and energy are important.

UNCOVER THE INTERVIEWER'S NEEDS   Spend as little time as possible answering your interviewer's first questions and as much time as possible getting the person to describe his or her needs—what the person is looking to get accomplished and the type of person needed. Use open-ended questions, such as "Could you tell me more about that?"

RELATE YOURSELF TO THE PERSON'S NEEDS   Once you understand the person your interviewer is looking for and the sorts of problems he or she needs solved, you are in a good position to describe your own accomplishments in terms of the interviewer's needs.[160] Start by saying something like, "One of the problem areas you've indicated is important to you is similar to a problem I once faced." Then state the problem, describe your solution, and reveal the results.

MAKE A GOOD APPEARANCE AND SHOW ENTHUSIASM
Appearance, a firm handshake, and visual cues such as looking the interviewer in the eyes are crucial. Remember that studies of interviews show that in almost 80% of the cases, interviewers make up their minds about the applicant during the first few moments of the interview. A good first impression may turn bad during the interview, but it is unlikely. Bad first impressions, however, are almost impossible to overcome.

NONVERBAL BEHAVIOR AND IMPRESSION MANAGEMENT
Remember (Chapter 7) that your *non*verbal behavior will have a big impact on your interview rating. In one study, 23 of the 26 human resources specialists who saw the high-eye-contact, high-energy-level candidate would have invited him or her for a second interview. *None* who saw the low-eye-contact, low-energy-level candidate would have done so.

Similarly, **self-promotion (promoting one's own skills and competence)** is strongly related to the interviewer's perceptions of candidate–job fit. Some interviewees use "ingratiation" to persuade interviewers to like them: For instance, they praised the interviewers or agreed with their opinions, thus signaling they shared similar beliefs.

Some candidates check with recruiters to determine their status, which can be a turnoff. Something more subtle, like sending a link to an article touching on something you discussed with the recruiter, is usually better.[161]

CHAPTER 10

Bodnar Taras/Shutterstock

11

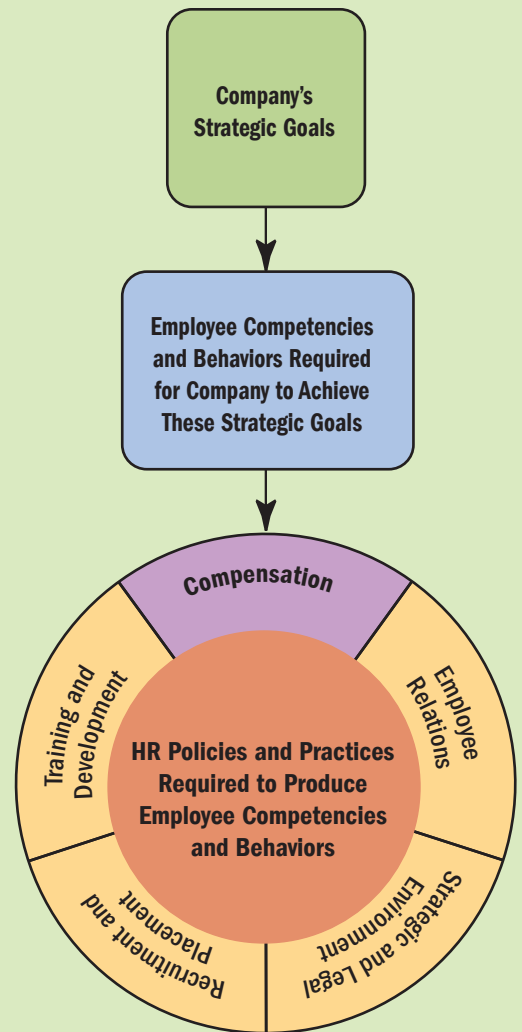# Establishing Strategic Pay Plans

When you finish studying this chapter, you should be able to:

11-1 **List** the basic factors determining pay rates.

11-2 **Define and give** an example of how to conduct a job evaluation.

11-3 **Explain** in detail how to establish a market-competitive pay plan.

11-4 **Explain** how to price managerial and professional jobs.

11-5 **Explain** the difference between competency-based and traditional pay plans.

11-6 **Describe** the importance of total rewards for improving employee engagement.

In the grocery business, when Walmart opens a store, the nearby stores' usual reaction is to cut costs, particularly wages and benefits. So as Wegmans Food Markets, Inc., adds more stores and increasingly competes with Walmart, its management needs to decide this: Should we cut pay to better compete based on cost, or pursue a different compensation strategy?[1] We'll see how Wegmans boosted profits by raising pay.

Company's Strategic Goals

Employee Competencies and Behaviors Required for Company to Achieve These Strategic Goals

Compensation

Training and Development

Employee Relations

HR Policies and Practices Required to Produce Employee Competencies and Behaviors

Recruitment and Placement

Strategic and Legal Environment

WHERE ARE WE NOW . . .

Once you've appraised and coached your employees, they of course expect to be paid. Prudent employers don't set pay rates arbitrarily. Each employee's pay should make sense in terms of what other employees earn, and this requires a pay plan. The main purpose of this chapter is to show you how to establish a pay plan. The main topics we cover are **Basic Factors in Determining Pay Rates**, **Job Evaluation Methods**, **How to Create a Market-Competitive Pay Plan**, **Pricing Managerial and Professional Jobs**, **Contemporary Topics in Compensation**, and **Total Rewards for Employee Engagement**. The next chapter focuses specifically on pay-for-performance and incentive plans.

employee compensation
All forms of pay or rewards going to employees and arising from their employment.

direct financial payments
Pay in the form of wages, salaries, incentives, commissions, and bonuses.

indirect financial payments
Pay in the form of financial benefits such as insurance.

Basic Factors in Determining Pay Rates

Employee compensation includes all forms of pay going to employees and arising from their employment. It has two main components, **direct financial payments** (wages, salaries, incentives, commissions, and bonuses) and **indirect financial payments** (financial benefits like employer-paid insurance and vacations).

In turn, employers can make direct financial payments to employees based on increments of time or based on performance. Time-based pay still predominates. Blue-collar and clerical workers receive hourly or daily wages, for instance. Others, like managers or Web designers, tend to be salaried and paid weekly, monthly, or yearly.

The second direct payment option is to pay for performance. For example, piecework ties compensation to the amount of production (or number of "pieces") the worker turns out. Sales commissions tie pay to sales. Many employers' pay plans combine time-based pay and incentives.

In this chapter, we explain how to formulate plans for paying employees a time-based wage or salary. Subsequent chapters cover performance-based financial incentives and bonuses (Chapter 12) and employee benefits (Chapter 13).

Several factors should influence any pay plan's design. These include strategic policy considerations, as well as equity, legal, and union considerations.

Aligning Total Rewards with Strategy

The compensation plan should first advance the firm's strategic aims—management should produce an *aligned reward strategy.* This means creating a compensation package that produces the employee behaviors the firm needs to achieve its competitive strategy.[2] Put another way, there should be a clear "line of sight" between each reward and specific business goals.

We will see that many employers formulate a total rewards strategy to support their strategic aims. *Total rewards* encompass traditional pay, incentives, and benefits, but also "rewards" such as more challenging jobs (job design), career development, and recognition.

Table 11-1 lists illustrative questions to ask when crafting a strategy-oriented pay policy.

HR in Action at the Hotel Paris Even a casual review by Lisa Cruz and the CFO made it clear that the Hotel Paris's compensation plan wasn't designed to support the firm's new strategic goals. To see how they handled this, see the case on page 384 of this chapter.

Equity and Its Impact on Pay Rates

In studies at Emory University, researchers investigated how capuchin monkeys reacted to inequitable pay. Some monkeys got sweet grapes in return for trading pebbles; others got cucumber slices. If a monkey receiving a cucumber slice saw a neighbor get grapes, it slammed down the pebble or refused to eat.[3] It seems even lower primates may demand fair treatment in pay.

Among humans, too, *the equity theory of motivation* postulates that people are motivated to maintain a balance between what they perceive as their contributions and their rewards. Equity theory states that if a person perceives an inequity, a tension or drive will develop that motivates him or her to reduce the tension and perceived inequity. Research tends to support equity theory, particularly as it applies to those underpaid.[4] For example, in one study turnover of retail buyers was significantly lower when the buyers perceived fair treatment in rewards and in how employers allocated

TABLE 11-1 **Do Our Compensation Policies Support Our Strategic Aims?**

- What are our strategic aims?
- What employee behaviors and skills do we need to achieve our strategic aims?
- What compensation policies and practices—salary, incentive plans, and benefits—will help to produce the employee behaviors we need to achieve our strategic aims?

rewards.[5] Overpaying can sometimes backfire, too, perhaps "due to feelings of guilt or discomfort."[6]

In compensation, one can address *external, internal, individual*, and *procedural* equity.[7]

- *External equity* refers to how a job's pay rate in one company compares to the job's pay rate in other companies.
- *Internal equity* refers to how fair the job's pay rate is when compared to other jobs within the same company (for instance, is the sales manager's pay fair, when compared to what the production manager earns?).
- *Individual equity* refers to the fairness of an individual's pay as compared with what his or her coworkers are earning for the same or very similar jobs within the company, based on each person's performance.
- *Procedural equity* refers to the "perceived fairness of the processes and procedures used to make decisions regarding the allocation of pay."[8]

Managers address equity issues in various ways. They use salary surveys (surveys of what other employers are paying) to monitor and maintain external equity. They use job analysis and comparisons of each job ("job evaluation") to maintain internal equity. They use performance appraisal and incentive pay to maintain individual equity. And they use communications, grievance mechanisms, and employees' participation to help ensure that employees view the pay process as procedurally fair. Some firms administer attitude surveys to monitor employees' pay satisfaction. Questions typically include, "How satisfied are you with your pay?" and "What factors do you believe we used to determine your pay?"[9]

"Open pay" policies—listing what everyone earns—may help reduce inequities (such as the gender pay gap), but can obviously cause other disagreements.[10] Some firms therefore maintain pay rate secrecy.[11] The research concerning pay secrecy is inconclusive, and most employers don't have open pay policies.[12] However, the federal government mandated pay transparency for all businesses having contracts with it.[13] And of course for external equity, online pay sites like Salary.com preclude secrecy. Short of "open pay," some experts advise at least explaining how the company computes compensation.[14]

Legal Considerations in Compensation

Employers do not have free rein in designing pay plans. Various laws specify things like minimum wages, overtime rates, and benefits.[15] For example, the **1931 Davis-Bacon Act** lets the secretary of labor set wage rates for laborers and mechanics employed by contractors working for the federal government. The **1936 Walsh-Healey Public Contract Act** sets basic labor standards for employees working on any government contract that amounts to more than $10,000. It contains minimum wage, maximum hour, and safety and health provisions, and requires time-and-a-half pay for work over 40 hours a week. **Title VII of the 1964 Civil Rights Act** makes it unlawful for employers to discriminate against any individual with respect to hiring, compensation, terms, conditions, or privileges of employment because of race, color, religion, sex, or national origin.[16] We'll look next at other important compensation-related laws.

THE 1938 FAIR LABOR STANDARDS ACT   The **Fair Labor Standards Act,** originally passed in 1938 and since amended many times, contains minimum wage, maximum hours, overtime pay, equal pay, record-keeping, and child labor provisions that are familiar to most working people.[17] It covers virtually all U.S. workers engaged in the production and/or sale of goods for interstate and foreign commerce. In addition, agricultural workers and those employed by certain larger retail and service companies are included. State fair labor standards laws cover most employers not covered by the Fair Labor Standards Act (FLSA).[18]

One familiar provision governs *overtime pay.* It says employers must pay overtime at a rate of at least one-and-a-half times normal pay for any hours worked over 40 in a workweek. Thus, if a worker covered by the act works 44 hours in one week,

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Davis-Bacon Act (1931)

A 1931 law that sets wage rates for laborers employed by contractors working for the federal government.

Walsh-Healey Public Contract Act (1936)

A 1936 law that requires minimum wage and working conditions for employees working on any government contract amounting to more than $10,000.

KNOWLEDGE BASE

Title VII of the 1964 Civil Rights Act

This act makes it unlawful for employers to discriminate against any individual with respect to hiring, compensation, terms, conditions, or privileges of employment because of race, color, religion, sex, or national origin.

Fair Labor Standards Act (1938)

This 1938 act provides for minimum wages, maximum hours, overtime pay, and child labor protection. The law, amended many times, covers most employees.

he or she must be paid for 4 of those hours at a rate equal to one-and-a-half times the hourly or weekly base rate the person would have earned for 40 hours.[19] For example, if the person earns $12 an hour (or $480 for a 40-hour week), he or she would be paid at the rate of $18 per hour ($12 times 1.5) for each of the 4 overtime hours worked, or $72 ($18 times 4) for the extra 4 hours. If the employee instead receives time off for the overtime hours, the employer must compute the number of hours granted off at the one-and-a-half-times rate (6 hours off for the 4 hours of overtime in our case), in lieu of overtime pay. The FLSA mandates special damages against employers who pressure workers to work extra hours unpaid.[20]

KNOW YOUR EMPLOYMENT LAW

The Workday

Employers should be vigilant for employees who arrive early or leave late, lest the extra time spent on the property obligate it to compensate the employee for that time. For example, a diligent employee may get dropped off at work early and spend, say, 20 minutes before his or her day actually starts doing work-related chores, like compiling a list of clients to call that day. Tyson Foods recently paid over $12 million to resolve suits by workers who said they should have been paid for time spent putting on and removing their protective work gear.[21] While there is no hard and fast rule, some courts follow the rule that employees who arrive 15 or more minutes early are presumed to be working unless the employer can prove otherwise.[22] If using time clocks, employers should instruct employees not to clock in more than 5–10 minutes early (or out 5–10 minutes late).

Smart phones give employers further reason to meticulously record workers' hours. A Department of Labor app lets employees track their work hours.[23] The Chicago Police Department distributed smart phones to its officers. One officer subsequently sued, claiming he wasn't paid overtime for the hours he spent using his smart phone off the clock. Vendors such as Pacific Timesheet (www.pacifictimesheet.com) provide mobile payroll time sheets.[24] Outside the office, employees can fill these in via their iPhones or similar devices.[25] New time clocks reduce "buddy punching" with instant photos and biometric sensors.[26] ■

The FLSA also sets a *minimum wage*. This sets a floor for employees covered by the act (and usually bumps up wages for practically all workers when Congress raises the minimum). The minimum wage was $7.25 in 2018. Many states have their own minimum wage. For example, the minimum wage as of 2018 was $10.50 in California and $11.00 Massachusetts.[27] New York State is debating raising its minimum wage to $15 per hour. Various cities have set their own (higher) minimum wages.[28] Under new federal rules, workers on federal contracts earn a minimum of $10.10 per hour.[29]

FLSA *child labor provisions* prohibit employing minors between 16 and 18 years old in hazardous occupations, and carefully restrict employment of those under 16.

A great many employers today pay people as "independent contractors" rather than as employees. The Know Your Employment Law feature (page 354) explains about paying this type of worker.

EXEMPT/NONEXEMPT   Specific categories of employees are *exempt* from the FLSA or certain provisions of the act, and particularly from the act's overtime provisions. They are "exempt employees." A person's exemption depends on his or her responsibilities, duties, and salary. Bona fide executive, administrative (like office managers), and professional employees (like architects) are generally exempt from the minimum wage and overtime requirements of the act.[30] A white-collar worker earning more than $100,000 and performing any one exempt administrative, executive, or professional duty is automatically ineligible for overtime pay. Other employees can generally earn up to $23,660 per year and still automatically get overtime pay (so most employees earning less than $455 per week are nonexempt and earn overtime).[31] Figure 11-1 lists some examples of typically exempt and nonexempt jobs.

FIGURE 11-1 Some Typical Exempt, Nonexempt Job Titles

EXEMPT	NONEXEMPT
Lawyers	Paralegals
Medical doctors	Accounting clerks
Dentists	Bookkeepers
Engineers (with degrees)	Licensed practical nurses
Teachers	Clerical employees
Scientists	Most secretaries (although some, such as the CEO's secretary, might be exempt)
Registered nurses	Lab technicians
General managers	
Pharmacists	
Administrative employees*	

* The administrative exemption is designed for relatively high-level employees whose main job is to "keep the business running." Examples of administrative functions, whose high-level employees may typically be exempt, include labor relations and personnel (human resources employees), payroll and finance (including budgeting and benefits management), records maintenance, accounting and tax, marketing and advertising (as differentiated from direct sales), quality control, public relations (including shareholder or investment relations, and government relations), legal and regulatory compliance, and some computer-related jobs (such as network, Internet, and database administration).

In 2016, the Obama administration mandated new overtime rule exemptions.[32] Instead of the salary threshold of $23,660 per year (below which basically any person working was eligible for overtime pay) the new threshold was $47,476; basically *anyone* earning under $47,476 had to be paid overtime.

A federal judge blocked the new overtime rule, and for now the change is on hold. It appears that the current secretary of labor may agree that $23,660 is too low, but that jumping to more than $47,476 is excessive, so any increase may be less.[33] But to some extent the debate is moot. Many employers, including Walmart, seem to have accepted the new rule. Walmart, for instance, raised managers' salary to over the $47,476 threshold.[34]

If an employee is exempt from the FLSA's minimum wage provisions, then he or she is also exempt from its overtime pay provisions. However, certain employees are *always* exempt from overtime pay provisions. They include, among others, agricultural employees, live-in household employees, taxi drivers, and motion picture theater employees.[35]

Identifying exemptions is tricky. As noted, some jobs—for example, top managers and lawyers—are clearly exempt, while others—such as office workers earning less than $23,660 (as of 2018) per year—are clearly nonexempt. But beyond that, one should review the job before classifying it as exempt or nonexempt. Figure 11-2 presents a procedure for making this decision. Make sure, for instance, that the job currently does in fact require, say, an exempt-type supervisory duty.[36]

FLSA exemption lawsuits are on the rise. "Supervisors" are saying they're not exempt because they don't really supervise two or more employees.[37] And the U.S. Supreme Court held that drug company sales reps that call on doctors are FLSA-exempt outside salespersons.[38]

INEQUITY AND THE MINIMUM WAGE[39]   Jamie Dimon, Chairman and CEO of JP Morgan Chase & Company wrote an article for *The New York Times*; he argued that years of wage stagnation had led to income inequality, with some people earning vastly more than others. Several 2016 presidential candidates made similar arguments.[40]

Many municipalities and employers are in fact moving to raise the local minimum wage. The San José, California, City Council voted to raise the local minimum to $15.
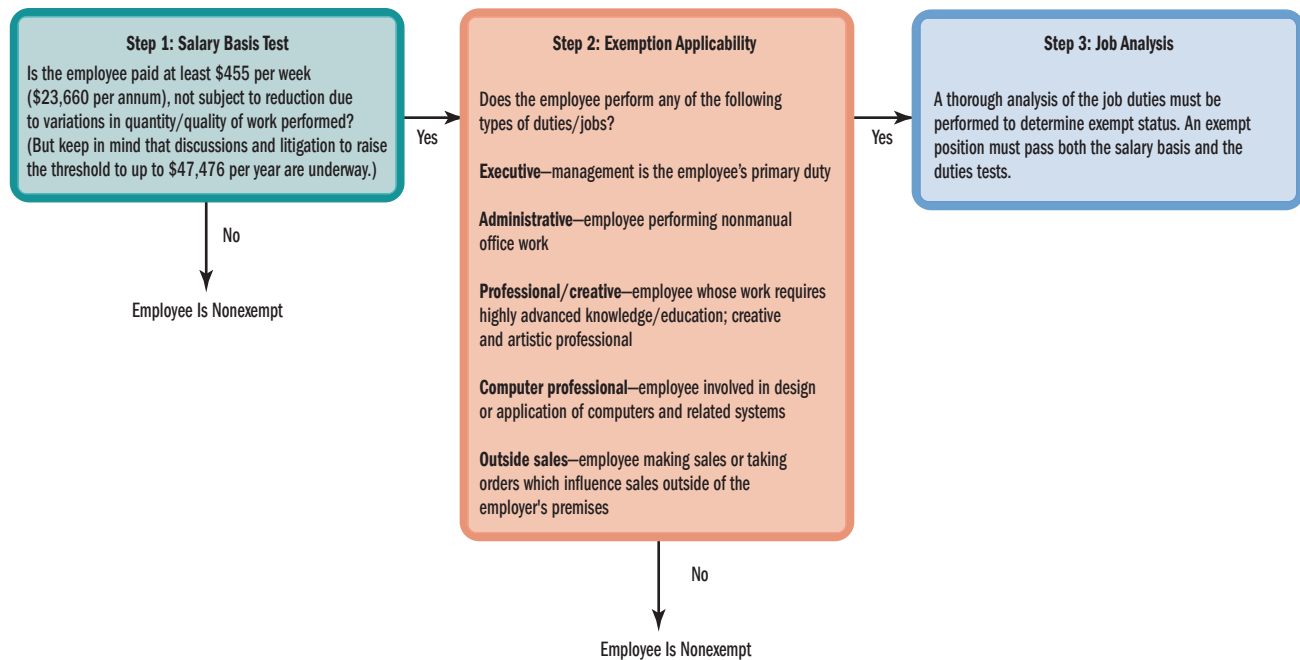
FIGURE 11-2   **Who Is Exempt?; Who Is Not Exempt?**

Source: Based on www.flsa.com/coverage.html, accessed August 5, 2011; https://webapps.dol.gov/elaws/whd/flsa/screen75.asp; www.dol.gov/whd/overtime/fs17a_overview.pdf, both accessed August 9, 2018.

Walmart said it would unilaterally pay all its U.S. hourly workers at least $10 per hour. McDonald's said it would raise its minimum wage to at least one dollar more than the local municipalities' minimum wage in all company-owned stores. MetLife recently set a $15 minimum wage for its employees.[41]

Some economists argue that higher minimum wages reduce the chances that traditionally low-wage workers (like younger people) will get hired. But an increasing number of employers —including Walmart—seem to agree that income inequality needs to be addressed.

KNOW YOUR EMPLOYMENT LAW

The Independent Contractor

Whether someone is an employee or an *independent contractor* is a continuing concern for employers.[42] For example, a federal court ruled that most of FedEx's roughly 15,000 owner–operator delivery people were independent contractors, not employees.[43]

Why claim that someone is an independent contractor? Because the FLSA's overtime and most other requirements do not apply, and the employer need not pay unemployment compensation, payroll taxes, Social Security taxes, or city, state, and federal income taxes or compulsory workers' compensation for that worker.

The problem is that many so-called independent contractor relationships aren't independent contractor relationships. In general, an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done.[44] However, there is no single rule or test. Instead, courts look at the total situation. The major consideration is this: The more the employer controls what the worker does and how he or she does it, the more likely it is that the courts will find the worker to be an employee. Figure 11-3 lists some factors courts will consider. The IRS lists rules at its Web site.[45] Uber faces lawsuits that its drivers are employees, not independent contractors.

FIGURE 11-3 Independent Contractor or Employee Checklist

Source: Adapted from information in IRS, Employer's Supplemental Tax Guide, https://www.irs.gov/pub/irspdf/p15a.pdf accessed June 6, 2017.

The main question is, how much control does the employer exert over the person at work? Facts that provide evidence of the degree of control/independence fall into three categories: behavioral control, financial control, and relationship of the parties. Affirmative answers below generally suggest "independent contractor."

Behavioral control: Does the business direct and control how the worker does the task, such as:	Independent Contractor	Employee
1. When and where to do the work.		
2. What tools or equipment to use.		
3. What workers to hire or to assist with the work.		
4. Where to purchase supplies and services.		
5. Whether the business has retained the right to control the details of a worker's performance or instead has given up that right.		
Financial control: Does the business control the business/financial aspects of the worker's job, such as:		
6. The extent to which the worker has unreimbursed business expenses.		
7. The extent of the worker's investment.		
8. The extent to which the worker makes his or her services available to other businesses in the relevant market.		
9. Whether the worker is not generally guaranteed a regular wage amount for an hourly, weekly, or other period of time.		
10. The extent to which the worker can realize a profit or loss.		
Questions regarding the parties' relationship include:		
11. Whether the business does not provide the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.		
12. Whether there's no expectation that the relationship will continue indefinitely, rather than for a specific project or period.		

To minimize the risks of independent contractor misclassification, employers should execute written agreements with all independent contractors; you'll find samples online.[46] Furthermore, employers should not impose work rules on or attempt to prohibit independent contractors from working for others. They should require independent contractors to provide their own tools and to be separately incorporated business entities.[47]

Because the Affordable Care Act covers employers with 50 or more employees, government agencies have been looking more closely at employers' independent

contractors. To minimize problems, some employers are having staffing companies supply more of their workforce, thus staying below the 50-employee limit.[48] ■

■ **HR AND THE GIG ECONOMY:** *ARE GIG WORKERS EMPLOYEES OR INDEPENDENT CONTRACTORS?*

A few years ago, Uber and Lyft drivers filed suit in California, demanding to be treated as employees rather than independent contractors. The companies contend they're independent contractors who can work (or not) as much as they want, start and stop when they want, and use their own cars.

Yet the answer is not clear-cut. Although it's true that there's a lot "independent" about what the drivers do, the drivers' lawyers say that Lyft and Uber control what the drivers do at work. For example, algorithms and systems control what rides the drivers can accept or decline, the routes they take, how much they can earn, and even how they're evaluated (below an average rating of about 4.5 stars, a driver was in danger of deactivation.) The cases settled out of court. Uber agreed to pay about $100 million to drivers in certain states and to let them solicit tips; however, the settlement left the drivers as independent contractors.

Similar litigation continues.[49] Two federal appellate courts recently held that some FedEx drivers were employees, not independent contractors. In another case, an arbitrator ruled Uber drivers were independent contractors. A recent California decision may make it easier for drivers to press for employee status.[50]

Even in traditional workplaces there was some ambiguity about how to distinguish between independent contractors and employees. Today, gig workers are often free to come and go as they please and to quit any time, but at work computer algorithms tightly control their efforts. It's therefore even more difficult to distinguish between employees and independent contractors. Congress seems less inclined to curtail independent contractor use.[51] It is considering new gig economy laws but recently had not taken action.[52] Expect more lawsuits.

> **MyLab Management** Talk About It 1
>
> If your professor assigned this, go to the Assignments section of **www.pearson.com/mylab/ management** to complete this discussion question. How would you itemize the arguments for and arguments against making Lyft and Uber drivers independent contractors?

Equal Pay Act

A 1963 amendment to the Fair Labor Standards Act designed to require equal pay for women doing the same work as men.

1963 EQUAL PAY ACT   The **Equal Pay Act,** an amendment to the Fair Labor Standards Act, states that employees of one sex may not be paid wages at a rate lower than that paid to employees of the opposite sex for doing roughly equivalent work. Specifically, if the work requires equal skills, effort, and responsibility and involves similar working conditions, employees of both sexes must receive equal pay, unless the differences in pay stem from a seniority system, a merit system, the quantity or quality of production, or "any factor other than sex."

Employee Retirement Income Security Act (ERISA)

The 1974 law that provides government protection of pensions for all employees with company pension plans. It also regulates vesting rights (employees who leave before retirement may claim compensation from the pension plan).

1974 EMPLOYEE RETIREMENT INCOME SECURITY ACT   Aimed at protecting employees' pensions, the **Employee Retirement Income Security Act (ERISA)** provides for the creation of government-run, employer-financed corporations to protect employees against the failure of their employers' pension plans. It also sets regulations regarding vesting rights (*vesting* refers to the equity or ownership the employees build up in their pension plans should their employment terminate before retirement). ERISA also regulates *portability rights* (the transfer of an employee's vested rights from one organization to another). It also contains fiduciary standards to prevent dishonesty in pension plan funding.

OTHER LEGISLATION AFFECTING COMPENSATION   Various other laws influence compensation decisions. For example, the *Age Discrimination in Employment Act* prohibits age discrimination against employees who are 40 years of age and older in all aspects of employment, including compensation.[53] The *Americans with Disabilities Act* prohibits discrimination against qualified persons with disabilities in all aspects of employment. The *Family and Medical Leave Act* aims to entitle eligible employees, both men and

women, to take up to 12 weeks of unpaid, job-protected leave for the birth of a child or for the care of a child, spouse, or parent. And various executive orders require employers that are federal government contractors or subcontractors to not discriminate in certain employment areas, including compensation.

Each state has its own *workers' compensation laws.* Among other things, these aim to provide prompt, sure, and reasonable income to victims of work-related accidents. The *Social Security Act of 1935* (as amended) provides for unemployment compensation for workers unemployed through no fault of their own for up to 26 weeks, and for retirement benefits. (We'll discuss Social Security benefits in a later chapter.) The federal wage garnishment law limits the amount of an employee's earnings that employers can withhold (garnish) per week, and protects the worker from discharge due to garnishment.

Union Influences on Compensation Decisions

Unions and labor relations laws also influence pay plan design. The National Labor Relations Act of 1935 (Wagner Act) granted employees the right to unionize and to bargain collectively. Historically, the wage rate has been the main issue in collective bargaining. However, unions also negotiate other pay-related issues, including time off with pay, income security (for those in industries with periodic layoffs), cost-of-living adjustments, and health care benefits.

The Wagner Act created the National Labor Relations Board (NLRB) to oversee employer practices and ensure that employees receive their rights. To do this, employers must furnish the union with "information that is relevant and necessary" to the union performing its duties.[54] This would include giving the union a written explanation of the employer's "wage curves"—the graph that relates job to pay rate. The union is also entitled to know members' salaries.

Pay Policies

The employer's compensation strategy will manifest itself in *pay policies.* For example, it might be the policy of a top hospital like Johns Hopkins to pay nurses 20% above the market wage.

Four managers discuss a print layout; one happens to be in a wheelchair. Federal law prohibits discrimination against qualified persons with disabilities in all aspects of employment, including compensation.

auremar/123RF

Employers need policies on a variety of compensation-related matters. These would include, for instance, how to set base salary (below, at, or above market rates); what employees (if any) can get stock options; how to award salary increases; how to handle leaves for military service, jury duty, and holidays; and whether to emphasize seniority or performance through annual raises (for example, it takes 18 years for a U.S. federal employee to progress from step 1 to step 9 of the government's pay scale). The accompanying Wegmans Food Markets feature illustrates how pay policies impact a company's performance.

■ IMPROVING PERFORMANCE: *THE STRATEGIC CONTEXT*

Wegmans Food Markets

Strategic compensation management means formulating a total rewards package that produces the employee skills and behaviors that the company needs to achieve its strategic goals.

Wegmans exemplifies this. It competes in the retail food sector, where profit margins are thin and where online competitors and giants like Walmart drive costs and prices down. The usual competitor's reaction is to cut employee benefits and costs.[55] Wegmans takes a different approach. Number 2 on Fortune's 100 Best Companies to Work For,[56] Wegmans views its workforce as an integral part of achieving Wegmans's strategic aims of *optimizing service while controlling costs by improving systems and productivity*. For example, one dairy department employee designed a new way to organize the cooler, thus improving ordering and inventory control.[57] The firm offers above-market pay rates, affordable health insurance, and a full range of employee benefits.[58] Wegmans's pay policies thus aim to produce exactly the sorts of high-productivity employee behaviors the company needs to achieve its strategic aims.

It's likely that its pay policies are one reason for Wegmans's exceptional profitability. For example, its employee turnover (about 6% for full-timers) is well below the industry's overall average of about 47%.[59] Its stores (which at about 120,000 square feet are much larger than competitors') average about $950,000 a week in sales (compared to a national average of $361,564), or about $49 million in sales annually, compared with a typical Walmart store's grocery sales of $23.5 million in sales.[60] As Wegmans's human resource head has said, good employees assure higher productivity, and that translates into better bottom-line results.[61]

> #### MyLab Management Talk About It 2
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/mylab/management** to complete this discussion question. If Wegmans does so well with a high-pay policy, why don't more employers do this as well?

GEOGRAPHY How to account for geographic differences in cost of living is another big pay policy issue. For example, the average base pay for an office supervisor ranges from about $49,980 in Florida to $60,980 in New York.[62]

Employers handle cost-of-living differentials for transferees in several ways. One is to pay a differential for ongoing costs in addition to a one-time allocation. For example, one employer pays a differential of $6,000 per year to people earning $35,000 to $45,000 whom it transfers from Atlanta to Minneapolis. Others simply raise the employee's base salary. The accompanying feature on compensating expatriate employees expands on this.

■ IMPROVING PERFORMANCE: *HR PRACTICES AROUND THE GLOBE*

Compensating Expatriate Employees

The question of cost-of-living differentials has particular significance to multinational firms, where costs range widely from, say, France to Zambia. The challenge is in maintaining the expatriate's standard of living abroad.[63]

How should multinationals compensate expatriate employees—those it sends overseas? Two basic international compensation policies are popular: *the balance sheet or home-based* plan, and the *host-based plan*.[64]

With a *home-based salary plan*, an international transferee's base salary reflects his or her home country's salary. The employer then adds allowances for cost-of-living differences—housing and schooling costs, for instance, to "make the employee whole." Among other advantages, this approach avoids having to change the employee's home-based salary.

In the *host-based plan*, the firm ties the international transferee's base salary to the host country's salary structure. In other words, the manager from New York who is sent to France would have his or her base salary changed to the prevailing base salary for that position in France, rather than keep the New York base salary. The firm often tacks on cost-of-living, housing, schooling, and other allowances here as well.

Most multinational enterprises set expatriates' salaries according to the *home-based salary plan*. (Thus, a French manager assigned to Kiev by a U.S. multinational will generally have a base salary that reflects the salary structure in the manager's home country, in this case France.) In addition, the person typically gets allowances including cost-of-living, relocation, housing, education, and hardship allowances (for more challenging countries). The employer also usually pays any extra tax burdens resulting from taxes the manager is liable for over and above those he or she would have to pay in the home country.

> ### MyLab Management Talk About It 3
>
> If your professor has assigned this, go to the Assignments section of **www.pearson.com/ mylab/management** to complete this discussion question. Why do you think most employers opt for the home-based salary plan?

Job Evaluation Methods

Employers use two basic approaches to setting pay rates: *market-based approaches* and *job evaluation methods*. Many firms, particularly smaller ones, simply use a *market-based* approach. Doing so involves conducting formal or informal salary surveys to determine what others in the relevant labor markets are paying for particular jobs. They then use these figures to price their own jobs. *Job evaluation methods* involve assigning values to each of the company's jobs. This process helps produce a pay plan in which each job's pay is equitable based on what other employers are paying for these jobs *and* based on each job's value to the employer.[65]

job evaluation
A systematic comparison done in order to determine the worth of one job relative to another.

Job evaluation is a formal and systematic comparison of jobs to determine the worth of one job relative to another. Job evaluation aims to determine a job's relative worth. Job evaluation eventually results in a *wage* or *salary structure* or hierarchy (this shows the pay rate for various jobs or groups of jobs). The basic principle of job evaluation is this: Jobs that require greater qualifications, more responsibilities, and more complex job duties should receive more pay than jobs with lesser requirements.[66] The basic job evaluation procedure is to compare jobs in relation to one another—for example, in terms of required effort, job complexity, and skills. Suppose you know (based on your job evaluation) the relative worth of the key jobs in your firm. You then conduct a salary survey to see what others are paying for similar jobs. By combining the information from the job evaluation and from the salary survey, you are on your way to being able to create a **market-competitive pay plan**—one where your pay rates are equitable both internally (based on each job's relative value) and externally (in other words, when compared with what other employers are paying).

market-competitive pay plan
Pay plan where pay rates are equitable both internally (based on each job's relative value) and externally (in other words when compared with what other employers are paying).

Compensable Factors

You can use two basic approaches to compare the worth of several jobs. First, you might decide that one job is more important than another is, and not dig any deeper. As an alternative, you could compare the jobs by focusing on certain basic factors the jobs have in common. Compensation management specialists call these **compensable factors**. They are the factors that establish how the jobs compare to one another, and that determine the pay for each job.

compensable factor
A fundamental, compensable element of a job, such as skills, effort, responsibility, and working conditions.

Some employers develop their own compensable factors. However, most use factors popularized by packaged job evaluation systems or by federal legislation. For

The job evaluation committee typically includes at least several employees, and has the important task of evaluating the worth of each job using compensable factors.

Ryan Lees/Agefotostock

example, the Equal Pay Act uses four compensable factors—skills, effort, responsibility, and working conditions. The method popularized by the Hay consulting firm emphasizes three factors: know-how, problem solving, and accountability. Walmart uses knowledge, problem-solving skills, and accountability requirements.

Choosing compensable factors plays a big role in job evaluation. You usually compare each job with all comparable jobs using the same compensable factors. However, the compensable factors you use depend on the job and the job evaluation method. For example, "decision making" might make sense for a manager's job, but not for a cleaner's job.[67]

Preparing for the Job Evaluation

Job evaluation is a judgmental process and demands close cooperation among supervisors, HR specialists, and employees and union representatives. The initial steps include identifying the need for the program, getting cooperation, and then choosing an evaluation committee. The committee then performs the actual evaluation.

Identifying the need for job evaluation shouldn't be difficult. For example, dissatisfaction reflected in high turnover, work stoppages, or arguments may result from paying employees different rates for similar jobs. Managers may express uneasiness with an informal way of assigning pay rates.

Employees may fear that a systematic evaluation of their jobs may reduce their pay rates, so *getting employees to cooperate* in the evaluation is important. For example, you can tell employees that because of the impending job evaluation program, pay rate decisions will no longer be made just by management whim, and that no current employee's rate will be adversely affected because of the job evaluation.

Finally, *choose a job evaluation committee.* The committee usually consists of about five members, most of whom are employees. Management has the right to serve on such committees, but employees may view this with suspicion. However, a human resource specialist can usually be justified to provide expert assistance. Union representation is possible. In most cases, though, the union's position is that it is accepting the results of the job evaluation only as an initial decision and is reserving the right to appeal actual job pricing decisions through grievance or bargaining channels.[68] Once appointed, each committee member should receive a manual explaining both the job evaluation process and how to conduct the job evaluation.

benchmark job

A job that is used to anchor the employer's pay scale and around which other jobs are arranged in order of relative worth.

The evaluation committee then performs three main functions. First, it usually identifies 10 or 15 key **benchmark jobs.** These will be the first jobs they'll evaluate and will serve as the anchors or benchmarks against which the relative importance or value of all other jobs is compared. Next, the committee may select *compensable factors* (although the human resources department will usually choose these). Finally, the committee performs its most important function—actually *evaluating the worth of each job.* For this, the committee will probably use one of the following methods: ranking, job classification, or point method.

Job Evaluation Methods: Ranking

The simplest job evaluation method ranks each job relative to all other jobs, usually based on some overall factor like "job difficulty." There are several steps in the job **ranking method.**

ranking method

The simplest method of job evaluation that involves ranking each job relative to all other jobs, usually based on overall difficulty.

1. *Obtain job information.* Job analysis is the first step. Here job descriptions for each job are prepared, and the information they contain about the job's duties is usually the basis for ranking jobs. (Sometimes job specifications are also prepared. However, the ranking method usually ranks jobs based on the whole job, rather than on several compensable factors. Therefore, job specifications, which tend to list job demands in terms of compensable factors such as problem solving, decision making, and skills, are not as important with ranking as they are for other job evaluation methods.)

2. *Select and group jobs.* It is usually not practical to make a single ranking for all jobs in an organization. The usual procedure is to rank jobs by department or in clusters (such as factory workers or clerical workers). This removes the need for direct comparison of, say, factory jobs and clerical jobs.

3. *Select compensable factors.* In the ranking method, it is common to use just one factor (such as job difficulty) and to rank jobs based on the whole job. However, regardless of the number of factors you choose, explain the definition of the factor(s) to the evaluators carefully so that they all evaluate the jobs consistently.

4. *Rank jobs.* For example, each rater gets a set of index cards, each of which contains a brief description of a job. Then they arrange these cards from lowest to highest. Some managers use an "alternation ranking method" to make this procedure more accurate. Here you take the cards, first choosing the highest and the lowest, then the next highest and next lowest, and so forth, until you've ranked all the cards. Table 11-2 illustrates such a job ranking. Jobs in this small health facility rank from orderly up to office manager. The corresponding current pay scales are shown in the column following the job titles. (After ranking, it is possible to slot additional jobs based on their difficulty between those already ranked and to assign each an appropriate wage rate.) The ranked listing of jobs enables us to compare each job's rank with its current pay, and decide if what we are currently paying is internally equitable; we may adjust a job's pay up or down, based on this. Online programs (for example, go to www.hr-guide.com, click under "Job Evaluation, Ranking," and then click "Interactive Ranking Program") can help you rank (and check the rankings of) your positions.[69]

5. *Combine ratings.* Usually, several raters rank the jobs independently. Then the rating committee (or the employer) can simply average the raters' rankings.

6. *Compare current pay with what others are paying based on salary survey.* Next, we show on the same table (in the middle column) what others in the community are paying for similar jobs, based on a salary survey that we conduct. This helps us ensure that our pay will be *externally* equitable.

7. *Assign a new pay scale.* Finally, we compare what we are currently paying for each job with what others are paying, and decide (in this case) to adjust our pay scale by raising what we pay for each job. The last column therefore shows our new pay scale.

This is the simplest job evaluation method, as well as the easiest to explain. And it usually takes less time than other methods.