

Managing Human Resource Systems

Chapter

11

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Key Terms

Concept Check

Self-Assessment

Management Decision

Management Team Decision

Develop Your Career Potential

Take Two Video

STUDENT RESOURCES

ThomsonNOW On the Job and Biz Flix video applications, concept tutorial, and concept exercise

Xtra! Ten exhibit worksheets, author's FAQs, quiz, Management News, a sample sexual harassment policy, and the video clips from the chapter with exercises

Web (<http://williams.swlearning.com>) Quiz, PowerPoint slides, and glossary terms for this chapter

Domino's Pizza Headquarters, Detroit, Michigan.¹

“Hey boss, where’s the driver? These pizzas are ready to go and we’ve only got 15 minutes to deliver them. Did the driver show up?” No, the driver didn’t, and he probably won’t show up tomorrow, either. After a few months on the job, most drivers, cashiers, and pizza makers simply stop coming to work. In fact, at Domino’s Pizza, company-wide turnover is 158 percent. That means Domino’s must recruit, hire, and train 180,000 people a year just to fill its company’s 114,000 jobs.

And, with that much turnover, you can’t consistently produce a quality product. Making and delivering pizza may seem simple, but up the ante to making and delivering one million pizzas each night, as Domino’s does, and all of a sudden it’s not quite so easy, especially if you’re always working with inexperienced workers. For instance, even a simple job like order taking has a learning curve when you’re taking 45 to 50 orders an hour. In fact, a new order taker usually requires 80

What Would You Do?

hours to become as reliable as an experienced one. Until they learn their jobs, new workers make lots of mistakes, such as getting orders wrong, giving out the wrong change, and showing up at customers’ homes with the wrong pizza. And those mistakes are costly in two ways.

First, if the order is wrong, or late, or missing, customers get angry and may not do business with you again. Indeed, according to the University of Michigan’s American consumer satisfaction index, Domino’s ranks in the bottom half of fast-food companies. Second, to right those wrongs, Domino’s often says the pizza is free—“Our fault, no charge.”—and that hurts profits.

So much turnover is costly in other ways as well. For one thing, it costs time and money to

find and hire new workers. Domino’s estimates that it costs \$2,500 to replace each hourly worker who leaves and \$20,000 to replace a store manager. Then, all those new workers must be trained, and that takes time and money. At Domino’s, each new worker spends the first 30 days in training, learning how to take orders, handle the cash register, make pizza dough, and, ultimately, how to make a pizza in less than a minute. When everything is considered, turnover is costing the company several hundred million dollars a year, or an astonishing 15 to 20 percent of revenues. The question, of course, is what to do about it.

One thing you have to stop doing is simply hiring the next warm body that walks through the door. But, how do you find qualified applicants? Then, how do you select or screen people for making and delivering pizza, handling the cash register, and taking orders? Are interviews enough? Once you’ve found workers, how do you get them to stay more than a few months? Most of your jobs pay minimum wage. Should you increase pay the way Starbucks has, or should you focus on other things? You have to be realistic about this, as nobody stays in these jobs forever. But, if you can get people to stay three months, they’ll often stay a year or two. Again, what’s the best way to make that happen? Finally, there must be a link between employee turnover and management turnover, so what should you do to encourage managers to stay? Assistant managers make \$8 to \$10 an hour, and store managers earn an average of \$32,000 per year. Just raising pay isn’t the answer, however. The way those managers are rewarded matters, too. So what changes will you make in that area?

If you were in charge at Domino’s, what would you do?

STUDY TIP

Use the chapter outline on the preceding page as a study tool. After reading the whole chapter, return to the list and write a summary of each item. Check your work by reading the actual review paragraphs on pages 342, 346, 351, 359, 364, 368, 372, and 376.

human resource management (HRM)

The process of finding, developing, and keeping the right people to form a qualified work force.

As the problems facing Domino's Pizza show, **human resource management (HRM)**, or the process of finding, developing, and keeping the right people to form a qualified work force, is one of the most difficult and important of all management tasks. This chapter is organized around the four parts of the human resource management process shown in Exhibit 11.1: determining human resource needs and attracting, developing, and keeping a qualified work force.

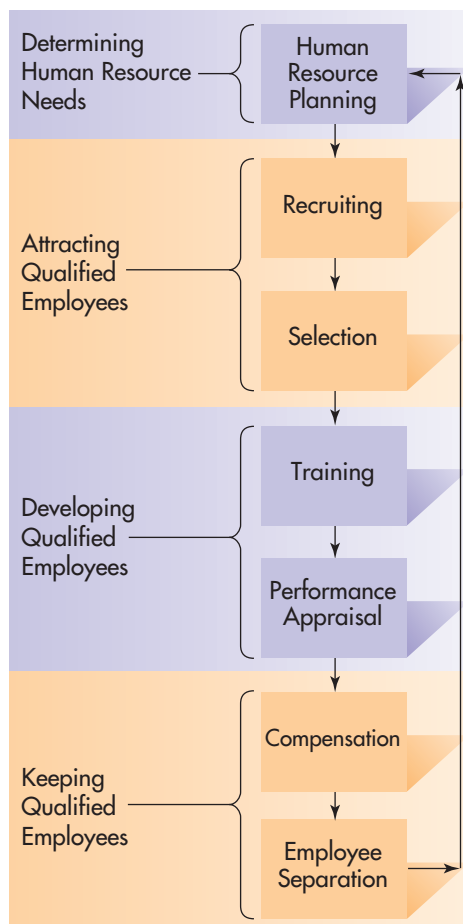
Accordingly, the chapter begins by reviewing how human resource planning determines human resource needs, such as the kind and number of employees a company requires to meet its strategic plans and objectives. Next, we explore how companies use recruiting and selection techniques to attract and hire qualified employees to fulfill those needs. The third part of the chapter discusses how training and performance appraisal can develop the knowledge, skills, and abilities of the work force. The chapter concludes with a review of compensation and employee separation, that is, how companies can keep their best workers through effective compensation practices and how they can manage the separation process when employees leave the organization.

Determining Human Resource Needs

Should we hire more workers? What should we pay our current employees to slow employee turnover? What kinds of training do our new employees need to be prepared to do a good job, and what's the best way to deliver that training? In other words, what are our human resource needs, and what's the best way to address them? The human resource management process, shown in Exhibit 11.1, can provide answers to these questions.

We can see how the HRM process works by examining what hospitals are doing to address the shortage of qualified nurses around the world (i.e., their human resource needs). How acute is this shortage? Hospitals in London, England, find it so difficult to attract British nurses that they have sent managers all the way to Jamaica to recruit English-speaking nurses. But Jamaica has lost so many nurses to English hospitals that it now prevents the British government (which runs the health system in Britain) from hiring its nurses. And why do British hospitals have such a hard time finding nurses? Because Canadian nurses take higher-paying jobs in the United States, which forces Canadian hospitals to hire British nurses and British hospitals to hire nurses from Ghana (since they can no longer hire Jamaican nurses). The nursing shortage is so severe worldwide, however, that even American hospitals now recruit directly in many countries. In South Africa and the Philippines, nurses are encouraged to come to the United States with ads that say, "Nurses! Think of it as your seat in America. Gain invaluable experience, learn the latest medical techniques, and live a fuller life in a relaxed environment."² And, like all workers, nurses who work in poor conditions for poor pay are willing to move to other countries for better-paying jobs in good companies. So, for the hospitals around the world that struggle to hire nurses, the HRM process, as shown in Exhibit 11.1, comes full circle as attracting, developing, and then keeping qualified nurses affect their human resource needs.

Exhibit 11.1
The Human Resource Management Process



After reading the next two sections, you should be able to

- 1** describe the basic steps involved in human resource planning.
- 2** explain how different employment laws affect human resource practice.

1 HUMAN RESOURCE PLANNING

Human resource planning (HRP) is the process of using an organization’s goals and strategy to forecast the organization’s human resource needs in terms of attracting, developing, and keeping a qualified work force.³ Importantly, companies that don’t use HRP or that do it poorly may end up with either a surplus of employees that has to be corrected with layoffs or a shortage of employees that leads to increased overtime costs and an inability to meet demand for the company’s product or service.

human resource planning (HRP)

Using an organization’s goals and strategy to forecast the organization’s human resource needs in terms of attracting, developing, and keeping a qualified work force.

Let’s explore human resource planning by examining how to **1.1 forecast the demand and supply of human resources** and **1.2 use human resource information systems to improve those forecasts**.

1.1 Forecasting Demand and Supply

Work force forecasting is the process of predicting the number and kind of workers with specific skills and abilities that an organization will need in the future.⁴ There are two kinds of work force forecasts, internal and external forecasts, and three kinds of forecasting methods—direct managerial input, best guess, and statistical/historical ratios.

work force forecasting

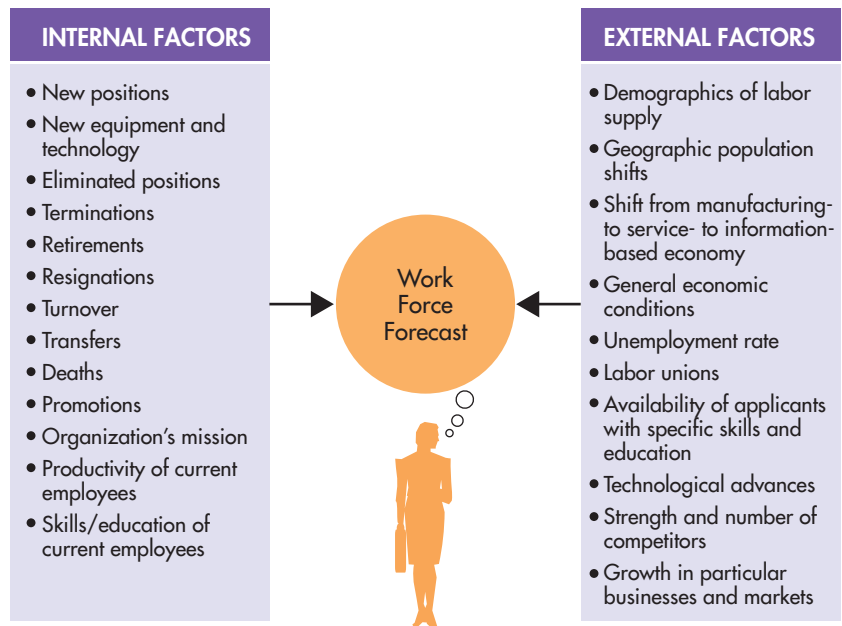
The process of predicting the number and kind of workers with specific skills and abilities that an organization will need in the future.

Internal forecasts are projections about factors within the organization that affect the supply and demand for human resources. These factors include the financial performance of the organization, its productivity, its mission, changes in technology or the way the work is performed, and terminations, promotions, transfers, retirements, resignations, and deaths of current employees. For example, a drop in profits prompted Union Pacific Corporation, a railroad company, to use attrition and an early retirement program to cut 2,000 workers. Nonetheless, it didn’t lay off train dispatchers who, through effective scheduling of company trains and cargo, have a huge effect on company productivity. Barbara Schaefer, Union Pacific’s senior vice president for human resources, said, “They’re not being offered the pension enhancement. We can’t afford to lose them.”⁵ Exhibit 11.2 provides a more complete list of factors that influence internal forecasts.

External forecasts are projections about factors outside the organization that affect the supply and demand for human resources. These factors include the labor supply for specific types of workers, the economy (unemployment rate), labor unions, demographics of the labor force (e.g., proportion of labor force in various age groups), geographic movement of the labor force, strength of competitors, and growth in particular businesses and markets. For example, when the economy slowed, Behlen Manufacturing switched its 400 factory workers from full-time to part-time work and cut the pay of its salaried workers by 10 percent. CEO Tony Raymundo said, “This year, we’ve been reducing hours and telling people we believed it was short-term. We think we saved a lot of jobs by doing that.”⁶ When the economy strengthened and sales began increasing

Exhibit 11.2

Internal and External Factors That Influence Work Force Forecasting



again, he quickly switched his factory workers back to full-time hours and removed the 10 percent pay cut. Exhibit 11.2 provides a more complete list of factors that influence external forecasts.

Three kinds of forecasting methods—direct managerial input, best guess, and statistical/historical ratios—are often used to predict the number and kind of workers with specific skills and abilities that an organization will need in the future.⁷ The most common forecasting method, *direct managerial input*, is based on straightforward projections of cash flows, expenses, or financial measures, such as return on capital. Though financial indicators are relatively quick to calculate and can help managers determine how many workers might be needed, they don't help managers decide which critical skills new employees should possess.

The *best guess* forecasting method is based on managers' assessment of current head count, plus a best guess of how internal factors and external factors will affect that head count. Totaling these produces the overall projection. Dell Inc., in part, uses a best guess system to forecast the kinds of people it would like to hire. Steve Price, Dell's vice president of human resources for its Public and Americas International Group, says, "We look at the people who have been given the biggest merit increases, the best appraisals and so forth, and then we interview against these competencies."⁸

Finally, the *statistical/historical ratios* forecasting method uses statistical methods, such as multiple regression, in combination with historical data, to predict the number and kind of workers a company should hire. For example, a manager might run a regression analysis using data from the last two years. In this analysis, the number of employees that need to be hired is the dependent (predicted) variable, and the number of items manufactured, number of clients, average increase in sales, and similar factors are the independent (predictor) variables. The regression analysis produces a simple equation that indicates how many more employees should be added for each increase in the independent variables, such as items manufactured or increased sales. This approach takes advantage of existing data and can be much more accurate than best guess predictions, but only if a company's internal and external environments have not changed significantly.

Dell also uses statistical/historical ratios to help predict its work force needs. Andy Esparza, vice president of staffing for Dell's company-wide staffing function, says, "One of the things this [HRP process] maps into is a set of key job openings that we can use to start forecasting and sourcing people in advance." More specifically, Dell's Web-based HRP process allows managers to play "what if?" with work force predictions. Kathleen Woodhouse, an HR manager who supports Dell's preferred accounts division, says, "Managers use our intranet to complete HR functions, like appraisals; our appraisal system also feeds into the financial system so they can play with figures if they need to."⁹

1.2 Human Resource Information Systems

human resource information system (HRIS)

A computerized system for gathering, analyzing, storing, and disseminating information related to the HRM process.

Human resource information systems (HRISs) are computerized systems for gathering, analyzing, storing, and disseminating information related to attracting, developing, and keeping a qualified work force.¹⁰ Exhibit 11.3 shows some of the data that are commonly used in HRISs, such as personal and educational data, company employment history, performance appraisal information, work history, and promotions.

Human resource information systems can be used for transaction processing, employee self-service, and decision support. For HRISs, *transaction processing* usually involves employee payroll checks, taxes, and benefit deductions. For example, when STI Knowledge, a technology help desk and call center outsourcing firm, was small, it used different computer spreadsheets to keep track of compensation and benefits for its employees and managers. But now that it has 380

employees in 12 different locations, it uses an HRIS to keep track of compensation and benefits. This system quickly provides accurate, up-to-date information about staff compensation in one complete database and is easy to use; managers can access the system via a secure Web browser to process raises and promotions or other changes.¹¹ HRISs can also reduce administrative costs by preparing certain routine reports, such as the EEOC (Equal Employment Opportunity Commission) or OSHA (Occupational Safety and Health Administration) reports that are required of many companies.

Though typically used to give managers and HR staffers access to human resource data, today's secure Web-based HRISs also give employees immediate, 24-hour *self-service* access to personal data, such as benefits and retirement packages. By entering only a user name and a password, employees can access and change their medical insurance plan, adjust the mix of investments in their 401(k) retirement plan, or check on the status of medical or child-care reimbursements. Before STI Knowledge installed its HRIS, benefits workers spent most of their time manually changing and updating employee benefits packages. Chief people officer Jennifer Cress said, "There was less time spent interacting with employees because the paperwork was overwhelming."¹² But now, with Web-based access, STI's workers can review or change their benefits plans whenever they want without talking to anyone in human resources. Cress estimates that STI Knowledge's HRIS has saved \$72,900 by reducing the time its HR staff spends on administrative tasks, \$144,000 through a 50 percent reduction in the time employees spend looking for their HR data and making HR transactions, and \$275,000 through a 25 percent reduction in the time that managers spend on HR issues.¹³

In addition to gathering and storing information, HRISs also help managers by serving as decision support systems for critical HR decisions.¹⁴ In Chapter 17, you will learn that *decision support systems (DSS)* help managers understand problems and potential solutions by acquiring and analyzing information with sophisticated models and tools. For instance, an HRIS can help managers make HR decisions from the moment job applicants submit résumés to the company. Those résumés are scanned and fed into the HRIS, where they are analyzed for the quality of the writing and for key words that match the organization's job database. For instance, to identify experienced tax preparers, tax preparation company H&R Block looks for key words like "certified financial planner," "insurance license," or competitors' names.¹⁵ Pam Dixon, author of *Job Searching Online for Dummies*, says that a résumé that's sent out today is "likely going to be scanned right into a database and searched for certain key words. If those words aren't in there, it's rejected."¹⁶

An HRIS can even be used to do preemployment testing or background screening. At Sprint, when job applicants apply at <http://careers.sprint.com>, they are asked to answer screening questions, such as "Do you know C++ programming?" or "Have you sold to *Fortune* 500 companies?"¹⁷ Sprint's HRIS then takes the answers and automatically ranks the applicants based on their responses. Recruiters then review the top 25 percent of applicants for job openings.

An HRIS can also be used effectively to screen *internal applicants* on particular qualifications, to match the qualifications of external applicants

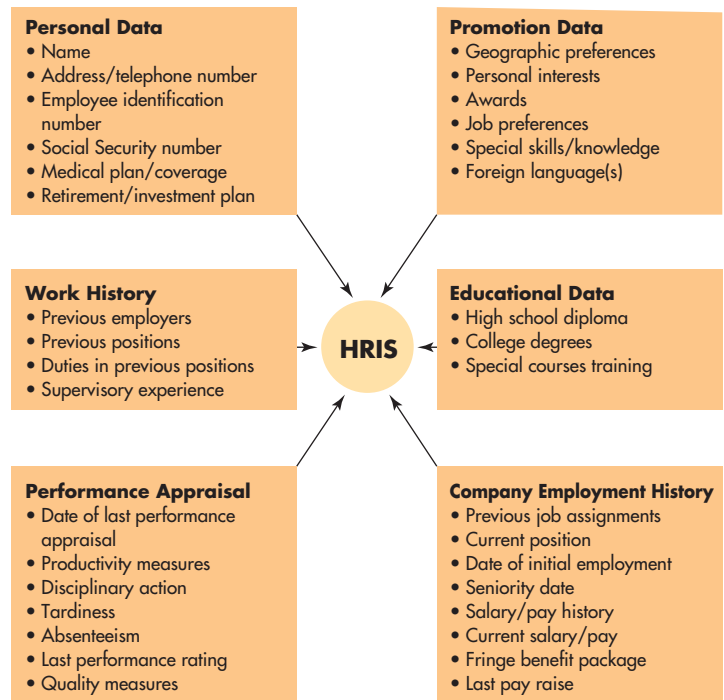


Exhibit 11.3

Common Data Categories in Human Resource Information Systems

against those of internal applicants, to compare salaries within and between departments, and to review and change employees' salaries instantaneously without lengthy paperwork. In short, today's HRISs can help managers make any number of critical human resource decisions.

Review 1: Human Resource Planning

Human resource planning (HRP) uses organizational goals and strategies to determine what needs to be done to attract, develop, and keep a qualified work force. Work force forecasts are used to predict the number and kind of workers with specific skills and abilities that an organization needs. Work force forecasts consider both internal and external factors that affect the supply and demand for workers and can be formulated using three kinds of forecasting methods: direct managerial input, best guess, and statistical/historical ratios. Computerized human resource information systems improve HRP by gathering, analyzing, storing, and disseminating information (personal, educational, work history, performance, and promotions) related to human resource management activities. Human resource information systems can be used for transaction processing (payroll checks and routine reports), employee self-service (24-hour Web access allowing instant changes to benefit and retirement packages), and decision support for human resource decisions (analyzing résumés, background screening, and preemployment testing).

2 EMPLOYMENT LEGISLATION

Since their inception, Hooters restaurants have hired only female servers. Moreover, consistent with the company's marketing theme, the servers wear short nylon shorts and cutoff T-shirts that show their midribs. The Equal Employment Opportunity Commission (EEOC) began an investigation of Hooters when a Chicago man filed a gender-based discrimination charge. The man alleged that he had applied for a server's job at a Hooters restaurant and was rejected because of his gender. The dispute between Hooters and the EEOC quickly gained national attention. One sarcastic letter to the EEOC printed in *Fortune* magazine read as follows:

Dear EEOC:

Hi! I just wanted to thank you for investigating those Hooters restaurants, where the waitresses wear those shorty shorts and midriffy T-shirts. I think it's a great idea that you have decided to make Hooters hire men as—how do you say it?—waitpersons. Gee, I never knew so many men wanted to be waitpersons at Hooters. No reason to let them sue on their own either. You're right, the government needs to take the lead on this one.¹⁸

This letter characterized public sentiment at the time. Given its backlog of 100,000 job discrimination cases, many wondered if the EEOC didn't have better things to do with its scarce resources.

Three years after the initial complaint, the EEOC ruled that Hooters had violated antidiscrimination laws and offered to settle the case if the company would agree to pay \$22 million to the EEOC for distribution to male victims of the "Hooters Girl" hiring policy, establish a scholarship fund to enhance opportunities or education for men, and provide sensitivity training to teach Hooters' employees how to be more sensitive to men's needs. Hooters responded with a \$1 million publicity campaign, criticizing the EEOC's investigation. Billboards featuring "Vince," a male dressed in a Hooters Girl uniform and blond

This photo epitomizes what many thought about the EEOC's suit against Hooters. Despite a favorable ruling, Hooters was still required to create more support jobs that would be open to men. A group of men calling themselves "Hooter Guys" dressed like the female employees of the popular restaurant chain as part of their entry in the Boulder Kinetic Sculpture Challenge.



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wig, sprang up all over the country. Hooters customers were given postcards to send complaints to the EEOC. Of course, Hooters paid the postage. As a result of the publicity campaign, restaurant sales increased by 10 percent. Soon thereafter, the EEOC announced that it would not pursue discriminatory hiring charges against Hooters.¹⁹ Nonetheless, the company ended up paying \$3.75 million to settle a class-action suit brought by seven men who claimed that their inability to get a job at Hooters violated federal law.²⁰ Under the settlement, Hooters maintained its women-only policy for server jobs, but had to create additional support jobs, such as hosts and bartenders, that would also be open to men.

As the Hooters example illustrates, the human resource planning process occurs in a very complicated legal environment. Let's explore employment legislation by reviewing **2.1 the major federal employment laws that affect human resource practice**, **2.2 how the concept of adverse impact is related to employment discrimination**, and **2.3 the laws regarding sexual harassment in the workplace**.

2.1 Federal Employment Laws

Exhibit 11.4 on the next page lists the major federal employment laws and their Web sites, where you can find more detailed information. Except for the Family and Medical Leave Act and the Uniformed Services Employment and Reemployment Rights Act, which are administered by the Department of Labor (<http://www.dol.gov>), all of these laws are administered by the EEOC (<http://www.eeoc.gov>). The general effect of this body of law, which is still evolving through court decisions, is that employers may not discriminate in employment decisions on the basis of gender, age, religion, color, national origin, race, or disability. The intent is to make these factors irrelevant in employment decisions. Stated another way, employment decisions should be based on factors that are “job related,” “reasonably necessary,” or a “business necessity” for successful job performance. The only time that gender, age, religion, and the like can be used to make employment decisions is when they are considered a bona fide occupational qualification.²¹ Title VII of the 1964 Civil Rights Act says that it is not unlawful to hire and employ someone on the basis of gender, religion, or national origin when there is a **bona fide occupational qualification (BFOQ)** that is “reasonably necessary to the normal operation of that particular business.” For example, a Baptist church hiring a new minister can reasonably specify that being a Baptist rather than a Catholic or Presbyterian is a BFOQ for the position. However, it's unlikely that the church could specify race or national origin as a BFOQ. In general, the courts and the EEOC take a hard look when a business claims that gender, age, religion, color, national origin, race, or disability is a BFOQ. For instance, the EEOC disagreed with Hooters' claim that it was “in the business of providing vicarious sexual recreation” and that “female sexuality is a bona fide occupational qualification.”²²

It is important to understand, however that these laws apply to the entire HRM process and not just to selection decisions (i.e., hiring and promotion). Thus, these laws also cover all training and development activities, performance appraisals, terminations, and compensation decisions. Employers who use gender, age, race, or religion to make employment-related decisions when those factors are unrelated to an applicant's or employee's ability to perform a job may face charges of discrimination from employee lawsuits or the EEOC. For example, Morgan Stanley, an investment bank, agreed to pay \$54 million in damages after the EEOC filed a gender discrimination suit on behalf of 300 of the firm's female employees. The women were paid less and promoted less often than comparable male employees with whom they worked.²³ Boeing, the jet plane manufacturer, paid \$72.5 million to settle a similar lawsuit brought by a group of its female employees.²⁴

bona fide occupational qualification (BFOQ)

An exception in employment law that permits gender, age, religion, and the like to be used when making employment decisions, but only if they are “reasonably necessary to the normal operation of that particular business.” BFOQs are strictly monitored by the Equal Employment Opportunity Commission.

• Equal Pay Act of 1963	http://www.eeoc.gov/policy/epa.html	Prohibits unequal pay for males and females doing substantially similar work.
• Civil Rights Act of 1964	http://www.eeoc.gov/policy/vii.html	Prohibits discrimination on the basis of race, color, religion, gender, or national origin.
• Age Discrimination in Employment Act of 1967	http://www.eeoc.gov/policy/adea.html	Prohibits discrimination in employment decisions against persons age 40 and over.
• Pregnancy Discrimination Act of 1978	http://www.eeoc.gov/facts/fs-preg.html	Prohibits discrimination in employment against pregnant women.
• Americans with Disabilities Act of 1990	http://www.eeoc.gov/policy/ada.html	Prohibits discrimination on the basis of physical or mental disabilities.
• Civil Rights Act of 1991	http://www.eeoc.gov/policy/cra91.html	Strengthened the provisions of the Civil Rights Act of 1964 by providing for jury trials and punitive damages.
• Family and Medical Leave Act of 1993	http://www.dol.gov/esa/whd/fmla/index.html	Permits workers to take up to 12 weeks of unpaid leave for pregnancy and/or birth of a new child, adoption or foster care of a new child, illness of an immediate family member, or personal medical leave.
• Uniformed Services Employment and Reemployment Rights Act of 1994	http://www.osc.gov/userra.htm	Prohibits discrimination against those serving in the Armed Forces Reserve, the National Guard, or other uniformed services; guarantees that civilian employers will hold and then restore civilian jobs and benefits for those who have completed uniformed service.

Exhibit 11.4
Summary of Major Federal
Employment Laws

In addition to the laws presented in Exhibit 11.4, there are two other important sets of federal laws: labor laws and laws and regulations governing safety standards. Labor laws regulate the interaction between management and labor unions that represent groups of employees. These laws guarantee employees the right to form and join unions of their own choosing. For more information about labor laws, see the National Labor Relations Board at <http://www.nlr.gov>. The Occupational Safety and Health Act (OSHA) requires that employers provide employees with a workplace that is “free from recognized hazards that are causing or are likely to cause death or serious physical harm.” This law is administered by the Occupational Safety and Health Administration (also referred to as OSHA). OSHA sets safety and health standards for employers and conducts inspections to determine whether those standards are being met. Employers who do not meet OSHA standards may be fined.²⁵ For example, OSHA fined Equilon Enterprises, an oil refinery owned by Royal Dutch Shell and Texaco, \$4.4 million after six men died attempting to clean residue from a refinery unit. OSHA determined that the deaths were “entirely preventable” as the men were working in the unit at temperatures that were much too high. When a “flaming mass of hot liquid” unexpectedly spilled out, an explosion resulted, killing all six.²⁶ Investigators concluded that it would have taken 236 days for the unit to cool enough for the work to be done safely.²⁷ For more information about OSHA, see <http://www.osha.gov>.

2.2 Adverse Impact and Employment Discrimination

The EEOC has investigatory, enforcement, and informational responsibilities. Therefore, it investigates charges of discrimination, enforces the employment discrimination laws in federal court, and publishes guidelines that organizations can use to ensure they are in compliance with the law. One of the most important guidelines jointly issued by the EEOC, the Department of Labor, the U.S. Justice Department, and the federal Office of Personnel Management is the *Uniform Guidelines on Employee Selection Procedures*, which can be read in their entirety at http://www.access.gpo.gov/nara/cfr/waisidx_02/41cfr60-3_02.html. These guidelines define two important criteria, disparate treatment and adverse impact, that are used in deciding whether companies have engaged in discriminatory hiring and promotion practices.

Disparate treatment, which is *intentional* discrimination, occurs when people, despite being qualified, are *intentionally* not given the same hiring, promotion, or membership opportunities as other employees, because of their race, color, age, gender, ethnic group, national origin, or religious beliefs.²⁸ For example, Coca-Cola paid \$192.5 million to settle a class-action disparate treatment lawsuit in which it was accused of purposely not giving African American employees equal opportunities in pay, promotions, and performance reviews.²⁹ Likewise, Rent-A-Center paid \$12.3 million to settle a class-action disparate treatment lawsuit in which it was accused of not providing fair hiring and promotion opportunities to 4,600 female employees and job applicants.³⁰

Legally, a key element of discrimination lawsuits is establishing motive, meaning that the employer intended to discriminate. If no motive can be established, then a claim of disparate treatment may actually be a case of adverse impact. **Adverse impact**, which is *unintentional* discrimination, occurs when members of a particular race, gender, or ethnic group are *unintentionally* harmed or disadvantaged because they are hired, promoted, or trained (or any other employment decision) at substantially lower rates than others. The courts and federal agencies use the **four-fifths (or 80 percent) rule** to determine if adverse impact has occurred. Adverse impact occurs if the decision rate for a protected group of people is less than four-fifths (or 80 percent) of the decision rate for a nonprotected group (usually white males). So, if 100 white applicants and 100 black applicants apply for entry-level jobs, and 60 white applicants are hired (60/100 = 60%), but only 20 black applicants are hired (20/100 = 20%), adverse impact has occurred (0.20/0.60 = 0.33). The criterion for the four-fifths rule in this situation is 0.48 (0.60 × 0.80 = 0.48). Since 0.33 is less than 0.48, the four-fifths rule has been violated.

Violation of the four-fifths rule is not an automatic indication of discrimination, however. If an employer can demonstrate that a selection procedure or test is valid, meaning that the test accurately predicts job performance or that the test is job related because it assesses applicants on specific tasks actually used in the job, then the organization may continue to use the test. If validity cannot be established, however, then a violation of the four-fifths rule may likely result in a lawsuit brought by employees, job applicants, or the EEOC itself.

2.3 Sexual Harassment

According to the EEOC, **sexual harassment** is a form of discrimination in which unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature occurs. From a legal perspective, there are two kinds of sexual harassment, quid pro quo and hostile work environment.³¹

Quid pro quo sexual harassment occurs when employment outcomes, such as hiring, promotion, or simply keeping one's job, depend on whether an individual submits to being sexually harassed. For example, in a quid pro quo

disparate treatment

Intentional discrimination that occurs when people are purposely not given the same hiring, promotion, or membership opportunities because of their race, color, gender, age, ethnic group, national origin, or religious beliefs.

adverse impact

Unintentional discrimination that occurs when members of a particular race, gender, or ethnic group are unintentionally harmed or disadvantaged because they are hired, promoted, or trained (or any other employment decision) at substantially lower rates than others.

four-fifths (or 80 percent) rule

A rule of thumb used by the courts and the EEOC to determine whether there is evidence of adverse impact. A violation of this rule occurs when the decision rate for a protected group is less than 80 percent or four-fifths of the decision rate for a nonprotected group.

sexual harassment

A form of discrimination in which unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature occurs while performing one's job.

quid pro quo sexual harassment

A form of sexual harassment in which employment outcomes, such as hiring, promotion, or simply keeping one's job, depend on whether an individual submits to sexual harassment.

hostile work environment

A form of sexual harassment in which unwelcome and demeaning sexually related behavior creates an intimidating and offensive work environment.

sexual harassment lawsuit against Costco, a female employee alleged that her boss groped her and bumped into her from behind to simulate sex. “He would tell her: ‘You work with me and I’ll work with you,’ motioning to his private area.”³² The supervisor also allegedly told her that he would fire her if she reported his activities to upper management. By contrast, a **hostile work environment** occurs when unwelcome and demeaning sexually related behavior creates an intimidating, hostile, and offensive work environment. Salomon Smith Barney, an investment firm, was ordered to pay \$3.2 million to a female stockbroker for the hostile work environment she was subjected to in a Los Angeles office. Stockbroker Tameron Keyes alleged that the males with whom she worked “made sex-related insults; arranged for female strippers in the branch office; played pornographic videotapes in the sales manager’s office; engaged in simulated phone sex on the speaker-phone in the office during work hours; and made lewd comments, some threatening and humiliating, directed at her.”³³

What common mistakes do managers make when it comes to sexual harassment laws?³⁴ First, many assume that the victim and harasser must be of the opposite sex. According to the courts, they do not. Sexual harassment can also occur between people of the same sex. Second, managers often assume that sexual harassment can occur only between coworkers or between supervisors and subordinates. Not so. Agents of employers, such as consultants, and even non-employees can be sexual harassers. The key is not employee status but whether the harassment takes place while company business is being conducted. Third, it is often assumed that only people who have themselves been harassed can file complaints or lawsuits. In fact, especially in hostile work environments, anyone affected by offensive conduct can file a complaint or lawsuit.

Finally, what should companies do to make sure that sexual harassment laws are followed and not violated?³⁵ First, respond immediately when sexual harassment is reported. A quick response encourages victims of sexual harassment to report problems to management rather than to lawyers or the EEOC. Furthermore, a quick and fair investigation may serve as a deterrent to future harassment. A lawyer for the EEOC said, “Worse than having no sexual harassment policy is a policy that is not followed. It’s merely window dressing. You wind up with destroyed morale when people who come forward are ignored, ridiculed, retaliated against, or nothing happens to the harasser.”³⁶ Next, take the time to write a clear, understandable sexual harassment policy that is strongly worded, gives specific examples of what constitutes sexual harassment, spells out sanctions and punishments, and is widely publicized within the company. This lets potential harassers and victims know what will not be tolerated and how the firm will deal with harassment should it occur. An example of such a sexual harassment policy can be found on Xtra!.

Next, establish clear reporting procedures that indicate how, where, and to whom incidents of sexual harassment can be reported. The best procedures ensure that a complaint will receive a quick response, that impartial parties will handle the complaint, and that the privacy of the accused and accuser will be protected. At DuPont, Avon, and Texas Industries, employees can call a confidential hotline 24 hours a day, 365 days a year.³⁷

Finally, managers should also be aware that most states and many cities or local governments have their own employment-related laws and enforcement agencies. So compliance with federal law is often not enough. In fact, organizations can be in full compliance with federal law and at the same time be violating state or local sexual harassment laws.

Review 2: Employment Legislation

Human resource management is subject to the following major federal employment laws: Equal Pay Act, Civil Rights Acts of 1964 and 1991, Age Discrimination in Employment Act, Pregnancy Discrimination Act, Americans

with Disabilities Act, Family and Medical Leave Act, and Uniformed Services Employment and Reemployment Rights Act. Human resource management is also subject to review by these federal agencies: Equal Employment Opportunity Commission, Department of Labor, Occupational Safety and Health Administration, and National Labor Relations Board. In general, these laws indicate that gender, age, religion, color, national origin, race, disability, and pregnancy may not be considered in employment decisions unless these factors reasonably qualify as BFOQs. Two important criteria, disparate treatment (intentional discrimination) and adverse impact (unintentional discrimination), are used to decide whether companies have wrongly discriminated against someone. While motive is a key part of determining disparate treatment, the courts and federal enforcement agencies use the four-fifths rule to determine if adverse impact has occurred. The two kinds of sexual harassment are quid pro quo and hostile work environment. Managers often wrongly assume that the victim and harasser must be of the opposite sex, that sexual harassment can only occur between coworkers or between supervisors and their employees, and that only people who have themselves been harassed can file complaints or lawsuits. To ensure compliance with sexual harassment laws, companies should respond immediately when harassment is reported; write a clear, understandable sexual harassment policy; establish clear reporting procedures; and be aware of and follow city and state laws concerning sexual harassment.

Finding Qualified Workers

Ironically, despite record sales, Technical Materials, which sells electroplating and metal-bonding processes to car manufacturers and high-tech industries, could not find enough qualified employees to work in its factories. Its pool of prospective employees was so weak that one in six applicants failed its drug test up, from one in twenty-five. Company president Al Lubrano made numerous strong job offers, added more pay and benefits to those offers when applicants asked for more, and still couldn't hire anybody. Finally, Lubrano said, "When it got ridiculous, we walked away."³⁸ Likewise, the nursing shortage mentioned at the beginning of the chapter is why Mary Viney, director of patient care services, found herself in Manila, trying to encourage Filipino nurses to work for her hospital in Austin, Texas. In Texas, says Viney, "it's a day-to-day, shift-to-shift challenge to get enough nurses."³⁹

As these examples illustrate, finding qualified workers can be an increasingly difficult task. Finding qualified applicants is just the first step, however. Deciding which applicants to hire is the second. CEO John Chambers of Cisco Systems, the leading designer and manufacturer of the high-tech equipment that serves as the backbone of the Internet, says, "Cisco has an overall goal of getting the top 10 to 15 percent of people in our industry. Our philosophy is very simple—if you get the best people in the industry to fit into your culture and you motivate them properly, then you're going to be an industry leader."⁴⁰

After reading the next two sections, you should be able to

- 3** explain how companies use recruiting to find qualified job applicants.
- 4** describe the selection techniques and procedures that companies use when deciding which applicants should receive job offers.

3 RECRUITING

Recruiting is the process of developing a pool of qualified job applicants. Let's examine **3.1 what job analysis is and how it is used in recruiting** and **3.2 how companies use internal recruiting** and **3.3 external recruiting to find qualified job applicants**.

recruiting

The process of developing a pool of qualified job applicants.

3.1 Job Analysis and Recruiting

job analysis

A purposeful, systematic process for collecting information on the important work-related aspects of a job.

Job analysis is a “purposeful, systematic process for collecting information on the important work-related aspects of a job.”⁴¹ Typically, a job analysis collects four kinds of information:

- work activities, such as what workers do and how, when, and why they do it;
- the tools and equipment used to do the job;
- the context in which the job is performed, such as the actual working conditions or schedule; and
- the personnel requirements for performing the job, meaning the knowledge, skills, and abilities needed to do a job well.⁴²

Job analysis information can be collected by having job incumbents and/or supervisors complete questionnaires about their jobs, by direct observation, by interviews, or by filming employees as they perform their jobs.

job description

A written description of the basic tasks, duties, and responsibilities required of an employee holding a particular job.

Job descriptions and job specifications are two of the most important results of a job analysis. A **job description** is a written description of the basic tasks, duties, and responsibilities required of an employee holding a particular job. **Job specifications**, which are often included as a separate section of a job description, are a summary of the qualifications needed to successfully perform the job. Exhibit 11.5 shows a job description and the job specifications for a helicopter pilot for the city of Little Rock, Arkansas.

job specifications

A written summary of the qualifications needed to successfully perform a particular job.

Because a job analysis clearly specifies what a job entails, as well as the knowledge, skills, and abilities that are needed to do the job well, companies must complete a job analysis *before* beginning to recruit job applicants. Exhibit 11.6 shows that job analysis, job descriptions, and job specifications are the foundation on which all critical human resource activities are built. They are used during recruiting and selection to match applicant qualifications with the requirements of the job. They are used throughout the staffing process to ensure that selection devices and the decisions based on these

Exhibit 11.5

Job Description and Job Specifications for a Helicopter Pilot for the City of Little Rock, Arkansas

DESCRIPTION FOR HELICOPTER PILOT

To provide assistance for air searches, river rescues, high-rise building rescues, and other assignments, by providing air survey and aviation response. Pilots a rotary-wing aircraft, serving as pilot or co-pilot, to assist in air searches, river rescues, high-rise building rescues, and other assignments. Ensures that aircraft is properly outfitted for each assignment (equipment, rigging tools, supplies, etc.). Performs preflight inspection of aircraft; checks rotors, fuel, lubricants, controls, etc. Prepares written reports on assignments; maintains flight logs. Obtains weather reports; determines to proceed with assignments given forecasted weather conditions. Operates a radio to maintain contact with and to report information to airport personnel and police department personnel.

JOB SPECIFICATIONS FOR HELICOPTER PILOT

Must possess a valid Commercial Pilot's License for rotary-wing aircraft before employment and maintain licensure for the duration of employment in this position. Must have considerable knowledge of Federal Aviation Administration (FAA) laws and regulations, rotary-wing aircraft operating procedures, air traffic safety, flying procedures and navigational techniques, and FAA and police radio operation and procedures. Must have some knowledge of preventive maintenance methods, repair practices, safety requirements and inspection procedures. Must have skill in the operation of a rotary-wing aircraft, radio equipment, the ability to conduct safety inspections of aircraft, to maintain aircraft maintenance logs and prepare reports, to detect and identify aircraft malfunction symptoms, to detect and recognize ground conditions and characteristics (i.e., utility line breaks, river currents, etc.), to read maps and air navigation charts, and to communicate effectively, both orally and in writing. Must have completed high school; at least one-thousand hours of flight time experience in piloting rotary-wing aircraft; OR any equivalent combination of experience and training which provides the required knowledge, skills, and abilities.

devices are job related. For example, the questions asked in an interview should be based on the most important work activities identified by a job analysis. Likewise, during performance appraisals, employees should be evaluated in areas that a job analysis has identified as the most important in a job.

Job analyses, job descriptions, and job specifications also help companies meet the legal requirement that their human resource decisions be job related. To be judged *job related*, recruitment, selection, training, performance appraisals, and employee separations must be valid and be directly related to the important aspects of the job, as identified by a careful job analysis. In fact, in *Griggs v. Duke Power Co.* and *Albemarle Paper Co. v. Moody*, the U.S. Supreme Court ruled that companies should use job analyses to help establish the job relatedness of their human resource procedures.⁴³ The EEOC’s *Uniform Guidelines on Employee Selection Procedures* also recommend that companies base their human resource procedures on job analysis.

3.2 Internal Recruiting

Internal recruiting is the process of developing a pool of qualified job applicants from people who already work in the company. Internal recruiting, sometimes called “promotion from within,” improves employee commitment, morale, and motivation. Recruiting current employees also reduces recruitment startup time and costs, and because employees are already familiar with the company’s culture and procedures, they are more likely to succeed in new jobs. This is why, according to Bob Graczyk, director of human resources, that Quick Chek Food Stores’ goal is to hire “100 percent” of its new store managers through internal recruiting. Graczyk said, “We try to find people whose personal values align with the company values.”⁴⁴ And, of course, it’s easier to do that when the applicants already work for the company. Job posting and career paths are two methods of internal recruiting.

Job posting is a procedure for advertising job openings within the company to existing employees. A job description and requirements are typically posted on a bulletin board, in a company newsletter, or in an internal computerized job bank that is accessible only to employees. For example, under Japan-based Fujisawa Pharmaceuticals’ “Job Challenge” policy, all Fujisawa departments and divisions recruit internally by posting job openings to the company’s intranet for all employees to see.⁴⁵ Job posting helps organizations discover hidden talent, allows employees to take responsibility for career planning, and makes it easier for companies to retain talented workers who are dissatisfied in their current jobs and would otherwise leave the company.⁴⁶ Fujisawa Pharmaceuticals also has a “Free Agent” policy, which encourages employees who want to change jobs to post their résumés to the same intranet. So, when Fujisawa’s departments and divisions have openings, the first place they look to fill the positions is the company intranet.⁴⁷

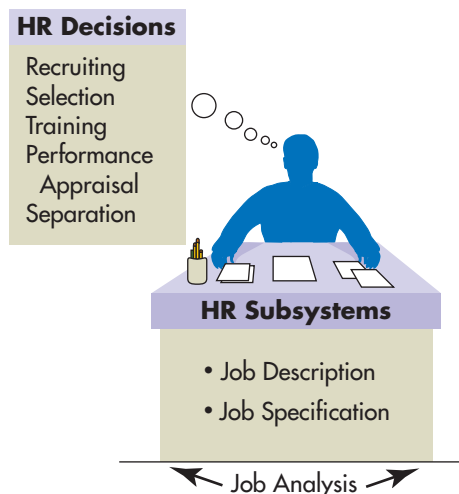
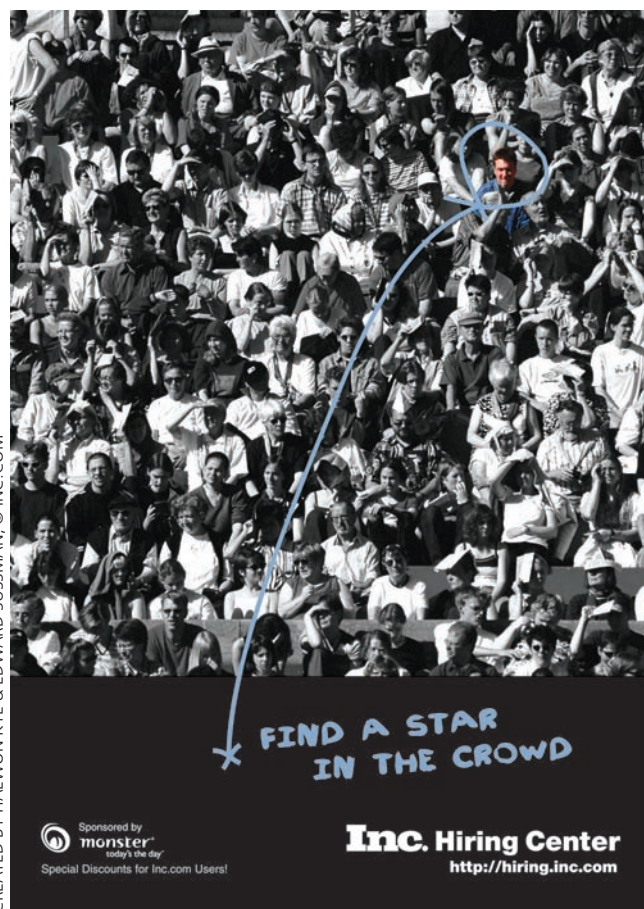


Exhibit 11.6
Importance of Job Analysis to Human Resource Management

Knowing what type of employee you need and finding an exact fit generally takes time and effort. And in the world of Internet applications and job searches, companies are often flooded with applicants for each posted opening. *Inc.* is one of many business publications that also offers a job posting service to help managers narrow the field.



internal recruiting

The process of developing a pool of qualified job applicants from people who already work in the company.

A *career path* is a planned sequence of jobs through which employees may advance within an organization. For example, a person who starts as a sales representative may move up to sales manager and then to district or regional sales manager. Career paths help employees focus on long-term goals and development while also helping companies do succession or replacement planning. For instance, one of the disadvantages of internal recruitment is that it sets off a domino effect of job changes. When an internal employee changes jobs within a company, this person fills one job opening but automatically creates another. With career paths, the company can quickly identify possible replacements as job openings ricochet through the organization. Coca-Cola avoids this problem by making sure that all of its managers are developing replacements at least two levels below their current position. Ian Pinto, senior HR manager for Coca-Cola of India, says, “This enables us to cut the costs associated with scrambling for replacements when people leave, or are moved up or sideways.”⁴⁸

3.3 External Recruiting**external recruiting**

The process of developing a pool of qualified job applicants from outside the company.

External recruiting is the process of developing a pool of qualified job applicants from outside the company. For example, as part of its strategic plan for long-term success, Electronic Arts, the maker of top-selling video games such as “Madden NFL,” has put together a “top 40” list of the most talented managers (senior executives, game directors, producers, etc.) in the industry that it hopes to eventually recruit to the company.⁴⁹ José Martin, who is head of human resources for EA’s 13 game production studios, says, “The challenge for companies now is not identifying talented people but persuading those people to join your company.”⁵⁰

External recruitment methods include advertising (newspapers, magazines, direct mail, radio, or television), employee referrals (asking current employees to recommend possible job applicants), walk-ins (people who apply on their own), outside organizations (universities, technical/trade schools, professional societies), employment services (state or private employment agencies, temporary help agencies, and professional search firms), special events (career conferences or job fairs), and Internet job sites. Which external recruiting method should you use? Studies show that employee referrals, walk-ins, newspaper advertisements, and state employment agencies tend to be used most frequently for office/clerical and production/service employees. By contrast, newspaper advertisements and college/university recruiting are used most frequently for professional/technical employees. When recruiting managers, organizations tend to rely most heavily on newspaper advertisements, employee referrals, and search firms.⁵¹

In the last few years, the biggest changes in external recruiting has been the increased use of the Internet. Some companies now recruit applicants through Internet job sites, such as Monster.com, HotJobs.com, Hire.com, and Career-Builder.com. Companies can post job openings for 30 days on one of these sites for about half of the cost of running an advertisement just once in a Sunday newspaper. Plus, Internet job listings generate nine times as many résumés as one ad in the Sunday newspaper.⁵² And because these sites attract so many applicants and offer so many services, companies save by finding qualified applicants without having to use more expensive recruitment and search firms, which typically charge one-third of a new hire’s salary.⁵³ Monica Albano, executive vice president of human resources for the Americas at Reuters, the news and information company, says, “Utilizing Hire.com, we’re able to attract the best available talent, be specific about the data we retain on people and utilize that data as openings become available. Overall, we saved in excess of \$1.5 million worldwide.”⁵⁴

Despite their many benefits, job Web sites have a significant drawback: companies may receive hundreds, if not thousands, of applications from

unqualified applicants. The sheer volume increases the importance of proper screening and selection. For example, when IM Logic, which makes instant messaging software, advertised job openings on Monster.com and Career-Builder.com, the company was flooded with 200 résumés the first hour the jobs were posted and nearly 750 résumés within two days. CEO Francis DiSouza said, “We weren’t ready for that.”⁵⁵

Therefore, assuming that the most qualified applicants will learn something about the company before applying, many organizations now advertise job openings directly on their Web sites. For example, Subway, the submarine sandwich restaurant chain, accepts applications for part-time work at its 23,375 restaurants in 81 countries at its Web site (<http://www.subway.com/applications/InStoreJobs/index.aspx>).⁵⁶ In fact, 60 percent of the people hired via the Internet have applied at a company Web site. By contrast, only 21 percent of Internet hires come from industry sites, such as Dice.com and Techies.com for technology jobs, while 14 percent were hired through Monster.com, 5.7 percent via Career-Builder.com, and 1.9 percent via HotJobs.com.⁵⁷

Today, between 82 percent and 92 percent of companies use the Internet to fill job openings. In fact, Internet recruiting is now second to newspaper advertising in terms of the number of applicants it generates.⁵⁸ And, with the addition of a new “.jobs” Internet suffix (for example, www.dell.jobs for jobs at Dell, Inc.), more and more companies will use their Web sites to attract, recruit, and screen job applicants.⁵⁹

Review 3: Recruiting

Recruiting is the process of finding qualified job applicants. The first step in recruiting is to conduct a job analysis to collect information about the important work-related aspects of the job. The job analysis is then used to write a job description of basic tasks, duties, and responsibilities and to write job specifications indicating the knowledge, skills, and abilities needed to perform the job. Job analyses, descriptions, and specifications help companies meet the legal requirement that their human resource decisions be job related. Internal recruiting, or finding qualified job applicants from inside the company, can be done through job posting and career paths. External recruiting, or finding qualified job applicants from outside the company, is done through advertising, employee referrals, walk-ins, outside organizations, employment services, special events, and Internet job sites. The Internet is a particularly promising method of external recruiting because of its low cost, wide reach, and ability to communicate and receive unlimited information.

4 SELECTION

Once the recruitment process has produced a pool of qualified applicants, the selection process is used to determine which applicants have the best chance of performing well on the job. When the East Providence, Rhode Island Police Department has job openings, it follows a “rule of three,” meaning that no matter how many candidates it has for an opening, it looks at only the top three applicants, as determined by a standardized written test. Those top three applicants for every position must then pass a physical fitness test and a background check. Every applicant who makes it that far is then put on a list of official candidates for police jobs for two years. Only the best candidates on that list participate in group interviews with the city manager, police chief, deputy chief, a police captain, and the department’s personnel director and affirmative action officer, each of whom privately ranks the candidates after each interview. Applicants with the highest rankings from the group interviews are offered positions in the Police Academy. The remaining applicants from the group interviews may be considered two more times before being rejected.⁶⁰

selection

The process of gathering information about job applicants to decide who should be offered a job.

validation

The process of determining how well a selection test or procedure predicts future job performance. The better or more accurate the prediction of future job performance, the more valid a test is said to be.

As this example illustrates, **selection** is the process of gathering information about job applicants to decide who should be offered a job. To make sure that selection decisions are accurate and legally defensible, the *Uniform Guidelines on Employee Selection Procedures* recommend that all selection procedures be validated. **Validation** is the process of determining how well a selection test or procedure predicts future job performance. The better or more accurate the prediction of future job performance, the more valid a test is said to be. See the “What Really Works” feature later in this chapter for more on the validity of common selection tests and procedures.

Let’s examine common selection procedures, such as **4.1 application forms and résumés**, **4.2 references and background checks**, **4.3 selection tests**, and **4.4 interviews**.

4.1 Application Forms and Résumés

The first selection devices that most job applicants encounter when they seek a job are application forms and résumés. Both contain similar information about an applicant, such as name, address, job and educational history, and so forth. Though an organization’s application form often asks for information already provided by the applicant’s résumé, most organizations prefer to collect this information in their own format for entry into a human resource information system.

Employment laws apply to application forms, just as they do to all selection devices. Application forms may ask applicants for only valid, job-related information. Nonetheless, application forms commonly ask applicants for non-job-related information, such as marital status, maiden name, age, or date of high school graduation. Indeed, one study found that 73 percent of organizations had application forms that violated at least one federal or state law.⁶¹ Exhibit 11.7 lists the kinds of information that companies may not request in applica-

tion forms, during job interviews, or in any other part of the selection process. As attorney Tiberio Trimmer says, “Your objective is to hire someone qualified to perform the requirements of the job. Not asking things that are peripheral to the work itself helps you to stay on the right side of the law.”⁶²

Companies should also be aware that employment laws in other countries may differ from U.S. laws. For instance, in France, employers may ask applicants for non-job-related personal information such as their age or the number of children. And most French employers expect applicants to include a picture with their curriculum vitae (i.e., résumé).⁶³ Consequently, companies should closely examine their application forms, interview questions, and other selection procedures for compliance with the law wherever they do business.

Résumés also pose problems for companies, but in a different way. Studies show that as many as one-third of job applicants intentionally falsify some information on their résumés and that 80 percent of the information on résumés may be misleading. A study of 200,000 job applicants found that 20 percent listed college degrees they hadn’t earned, 30 percent changed the dates of their employment, 40 percent reported much higher salaries, 30 percent incorrectly described their previous jobs, 27 percent falsified their references, and 25 percent reported working at nonexistent or no longer existing

companies, so the fact that they never worked there couldn’t be discovered.⁶⁵

Therefore, managers should verify the information collected via résumés and application forms by comparing it with additional information collected during interviews and other stages of the selection process, such as references and background checks, which are discussed next.

DOING THE RIGHT THING

DON’T EMBELLISH YOUR RÉSUMÉ

Your résumé is supposed to help you get the interview that can get you a job. So where do you draw the line between making yourself look attractive to a potential employer and lying? Despite the strong temptation to improve your odds of getting a job, embellishing your résumé is wrong. Moreover, the information on your résumé is legally binding. If you misrepresent information or lie on your résumé, and many do, you’re breaking the law and can be fired. But where should you draw the line? In general, if what you put on your résumé feels wrong, don’t do it. More specifically, don’t embellish job titles, responsibilities, employment dates, college degrees, certifications, general qualifications, or previous experience in any way. Do the right thing: Tell the truth on your résumé.⁶⁴

1. *Children.* Don't ask applicants if they have children, plan to have them, or have or need child care. Questions about children can unintentionally single out women.
2. *Age.* Because of the Age Discrimination in Employment Act, employers cannot ask job applicants their age during the hiring process. Since most people graduate high school at the age of 18, even asking for high school graduation dates could violate the law.
3. *Disabilities.* Don't ask if applicants have physical or mental disabilities. According to the Americans with Disabilities Act, disabilities (and reasonable accommodations for them) cannot be discussed until a job offer has been made.
4. *Physical characteristics.* Don't ask for information about height, weight, or other physical characteristics. Questions about weight could be construed as leading to discrimination toward overweight people, who studies show are less likely to be hired in general.
5. *Name.* Yes, you can ask an applicant's name, but you cannot ask a female applicant for her maiden name because it indicates marital status. Asking for a maiden name could also lead to charges that the organization was trying to establish a candidate's ethnic background.
6. *Citizenship.* Asking applicants about citizenship could lead to claims of discrimination on the basis of national origin. However, according to the Immigration Reform and Control Act, companies may ask applicants if they have a legal right to work in the United States.
7. *Lawsuits.* Applicants may not be asked if they have ever filed a lawsuit against an employer. Federal and state laws prevent this to protect whistleblowers from retaliation by future employers.
8. *Arrest records.* Applicants cannot be asked about their arrest records. Arrests don't have legal standing. However, applicants can be asked whether they have been convicted of a crime.
9. *Smoking.* Applicants cannot be asked if they smoke. Smokers might be able to claim that they weren't hired because of fears of higher absenteeism and medical costs. However, they can be asked if they are aware of company policies that restrict smoking at work.
10. *AIDS/HIV.* Applicants can't be asked about AIDS, HIV, or any other medical condition. Questions of this nature would violate the Americans with Disabilities Act, as well as federal and state civil rights laws.

Source: J.S. Pouliot, "Topics to Avoid with Applicants," *Nation's Business* 80, no. 7 (1992): 57.

4.2 References and Background Checks

Nearly all companies ask an applicant to provide **employment references**, such as previous employers or coworkers, that they can contact to learn more about the candidate. **Background checks** are used to verify the truthfulness and accuracy of information that applicants provide about themselves and to uncover negative, job-related background information not provided by applicants. Background checks are conducted by contacting "educational institutions, prior employers, court records, police and governmental agencies, and other informational sources, either by telephone, mail, remote computer access, or through in-person investigations."⁶⁶

Unfortunately, previous employers are increasingly reluctant to provide references or background check information for fear of being sued by previous employees for defamation. If former employers provide potential employers with unsubstantiated information that damages applicants' chances of being hired, applicants can (and do) sue for defamation. As a result, 54 percent of employers will not provide information about previous employees.⁶⁷ Many provide only dates of employment, positions held, and date of separation.

When previous employers decline to provide meaningful references or background information, they put other employers at risk of *negligent hiring* lawsuits, in which an employer is held liable for the actions of an employee who would not have been hired if the employer had conducted a thorough reference search and background check. In Florida, the Tallahassee Furniture Company hired a worker to make home furniture deliveries but did not conduct a background check or even ask him to complete an application form. After being hired, he attacked a woman in her home with a knife. When she sued the company, it discovered that he had a history of drug use, violent assault, and mental illness. The courts awarded the woman \$2.5 million in damages.⁶⁸

Exhibit 11.7

Topics That Employers Should Avoid in Application Forms, Interviews, or Other Parts of the Selection Process

employment references

Sources such as previous employers or coworkers who can provide job-related information about job candidates.

background checks

Procedures used to verify the truthfulness and accuracy of information that applicants provide about themselves and to uncover negative, job-related background information not provided by applicants.

With previous employers generally unwilling to give full, candid references and with negligent hiring lawsuits awaiting companies that don't get such references and background information, what can companies do? Conduct criminal record checks, especially if the job for which the person is applying involves money, drugs, control over valuable goods, or access to the elderly, people with disabilities, or people's homes.⁶⁹ According to the Society for Human Resource Management, 80 percent of companies now conduct criminal record checks.⁷⁰

Next, dig deeper for more information. Ask references to provide references. Voca Corporation, based in Columbus, Ohio, has 2,500 employees in six states who care for people with mental retardation and developmental disabilities. Hilary Franklin, director of human resources, says she not only checks references, but also asks the references to provide references and then asks those references for still others. She says, "As you get two or three times removed, you get more detailed, honest information."⁷¹

Next, ask applicants to sign a waiver that permits you to check references, run a background check, or contact anyone else with knowledge of their work performance or history. Likewise, ask applicants if there is anything they would like the company to know or if they expect you to hear anything "unusual" when contacting references.⁷² This, in itself, is often enough to get applicants to share information that they typically withhold. When you've finished checking, keep the findings confidential to minimize the chances of a defamation charge.

Always document all reference and background checks, noting who was called and what information was obtained. And to reduce the likelihood that negligent hiring lawsuits will succeed, it's particularly important to document which companies and people refused to share reference check and background information.

Finally, consider hiring private investigators to conduct background checks. They can often uncover surprising information not revealed by traditional background checks. When an American investment company was looking for a Japanese manager to run its Tokyo office, it quickly found a strong applicant who claimed to have experience with dozens of initial public offerings, or IPOs (the process of bringing privately held companies public so that shares of company stock can be sold in financial markets). In multiple interviews, this applicant clearly had detailed information about each IPO deal. However, a background check soon revealed that he was the Japanese translator and not the financier behind each deal.⁷³

4.3 Selection Tests

We're all aware that some people do well in jobs while other people do poorly, but how do you determine into which category an applicant falls? Selection tests give organizational decision makers a chance to know who will likely do well in a job and who won't. The basic idea behind selection testing is to have applicants take a test that measures something directly or indirectly related to doing well on the job. The selection tests discussed here are specific ability tests, cognitive ability tests, biographical data, personality tests, work sample tests, and assessment centers.

specific ability tests (aptitude tests)

Tests that measure the extent to which an applicant possesses the particular kind of ability needed to do a job well.

Specific ability tests measure the extent to which an applicant possesses the particular kind of ability needed to do a job well. Specific ability tests are also called **aptitude tests** because they measure aptitude for doing a particular task well. For example, if you took the SAT to get into college, then you've taken the aptly named Scholastic Aptitude Test, which is one of the best predictors of how well students will do in college (i.e., scholastic performance). Specific ability tests also exist for mechanical, clerical, sales, and physical work. For example, clerical workers have to be good at accurately reading and scanning numbers as they type or enter data. Exhibit 11.8 shows items similar to the Minnesota

Clerical Test; applicants have only a short time to determine if the two columns of numbers and letters are identical. Applicants who are good at this are likely to do well as clerical or data-entry workers.

Cognitive ability tests measure the extent to which applicants have abilities in perceptual speed, verbal comprehension, numerical aptitude, general reasoning, and spatial aptitude. In other words, these tests indicate how quickly and how well people understand words, numbers, logic, and spatial dimensions. Whereas specific ability tests predict job performance in only particular types of jobs, cognitive ability tests accurately predict job performance in almost all kinds of jobs.⁷⁴ Why is this so? The reason is that people with strong cognitive or mental abilities are usually good at learning new things, processing complex information, solving problems, and making decisions, and these abilities are important in almost all jobs.⁷⁵ In fact, cognitive ability tests are almost always the best predictors of job performance. Consequently, if you were allowed to use just one selection test, cognitive ability tests would be the one to use.⁷⁶ (In practice, though, companies use a battery of different tests because doing so leads to much more accurate selection decisions.)

Biographical data, or **biodata**, are extensive surveys that ask applicants questions about their personal backgrounds and life experiences. The basic idea behind biodata is that past behavior (personal background and life experience) is the best predictor of future behavior. For example, during World War II, the U.S. Air Force had to quickly test tens of thousands of men without flying experience to determine who was likely to be a good pilot. Since flight training took several months and was very expensive, selecting the right people for training was important. After examining extensive biodata, it found that one of the best predictors of success in flight school was whether students had ever built model airplanes that actually flew. This one biodata item was almost as good a predictor as the entire set of selection tests that the Air Force was using at the time.⁷⁷

Most biodata questionnaires have over 100 items that gather information about habits and attitudes, health, interpersonal relations, money, what it was like growing up in your family (parents, siblings, childhood years, teen years), personal habits, current home (spouse, children), hobbies, education and training, values, preferences, and work.⁷⁸ In general, biodata are very good predictors of future job performance, especially in entry-level jobs.

You may have noticed that some of the information requested in biodata surveys also appears in Exhibit 11.7 as topics employers should avoid in applications, interviews, or other parts of the selection process. This information can be requested in biodata questionnaires provided that the company can demonstrate that the information is job related (i.e., valid) and does not result in adverse impact against protected groups of job applicants. Biodata surveys should be validated and tested for adverse impact before they are used to make selection decisions.⁷⁹

Personality is the relatively stable set of behaviors, attitudes, and emotions displayed over time that makes people different from each other. **Personality tests** measure the extent to which applicants possess different kinds of job-related personality dimensions. In Chapter 12, you will learn that there

NUMBERS/LETTERS		SAME	
1.	3468251	3467251	Yes No
2.	4681371	4681371	Yes No
3.	7218510	7218520	Yes No
4.	ZXYAZAB	ZXYAZAB	Yes No
5.	ALZYXMN	ALZYXNM	Yes No
6.	PRQZYMN	PRQZYMN	Yes No

Source: N. W. Schmitt & R. J. Klimoski, *Research Methods in Human Resource Management* (Mason, OH: South-Western, 1991). Used with permission.

Exhibit 11.8
Clerical Test Items Similar to Those Found on the Minnesota Clerical Test

cognitive ability tests
Tests that measure the extent to which applicants have abilities in perceptual speed, verbal comprehension, numerical aptitude, general reasoning, and spatial aptitude.

biographical data (biodata)
Extensive surveys that ask applicants questions about their personal backgrounds and life experiences.

DON'T USE PSYCHICS, LIE DETECTORS, OR HANDWRITING ANALYSIS TO MAKE HR DECISIONS

The Coronado Bay Resort in San Diego hired a psychic to work with its 18-member management team as a way of “moving the managers to the next step.” Seventy-five percent of the organizations in France and Switzerland use handwriting analysis for hiring and promotion decisions. In the past, employers in the United States regularly used polygraphs (lie detectors) for preemployment screening. What do these methods have in common? Companies use them, but they don't work. For example, there is no scientific evidence that handwriting analysis works, yet managers continue to use it. Lie detectors are no more accurate than a coin flip in screening out unethical employees. Fortunately, the Employee Polygraph Protection Act now prevents organizations from using polygraphs for hiring and promotion decisions. As for psychics at work, well, enough said. So, when you're hiring and promoting people, do the right thing. Stay away from fads. Use the reliable, valid, scientifically proven selection and assessment procedures discussed here to hire the right workers and promote the right people into management.⁸⁰

DOING THE RIGHT THING

personality tests

Tests that measure the extent to which applicants possess different kinds of job-related personality dimensions.

work sample tests

Tests that require applicants to perform tasks that are actually done on the job.

assessment centers

A series of managerial simulations, graded by trained observers, that are used to determine applicants' capability for managerial work.

are five major personality dimensions (the Big Five)—extraversion, emotional stability, agreeableness, conscientiousness, and openness to experience—related to work behavior.⁸¹ Of these, only conscientiousness, the degree to which someone is organized, hardworking, responsible, persevering, thorough, and achievement oriented, predicts job performance across a wide variety of jobs.⁸² Conscientiousness works especially well in combination with cognitive ability tests, allowing companies to select applicants who are organized, hardworking, responsible, and smart!

Work sample tests, also called *performance tests*, require applicants to perform tasks that are actually done on the job. So, unlike specific ability, cognitive ability, biographical data, and personality tests, which are indirect predictors of job performance, work sample tests directly measure job applicants' capability to do the job. For example, a computer-based work sample test has applicants assume the role of a real estate agent who must decide how to interact with “virtual clients” in a gamelike scenario. And, as in real life, the clients can be frustrating, confusing, demanding, or indecisive. In one situation, the wife loves the “house” but the husband hates it. The applicants, just like actual real estate agents, must demonstrate what they would do in these realistic situations.⁸³ This work sample simulation gives real estate companies direct evidence of whether applicants can do the job if they are hired. Work sample tests are generally very good at predicting future job performance; however, they can be expensive to administer and can be used for only one kind of job. For example, an auto dealership could not use a work sample test for mechanics as a selection test for sales representatives.

Assessment centers use a series of job-specific simulations that are graded by multiple trained observers to determine applicants' ability to perform managerial work. Unlike the previously described selection tests that are commonly used for specific jobs or entry-level jobs, assessment centers are most often used to select applicants who have high potential to be good managers. Assessment centers often last two to five days and require participants to complete a number of tests and exercises that simulate managerial work.

Some of the more common assessment center exercises are in-basket exercises, role-plays, small-group presentations, and leaderless group discussions. An *in-basket exercise* is a paper-and-pencil test in which an applicant is given a manager's “in-basket” containing memos, phone messages, organizational policies, and other communications normally received by and available to managers. Applicants have a limited time to read through the in-basket, prioritize the items, and decide how to deal with each item. Experienced managers then score the applicants' decisions and recommendations. Exhibit 11.9 shows an item that could be used in an assessment center for evaluating applicants for a job as a store manager.

In a *leaderless group discussion*, another common assessment center exercise, a group of six applicants is given approximately two hours to solve a problem, but no one is put in charge (hence the name “leaderless” group discussion). Trained observers watch and score each participant on the extent to which he or she facilitates discussion, listens, leads, persuades, and works well with others.

Are tests perfect predictors of job performance? No, they aren't. Some people who do well on selection tests will do poorly in their jobs. Likewise, some people who do poorly on selection tests (and therefore weren't hired) would have been very good performers. Nonetheless, valid tests will minimize these selection errors (hiring people who should not have been hired, and not hiring people who should have been hired) while maximizing correct selection decisions (hiring people who should have been hired, and not hiring people who should not have been hired). In short, tests increase the chances that you'll hire the right person for the job, that is, someone who turns out to be a good

performer. So, although tests aren't perfect, almost nothing predicts future job performance as well as the selection tests discussed here. For more on how well selection tests increase the odds of hiring the right person for the job, see the "What Really Works" feature on page 358.

4.4 Interviews

Sharon Ball, director of recruiting and administration for Epitec Group, has interviewed all kinds of mistake-prone job candidates: one with food on his sweater, another with bad breath that "smelled like bile," one who stank of marijuana, and one who stopped the interview to talk on his cell phone for five minutes. Only the applicant with bad breath was hired. She said, "Nice guy. We had to pump him full of Tic Tacs."⁸⁴ In **interviews**, company representatives ask job applicants job-related questions to determine whether they are qualified for the job. Interviews are probably the most frequently used and relied on selection device. There are several basic kinds of interviews: unstructured, structured, and semistructured.

In **unstructured interviews**, interviewers are free to ask applicants anything they want, and studies show that they do. Because interviewers often disagree about which questions should be asked during interviews, different interviewers tend to ask applicants very different questions.⁸⁵ Furthermore, individual interviewers even seem to have a tough time asking the same questions from one interview to the next. This high level of inconsistency lowers the validity of unstructured interviews as a selection device because comparing applicant responses can be difficult. As a result, unstructured interviews are about half as accurate as structured interviews at predicting which job applicants should be hired.

By contrast, with **structured interviews**, standardized interview questions are prepared ahead of time so that all applicants are asked the same job-related questions. Four kinds of questions are typically asked in structured interviews:

- *situational questions*, which ask applicants how they would respond in a hypothetical situation (e.g., "What would you do if . . . ?").
- *behavioral questions*, which ask applicants what they did in previous jobs that were similar to the job for which they are applying (e.g., "In your previous jobs, tell me about . . .").
- *background questions*, which ask applicants about their work experience, education, and other qualifications (e.g., "Tell me about the training you received at . . .").
- *job-knowledge questions*, which ask applicants to demonstrate their job knowledge (e.g., for nurses, "Give me an example of a time when one of your patients had a severe reaction to a medication. How did you handle it?").⁸⁶

The primary advantage of structured interviews is that comparing applicants is much easier because they are all asked the same questions. Structuring interviews also ensures that interviewers ask only for important, job-related information. Not only are the accuracy, usefulness, and validity of the interview improved, but the chances that interviewers will ask questions about topics that violate employment laws (go back to Exhibit 11.7 for a list of these topics) are reduced.

February 28
Sam & Dave's Discount Warehouse
Orange, California

Dear Store Manager,

Last week, my children and I were shopping in your store. After doing our grocery shopping, we stopped in the electronics department and asked the clerk, whose name is Donald Block, to help us find a copy of the latest version of the Madden NFL video game. Mr. Block was rude, unhelpful, and told us to find it for ourselves as he was busy.

I've been a loyal customer for over six years and expect you to immediately do something about Mr. Block's behavior. If you don't, I'll start doing my shopping somewhere else.

Sincerely,
Margaret Quinlan

Source: Adapted from N. W. Schmitt & R. J. Klimoski, *Research Methods in Human Resource Management* (Mason, OH: South-Western 1991).

Exhibit 11.9

In-Basket Item for an Assessment Center for Store Managers

interviews

A selection tool in which company representatives ask job applicants job-related questions to determine whether they are qualified for the job.

unstructured interviews

Interviews in which interviewers are free to ask applicants anything they want.

structured interviews

Interviews in which all applicants are asked the same set of standardized questions, usually including situational, behavioral, background, and job-knowledge questions.

WHAT REALLY WORKS

Using Selection Tests to Hire Good Workers

Hiring new employees is always something of a gamble. When you say, “We’d like to offer you a job,” you never know how it’s going to turn out. Nonetheless, the selection tests discussed in this chapter and reviewed in this section can go a long way toward taking the gambling aspect out of the hiring process. Indeed, more than 1,000 studies based on over 100,000 study participants strongly indicate that selection tests can give employers a much better than average (50-50) chance of hiring the right workers. In fact, if you had odds like these working for you in Las Vegas, you’d make so much money the casinos wouldn’t let you in the door.

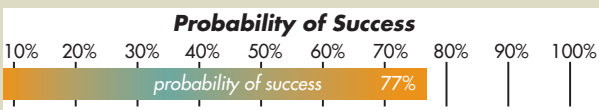
COGNITIVE ABILITY TESTS

There is a 76 percent chance that applicants who do well on cognitive ability tests will be much better performers in their jobs than applicants who do not do well on such tests.



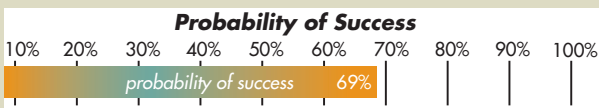
WORK SAMPLE TESTS

There is a 77 percent chance that applicants who do well on work sample tests will be much better performers in their jobs than applicants who do not do well on such tests.



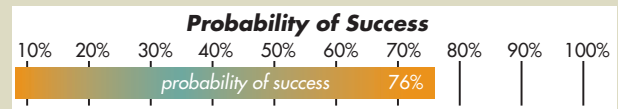
ASSESSMENT CENTERS

There is a 69 percent chance that applicants who do well on assessment center exercises will be much better managers than applicants who do not do well on such exercises.



STRUCTURED INTERVIEWS

There is a 76 percent chance that applicants who do well in structured interviews will be much better performers in their jobs than applicants who do not do well in such interviews.



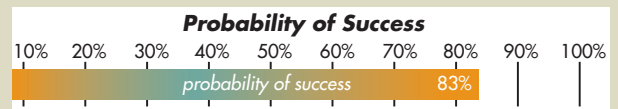
COGNITIVE ABILITY + WORK SAMPLE TESTS

When deciding who to hire, most companies use a number of tests to make even more accurate selection decisions. There is an 82 percent chance that applicants who do well on a combination of cognitive ability tests and work sample tests will be much better performers in their jobs than applicants who do not do well on both tests.



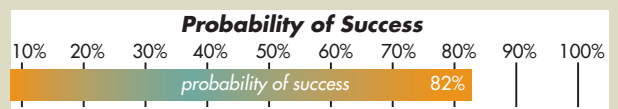
COGNITIVE ABILITY + INTEGRITY TESTS

There is an 83 percent chance that applicants who do well on a combination of cognitive ability tests and integrity tests (see Chapter 4 for a discussion of integrity tests) will be much better performers in their jobs than applicants who do not do well on both tests.



COGNITIVE ABILITY + STRUCTURED INTERVIEWS

There is an 82 percent chance that applicants who do well on a combination of cognitive ability tests and structured interviews will be much better performers in their jobs than applicants who do not do well on both tests.⁸⁷



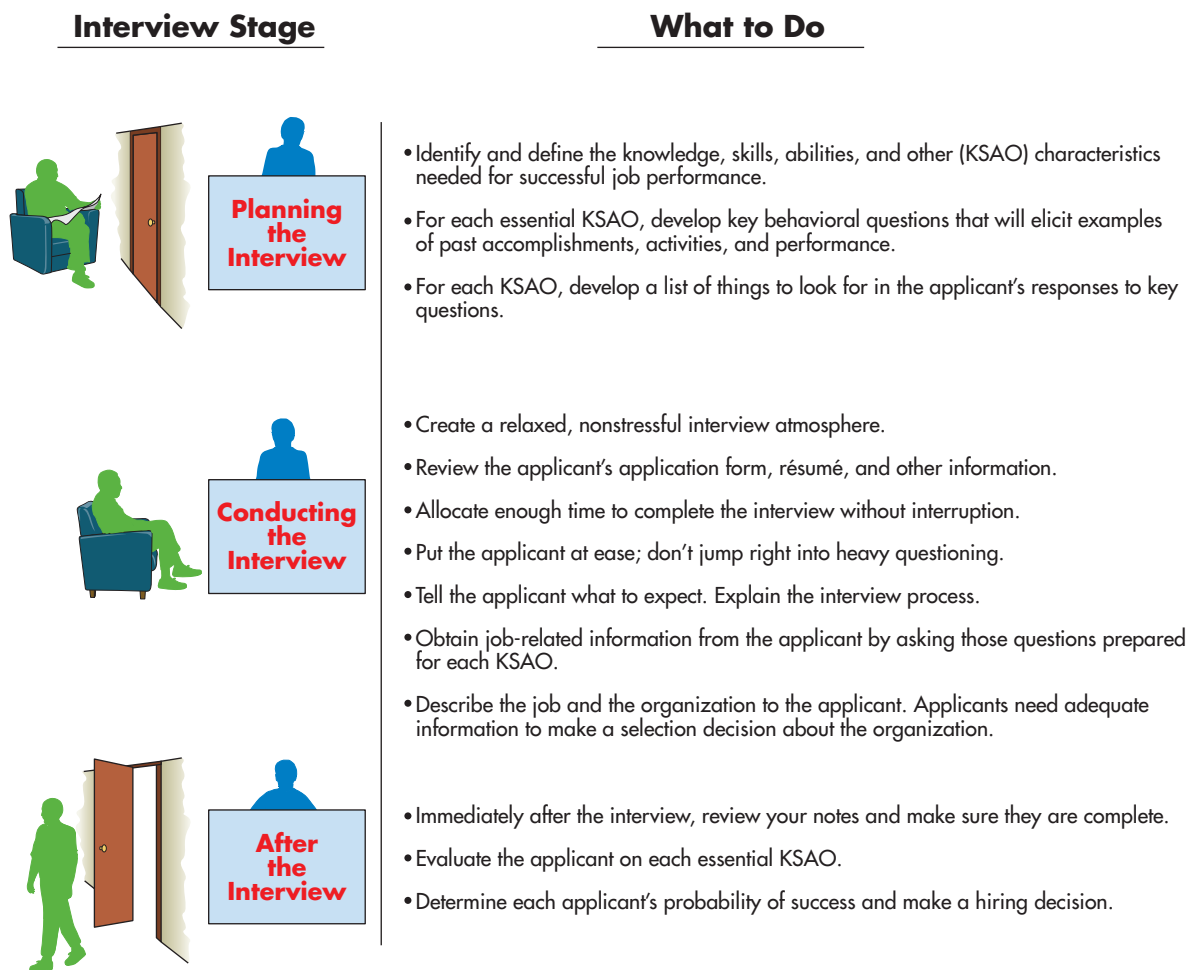
Semistructured interviews are in between structured and unstructured interviews. A major part of the semistructured interview (perhaps as much as 80 percent) is based on structured questions, but some time is set aside for unstructured interviewing to allow the interviewer to probe into ambiguous or missing information uncovered during the structured portion of the interview.

How well do interviews predict future job performance? Contrary to what you've probably heard, recent evidence indicates that even unstructured interviews do a fairly good job.⁸⁸ When conducted properly, however, structured interviews can lead to much more accurate hiring decisions than unstructured interviews. In some cases, the validity of structured interviews can rival that of cognitive ability tests. But even more important, because interviews are especially good at assessing applicants' interpersonal skills, they work particularly well with cognitive ability tests. The combination (i.e., smart people who work well in conjunction with others) leads to even better selection decisions than using either alone.⁸⁹ Exhibit 11.10 provides a set of guidelines for conducting effective structured employment interviews.

Review 4: Selection

Selection is the process of gathering information about job applicants to decide who should be offered a job. Accurate selection procedures are valid, are legally defensible, and improve organizational performance. Application forms and résumés are the most common selection devices. Because many application forms request illegal, non-job-related information, and as many as one-third of

Exhibit 11.10
Guidelines for Conducting Effective Structured Interviews



job applicants falsify information on résumés, these procedures are often of little value in making hiring decisions. References and background checks can also be problematic, given that previous employers are reluctant to provide such information for fear of being sued for defamation. Unfortunately, without this information, other employers are at risk of negligent hiring lawsuits. Selection tests generally do the best job of predicting applicants' future job performance. In general, cognitive ability tests, work sample tests, biographical data, and assessment centers are the most valid tests, followed by personality tests and specific ability tests, which are still good predictors. Selection tests aren't perfect predictors of job performance, but almost nothing predicts future job performance as well as selection tests. The three kinds of job interviews are unstructured, structured, and semistructured interviews. Of these, structured interviews work best because they ensure that all applicants are consistently asked the same situational, behavioral, background, or job-knowledge questions.

Developing Qualified Workers

Harmon Industries, which makes signaling and communications equipment for the railway and transit industries, has a new training center where its employees learn engineering, safety, teamwork, time management, and other workplace skills. Ron Breshears, Harmon's vice president of human resources and safety, says, "Training is an investment, not a cost. Once you see that, you see that you get a good return on your investment."⁹⁰ Indeed, according to the American Society for Training and Development, a typical investment in training increases productivity by an average of 17 percent, reduces employee turnover, and makes companies more profitable.⁹¹

Giving employees the knowledge and skills they need to improve their performance is just the first step in developing employees, however. The second step, and not enough companies do this, is giving employees formal feedback about their actual job performance. A CEO of a large telecommunications company hired an outside consultant to assess and coach (i.e., provide feedback) the company's top 50 managers. To the CEO's surprise, 75 percent of those managers indicated that the feedback they received from the consultant regarding their strengths and weaknesses was the only substantial feedback they had received about their performance in the last five years. On a more positive note, as a result of that feedback, two-thirds of the managers then took positive steps to improve their skills, knowledge, and job performance and expressed a clear desire for more feedback, especially from their boss, the CEO.⁹² So, in today's competitive business environment, even top managers understand the importance of formal performance feedback to their growth and development.

After reading the next two sections, you should be able to

- 5** describe how to determine training needs and select the appropriate training methods.
- 6** discuss how to use performance appraisal to give meaningful performance feedback.

5 TRAINING

training
Developing the skills, experience, and knowledge employees need to perform their jobs or improve their performance.

Training means providing opportunities for employees to develop the job-specific skills, experience, and knowledge they need to do their jobs or improve their performance. American companies spend more than \$60 billion a year on training. To make sure those training dollars are well spent, companies need to **5.1 determine specific training needs**, **5.2 select appropriate training methods**, and **5.3 evaluate training**.

5.1 Determining Training Needs

Needs assessment is the process of identifying and prioritizing the learning needs of employees. Needs assessments can be conducted by identifying performance deficiencies, listening to customer complaints, surveying employees and managers, or formally testing employees' skills and knowledge.

needs assessment

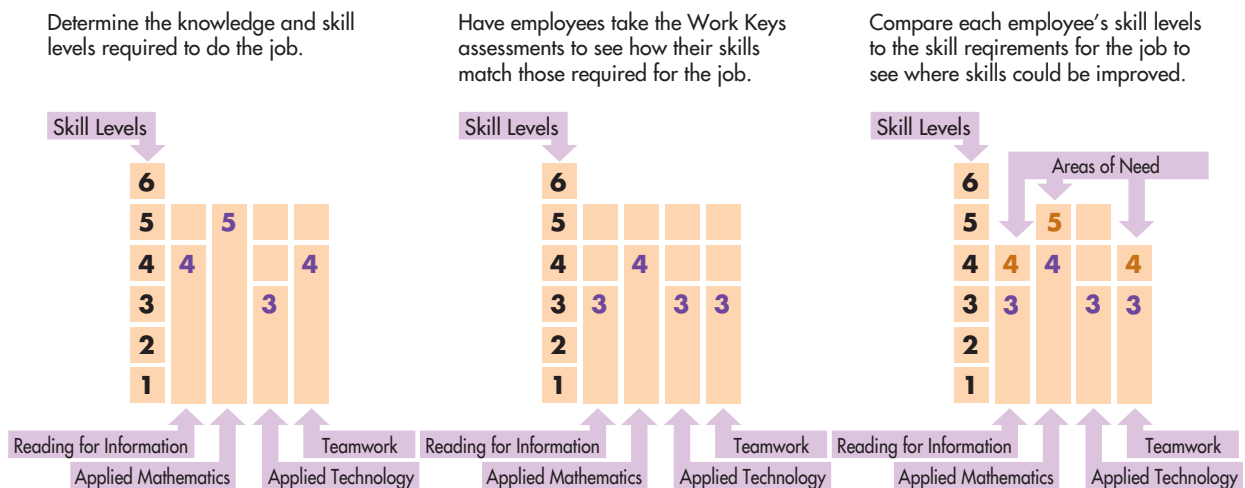
The process of identifying and prioritizing the learning needs of employees.

The Work Keys method created by American College Testing (maker of the ACT test used for college admissions) in Iowa City, Iowa, is a needs assessment tool used for 7,000 different jobs by more than 1,400 companies nationwide.⁹³ Work Keys is a series of tests that can be used to determine employees' knowledge and skill levels in communication (listening, reading for information, and writing), problem solving (applied mathematics, applied technology, locating information, and observation), and interpersonal skills (teamwork). As shown in Step 1 of Exhibit 11.11, a needs assessment using Work Keys begins with a job analysis (what ACT calls "job profiling") to determine the knowledge and skill levels required to perform a job successfully. Step 1 shows that a worker needs a skill level of 3 in applied technology, a 4 in reading for information and teamwork, and a 5 in applied mathematics (skill levels range from 1 to 6) to do well in a manufacturing job. Following the job analysis, employees are tested to see how well their skills match those required for the job, as shown in Step 2 of Exhibit 11.11. Then, as shown in Step 3 of the exhibit, employees' skill levels are compared to the requirements for the job. The greater the difference between an employee's skill levels and those required, the greater the need for training. Based on the Work Keys needs assessment, this employee needs some training in reading for information, applied mathematics, and teamwork.

Note that training should never be conducted without first performing a needs assessment. Sometimes, training isn't needed at all or isn't needed for all employees. Since the needs assessment shown in Exhibit 11.11 indicates that the employee's applied technology skills match those required for the job, it would be a waste of time and money to send this employee for training in that area.

Unfortunately, however, many organizations simply require all employees to attend training, whether they need to or not. As a result, employees who are not interested or don't need the training may react negatively during or after training. Likewise, employees who should be sent for training but aren't may also react negatively. Consequently, a needs assessment is an important tool for deciding who should or should not attend training. In fact, employment law restricts employers from discriminating on the basis of age, gender, race, color,

Exhibit 11.11
Work Keys Needs Assessment for a Manufacturing Job



Source: "Work Keys for Business: The System in Action," ACT: Information for Life's Transactions, [Online] available at <http://www.act.org/workkeys/business/action.html/>, 31 May 2003. Copyright 1999 by Act, Inc.

religion, national origin, or disability when selecting training participants. Instead, just like hiring decisions, the selection of training participants should be based on job-related information.

5.2 Training Methods

Assume that you're a training director for a bank and that you're in charge of making sure that all bank employees know what to do in case of a robbery. Exhibit 11.12 on the next page lists a number of training methods you could use: films and videos, lectures, planned readings, case studies, coaching and mentoring, group discussions, on-the-job training, role-playing, simulations and games, vestibule training, and computer-based learning. Which method would be best?

To choose the best method, you should consider a number of factors, such as the number of people to be trained, the cost of training, and the objectives of the training. For instance, if the training objective is to impart information or knowledge to trainees, then you should use films and videos, lectures, and planned readings. In our robbery training example, trainees would hear, see, or read about what to do in case of a robbery.

If developing analytical and problem-solving skills is the objective, then use case studies, group discussions, and coaching and mentoring. In our example, trainees would read about a real robbery, discuss what to do, and then talk to people who had been through robberies.

If practicing, learning, or changing job behaviors is the objective, then use on-the-job training, role-playing, simulations and games, and vestibule training. In our example, trainees would learn about robbery situations on the job, pretend that they were in a robbery situation, or participate in a highly realistic mock robbery.

If training is supposed to meet more than one of these objectives, then your best choice may be to combine one of the previous methods with computer-based training. CDW (Computer Discount Warehouse) now uses avatar-based training. An avatar is a computerized depiction of a person. If you've ever played a video game, you've encountered an avatar. When CDW account manager Danielle Paden took a sales course, the avatar first described a situation: such as an unhappy customer whose computer won't connect to her high-speed Internet hookup. Then, a picture of the customer would appear on the screen, accompanied by audio of the customer speaking. Finally, with help from the avatar if she needed it (just click on the avatar), Paden would decide what to do and then receive feedback from the avatar and another response from the customer. Paden described the training as "the closest thing you can get to [actual]

Avatars are a new tool in corporate training. This image from SimuLearn shows a screen from a leadership course. A simulated meeting is held to discuss why a company party and sales retreat is no longer effective and the player (trainee) must decide what to do.



SIMULEARN, INC. USED WITH PERMISSION.

client interactions" and said that "the avatar went through almost every situation you will run across."⁹⁴

These days, many companies are adopting Internet training or "e-learning." For instance, Dow Chemical now has the ability to provide electronic learning or training to all 40,000 employees in 70 countries using its Learn@dow.now Web-based training system.⁹⁵ Likewise, Cisco Systems offers 4,500 e-learning courses to its managers and employees.⁹⁶ Internet training or e-learning can offer several advantages. Because employees don't need to leave their jobs, travel costs are greatly reduced. Also, because employees can take training modules when it is convenient (in other words, they don't have to fall behind at their jobs to attend week-long training courses), workplace

TRAINING OBJECTIVE	TRAINING METHOD
Impart Information and Knowledge	<ul style="list-style-type: none"> • <i>Films and videos.</i> Films and videos share information, illustrate problems and solutions, and effectively hold trainees' attention.
	<ul style="list-style-type: none"> • <i>Lectures.</i> Trainees listen to instructors' oral presentations.
	<ul style="list-style-type: none"> • <i>Planned readings.</i> Trainees read about concepts or ideas before attending training.
Develop Analytical and Problem-Solving Skills	<ul style="list-style-type: none"> • <i>Case studies.</i> Cases are analyzed and discussed in small groups. The cases present a specific problem or decision, and trainees develop methods for solving the problem or making the decision.
	<ul style="list-style-type: none"> • <i>Coaching and mentoring.</i> Coaching and mentoring of trainees by managers involves informal advice, suggestions, and guidance. This method is helpful for reinforcing other kinds of training and for trainees who benefit from support and personal encouragement.
	<ul style="list-style-type: none"> • <i>Group discussions.</i> Small groups of trainees actively discuss specific topics. The instructor may perform the role of discussion leader.
Practice, Learn, or Change Job Behaviors	<ul style="list-style-type: none"> • <i>On-the-job training (OJT).</i> New employees are assigned to experienced employees. The trainee learns by watching the experienced employee perform the job and eventually by working alongside the experienced employee. Gradually, the trainee is left on his or her own to perform the job.
	<ul style="list-style-type: none"> • <i>Role-playing.</i> Trainees assume job-related roles and practice new behaviors by acting out what they would do in job-related situations.
	<ul style="list-style-type: none"> • <i>Simulations and games.</i> Experiential exercises place trainees in realistic job-related situations and give them the opportunity to experience a job-related condition in a relatively low-cost setting. The trainee benefits from "hands-on experience" before actually performing the job where mistakes may be more costly.
	<ul style="list-style-type: none"> • <i>Vestibule training.</i> Procedures and equipment similar to those used in the actual job are set up in a special area called a "vestibule." The trainee is then taught how to perform the job at his or her own pace without disrupting the actual flow of work, making costly mistakes, or exposing the trainee and others to dangerous conditions.
Impart Information and Knowledge; Develop Analytical and Problem-Solving Skills; and Practice, Learn, or Change Job Behaviors	<ul style="list-style-type: none"> • <i>Computer-based learning.</i> Interactive videos, software, CD-ROMs, personal computers, teleconferencing, and the Internet may be combined to present multimedia-based training.

Source: A. Fowler, "How to Decide on Training Methods," *People Management* 25, no. 1 (1995): 36.

Exhibit 11.12
Training Objectives and Methods

productivity should increase and employee stress should decrease. Finally, if the company's technology infrastructure can support it, Internet training and e-learning can be much faster than traditional training methods. For example, British Telecom used an avatar-based course to train 4,500 salespeople in just over a month. Traditional classroom training would have cost twice as much and taken twice as long to deliver.⁹⁷

There are, however, several disadvantages to Internet training or e-learning. First, despite its increasing popularity, it's not always the appropriate training method. Internet training can be a good way to impart information, but it isn't always as effective for changing job behaviors or developing problem-solving and analytical skills. Second, e-learning requires a significant investment in computers and high-speed Internet and network connections for all employees. Finally, though e-learning can be faster, many employees find it so boring and

unengaging that they may choose to do their jobs rather than complete e-learning courses when sitting alone at their desks. E-learning may become more interesting, however, as more companies incorporate gamelike features in training, such as avatars and competition, into their e-learning courses.

5.3 Evaluating Training

After selecting a training method and conducting the training, the last step is to evaluate the training. Training can be evaluated in four ways: on *reactions*, how satisfied trainees were with the program; on *learning*, how much employees improved their knowledge or skills; on *behavior*, how much employees actually changed their on-the-job behavior because of training; or on *results*, how much training improved job performance, such as increased sales or quality, or decreased costs.⁹⁸ In general, if done well, training provides meaningful benefits for most companies. For example, a study by the American Society for Training and Development shows that a training budget as small as \$680 per employee can increase a company's total return on investment by 6 percent.⁹⁹

Review 5: Training

Training is used to give employees the job-specific skills, experience, and knowledge they need to do their jobs or improve their job performance. To make sure training dollars are well spent, companies need to determine specific training needs, select appropriate training methods, and then evaluate the training. Needs assessments can be conducted by identifying performance deficiencies, listening to customer complaints, surveying employees and managers, or formally testing employees' skills and knowledge. Selection of an appropriate training method depends on a number of factors, such as the number of people to be trained, the cost of training, and the objectives of the training. If the objective is to impart information or knowledge, then films and videos, lectures, and planned readings should be used. If developing analytical and problem-solving skills is the objective, then case studies, group discussions, and coaching and mentoring should be used. If practicing, learning, or changing job behaviors is the objective, then on-the-job training, role-playing, simulations and games, and vestibule training would be used. If training is supposed to meet more than one of these objectives, then it may be best to combine one of the previous methods with computer-based training. Training can be evaluated on reactions, learning, behavior, or results.

6 PERFORMANCE APPRAISAL

performance appraisal

The process of assessing how well employees are doing their jobs.

Performance appraisal is the process of assessing how well employees are doing their jobs. Most employees and managers intensely dislike the performance appraisal process. One manager said, "I hate annual performance reviews. I hated them when I used to get them, and I hate them now that I give them. If I had to choose between performance reviews and paper cuts, I'd take paper cuts every time. I'd even take razor burns and the sound of fingernails on a blackboard."¹⁰⁰ Unfortunately, attitudes like this are all too common. In fact, 70 percent of employees are dissatisfied with the performance appraisal process in their companies. Likewise, according to the Society for Human Resource Management, 90 percent of human resource managers are dissatisfied with the performance appraisal systems used by their companies.¹⁰¹

Because performance appraisals are used for so many important purposes, companies with poor performance appraisal systems face tremendous problems. For example, performance appraisals are used as a basis for compensation, promotion, and training decisions. In human resource planning, performance appraisals are used for career planning and for making termination decisions. And because of their key role in so many organizational decisions, performance

appraisals are also central to many of the lawsuits that employees (or former employees) file against employers.

Let’s explore how companies can avoid some of these problems with performance appraisals by **6.1 accurately measuring job performance** and **6.2 effectively sharing performance feedback with employees**.

6.1 Accurately Measuring Job Performance

Workers often have strong doubts about the accuracy of their performance appraisals—and they may be right. For example, it’s widely known that assessors are prone to errors when rating worker performance. Three of the most common rating errors are central tendency, halo, and leniency. *Central tendency error* occurs when assessors rate all workers as average or in the middle of the scale. *Halo error* occurs when assessors rate all workers as performing at the same level (good, bad, or average) in all parts of their jobs. *Leniency error* occurs when assessors rate all workers as performing particularly well. One of the reasons that managers make these errors is that they often don’t spend enough time gathering or reviewing performance data. Winston Connor, the former vice president of human resources at Huntsman Chemical, said, “Most of the time, it’s just a ritual that managers go through. They pull out last year’s review, update it and do it quickly.”¹⁰²

What can be done to minimize rating errors and improve the accuracy with which job performance is measured? In general, two approaches have been used: improving performance appraisal measures themselves and training performance raters to be more accurate.

One of the ways companies try to improve performance appraisal measures is to use as many objective performance measures as possible. **Objective performance measures** are measures of performance that are easily and directly counted or quantified. Common objective performance measures include output, scrap, waste, sales, customer complaints, or rejection rates.

But when objective performance measures aren’t available, and frequently they aren’t, subjective performance measures have to be used instead. **Subjective performance measures** require that someone judge or assess a worker’s performance. The most common kind of subjective performance measure is the trait rating scale shown in Exhibit 11.13. **Trait rating scales**, also called *graphic rating scales*, ask raters to indicate the extent to which a worker possesses a particular trait or characteristic, such as reliability or honesty.

objective performance measures

Measures of job performance that are easily and directly counted or quantified.

subjective performance measures

Measures of job performance that require someone to judge or assess a worker’s performance.

trait rating scales

Rating scales that indicate the extent to which workers possess particular traits or characteristics.

Exhibit 11.13

Subjective Performance Appraisal Scales

Trait Rating Scale	Strongly Agree	Strongly Disagree
1. Employee is a hard worker.	1 2 3 4 5	
2. Employee is reliable.	1 2 3 4 5	
3. Employee is trustworthy.	1 2 3 4 5	

Behavioral Observation Scale	Almost Never	Almost Always
<i>Dimension: Customer Service</i>		
1. Greets customers with a smile and a “hello.”	1 2 3 4 5	
2. Calls other stores to help customers find merchandise that is not in stock.	1 2 3 4 5	
3. Promptly handles customer concerns and complaints.	1 2 3 4 5	
<i>Dimension: Money Handling</i>		
1. Accurately makes change from customer transactions.	1 2 3 4 5	
2. Accounts balance at the end of the day, no shortages or surpluses.	1 2 3 4 5	
3. Accurately records transactions in computer system.	1 2 3 4 5	

Unfortunately, trait rating scales are typically inaccurate measures of performance. Not only are managers notoriously poor judges of employee traits, but the traits are not related to job performance in any meaningful way.

behavioral observation scales (BOSs)

Rating scales that indicate the frequency with which workers perform specific behaviors that are representative of the job dimensions critical to successful job performance.

So, instead of using trait rating scales, subjective performance should be measured using behavioral observation scales. **Behavioral observation scales (BOSs)** ask raters to rate the frequency with which workers perform specific behaviors representative of the job dimensions that are critical to successful job performance. Exhibit 11.13 shows a BOS for two important job dimensions for a retail salesperson: customer service and money handling. Notice that each dimension lists several specific behaviors characteristic of a worker who excels in that dimension of job performance. (Normally, the scale would list 7 to 12 items per dimension, not 3, as in the exhibit.)

Not only do BOSs work well for rating critical dimensions of performance, but studies also show that managers strongly prefer BOSs for giving performance feedback; accurately differentiating between poor, average, and good workers; identifying training needs; and accurately measuring performance. And in response to the statement, “If I were defending a company, this rating format would be an asset to my case,” attorneys strongly preferred BOSs over other kinds of subjective performance appraisal scales.¹⁰³

rater training

Training performance appraisal raters in how to avoid rating errors and increase rating accuracy.

The second approach to improving the measurement of workers’ job performance is rater training. In **rater training**, performance raters are trained to avoid rating errors (i.e., central tendency, halo, and leniency) and to improve rating accuracy. In rater training designed to minimize rating errors, trainees view videotapes of managers observing an employee performing some aspect of a job. Following each video, trainees are asked how they would have rated the worker’s performance and how the manager on the tape would have rated it. Each videotape, however, is an example of the different kinds of rating errors. So trainees have a chance to observe rating errors being made (by the manager in the videotape) and then discuss how to avoid those errors.

Another common form of rater training focuses on improving rater accuracy (rather than minimizing errors). Here, raters closely examine the key dimensions of job performance (e.g., customer service and money handling for the retail salesperson in our example) and discuss specific behaviors representative of each dimension. Trainees may then be asked to role-play examples of these behaviors or to watch videos showing behavioral examples of each dimension of job performance. Both kinds of rater training are effective.¹⁰⁴

6.2 Sharing Performance Feedback

After gathering accurate performance data, the next step is to share performance feedback with employees. Unfortunately, even when performance appraisal ratings are accurate, the appraisal process often breaks down at the feedback stage. Employees become defensive and dislike hearing any negative assessments of their work, no matter how small. Managers become defensive, too, and dislike giving appraisal feedback as much as employees dislike receiving it. One manager said, “I myself don’t go as far as those who say performance reviews are inherently destructive and ought to be abolished, but I agree that the typical annual-review process does nothing but harm. It creates divisions. It undermines morale. It makes people angry, jealous, and cynical. It unleashes a whole lot of negative energy, and the organization gets nothing in return.”¹⁰⁵

360-degree feedback

A performance appraisal process in which feedback is obtained from the boss, subordinates, peers and coworkers, and the employees themselves.

What can be done to overcome the inherent difficulties in performance appraisal feedback sessions? Since performance appraisal ratings have traditionally been the judgments of just one person, the boss, one possibility is to use **360-degree feedback**. In this approach, feedback comes from four sources: the

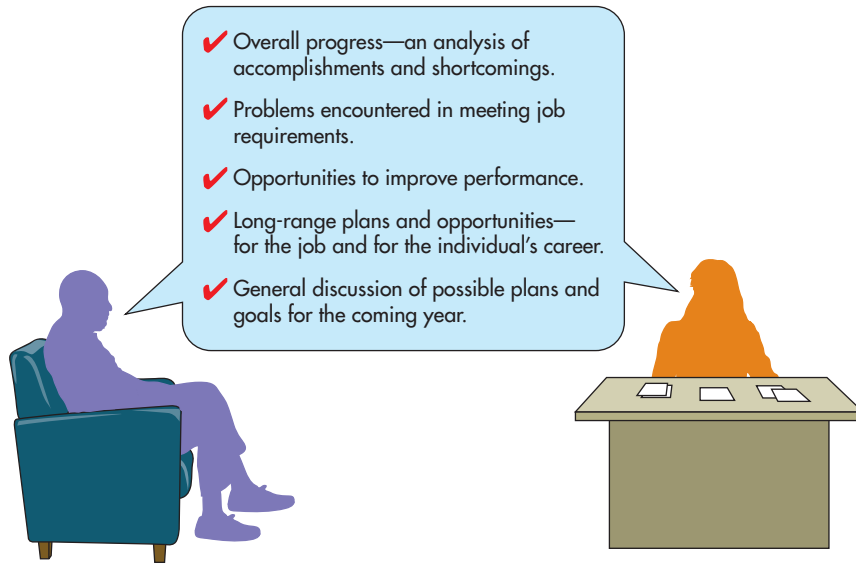
boss, subordinates, peers and coworkers, and the employees themselves. The data, which are obtained anonymously (except for the boss), are then compiled into a feedback report comparing the employee's self-ratings to those of the boss, subordinates, and peers and coworkers. Usually, a consultant or human resource specialist discusses the results with the employee. The advantage of 360-degree programs is that negative feedback ("You don't listen.") is often more credible when it comes from several people. For example, one boss who received 360-degree feedback thought he was a great writer, so he regularly criticized and corrected his subordinates' reports. Though the subordinates had never discussed this among themselves, they all complained about it in the 360-degree feedback and asked that he stop rewriting their reports. After receiving the feedback, he apologized and stopped.¹⁰⁶

A word of caution, though: About half of the companies using 360-degree feedback for performance appraisal now use the feedback only for developmental purposes. They found that sometimes with raises and promotions on the line, peers and subordinates would give high ratings in order to get high ratings from others and that they would also distort ratings to harm competitors or help people they liked. A senior manager at a New York City marketing company agrees, saying that 360-degree feedback "also allows people to vent their frustrations and anger on bosses and colleagues in an insensitive way."¹⁰⁷ On the other hand, studies clearly show that ratees prefer to receive feedback from multiple raters, so 360-degree feedback is likely to continue to grow in popularity.¹⁰⁸

Herbert Meyer, who has been studying performance appraisal feedback for more than 30 years, makes several recommendations for sharing performance feedback with employees.¹⁰⁹ First, managers should separate developmental feedback, which is designed to improve future performance, from administrative feedback, which is used as a reward for past performance, such as for raises. When managers give developmental feedback, they're acting as coaches, but when they give administrative feedback, they're acting as judges. These roles, coaches and judges, are clearly incompatible. As coaches, managers are encouraging, pointing out opportunities for growth and improvement, and employees are typically open and receptive to feedback. But as judges, managers are evaluative, and employees are typically defensive and closed to feedback.

Second, Meyer suggests that performance appraisal feedback sessions be based on written self-appraisals, in which employees carefully assess their own strengths, weaknesses, successes, and failures. Because employees play an active role in the review of their performance, managers can be coaches rather than judges. Also, because the focus is on future goals and development, both employees and managers are likely to be more satisfied with the process and more committed to future plans and changes. And, because the focus is on development and not administrative assessment, studies show that self-appraisals lead to more candid self-assessments than traditional supervisory reviews.¹¹⁰ See Exhibit 11.14 for a list of topics that Meyer recommends for discussion in performance appraisal feedback sessions.

Finally, what people do with the performance feedback they receive matters. A study of 1,361 senior managers found that managers who reviewed their 360-degree feedback with an executive coach (hired by the company) were more likely to set specific goals for improvement, ask their bosses for ways to improve, and subsequently improve their performance.¹¹¹ Also, a five-year study of 252 managers found that their performance improved dramatically if they met with their subordinates to discuss their 360-degree feedback ("You don't listen.") and how they were going to address it ("I'll restate what others have said before stating my opinion."). Performance was dramatically lower for managers who never discussed their 360-degree feedback with subordinates and



Source: H. H. Meyer, "A Solution to the Performance Appraisal Feedback Enigma," *Academy of Management Executive* 5, no. 1 (1991): 68–76.

Exhibit 11.14
What to Discuss in a Performance
Appraisal Feedback Session

raisal process. Some of the problems associated with appraisals can be avoided, however, by accurately measuring job performance and effectively sharing performance feedback with employees. Managers are prone to three kinds of rating errors: central tendency, halo, and leniency error. One way to minimize rating errors is to use better appraisal measures, such as objective measures of performance or behavioral observation scales. Another method is to directly train performance raters to minimize errors and more accurately rate the important dimensions of job performance.

After gathering accurate performance data, the next step is to share performance feedback with employees. One way to overcome the inherent difficulties in performance appraisal feedback is to provide 360-degree feedback, in which feedback is obtained from four sources: the boss, subordinates, peers and coworkers, and the employees themselves. Feedback tends to be more credible if it is heard from several sources. Traditional performance appraisal feedback sessions can be improved by separating developmental and administrative feedback and by basing feedback discussions on employee self-appraisals. Finally, especially for managers, it's helpful to have people discuss the feedback they received with executive coaches or the people who provided it.

Keeping Qualified Workers

China has a population of 1.3 billion people, but in the Pearl River delta there aren't enough workers to meet the skyrocketing demand for manufacturing workers. Consequently, companies such as Chigo Air Conditioning are having to work hard to keep their employees. In the last five years, Chigo has raised salaries, started giving bonuses to workers who stay longer than three years, and built brand new housing with TV sets and swimming pools to entice workers to stay.¹¹³ All this may not be enough, however, as Chinese economists estimate that companies will have to pay wages 40 to 50 percent higher to keep the workers they have and to fill the 2 million job openings in this part of China.

Massey Energy, in Richmond, Virginia, faces similar problems keeping workers. With coal prices running \$50 a ton, up from \$30 two years ago, coal producers like Massey are running full out to meet demand. The rise in coal

for managers who did not routinely do so (some managers did not review their 360-degree feedback with subordinates each year of the study). Why is discussing 360-degree feedback with subordinates so effective? These discussions help managers better understand their weaknesses, force them to develop a plan to improve, and demonstrate to the subordinates the managers' public commitment to improving.¹¹² In short, it helps to have people discuss their performance feedback with others, but it particularly helps to have them discuss their feedback with the people who provided it.

Review 6: Performance Appraisal

Most employees and managers intensely dislike the performance appraisal

prices has been accompanied by a rise in demand for miners. Turnover is high as employees jump ship to work for Massey’s competitors at better pay and benefits. As a result, Massey has given all of its production workers raises ranging from 3 to 15 percent over the last year. Furthermore, it offered a \$3 an hour raise to electricians who already make \$27 an hour and can earn \$90,000 a year with overtime pay. And, like Chigo Air Conditioning, Massey offers bonuses to workers who stay longer. Finally, Massey also gives its supervisors stock options to encourage them to stay.¹¹⁴

After reading the next two sections, you should be able to

- 7** describe basic compensation strategies and explain how they affect human resource practice.
- 8** discuss the four kinds of employee separations: termination, downsizing, retirements, and turnover.

7 COMPENSATION

Compensation includes both the financial and the nonfinancial rewards that organizations give employees in exchange for their work. Let’s learn more about compensation by examining the **7.1 compensation decisions that managers must make** and **7.2 the role that employment benefits play in compensating today’s employees**.

compensation

The financial and nonfinancial rewards that organizations give employees in exchange for their work

7.1 Compensation Decisions

As Exhibit 11.15 shows, there are four basic kinds of compensation decisions: pay level, pay variability, pay structure, and employment benefits. We’ll discuss employment benefits in the next subsection.¹¹⁵

Pay-level decisions are decisions about whether to pay workers at a level that is below, above, or at current market wages. Companies use job evaluation to set their pay structures. **Job evaluation** determines the worth of each job by determining the market value of the knowledge, skills, and requirements needed to perform it. After conducting a job evaluation, most companies try to pay the “going rate,” meaning the current market wage. There are always companies, however, whose financial situation causes them to pay considerably less than current market wages. The child-care industry, for example, has chronic difficulties filling jobs because it pays well below market wages. Also, because wages are so low (an average of \$7.86 an hour, or \$16,350 a year), the applicants it attracts are increasingly less qualified.¹¹⁶ Donna Krause, who runs Creative Learning and Child Care in Dundalk, Maryland, lost five child-care teachers one August when all were hired away by higher-paying public school systems. All of the teachers who left all had college degrees, but none of their replacements did.¹¹⁷

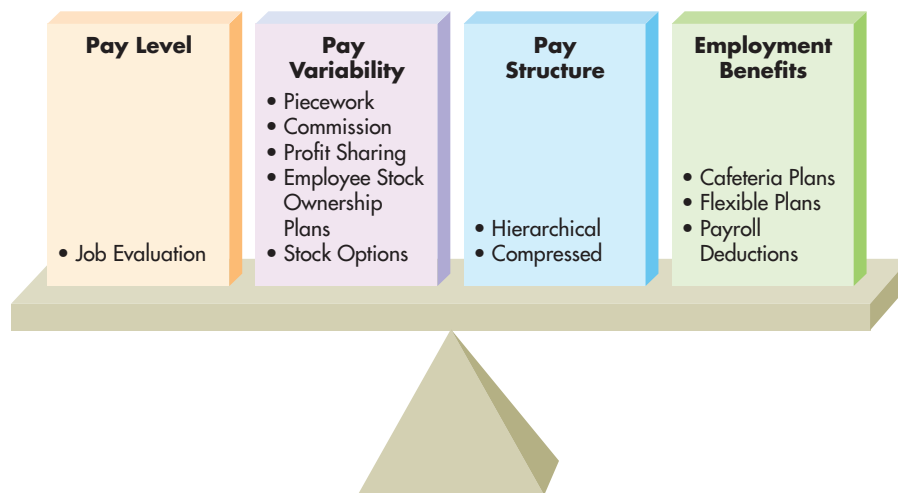
job evaluation

A process that determines the worth of each job in a company by evaluating the market value of the knowledge, skills, and requirements needed to perform it.

Some companies choose to pay above-average wages to attract and keep employees. *Above-market wages* can attract a larger, more qualified pool of job applicants, increase the rate of job acceptance, decrease the time it takes to fill positions, and increase the time that employees stay.¹¹⁸ For example, the severe nursing shortage discussed at the beginning of the chapter has begun to

Exhibit 11.15

Kinds of Compensation Decisions



ease because, as nursing professor Peter Buerhaus explained, “hospitals recognized that all their previous attempts weren’t working so they had to raise wages.”¹¹⁹ Three years ago, 13 percent of the nursing positions at the Ochsner Clinic in New Orleans were open. After raising salaries substantially and giving nurses more flexible schedule (for example, \$50,000+ per year to work three 12-hour days per week), only 2.4 percent of its nursing positions were open, compared to a national average of 8.4 percent.

Pay-variability decisions concern the extent to which employees’ pay varies with individual and organizational performance. Linking pay to performance is intended to increase employee motivation, effort, and job performance. Piecework, sales commissions, profit sharing, employee stock ownership plans, and stock options are common pay-variability options. For instance, under **piecework** pay plans, employees are paid a set rate for each item produced up to some standard (e.g., 35 cents per item produced for output up to 100 units per day). Once productivity exceeds the standard, employees are paid a set amount for each unit of output over the standard (e.g., 45 cents for each unit above 100 units). Under a sales **commission** plan, salespeople are paid a percentage of the purchase price of items they sell. The more they sell, the more they earn.

Because pay plans such as piecework and commissions are based on individual performance, they can reduce the incentive that people have to work together. Therefore, companies also use group incentives (discussed in Chapter 10) and organizational incentives, such as profit sharing, employee stock ownership plans, and stock options, to encourage teamwork and cooperation.

With **profit sharing** employees receive a portion of the organization’s profits to over and above their regular compensation. The more profitable the company, the more profit is shared. When Ford Motor Company reported record profits, each of its automobile assembly workers received a profit-sharing check of approximately \$8,000. When Ford lost money, however, no one got a profit-sharing check because the company did not have any profits to distribute.¹²⁰

Employee stock ownership plans (ESOPs) compensate employees by awarding them shares of the company stock in addition to their regular compensation. At McKay Nursery in Waterloo, Wisconsin, Joe Hernandez, a 41-year-old migrant worker, makes \$20,000 a year working from April to November. But Joe also gets an additional 20 to 25 percent in company stock. So far, he’s accumulated more than \$80,000 through the company ESOP.¹²¹

Stock options give employees the right to purchase shares of stock at a set price. Options work like this. Let’s say that you are awarded the right (or option) to buy 100 shares of stock from the company for \$5 a share. If the company’s stock price rises to \$15 a share, you can exercise your options and make \$1,000. When you exercise your options, you pay the company \$500 (100 shares at \$5 a share), but because the stock is selling for \$15 in the stock market, you can sell your 100 shares for \$1,500 and make \$1,000. Of course, as the company’s profits and share values increase, stock options become even more valuable to employees. Stock options have no value, however, if the company’s stock falls below the option “grant price,” the price at which the options have been issued to you. For instance, the options you have on 100 shares of stock with a grant price of \$5 aren’t going to do you a lot of good if the company’s stock is worth \$2.50. Why exercise your stock options and pay \$5 a share for stock that sells for \$2.50 a share in the stock market? (Stock options are said to be “underwater” when the grant price is lower than the market price.) Proponents of stock options argue that this gives employees and managers a strong incentive to work hard to make the company successful. If they do, the company’s profits and stock price increase, and their stock options increase in value. If they don’t, profits stagnate or turn into losses, and their stock options decrease in value or become worthless. To learn more about ESOPs and stock options, see The National Center for Employee Ownership (<http://www.nceo.org>).

piecework

A compensation system in which employees are paid a set rate for each item they produce.

commission

A compensation system in which employees earn a percentage of each sale they make.

profit sharing

A compensation system in which a company pays a percentage of its profits to employees in addition to their regular compensation.

employee stock ownership plan (ESOP)

A compensation system that awards employees shares of company stock in addition to their regular compensation.

stock options

A compensation system that gives employees the right to purchase shares of stock at a set price, even if the value of the stock increases above that price.

Pay-structure decisions are concerned with internal pay distributions, meaning the extent to which people in the company receive very different levels of pay.¹²² With *hierarchical pay structures*, there are big differences from one pay level to another. The highest pay levels are for people near the top of the pay distribution. The basic idea behind hierarchical pay structures is that large differences in pay between jobs or organizational levels should motivate people to work harder to obtain those higher-paying jobs. Many publicly owned companies have hierarchical pay structures by virtue of the huge amounts they pay their top managers and CEOs. For example, the average CEO now makes 289 times as much as the average worker, down from 475 times the pay of average workers just five years ago. But with CEO pay packages averaging \$9.6 million per year and average workers earning just \$33,176, the difference is still incredible.¹²³

By contrast, *compressed pay structures* typically have fewer pay levels and smaller differences in pay between levels. Pay is less dispersed and more similar across jobs in the company. The basic idea behind compressed pay structures is that similar pay levels should lead to higher levels of cooperation, feelings of fairness and a common purpose, and better group and team performance.

So should companies choose hierarchical or compressed pay structures? The evidence isn't straightforward, but studies seem to indicate that there are significant problems with the hierarchical approach. The most damaging finding is that there appears to be little link between organizational performance and the pay of top managers.¹²⁴ Furthermore, studies of professional athletes indicate that hierarchical pay structures (e.g., paying superstars 40 to 50 times more than the lowest-paid athlete on the team) hurt the performance of teams and individual players.¹²⁵ Likewise, managers are twice as likely to quit their jobs when their companies have very strong hierarchical pay structures (i.e., when they're paid dramatically less than the people above them).¹²⁶ For now, it seems that hierarchical pay structures work best for independent work, where it's easy to determine the contributions of individual performers and little coordination with others is needed to get the job done. In other words, hierarchical pay structures work best when clear links can be drawn between individual performance and individual rewards. By contrast, compressed pay structures, in which everyone receives similar pay, seem to work best for interdependent work, which requires employees to work together. Some companies are pursuing a middle ground: they are trying to combine hierarchical and compressed pay structures by giving ordinary workers the chance to earn more through ESOPs, stock options, and profit sharing.

7.2 Employment Benefits

Employment benefits include virtually any kind of compensation other than direct wages paid to employees.¹²⁷ Three employee benefits are mandated by law: Social Security, worker's compensation, and unemployment insurance. To attract and retain a good work force, however, most organizations offer a wide variety of benefits, including retirement plans and pensions, paid holidays, paid vacations, sick leave, health insurance, life insurance, dental care, eye care, day-care facilities, paid personal days, legal assistance, physical fitness facilities, educational assistance, and discounts on company products and services. Currently, benefits cost organizations about 29.3 percent of their payroll, with an average cost of \$15,000 per employee for a basic benefits plan.¹²⁸

Managers should understand that although benefits are unlikely to improve employee motivation and performance, they do affect job satisfaction, employee decisions about staying or leaving the company, and the company's attractiveness to job applicants.¹²⁹ One way that organizations make their benefit plans more attractive is by offering **cafeteria benefit plans** or **flexible benefit plans**, which allow employees to choose which benefits they receive, up to a

employment benefits

A method of rewarding employees that includes virtually any kind of compensation other than wages or salaries.

cafeteria benefit plans (flexible benefit plans)

Plans that allow employees to choose which benefits they receive, up to a certain dollar value.

certain dollar value.¹³⁰ Many cafeteria or flexible benefit plans start with a core of benefits, such as health insurance and life insurance, that are available to all employees. Then employees are allowed to select the other benefits that best fit their needs, up to a predetermined dollar amount. Some organizations allow employees to choose from several packages of benefits. The packages are of equivalent value, but offer a different mix of benefits. For example, older employees may prefer more benefit dollars spent on retirement plans, while younger employees may prefer additional vacation days.

Pretax payroll deductions, which enable employees to pay for expenses such as medical care, day care, and commuting out of pretax dollars, are one of the more popular benefits options because they provide significant tax savings for employees and organizations. Nevertheless, only 18 percent of eligible employees participate in their company's pretax payroll deduction plan. The problem, as a typical worker Kate Morrison explained, has been that "by the time you filled out the paperwork and mailed it off and they processed it, it could take up to 45 days to get your money back [from your pretax account]."¹³¹ Now, however, some companies have solved these problems by giving employees a debit card attached to their pretax spending accounts that they can use to pay expenses directly, thereby avoiding the paperwork and the wait for reimbursement.

The drawback to flexible benefit plans has been the high cost of administering them. With advances in information processing technology and HRISs, however, the cost has begun to drop in recent years.

Review 7: Compensation

Compensation includes both the financial and the nonfinancial rewards that organizations give employees in exchange for their work. There are four basic kinds of compensation decisions: pay level, pay variability, pay structure, and employment benefits. Pay-level decisions determine whether workers will receive wages below, above, or at current market levels. Pay-variability decisions concern the extent to which pay varies with individual and organizational performance. Piecework, sales commissions, profit sharing, employee stock ownership plans, and stock options are common pay-variability options. Pay-structure decisions concern the extent to which people in the company receive very different levels of pay. Hierarchical pay structures work best for independent work, while compressed pay structures work best for interdependent work.

Employee benefits include virtually any kind of compensation other than direct wages paid to employees. Flexible or cafeteria benefit plans offer employees a wide variety of benefits, improve job satisfaction, increase the chances that employees will stay with companies, and make organizations more attractive to job applicants. The cost of administering flexible benefit plans has begun to drop in recent years.

8 EMPLOYEE SEPARATIONS

employee separation

The voluntary or involuntary loss of an employee.

Employee separation is a broad term covering the loss of an employee for any reason. *Involuntary separation* occurs when employers decide to terminate or lay off employees. *Voluntary separation* occurs when employees decide to quit or retire. Because employee separations affect recruiting, selection, training, and compensation, organizations should forecast the number of employees they expect to lose through terminations, layoffs, turnover, or retirements when doing human resource planning.

Let's explore employee separation by examining **8.1 terminations**, **8.2 downsizing**, **8.3 retirements**, and **8.4 turnover**.

8.1 Terminating Employees

Hopefully, the words “You’re fired!” have never been directed at you. Lots of people hear them, however, as more than 400,000 people a year get fired from their jobs. Getting fired is a terrible thing, but many managers make it even worse by bungling the firing process, needlessly provoking the person who was fired and unintentionally inviting lawsuits. For example, one worker learned he had been fired only after a restaurant told him that his company credit card was no longer active. The top office manager for a professional sports team returned to the office to find his parking space taken by someone interviewing for his job. The CEO of a clothing store company gave all of his top managers a fruit basket one holiday season, except his top finance manager who was soon fired.¹³² A computer systems engineer was fired on “Take Your Daughter to Work Day,” with his eight-year-old daughter sitting next to him in the human resource manager’s office. He and his daughter were both escorted from the building.¹³³ How would you feel if you had been fired in one of these ways? Though firing is never pleasant (and managers hate firings nearly as much as employees do), managers can do several things to minimize the problems inherent in firing employees.

First, in most situations, firing should not be the first option. Instead, employees should be given a chance to change their behavior. When problems arise, employees should have ample warning and must be specifically informed as to the nature and seriousness of the trouble they’re in. After being notified, they should be given sufficient time to change. If the problems continue, the employees should again be counseled about their job performance, what could be done to improve it, and the possible consequences if things don’t change (e.g., written reprimand, suspension without pay, or firing). Sometimes this is enough to solve the problem. If the problem isn’t corrected after several rounds of warnings and discussions, however, the employee may be terminated.¹³⁴

Second, employees should be fired only for a good reason. Employers used to hire and fire employees under the legal principle of “employment at will,” which allowed them to fire employees for a good reason, a bad reason, or no reason at all. (Employees could also quit for a good reason, a bad reason, or no reason whenever they desired.) As employees began contesting their firings in court, however, the principle of wrongful discharge emerged. **Wrongful discharge** is a legal doctrine that requires employers to have a job-related reason to terminate employees. In other words, like other major human resource decisions, termination decisions should be made on the basis of job-related factors, such as violating company rules or consistently poor performance. And with former employees winning 68 percent of wrongful discharge cases and the average wrongful termination award at \$532,000 and climbing, managers should record the job-related reasons for the termination, document specific instances of rule violations or continued poor performance, and keep notes and documents from the counseling sessions held with employees.¹³⁵

Finally, to reduce the chances of a wrongful discharge suit, employees should always be fired in private. State the reason for discharge, but don’t go into detail or engage in a lengthy discussion with the employee. Make every attempt to be as kind and respectful as possible when informing someone that he or she is being fired. It is permissible, and sometimes a good idea, to have a witness present. This person should be from human resources or part of the employee’s chain of command, such as the supervisor’s boss. Company security may be nearby, but should not be in the room unless the employee has made direct threats toward others. Finally, managers should be careful not to publicly criticize the employee who has just been fired, as this can also lead to a wrongful discharge lawsuit. In general, unless someone has a “business reason to know”

wrongful discharge

A legal doctrine that requires employers to have a job-related reason to terminate employees.

why an employee was fired, the reasons and details related to the firing should remain confidential.¹³⁶

8.2 Downsizing

downsizing

The planned elimination of jobs in a company.

Downsizing is the planned elimination of jobs in a company. Whether it's because of cost cutting, declining market share, overaggressive hiring and growth, or outsourcing, companies typically eliminate 1 to 1.9 million jobs a year.¹³⁷ Two-thirds of companies that downsize will downsize a second time within a year. For example, Eastman Kodak recently announced that it would be eliminating 21 percent of its work force—12,000 to 15,000 jobs—over the next two years. Previously, because of the long-term decline in its core photography business, Kodak had laid off 50,000 workers in an effort to cut costs.¹³⁸

Does downsizing work? In theory, downsizing is supposed to lead to higher productivity and profits, better stock performance, and increased organizational flexibility. However, numerous studies demonstrate that it doesn't. For instance, a 15-year study of downsizing found that downsizing 10 percent of a company's work force produced only a 1.5 percent decrease in costs; that firms that downsized increased their stock price by only 4.7 percent over three years, compared to 34.3 percent for firms that didn't; and that profitability and productivity were generally not improved by downsizing.¹³⁹ These results make it clear that the best strategy is to conduct effective human resource planning and avoid downsizing altogether. Indeed, downsizing should always be a last resort.

If companies do find themselves in financial or strategic situations where downsizing is required for survival, however, they should train managers in how to break the news to downsized employees, have senior managers explain in detail why downsizing is necessary, and time the announcement so that employees hear it from the company and not from other sources, such as TV or newspaper reports.¹⁴⁰ Finally, companies should do everything they can to help downsized employees find other jobs. One of the best ways to do this is to use **outplacement services** that provide employment-counseling services for employees faced with downsizing. Outplacement services often include advice and training in preparing résumés, getting ready for job interviews, and even identifying job opportunities in other companies. Fifty-five percent of companies provide outplacement services for laid-off employees, 76 percent provide extended health coverage, and 45 percent offer extended access to employee assistance programs.¹⁴¹ Exhibit 11.16 provides additional guidelines for conducting layoffs.

outplacement services
Employment-counseling services offered to employees who are losing their jobs because of downsizing.

Companies also need to pay attention to the “survivors,” the employees remaining after layoffs have occurred. Management professor Peter Cappelli says that survivors, “may feel like they could just as easily be the next person laid off.”¹⁴² Management consultant Diane Durken agrees, “The people who are left behind start looking behind their backs and saying, ‘Am I next?’ They need to be rejuvenated, so they can refocus on the future. Honesty and integrity are the core of this.”¹⁴³ The key to working with layoff survivors, according to Barry Nickerson, president of Dallas-based Marlow Industries, which downsized from 800 to 200 employees, is “Communicate. Communicate. Communicate.” Nickerson says, “Every time we had a change we had a meeting to explain exactly what we were doing. We were very open with our employees about where we were financially. We would explain exactly the current status and where we were.”¹⁴⁴

early retirement incentive programs (ERIPs)

Programs that offer financial benefits to employees to encourage them to retire early.

8.3 Retirement

Early retirement incentive programs (ERIPs) offer financial benefits to employees to encourage them to retire early. Companies use ERIPs to reduce the number of employees in the organization, to lower costs by eliminating positions after

1. Provide clear reasons and explanations for the layoffs.
2. To avoid laying off employees with critical or irreplaceable skills, knowledge, and expertise, get input from human resources, the legal department, and several levels of management.
3. Train managers in how to tell employees that they are being laid off (i.e., stay calm; make the meeting short; explain why, but don't be personal; and provide information about immediate concerns, such as benefits, job search, and collecting personal goods).
4. Give employees the bad news early in the day, and try to avoid laying off employees before holidays.
5. Provide outplacement services and counseling to help laid-off employees find new jobs.
6. Communicate with survivors to explain how the company and their jobs will change.

Source: M. Boyle, "The Not-So-Fine Art of the Layoff," *Fortune*, 19 March 2001, 209.

employees retire, to lower costs by replacing high-paid retirees with lower-paid, less-experienced employees, or to create openings and job opportunities for people inside the company. For example, the state of Wyoming offered its employees a lump-sum bonus, additional insurance benefits, and increased monthly retirement payments to encourage early retirement. Its ERIP must have been fairly attractive because 56 percent of the state employees eligible for early retirement accepted. Thirty percent of the 437 positions vacated by the early retirees remained empty, saving the state \$23.2 million over the first 46 months of the program and a projected \$65 million over eight years. After accounting for the costs of the increased early retirement benefits, the predicted savings came to more than \$148,000 per retiree.¹⁴⁵

Although ERIPs can save companies money, they can pose a big problem for managers if they fail to accurately predict which employees—the good performers or the poor performers—and how many will retire early. Consultant Ron Nicol says, "The thing that doesn't work is just asking for volunteers. You get the wrong volunteers. Some of your best people will feel they can get a job anywhere. Or you have people who are close to retirement and are a real asset to the company."¹⁴⁶ When Ameritech Corporation (now part of SBC Communications) offered an ERIP, it carefully identified the number of employees near retirement age and estimated that 5,000 to 6,000 of its 48,000 employees would take advantage of the program. Instead, nearly 22,000 employees accepted the ERIP offer and applied for early retirement!¹⁴⁷

Because of the problems associated with ERIPs, many companies are now offering **phased retirement**, in which employees transition to retirement by working reduced hours over a period of time before completely retiring. The advantage for employees is that they have more free time, but continue to earn salaries and benefits without changing companies or careers. The advantage for companies is that it allows them to reduce salaries and hiring and training costs and retain experienced, valuable workers.¹⁴⁸

8.4 Employee Turnover

Employee turnover is the loss of employees who voluntarily choose to leave the company. In general, most companies try to keep the rate of employee turnover low to reduce recruiting, hiring, training, and replacement costs. Not all kinds of employee turnover are bad for organizations, however. In fact, some turnover can actually be good. For instance, **functional turnover** is the loss of poor-performing employees who choose to leave the organization.¹⁴⁹ Functional turnover gives the organization a chance to replace poor performers with better workers. In fact, one study found that simply replacing poor-performing leavers with average workers would increase the revenues produced by retail salespeople

Exhibit 11.16

Guidelines for Conducting Layoffs

phased retirement

Employees transition to retirement by working reduced hours over a period of time before completely retiring.

employee turnover

Loss of employees who voluntarily choose to leave the company.

functional turnover

Loss of poor-performing employees who voluntarily choose to leave a company.

dysfunctional turnover

Loss of high-performing employees who voluntarily choose to leave a company.

in an upscale department store by \$112,000 per person per year.¹⁵⁰ By contrast, **dysfunctional turnover**, the loss of high performers who choose to leave, is a costly loss to the organization.

Employee turnover should be carefully analyzed to determine whether good or poor performers are choosing to leave the organization. If the company is losing too many high performers, managers should determine the reasons and find ways to reduce the loss of valuable employees. The company may have to raise salary levels, offer enhanced benefits, or improve working conditions to retain skilled workers. One of the best ways to influence functional and dysfunctional turnover is to link pay directly to performance. A study of four sales forces found that when pay was strongly linked to performance via sales commissions and bonuses, poor performers were much more likely to leave (i.e., functional turnover). By contrast, poor performers were much more likely to stay when paid large, guaranteed monthly salaries and small sales commissions and bonuses.¹⁵¹

Review 8: Employee Separations

Employee separation is the loss of an employee, which can occur voluntarily or involuntarily. Before firing or terminating employees, managers should give employees a chance to improve. If firing becomes necessary, it should be done because of job-related factors, such as violating company rules or consistently performing poorly. Downsizing is supposed to lead to higher productivity and profits, better stock performance, and increased organizational flexibility, but studies show that it doesn't. The best strategy is to downsize only as a last resort. Companies that do downsize should offer outplacement services to help employees find other jobs. Companies use early retirement incentive programs to reduce the number of employees in the organization, lower costs, and create openings and job opportunities for people inside the company. The biggest problem with ERIPs is accurately predicting who and how many will accept early retirement. Companies generally try to keep the rate of employee turnover low to reduce costs. Functional turnover can be good for organizations, however, because it offers the chance to replace poor performers with better workers. Managers should analyze employee turnover to determine who is resigning and take steps to reduce the loss of good performers.

Key Terms

adverse impact, 345	downsizing, 374	human resource information system (HRIS), 340
assessment centers, 356	dysfunctional turnover, 376	human resource management (HRM), 338
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Concept Check

1. Outline the basic process for human resource planning.
2. List and describe the major employment laws affecting human resource practice.
3. What are the two types of recruiting? How do companies use job analysis in recruiting?
4. What selection procedures do companies use during the hiring process?
5. Compare structured and unstructured interviews.
6. Describe the types of selection tests that companies use to evaluate job candidates.
7. Describe several training methods and indicate the objectives each is best suited to meet.
8. What methods can managers use to accurately measure employee job performance?
9. What kinds of decisions do managers face when designing employee compensation?
10. What are the four kinds of employee separations?
11. What is the difference between functional and dysfunctional turnover? What is the relationship between turnover and employee separations?

Self-Assessment

INTERVIEW ANXIETY

How would you feel if you got a call to interview for your dream job? Excited? Nervous? Or downright panicked? It's not uncommon to get some "butterflies" in your stomach at the prospect of a job interview, but some candidates have more than weak knees and

sweaty palms. On page 620 of the Self-Assessment Appendix, you'll find a 30-question survey designed to give you insights into your own reactions. Your score will be a baseline as you begin working on the skills you'll need during your job hunt.

Management Decision

OPEN FOR ABUSE

This isn't the first time you've had an employee who wanted to take leave under the Family and Medical Leave Act (FMLA). The act has been in place for over a decade, and you've had employees take leave for childbirth, elder care, and to recover from surgery or injuries. In general, most people have used the FMLA as it was intended and have been relieved that they didn't have to

choose between their job and caring for a family member. As with most things, however, there are always abuses, and you have occasionally had to grapple with a request for time off that you considered questionable. Today, you've received one of those requests.

You operate two upscale restaurants, one in the financial district and one in the entertainment district. Last week, you had to move Cal, one of your experienced

bartenders in the financial district location, from the happy hour to the lunch hour because you needed his experience. Although Cal would now be the team leader on the day shift, he was angry about the change, insisting that it amounted to a pay reduction because no one has three-martini lunches anymore. He said he'd only be serving soda and coffee, and tips on those drinks weren't going to pay his rent. Even without drinks, lunchtime checks generally average \$75 per table, so you assure Cal that once the five waitresses tip out (i.e., give a portion of their tips to the bartenders and table clearers), he should not experience a pay reduction. You reiterate that you really need him on days because the new crew is having trouble keeping up, even though they are just serving soda and coffee.

Upon receiving his new assignment, Cal immediately announced his resignation. Before leaving at the end of his shift, however, he told you he had changed his mind. But today, he came in late and gave you a doctor's note saying he required a 12-week leave for stress!

Under the FMLA, stress is considered a serious health condition, so you have to grant Cal's request and continue his health coverage. Legally, you can ask that he get a second opinion, but you can't question a doctor's

recommendation for time off. Cal has requested the maximum time allowed—12 weeks unpaid leave per year—and if he decides to come back after that, you have to keep his job for him. You are convinced, however, that he intends to quit when the 12 weeks are up.

What are you going to do? Asking other employees to pick up the slack will create morale problems for both the day and evening shifts (they get testy enough when someone is on leave for a legitimate situation), but hiring a temporary replacement may not solve your problem. If you do hire a temp, you might find a great new employee whom you'd have to let go in 12 weeks if Cal does come back. Maybe you should just be thankful that Cal requested the leave in one block, instead of taking it in daily or hourly increments, which, according to the law, he could have done.

Questions

1. How do you handle Cal's three-month absence with the least disruption?
2. Do you have a frank discussion with Cal and ask him if he plans to return after his leave, or do you just plan around him?
3. How can businesses mitigate the unintended impact of the FMLA?

Management Team Decision

A BEHAVIORAL INTERVIEW FOR YOUR PROFESSOR?

Interviews are by far the most frequently used selection procedure. In fact, it's rare for people to be hired without first being interviewed. But, as you learned in the chapter, managers often conduct unstructured interviews, in which they are free to ask applicants anything they want, and studies show that they do. Indeed, studies show that because interviewers often disagree about which questions should be asked during interviews, different interviewers tend to ask applicants very different questions. Individual interviewers even seem to have a tough time asking the same questions from one interview to the next. This high level of inconsistency lowers the validity of interviews as a selection device by making it difficult to compare applicant responses. As a result, unstructured interviews do about half as well as structured interviews in accurately predicting which job applicants should be hired.

By contrast, with structured interviews, standardized interview questions are prepared ahead of time so that all applicants will be asked the same job-related questions. Consequently, comparing applicants is much easier than with unstructured interviews. Also, structuring interviews ensures that interviewers will ask for

only important, job-related information. These advantages significantly improve the accuracy, usefulness, and validity of interviews as a selection procedure. Since you're likely to use interviewing more than any other selection procedure, the purpose of this assignment is to give you some experience creating questions for structured interviews.

Form a team of three or four students. You'll be writing questions for the job of college professor, a job with which all of you are familiar (having observed each of your instructors for an average of 40 hours per college class). Your team's assignment is to write 12 questions that you would ask applicants who want to teach at your university. Remember, four kinds of questions are typically asked in structured interviews: situational, behavioral, background, and job-knowledge questions (see Section 4.4 in the chapter). You'll be writing three questions of each kind.

In phrasing your questions, make them open-ended questions, not closed-ended questions that can be answered with a "yes" or a "no." The point of the interview is to get applicants to talk about themselves so that you can make a good hiring decision. Also, make sure your questions are job related. Finally,

remember that if you were actually using this interview to hire college professors, every person interviewing for the job would be asked these 12 questions. So try to pick questions that would help you differentiate good instructors from bad instructors. For example, asking candidates where they received their Ph.D., which is a research degree, would probably not help you determine which candidates are most qualified to teach.

Posing puzzles and riddles in interviews has also become popular since it was revealed that several successful companies regularly do this. Questions like “How would you move Mt. Fuji?” and “How would you weigh a 747 jumbo jet without a scale?” are meant to find out the candidate’s approach to solving problems. Some of the questions are unsolvable (like the Mt. Fuji one), and some seem merely fanciful (like “If the Star Trek transporter were for real, what implications would that have for the transportation industry?”).

All, however, are meant to gauge the candidate’s creative problem-solving skills. You may want to include a couple of creative questions in your interview for this exercise. If so, you’ll need to be clear what characteristics you are trying to uncover by asking the question, for example, intelligence or resourcefulness.

Assignment

1. Write three questions of each type (situational, behavioral, background, and job-knowledge) that your team would ask someone who wanted to teach at your university.
2. Next, try to write a few riddles or puzzle-type questions for the same candidate in question 1. Are riddles and puzzle-type questions appropriate interview tools for the position of college professor? Explain your decision.

Develop Your Career Potential

360-DEGREE FEEDBACK

Whereas most performance appraisal ratings have traditionally come from just one person, the boss, 360-degree feedback is obtained from four sources: the boss, subordinates, peers and coworkers, and the employees themselves. In this assignment, you will be gathering 360-degree feedback from people that you work with or from a team or group that you’re a member of for a class.

Here are some guidelines for obtaining your 360-degree feedback:

- *Carefully select respondents.* One of the keys to good 360-degree feedback is getting feedback from the right people. In general, the people you ask for feedback should interact with you on a regular basis and should have the chance to regularly observe your behavior. Also, be sure to get a representative sample of opinions from a similar number of coworkers and subordinates (assuming you have some).
- *Get a large enough number of responses.* Except for the boss, you should have a minimum of three respondents to give you feedback in each category (peers and subordinates). Five or six respondents per category is even better.
- *Ensure confidentiality.* Respondents are much more likely to be honest if they know that their comments are confidential and anonymous. So, when you ask respondents for feedback, have them return their comments to someone other than yourself. Have

this person, we’ll call the person your “feedback facilitator,” remove the names and any other information that would identify who made particular comments.

- *Explain how the 360-degree feedback will be used.* In this case, explain that the feedback is for a class assignment, that the results will be used for your own personal growth and development, and that the feedback they give you will not affect your grade or formal assessment at work.
- *Ask them to make their feedback as specific as possible.* For instance, writing “bad attitude” isn’t very good feedback. Writing “won’t listen to others’ suggestions” would be much better because it would let you know how to improve your behavior. Have your respondents use the feedback form below to provide your feedback.

Here’s what you need to turn in for this assignment:

1. The names and relationships (boss, peers, subordinates, classmates, teammates) of those whom you’ve asked for feedback.
2. The name of the person you’ve asked to be your feedback facilitator.
3. Copies of all written feedback that was returned to you.
4. A one-page summary of the written feedback.
5. A one-page plan in which you describe specific goals and action plans for responding to the feedback you received.

360-Degree Feedback Form

As part of a class assignment, I, _____, am collecting feedback from you about my performance. What you say or write will not affect my grade. The purpose of this assignment is for me to receive honest feedback from the people I work with in order to identify the things I'm doing well and the things that I need to improve. So please be honest and direct in your evaluation.

When you have completed this feedback form, please return it to _____. He or she has been selected as my feedback facilitator and is responsible for ensuring that your confidentiality and anonymity are maintained. After all feedback forms have been returned to _____, he or she will make sure that your particular responses cannot be identified. Only then will the feedback be shared with me.

Please provide the following feedback.

Continue doing . . .

Describe 3 things that _____ is doing that are a positive part of his or her performance and that you want him or her to continue doing.

- 1.
- 2.
- 3.

Start doing . . .

Describe 3 things that _____ needs to start doing that would significantly improve his or her performance.

- 1.
- 2.
- 3.

Please make your feedback as specific and behavioral as possible. For instance, writing "needs to adjust attitude" isn't very good feedback. Writing "needs to begin listening to others' suggestions" is much better because the person now knows exactly how he or she should change his or her behavior. So please be specific. Also, please write more than one sentence per comment. This will help the feedback recipient better understand your comments.



Biz Flix *Bowfinger*

This film, which brought Steve Martin and Eddie Murphy together for the first time, offers a funny look at Hollywood film making. Bobby Bowfinger (Martin), perhaps the least successful director in films, wants to produce a low-budget film with top star Kit Ramsey (Murphy). Bowfinger's problem: recruit a crew and cast with almost no budget and trick Kit into appearing in his film.

Bowfinger interviews several candidates for the Kit Ramsey lookalike role. He rejects everyone until Jifferson (Jiff) Ramsey (also played by Murphy) auditions. This scene is an edited version of the "The Lookalike" sequence early in the film. It includes Jiff's audition, interview, and a brief look at his first day at work.

What to Watch for and Ask Yourself

1. Does Bobbie Bowfinger have a set of valid selection criteria for filling the role of a Kit Ramsey lookalike? Does Bowfinger apply the criteria uniformly to each applicant?
2. Is there a good person-job fit of Jiff Ramsey in the screen role of Kit Ramsey?
3. Do you predict that Jiff Ramsey will be successful as a Kit Ramsey substitute?



Management Workplace AMCI, Ziba Designs, Wahoo's Fish Taco

Managing human resource (HR) systems is as complex an undertaking as any in business. AMCI is a manufacturer's representative firm that sells things like glow-in-the-dark cockroaches, Groucho Marx glasses, and specialty gift items; Ziba Designs is an industrial design firm that develops innovative products for its clients; and Wahoo's Fish Taco is a chain of surfer-themed restaurants in Southern California. As diverse as these three companies are, they all need to find qualified employees, train them for specific tasks and responsibilities, and then implement tools to keep them on the payroll long term.

What to Watch for and Ask Yourself

1. What HR tools from the chapter are mentioned in the video?
2. Compare how the three companies in the video find qualified employees.
3. What retention strategies do these companies use? Why have Ziba and Wahoo's focused on retention?

Take Two