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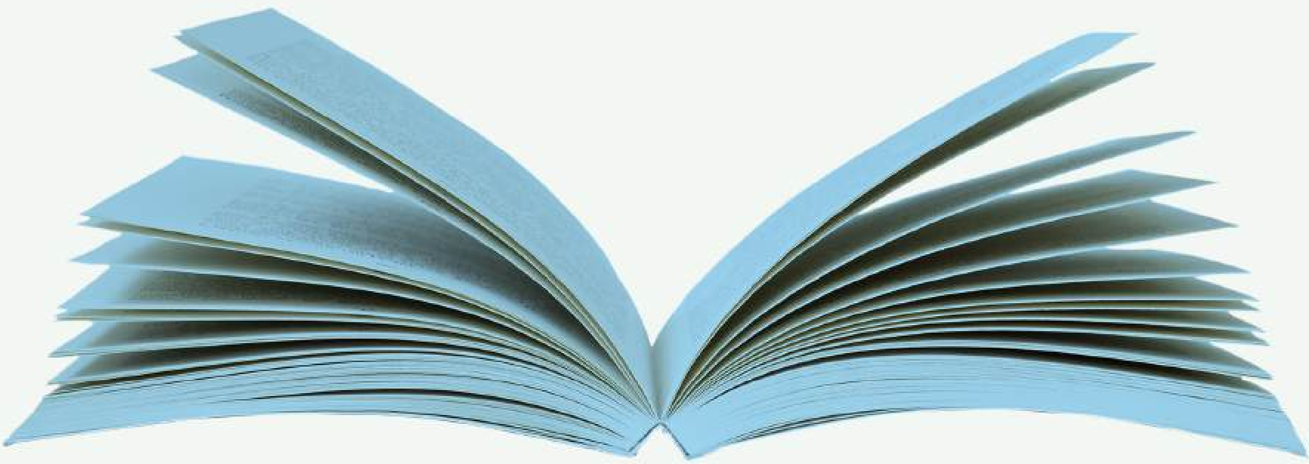
Human Resource Management



香港公開大學
THE OPEN UNIVERSITY OF HONG KONG

Human Resource Management

Contents

Chapter 1 The Role of Human Resources

1.1 Human Resource Management Day to Day

You have just been hired to work in the human resource department of a small company. You heard about the job through a conference you attended, put on by the Society for Human Resource Management (SHRM). Previously, the owner of the company, Jennifer, had been doing everything related to human resource management (HRM). You can tell she is a bit critical about paying a good salary for something she was able to juggle all on her own. On your first day, you meet the ten employees and spend several hours with the company owner, hoping to get a handle on which human resource processes are already set up.

Shortly after the meeting begins, you see she has a completely different perspective of what HRM is, and you realize it will be your job to educate her on the value of a human resource manager. You look at it as a personal challenge—both to educate her and also to show her the value of this role in the organization.

First, you tell her that HRM is a strategic process having to do with the staffing, compensation, retention, training, and employment law and policies side of the business. In other words, your job as human resources (HR) manager will be not only to write policy and procedures and to hire people (the administrative role) but also to use strategic plans to ensure the right people are hired and trained for the right job at the right time. For example, you ask her if she knows what the revenue will be in six months, and Jennifer answers, "Of course. We expect it to increase by 20 percent." You ask, "Have you thought about how many people you will need due to this increase?" Jennifer looks a bit sheepish and says, "No, I guess I haven't gotten that far." Then you ask her about the training programs the company offers, the software used to allow employees to access pay information online, and the compensation policies. She responds, "It looks like we have some work to do. I didn't know that human resources involved all of that." You smile at her and start discussing some of the specifics of the business, so you can get started right away writing the strategic human resource management plan.

1.2 What Is Human Resources?

Learning Objectives

1. Explain the role of HRM in organizations.
2. Define and discuss some of the major HRM activities.

Every organization, large or small, uses a variety of capital to make the business work. Capital includes cash, valuables, or goods used to generate income for a business. For example, a retail store uses registers and inventory, while a consulting firm may have proprietary software or buildings. No matter the industry, all companies have one thing in common: they must have people to make their capital work for them. This will be our focus throughout the text: generation of revenue through the use of people's skills and abilities.

1.2.1 What Is HRM?

Human resource management (HRM) is the process of employing people, training them, compensating them, developing policies relating to them, and developing strategies to retain them. As a field, HRM has undergone many changes over the last twenty years, giving it an even more important role in today's organizations. In the past, HRM meant processing payroll, sending birthday gifts to employees, arranging company outings, and making sure forms were filled out correctly—in other words, more of an administrative role rather than a strategic role crucial to the success of the organization. Jack Welch, former CEO of General Electric and management guru, sums up the new role of HRM: "Get out of the parties and birthdays and enrollment forms.... Remember, HR is important in good times, HR is defined in hard times." [1]

It's necessary to point out here, at the very beginning of this text, that every manager has some role relating to human resource management. Just because we do not have the title of HR manager doesn't mean we won't perform all or at least some of the HRM tasks. For example, most managers deal with compensation, motivation, and retention of employees—making these aspects not only part of HRM but also part of management. As a result, this book is equally important to someone who wants to be an HR manager and to someone who will manage a business.

1. Kristen B. Frasch, David Shadovitz, and Jared Shelly, "There's No Whining in HR," Human Resource Executive Online, June 30, 2009, accessed September 24, 2010,http://www.hreonline.com/HRE/story.jsp?storyId=227738167.

Human Resource Recall

Have you ever had to work with a human resource department at your job? What was the interaction like? What was the department's role in that specific organization?

1.2.2 The Role of HRM

Keep in mind that many functions of HRM are also tasks other department managers perform, which is what makes this information important, despite the career path taken. Most experts agree on seven main roles that HRM plays in organizations. These are described in the following sections.

1.2.3 Staffing

You need people to perform tasks and get work done in the organization. Even with the most sophisticated machines, humans are still needed. Because of this, one of the major tasks in HRM is staffing. Staffing involves the entire hiring process from posting a job to negotiating a salary package. Within the staffing function, there are four main steps:

1. **Development of a staffing plan.** This plan allows HRM to see how many people they should hire based on revenue expectations.
2. **Development of policies to encourage multiculturalism at work.**Multiculturalism in the workplace is becoming more and more important, as we have many more people from a variety of backgrounds in the workforce.
3. **Recruitment.** This involves finding people to fill the open positions.
4. **Selection.** In this stage, people will be interviewed and selected, and a proper compensation package will be negotiated. This step is followed by training, retention, and motivation.

1.2.4 Development of Workplace Policies

Every organization has policies to ensure fairness and continuity within the organization. One of the jobs of HRM is to develop the verbiage surrounding these policies. In the development of policies, HRM, management, and executives are involved in the process. For example, the HRM professional will likely recognize the need for a policy or a change of policy, seek opinions on the policy, write the policy, and then communicate that policy to employees. It is key to note here that HR departments do not and cannot work alone. Everything they do needs to involve all other departments in the organization. Some examples of workplace policies might be the following:

- Discipline process policy
- Vacation time policy
- Dress code
- Ethics policy
- Internet usage policy

These topics are addressed further in "Compensation and Benefits (Page 146)", "Retention and Motivation (Page 189)", "Training and Development (Page 224)", and "Successful Employee Communication (Page 263)".

1.2.5 Compensation and Benefits Administration

HRM professionals need to determine that compensation is fair, meets industry standards, and is high enough to entice people to work for the organization. Compensation includes anything the employee receives for his or her work. In addition, HRM professionals need to make sure the pay is comparable to what other people performing similar jobs are being paid. This involves setting up pay systems that take into consideration the number of years with the organization, years of experience, education, and similar aspects. Examples of employee compensation include the following:

Health Benefits
Pay 401(k) (retirement plans)
Stock purchase plans
Vacation time
Sick leave
Bonuses
Tuition reimbursement

Since this is not an exhaustive list, compensation is discussed further in "Compensation and Benefits (Page 146)".

1.2.6 Retention

Human resource people must be aware of all the laws that affect the workplace. An HRM professional might work with some of thHRM Retention involves keeping and motivating employees to stay with the organization. Compensation is a major factor in employee retention, but there are other factors as well. Ninety percent of employees leave a company for the following reasons:

1. The job they are performing
2. Challenges with their manager
3. Poor fit with organizational culture
4. Poor workplace environment

Despite this, 90 percent of managers think employees leave as a result of pay. [2] As a result, managers often try to change their compensation packages to keep people from leaving, when compensation isn't the reason they are leaving at all. "Retention and Motivation (Page 189)" and "Employee Assessment (Page 321)" discuss some strategies to retain the best employees based on these four factors.

1.2.7 Training and Development

Once we have spent the time to hire new employees, we want to make sure they not only are trained to do the job but also continue to grow and develop new skills in their job. This results in higher productivity for the organization. Training is also a key component in employee motivation. Employees who feel they are developing their skills tend to be happier in their jobs, which results in increased employee retention. Examples of training programs might include the following:

- Job skils training, such as how to run a particular computer program
- Training on communication
- Team-building activities
- Policy and legal training, such as sexual harassment training and ethics training

We address each of these types of training and more in detail in "Training and Development (Page 224)".

1.2.8 Dealing with Laws Affecting Employment

Human resource people must be aware of all the laws that affect the workplace. An HRM professional might work with some of these laws:

- Discrimination laws

2. Leigh Rivenbark, "The 7 Hidden Reasons Why Employees Leave," HR Magazine, May 2005, accessed October 10, 2010,http://findarticles.com/p/articles/mi_m3495/is_5_50/ai_n13721406.

- Health-care requirements
- Compensation requirements such as the minimum wage
- Worker safety laws
- Labor laws

The legal environment of HRM is always changing, so HRM must always be aware of changes taking place and then communicate those changes to the entire management organization. Rather than presenting a chapter focused on HRM laws, we will address these laws in each relevant chapter.

1.2.9 Worker Protection

Safety is a major consideration in all organizations. Oftentimes new laws are created with the goal of setting federal or state standards to ensure worker safety. Unions and union contracts can also impact the requirements for worker safety in a workplace. It is up to the human resource manager to be aware of worker protection requirements and ensure the workplace is meeting both federal and union standards. Worker protection issues might include the following:

- Chemical hazards
- Heating and ventilation requirements
- Use of “no fragrance” zones
- Protection of private employee information

We take a closer look at these issues in "Working with Labor Unions (Page 362)" and "Safety and Health at Work (Page 390)".

1.2.10 Communication

Besides these major roles, good communication skills and excellent management skills are key to successful human resource management as well as general management. We discuss these issues in "Successful Employee Communication (Page 263)".

1.2.11 Awareness of External Factors

In addition to managing internal factors, the HR manager needs to consider the outside forces at play that may affect the organization. Outside forces, orexternal factors, are those things the company has no direct control over; however, they may be things that could positively or negatively impact human resources. External factors might include the following:

1. Globalization and offshoring
2. Changes to employment law
3. Health-care costs
4. Employee expectations
5. Diversity of the workforce
6. Changing demographics of the workforce
7. A more highly educated workforce
8. Layoffs and downsizing
9. Technology used, such as HR databases
10. Increased use of social networking to distribute information to employees

For example, the recent trend in flexible work schedules (allowing employees to set their own schedules) and telecommuting (allowing employees to work from home or a remote location for a specified period of time, such as one day per week) are external factors that have affected HR. HRM has to be aware of these outside issues, so they can develop policies that meet not only the needs of the company but also the needs of the individuals. Another example is the Patient Protection and Affordable Care Act, signed into law in 2010. Compliance with this bill has huge implications for HR. For example, a company with more than fifty employees must provide health-care coverage or pay a penalty. Currently, it is estimated that 60 percent of employers offer health-care insurance to their employees. [3] Because health-care insurance will be mandatory, cost concerns as well as using health benefits as a recruitment strategy are big external challenges. Any manager operating without considering outside forces will likely alienate employees, resulting in unmotivated, unhappy workers. Not understanding the external factors can also mean breaking the law, which has a concerning set of implications as well.

3. Peter Cappelli, "HR Implications of Healthcare Reform," Human Resource Executive Online,March 29, 2010, accessed August 18, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=379096509.

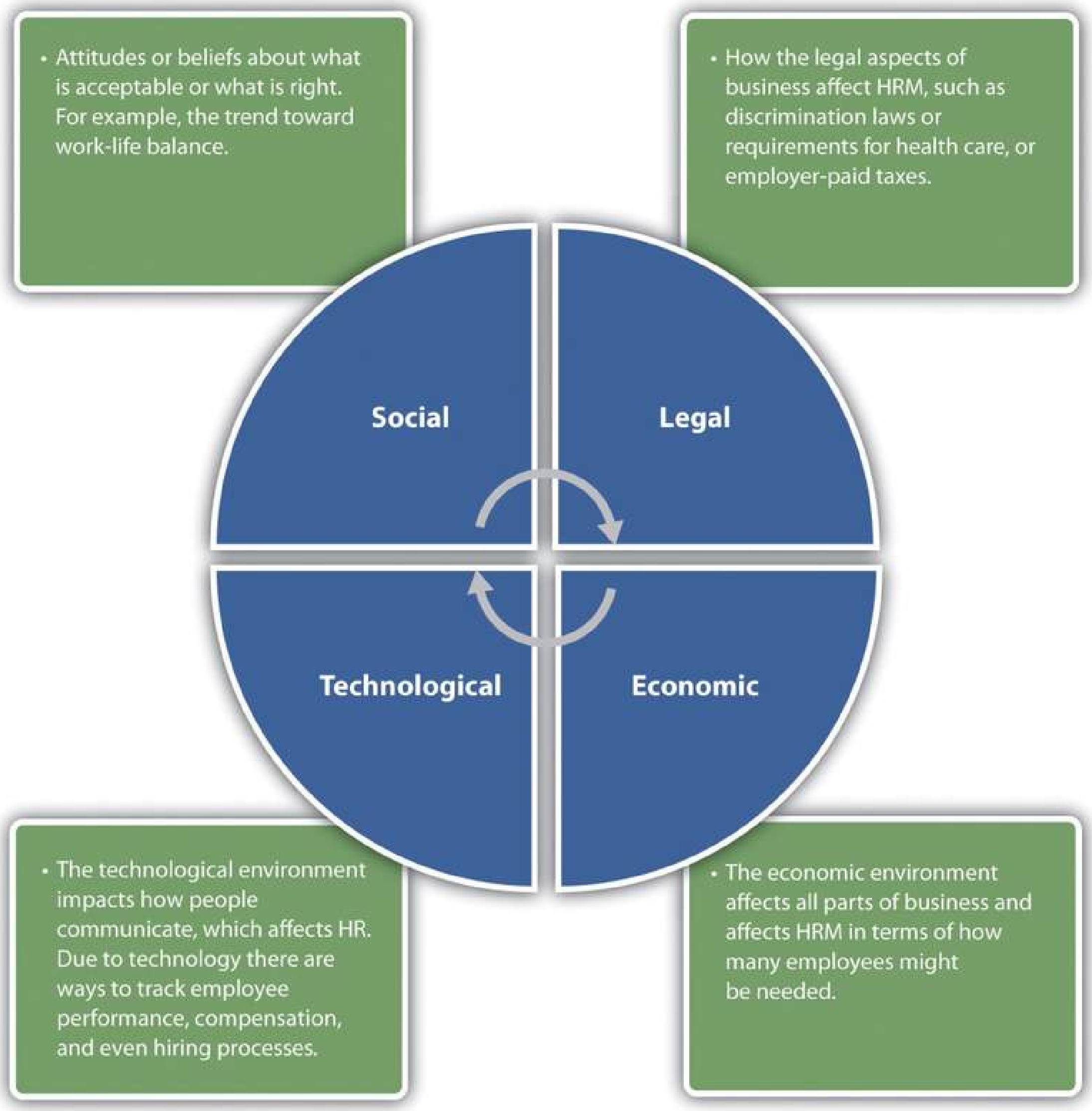


Fig. 1.1: An understanding of key external factors is important to the successful HR professional. This allows him or her to be able to make strategic decisions based on changes in the external environment. To develop this undersnding, reading various publications is necessary.

One way managers can be aware of the outside forces is to attend conferences and read various articles on the web. For example, the website of the Society for Human Resource Management, SHRM Online, [4] not only has job postings in the field but discusses many contemporary human resource issues that may help the manager make better decisions when it comes to people management. In "Today's HRM Challenges (Page 13)", we go into more depth about some recent external issues that are affecting human resource management roles. In "The Role of HRM (Page 3)", we discuss some of the skills needed to be successful in HRM.

4. Society for Human Resource Management, accessed August 18, 2011,http://www.shrm.org/Pages/default.aspx.

Fig. 1.2: Most professionals agree that there are seven main tasks HRM professionals perform. All these need to be considered in relation to external and outside forces.

Key Takeaways

- *Capital* includes all resources a company uses to generate revenue. Human resources or the people working in the organization are the most important resource.
- *Human resource management* is the process of employing people, training them, compensating them, developing policies relating to the workplace, and developing strategies to retain employees.
- There are seven main responsibilities of HRM managers: staffing, setting policies, *compensation* and benefits, *retention*, training, employment laws, and worker protection. In this book, each of these major areas will be included in a chapter or two.
- In addition to being concerned with the seven internal aspects, HRM managers must keep up to date with changes in the *external*

environment that may impact their employees. The trends toward *flexible schedules* and *telecommuting* are examples of external aspects.

- To effectively understand how the external forces might affect human resources, it is important for the HR manager to read the HR literature, attend conferences, and utilize other ways to stay up to date with new laws, trends, and policies.

Exercises

1. State arguments for and against the following statement: there are other things more valuable in an organization besides the people who work there.
2. Of the seven tasks an HR manager does, which do you think is the most challenging? Why?

1.3 Skills Needed for HRM

Learning Objectives

1. Explain the professional and personal skills needed to be successful in HRM.
2. Be able to define human resource management and the certifications that can be achieved in this profession.

One of the major factors of a successful manager or human resource (HR) manager is an array of skills to deal with a variety of situations. It simply isn't enough to have knowledge of HR, such as knowing which forms need to be filled out. It takes multiple skills to create and manage people, as well as a cutting-edge human resource department.

The first skill needed is organization. The need for this skill makes sense, given that you are managing people's pay, benefits, and careers. Having organized files on your computer and good time-management skills are crucial for success in any job, but especially if you take on a role in human resources.

Like most jobs, being able to multitask—that is, work on more than one task at a time—is important in managing human resources. A typical person managing human resources may have to deal with an employee issue one minute, then switch and deal with recruiting. Unlike many management positions, which only focus on one task or one part of the business, human resources focuses on all areas of the business, where multitasking is a must.

As trite as it may sound, people skills are necessary in any type of management and perhaps might be the most important skills for achieving success at any job. Being able to manage a variety of personalities, deal with conflict, and coach others are all in the realm of people management. The ability to communicate goes along with people skills. The ability to communicate good news (hiring a new employee), bad news (layoffs), and everything in between, such as changes to policy, makes for an excellent manager and human resource management (HRM) professional.

Keys to a successful career in HRM or management include understanding specific job areas, such as managing the employee database, understanding employment laws, and knowing how to write and develop a strategic plan that aligns with the business. All these skills will be discussed in this book.

A strategic mind-set as an HR professional is a key skill as well. A person with a strategic mind-set can plan far in advance and look at trends that could affect the environment in which the business is operating. Too often, managers focus on their own area and not enough on the business as a whole. The strategic HR professional is able to not only work within his or her area but also understand how HR fits into the bigger picture of the business.

Ethics and a sense of fairness are also necessary in human resources. Ethics is a concept that examines the moral rights and wrongs of a certain situation. Consider the fact that many HR managers negotiate salary and union contracts and manage conflict. In addition, HR managers have the task of ensuring compliance with ethics standards within the organization. Many HR managers are required to work with highly confidential information, such as salary information, so a sense of ethics when managing this information is essential. We discuss ethics from the organizational perspective in "The Role of HRM (Page 3)".

Human Resource Recall

Think of your current skills. Are there personal or professional skills you would like to work on?

Finally, while we can list a few skills that are important, understanding the particular business, knowing the business strategy, and being able to think critically about how HR can align itself with the strategy are ways to ensure HR departments are critical parts of the business. HR is a specialized area, much like accounting or finance. However, many individuals are placed in HR roles without having the specific knowledge to do the job. Oftentimes people with excellent skills are promoted to management and then expected (if the company is small) to perform recruiting, hiring, and compensation tasks. This is the reason we will refer to management and HR management interchangeably throughout the chapters. In addition, these skills are important for HRM professionals and managers alike.

Having said that, for those of you wanting a career in HRM, there are three exams you can take to show your mastery of HRM material:

1. Professional in Human Resources (PHR). To take this exam, an HR professional must have at least two years' experience. The exam is four hours long and

consists of 225 multiple-choice questions in a variety of areas. Twelve percent of the test focuses on strategic management, 26 percent on workforce planning, 17 percent on human resource development, 16 percent on rewards, 22 percent on employee and labor relations, and 7 percent on risk management. The application process for taking the exam is given on the Human Resource Certification Institute website at http://www.hrci.org.

2. Senior Professional in Human Resources (SPHR). This exam is designed for HR professionals who focus on designing and planning, rather than actual implementation. It is recommended that the person taking this exam has six to eight years of experience and oversees and manages an HR department. In this test, the greater focus is on the strategic aspect of HRM.

3. Global Professional in Human Resources (GPHR). This exam is for HR professionals who perform many of their tasks on a global level and whose companies often work across borders. This exam is three hours long, with 165 multiple-choice questions. A person with two years of professional experience can take the certification test. However, because the test has the international aspect, someone who designs HR-related programs and processes to achieve business goals would be best suited to earn this certification.

The benefits of achieving certifications are great. In addition to demonstrating the abilities of the HR professional, certification allows the professional to be more marketable in a very competitive field. Most companies need a human resource department or a manager with HR skills. The industries and job titles are so varied that it is possible only to list general job titles in human resources:

1. Recruiter
2. Compensation analyst
3. Human resources assistant
4. Employee relations manager
5. Benefits manager
6. Work-life coordinator
7. Training and development manager
8. Human resources manager
9. Vice president for human resources

This is not an exhaustive list, but it can be a starting point for research on this career path.

Key Takeaways

- There are a number of skills crucial to human resource management. First, being able to organize and multitask is necessary. In this job, files must be managed, and an HR manager is constantly working in different areas of the business.

- Communication skills are necessary in HRM as well. The ability to present good and bad news, work with a variety of personalities, and coach employees is important in HRM.
- Specific job skills, such as computer skills, knowledge of employment law, writing and developing strategic plans, and general critical-thinking skills are important in any type of management, but especially in human resource management.
- A sense of fairness and strong ethics will make for the best HR manager. Because HR works with a variety of departments to manage conflict and negotiate union contracts and salary, the HR professional needs ethics skills and the ability to maintain confidentiality.
- Since one of the major responsibilities of an HR department is to align the HR strategic plan with the business strategic plan, critical and creative thinking, as well as writing, are skills that will benefit the HR manager as well.
- Many people find themselves in the role of HR manager, so we will use the termHR manager throughout this book. However, many other types of managers also perform the tasks of recruiting, selecting, and compensating, making this book and the skills listed in this section applicable to all majors.
- Certification exams can be taken to make you more marketable in the field of HRM. These certifications are offered by the HR Certification Institute (HRCI).

Exercises

1. What are your perceptions of what an HR manager does on a day-to-day basis? Research this job title and describe your findings. Is this the type of job you expected?

1.4 Today's HRM Challenges

Learning Objective

1. Identify and explain some of the challenges associated with HRM.

All departments within an organization must prove their value and contributions to the overall business strategy, and the same is true with HRM. As companies are becoming more concerned with cutting costs, HRM departments must show the value they add to the organization through alignment with business objectives. Being able to add value starts with understanding some of the challenges of businesses and finding ways to reduce a negative impact on the business. This section will discuss some of the HRM challenges, and the rest of this text will dive into greater detail about how to manage these challenges.

1.4.1 Containing Costs

If you were to ask most business owners what their biggest challenges are, they will likely tell you that cost management is a major factor to the success or failure of their business. In most businesses today, the people part of the business is the most likely place for cuts when the economy isn't doing well.

Consider the expenses that involve the people part of any business:

1. Health-care benefits
2. Training costs
3. Hiring process costs
4. And many more…

These costs cut into the bottom line of any business. The trick is to figure out how much, how many, or how often benefits should be offered, without sacrificing employee motivation. A company can cut costs by not offering benefits or 401(k) plans, but if its goal is to hire the best people, a hiring package without these items will most certainly not get the best people. Containment of costs, therefore, is a balancing act. An HR manager must offer as much as he or she can to attract and retain employees, but not offer too much, as this can put pressure on the company's bottom line. We will discuss ways to alleviate this concern throughout this book.

For example, there are three ways to cut costs associated with health care:

1. Shift more of the cost of health care to employees
2. Reduce the benefits offered to cut costs
3. Change or better negotiate the plan to reduce health-care costs

Health care costs companies approximately $4,003 per year for a single employee and $9,764 for families. This equals roughly 83 percent and 73 percent of total health-care costs for single employees and employees with families, [5] respectively. One possible strategy for containment for health-care plans is to implement a cafeteria

5. "Use Three Strategies to Cut Health Care Costs," Business Management Daily, September 9, 2010, accessed October 10, 2010,http://www.businessmanagementdaily.com/articles/23381/1/Use-3-strategies-to-cut-health-care-costs/Page1.html.

plan.Cafeteria plans started becoming popular in the 1980s and have become standard in many organizations.[6] This type of plan gives all employees a minimum level of benefits and a set amount to spend on flexible benefits, such as additional health care or vacation time. It creates more flexible benefits, allowing the employee, based on his or her family situation, to choose which benefits are right for them. For example, a mother of two may choose to spend her flexible benefits on health care for her children, while a single, childless female may opt for more vacation days. In other words, these plans offer flexibility, while saving money, too. Cost containment strategies around benefits will be discussed in "Compensation and Benefits (Page 146)".

Another way to contain costs is by offering training. While this may seem counterintuitive, as training does cost money up front, it can actually save money in the long run. Consider how expensive a sexual harassment lawsuit or wrongful termination lawsuit might be. For example, a Sonic Drive-In was investigated by the Equal Opportunity Employment Commission (EEOC) on behalf of seventy women who worked there, and it was found that a manager at one of the stores subjected the victims to inappropriate touching and comments. This lawsuit cost the organization $2 million.[7] Some simple training up front (costing less than the lawsuit) likely would have prevented this from happening. Training employees and management on how to work within the law, thereby reducing legal exposure, is a great way for HR to cut costs for the organization as a whole. In "Training and Development (Page 224)", we will further discuss how to organize, set up, and measure the success of a training program.

The hiring process and the cost of turnover in an organization can be very expensive. Turnover refers to the number of employees who leave a company in a particular period of time. By creating a recruiting and selection process with cost containment in mind, HR can contribute directly to cost-containment strategies company wide. In fact, the cost of hiring an employee or replacing an old one (turnover) can be as high as $9,777 for a position that pays $60,000.[8] By hiring smart the first time, HR managers can contain costs for their organization. This will be discussed in "Recruitment (Page 78)"and "Selection (Page 112)". Reducing turnover includes employee motivational strategies. This will be addressed in "Retention and Motivation (Page 189)".

In a survey reported on by the Sales and Marketing Management newsletter,[9] 85 percent of managers say that ineffective communication is the cause of lost revenue. E-mail, instant messaging, text messages, and meetings are all examples of communication in business. An understanding of communication styles, personality styles, and channels of communication can help us be more effective in our communications, resulting in cost containment. In HRM, we can help ensure our people have the tools to communicate better, and contain costs and save dollars in doing so. Some of these tools for better communication will be addressed in "Successful Employee Communication (Page 263)"

6. Mary Allen, "Benefits, Buffet Style—Flexible Plans," Nation's Business, January 1997, accessed October 1, 2010, http://findarticles.com/p/articles/mi_m1154/is_v75/ai_4587731.
7. "LL Sonic Settles EEOC Lawsuit for $2 Million," Valencia County News Bulletin, June 23, 2011.
8. James Del Monte, "Cost of Hiring and Turnover," JDA Professional Services, Inc., 2010, accessed October 1, 2010, http://www.jdapsi.com/Client/articles/coh.
9. "The Cost of Poor Communications," Sales and Marketing, December 22, 2006, accessed October 1, 2010, http://www.allbusiness.com/marketing-advertising/4278862-1.html.

One cost-containment strategy for US businesses has been offshoring. Offshoring refers to the movement of jobs overseas to contain costs. It is estimated that 3.3 million US jobs will be moved overseas by 2015. [10] According to the US Census Bureau, most of these jobs are Information Technology (IT) jobs as well as manufacturing jobs. This issue is unique to HR, as the responsibility for developing training for new workers and laying off domestic workers will often fall under the realm of HRM. Offshoring will be discussed in "International HRM (Page 421)", and training for new workers will be discussed in "Training and Development (Page 224)".

Of course, cost containment isn't only up to HRM and managers, but as organizations look at various ways to contain costs, human resources can certainly provide solutions.

1.4.2 Technology

Technology has greatly impacted human resources and will continue to do so as new technology is developed. Through use of technology, many companies have virtual workforces that perform tasks from nearly all corners of the world. When employees are not located just down the hall, management of these human resources creates some unique challenges. For example, technology creates an even greater need to have multicultural or diversity understanding. Since many people will work with individuals from across the globe, cultural sensitivity and understanding is the only way to ensure the use of technology results in increased productivity rather than decreased productivity due to miscommunications. "Diversity and Multiculturalism (Page 53)" and "International HRM (Page 421)" will discuss some specific diversity issues surrounding a global workforce.

Technology also creates a workforce that expects to be mobile. Because of the ability to work from home or anywhere else, many employees may request and even demand a flexible schedule to meet their own family and personal needs. Productivity can be a concern for all managers in the area of flextime, and another challenge is the fairness to other workers when one person is offered a flexible schedule. "Compensation and Benefits (Page 146)" and "Retention and Motivation (Page 189)" will discuss flextime as a way to reward employees. Many companies, however, are going a step further and creating virtual organizations, which don't have a physical location (cost containment) and allow all employees to work from home or the location of their choice. As you can imagine, this creates concerns over productivity and communication within the organization.

The use of smartphones and social networking has impacted human resources, as many companies now disseminate information to employees via these methods. Of course, technology changes constantly, so the methods used today will likely be different one year or even six months from now.

10. Vivek Agrawal and Diana Farrell, "Who Wins in Offshoring?" in "Global Directions," special issue, McKinsey Quarterly, (2003): 36–41,https://www.mckinseyquarterly.com/Who_wins_in_offshoring_1363.

The large variety of databases available to perform HR tasks is mind boggling. For example, databases are used to track employee data, compensation, and training. There are also databases available to track the recruiting and hiring processes. We will discuss more about technology in HR in "Recruitment (Page 78)t" through "Training and Development (Page 224)".

Of course, the major challenge with technology is its constantly changing nature, which can impact all practices in HRM.

How Would You Handle This?

Too Many Friends

You are the HR manager for a small company, consisting of twenty-three people plus the two owners, Steve and Corey. Every time you go into Steve's office, you see he is on Facebook. Because he is Facebook friends with several people in the organization, you have also heard he constantly updates his status and uploads pictures during work time. Then, at meetings, Steve will ask employees if they saw the pictures he recently uploaded from his vacation, weekend, or backpacking trip. One employee, Sam, comes to you with a concern about this. "I am just trying to do my job, but I feel if I don't look at his photos, he may not think I am a good employ https://api.wistia.com/v1/medias/1371241/embedee (https://api.wistia.com/v1/medias/1371241/embedee)," she says. How would you handle this?

How Would You Handle This?

https://api.wistia.com/v1/medias/1371241/embed

The author discusses the How Would You Handle This situation in this chapter at: *https://api.wistia.com/v1/medias/1371241/embed*.

Cyberloafing, a term used to describe lost productivity as a result of an employee using a work computer for personal reasons, is another concern created by technology. One study performed by Nucleus Research found that the average worker uses Facebook for fifteen minutes per day, which results in an average loss of 1.5 percent of productivity. [11] Some workers, in fact, use Facebook over two hours per day during working hours. Restricting or blocking access to the Internet, however, can result in angry employees and impact motivation at work. Motivational factors will be discussed in "Retention and Motivation (Page 189)".

Technology can create additional stress for workers. Increased job demands, constant change, constant e-mailing and texting, and the physical aspects of sitting in front of a computer can be not only stressful but also physically harmful to employees. "Safety and Health at Work (Page 390)" will deal with some of these stress issues,

11. "Facebook Use Cuts Productivity at Work," Economic Times, July 25, 2009, accessed October 4, 2010, http://economictimes.indiatimes.com/tech/internet/Facebook-use-cuts-productivity-at-work-Study/articleshow/4818848.cms.

as well as safety issues such as carpal tunnel, which can occur as a result of technology in the workplace. More on health and safety will be covered in "Managing Employee Performance (Page 288)".

1.4.3 The Economy

Tough economic times in a country usually results in tough times for business, too. High unemployment and layoffs are clearly HRM and managerial issues. If a human resource manager works for a unionized company, union contracts are the guiding source when having to downsize owing to a tough economy. We will discuss union contracts in greater detail in "Working with Labor Unions (Page 362)".

Besides union restrictions, legal restrictions on who is let go and the process followed to let someone go should be on the forefront of any manager's mind when he or she is required to lay off people because of a poor economy. Dealing with performance issues and measuring performance can be considerations when it is necessary to lay off employees. These issues will be discussed in "Managing Employee Performance (Page 288)" and "Employee Assessment (Page 321)".

Likewise, in a growth economy, the HR manager may experience a different kind of stress. Massive hiring to meet demand might occur if the economy is doing well. For example, McDonald's restaurants had to fill six hundred positions throughout Las Vegas and held hiring day events in 2010._ [12] Imagine the process of hiring this many people in a short period of time The same recruiting and selection processes used under normal circumstances will be helpful in mass hiring situations. Recruiting and selection will be discussed in "Recruitment (Page 78)" and "Selection (Page 112)".

1.4.4 The Changing and Diverse Workforce

Human resources should be aware that the workforce is constantly changing. For example, in the 2010 census, the national population was 308,745,538, with 99,531,000 in 2010 working full time, down from 2008 when 106,648,000 were working full time. [13] For full-time workers, the average weekly salary was higher the more educated the worker. See Figure 1.6 for details

12. McDonald's Readies for Massive Hiring Spree," Fox 5 News, Las Vegas, May 2010, accessed October 5, 2010, http://www.fox5vegas.com/news/23661640/detail.html (site discontinued).
13. Bureau of Labor Statistics, Current Population Survey Report, accessed July 7, 2011,http://www.bls.gov/cps/earnings.htm#education.

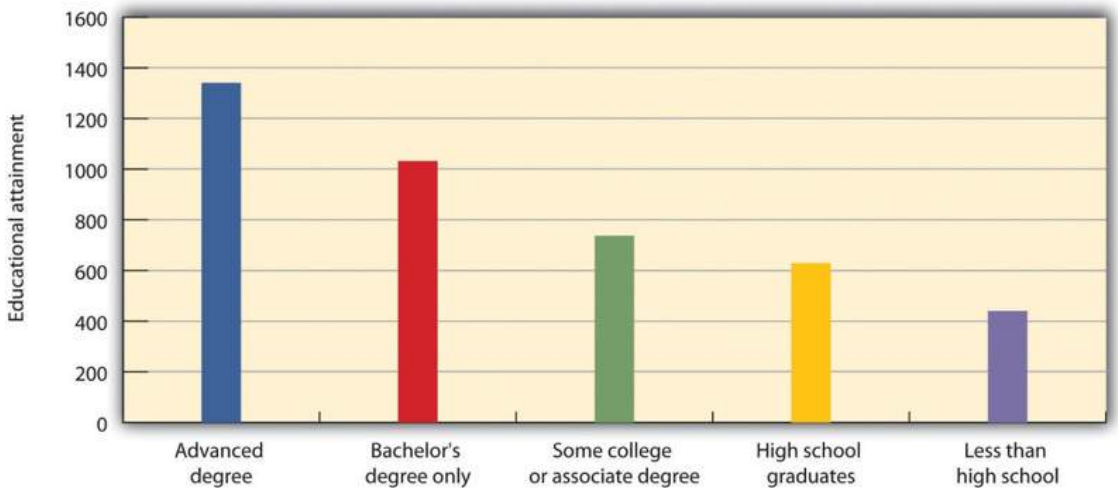


Fig. 1.3: The average weekly earnings for workers in the United States increase with more education. Source: Data from US Bureau of Labor Statistics, "Usual Weekly Earnings of Wage and Salary Workers," Table 5, Economic News Release, July 20, 2010, accessed August 19, 2011, http://www.bls.gov/opub/ted/2010/ted_20100726_data.htm.

Fortune 500 Focus

Multigenerational is here to stay, and Xerox is the leader in recruiting of Generation Y talent. This age group has been moving into the labor market over the last six years, and this major demographic change, along with the retirement of baby boomers, has many companies thinking. Fortune 500 companies know they must find out where their new stars are coming from. In recruiting this new talent, Xerox isn't looking to old methods, because they know each generation is different. For example, Xerox developed the "Express Yourself" recruiting campaign, which is geared around a core value of this generation, to develop solutions and change. Joe Hammill, the director of talent acquisition, says, "Gen Y is very important. Xerox and other companies view this emerging workforce as the future of our organization." [14] Besides the new recruiting campaign, recruiters are working at what they term "core colleges"—that is, those that produce the kind of talent they need. For example, they developed recruitment campaigns with specific institutions such as the Rochester Institute of Technology because of its strong engineering and printing science programs. On their company website, they have a specific tab for the recent college graduate, emphasizing core values of this generation, including the ability to contribute, support, and build skills. With its understanding of multicultural generations, Xerox has created a talent pool for years to come.

It is expected that over the next ten years, over 40 percent of the workforce will retire, and there will not be enough younger workers to take the jobs once held by the

14. Stephanie Armour, "Generation Y: They've Arrived at Work with a New Attitude," USA Today, November 6, 2005.

retiring workforce. [15] In fact, the American Society of Training and Development says that in the next twenty years, seventy-six million Americans will retire, and only forty-six million will replace them. As you can imagine, this will create a unique staffing obstacle for human resources and managers alike, as they try to find talented people in a pool that doesn't have enough people to perform necessary jobs. The reason for this increase in retirement is the aging baby boomers. Baby boomers can be defined as those born between the years 1946 and 1964, according to the Census Bureau. They are called the baby boomers because there was a large increase of babies born after soldiers came back from World War II. Baby boomers account for seventy-six million people in the United States in 2011, the same year in which the first of the baby boomers have started to retire.

The impact of the baby boomer generation on our country and on human resource management is huge. First, the retirement of baby boomers results in a loss of a major part of the working population, and there are not enough people to fill those jobs that are left vacant. Second, the baby boomers' knowledge is lost upon their retirement. Much of this knowledge isn't formalized or written down, but it contributes to the success of business. Third, elderly people are living longer, and this results in higher health-care costs for all currently in the workforce. It is estimated that three out of five baby boomers do not have enough money saved for retirement, [16] meaning that many of them will depend on Social Security payments to meet basic needs. However, since the Social Security system is a pay-as-you-go system (i.e., those paying into the system now are paying for current retirees), there may not be enough current workers to cover the current Social Security needs. In fact, in 1950 there were 16 workers to support each Social Security beneficiary, but today there are only 3.3 workers supporting each beneficiary. [17] The implications can mean that more will be paid by current workers to support retirees.

As a result of the aging workforce, human resources should keep abreast of changes in Social Security legislation and health-care costs, which will be discussed in "Compensation and Benefits (Page 146)". In addition, human resource managers should review current workers' skill levels and monitor retirements and skills lost upon those retirements, which is part of strategic planning. This will be discussed in "Developing and Implementing Strategic HRM Plans (Page 27)". Having knowledge about current workers and skills, as well as predicting future workforce needs, will be necessary to deal with the challenges of an aging workforce.

Human Resource Recall

Have you ever worked in a multigenerational organization? What were some of the challenges in working with people who may have grown up in a different era?

Another challenge, besides lack of workers, is the multigenerational workforce. Employees between the ages of seventeen and sixty-eight have different values and

15. Alvaro Fernandez, "Training the Aging Workforce," SharpBrains, August 10, 2007, accessed October 6, 2010, http://www.sharpbrains.com/blog/2007/08/10/training-the-aging-workforce-and-their-brains.
16. Joe Weisenthal, "3 of 5 Baby Boomers Don't Have Enough for Retirement," Business Insider Magazine, August 16, 2010, http://www.businessinsider.com/boomers-cutting-back-2010-8.
17. Brenda Wenning, "Baby Boomer Retirement May Be a Bust," Metrowest News Daily, March 21, 2010.

different expectations of their jobs. Any manager who tries to manage these workers from varying generations will likely have some challenges. Even compensation preferences are different among generations. For example, the traditional baby boomer built a career during a time of pensions and strongly held values of longevity and loyalty to a company. Compare the benefit needs of this person to someone who is younger and expects to save through a 401(k) plan, and it is clear that the needs and expectations are different. [18] Throughout this book, we will discuss compensation and motivational strategies for the multigenerational workforce.

Awareness of the diversity of the workforce will be discussed in "Diversity and Multiculturalism (Page 53)", but laws regarding diversity will be discussed throughout the book. Diversity refers to age, disability, race, sex, national origin, and religion. Each of these components makes up the productive workforce, and each employee has different needs, wants, and goals. This is why it is imperative for the HRM professional to understand how to motivate the workforce, while ensuring that no laws are broken. We will discuss laws regarding diversity (and the components of diversity, such as disabilities) in "Diversity and Multiculturalism (Page 53)",

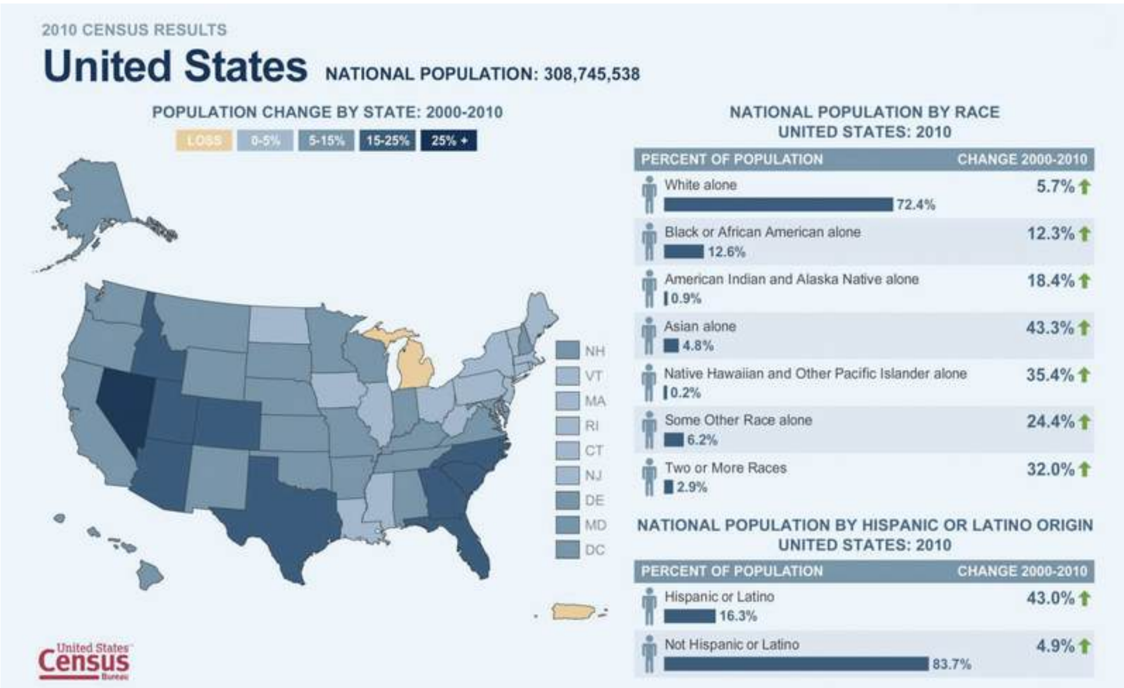


Fig. 1.4: Demographic Data for the United States by Race Source: Map courtesy of the US Census Department.

"Recruitment (Page 78)", "Selection (Page 112)", "Compensation and Benefits (Page 146)", and "Retention and Motivation (Page 189)".

18. Michelle Capezza, "Employee Benefits in a Multigenerational Workplace," EpsteinBeckerGreen, August 12, 2010, accessed October 6, 2010,http://www.ebglaw.com/showNewsletter.aspx?Show=13313.

1.4.5 Ethics

A discussion of ethics is necessary when considering challenges of human resources. Much of the discussion surrounding ethics happened after the early to mid-2000s, when several companies were found to have engaged in gross unethical and illegal conduct, resulting in the loss of billions of dollars from shareholders. Consider the statistics: only 25 percent of employees trusted their CEO to tell the truth, and 80 percent of people said that employers have a moral responsibility to society. [19] Based on these numbers, an ethical workplace is important not only for shareholder satisfaction but for employee satisfaction as well. Companies are seeing the value of implementing ethics codes within the business.

Many human resource departments have the responsibility of designing codes of ethics and developing policies for ethical decision making. Some organizations hire ethics officers to specifically focus on this area of the business. Out of four hundred companies surveyed, 48 percent had an ethics officer, who reported to either the CEO or the HR executive. [20] provides a high-level individual with positional authority who can ensure that policies, practices, and guidelines are effectively communicated across the organization." [21] For example, the insurance company Allstate recently hired a chief ethics and compliance officer (CECO) who offers a series of workshops geared toward leaders in the organization, because they believe that maintaining high ethical standards starts at the top of an organization. In addition, the CECO monitors reports of ethics complaints within the organization and trains employees on the code of ethics or code of conduct. [22] A code of ethics is an outline that explains the expected ethical behavior of employees. For example, General Electric (GE) has a sixty-four-page code of conduct that outlines the expected ethics, defines them, and provides information on penalties for not adhering to the code. The code of conduct is presented below. Of course, simply having a written code of ethics does little to encourage positive behavior, so many organizations (such as GE) offer stiff penalties for ethics violations. Developing policies, monitoring behavior, and informing people of ethics are necessary to ensure a fair and legal business.

The following is an outline of GE's code of conduct: [23]

- Obey the applicable laws and regulations governing our business conduct worldwide.
- Be honest, fair, and trustworthy in all your GE activities and relationships.

19. Strategic Management Partners, "Unethical Statistics Announced At Business Leaders Event," news release, http://www.consult-smp.com/archives/2005/02/unethical_stati.html, accessed August 31, 2011.
20. Mark McGraw, "The HR-Ethics Alliance," HR Executive Online, June 16, 2011, accessed July 7, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=533339153.] According to Steve Miranda, chief human resources officer for the Society for Human Resource Management (SHRM), "[the presence of an ethics officer
21. Mark McGraw, "The HR-Ethics Alliance," HR Executive Online, June 16, 2011, accessed July 7, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=533339153, brackets in the original.
22. Mark McGraw, "The HR-Ethics Alliance," HR Executive Online, June 16, 2011, accessed July 7, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=533339153.
23. "The Spirit and the Letter," General Electric Company, accessed August 10, 2011,http://files.gecompany.com/gecom/citizenship/pdfs/TheSpirit&TheLetter.pdf.

- Avoid all conflicts of interest between work and personal affairs.
- Foster an atmosphere in which fair employment practices extend to every member of the diverse GE community.
- Strive to create a safe workplace and to protect the environment.
- Through leadership at all levels, sustain a culture where ethical conduct is recognized, valued, and exemplified by all employees.

Key Takeaways

- One of the most important aspects to productive HRM is to ensure the department adds value to the rest of the organization, based on the organization's strategic plan.
- One of the major challenges of HRM is containment of costs. This can be done in several ways, for example, in the way health care and benefits are offered. Many companies are developing cafeteria plans that satisfy the employee and help contain costs.
- HRM can also contain costs by developing and managing training programs and ensuring employees are well trained to be productive in the job.
- Hiring is a very expensive part of human resources, and therefore HRM should take steps to ensure they are hiring the right people for the job the first time.Turnover is a term used to describe the departure of an employee.
- Poor communication results in wasting time and resources. We can communicate better by understanding communication channels, personalities, and styles.
- Technology is also a challenge to be met by human resources. For example, employees may request alternative work schedules because they can use technology at home to get their work done.
- Because technology is part of our work life, cyberloafing, or employees spending too much time on the Internet, creates new challenges for managers. Technology can also create challenges such as workplace stress and lack of work-life balance.
- The economy is a major factor in human resource management. HR managers, no matter what the state of the economy, must plan effectively to make sure they have the right number of workers at the right time. When we deal with a down economy, the legal and union implications of layoffs must be considered, and in an up economy, hiring of workers to meet the internal demand is necessary.

- The retirement of baby boomers is creating a gap in the workplace, related to not only the number of people available but also the skills people have. Multigenerational companies, or companies with workers of a variety of ages, must find ways to motivate employees, even though those employees may have different needs. HR must be aware of this and continually plan for the challenge of a changing workforce. Diversity in the workplace is an important challenge in human resource management. Diversity will be discussed in"Diversity and Multiculturalism (Page 53)".

- Ethics and monitoring of ethical behavior are also challenges in HRM. Setting ethical standards and monitoring ethical behavior, including developing a code of conduct, is a must for any successful business.

Exercises

1. Research the various generations: baby boomers, Generation X, and the Y Generation (millennials). Compare and contrast five differences between the generations. How might these differences impact HRM?

2. Review news articles on the current state of the economy. Which aspects of these articles do you think can relate to HRM?

1.5 Cases and Problems

Chapter Summary

- Human resource management is the process of employing people, training them, compensating them, developing policies relating to the workplace, and developing strategies to retain employees. Three certification exams, which are offered by the Human Resource Certification Institute, can be taken to show HRM skills and become more marketable.

- Human resource management involves seven main areas: (1) staffing, (2) workplace policies, (3) benefits and compensation, (4) retention, (5) training, (6) employment laws, and (7) employee protection.

- Human resource managers need many different types of skills. Being able to organize, multitask, and communicate effectively, as well as having specific job skills, such as how to run a particular computer program, and a sense of fairness and ethics, is crucial to a successful career in HRM.

- There are many contemporary challenges associated with HRM. First, it is up to everyone in the organization to contain costs. HR managers need to look at their individual departments and demonstrate the necessity and value of their functions to the organization. HR managers can also help contain costs in several ways, such as managing benefits plans and compensation and providing training.
- The fast-changing nature of technology is also a challenge in HRM. As new technologies are developed, employees may be able to implement innovative ways of working such as flextime. HR managers are also responsible for developing policies dealing with cyberloafing and other workplace time wasters revolving around technology. Employee stress and lack of work-life balance are also greatly influenced by technology.
- Awareness of the changes in the economy allows the human resource manager to adequately plan for reductions and additions to the workforce.
- The aging and changing workforce is our final factor. As baby boomers retire, there likely will not be enough people to replace them, and many of the skills the baby boomers have may be lost. In addition, having to work with multiple generations at once can create challenges as different expectations and needs arise from multigenerational workforces.

Chapter Case

Changes, Changes

Jennifer, the owner and manager of a company with ten employees, has hired you to take over the HRM function so she can focus on other areas of her business. During your first two weeks, you find out that the company has been greatly affected by the up economy and is expected to experience overall revenue growth by 10 percent over the next three years, with some quarters seeing growth as high as 30 percent. However, five of the ten workers are expected to retire within three years. These workers have been with the organization since the beginning and provide a unique historical perspective of the company. The other five workers are of diverse ages.

In addition to these changes, Jennifer believes they may be able to save costs by allowing employees to telecommute one to two days per week. She has some concerns about productivity if she allows employees to work from home. Despite these concerns, Jennifer has even considered closing down the physical office and making her company a virtual organization, but she wonders how such a major change will affect the ability to communicate and worker motivation.

Jennifer shares with you her thoughts about the costs of health care on the organization. She has considered cutting benefits entirely and having her employees work for her on a contract basis, instead of being full-time employees. She isn't sure if this would be a good choice.

Jennifer schedules a meeting with you to discuss some of her thoughts. To prepare for the meeting, you perform research so you can impress your new boss with recommendations on the challenges presented.

1. Point out which changes are occurring in the business that affect HRM.
2. What are some considerations the company and HR should be aware of when making changes related to this case study?
3. What would the initial steps be to start planning for these changes?
4. What would your role be in implementing these changes? What would Jennifer's role be?

Team Activities

1. In a group of two to three people, research possible career paths in HRM and prepare a PowerPoint presentation to discuss your findings.
2. Interview an HR manager and discuss his or her career path, skills, and daily tasks. Present your findings to your class.

Chapter 2 Developing and Implementing Strategic HRM Plans

2.1 The Value of Planning

James stumbled into his position as the human resource manager. He had been working for Techno, Inc. for three years, and when the company grew, James moved from a management position into a human resource management position. Techno, Inc. is a technology and software consulting company for the music industry.

James didn't have a good handle on how to effectively run a human resources (HR) department, so for much of the time he tried to figure it out as he went. When Techno started seeing rapid growth, he hired thirty people within a one-month period to meet the demand. Proud of his ability to accomplish his task of meeting the business's current needs, James was rather pleased with himself. He had spent numerous hours mulling over recruitment strategies, putting together excellent compensation plans, and then eventually sifting through résumés as a small part of the hiring process. Now the organization had the right number of people needed to carry out its projects.

Fast forward five months, however, and it turned out the rapid growth was only temporary. James met with the executives of the business who told him the contracts they had acquired were finished, and there wasn't enough new work coming in to make payroll next month if they didn't let some people go. James felt frustrated because he had gone through so much effort to hire people, and now they would be laid off. Never mind the costs of hiring and training his department had taken on to make this happen. As James sat with the executives to determine who should be laid off, he felt sad for the people who had given up other jobs just five months before, only to be laid off.

After the meeting, James reflected on this situation and realized that if he had spoken with the executives of the company sooner, they would have shared information on the duration of the contracts, and he likely would have hired people differently, perhaps on a contract basis rather than on a full-time basis. He also considered the fact that the organization could have hired an outsourcing company to recruit workers for him. As Jason mulled this over, he realized that he needed a strategic plan to make sure his department was meeting the needs of the organization. He vowed to work with the company executives to find out more about the company's strategic plan and then develop a human resource management (HRM) strategic plan to make sure Techno, Inc. has the right number of workers with the right skills, at the right time in the future.

2.2 Strategic Planning

Learning Objectives

1. Explain the differences been HRM and personnel management.
2. Be able to define the steps in HRM strategic planning.

In the past, human resource management (HRM) was called the personnel department. In the past, the personnel department hired people and dealt with the hiring paperwork and processes. It is believed the first human resource department was created in 1901 by the National Cash Register Company (NCR). The company faced a major strike but eventually defeated the union after a lockout. (We address unions in "Working with Labor Unions (Page 362)".) After this difficult battle, the company president decided to improve worker relations by organizing a personnel department to handle grievances, discharges, safety concerns, and other employee issues. The department also kept track of new legislation surrounding laws impacting the organization. Many other companies were coming to the same realization that a department was necessary to create employee satisfaction, which resulted in more productivity. In 1913, Henry Ford saw employee turnover at 380 percent and tried to ease the turnover by increasing wages from $2.50 to $5.00, even though $2.50 was fair during this time period. [1] Of course, this approach didn't work for long, and these large companies began to understand they had to do more than hire and fire if they were going to meet customer demand.

More recently, however, the personnel department has divided into human resource management and human resource development, as these functions have evolved over the century. HRM is not only crucial to an organization's success, but it should be part of the overall company's strategic plan, because so many businesses today depend on people to earn profits. Strategic planning plays an important role in how productive the organization is.

Personnel Management Focus	HRM Focus
Administering of policies	Helping to achieve strategic goals through people

Table 2.1: Examples of Differences between Personnel Management and HRM

1. Michael Losey, "HR Comes of Age," HR Magazine, March 15, 1998, accessed July 11, 2011,http://findarticles.com/p/articles/mi_m3495/is_n3_v43/ai_20514399.

Personnel Management Focus	HRM Focus
Stand-alone programs, such as training	HRM training programs that are integrated with company's mission and values
Personnel department responsible for managing people	Line managers share joint responsibility in all areas of people hiring and management
Creates a cost within an organization	Contributes to the profit objectives of the organization

Table 2.1: Examples of Differences between Personnel Management and HRM

Most people agree that the following duties normally fall under HRM. Each of these aspects has its own part within the overall strategic plan of the organization:

1. Staffing. Staffing includes the development of a strategic plan to determine how many people you might need to hire. Based on the strategic plan, HRM then performs the hiring process to recruit and select the right people for the right jobs. We discuss staffing in greater detail in "Recruitment (Page 78)", "Selection (Page 112)", and "Compensation and Benefits (Page 146)".

2. Basic workplace policies. Development of policies to help reach the strategic plan's goals is the job of HRM. After the policies have been developed, communication of these policies on safety, security, scheduling, vacation times, and flextime schedules should be developed by the HR department. Of course, the HR managers work closely with supervisors in organizations to develop these policies. Workplace policies will be addressed throughout the book.

3. Compensation and benefits. In addition to paychecks, 401(k) plans, health benefits, and other perks are usually the responsibility of an HR manager. Compensation and benefits are discussed in "Compensation and Benefits (Page 146)" and "Retention and Motivation (Page 189)".

4. Retention. Assessment of employees and strategizing on how to retain the best employees is a task that HR managers oversee, but other managers in the organization will also provide input. "Successful Employee Communication (Page 263)", "Managing Employee Performance (Page 288)", and "Employee Assessment (Page 321)" cover different types of retention strategies, from training to assessment.

5. Training and development. Helping new employees develop skills needed for their jobs and helping current employees grow their skills are also tasks for which the HRM department is responsible. Determination of training needs and development and implementation of training programs are important tasks in any organization. Training is discussed in great detail in "Successful Employee Communication (Page 263)"including succession planning. Succession planning includes handling the departure of managers and making current employees ready to take on managerial roles when a manager does leave.

6. Regulatory issues and worker safety. Keeping up to date on new regulations relating to employment, health care, and other issues is generally a responsibility that falls on the HRM department. While various laws are discussed throughout the book, unions and safety and health laws in the workplace are covered in "Working with Labor Unions (Page 362)" and "Safety and Health at Work (Page 390)".

In smaller organizations, the manager or owner is likely performing the HRM functions. [2] They hire people, train them, and determine how much they should be paid. Larger companies ultimately perform the same tasks, but because they have more employees, they can afford to employ specialists, or human resource managers, to handle these areas of the business. As a result, it is highly likely that you, as a manager or entrepreneur, will be performing HRM tasks, hence the value in understanding the strategic components of HRM.

2.3 HRM vs. Personnel Management

Human resource strategy is an elaborate and systematic plan of action developed by a human resource department. This definition tells us that an HR strategy includes detailed pathways to implement HRM strategic plans and HR plans. Think of the HRM strategic plan as the major objectives the organization wants to achieve, and the HR plan as the specific activities carried out to achieve the strategic plan. In other words, the strategic plan may include long-term goals, while the HR plan may include short-term objectives that are tied to the overall strategic plan. As mentioned at the beginning of this chapter, human resource departments in the past were called personnel departments. This term implies that the department provided “support” for the rest of the organization. Companies now understand that the human side of the business is the most important asset in any business (especially in this global economy), and therefore HR has much more importance than it did twenty years ago. While personnel management mostly involved activities surrounding the hiring process and legal compliance, human resources involves much more, including strategic planning, which is the focus of this chapter. The Ulrich HR model, a common way to look at HRM strategic planning, provides an overall view of the role of HRM in the organization. His model is said to have started the movement that changed the

2. Jan de Kok and Lorraine M. Uhlaner, “Organization Context and Human Resource Management in the Small Firm” (Tinbergen Institute Discussion Papers 01-038/3, Tinbergen Institute, 2001), accessed August 13, 2011, http://ideas.repec.org/s/dgr/uvatin.html.

view of HR; no longer merely a functional area, HR became more of a partnership within the organization. While his model has changed over the years, the current model looks at alignment of HR activities with the overall global business strategy to form a strategic partnership. [3] His newly revised model looks at five main areas of HR:

1. Strategic partner. Partnership with the entire organization to ensure alignment of the HR function with the needs of the organization.
2. Change agent. The skill to anticipate and respond to change within the HR function, but as a company as a whole.
3. Administrative expert and functional expert. The ability to understand and implement policies, procedures, and processes that relate to the HR strategic plan.
4. Human capital developer. Means to develop talent that is projected to be needed in the future.
5. Employee advocate. Works for employees currently within the organization.

According to Ulrich, [4] implementation of this model must happen with an understanding of the overall company objectives, problems, challenges, and opportunities. For example, the HR professional must understand the dynamic nature of the HRM environment, such as changes in labor markets, company culture and values, customers, shareholders, and the economy. Once this occurs, HR can determine how best to meet the needs of the organization within these five main areas.

HRM as a Strategic Component of the Business

Keeping the Ulrich model in mind, consider these four aspects when creating a good HRM strategic plan:

3. David Ulrich and Wayne Brockbank, The HR Value Proposition (Boston: Harvard Business Press, 2005), 9–14.
4. David Ulrich, "Evaluating the Ulrich Model," Acerta, 2011, accessed July 11, 2011,http://www.goingforhr.be/extras/web-specials/hr-according-to-dave-ulrich#ppt_2135261.

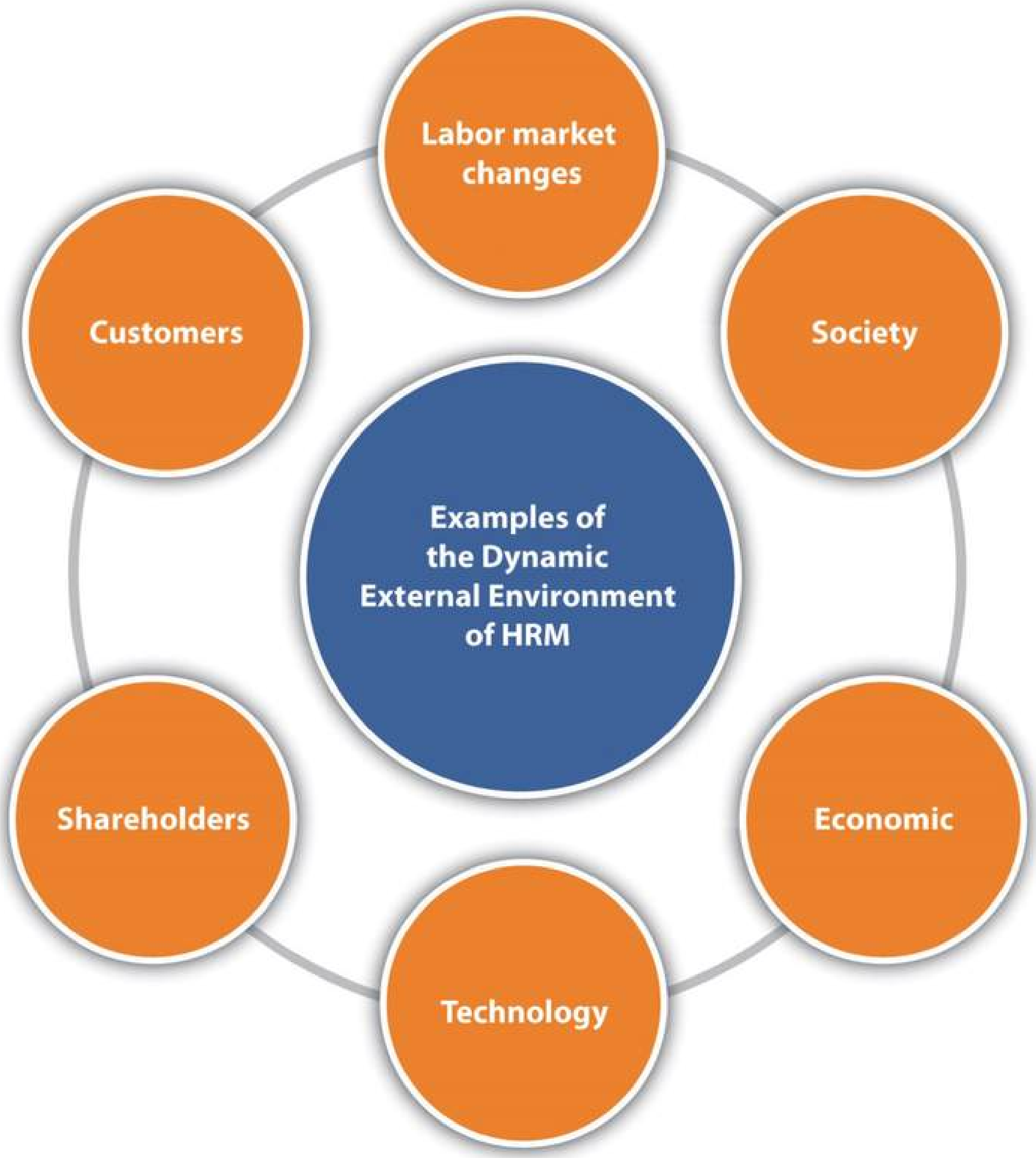


Fig. 2.1: To be successful in writing an HRM strategic plan, one must understand the dynamic external environment.

1. Make it applicable. Often people spend an inordinate amount of time developing plans, but the plans sit in a file somewhere and are never actually used. A good strategic plan should be the guiding principles for the HRM function. It should be reviewed and changed as aspects of the business change. Involvement of all members in the HR department (if it's a larger department) and communication among everyone within the department will make the plan better.

2. Be a strategic partner. Alignment of corporate values in the HRM strategic plan should be a major objective of the plan. In addition, the HRM strategic plan should be aligned with the mission and objectives of the organization as a whole. For example, if the mission of the organization is to promote social responsibility, then the HRM strategic plan should address this in the hiring criteria.

3. Involve people. An HRM strategic plan cannot be written alone. The plan should involve everyone in the organization. For example, as the plan develops, the HR manager should meet with various people in departments and find out what skills

the best employees have. Then the HR manager can make sure the people recruited and interviewed have similar qualities as the best people already doing the job. In addition, the HR manager will likely want to meet with the financial department and executives who do the budgeting, so they can determine human resource needs and recruit the right number of people at the right times. In addition, once the HR department determines what is needed, communicating a plan can gain positive feedback that ensures the plan is aligned with the business objectives.

4. Understand how technology can be used. Organizations oftentimes do not have the money or the inclination to research software and find budget-friendly options for implementation. People are sometimes nervous about new technology. However, the best organizations are those that embrace technology and find the right technology uses for their businesses. There are thousands of HRM software options that can make the HRM processes faster, easier, and more effective. Good strategic plans address this aspect.

HR managers know the business and therefore know the needs of the business and can develop a plan to meet those needs. They also stay on top of current events, so they know what is happening globally that could affect their strategic plan. If they find out, for example, that an economic downturn is looming, they will adjust their strategic plan. In other words, the strategic plan needs to be a living document, one that changes as the business and the world changes.

Human Resource Recall

Have you ever looked at your organization’s strategic plan? What areas does the plan address?

Source: Seattle University Presentation, accessed July 11, 2011, http://fac-staff.seattleu.edu/gprussia/web/mgt383/HR%20Planning1.ppt.

2.3.1 The Steps to Strategic Plan Creation

As we addressed in "The Steps to Strategic Plan Creation (Page 33)", HRM strategic plans must have several elements to be successful. There should be a distinction made here: the HRM strategic plan is different from the HR plan. Think of the HRM strategic plan as the major objectives the organization wants to achieve, while the HR plan consists of the detailed plans to ensure the strategic plan is achieved. Oftentimes the strategic plan is viewed as just another report that must be written. Rather than jumping in and writing it without much thought, it is best to give the plan careful consideration. The goal of "Conduct a Strategic Analysis (Page 34)"is to provide you with some basic elements to consider and research before writing any HRM plans.

2.3.2 Conduct a Strategic Analysis

A strategic analysis looks at three aspects of the individual HRM department:

1. Understanding of the company mission and values. It is impossible to plan for HRM if one does not know the values and missions of the organization. As we have already addressed in this chapter, it is imperative for the HR manager to align department objectives with organizational objectives. It is worthwhile to sit down with company executives, management, and supervisors to make sure you have a good understanding of the company mission and values. Another important aspect is the understanding of the organizational life cycle. You may have learned about the life cycle in marketing or other business classes, and this applies to HRM, too. An organizational life cycle refers to the introduction, growth, maturity, and decline of the organization, which can vary over time. For example, when the organization first begins, it is in the introduction phase, and a different staffing, compensation, training, and labor/employee relations strategy may be necessary to align HRM with the organization's goals. This might be opposed to an organization that is struggling to stay in business and is in the decline phase. That same organization, however, can create a new product, for example, which might again put the organization in the growth phase. Table 2.2 "Lifecycle Stages and HRM Strategy" explains some of the strategies that may be different depending on the organizational life cycle.
2. Understanding of the HRM department mission and values. HRM departments must develop their own departmental mission and values. These guiding principles for the department will change as the company's overall mission and values change. Often the mission statement is a list of what the department does, which is less of a strategic approach. Brainstorming about HR goals, values, and priorities is a good way to start. The mission statement should express how an organization's human resources help that organization meet the business goals. A poor mission statement might read as follows: "The human resource department at Techno, Inc. provides resources to hiring managers and develops compensation plans and other services to assist the employees of our company." A strategic statement that expresses how human resources help the organization might read as follows: "HR's responsibility is to ensure that our human resources are more talented and motivated than our competitors', giving us a competitive advantage. This will be achieved by monitoring our turnover rates, compensation, and company sales data and comparing that data to our competitors." [5] When the mission statement is written in this way, it is easier to take a strategic approach with the HR planning process.
3. Understanding of the challenges facing the department. HRM managers cannot deal with change quickly if they are not able to predict changes. As a result, the HRM manager should know what upcoming challenges may be faced to make plans to deal with those challenges better when they come along. This makes the strategic plan and HRM plan much more usable.

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5. Gary Kaufman, "How to Fix HR," Harvard Business Review, September 2006, accessed July 11, 2011, http://hbr.org/2006/09/how-to-fix-hr/ar/1.

Table 2.2 Lifecycle Stages and HRM Strategy

Life Cycle Stage	Staffing	Compensation	Training and Development	Labor / Employee Relations
Introduction	Attract best technical and professional talent.	Meet or exceed labor market rates to attract needed talent.	Define future skill requirements and begin establishing career ladders.	Set basic employee-relations philosophy of organization.
Growth	Recruit adequate numbers and mix of qualifying workers. Plan management succession. Manage rapid internal labor market movements.	Meet external market but consider internal equity effects. Establish formal compensation structures.	Mold effective management team through management development and organizational development.	Maintain labor peace, employee motivation, and morale.
Maturity	Encourage sufficient turnover to minimize layoffs and provide new openings. Encourage mobility as reorganizations shift jobs around.	Control compensation costs.	Maintain flexibility and skills of an aging workforce.	Control labor costs and maintain labor peace. Improve productivity.
Decline	Plan and implement workforce reductions and reallocations; downsizing and outplacement may occur during this stage.	Implement tighter cost control.	Implement retraining and career consulting services.	Improve productivity and achieve flexibility in work rules. Negotiate job security and employment-adjustment policies

Source: *Seattle University Presentation*, accessed July 11, 2011, http://fac-staff.seattleu.edu/gprussia/web/mgt383/HR%20Planning1.ppt. (http://fac-staff.seattleu.edu/gprussia/web/mgt383/HR%20Planning1.ppt.)

2.3.3 Identify Strategic HR Issues

In this step, the HRM professionals will analyze the challenges addressed in the first step. For example, the department may see that it is not strategically aligned with the company's mission and values and opt to make changes to its departmental mission and values as a result of this information.

Many organizations and departments will use a strategic planning tool that identifies strengths, weaknesses, opportunities, and threats (SWOT analysis) to determine some of the issues they are facing. Once this analysis is performed for the business, HR can align itself with the needs of the business by understanding the business strategy. See Table 2.3 "Sample HR Department SWOT Analysis for Techno, Inc." for an example of how a company's SWOT analysis can be used to develop a SWOT analysis for the HR department.

Once the alignment of the company SWOT is completed, HR can develop its own SWOT analysis to determine the gaps between HR's strategic plan and the company's strategic plan. For example, if the HR manager finds that a department's strength is its numerous training programs, this is something the organization should continue doing. If a weakness is the organization's lack of consistent compensation throughout all job titles, then the opportunity to review and revise the compensation policies presents itself. In other words, the company's SWOT analysis provides a basis to address some of the issues in the organization, but it can be whittled down to also address issues within the department.

Strengths	Hiring talented people
	Company growth
	Technology implementation for business processes
	Excellent relationship between HRM and management/executives
Weaknesses	No strategic plan for HRM
	No planning for up/down cycles
	No formal training processes
	Lacking of software needed to manage business processes, including go-to-market staffing strategies
Opportunities	Development of HRM staffing plan to meet industry growth
	HRM software purchase to manage training, staffing, assessment needs for an unpredictable business cycle
	Continue development of HRM and executive relationship by attendance and participation in key meetings and decision-making processes
	Develop training programs and outside development opportunities to continue development of in-house marketing expertise
Threats	Economy
	Changing technology

Table 2.2: Sample HR Department SWOT Analysis for Techno, Inc.

2.3.4 Prioritize Issues and Actions

Based on the data gathered in the last step, the HRM manager should prioritize the goals and then put action plans together to deal with these challenges. For example, if an organization identifies that they lack a comprehensive training program, plans should be developed that address this need. (Training needs are discussed in "Training and Development (Page 224)" .) An important aspect of this step is the involvement of the management and executives in the organization. Once you have a list of issues you will address, discuss them with the management and executives, as they may see other issues or other priorities differently than you. Remember, to be effective, HRM must work with the organization and assist the organization in meeting goals. This should be considered in every aspect of HRM planning.

2.3.5 Draw Up an HRM Plan

Once the HRM manager has met with executives and management, and priorities have been agreed upon, the plans are ready to be developed. Detailed development of these plans will be discussed in "Writing the HRM Plan (Page 40)". Sometimes companies have great strategic plans, but when the development of the details occurs, it can be difficult to align the strategic plan with the more detailed plans. An HRM manager should always refer to the overall strategic plan before developing the HRM strategic plan and HR plans.

Even if a company does not have an HR department, HRM strategic plans and HR plans should still be developed by management. By developing and monitoring these plans, the organization can ensure the right processes are implemented to meet the ever-changing needs of the organization. The strategic plan looks at the organization as a whole, the HRM strategic plan looks at the department as a whole, and the HR plan addresses specific issues in the human resource department.

Key Takeaways

- Personnel management and HRM are different ways of looking at the job duties of human resources. Twenty years ago, personnel management focused on administrative aspects. HRM today involves a strategic process, which requires working with other departments, managers, and executives to be effective and meet the needs of the organization.
- In general, HRM focuses on several main areas, which include staffing, policy development, compensation and benefits, retention issues, training and development, and regulatory issues and worker protection.

- To be effective, the HR manager needs to utilize technology and involve others.
- As part of strategic planning, HRM should conduct a strategic analysis, identify HR issues, determine and prioritize actions, and then draw up the HRM plan.

Exercises

1. What is the difference between HR plans and HRM strategic plans? How are they the same? How are they different?
2. Of the areas of focus in HRM, which one do you think is the most important? Rank them and discuss the reasons for your rankings.

2.4 Writing the HRM Plan

Learning Objective

1. Describe the steps in the development of an HRM plan.

As addressed in "Strategic Planning (Page 28)", the writing of an HRM strategic plan should be based on the strategic plans of the organization and of the department. Once the strategic plan is written, the HR professional can begin work on the HR plan. This is different from the strategic plan in that it is more detailed and more focused on the short term. The six parts described here are addressed in more detail in "Recruitment (Page 78)", "Selection (Page 112)", "Compensation and Benefits (Page 146)", "Retention and Motivation (Page 189)", "Training and Development (Page 224)", "Successful Employee Communication (Page 263)", "Managing Employee Performance (Page 288)", and "Employee Assessment (Page 321)".

How Would You Handle This?

Compensation Is a Touchy Subject

As the HR manager, you have access to sensitive data, such as pay information. As you are looking at pay for each employee in the marketing department, you notice that two employees with the same job title and performing the same job are earning different amounts of money. As you dig deeper, you notice the employee who has been with the company for the least amount of time is actually getting paid more than the person with longer tenure. A brief look at the performance evaluations shows they are both star performers. You determine that two different managers hired the employees, and one manager is no longer with the organization. How would you handle this?

How Would You Handle This?
https://api.wistia.com/v1/medias/1371287/embed

The author discusses the How Would You Handle This situation in this chapter at: *https://api.wistia.com/v1/medias/1371287/embed (https://api.wistia.com/v1/medias/1371287/embed.).* (https://api.wistia.com/v1/medias/1371287/embed.)

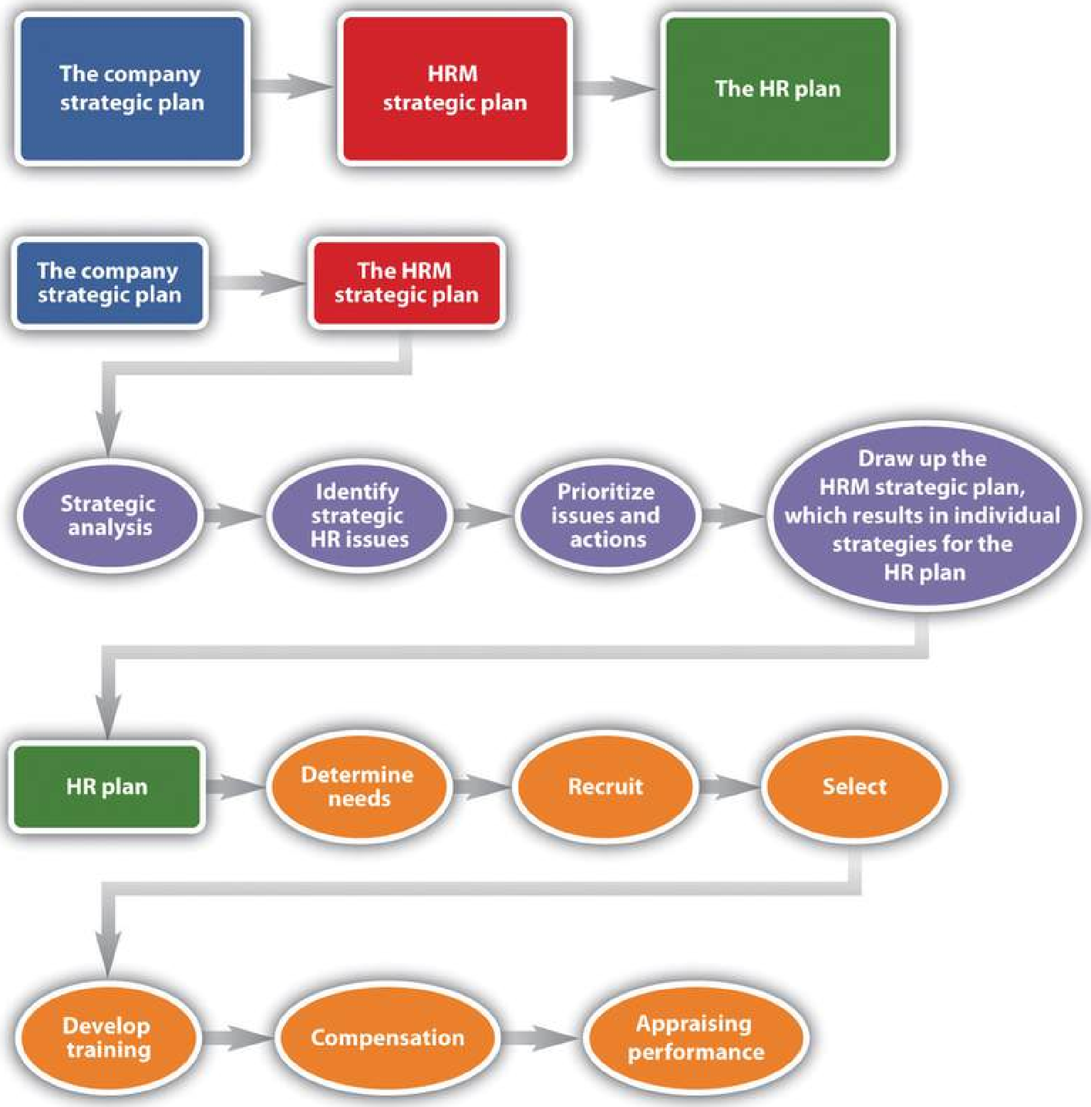


Fig. 2.2: As you can see from this figure, the company strategic plan ties into the HRM strategic plan, and from the HRM strategic plan, the HR plan can be developed.

The six parts of the HRM plan include the following:

1. Determine human resource needs. This part is heavily involved with the strategic plan. What growth or decline is expected in the organization? How will this impact your workforce? What is the economic situation? What are your forecasted sales for next year?
2. Determine recruiting strategy. Once you have a plan in place, it's necessary to write down a strategy addressing how you will recruit the right people at the right time.

3. Select employees. The selection process consists of the interviewing and hiring process.
4. Develop training. Based on the strategic plan, what training needs are arising? Is there new software that everyone must learn? Are there problems in handling conflict? Whatever the training topics are, the HR manager should address plans to offer training in the HRM plan.
5. Determine compensation. In this aspect of the HRM plan, the manager must determine pay scales and other compensation such as health care, bonuses, and other perks.
6. Appraise performance. Sets of standards need to be developed so you know how to rate the performance of your employees and continue with their development.

Each chapter of this text addresses one area of the HR plan, but the next sections provide some basic knowledge of planning for each area.

2.4.1 Determine Human Resource Needs

The first part of an HR plan will consist of determining how many people are needed. This step involves looking at company operations over the last year and asking a lot of questions:

1. Were enough people hired?
2. Did you have to scramble to hire people at the last minute?
3. What are the skills your current employees possess?
4. What skills do your employees need to gain to keep up with technology?
5. Who is retiring soon? Do you have someone to replace them?
6. What are the sales forecasts? How might this affect your hiring?

These are the questions to answer in this first step of the HR plan process. As you can imagine, this cannot be done alone. Involvement of other departments, managers, and executives should take place to obtain an accurate estimate of staffing needs for now and in the future. We discuss staffing in greater detail in "Recruitment (Page 78)".

Many HR managers will prepare an inventory of all current employees, which includes their educational level and abilities. This gives the HR manager the big picture on what current employees can do. It can serve as a tool to develop employees' skills and abilities, if you know where they are currently in their development. For example, by taking an inventory, you may find out that Richard is going to retire next year, but no one in his department has been identified or trained to take over his role. Keeping the inventory helps you know where gaps might exist and allows you to plan for these gaps. This topic is addressed further in"".Recruitment (Page 78)

HR managers will also look closely at all job components and will analyze each job. By doing this analysis, they can get a better picture of what kinds of skills are needed to perform a job successfully. Once the HR manager has performed the needs assessment and knows exactly how many people, and in what positions and time frame they need to be hired, he or she can get to work on recruiting, which is also called a staffing plan. This is addressed further in Recruitment (Page 78)".

2.4.2 Recruit

Recruitment is an important job of the HR manager. More detail is provided in "Recruitment (Page 78)". Knowing how many people to hire, what skills they should possess, and hiring them when the time is right are major challenges in the area of recruiting. Hiring individuals who have not only the skills to do the job but also the attitude, personality, and fit can be the biggest challenge in recruiting. Depending on the type of job you are hiring for, you might place traditional advertisements on the web or use social networking sites as an avenue. Some companies offer bonuses to employees who refer friends. No matter where you decide to recruit, it is important to keep in mind that the recruiting process should be fair and equitable and diversity should be considered. We discuss diversity in greater detail in "Diversity and Multiculturalism (Page 53)".

Depending on availability and time, some companies may choose to outsource their recruiting processes. For some types of high-level positions, a head hunter will be used to recruit people nationally and internationally. A head hunter is a person who specializes in matching jobs with people, and they usually work only with high-level positions. Another option is to use an agency that specializes in hiring people for a variety of positions, including temporary and permanent positions. Some companies decide to hire temporary employees because they anticipate only a short-term need, and it can be less expensive to hire someone for only a specified period of time.

No matter how it is done, recruitment is the process of obtaining résumés of people interested in the job. In our next step, we review those résumés, interview, and select the best person for the job.

2.4.3 Select

After you have reviewed résumés for a position, now is the time to work toward selecting the right person for the job. Although we discuss selection in great detail in Chapter 6 "Compensation and Benefits", it is worth a discussion here as well. Numerous studies have been done, and while they have various results, the majority of studies say it costs an average of $45,000 to hire a new manager. [6] While this may seem exaggerated, consider the following items that contribute to the cost:

6. Susan Herman, Hiring Right: A Practical Guide (Thousand Oaks, CA: Sage, 1993), xv.

1. Time to review résumés
2. Time to interview candidates
3. Interview expenses for candidates
4. Possible travel expenses for new hire or recruiter
5. Possible relocation expenses for new hire
6. Additional bookkeeping, payroll, 401(k), and so forth
7. Additional record keeping for government agencies
8. Increased unemployment insurance costs
9. Costs related to lack of productivity while new employee gets up to speed

Because it is so expensive to hire, it is important to do it right. First, résumés are reviewed and people who closely match the right skills are selected for interviews. Many organizations perform phone interviews first so they can further narrow the field. The HR manager is generally responsible for setting up the interviews and determining the interview schedule for a particular candidate. Usually, the more senior the position is, the longer the interview process takes, even up to eight weeks. [7] After the interviews are conducted, there may be reference checks, background checks, or testing that will need to be performed before an offer is made to the new employee. HR managers are generally responsible for this aspect. Once the applicant has met all criteria, the HR manager will offer the selected person the position. At this point, salary, benefits, and vacation time may be negotiated. Compensation is the next step in HR management.

2.4.4 Determine Compensation

What you decide to pay people is much more difficult than it seems. This issue is covered in greater detail in "Compensation and Benefits (Page 146)". Pay systems must be developed that motivate employees and embody fairness to everyone working at the organization. However, organizations cannot offer every benefit and perk because budgets always have constraints. Even governmental agencies need to be concerned with compensation as part of their HR plan. For example, in 2011, Illinois State University gave salary increases of 3 percent to all faculty, despite state budget cuts in other areas. They reasoned that the pay increase was needed because of the competitive nature of hiring and retaining faculty and staff. The university president said, “Our employees have had a very good year and hopefully this is a good shot in the arm that will keep our morale high. [8]

7. John Crant, “How Long Does an Interview Process Take?” Jobsinminneapolis.com, December 2, 2009, accessed October 28, 2010,http://www.jobsinminneapolis.com/articles/title/How-Long-Does-an-Interview-Process-Take/3500/422.
8. Stephanie Pawlowski, “Illinois State University to Get Salary Bump,” WJBC Radio, July 11, 2011, accessed July 11, 2011, http://wjbc.com/illinois-state-university-faculty-to-get-salary-bump.

The process in determining the right pay for the right job can have many variables, in addition to keeping morale high. First, as we have already discussed, the organization life cycle can determine the pay strategy for the organization. The supply and demand of those skills in the market, economy, region, or area in which the business is located is a determining factor in compensation strategy. For example, a company operating in Seattle may pay higher for the same job than their division in Missoula, Montana, because the cost of living is higher in Seattle. The HR manager is always researching to ensure the pay is fair and at market value. In "Compensation and Benefits (Page 146)", we get into greater detail about the variety of pay systems, perks, and bonuses that can be offered. For many organizations, training is a perk. Employees can develop their skills while getting paid for it. Training is the next step in the HR planning process.

2.4.5 Develop Training

Once we have planned our staffing, recruited people, selected employees, and then compensated them, we want to make sure our new employees are successful. Training is covered in more detail in Chapter 8. One way we can ensure success is by training our employees in three main areas:

1. Company culture. A company culture is the organization's way of doing things. Every company does things a bit differently, and by understanding the corporate culture, the employee will be set up for success. Usually this type of training is performed at an orientation, when an employee is first hired. Topics might include how to request time off, dress codes, and processes.

2. Skills needed for the job. If you work for a retail store, your employees need to know how to use the register. If you have sales staff, they need to have product knowledge to do the job. If your company uses particular software, training is needed in this area.

3. Human relations skills. These are non-job-specific skills your employees need not only to do their jobs but also to make them all-around successful employees. Skills needed include communication skills and interviewing potential employees.

2.4.6 Perform a Performance Appraisal

The last thing an HR manager should plan is the performance appraisal. While we discuss performance appraisals in greater detail in "Employee Assessment (Page 321)", it is definitely worth a mention here, since it is part of the strategic plan. A performance appraisal is a method by which job performance is measured. The performance appraisal can be called many different things, such as the following:

1. Employee appraisal

2. Performance review
3. 360 review
4. Career development review

No matter what the name, these appraisals can be very beneficial in motivating and rewarding employees. The performance evaluation includes metrics on which the employee is measured. These metrics should be based on the job description, both of which the HR manager develops. Various types of rating systems can be used, and it's usually up to the HR manager to develop these as well as employee evaluation forms. The HR manager also usually ensures that every manager in the organization is trained on how to fill out the evaluation forms, but more importantly, how to discuss job performance with the employee. Then the HR manager tracks the due dates of performance appraisals and sends out e-mails to those managers letting them know it is almost time to write an evaluation.

Human Resource Recall

Have you ever been given a performance evaluation? What was the process and the outcome?

Key Takeaways

- Human resource planning is a process that is part of the strategic plan. It involves addressing specific needs within the organization, based on the company's strategic direction.
- The first step in HR planning is determining current and future human resource needs. In this step, current employees, available employees in the market, and future needs are all analyzed and developed.
- In the second step of the process, once we know how many people we will need to hire, we can begin to determine the best methods for recruiting the people we need. Sometimes an organization will use head hunters to find the best person for the job.
- After the recruiting process is finished, the HR manager will begin the selection process. This involves setting up interviews and selecting the right person for the job. This can be an expensive process, so we always want to hire the right person from the beginning.
- HR managers also need to work through compensation plans, including salary, bonus, and other benefits, such as health care. This aspect is important, since most organizations want to use compensation to attract and retain the best employees.

- The HR manager also develops training programs to ensure the people hired have the tools to be able to do their jobs successfully.

Exercises

1. Of the parts of HR planning, which do you think is most difficult, and why? Which would you enjoy the most, and why?
2. Why is it important to plan your staffing before you start to hire people?
3. What is the significance of training? Why do we need it in organizations?

2.5 Tips in HRM Planning

Learning Objective

1. Explain the aspects needed to create a usable and successful HRM plan.

As you have learned from this chapter, human resource strategic planning involves understanding your company's strategic plan and HR's role in the organization. The planning aspect meets the needs of the strategic plan by knowing how many people should be hired, how many people are needed, and what kind of training they need to meet the goals of the organization. This section gives some tips on successful HR strategic planning.

Fortune 500 Focus

Like many Fortune 500 companies throughout the world, IBM in India finds that picking the best prospects for job postings isn't always easy. By using advanced analytics, however, it aims to connect the strategic plan, staffing needs, and the hiring process using a simple tool. The project was originally developed to assign people to projects internally at IBM, but IBM found this tool able to not only extract essential details like the number of years of experience but also make qualitative judgments, such as how good the person actually is for the job. [9] This makes the software unique, as most résumé-scanning software programs can only search for specific keywords and are not able to assess the job fit or tie the criteria directly to the overall strategic plan. The project uses IBM India's spoken web technology, in which the prospective employee answers a few questions, creating the equivalent of voice résumé. Then using

9. Sridhar Chari, "IBM Automates Parsing of Resumes," iStock Analyst, July 11, 2011, accessed July 11, 2011, http://www.istockanalyst.com/business/news/5283887/ibm-automates-parsing-of-resumes.

these voice résumés, the hiring manager can easily search for those prospects who meet the needs of the organization and the objectives of the strategic plan.

Some of the challenges noted with this software include the recognition of language and dialect issues. However, the IBM human resources solution is still one of the most sophisticated of such tools to be developed. "Services is very people-intensive. Today, there is talk of a war for talent, but attracting the right kind of people is a challenge, yet unemployment is very high. Our solution applies sophisticated analytics to workforce management," says Manish Gupta, director at IBM Research-India. [10]

It is likely that this is only the beginning of the types of technology that allow HR professionals to tie their HR plans directly to a strategic plan with the touch of a few buttons.

2.5.1 Link HRM Strategic Plan to Company Plan

Understanding the nature of the business is key to being successful in creating a strategic plan for HRM. Because every business is different, the needs of the business may change, depending on the economy, the season, and societal changes in our country. HR managers need to understand all these aspects of the business to better predict how many people are needed, what types of training are needed, and how to compensate people, for example. The strategic plan that the HR manager writes should address these issues. To address these issues, the HR manager should develop the departmental goals and HR plans based on the overall goals of the organization. In other words, HR should not operate alone but in tandem with the other parts of the organization. The HRM plan should reflect this.

2.5.2 Monitor the Plan Constantly

Oftentimes a great strategic plan is written, taking lots of time, but isn't actually put into practice for a variety of reasons, such as the following:

1. The plan wasn't developed so that it could be useful.
2. The plan wasn't communicated with management and others in the HRM department.
3. The plan did not meet the budget guidelines of the organization.

10. Sridhar Chari, "IBM Automates Parsing of Resumes," iStock Analyst, July 11, 2011, accessed July 11, 2011, http://www.istockanalyst.com/business/news/5283887/ibm-automates-parsing-of-resumes.

4. The plan did not match the strategic outcomes of the organization.
5. There was lack of knowledge on how to actually implement it.

There is no point in developing a plan that isn't going to be used. Developing the plan and then making changes as necessary are important to making it a valuable asset for the organization. A strategic plan should be a living document, in that it changes as organizational or external factors change. People can get too attached to a specific plan or way of doing things and then find it hard to change. The plan needs to change constantly or it won't be of value.

2.5.3 Measure It

A good strategic plan and HR plan should discuss the way "success" will be measured. For example, rather than writing, "Meet the hiring needs of the organization," be more specific: "Based on sales forecasts from our sales department, hire ten people this quarter with the skills to meet our ten job openings." This is a goal that is specific enough to be measured. These types of quantitative data also make it easier to show the relationship between HR and the organization, and better yet, to show how HR adds value to the bottom line. Likewise, if a company has a strategic objective to be a safe workplace, you might include a goal to "develop training to meet the needs of the organization." While this is a great goal, how will this be measured? How will you know if you did what you were supposed to do? It might be difficult to measure this with such a general statement. On the other hand, a goal to "develop a safety training workshop and have all employees complete it by the end of the year" is specific and can be measured at the end to determine success.

Human Resource Recall

What are some of your personal goals? Are these goals measureable?

2.5.3.1 Sometimes Change Is Necessary

It can be difficult to base an entire plan on forecasted numbers. As a result, an HRM department that is willing to change quickly to meet the needs of the organization proves its worthiness. Consider a sales forecast that called for fifteen new hires, but you find out months later the organization is having a hard time making payroll. Upon digging deeper, you find the sales forecasts were overexaggerated, and now you have fifteen people you don't really need. By monitoring the changes constantly (usually done by asking lots of questions to other departments), you can be sure you are able to change your strategic plan as they come.

2.5.3.2 Be Aware of Legislative Changes

One of the major challenges in HRM, as we discuss in "The Role of Human Resources (Page 1)", is having an awareness of what is happening from a legal perspective. Because most budgets are based on certain current laws, knowing when the law changes and how it will affect department budgets and planning (such as compensation planning) will create a more solid strategic plan. For example, if the minimum wage goes up in your state and you have minimum wage workers, reworking the budget and communicating this change to your accounting team is imperative in providing value to the organization. We will discuss various legislation throughout this book.

Key Takeaways

- As has been the theme throughout this chapter, any HRM plan should be directly linked to the strategic plan of the organization.
- A plan should be constantly updated and revised as things in the organization change.
- A good strategic plan provides tools to determine whether you met the goal. Any plan should have measureable goals so the connection to success is obvious.
- Changes in a strategic plan and in goal setting are necessary as the internal and external environments change. An HR manager should always be aware of changes in forecasts, for example, so the plan can change, too.
- Legislative changes may impact strategic plans and budgets as well. It's important to make sure HR managers are keeping up on these changes and communicating them.

Exercises

1. What are some ways an HR manager can keep up on legislative changes? Do a web search and list specific publications that may help keep the HR manager aware of changes.
2. Why is it important to be able to measure strategic plans? What might happen if you don't?

2.6 Cases and Problems

Chapter Summary

- Human resource management was once called the personnel department. In the past, hiring people and working with hiring paperwork was this department's job. Today, the HRM department has a much broader role, and as a result, HR managers must align their strategies with the company's strategies.
- Functions that fall under HRM today include staffing, creation of workplace policies, compensation and benefits, retention, training and development, and working with regulatory issues and worker protection.
- Human resource strategy is a set of elaborate and systematic plans of action. The company objectives and goals should be aligned with the objectives and goals of the individual departments.
- The steps to creating an HRM strategic plan include conducting a strategic analysis. This entails having an understanding of the values and mission of the organization, so you can align your departmental strategy in the same way.
- The second step is to identify any HR issues that might impact the business.
- The third step, based on the information from the first and second steps, is to prioritize issues and take action. Finally, the HRM professional will draw up the HRM plan.
- The HRM plan consists of six steps. The first is to determine the needs of the organization based on sales forecasts, for example. Then the HR professional will recruit and select the right person for the job. HRM develops training and development to help better the skills of existing employees and new employees, too. The HR manager will then determine compensation and appraise performance of employees. Each of these parts of the HRM plan is discussed in its own separate chapter in greater detail.
- As things in the organization change, the strategic plan should also change.
- To make the most from a strategic plan, it's important to write the goals in a way that makes them measurable.

Chapter Case

We Merged…Now What?

Earlier this month, your company, a running equipment designer and manufacturer called Runners Paradise, merged with a smaller clothing design company called ActiveLeak. Your company initiated the buyout because of the excellent design team at ActiveLeak and their brand recognition, specifically for their MP3-integrated running shorts. Runners Paradise has thirty-five employees and ActiveLeak has ten employees. At ActiveLeak, the owner, who often was too busy doing other tasks, handled the HRM roles. As a result, ActiveLeak has no strategic plan, and you are wondering if you should develop a strategic plan, given this change. Here are the things you have accomplished so far:

- Reviewed compensation and adjusted salaries for the sake of fairness. Communicated this to all affected employees.
- Developed job requirements for current and new jobs.
- Had each old and new employee fill out a skills inventory Excel document, which has been merged into a database.

From this point, you are not sure what to do to fully integrate the new organization.

1. Why should you develop an HRM strategic plan?
2. Which components of your HR plan will you have to change?
3. What additional information would you need to create an action plan for these changes?

Team Activities

1. Work in a group of three to five people. Choose a company and perform a SWOT analysis on that organization and be prepared to present it to the class.
2. Based on the SWOT analysis you performed in the first question, develop new objectives for the organization.

Chapter 3 Diversity and Multiculturalism

3.1 Hiring Multicultural

On a Tuesday afternoon, as you are getting ready to go to lunch, you receive an e-mail from your human resources (HR) manager about the need to hire a new project manager, and there is a $500 bonus for referring a friend who successfully joins the company. Immediately, you e-mail your friend Daniel, because you know he would be great for the job. Daniel is eventually hired for the position, and a few months later a new e-mail goes out asking for friend recommendations for a new position. You and Daniel both recommend someone, and eventually that person gets hired. Over the next year, hiring notices are not advertised externally as the organization has had good luck with this hiring practice. Seems like a great way to recruit new people, doesn't it? It can be, but it also can be a detriment to the diversity and multiculturalism of the workplace. How, you might wonder?

While not true across the board, people have a tendency to spend time with people who are like themselves, in race, income level, and other aspects of diversity such as sexual orientation. In fact, according to the National Institute of Child Health and Human Development and a study published in the American Journal of Sociology, it is much more likely that someone will name a person in their own race as a friend than someone of a different race. [1] Likewise, even from a young age, people tend to choose friends who are of the same race. As a result, when you recommend Daniel for a position, it is highly likely that Daniel is similar, from a diversity perspective, to you. Then, when Daniel recommends someone for a job, it is highly likely that he, too, is recommending someone with similar characteristics as you both. This obviously creates a lack of multicultural diversity in the workplace, which can mean lost profits for companies.

3.2 Diversity and Multiculturalism

Learning Objectives

1. Define, explain, and identify your own power and privilege.
2. Provide reasoning as to why diversity is important to maintain profitability.

1. James Moody, "Race, School Integration, and Friendship Segregation in America," American Journal of Sociology 107, no. 3 (2001): 679–719.

Many people use the terms diversity and multiculturalism interchangeably, when in fact, there are major differences between the two. Diversity is defined as the differences between people. These differences can include race, gender, sexual orientation, religion, background, socioeconomic status, and much more. Diversity, when talking about it from the human resource management (HRM) perspective, tends to focus more on a set of policies to meet compliance standards. The Equal Employment Opportunity Commission (EEOC) oversees complaints in this area. We discuss the EEOC in "Equal Employment Opportunity Commission (EEOC) (Page 66) (EEOC)" and in greater detail in "Recruitment (Page 78)" and "Selection (Page 112)".

Multiculturalism goes deeper than diversity by focusing on inclusiveness, understanding, and respect, and also by looking at unequal power in society. In a report called "The 2007 State of Workplace Diversity Management Report,"[2] most HR managers said that diversity in the workplace is

1. not well defined or understood at work,
2. focuses too much on compliance, and
3. places too much emphasis on gender and ethnicity.

This chapter focuses on the advantages of a diverse workplace and discusses multiculturalism at work and the compliance aspect of diversity.

3.2.1 Power and Privilege

As defined in this chapter, diversity focuses on the "otherness" or differences between individuals and has a goal of making sure, through policies, that everyone is treated the same. While this is the legal and the right thing to do, multiculturalism looks at a system of advantages based on race, gender, and sexual orientation called power and privilege. In this system, the advantages are based on a system in which one race, gender, and sexual orientation is predominant in setting societal rules and norms.

The interesting thing about power and privilege is that if you have it, you may not initially recognize it, which is why we can call it invisible privilege. Here are some examples:

1. Race privilege. Let's say you (a Caucasian) and your friend (an African American) are having dinner together, and when the bill comes, the server gives the check to you. While this may not seem like a big issue, it assumes you (being Caucasian) are the person paying for the meal. This type of invisible privilege may not seem to matter if you have that privilege, but if you don't, it can be infuriating.
2. Social class privilege. When Hurricane Katrina hit New Orleans in 2005, many people from outside the storm area wondered why so many people stayed in the

2. Society for Human Resource Management, The 2007 State of Workplace Diversity Management Report, March 2008, accessed August 3, 2011,http://www.shrm.org/Publications/HRNews/Pages/DiversityBusinessImperative.aspx.

city, not even thinking about the fact that some people couldn't afford the gas to put in their car to leave the city.

3. Gender privilege. This refers to privileges one gender has over another—for example, the assumption that a female will change her name to her husband's when they get married.

4. Sexual orientation privilege. If I am heterosexual, I can put a picture of my partner on my desk without worrying about what others think. I can talk about our vacations together or experiences we've had without worrying what someone might think about my relationship. This is not the case for many gay, lesbian, and transgendered people and their partners.

Oftentimes the privilege we have is considered invisible, because it can be hard to recognize one's own privilege based on race, gender, or social class. Many people utilize the color-blind approach, which says, "I treat everyone the same" or "I don't see people's skin color." In this case, the person is showing invisible privilege and thus ignoring the privileges he or she receives because of race, gender, or social class. While it appears this approach would value all people equally, it doesn't, because people's different needs, assets, and perspectives are disregarded by not acknowledging differences. [3]

Another important aspect of power and privilege is the fact that we may have privilege in one area and not another. For example, I am a Caucasian female, which certainly gives me race privilege but not gender privilege. Important to note here is that the idea of power and privilege is not about "white male bashing" but understanding our own stereotypes and systems of advantage so we can be more inclusive with our coworkers, employees, and managers.

So what does this all mean in relation to HRM? It means we can combine the understanding of certain systems that allow for power and privilege, and by understanding we may be able to eliminate or at least minimize these issues. Besides this, one of the best things we can do for our organizations is to have a diverse workforce, with people from a variety of perspectives. This diversity leads to profitability and the ability to better serve customers. We discuss the advantages of diversity in Section 3.1.2 "Why Diversity and Multiculturalism?".

Human Resource Recall

Take this week to examine your own power and privilege as a result of gender, race, or social class. Notice how people treat you because of your skin color, gender, or how you dress and talk.

Stereotypes and the Effect on Privilege

This video discusses some racial stereotypes and white privilege through "on the street" interviews.

3. Victoria C. Plaut, Kecia M. Thomas, and Matt J. Goren, "Is Multiculturalism or Color Blindness Better for Minorities?" Psychological Science 20, no. 4 (2009): 444–46.

Please view this video at http://www.youtube.com/watch?v=Q1wztUJ4VVE.

3.2.2 Why Diversity and Multiculturalism?

When many people look at diversity and multiculturalism, they think that someone's gender, skin color, or social class shouldn't matter. So diversity can help us with policies to prevent discrimination, while multiculturalism can help us gain a deeper understanding of the differences between people. Hopefully, over time, rather than look at diversity as attaining numerical goals or complying with the law, we can combine the concepts to create better workplaces. Although many books discuss laws relating to diversity, not many actually describe why diversity is necessary in the workplace. Here are a few main reasons:

1. It is the law.
2. We can better serve customers by offering a broader range of services, such as being able to speak a variety of languages and understanding other cultures.
3. We can better communicate with one another (saving time and money) and customers.
4. With a multicultural perspective, we can create better ideas and solutions.

Fortune 500 Focus

Hilton is one of the most recognized names in the hotel industry. Hilton employs 130,000 people in 3,750 hotels in 84 countries. The hotel chain, with some locations franchised, focuses on diversity and inclusion as part of its operations. First, it has a director of global diversity and inclusion, who plays a key role in executing the Hilton global diversity and inclusion efforts, which are focused on culture, talent, workplace, and marketplace diversity strategies. Each Hilton brand must establish its own diversity performance goals and initiatives, which are monitored by the diversity council. The diversity council is made up of the company board of directors, the CEO, and vice president of human resources. At any given time, Hilton has thirty or more diversity initiatives in place,_ [4] which are managed by the diversity council.

Hilton has created several diversity programs within the communities in which the hotels operate. For example, Hilton was one of the first hotel chains to develop an outreach program to educate minority and female entrepreneurs for franchise

4. Jason Forsythe, "Leading with Diversity," New York Times, 2005, accessed July 13, 2011,http://www.nytimes.com/marketing/jobmarket/diversity/hilton.html.

investments. One part of the program includes invitation-only seminars that discuss what it takes to be a successful hotel owner. Hilton says its diversity seminars are driven by the fact that it wants employees to reflect the diversity of the customers.

In addition to the outreach program, Hilton partners with historically black colleges and universities for recruiting, which creates an effective tie to jobs once students graduate. It has developed a supplier tracking system, so it knows the total number of supplier payments made and how many of those suppliers are female or minorities. William A. Holland, the vice president for workforce planning and analysis says, "It takes leadership to make diversity work, and our diversity initiative comes from the highest levels of our organization." [5]

Promoting a multicultural work environment isn't just the law. Through a diverse work environment and multicultural understanding, organizations can attain greater profitability. A study by Cedric Herring called Does Diversity Pay?_ [6] reveals that diversity does, in fact, pay. The study found those businesses with greater racial diversity reporter higher sales revenues, more customers, larger market shares, and greater relative profits than those with more homogeneous workforces. Other research on the topic by Scott Page, the author of The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies_ [7] ended up with similar results. Page found that people from varied backgrounds are more effective at working together than those who are from similar backgrounds, because they offer different approaches and perspectives in the development of solutions. Often people believe that diversity is about checking a box or only providing window dressing to gain more customers, but this isn't the case. As put by Eric Foss, chairperson and CEO of Pepsi Beverages Company, "It's not a fad. It's not an idea of the month. It's central and it's linked very directly to business strategy." [8] A study by the late Roy Adler of Pepperdine University shows similar results. His 19-year study of 215 Fortune 500 companies shows a strong correlation between female executives and high profitability._ [9] Another study, conducted by Project Equality, found that companies that rated low on equal opportunity issues earned 7.9 percent profit, while those who rated highest with more equal opportunities resulted in 18.3 percent profit._ [10] These numbers show that diversity and multiculturalism certainly is not a fad, but a way of doing business that better serves customers and results in higher profits.

As managers, we need to recognize this and develop policies that recognize not only the importance of diversity but the importance of nurturing multicultural

5. Jason Forsythe, "Leading with Diversity," New York Times, 2005, accessed July 13, 2011,http://www.nytimes.com/marketing/jobmarket/diversity/hilton.html.
6. Cedric Herring, "Does Diversity Pay? Racial Composition of Firms and the Business Case for Diversity" (paper presented at the annual meeting of the American Sociological Association, Montreal, Canada, August 11, 2006), accessed May 5, 2009,http://citation.allacademic.com/meta/p_mla_apa_research_citation/1/0/1/7/9/pages101792/p101792- 1.php.
7. Scott E. Page, The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies (Princeton, NJ: Princeton University Press, 2007).
8. William J. Holstein, "Diversity is Even More Important in Hard Times," New York Times, February 13, 2009, accessed August 25, 2011,http://www.nytimes.com/2009/02/14/business/14interview.html.
9. Roy Adler, "Women in the Executive Suite Correlate to High Profits," Glass Ceiling Research Center.
10. Melissa Lauber, "Studies Show That Diversity in Workplace Is Profitable," Project Equality, n.d., accessed July 11, 2011, http://www.villagelife.org/news/archives/diversity.html.

understanding in the workplace. Many employees, however, may be resistant to a discussion on diversity and multiculturalism. Much of this may have to do with their own power and privilege, but some resistance may be related to the discomfort people may feel when faced with the realization that change is a necessity and the cultural makeup of the workplace is changing. Some people may feel "We've always done it this way" and are less willing to change to the new ways of doing things.

Perhaps one of the best diversity statements by a Fortune 500 company was made by Jose Manuel Souto, the CFO for Visa in Latin America. He says, "A diverse workforce is critical to providing the best service to our global clients, supporting our business initiatives, and creating a workplace environment that promotes respect and fairness." [11]

Now that you have an understanding of the meaning of diversity, power, and privilege, as well as the importance of diversity, we will discuss specific diversity strategies in "Diversity Plans (Page 59)".

Key Takeaways

- Diversity is the real or perceived differences between individuals. This can include race, gender, sexual orientation, size, cultural background, and much more.
- Multiculturalism is a term that is similar to diversity, but it focuses on development of a greater understanding of how power in society can be unequal due to race, gender, sexual orientation, power, and privilege.
- Power and privilege is a system of advantages based on one's race, gender, and sexual orientation. This system can often be invisible (to those who have it), which results in one race or gender having unequal power in the workplace. Of course, this unequal power results in unfairness, which may be of legal concern.
- Diversity is important to the success of organizations. Many studies have shown a direct link between the amount of diversity in a workplace and the company's success.

Exercises

1. Perform an Internet search to find a specific diversity policy for an organization. What is the policy? From what you know of the organization, do you believe they follow this policy in reality?
2. Visit the website http://www.diversityinc.com and find their latest "top 50 list." What criteria are used to appear on this list? What are the top five companies for the current year?

11. National Latina Business Women Association, "Women and Minorities on Corporate Boards Still Lags Far Behind National Population," accessed August 24, 2011,http://nlbwa.org/component/content/article/64-nationalnews/137-procon-and-asian-global-sourcing-conference.

3.3 Diversity Plans

Learning Objectives

1. Be able to apply strategies to create a multicultural work environment and diversity plans.
2. Be able to create an HR plan with diversity considerations.

While state and federal laws must be followed to ensure multiculturalism, the culture of the company and the way the organization operates can contribute to the nurturing of a multicultural environment (or not). Most companies have a formalized and written antidiscrimination and harassment policy. For example, Zappos's policy states, "The diversity of Zappos' employees is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment. Examples of such behavior include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. Please refer to the applicable sections of the Employee Handbook for further guidance." [12]

Implementing a policy is an excellent first step, but what is important is how the company acts on those formalized processes and written policies. Let's say, for example, an organization has a published policy on inclusion of those with physical disabilities, but much "schmoozing" and relationship development with managers takes place on the golf course on Friday afternoons. While the policy states the company doesn't discriminate, their actions and "traditions" show otherwise and do discriminate against those with disabilities. If this is where the informal work and relationship building take place, an entire group could be left out of this process, likely resulting in lower pay and promotion rates. Likewise, organizations that have a "beer Friday" environment may discriminate against those whose religions do not condone drinking alcohol. While none of these situations are examples of blatant discrimination, a company's culture can contribute to an environment that is exclusive rather than inclusive.

Many organizations have developed diversity management plans that are tied to the written diversity policy of the organization. In fact, in many larger organizations, such as Hilton, manager- or director-level positions have been created to specifically manage diversity plans and programs. Josh Greenberg, a researcher in the area of workplace diversity, contends that organizations with specific diversity plans tend to be able to facilitate changes more quickly than companies without diversity plans. [13] He says there are three main steps to creating diversity plans:

12. Zappos.com, accessed August 25, 2011, http://about.zappos.com/our-unique-culture/zappos-core-values/build-open-and-honest-relationships-communication.
13. Josh Greenberg, "Diversity in the Workplace: Benefits, Challenges, Solutions," The Multicultural Advantage, 2004, accessed July 12, 2011,http://www.multiculturaladvantage.com/recruit/diversity/Diversity-in-the-Workplace-Benefits-Challenges-Solutions.asp.

1. Assessment of diversity. Employee satisfaction surveys, discussions, and open forums that can provide insight into the challenges and obstacles to diversity. Inclusion of all workers for input is necessary to create a useful plan.

2. Development of the diversity plan. Based on step 1, a series of attainable and measurable goals should be developed regarding workplace diversity.

3. Implementation of the plan. The commitment of executives and management is necessary. Formulating action plans based on the goals developed in step 2 and assignment of implementation and measurement of those plans must follow. The action plan should be the responsibility of the entire organization, not just the director of diversity or human resources.

In "Recruitment and Selection (Page 60)", we discuss some of the HR plan considerations in company culture and “our way of doing things” that are worth considering when creating a diversity plan.

3.3.1 Recruitment and Selection

As you saw in the opening of "Diversity and Multiculturalism (Page 53)", sometimes organizations do not mean to be exclusive or discriminatory, but their practices are discriminatory and illegal. For example, the Equal Employment Opportunity Commission (EEOC) says it is illegal to publish a job advertisement that shows a preference for a particular type of person or discourages someone from applying for a job. For example, a Facebook post that says “recent college graduates wanted” might be inclusive to a younger group and discouraging to a diverse (older) workforce, not making the post multicultural. Another example might be the reliance on word-of-mouth advertisement for job openings. Suppose you have a mostly Hispanic workforce and use word of mouth for recruitment. It is likely that most new hires will also be Hispanic. This is also illegal, but perhaps a consideration is the lack of diversity you will have in your workplace with these recruitment methods.

Make sure that job announcements aren’t posted only for your Facebook friends to see; post them in a variety of places to gain the largest and most diverse response.

We address discrimination in the selection process in "Selection (Page 112)". However, a mention of the four-fifths rule here is important to determine how we can quantitatively evaluate discrimination in our selection practices. One way to calculate possible discrimination is by using the four-fifths rule, or 80 percent rule. The rule states that a selection rate for any race, sex, or ethnic group that is less than four-fifths of the rate for the group with the highest rate could be regarded as adverse impact. Adverse impact refers to employment practices that may appear to be neutral but have a discriminatory effect on a protected group. For example, let’s assume 100 women and 500 men applied to be firefighters. Let’s say 20 of those women were hired and 250 men were hired. To determine adverse impact based on the four-fifths rule, calculate the following:

- Selection rate for women: 20 percent
- Selection rate for men: 50 percent
- Then divide the highest selection rate: .20/.50 = .4

Because .4, or 40 percent, is less than four-fifths, there may be adverse impact in the selection process for firefighters.

3.3.2 Testing

If employment tests are required, a test must be in direct relation to the job. For example, an organization that uses a personality test in hiring must be able to show that the personality test results are nondiscriminatory and do not exclude a population.

In addition, if a reasonable accommodation is needed, such as an interpreter, and it does not cause financial difficulty for the organization, this should be granted.

Also consider the type of test and how it might exclude a certain group of people, such as those who don't speak English as a first language. We will discuss multiculturalism and testing further in "Selection (Page 112)".

3.3.3 Pay and Promotion

Development of policies related to pay and promotion is key to fairness in a multicultural situation. It is widely published that women make about 77 percent of what men earn for similar jobs. [14] Many studies have tried to determine a cause for this pay inequity, and here are some of the possible reasons studied and researched:

1. Hours worked. Studies have said that women tend to work fewer hours because of child-care and housework expectations.
2. Occupational choice. A study performed by Anne York at Meredith College [15]found that women tend to choose careers that pay less because they are worried about balancing family and career. In addition, numerous studies show that women choose careers on the basis of gender stereotypes (e.g., nurse, teacher) and that this leads to lower pay.
3. Stereotypes. The concept of male bias is a possibility. In many studies, people were more likely to choose male doctors over female doctors, even when

14. National Committee on Pay Equity, accessed August 25, 2011,http://www.iwpr.org/initiatives/pay-equity-and-discrimination/#publications.
15. E. Anne York, "Gender Differences in the College and Career Aspirations of High School Valedictorians," Journal of Advanced Academics 19, no. 4 (Summer 2008): 578– 600,http://eric.ed.gov/ERICWebPortal/detail?accno=EJ822323.

experience and education were the same. [16] There appears to be a perception that men may be more competent in certain types of jobs.

4. Maternity and family leave. Women leaving the workforce for a short or extended period of time may affect the perception of promotability in the workplace.

5. Salary negotiation. A study performed by Bowles and Babcock [17] showed that men were eight times more likely to negotiate salary than women. In addition, when women did negotiate, they received lower monetary returns. Consider a study performed by Cornell University, which found that women were often negatively affected in their job when they negotiated salary, as compared to men not being viewed negatively after negotiations.

Whatever the reason for pay difference, all managers should be aware of these differences when hiring and promoting. Allowing managers to determine the pay for their employees can also bring out negative stereotypes—and lead to breaking of the law. Determining a set pay schedule for all new and promoted employees can help remedy this situation.

A factor in promotions can also be the mentor-mentee relationship. Most individuals in organizations will have an informal mentor who helps them "through the ranks." Traditionally, this informal mentor relationship results in someone "pairing up" with another who has similar physical characteristics, is the same gender, or has a similar mind-set. As a result, if the organization has, for example, mostly men, it is likely the female will not be informally mentored, which can result in lack of promotion. Likewise, if the workforce consists of mostly Caucasian females, it is likely the African American male may not develop an informal mentor relationship with his female counterparts. Development of a formal mentorship program to ensure that everyone has a mentor is one way to alleviate this situation. Mentorship programs are discussed in Chapter 8 "Training and Development".

3.3.4 Now What?

Now that you have an awareness of the aspects of HR that could be affected by multiculturalism, you may consider what steps you can take to create a more multicultural workplace. The first step would be to create a diversity plan, as discussed earlier in this section. The second step would be to look at the operation of the HR department and to figure out what departmental measures can be taken to promote diversity.

HR, for example, can provide a training series on power and privilege and how it relates to the workplace. Awareness is the first step to creating a truly multicultural environment. Once employees recognize their own power and privilege, the training

16. David R. Hekman, Karl Aquino and Brad P. Owens, "An Examination of Whether and How Racial and Gender Biases Influence Customer Satisfaction," Academy of Management Journal53, no. 2 (April 2010): 238–264.
17. Hannah Riley Bowles and Linda Babcock, "When Doesn't It Hurt Her to Ask? Framing and Justification Reduce the Social Risks of Initiating Compensation" (paper presented at IACM 21st Annual Conference, December 14, 2008): accessed August 25, 2011,http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1316162.

could be developed to include laws related to diversity, and discussions on bias can take place. Then discussions can be held on how to improve HR plans such as job analysis, recruitment, and selection to create a multicultural work environment. Rather than thinking about this training as one of many objectives that must be accomplished, think about the training from the conversation perspective. Getting the conversation started is the first step in this personal and professional development process for employees.

Some of the aspects to creating a training focused on multiculturalism might include the following:

1. Build a cultural knowledge about customs, religions, and histories.
2. Discuss treatment of people based on them as individuals, rather than as part of a "group," which can result in stereotyping.
3. Teach employees to listen actively, which can help raise cultural awareness.
4. Train employees to rethink current policies and how those policies might be exclusive to a certain group.
5. Work on resistance to change. Many employees think, "This is the way we have always done it, and now we have to change it because we have a group of ____ working here now."
6. Does your leadership team have a multiculturalism perspective? Are many ethnic backgrounds and other multicultural traits represented?

While these suggestions may not eliminate power and privilege, the ability to talk about differences and expectations can be a key ingredient to creating a more inclusive environment. Sometimes this type of training can help people evaluate their perceptions. For example, suppose a complaint came through that a woman was making derogatory sexual comments to only one group of men in an organization. When talked to about it, she said she made comments to the "techies" because she thought the comments would provide them a needed confidence boost, but she generally wouldn't make those types of comments. This is an example of her perception ("techies" need confidence boosts from women) followed by her action (the comments) on this perception. When we assume our perceptions are correct, we are usually wrong. Training can get people to consider their emotions, stereotypes, and expectations. Besides training, asking ourselves a series of important questions can be the start to making diversity and multiculturalism work. The University of California, San Francisco human resource department lists some of these questions, which are shown in the sidebar.

Things to Consider When Creating a Multicultural And Diverse Work Environment

- Do you test your assumptions before acting on them?

- Do you believe there is only one right way of doing things, or that there are a number of valid ways that accomplish the same goal? Do you convey that to staff?
- Do you have honest relationships with each staff member you supervise? Are you comfortable with each of them? Do you know what motivates them, what their goals are, and how they like to be recognized?
- Are you able to give negative feedback to someone who is culturally different from you?
- When you have open positions, do you insist on a diverse screening committee and make additional outreach efforts to ensure that a diverse pool of candidates has applied?
- When you hire a new employee, do you not only explain job responsibilities and expectations clearly but orient the person to the campus and department culture and unwritten rules?
- Do you rigorously examine your unit's existing policies, practices, and procedures to ensure that they do not differentially impact different groups? When they do, do you change them?
- Are you willing to listen to constructive feedback from your staff about ways to improve the work environment? Do you implement staff suggestions and acknowledge their contribution?
- Do you take immediate action with people you supervise when they behave in ways that show disrespect for others in the workplace, such as inappropriate jokes and offensive terms?
- Do you make good faith efforts to meet your affirmative action goals?
- Do you have a good understanding of institutional isms such as racism and sexism and how they manifest themselves in the workplace?
- Do you ensure that assignments and opportunities for advancement are accessible to everyone?
- What policies, practices, and ways of thinking have differential impact on different groups?
- What organizational changes should be made to meet the needs of a diverse workforce?
- Source: University of California, San Francisco, "Managing Diversity in the Workplace," chap. 12 in Guide to Managing Human Resources, accessed July 11, 2011, http://ucsfhr.ucsf.edu/index.php/

pubs/hrguidearticle/chapter-12-managing-diversity-in-the-workplace/#684.

Human Resource Recall

Why is multiculturalism important in the workplace? What is your role, as an employee in your organization, to ensure a diverse workforce?

How Would You Handle This?

Refer a Friend
Your manager is very concerned about the cost of hiring the three new people you need. As a result, she doesn't want to post the advertisement in a variety of places; she thinks it's best to just use a "refer a friend" recruitment strategy. When she moves forward with this strategy, ten people turn in résumés. Upon looking further, it appears all applicants went to the same private religious college and graduated around the same time. You are concerned that this method of recruitment lacks diversity. How would you handle this with your manager?

How Would You Handle This?
https://api.wistia.com/v1/medias/1371393/embed

The author discusses the How Would You Handle This situation in this chapter at: https://api.wistia.com/v1/medias/1371393/embed.

Key Takeaways

- Oftentimes there are cultural aspects to an organization that make it resistant to an inclusive environment. These are often not obvious, but it is important to be aware of how your own company culture impacts multiculturalism.
  - One way to begin the discussion within your organization is to create diversity action plans, for which the entire company is responsible and for which HR is the change agent. In addition to companywide initiatives, HR can also look within its own HR plans to see where it may be able to change.
  - In recruitment, awareness of how and where you post announcements is crucial.
  - Testing should be fair and unbiased and shouldn't negatively impact someone based on race, national origin, gender, social class, or educational level.
  - There are many reasons for differences in pay. Development of a set pay scale can alleviate some of the issues surrounding unfair pay, especially between men and women.

- Formal mentorship programs can create multicultural understanding and can ensure people do not stick with their own race or gender when helping someone move up the ranks in an organization.

Exercises

1. What are some things we can do, personally, to be more multiculturally efficient?
2. What are the advantages of having a set pay scale? What are the disadvantages?

3.4 Multiculturalism and the Law

Learning Objectives

1. Define the role of the Equal Employment Opportunity Commission (EEOC).
2. Explain the various types of laws covered by the EEOC.

As we already know, it is in an organization's best interest to hire and promote a multicultural and diverse workforce. Sometimes though, people are still discriminated against at work. As a result, a federal agency has been established to ensure employees have a place to file complaints should they feel discriminated against. This is the topic of "Diversity and Multiculturalism (Page 53)". However, please note that each of these topics is discussed in "Recruitment (Page 78)" as well, but they are also worth mentioning here.

3.4.1 Equal Employment Opportunity Commission (EEOC)

The Equal Employment Opportunity Commission (EEOC) is a federal agency charged with the task of enforcing federal employment discrimination laws. The laws include those that protect people from discrimination in all areas of employment, such as discrimination based on race, color, religion, sex, national origin, age, and disability. People who have filed a discrimination charge are also protected against discrimination under the EEOC. Employers with at least fifteen employees (twenty for age discrimination) are covered under the EEOC. This agency covers not only discrimination in hiring but also discrimination in all types of work situations such as firing, promotions, harassment, training, wages, and benefits. The EEOC has the authority to investigate charges of discrimination against employers. The agency investigates the claims, makes a finding, and then tries to settle the charge. If they are unsuccessful in settling the charge, the EEOC has the right to file a lawsuit on behalf of the complainants. The EEOC has headquarters in Washington, DC, with fifty-three field offices throughout the United States.

If a company has more than one hundred employees, a form called the EEO-1 must be filled out yearly. This form confirms the demographics of an organization based on different job categories. [18] An organization that employs more than fifty people and works for the federal government must also file an EEO-1 yearly, with the deadline normally in September. In addition, organizations must post the EEOC notice, which you have probably seen before, perhaps in the company break room. Finally, organizations should keep on file records such as hiring statistics in the event of an EEOC investigation.

It is necessary to mention here that while there is a legal compliance concern, as discussed before, it is in the company's best interest to hire a diverse workforce. So while we can discuss the legal aspects, remember that the purpose of having a diverse workforce is not just to meet EEOC requirements but to create a better, more profitable workplace that better serves customers.

18. Equal Opportunity Employment Commission, 2011 EEO-1 Survey, accessed December 20, 2010, http://www.eeoc.gov/employers/eeo1survey.

Requirements by EEOC
Post Federal and State EEOC notices
File yearly report called EEO-1
Keep copies of documents on file
Process for Investigation
1. The EEOC complaint is filed.
2. The EEOC notifies the organization of the charges.
3. The EEOC acts as a mediator between the employee and the employer to find a solution.
4. If step 3 is unsuccessful, the EEOC will initiate an investigation.
5. The EEOC makes a determination, and then the employer has the option of remedying the situation or face a potential lawsuit.

Table 3.1: How the EEOC Process Works and Requirements for Employers

3.4.2 EEOC Federal Legislation

While the EEOC is the larger governing body, many pieces of legislation relating to multicultural practices are part of the EEOC family of laws. Many of these laws began with Title VII of the Civil Rights Act in 1964. This act, enforced by the EEOC, covers several areas in which discrimination was rampant. However,
abona fide occupational qualification (BFOQ) is a quality or attribute employers are allowed to consider when making decisions during the selection process. Examples of BFOQs are a maximum age limit for airline pilots for safety reasons and a Christian college's requirement that the president of the college be Christian.

EEOC laws relate specifically to the following and are discussed in detail in "Recruitment (Page 78)" and "Selection (Page 112)":

1. Age
2. Disability
3. Equal pay
4. Genetic information
5. National origin
6. Pregnancy
7. Race/color
8. Religion
9. Retaliation
10. Sex
11. Sexual harassment

3.4.3 Age

Age discrimination involves treating someone less favorably because of his or her age. Created in 1967, the Age Discrimination in Employment Act (ADEA) is enforced by the EEOC. This law covers people who are age forty or older. It does not cover favoring an older worker over a younger worker, if the older worker is forty years or older. The law covers any aspect of employment such as hiring, firing, pay, job assignments, promotions, layoffs, training, fringe benefits, and any other condition or term of employment.

The law also goes deeper by forbidding harassment of someone based on age. While simple teasing or offhand comments are not covered, more serious offensive remarks about age are covered by this EEOC law.

3.4.4 Disability

The Americans with Disabilities Act (ADA) prohibits discrimination against those with disabilities and is enforced by the EEOC. Discrimination based on disability means treating a qualified person unfavorably because of a disability. For example, if someone has AIDS that is controlled, the employee cannot be treated unfavorably. The law requires an employer to provide reasonable accommodation to an employee or applicant with a disability, unless this accommodation would cause significant difficulty or expense for the employer. A reasonable accommodation is defined by the EEOC as any change in the work environment or in the way things are customarily done that enables an individual with a disability to enjoy equal employment opportunities. A reasonable accommodation might include making the workplace accessible for wheelchair use or providing equipment for someone who is hearing or vision impaired.

This law does not mean that organizations are required to hire unqualified people. The law specifically states the person must be qualified for the job and have a disability defined by the law. A disability defined by the law can include the following:

1. Physical or mental condition that limits a major life activity (walking, talking, seeing, hearing, or learning)
2. History of a disability (e.g., cancer that is in remission)
3. Physical or mental impairment that is not transitory (lasting or expected to last less than six months)

The law places limits on employers when it comes to asking job applicants questions about medical history or asking a person to take a medical exam.

3.4.5 Equal Pay/Compensation

The basis of this law is that people are paid the same for the same type of work, and the law specifically addresses gender pay differences. Rather than job title, job content is used to determine if the job is the same work. In addition to covering salary, it deals with overtime pay, bonus, stock options, profit sharing, and other types of bonus plans such as vacation and holiday pay. If inequality in pay is found, the employer cannot reduce the wages of either sex to equalize the pay.

An employee who files an equal pay charge has the option to go directly to court rather than the EEOC.

3.4.6 Genetic Information

This law is one of the newer EEOC laws, which took effect in November 2009. The EEOC's definition of genetic information includes family medical information or information about the manifestation of a disease or disorder in an individual's family. For example, an employer cannot discriminate against an employee whose family has a history of diabetes or cancer. This information could be used to discriminate against an employee who has an increased risk of getting a disease and may make health-care costs more expensive for the organization.

In addition, the employer is not allowed to seek out genetic information by requesting, requiring, or purchasing this information. However, there are some situations in which receiving this information would not be illegal:

1. A manager or supervisor overhears an employee talking about a family member's illness.
2. Information is received based on wellness programs offered on a voluntary basis.
3. If the information is required as documentation to receive benefits for the Family and Medical Leave Act (FMLA). FMLA is discussed in "Pregnancy (Page 71)".
4. If the information is commercial, such as the appearance of information in a newspaper, as long as the employer is not specifically searching those sources for the purpose of finding genetic information.
5. If genetic information is required through a monitoring program that looks at the biological effects of toxic substances in the workplace.
6. For those t. For example, genetic information must be kept separate from an employee's regular file. professions that require DNA testing, such as law enforcement agencies. In this case, the genetic information may only be used for analysis in relation to the specific case at hand.

This law also covers how information about genetics should be kept separate from an employee's regular file.

3.4.7 National Origin

It is illegal to treat people unfavorably because they are from a particular country or part of the world, because of their accent, or because they appear to be of a particular descent (even if they are not). The law protecting employees based on national origin refers to all aspects of employment: hiring, firing, pay, job assignments, promotions, layoffs, training, and fringe benefits. An employer can require an employee to speak English only if it is necessary to perform the job effectively. An English-only policy is allowed only if it is needed to ensure the safe or efficient operations of the employer's business. An employer may not base an employment decision on a foreign accent, unless the accent seriously interferes with job performance.

3.4.8 Pregnancy

This section of the EEOC refers to the unfavorable treatment of a woman because of pregnancy, childbirth, or a medical condition related to pregnancy or childbirth. The Pregnancy Discrimination Act of 1978, added to the Civil Rights Act of 1964, is enforced by the EEOC. The female who is unable to perform her job owing to pregnancy must be treated the same as other temporarily disabled employees. For example, modified tasks or alternative assignments should be offered. This law refers not only to hiring but also to firing, pay, job assignments, promotions, layoffs, training, and fringe benefits. In addition to this law against discrimination of pregnant women, theFamily and Medical Leave Act (FMLA) is enforced by the US Department of Labor. [19] The FMLA requires companies with fifty or more employees to provide twelve weeks of unpaid leave for the following:

1. Birth and care of a newborn child
2. Care of an adopted child
3. Care for immediate family members (spouse, child, or parent) with a serious health condition
4. Medical leave for the employee who is unable to work because of a serious health condition

In addition to the company size requirement, the employee must have worked at least 1,250 hours over the past 12 months.

3.4.9 Race/Color

This type of discrimination refers to treating someone unfavorably because he or she is of a certain race or because of certain characteristics associated with race. These characteristics might include hair texture, skin color, or facial features. Discrimination can occur when the person discriminating is the same race or color of the person who is being discriminated against. EEOC law also protects people who are married to or associated with someone of a certain race or color. As with the other types of antidiscrimination laws we have discussed, this law refers not only to the initial hiring but also to firing, pay, job assignments, promotions, layoffs, training, and fringe benefits.

3.4.10 Religion

This part of the EEOC refers to treating a person unfavorably because of their religious beliefs. This law requires a company to reasonably accommodate an employee's religious beliefs or practices, unless doing so would burden the organization's operations. For example, allowing flexible scheduling during certain religious periods of time might be considered a reasonable accommodation. This law also covers accommodations in dress and grooming, such as a headscarf, religious dress, or uncut hair and a beard in the case of a Sikh. Ideally, the employee or applicant would notify the employer that he or she needs such an accommodation for religious reasons, and then a discussion of the request would occur. If it wouldn't pose hardship, the employer should honor the request. If the request might cause a safety issue,

19. US Department of Labor, Leave Benefits: Family and Medical Leave, US Department of Labor, accessed December 20, 2010, http://www.dol.gov/dol/topic/benefits-leave/fmla.htm.

decrease efficiency, or infringe on the rights of other employees, it may not be honored.

3.4.11 Sex and Sexual Harassment

Sex discrimination involves treating someone unfavorably because of their sex. As with all EEOC laws, this relates to hiring, firing, pay, job assignments, promotions, layoffs, training, and fringe benefits. This law directly ties into sexual harassment laws, which include unwelcome sexual advances, requests for sexual favors, and other verbal or physical harassment of a sexual nature. The victim can be male or female, and sexual harassment can occur female to female, female to male, male to female, and male to male. We discuss more details of harassment in "Managing Employee Performance (Page 288)".

3.4.12 Retaliation

In all the laws mentioned, the EEOC set of laws makes it illegal to fire, demote, harass, or retaliate against people because they filed a charge of discrimination, complained about discrimination, or participated in employment discrimination proceedings. Perhaps one of the most high-profile sexual harassment and retaliation cases was that of Sanders v. Thomas. Isiah Thomas, then coach of the New York Knicks, fired Anucha Browne Sanders because she hired an attorney to file sexual harassment claims charges. The jury awarded Browne Sanders $11.6 million in punitive charges because of the hostile work environment Thomas created and another $5.6 million because Browne Sanders was fired for complaining. [20] A portion of the lawsuit was to be paid by Madison Square Garden and James Dolan, chairman of Cablevision, the parent company of Madison Square Garden and the Knicks. Browne Sanders's lawyers successfully argued that the inner workings of Madison Square Garden were hostile and lewd, and that the former marketing executive of the organization subjected her to hostility and sexual advances. Thomas left the organization as coach and president in 2008. As in this case, there are large financial and public relations penalties not only for sexual harassment but for retaliation after a harassment suit has been filed.

All types of discrimination and laws affecting multiculturalism are a key aspect for HR managers and managers to understand. These types of discrimination are discussed in "Recruitment (Page 78)", specifically, how they pertain to recruiting and hiring.

20. Michael Schmidt, “Jury Awards $11.6 Million to Former Knicks Executive,” New York Times,October 2, 2007, accessed July 12, 2011,http://www.nytimes.com/2007/10/02/sports/basketball/03garden-cnd.html.

3.4.13 Military Service

The Uniformed Services Employment and Reemployment Rights Act (USERR) protects people who serve or have served in the armed forces, Reserves, National Guard, or other uniformed services. The act ensures these individuals are not disadvantaged in their civilian careers because of their service. It also requires they be reemployed in their civilian jobs upon return to service and prohibits discrimination based on past, present, or future military service.

Human Resource Call

What types of discrimination (under the EEOC) do you think are the most common and why? Have you ever experienced discrimination in the workplace, at school, or in extracurricular activities? Explain.

Key Takeaways

- The Equal Employment Opportunity Commission (EEOC) is a federal agency charged with the development and enforcement of laws relating to multiculturalism and diversity in the workplace.
- The EEOC covers discrimination based on several areas. Companies cannot discriminate based on age; EEOC law covers people who are forty years or older.
- Employers cannot discriminate against people with disabilities and must provide reasonable accommodations, such as the addition of a wheelchair ramp to accommodate those with disabilities.
- Equal pay refers to the fact people should legally be paid the same amount for performing the same type of work, even if the job title is different.
- The newest addition to EEOC law prohibits discrimination based on genetic information, such as a history of cancer in a family.
- Unfavorable treatment of people because they are from a particular country or part of the world or have an accent is covered by the EEOC. An organization cannot require people to speak English, unless it is a requirement for the job or needed for safety and efficient operation of the organization.
- Women can’t be discriminated against because they are pregnant. The inability to perform certain tasks due to pregnancy should be treated as a temporary disability; accommodation can be in the form of modified tasks or alternative assignments.

- The EEOC protects people from discrimination based on their race or color.
- Religion is also an aspect of the EEOC family of laws. The protection of religion doesn't allow for discrimination; accommodations include modifications of work schedules or dress to be made for religious reasons.
- Discrimination on the basis of sex is illegal and covered by the EEOC. Sexual harassment is also covered by the EEOC and states that all people, regardless of sex, should work in a harassment-free environment.
- Retaliation is also illegal. An organization cannot retaliate against anyone who has filed a complaint with the EEOC or a discrimination lawsuit.
- The US Department of Labor oversees some aspects of EEOC laws, such as theFamily and Medical Leave Act (FMLA). This act requires organizations to give twelve weeks of unpaid leave in the event of an adoption, a birth, or a need to provide care to sick family members.

Exercises

1. Visit the EEOC website at http://www.eeoc.gov and explain the methods an employee can use in filing a complaint with the EEOC.
2. If an employer is found to have discriminated, what are some "remedies" listed on the EEOC website?

3.5 Cases and Problems

Chapter Summary

- Diversity is the real or perceived differences between individuals. Diversity can include race, gender, sexual orientation, size, cultural background, and many other differences. Multiculturalism is similar to diversity but focuses on the development of a greater understanding of how power in society can be unequal because of race, gender, sexual orientation, power, and privilege.
- Power and privilege is a system of advantages based on one's race, gender, and sexual orientation. This system can often be invisible (to those who have it), which results in one race or gender having

unequal power in the workplace. Of course, this unequal power results in unfairness, which may be a legal concern.

- Diversity is important to the success of organizations. Many studies have shown a direct link between the amount of diversity in a workplace and the success of the company.
- Oftentimes there are cultural aspects to an organization that make it resistant to an inclusive environment. These are often not obvious, but awareness of how your own company culture impacts multiculturalism is important. Job announcements, testing, and pay differences are company culture components that can create exclusive environments.
- In recruitment, awareness of how and where you post announcements is crucial. Development of a set pay scale can alleviate some of the issues surrounding unfair pay, especially between men and women.
- Formal mentorship programs can create multicultural understanding and ensure people do not stick with their own race or gender when helping someone move up the ranks in an organization.
- The Equal Employment Opportunity Commission (EEOC) is a federal agency charged with development and enforcement of laws relating to multiculturalism and diversity in the workplace.
- The EEOC covers discrimination based on several areas. Companies cannot discriminate based on age—that is, against someone who is forty or older. They also can't discriminate against people with disabilities or on the basis of race, genetic information, national origin, gender, or religion.
- Retaliation is also illegal, based on EEOC laws. An organization cannot retaliate against anyone who has filed a complaint with the EEOC or a discrimination lawsuit.
- The US Department of Labor oversees some aspects of EEOC laws, such as theFamily and Medical Leave Act (FMLA). This act requires organizations to give twelve weeks of unpaid leave in the event of an adoption, birth, or caregiving of sick family members.

Chapter Case

But…It's Our Company Culture!

You are the HR manager for a fifty-person firm that specializes in the development and marketing of plastics technologies. When you were hired, you felt the company had little idea what you should be paid and just made up a number, which you were able to negotiate to a slightly higher salary. While you have been on the job for three months, you have noticed a few concerning things in the area of multiculturalism, besides the way your salary was offered. The following are some of those items:

1. You know that some of the sales team, including the sales manager, get together once a month to have drinks at a strip club.
2. A Hispanic worker left the organization, and in his exit interview, he complained of not seeing a path toward promotion.
3. The only room available for breast-feeding mothers is the women's restroom.
4. The organization has a policy of offering $200 to any employee who refers a friend, as long as the friend is hired and stays at least six months.
5. The manufacturing floor has an English-only policy.
6. You have heard managers refer to those wearing turbans in a derogatory way.

What do you think needs to be done to create a more inclusive environment, without losing the culture of the company? What suggestions would you make to those involved in each of the situations?

Team Activity

1. In groups, research recent high-profile cases involving diversity or multiculturalism. Prepare a five-minute presentation on the case to present to classmates.

Chapter 4 Recruitment

4.1 Keeping Up with Growth

Over the last two years, the company where Melinda works as HR manager, Dragon Enterprises, has seen plenty of growth. Much of this growth has created a need for a strategic, specific recruiting processes. In the past, Dragon Enterprises recruited simply on the basis of the applications they received, rather than actively searching for the right person for the job. The first thing Melinda did when arriving at the company was to develop a job analysis questionnaire, which she had all employees fill out using the website Survey Monkey. The goal was to create a job analysis for each position that existed at the company. This happened to be the point where the organization started seeing rapid growth, as a result of increased demand for the types of parts the company sells. Luckily, since Melinda followed the industry closely and worked closely with management, part of her strategic outline planned for the hiring of several new positions, so she was mostly ready for it. Keeping in mind the Equal Employment Opportunity Commission (EEOC) laws and the company's position on a diverse workforce, Melinda set out to write new job descriptions for the job analysis she had performed. She knew the job analysis should be tied to the job description, and both of these should be tied to the job qualifications. Obviously, to recruit for these positions, she needed to develop a recruitment plan. Over the next year, the organization needed to hire three more floor management positions, three office positions, and fifteen factory floor positions. Next, she needed to determine a time line to recruit candidates and a method by which to accept the applications she would receive. After sharing this time line with her colleague, the chief operating officer, she went to work recruiting. She sent an e-mail to all employees asking them to refer a friend and receive a $500 bonus. Next, part of her strategy was to try to find very specialized talent in management to fill those positions. For this, she thought working with a recruiting company might be the best way to go. She also used her Twitter and Facebook accounts to broadcast the job openings. After a three-week period, Melinda had 54 applications for the management positions, 78 for the office positions, and 110 for the factory floor positions. Pleased with the way recruiting had gone, she started reviewing the résumés to continue with the selection process.

4.2 The Recruitment Process

Learning Objectives

1. Discuss the need for forecasting human resource needs and techniques for forecasting.
2. Be able to explain the steps to an effective recruitment strategy.
3. Be able to develop a job analysis and job description.

The recruitment process is an important part of human resource management (HRM). It isn't done without proper strategic planning. Recruitment is defined as a process that provides the organization with a pool of qualified job candidates from which to choose. Before companies recruit, they must implement proper staffing plans and forecasting to determine how many people they will need. The basis of the forecast will be the annual budget of the organization and the short- to long-term plans of the organization—for example, the possibility of expansion. In addition to this, the organizational life cycle will be a factor. Organization life cycle is discussed in "Developing and Implementing Strategic HRM Plans (Page 27)s". Forecasting is based on both internal and external factors. Internal factors include the following:

1. Budget constraints
2. Expected or trend of employee separations
3. Production levels
4. Sales increases or decreases
5. Global expansion plans

External factors might include the following:

1. Changes in technology
2. Changes in laws
3. Unemployment rates
4. Shifts in population Shifts in urban, suburban, and rural areas
5. Competition

Once the forecasting data are gathered and analyzed, the HR professional can see where gaps exist and then begin to recruit individuals with the right skills, education, and backgrounds. This section will discuss this step in HR planning.

4.2.1 Recruitment Strategy

Although it might seem easy, recruitment of the right talent, at the right place and at the right time, takes skill and practice, but more importantly, it takes strategic planning. In"Developing and Implementing Strategic HRM Plans (Page 27)", development of staffing plans is discussed. An understanding of the labor market and the factors determining the relevant aspects of the labor market is key to being strategic about your recruiting processes.

Based on this information, when a job opening occurs, the HRM professional should be ready to fill that position. Here are the aspects of developing a recruitment strategy:

1. Refer to a staffing plan. This is discussed in"Developing and Implementing Strategic HRM Plans (Page 27)".
2. Confirm the job analysis is correct through questionnaires.
3. Write the job description and job specifications.
4. Have a bidding system to recruit and review internal candidate qualifications for possible promotions.
5. Determine the best recruitment strategies for the position.
6. Implement a recruiting strategy.

The first step in the recruitment process is acknowledgment of a job opening. At this time, the manager and/or the HRM look at the job description for the job opening (assuming it isn't a new job). We discuss how to write a job analysis and job description in "Job Analysis and Job Descriptions (Page 81)".

Assuming the job analysis and job description are ready, an organization may decide to look at internal candidates' qualifications first. Internal candidates are people who are already working for the company. If an internal candidate meets the qualifications, this person might be encouraged to apply for the job, and the job opening may not be published. Many organizations have formal job posting procedures and bidding systems in place for internal candidates. For example, job postings may be sent to a listserv or other avenue so all employees have access to them. However, the advantage of publishing open positions to everyone in and outside the company is to ensure the organization is diverse. Diversity is discussed in "Diversity and Multiculturalism (Page 53)". We discuss more about internal and external candidates and bidding systems in"Selection (Page 112)".

Then the best recruiting strategies for the type of position are determined. For example, for a high-level executive position, it may be decided to hire an outside head-hunting firm. For an entry-level position, advertising on social networking websites might be the best strategy. Most organizations will use a variety of methods to obtain the best results. We discuss specific strategies in "Recruitment Strategies (Page 94)".

Another consideration is how the recruiting process will be managed under constraining circumstances such as a short deadline or a low number of applications. In addition, establishing a protocol for how applications and résumés will be processed will save time later. For example, some HRM professionals may use software such as Microsoft Excel to communicate the time line of the hiring process to key managers.

Once these tasks are accomplished, the hope is that you will have a diverse group of people to interview (called the selection process). Before this is done, though, it is important to have information to ensure the right people are recruited. This is where the job analysis and job description come in. We discuss this in "Job Analysis and Job Descriptions (Page 81)".

4.2.2 Job Analysis and Job Descriptions

The job analysis is a formal system developed to determine what tasks people actually perform in their jobs. The purpose of a job analysis is to ensure creation of the right fit between the job and the employee and to determine how employee performance will be assessed. A major part of the job analysis includes research, which may mean reviewing job responsibilities of current employees, researching job descriptions for similar jobs with competitors, and analyzing any new responsibilities that need to be accomplished by the person with the position. According to research by Hackman and Oldham, [1] a job diagnostic survey should be used to diagnose job characteristics prior to any redesign of a job. This is discussed in "Retention and Motivation (Page 189)".

To start writing a job analysis, data need to be gathered and analyzed, keeping in mind Hackman and Oldham's model. Figure 4.1 "Process for Writing the Job Analysis"shows the process of writing a job analysis. Please note, though, that a job analysis is different from a job design. Job design refers to how a job can be modified or changed to be more effective—for example, changing tasks as new technology becomes available. We discuss job design in "Retention and Motivation (Page 189)" and "Employee Assessment (Page 321)".

1. J. Richard Hackman and Greg R. Oldham, "Motivation through the Design of Work: Test of a Theory," Organizational Behavior and Human Performance 16, no. 2 (August 1976): 250–79.

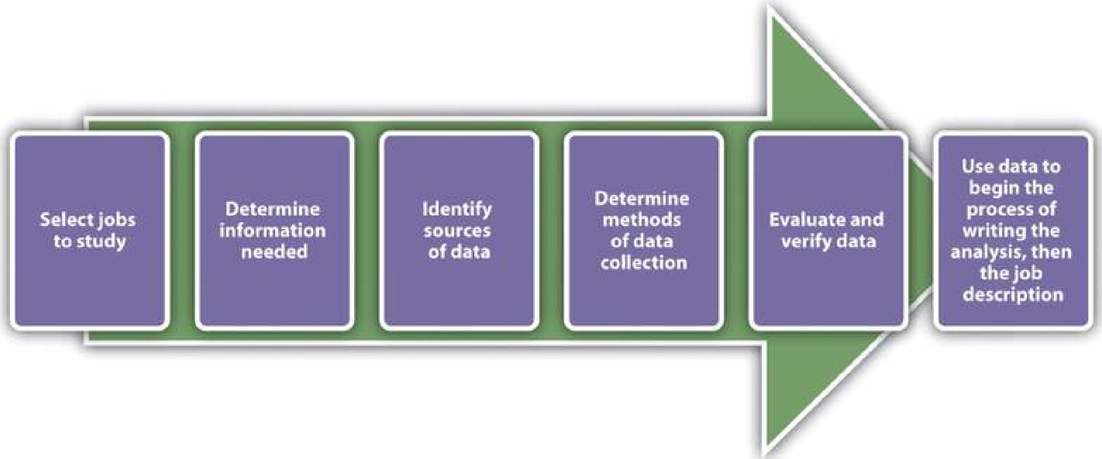
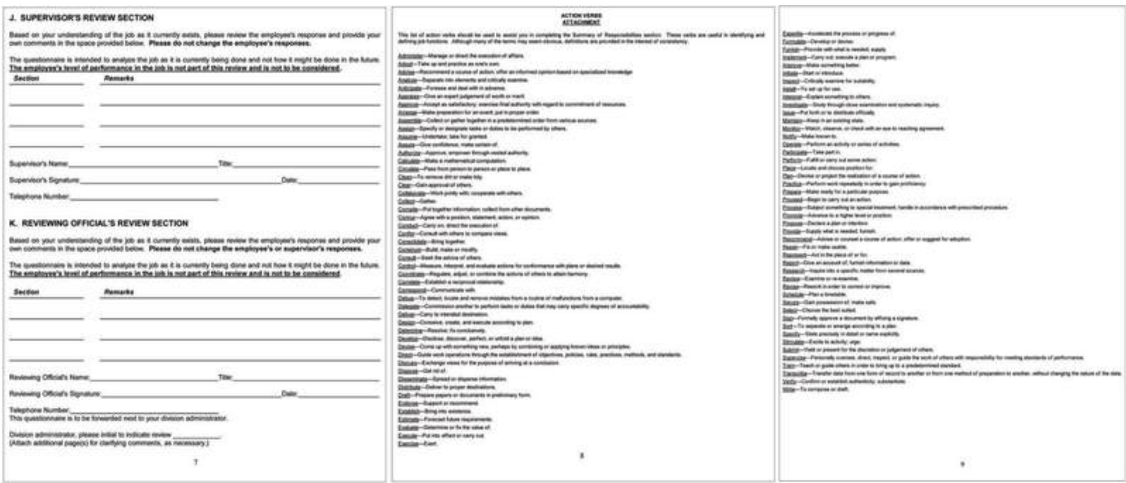


Fig. 4.1: Process for Writing the Job Analysis

The information gathered from the job analysis is used to develop both the job description and the job specifications. A job description is a list of tasks, duties, and responsibilities of a job. Job specifications, on the other hand, discuss the skills and abilities the person must have to perform the job. The two are tied together, as job descriptions are usually written to include job specifications. A job analysis must be performed first, and then based on that data, we can successfully write the job description and job specifications. Think of the analysis as "everything an employee is required and expected to do."



J. SUPERVISOR'S REVIEW SECTION

Based on your understanding of the job as it currently exists, please review the employee's response and provide your own comments in the space provided below. **Please do not change the employee's responses.**

The questionnaire is intended to analyze the job as it is currently being done and not how it might be done in the future. **The employee's level of performance in the job is not part of this review and is not to be considered.**

Section ______ Remarks ______

Supervisor's Name: ______ Title: ______

Supervisor's Signature: ______ Date: ______

Telephone Number: ______

K. REVIEWING OFFICIAL'S REVIEW SECTION

Based on your understanding of the job as it currently exists, please review the employee's response and provide your own comments in the space provided below. **Please do not change the employee's or supervisor's responses.**

The questionnaire is intended to analyze the job as it is currently being done and not how it might be done in the future. **The employee's level of performance in the job is not part of this review and is not to be considered.**

Section ______ Remarks ______

Reviewing Official's Name: ______ Title: ______

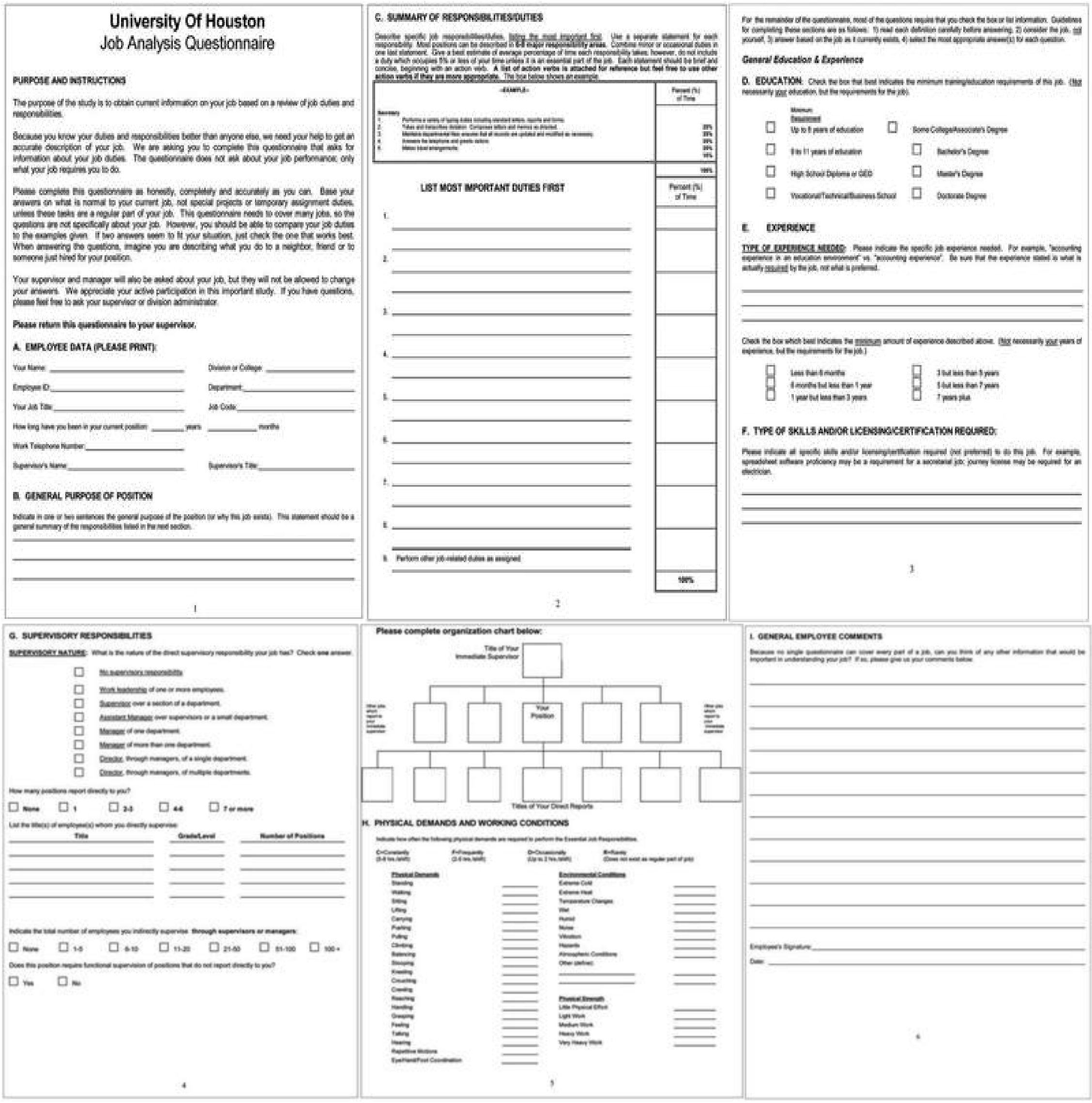
Reviewing Official's Signature: ______ Date: ______

Telephone Number: ______
This questionnaire is to be forwarded next to your division administrator.

Division administrator, please initial to indicate review ______.
(Attach additional page(s) for clarifying comments, as necessary.)

7

ACTION VERBS
ATTACHMENT


University Of Houston
Job Analysis Questionnaire

PURPOSE AND INSTRUCTIONS

A. EMPLOYEE DATA (PLEASE PRINT):

B. GENERAL PURPOSE OF POSITION

C. SUMMARY OF RESPONSIBILITIES/DUTIES

LIST MOST IMPORTANT DUTIES FIRST

General Education & Experience

D. EDUCATION

E. EXPERIENCE

F. TYPE OF SKILLS AND/OR LICENSING/CERTIFICATION REQUIRED:

G. SUPERVISORY RESPONSIBILITIES

Please complete organization chart below:

H. PHYSICAL DEMANDS AND WORKING CONDITIONS

I. GENERAL EMPLOYEE COMMENTS

Fig. 4.2: Sample Job Analysis Questionnaire This questionnaire shows how an HR professional might gather data for a job analysis. Questionnaires can be completed on paper or online.

Two types of job analyses can be performed: a task-based analysis and a competency- or skills-based analysis. A task-based analysis focuses on the duties of the job, as opposed to a competency-based analysis, which focuses on the specific knowledge and abilities an employee must have to perform the job. An example of a task-based analysis might include information on the following:

1. Write performance evaluations for employees.
2. Prepare reports.
3. Answer incoming phone calls.
4. Assist customers with product questions.
5. Cold-call three customers a day.

With task job analysis, the specific tasks are listed and it is clear. With competency based, it is less clear and more objective. However, competency-based analysis might be more appropriate for specific, high-level positions. For example, a competency-based analysis might include the following:

1. Able to utilize data analysis tools
2. Able to work within teams
3. Adaptable
4. Innovative

You can clearly see the difference between the two. The focus of task-based analyses is the job duties required, while the focus of competency-based analyses is on how a person can apply their skills to perform the job. One is not better than the other but is simply used for different purposes and different types of jobs. For example, a task-based analysis might be used for a receptionist, while a competency-based analysis might be used for a vice president of sales position. Consider the legal implications, however, of which job analysis is used. Because a competency-based job analysis is more subjective, it might be more difficult to tell whether someone has met the criteria.

Once you have decided if a competency-based or task-based analysis is more appropriate for the job, you can prepare to write the job analysis. Of course, this isn't something that should be done alone. Feedback from managers should be taken into consideration to make this task useful in all levels of the organization. Organization is a key component to preparing for your job analysis. For example, will you perform an analysis on all jobs in the organization or just focus on one department? Once you have determined how you will conduct the analysis, a tool to conduct the analysis should be chosen. Most organizations use questionnaires (online or hard copy) to determine the duties of each job title. Some organizations will use face-to-face interviews to perform this task, depending on time constraints and the size of the organization. A job analysis questionnaire usually includes the following types of questions, obviously depending on the type of industry:

1. Employee information such as job title, how long in position, education level, how many years of experience in the industry

2. Key tasks and responsibilities

3. Decision making and problem solving: this section asks employees to list situations in which problems needed to be solved and the types of decisions made or solutions provided.

4. Level of contact with colleagues, managers, outside vendors, and customers

5. Physical demands of the job, such as the amount of heavy lifting or ability to see, hear, or walk

6. Personal abilities required to do the job—that is, personal characteristics needed to perform well in this position

7. Specific skills required to do the job—for example, the ability to run a particular computer program

8. Certifications to perform the job

Once all employees (or the ones you have identified) have completed the questionnaire, you can organize the data, which is helpful in creating job descriptions. If there is more than one person completing a questionnaire for one job title, the data should be combined to create one job analysis for one job title. There are a number of software packages available to help human resources perform this task, such as AutoGOJA.

Once the job analysis has been completed, it is time to write the job description and specifications, using the data you collected. Job descriptions should always include the following components:

1. Job functions (the tasks the employee performs)
2. Knowledge, skills, and abilities (what an employee is expected to know and be able to do, as well as personal attributes)
3. Education and experience required
4. Physical requirements of the job (ability to lift, see, or hear, for example)

Previous View | Tell a friend about this vacancy | Printable form

Server time: 01/17/2011 07:38:25 AM	Recruitment period ends: 01/24/2011 05:00 PM	**This position closes in 7 days, 9 hours and 24 minutes**

Workplace Alaska

State of Alaska Online Recruitment System

Alaska...Great Land, Great People, Great Jobs!

Recruitment Bulletin

Systems Programmer I/II

Alias:

Position ID Number: 08-1118

Application Period: 01/03/2011 **through** 01/24/2011	**Position open to:** All Applicants
Department: Commerce Community & Economic Development	**Division:** Administrative Services
Location: Juneau	**Region:** Southeast
Salary: $5,026.00 Range 20 $5,745.00 Range 22 Monthly	**Range:** 20/22
Job Status: Full-Time	**Bargaining Unit:** GG

Job Description:

The Department of Commerce, Community and Economic Development (CCED) is seeking a technically skilled individual to fill a key Systems Programmer position. This position supports all aspects of the department's imaging and document repository infrastructure. The position is responsible for administering the imaging environment, including software and hardware installation, configuration, security and providing programming support to Analyst/Programmers coding applications that access and manipulate images.

Commerce's imaging environment utilizes Oracle Content Management and .Net applications. The successful candidate should be technically skilled and motivated to learn new technologies and processes.

Key responsibilities include:

- Administer all aspects of the department's Oracle UCM (Universal Content Management) servers and Kofax environment.
- Code custom image access and manipulation services using WSDL (web service definition language) and .Net.
- Configure, modify and update Adobe Capture and UCM inbound refinery. Develop batch classes and custom validation and release scripts.
- Install, configure and maintain high speed and flatbed scanner equipment.
- Work with users and programming staff to develop efficient physical paper workflows and practical scanning processes.
- Develop relevant scan workflows and required hardware for a variety of media such as envelopes, plain paper, and odd sizes.
- Monitor production system CPU, disk space, network utilization and error logs and make appropriate configuration changes and updates

Fig. 4.3: Sample Job Description Notice how the job description includes the job function; knowledge, skills, and abilities required to do the job; education and experience required; and the physical requirements of the job.

Once the job description has been written, obtaining approval from the hiring manager is the next step. Then the HR professional can begin to recruit for the position. Before we discuss specific recruitment strategies, we should address the law and how it relates to hiring. This is the topic of "The Law and Recruitment (Page 88)".

Tips to Writing a Good Job Description

- Be sure to include the pertinent information:
  - Title
  - Department
  - Reports to
  - Duties and responsibilities
  - terms of employment
  - qualifications needed
- Think of the job description as a snapshot of the job.
- Communicate clearly and concisely.
- Make sure the job description is interesting to the right candidate applying for the job.
- Avoid acronyms.
- Don't try to fit all job aspects into the job description.
- Proofread the job description.

Human Resource Call

Does your current job or past job have a job description? Did it closely match the tasks you actually performed?

Key Takeaways

- The recruitment process provides the organization with a pool of qualified applicants.
- Some companies choose to hire internal candidates—that is, candidates who are already working for the organization. However, diversity is a consideration here as well.
- A job analysis is a systematic approach to determine what a person actually does in his or her job. This process might involve a questionnaire to all employees. Based on this analysis, an accurate job description and job specifications can be written. A job description lists the components of the job, while job specifications list the requirements to perform the job.

Title

1. Do an Internet search for "job description." Review three different job descriptions and then answer the following questions for each of the jobs:

- What are the job specifications?
- Are the physical demands mentioned?
- Is the job description task based or competency based?
- How might you change this job description to obtain more qualified candidates?

Why do the five steps of the recruitment process require input from other parts of the organization? How might you handle a situation in which the employees or management are reluctant to complete a job analysis?

4.3 The Law and Recruitment

Learning Objectives

1. Explain the Immigration Reform and Control Act (IRCA), Patriot Act, and equal employment opportunity (EEO) laws and how they relate to recruiting.

One of the most important parts of HRM is to know and apply the law in all activities the HR department handles. Specifically with hiring processes, the law is very clear on a fair hiring that is inclusive to all individuals applying for a job. The laws discussed here are applied specifically to the recruiting of new employees.

4.3.1 Immigration Reform and Control Act

The Immigration Reform and Control Act (IRCA) was adopted by Congress in 1986. [2] This law requires employers to attest to their employees' immigration status. It also makes it illegal to hire or recruit illegal immigrants. The purpose of this law is to preserve jobs for those who have legal documentation to work in the United States. The implications for human resources lie in the recruitment process, because before entering employees into the selection process (interviewing, for example), it is

2. U.S. Citizenship and Immigration Services website. Accessed January 17, 2011.http://www.uscis.gov/portal/site/uscis/menuitem.5af9bb95919f35e66f614176543f6d1a/?vgnextchannel=b328194d3e88d010VgnVCM10000048f3d6a1RCRD&vgnextoid=04a295c4f635f010VgnVCM1000000ecd190aRCRD.

important to know they are eligible to work in the United States. This is why many application forms ask, “Are you legally able to work in the United States?” Dealing with the IRCA is a balancing act, however, because organizations cannot discriminate against legal aliens seeking work in the United States.

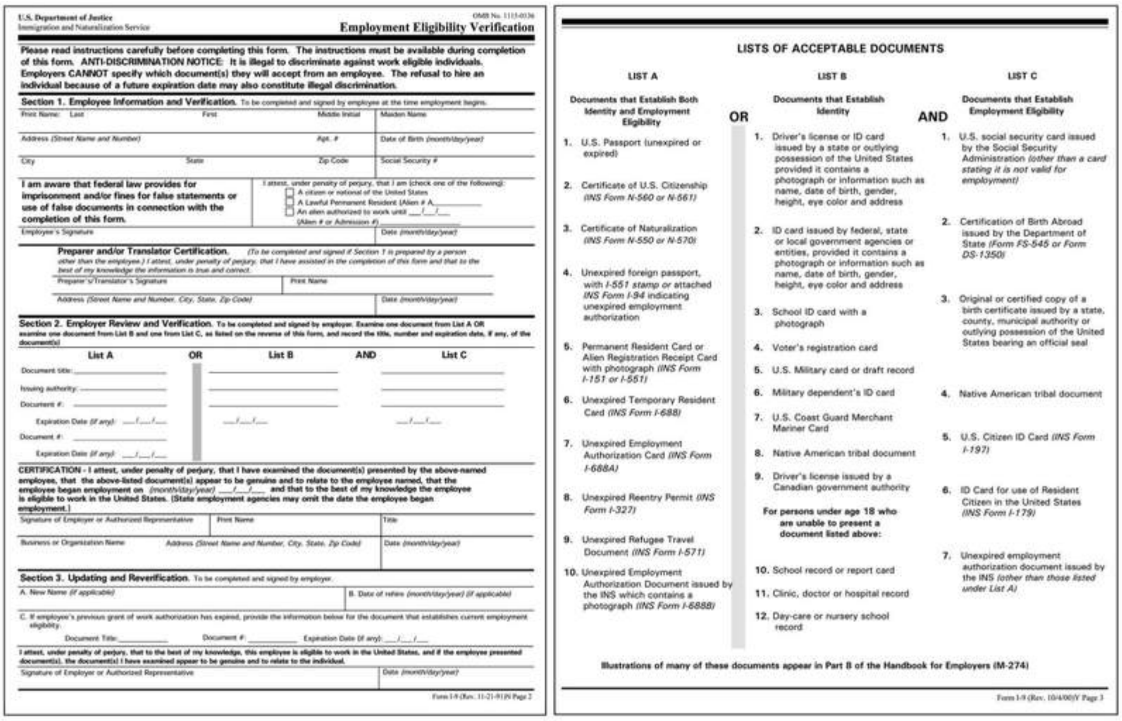
The IRCA relates not only to workers you hire but also to subcontractors. In a subcontractor situation (e.g., your organization hires an outside firm to clean the building after hours), your organization can still be held liable if it is determined your organization exercises control over how and when the subcontractors perform their jobs. In 2005, undocumented janitorial workers sued Walmart, arguing that the contracting company they worked for didn’t pay them a minimum wage. [3] Because the retailer controlled many of the details of their work, Walmart was considered to be a coemployer, and as a result, Walmart was held responsible not only for back wages but for the fact their subcontractor had hired undocumented workers.

HR professionals must verify both the identity and employment eligibility of all employees, even if they are temporary employees. The INS I-9 form (Employment Eligibility Verification form) is the reporting form that determines the identity and legal work status of a worker.

If an audit is performed on your company, you would be required to show I-9 forms for all your workers. If an employer hires temporary workers, it is important to manage data on when work visas are to expire, to ensure compliance. Organizations that hire illegal workers can be penalized $100 to $1,000 per hire. There is a software solution for management of this process, such as HR Data Manager. Once all data about workers are inputted, the manager is sent reminders if work authorization visas are about to expire. Employers are required to have the employee fill out the I-9 form on their first day of work, and the second section must be filled out within three days after the first day of employment. The documentation must be kept on file three years after the date of hire or for one year after termination. Some states, though, require the I-9 form be kept on file for as long as the person is employed with the organization.

In 2010, new rules about the electronic storage of forms were developed. The US Department of Homeland Security said that employees can have these forms electronically signed and stored.

3. Zavala v. Wal-Mart, No. 03-5309, DC NJ (2005).



U.S. Department of Justice
Immigration and Naturalization Service

OMB No. 1115-0136

Employment Eligibility Verification

Please read instructions carefully before completing this form. The instructions must be available during completion of this form. ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work eligible individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because of a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Verification. To be completed and signed by employee at the time employment begins.

Print Name: Last | First | Middle Initial | Maiden Name

Address (*Street Name and Number*) | Apt. # | Date of Birth (*month/day/year*)

City | State | Zip Code | Social Security #

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):
- A citizen or national of the United States
- A Lawful Permanent Resident (Alien # A________
- An alien authorized to work until __/__/__ (Alien # or Admission #) ________

Employee's Signature | Date (*month/day/year*)

Preparer and/or Translator Certification. *(To be completed and signed if Section 1 is prepared by a person other than the employee.) I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.*

Preparer's/Translator's Signature | Print Name

Address (*Street Name and Number, City, State, Zip Code*) | Date (*month/day/year*)

Section 2. Employer Review and Verification. To be completed and signed by employer. Examine one document from List A OR examine one document from List B and one from List C, as listed on the reverse of this form, and record the title, number and expiration date, if any, of the document(s)

List A	OR	List B	AND	List C
Document title:				
Issuing authority:				
Document #:				
Expiration Date (*if any*): __/__/__		__/__/__		__/__/__
Document #:				
Expiration Date (*if any*): __/__/__				

CERTIFICATION - I attest, under penalty of perjury, that I have examined the document(s) presented by the above-named employee, that the above-listed document(s) appear to be genuine and to relate to the employee named, that the employee began employment on (*month/day/year*) __/__/__ **and that to the best of my knowledge the employee is eligible to work in the United States. (State employment agencies may omit the date the employee began employment.)**

Signature of Employer or Authorized Representative | Print Name | Title

Business or Organization Name | Address (*Street Name and Number, City, State, Zip Code*) | Date (*month/day/year*)

Section 3. Updating and Reverification. To be completed and signed by employer.

A. New Name (*if applicable*) | B. Date of rehire (*month/day/year*) (*if applicable*)

C. If employee's previous grant of work authorization has expired, provide the information below for the document that establishes current employment eligibility.

Document Title: ______ Document #: ______ Expiration Date (if any): __/__/__

I attest, under penalty of perjury, that to the best of my knowledge, this employee is eligible to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative | Date (*month/day/year*)

Form I-9 (Rev. 11-21-91)N Page 2

LISTS OF ACCEPTABLE DOCUMENTS

LIST A — **Documents that Establish Both Identity and Employment Eligibility**

1. U.S. Passport (unexpired or expired)
2. Certificate of U.S. Citizenship *(INS Form N-560 or N-561)*
3. Certificate of Naturalization *(INS Form N-550 or N-570)*
4. Unexpired foreign passport, with *I-551 stamp or* attached *INS Form I-94* indicating unexpired employment authorization
5. Permanent Resident Card or Alien Registration Receipt Card with photograph *(INS Form I-151 or I-551)*
6. Unexpired Temporary Resident Card *(INS Form I-688)*
7. Unexpired Employment Authorization Card *(INS Form I-688A)*
8. Unexpired Reentry Permit *(INS Form I-327)*
9. Unexpired Refugee Travel Document *(INS Form I-571)*
10. Unexpired Employment Authorization Document issued by the INS which contains a photograph *(INS Form I-688B)*

OR

LIST B — **Documents that Establish Identity**

1. Driver's license or ID card issued by a state or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color and address
2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color and address
3. School ID card with a photograph
4. Voter's registration card
5. U.S. Military card or draft record
6. Military dependent's ID card
7. U.S. Coast Guard Merchant Mariner Card
8. Native American tribal document
9. Driver's license issued by a Canadian government authority

For persons under age 18 who are unable to present a document listed above:

10. School record or report card
11. Clinic, doctor or hospital record
12. Day-care or nursery school record

AND

LIST C — **Documents that Establish Employment Eligibility**

1. U.S. social security card issued by the Social Security Administration *(other than a card stating it is not valid for employment)*
2. Certification of Birth Abroad issued by the Department of State *(Form FS-545 or Form DS-1350)*
3. Original or certified copy of a birth certificate issued by a state, county, municipal authority or outlying possession of the United States bearing an official seal
4. Native American tribal document
5. U.S. Citizen ID Card *(INS Form I-197)*
6. ID Card for use of Resident Citizen in the United States *(INS Form I-179)*
7. Unexpired employment authorization document issued by the INS *(other than those listed under List A)*

Illustrations of many of these documents appear in Part 8 of the Handbook for Employers (M-274)

Form I-9 (Rev. 10/4/00)Y Page 3

Fig. 4.4: The I-9 form must be completed by management within three days of hire and be kept for at least three years, but in some states, it must be kept on file for the duration of employment

4.3.2 Patriot Act

In response to the September 11, 2001, terrorist attacks against the United States, the Patriot Act was signed, introducing legislative changes to enhance the federal government's ability to conduct domestic and international investigations and surveillance activities. As a result, employers needed to implement new procedures to maintain employee privacy rights while also creating a system that allowed for release of information requested by the government.

The act also amended the Electronic Communications Privacy Act, allowing the federal government easier access to electronic communications. For example, only a search warrant is required for the government to access voice mail and e-mail messages.

The act also amended the Foreign Intelligence Surveillance Act. The government is allowed to view communications if an employee is suspected of terrorism, and the government does not have to reveal this surveillance to the employer.

It is prudent for HR professionals and managers to let potential employees know of these new requirements, before the hiring process begins.

How Would You Handle This?

Wrong Job Description

Aimee, a highly motivated salesperson, has come to you with a complaint. She states that she had her performance evaluation, but all the items on her evaluation didn't relate to her actual job. In the past two years, she explains, her job has changed because of the increase of new business development using technology. How would you handle this?

How Would You Handle This?
https://api.wistia.com/v1/medias/1371475/embed

The author discusses the How Would You Handle This situation in this chapter at: *https://api.wistia.com/v1/medias/1371475/embed*.

4.3.3 EEO Set of Laws

We discuss Equal Employment Opportunity (EEO) laws in Chapter 3. They are worth mentioning again here in relation to the recruitment process. The Equal Employment Opportunity Commission (EEOC) is a federal agency charged with the task of enforcing federal employment discrimination laws. While there are restrictions on the type of company covered (companies with at least fifteen employees), the EEOC requires collection of data and investigates discrimination claims, again, for organizations with more than fifteen employees.

Under EEO law related to the recruitment process, employers cannot discriminate based on age (forty years or older), disability, genetic information, national origin, sex, pregnancy, race, and religion. In a job announcement, organizations usually have an EEO statement. Here are some examples:

1. (Company name) is fully committed to Equal Employment Opportunity and to attracting, retaining, developing, and promoting the most qualified employees without regard to their race, gender, color, religion, sexual orientation, national origin, age, physical or mental disability, citizenship status, veteran status, or any other characteristic prohibited by state or local law. We are dedicated to providing a work environment free from discrimination and harassment, and where employees are treated with respect and dignity.

2. (Company name) does not unlawfully discriminate on the basis of race, color, religion, national origin, age, height, weight, marital status, familial status, handicap/disability, sexual orientation, or veteran status in employment or the provision of services, and provides, upon request, reasonable accommodation including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities.

3. It is the policy of (college name), in full accordance with the law, not to discriminate in employment, student admissions, and student services on the basis of race, color, religion, age, political affiliation or belief, sex, national origin, ancestry, disability, place of birth, general education development certification (GED), marital status, sexual orientation, gender identity or expression, veteran status, or any other legally protected classification. (College name) recognizes its responsibility to promote the principles of equal opportunity for employment,

student admissions, and student services taking active steps to recruit minorities and women.

4. (Company name) will not discriminate against or harass any employee or applicant for employment on the basis of race, color, creed, religion, national origin, sex, sexual orientation, disability, age, marital status, or status with regard to public assistance. (Company name) will take affirmative action to ensure that all practices are free of such discrimination. Such employment practices include, but are not limited to, the following: hiring, upgrading, demotion, transfer, recruitment or recruitment advertising, selection, layoff, disciplinary action, termination, rates of pay or other forms of compensation, and selection for training.

In addition to including the EEO policy in the job announcement, HR is required to post notices of EEOC policies in a visible part of the work environment (such as the break room).

Although the EEOC laws in hiring are clear about discrimination, an exception may occur, called the bona fide occupational qualification (BFOQ). BFOQ is a quality or attribute that is reasonably necessary to the normal operation of the business and that can be used when considering applicants. To obtain a BFOQ exception, a company must prove that a particular person could not perform the job duties because of sex, age, religion, disability, and national origin. Examples of BFOQ exceptions might include the following:

1. A private religious school may require a faculty member to be of the same denomination.
2. Mandatory retirement is required for airline pilots at a certain age.
3. A clothing store that sells male clothing is allowed to hire only male models.
4. If an essence of a restaurant relies on one sex versus another (e.g., Hooters), they may not be required to hire male servers.

However, many arguments for BFOQ would not be considered valid. For example, race has never been a BFOQ, nor has customers' having a preference for a particular gender. Generally speaking, when going through the recruitment process and writing job descriptions, assuming a BFOQ would apply might be a mistake. Seeking legal council before writing a job description would be prudent.

Other aspects to consider in the development of the job description are disparate impact and disparate treatment. These are the two ways to classify employment discrimination cases. Disparate impact occurs when an organization discriminates through the use of a process, affecting a protected group as a whole, rather than consciously intending to discriminate. Some examples of disparate impact might include the following:

1. Requirement of a high school diploma, which may not be important to employment, could discriminate against racial groups

2. A height requirement, which could limit the ability of women or persons of certain races to apply for the position
3. Written tests that do not relate directly to the job
4. Awarding of pay raises on the basis of, say, fewer than five years of experience, which could discriminate against people older than forty

Disparate treatment, when one person is intentionally treated differently than another, does not necessarily impact the larger protected group as a whole, as in disparate impact. The challenge in these cases is to determine if someone was treated differently because of their race or gender or if there was another reason for the different treatment. Here are two examples:

1. Both a male and a female miss work, and the female is fired but the male is not.
2. A company does not hire people of a certain race or gender, without a BFOQ.

Human Resource Recall

Can you think of other examples of disparate impact that might affect a certain protected group of people under EEOC?

Key Takeaways

- IRCA stands for Immigration and Reform Act. This law requires all employers to determine eligibility of an employee to work in the United States. The reporting form is called an I-9 and must be completed and kept on file (paper or electronic) for at least three years, but some states require this documentation to be kept on file for the duration of the employee's period of employment.
- The Patriot Act allows the government access to data that would normally be considered private—for example, an employee's records and work voice mails and e-mails (without the company's consent). The HR professional might consider letting employees know of the compliance with this law.
- The EEOC is a federal agency charged with ensuring discrimination does not occur in the workplace. They oversee the equal employment opportunity (EEO) set of laws. Organizations must post EEO laws in a visible location at their workplace and also include them on job announcements.
- Related to the EEOC, the bona fide occupational qualification (BFOQ) makes it legal to discriminate in hiring based on special circumstances—for example, requiring the retirement of airline pilots at a certain age due to safety concerns.
- Disparate impact refers to a policy that may limit a protected EEO group from receiving fair treatment. Disparate impact might

include a test or requirement that negatively impacts someone based on protected group status. An example is requiring a high school diploma, which may not directly impact the job. Disparate treatment refers to discrimination against an individual, such as the hiring of one person over another based on race or gender.

Exercises

1. Describe the difference between disparate treatment and disparate impact.
2. Explain a situation (other than the ones described in this section) in which a BFOQ might be appropriate. Then research to see if in the past this reasoning has been accepted as a BFOQ.

4.4 Recruitment Strategies

Learning Objective

1. Explain the various strategies that can be used in recruitment.

Now that we have discussed development of the job analysis, job description, and job specifications, and you are aware of the laws relating to recruitment, it is time to start recruiting. It is important to mention, though, that a recruitment plan should be in place. This plan can be informal, but you should outline where you plan to recruit and your expected time lines. For example, if one of your methods is to submit an ad to a trade publication website, you should know their deadlines. Also of consideration is to ensure you are recruiting from a variety of sources to ensure diversity. Lastly, consider the economic situation of the country. With high unemployment, you may receive hundreds of applications for one job. In an up economy, you may not receive many applications and should consider using a variety of sources.

Some companies, such as Southwest Airlines, are known for their innovative recruitment methods. Southwest looks for "the right kind of people" and are less focused on the skills than on the personality of the individual.[4] When Southwest recruits, it looks for positive team players that match the underdog, quirky company culture. Applicants are observed in group interviews, and those who exhibit encouragement for their fellow applicants are usually those who continue with the recruitment process. This section will discuss some of the ways Southwest and many other Fortune 500 companies find this kind of talent.

4. W. P. Carey, "Employees First: Strategy for Success," Knowledge @ W. P. Carey, W. P. Carey School of Business, Arizona State University, June 26, 2008, accessed July 11, 2011,http://knowledge.wpcarey.asu.edu/article.cfm?articleid=1620.

4.4.1 Recruiters

Some organizations choose to have specific individuals working for them who focus solely on the recruiting function of HR. Recruiters use similar sources to recruit individuals, such as professional organizations, websites, and other methods discussed in this chapter. Recruiters are excellent at networking and usually attend many events where possible candidates will be present. Recruiters keep a constant pipeline of possible candidates in case a position should arise that would be a good match. There are three main types of recruiters:

1. Executive search firm. These companies are focused on high-level positions, such as management and CEO roles. They typically charge 10–20 percent of the first year salary, so they can be quite expensive. However, they do much of the upfront work, sending candidates who meet the qualifications.

2. Temporary recruitment or staffing firm. Suppose your receptionist is going on medical leave and you need to hire somebody to replace him, but you don't want a long-term hire. You can utilize the services of a temporary recruitment firm to send you qualified candidates who are willing to work shorter contracts. Usually, the firm pays the salary of the employee and the company pays the recruitment firm, so you don't have to add this person to your payroll. If the person does a good job, there may be opportunities for you to offer him or her a full-time, permanent position. Kelly Services, Manpower, and Snelling Staffing Services are examples of staffing firms.

3. Corporate recruiter. A corporate recruiter is an employee within a company who focuses entirely on recruiting for his or her company. Corporate recruiters are employed by the company for which they are recruiting. This type of recruiter may be focused on a specific area, such as technical recruiting.

A contingent recruiter is paid only when the recruiter starts working, which is often the case with temporary recruitment or staffing firms. A retained recruiter gets paid up front (in full or a portion of the fee) to perform a specific search for a company.

While the HR professional, when using recruiters, may not be responsible for the details of managing the search process, he or she is still responsible for managing the process and the recruiters. The job analysis, job description, and job specifications still need to be developed and candidates will still need to be interviewed.

Fortune 500 Focus

In 2009, when Amazon purchased Zappos for 10 million shares of Amazon stock (roughly $900 million in 2009), the strategic move for Amazon didn't change the hiring and recruiting culture of Zappos. Zappos, again voted one of the best one hundred companies to work for by CNN Money[5] believes it all starts with the people they hire. The recruiting staff always asks, “On a scale of 1–10, how weird do you think you are?” This question ties directly to the company’s strategic plan and core value number three, which is “create fun and a little weirdness.” Zappos recruits people who not only have the technical abilities for the job but also are a good culture fit for the organization. Once hired, new employees go through two weeks of training. At the end of the training, newly hired employees are given “the offer.” The offer is $2,000 to quit on the spot. This ensures Zappos has committed people who have the desire to work with the organization, which all begins with the recruiting process.

4.4.2 Campus Recruiting

Colleges and universities can be excellent sources of new candidates, usually at entry-level positions. Consider technical colleges that teach cooking, automotive technology, or cosmetology. These can be great sources of people with specialized training in a specific area. Universities can provide people that may lack actual experience but have formal training in a specific field. Many organizations use their campus recruiting programs to develop new talent, who will eventually develop into managers.

For this type of program to work, it requires the establishment of relationships with campus communities, such as campus career services departments. It can also require time to attend campus events, such as job fairs. IBM, for example, has an excellent campus recruiting program. For IBM, recruiting out of college ensures a large number of people to grow with the organization.[6]

Setting up a formal internship program might also be a way to utilize college and university contacts. Walgreens, for example, partners with Apollo College to recruit interns; this can result in full-time employment for the motivated intern and money saved for Walgreens by having a constant flow of talent.

4.4.3 Professional Associations

Professional associations are usually nonprofit organizations whose goal is to further a particular profession. Almost every profession has its own professional organization. For example, in the field of human resources, the Society for Human Resource Management allows companies to post jobs relating to HR. The American Marketing Association, also a professional organization, allows job postings as well. Usually,

5. Cheryl Sowa, “Going Above and Beyond,” America’s Best, September/October 2008, accessed July 11, 2011, http://www.americasbestcompanies.com/magazine/articles/going-above-and-beyond.aspx.
6. “University Students,” IBM, n.d., accessed January 17, 2011, http://www-03.ibm.com/employment/start_university.html.

there is a fee involved, and membership in this association may be required to post jobs. Here are some examples of professional associations:

Fig. 4.5: Overview of the Steps to the Recruitment Process

1. Professional Nursing Association
2. Society of Women Engineers
3. International Federation of Accountants

4. Institute of Management Consultants United Professional Sales Association
5. National Lawyers Guild
6. National Organization of Minority Architects
7. International Federation of Journalists (union)
8. International Metalworkers Federation (union)
9. Association of Flight Attendants (union)

Labor unions can also be excellent sources of candidates, and some unions also allow job postings on their website. We will discuss unions further in "Working with Labor Unions (Page 362)". The key to using this as a successful recruitment strategy is to identify the organizations that relate to your business and to develop relationships with members in these organizations. This type of networking can help introduce you to people in your industry who may be looking for a job or know of someone who needs a job.

Human Resource Recall

What do you think is the best way to determine the right set of recruitment methods for your organization? What methods would be best for your current job?

4.4.4 Websites

If you have ever had to look for a job, you know there are numerous websites to help you do that. From the HR perspective, there are many options to place an ad, most of which are inexpensive. The downside to this method is the immense number of résumés you may receive from these websites, all of which may or may not be qualified. Many organizations, to combat this, implement software that searches for keywords in résumés, which can help combat this problem. We discuss more about this in "Selection (Page 112)". Some examples of websites might include the following:

Some examples of websites might include the following:

- Your own company website
- Yahoo Hot Jobs
- Monster
- CareerBuilder
- Job Central

4.4.5 Social Media

Facebook, Twitter, LinkedIn, YouTube, and MySpace are excellent places to obtain a media presence to attract a variety of workers. In 2007, Sodexo, which provides services such as food service and facilities management, started using social media to help spread the word about their company culture. Since then, they have saved $300,000 on traditional recruiting methods. [7] Sodexo's fifty recruiters share updates on Twitter about their excellent company culture. Use of this media has driven traffic to the careers page on Sodexo's website, from 52,000 to 181,000.

The goal of using social media as a recruiting tool is to create a buzz about your organization, share stories of successful employees, and tout an interesting culture. Even smaller companies can utilize this technology by posting job openings as their status updates. This technique is relatively inexpensive, but there are some things to consider. For example, tweeting about a job opening might spark interest in some candidates, but the trick is to show your personality as an employer early on. According to Bruce Morton of Allegis Group Services, using social media is about getting engaged and having conversations with people before they're even thinking about you as an employer. [8] Debbie Fisher, an HR manager for a large advertising agency, Campbell Mithun, says that while tweeting may be a good way to recruit people who can be open about their job hunt, using tools such as LinkedIn might be a better way to obtain more seasoned candidates who cannot be open about their search for a new job, because of their current employment situation. She says that LinkedIn has given people permission to put their résumé online without fear of retribution from current employers.

Creativity with a social media campaign also counts. Campbell Mithun hired thirteen interns over the summer using a unique twist on social media. They asked interested candidates to submit thirteen tweets over thirteen days and chose the interns based on their creativity.

Many organizations, including Zappos (Video 4.4), use YouTube videos to promote the company. Within the videos is a link that directs viewers to the company's website to apply for a position in the company.

Facebook allows free job postings in Facebook Marketplace, and the company Facebook page can also be used as a recruiting tool. Some organizations decide to use Facebook ads, which are paid on a "per click" or per impression (how many people potentially see the ad) basis. Facebook ad technology allows specific regions and Facebook keywords to be targeted. [9] Some individuals even use their personal Facebook page to post status updates listing job opportunities and asking people to respond privately if they are interested.

7. Sodexo, "Sodexo Earns SNCR Excellent Award for Innovative Use of Social Media," news release, December 2, 2009, accessed January 17, 2011,http://www.sodexousa.com/usen/newsroom/press/press09/sncrexcellenceaward.asp.
8. Anna Lindow, "How to Use Social Media for Recruiting," Mashable, June 11, 2011, accessed July 12, 2011, http://mashable.com/2011/06/11/social-media-recruiting.
9. Tiffany Black, "How to Use Social Media as a Recruiting Tool," Inc., April 22, 2010, accessed July 12, 2011, http://www.inc.com/guides/2010/04/social-media-recruiting.html.

4.4.6 Events

Many organizations, such as Microsoft, hold events annually to allow people to network and learn about new technologies. Microsoft's Professional Developer Conference (PDC), usually held in July, hosts thousands of web developers and other professionals looking to update their skills and meet new people.

Some organizations, such as Choice Career Fairs, host job fairs all over the country; participating in this type of job fair may be an excellent way to meet a large variety of candidates. Other events may not be specifically for recruiting, but attending these events may allow you to meet people who could possibly fill a position or future position. For example, in the world of fashion, Fashion Group International (FGI) hosts events internationally on a weekly basis, which may allow the opportunity to meet qualified candidates.

4.4.7 Special/Specific Interest Groups (SIGs)

Special/specific interest groups (SIGs), which may require membership of individuals, focus on specific topics for members. Often SIGs will have areas for job posting, or a variety of discussion boards where jobs can be posted. For example, the Women in Project Management SIG provides news on project management and also has a place for job advertisements. Other examples of SIGs might include the following:

- Oracle Developer SIG
- African American Medical Librarians Alliance SIG
- American Marketing Association Global Marketing SIG
- Special Interest Group for Accounting Information Systems (SIG-ASYS)
- Junior Lawyer SIG

Recruiting using SIGs can be a great way to target a specific group of people who are trained in a specific area or who have a certain specialty.

4.4.8 Referrals

Most recruiting plans include asking current employees, "Who do you know?" The quality of referred applicants is usually high, since most people would not recommend someone they thought incapable of doing the job. E-mailing a job opening to current employees and offering incentives to refer a friend can be a quick way of recruiting individuals. Due to the success of most formalized referral programs, it is suggested that a program be part of the overall HRM strategic plan and recruitment strategy. However, be wary of using referrals as the only method for recruitment, as this can lead to lack of diversity in a workplace. Nepotism means a preference for hiring relatives of current employees, which can also lead to lack of diversity and management issues in the workplace.

For example, the University of Washington offers $1,200 any time a current employee successfully refers a friend to work at their medical centers. Usually, most incentives require the new employee to be hired and stay a specified period of time. Some examples of incentives that can be used to refer a friend might include the following:

- A gift card to the employee
- A financial incentive
- Raffles for most referrals

These types of programs are called employee referral programs (ERPs) and tend to generate one of the highest returns on investment per hire. [10] To make an ERP program effective, some key components should be put into place:

1. Communicate the program to existing employees.
2. Track the success of the program using metrics of successful hires.
3. Be aware of the administrative aspect and the time it takes to implement the program effectively.
4. Set measureable goals up front for a specialized program.

Accenture recently won the ERE Media Award for one of the most innovative ERPs. Its program has increased new hires from referrals from 14 percent to 32 percent, and employee awareness of the program jumped from just 20 percent to 99 percent._ [11] The uniqueness of their program lies with the reward the employee receives. Instead of offering personal financial compensation, Accenture makes a donation to the charity of the employee’s choice, such as a local elementary school. Their program also seeks to decrease casual referrals, so the employee is asked to fill out an online form to explain the skills of the individual they are referring. The company has also developed a website where current employees can go to track the progress of referrals. In addition, employee referral applications are flagged online and fast-tracked through the process—in fact, every referral is acted upon. As you can see, Accenture has made their ERP a success through the use of strategic planning in the recruitment process.

10. Dave Lefkow, “Improving Your Employee Referral Program and Justifying Your Investment,” ERE.net, February 21, 2002, accessed July 12, 2011,http://www.ere.net/2002/02/21/improving-your-employee-referral-program-and-justifying-your-investment.
11. John Sullivan, “Amazing Practices in Recruiting—ERE Award Winners 2009,” pt. 1, ERE.net, April 13, 2009, accessed July 12, 2011, http://www.ere.net/2009/04/13/amazing-practices-in-recruiting-ere-award-winners-2009-part-1-of-2.

Recruitment Method	Advantages	Disadvantages
Outside recruiters, executive search firms, and temporary employment agencies	Can be time saving	Expensive
		Less control over final candidates to be interviewed
Campus recruiting/ educational institutions	Can hire people to grow with the organization	Time consuming
	Plentiful source of talent	Only appropriate for certain types of experience levels
Professional organizations and associations	Industry specific	May be a fee to place an ad
	Networking	May be time-consuming to network
Websites/ Internet recruiting	Diversity friendly	Could be too broad

Table 4.1: Advantages and Disadvantages of Recruiting Methods

Recruitment Method	Advantages	Disadvantages
	Low cost	Be prepared to deal with hundreds of résumés
	Quick	
Social media	Inexpensive	Time consuming
		Overwhelming response
Events	Access to specific target markets of candidates	Can be expensive
		May not be the right target market
SIG	Industry specific	Research required for specific SIGS tied to jobs
Referrals	Higher quality people	Concern for lack of diversity
	Retention	Nepotism
Unsolicited résumés and applications	Inexpensive, especially with time-saving keyword résumé search software	Time consuming

Table 4.1: Advantages and Disadvantages of Recruiting Methods

Recruitment Method	Advantages	Disadvantages
Internet and/or traditional advertisements	Can target a specific audience	Can be expensive
Employee leasing	For smaller organizations, it means someone does not have to administer compensation and benefits, as this is handled by leasing company	Possible costs
	Can be a good alternative to temporary employment if the job is permanent	Less control of who interviews for the position
Public employment agencies	The potential ability to recruit a more diverse workforce	May receive many résumés, which can be time-consuming
	No cost, since it's a government agency	
	2,300 points of service nationwide	
Labor unions	Access to specialized skills	May not apply to some jobs or industries
		Builds relationship with the union

Table 4.1: Advantages and Disadvantages of Recruiting Methods

4.4.9 Costs of Recruitment

Part of recruitment planning includes budgeting the cost of finding applicants. For example, let's say you have three positions you need to fill, with one being a temporary hire. You have determined your advertising costs will be $400, and your temporary agency costs will be approximately $700 for the month. You expect at least one of the two positions will be recruited as a referral, so you will pay a referral bonus of $500. Here is how you can calculate the cost of recruitment for the month:

cost per hire = advertising costs + recruiter costs + referral costs + social media costs + event costs.

$400 + $700 + $500 = $1600/3 = $533 recruitment cost per hire.

In addition, when we look at how effective our recruiting methods are, we can look at a figure called the yield ratio. A yield ratio is the percentage of applicants from one source who make it to the next stage in the selection process (e.g., they get an interview). For example, if you received two hundred résumés from a professional organization ad you placed, and fifty-two of those make it to the interview state, this means a 26 percent yield (52/200). By using these calculations, we can determine the best place to recruit for a particular position. Note, too, that some yield ratios may vary for particular jobs, and a higher yield ratio must also consider the cost of that method, too. For an entry-level job, campus recruiting may yield a better ratio than, say, a corporate recruiter, but the corporate recruiter may have higher cost per hires.

After we have finished the recruiting process, we can begin the selection process. This is the focus of "Selection (Page 112)".

Key Takeaways

- HR professionals must have a recruiting plan before posting any job description. The plan should outline where the job announcements will be posted and how the management of candidate materials, such as résumés, will occur. Part of the plan should also include the expected cost of recruitment.
- Many organizations use recruiters. Recruiters can be executive recruiters, which means an outside firm performs the search. For temporary positions, a temporary or staffing firm such as Kelly Services might be used. Corporate recruiters work for the organization and function as a part of the HR team.
- Campus recruiting can be an effective way of recruiting for entry-level positions. This type of recruiting may require considerable effort in developing relationships with college campuses.

- Almost every profession has at least one professional association. Posting announcements on their websites can be an effective way of targeting for a specific job.
- Most companies will also use their own website for job postings, as well as other websites such as Monster and CareerBuilder.
- Social media is also a popular way to recruit. Usage of websites such as Twitter and Facebook can get the word out about a specific job opening, or give information about the company, which can result in more traffic being directed to the company's website.
- Recruiting at special events such as job fairs is another option. Some organizations have specific job fairs for their company, depending on the size. Others may attend industry or job-specific fairs to recruit specific individuals.
- SIGs, or special/specific interest groups, are usually very specialized. For example, female project managers may have an interest group that includes a discussion board for posting of job announcements.
- Employee referrals can be a great way to get interest for a posted position. Usually, incentives are offered to the employee for referring people they know. However, diversity can be an issue, as can nepotism.
- Our last consideration in the recruitment process is recruitment costs. We can determine this by looking at the total amount we have spent on all recruiting efforts compared to the number of hires. A yield ratio is used to determine how effective recruiting efforts are in one area. For example, we can look at the number of total applicants received from a particular form of media, and divide that by the number of those applicants who make it to the next step in the process (e.g., they receive an interview).

Exercises

1. Perform an Internet search on professional associations for your particular career choice. List at least three associations, and discuss recruiting options listed on their websites (e.g., do they have discussion boards or job advertisements links?).
2. Have you ever experienced nepotism in the workplace? If yes, describe the experience. What do you think are the upsides and downsides to asking current employees to refer someone they know?

4.5 Cases and Problems

Chapter Summary

- The recruitment process provides the organization with a pool of qualified applicants.
- Some companies choose to hire internal candidates—that is, candidates who are already working for the organization. However, diversity is a consideration here as well.
- A job analysis is a systematic approach to determine what a person actually does in his or her job. This process might involve a questionnaire to all employees. Based on this analysis, an accurate job description and job specifications can be written. A job description lists the components of the job, while job specifications list the requirements to perform the job.
- IRCA stands for Immigration and Reform Act. This law requires all employers to determine eligibility of an employee to work in the United States. The reporting form is called an I-9 and must be completed and kept on file (paper or electronic) for at least three years, but some states require this documentation to be kept on file for the duration of the employee's period of employment.
- The Patriot Act allows the government access to data that would normally be considered private, for example, an employee's records and work voice mails and e-mails (without the company's consent). The HR professional might consider letting employees know of the compliance with this law.
- The Equal Employment Opportunity Commission (EEOC) is a federal agency charged with ensuring discrimination does not occur in the workplace. They oversee the EEO set of laws. Organizations must post EEO laws in a visible location at their workplace and also include them on job announcements.
- Related to the EEOC, the bona fide occupational qualification (BFOQ) makes it legal to discriminate in hiring based on special circumstances, for example, requiring the retirement of airline pilots at a certain age due to safety concerns.
- Disparate impact refers to a policy that may limit a protected EEO group from receiving fair treatment. Disparate impact might include a test or requirement that negatively impacts someone based on protected group status. An example is requiring a high

school diploma, which may not directly impact the job. Disparate treatment refers to discrimination against an individual, such as the hiring of one person over another based on race or gender.

- HR professionals must have a recruiting plan before posting any job description.
- Many organizations use recruiters. Recruiters can be executive recruiters, which means an outside firm performs the search. For temporary positions, a temporary or staffing firm such as Kelly Services might be used. Corporate recruiters work for the organization and function as a part of the HR team.
- Campus recruiting can be an effective way of recruiting for entry-level positions. This type of recruiting may require considerable effort in developing relationships with college campuses.
- Almost every profession has at least one professional association. Posting announcements on their websites can be an effective way of targeting for a specific job.
- Most companies will also use their own website for job postings, as well as other websites such as Monster and CareerBuilder.
- Social media is also a popular way to recruit. Usage of websites such as Twitter and Facebook can get the word out about a specific job opening, or give information about the company, which can result in more traffic being directed to the company's website.
- Recruiting at special events such as job fairs is another option. Some organizations have specific job fairs for their company, depending on the size. Others may attend industry or job specific fairs to recruit specific individuals.
- SIGs or special/specific interest groups are usually very specialized. For example, female project managers may have an interest group that includes a discussion board for posting of job announcements.
- Employee referrals can be a great way to get interest for a posted position. Usually, incentives are offered to the employee for referring people they know. However, diversity can be an issue, as can nepotism.
- Our last consideration in the recruitment process is recruitment costs. We can determine this by looking at the total amount we have spent on all recruiting efforts compared to the number of hires. A yield ratio is used to determine how effective recruiting efforts are in one area. For example, we can look at the number of total applicants received from a particular form of media, and divide that

by the number of those applicants who make it to the next step in the process (e.g., they receive an interview).

Chapter Case

Recruitment Statistics

As the assistant to the human resources director at Tally Group, you normally answer phones and set appointments for the director. You are interested in developing skills in HRM, and one day, your HR director presents you with a great opportunity for you to show what you can do. She asks you to analyze last year's recruitment data to determine which methods have worked best. As you look at the data, you aren't sure how to start, but you remember something on this from your HRM class in college. After reviewing the data in your book, you feel confident to analyze these numbers. Please go ahead and perform calculations on these numbers, then provide answers to the questions that follow.

Method	Total Number Recruited	Yearly Cost ($)
Temporary placement firms	8	3,200
Campus recruiting	2	1,500
Professional association ads	10	4,500
Social media/ company website	33	300
Job fair	3	500
Referrals	26	26,000

Table 4.2: Tally Group Recruiting Numbers, 2012

1. Prepare a report summarizing your findings for the recruitment cost per hire and yield ratio for each type of recruiting method.
2. Make a recommendation to your human resource director on where the department should spend more of its time recruiting.

Team Activity

1. Students should be in teams of four or five. Choose a recruitment method from Table 4.2 "Tally Group Recruiting Numbers, 2012"and perform research on additional advantages and disadvantages of that method and then present ideas to the class.
2. Visit the Dictionary of Occupational Titles(http://www.occupationalinfo.org) and view the list of job

titles presented on the website. Create a sample job description for a job title of your team's choice.

Chapter 5 Selection

5.1 The Interview

Many of us have or will sit in a waiting room with our best clothes on awaiting a job (or school) interview. You can feel your palms sweat and thoughts race as you wait for your name to be called. You look around at the office environment and imagine yourself walking through those doors everyday. People walk by and smile, and overall, you have a really good first impression of the organization. You hope they like you. You tell yourself to remember to smile, while recalling all your experience that makes you the perfect person for this job. A moment of self-doubt may occur, as you wonder about the abilities of the other people being interviewed and hope you have more experience and make a better impression than they do. You hear your name, stand up, and give a firm handshake to the HR manager. The interview has begun.

As she walks you back to a conference room, you think you see encouraging smiles as you pass by people. She asks you to take a chair and then tells you what the interview process will be like. She then asks the first question, "Tell me about yourself." As you start discussing your experience, you feel yourself relax, just a little bit. After the interview finishes, she asks you to take a quick cognitive test, which you feel good about. She tells you she will be doing reference checks and will let you know by early next week.

To get to this point, the hiring manager may have reviewed hundreds of résumés and developed criteria she would use for selection of the right person for the job. She has probably planned a time line for hiring, developed hiring criteria, determined a compensation package for the job, and enlisted help of other managers to interview candidates. She may have even performed a number of phone interviews before bringing only a few of the best candidates in for interviews. It is likely she has certain qualities in mind that she is hoping you or another candidate will possess. Much work goes into the process of hiring someone, with selection being an important step in that process. A hiring process done correctly is time-consuming and precise. The interviewer should already have questions determined and should be ready to sell the organization to the candidate as well. This chapter will discuss the main components to the selection process.

5.2 The Selection Process

Learning Objective

1. Be able to name and discuss the steps in the selection process.

Once you have developed your recruitment plan, recruited people, and now have plenty of people to choose from, you can begin the selection process.
The selection process refers to the steps involved in choosing people who have the right qualifications to fill a current or future job opening. Usually, managers and supervisors will be ultimately responsible for the hiring of individuals, but the role of human resource management (HRM) is to define and guide managers in this process. Similar to the recruitment process discussed in "Recruitment (Page 78)", the selection process is expensive. The time for all involved in the hiring process to review résumés, weight the applications, and interview the best candidates takes away time (and costs money) that those individuals could spend on other activities. In addition, there are the costs of testing candidates and bringing them in from out of town for interviews. In fact, the US Department of Labor and Statistics estimates the combined direct and indirect cost of hiring someone new can reach upwards of $40,000. [1] Because of the high cost, it is important to hire the right person from the beginning and ensure a fair selection process. For example, the Austin, Texas, fire department calculated it would cost $150,000 to reinterview candidates, after the interview questions were leaked to the public, giving some candidates possibly unfair advantages in the interview process. [2]

The selection process consists of five distinct aspects:

1. Criteria development. All individuals involved in the hiring process should be properly trained on the steps for interviewing, including developing criteria, reviewing résumés, developing interview questions, and weighting the candidates.The first aspect to selection is planning the interview process, which includes criteria development. Criteria development means determining which sources of information will be used and how those sources will be scored during the interview. The criteria should be related directly to the job analysis and the job specifications. This is discussed in "Recruitment (Page 78)". In fact, some aspects of the job analysis and job specifications may be the actual criteria. In addition to this, include things like personality or cultural fit, which would also be part of criteria development. This process usually involves discussing which skills, abilities, and personal characteristics are required to be successful at any given job. By developing the criteria before reviewing any résumés, the HR manager or manager can be sure he or she is being fair in selecting people to interview. Some organizations may need to develop an application or a biographical information sheet. Most of these are completed online and should include information about the candidate, education, and previous job experience.

2. Application and résumé review. Once the criteria have been developed (step one), applications can be reviewed. People have different methods of going through this process, but there are also computer programs that can search for keywords in résumés and narrow down the number of résumés that must be looked at and reviewed.

1. Leroy Hamm, "Pre-Employment Testing," IHD Corporation, n.d., accessed August 2, 2011,http://www.ihdcorp.com/articles-hr/pre-employment-testing.htm.
2. KVUE News, "Re-Interview Process to Cost $150,000," June 23, 2011, accessed August 2, 2011, http://www.kvue.com/news/local/AFD--124452379.html.

3. Interviewing. After the HR manager and/or manager have determined which applications meet the minimum criteria, he or she must select those people to be interviewed. Most people do not have time to review twenty or thirty candidates, so the field is sometimes narrowed even further with a phone interview. This is discussed in "Types of Interviews (Page 124)".

4. Test administration. Any number of tests may be administered before a hiring decision is made. These include drug tests, physical tests, personality tests, and cognitive tests. Some organizations also perform reference checks, credit report checks, and background checks. Types of tests are discussed in "Testing (Page 131)". Once the field of candidates has been narrowed down, tests can be administered.

5. Making the offer. The last step in the selection process is to offer a position to the chosen candidate. Development of an offer via e-mail or letter is sometimes a more formal part of this process. Compensation and benefits will be defined in an offer. We discuss this in "Compensation and Benefits (Page 146)".

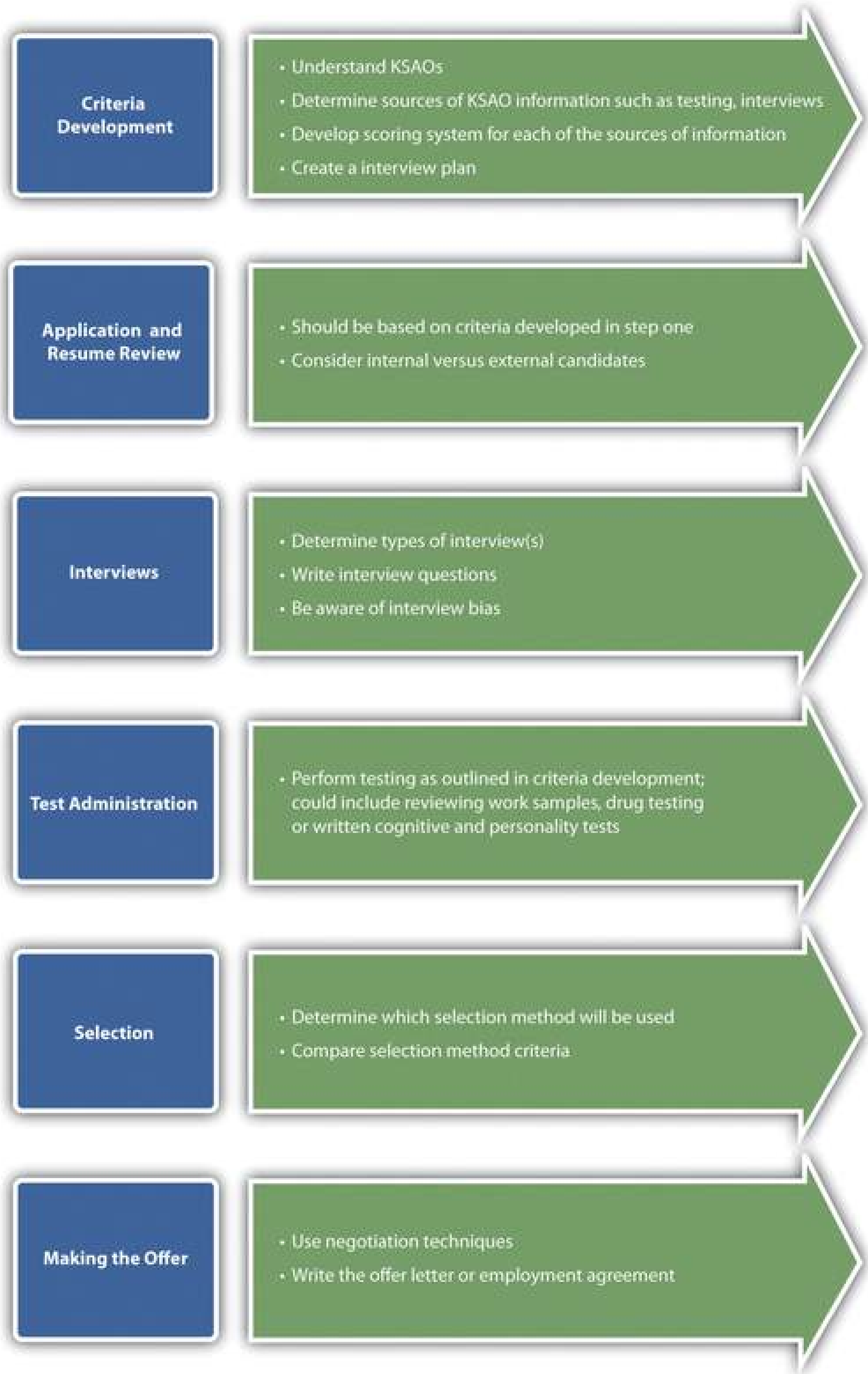


Fig. 5.1: The Selection Process at a Glance

We will discuss each of these aspects in detail in this chapter.

Fortune 500 Focus

In a 2010 interview, [3] Robert Selander, then CEO of MasterCard, cited presence as one of the most important aspects to acing an interview. He describes how, in any large organization, an employee will be expected to engage with a variety of stakeholders, from a member of Congress to a contractor replacing the carpet in the building. He says that a good employee—at any level of the organization—should be able to communicate well but also be able to communicate to a variety of stakeholders. We discuss communication in Chapter 9 "Successful Employee Communication". Selander also says he will always ask the candidate about his or her weaknesses, but more importantly, how the candidate plans to address those weaknesses to make sure they do not become a barrier to success. He always asks the question "What can you do for us?" When asked if he could pose only one interview question, what would it be, his answer was, "Share with me two situations, work related that you are proud of, where something was achieved based on your own personal initiative and the other where the achievement was a result of the team getting something done that you could not have done alone." In other words, Selander is looking for not only personal ability but the ability to work within a team to accomplish tasks. Selander offers advice to new college grads: try to find an organization where you can be involved and see all aspects of the business and be provided training to help you with certain skills that will be needed.

Human Resource Recall

When was the last time you interviewed for a job? Did the process seem to flow smoothly? Why or why not?

Key Takeaways

- The selection process refers to the steps involved in choosing someone who has the right qualifications to fill a current or future job opening.
- There are five main steps in the selection process. First, criteria are developed to determine how the person will be chosen. Second is a review of the applications and résumés, often done via a computer program that can find keywords. Next is interviewing the employee. The last steps involve testing, such as a personality test or drug test, and then finally, making the offer to the right candidate.

3. Adam Bryant, "The X Factor When Hiring? Call It Presence," June 26, 2010, New York Times, accessed July 12, 2011, http://www.nytimes.com/2010/06/27/business/27corner.html?scp=1&sq=Selander&st=cse&pagewanted=1.

Exercise

1. What components are included in the selection process? Which one do you think is the most important?

5.3 Criteria Development and Résumé Review

Learning Objectives

1. Be able to explain why criteria development is an important part of the selection process.
2. Give examples of types of criteria that can be developed.
3. Describe the advantages and disadvantages of internal and external candidates.

Before we begin to review résumés and applications, we must have a clear idea of the person we want to hire for the position. Obviously, the job specifications will help us know the minimum qualifications, such as education level and years of experience. However, additional criteria might include the attitude of the potential hire, the ability to take initiative, and other important personal characteristics and professional abilities that may not always be demonstrated in an application or résumé. A specific score on a personality test, quality of work samples, and other tools to determine qualifications should be included as part of the criteria. In other words, knowing exactly what you want before you even begin the process of looking through résumés will make this process much easier. In human resources, this is called KSAOs, or knowledge, skills, abilities, and other personal characteristics that make a person successful on the job. Some organizations, such as the United States Department of Veterans Affairs, require applicants to address each one of the KSAOs listed in the job position within their cover letter. [4]

5.3.1 Criteria Development Considerations

Many HR professionals and managers develop the criteria for hiring, as well as the interview questions, before reviewing any résumés. This allows for a streamlined process with specific guidelines already set before reviewing a résumé. For example, criteria for a project management job might include the following:

1. Two years of experience managing a $2 million or more project budget

4. "What Are KSAs?" US Department of Veterans Affairs, accessed August 2, 2011,http://www.va.gov/jobs/hiring/apply/ksa.asp.

2. A bachelor's degree in business or closely related field
3. Ability to work on multiple projects at once
4. Problem-solving ability
5. Conflict-management ability Ability to manage a team of five to six diverse workers
6. Score of at least a 70 on cognitive ability test
7. Score of excellent from most recent employer

By setting criteria ahead of time, the hiring team has a clear picture of exactly what qualifications they are looking for. As a result, it is easier to determine who should move forward in the selection process. For example, if someone does not have a bachelor's degree, given this is a criterion, their application materials can be filed away, perhaps for another job opening. Likewise, the HR manager can include those résumés with two or more years of experience and bachelor's degree in the interview pile and then develop interview questions that show the candidates' problem-solving, multitasking, and conflict-management abilities.

Résumé parsing or résumé scanning software is readily available and can make the initial screening easier. For example, Sovren software allows the HR manager to include keywords such as bachelor's degree or management. This software scans all received résumés and selects the ones that have the keywords. While it still may be necessary to review résumés, this type of software can save time having to look through résumés that obviously do not meet the minimum qualifications.

5.3.2 Validity and Reliablity

The validity refers to how useful the tool is to measure a person's attributes for a specific job opening. A tool may include any and all of the following:

1. Résumé-scanning software
2. Reference checks
3. Cognitive ability tests
4. Work samples
5. Credit reports
6. Biographical information blanks Weighted application forms
7. Personality tests
8. Interview questions

Biographical information blanks (BIBs) are a useful part of the application process. A BIB is a series of questions about a person's history that may have shaped his or her behavior. The BIB can be scored in the same way as an interview or a résumé, assuming the organization knows which types of answers are predictable for success in a given job. Similarly, a weighted application form involves selecting an employee characteristic to be measured and then identifying which questions on the application predict the desired behavior. Then scores are assigned to each predictor. Of course, the development of the scoring should be determined before any résumés and application forms have been reviewed. In other words, any tool you use to determine someone's qualifications for a job should have validity to determine they are the right fit for the job.

Reliability refers to the degree in which other selection techniques yield similar data over time. For example, if you ask the same interview question of every applicant for the project management position, and the "right" answer always yields similar, positive results, such as the hiring of a successful employee every time, the question would be considered reliable. An example of an unreliable test might occur with reference checks. Most candidates would not include a reference on their résumé who might give them a poor review, making this a less reliable method for determining skills and abilities of applicants.

5.3.3 Fit Issues

Fit includes not only the right technical expertise, education, and experience but also fit in company culture and team culture. For example, at Facebook headquarters in Palo Alto, California, engineers are selected based on their willingness to take risks, as risk taking is nurtured at Facebook. [5] In addition to this component of their company culture, the company looks for the "hacker" personality, because a hacker is someone who finds ways around the constraints placed upon a system. At Zappos, profiled inChapter 4 "Recruitment", the company culture is one focused on customer service and the willingness of people to provide the best customer service in all aspects of the business. At Amazon, the huge online retailer, a core value in their company culture is a focus on developing leaders to grow with the organization. If a potential candidate is not interested in long-term career growth, he or she might not be deemed an appropriate strategic fit with the organization. In today's organizations, most people are required to work within teams. As a result, fit within a team is as important as company culture fit. Microsoft, for example, does an immense amount of teamwork. The company is structured so that there are marketers, accountants, developers, and many others working on one product at a time. As a result, Microsoft looks for not only company culture fit but also fit with other team members.

5. Ellen McGirt, "Most Innovative Companies," Fast Company, February 2010, accessed July 12, 2011, http://www.fastcompany.com/mic/2010/profile/facebook.

5.3.4 Reviewing Résumés

Once we have developed our criteria for a specific job, we can begin the review process. Everyone prefers to perform this differently. For example, all the hiring decision makers may review all résumés, list the people they would like to meet in person, and then compare the lists. Another method might be to rate each candidate and interview only those above a certain score. This is discussed in "Selection Methods (Page 135)". Obviously, much of the process will depend on the organization's size and the type of job. None of this process can be done fairly without first setting criteria for the job.

When looking at résumés to determine whom to interview, a manager should be concerned with the concepts of disparate impact and disparate treatment. This is discussed in "Recruitment (Page 78)". Disparate impact is unintended discrimination against a protected group as a whole through the use of a particular requirement. Disparate impact may be present in the interviewing process, as well as other employment-related processes such as pay raises and promotions. For example, a requirement of being able to lift 110 pounds might be considered as having disparate impact on women, unless the job requires this ability. Every criteria developed should be closely considered to see if it might have disparate impact on a protected group of individuals. For example, the requirement of a certain credit score might have a negative impact on immigrants, who may not have a well-developed credit rating. However, if being able to manage money is an important requirement of the job, this requirement might not be discriminatory.

Disparate treatment in hiring might include not interviewing a candidate because of one's perception about the candidate's age, race, or gender.

The last consideration is the hiring of internal versus external candidates. An internal candidate is someone who already works within the organization, while an external candidate is someone who works outside the organization. A bidding process may occur to notify internal candidates of open positions. This is discussed "Recruitment (Page 78)". Generally speaking, it is best to go through a formal interview process with all candidates, even if they work within the organization. This way, an HR professional can be assured that disparate treatment does not occur because of favoritism. For example, a senior executive of your organization just left, and you believe the manager in that department is qualified to take over the position. Suppose, though, that the manager has been lobbying you for the job for some time and has even taken you out to lunch to talk about the job. While this person has maintained high visibility and lobbied for the promotion, there may be equally qualified internal candidates who did not use the same lobbying techniques. Automatically offering the position to this internal candidate might undermine others who are equally qualified. So while hiring internally can be a motivator, making assumptions about a particular person may not be a motivator to others. This is why it is best, even if you hire internally, to post a formal job announcement listing the job description and job qualifications, so everyone in the organization can have an equal opportunity to apply for the job.

Once you have completed the criteria for the particular job and narrowed down the field, you can begin the interview process. We discuss this in "Interviewing (Page 124)".

	Advantages	Disadvantages
Internal Candidates	Rewards contributions of current staff	Can produce "inbreeding," which may reduce diversity and difference perspectives
	Can be cost effective, as opposed to using a traditional recruitment strategy	May cause political infighting between people to obtain the promotions
	Can improve morale	Can create bad feelings if an internal candidate applies for a job and doesn't get it
	Knowing the past performance of the candidate can assist in knowing if they meet the criteria	
External Candidates	Brings new talent into the company	Implementation of recruitment strategy can be expensive
	Can help an organization obtain diversity goals	Can cause morale problems for internal candidates
	New ideas and insight brought into the company	Can take longer for training and orientation

Table 5.1: Possible Advantages and Disadvantages of Hiring an Internal versus an External Candidate

How Would You Handle This?

Poor Interviewer
As the assistant to the HR manager, one of your jobs is to help managers get ready to interview candidates. When you offer help to Johnathan, he says he has interviewed hundreds of people and doesn't need your help in planning the interview process. When you sit in the interview with him, he asks inappropriate questions that you don't feel really assess the abilities of a candidate. How would you handle this?

How Would You Handle This?
https://api.wistia.com/v1/medias/1360625/embed

The author discusses the How Would You Handle This situation in this chapter at:*https://api.wistia.com/v1/medias/1360625/embed.*

Key Takeaways

- The first step in selection is to begin reviewing résumés. Even before you do this, though, it is important to develop criteria that each candidate will be measured against. This can come from the job description as well as the job qualifications.
- Other tools, such as cognitive ability tests, credit checks, and personality tests, can be used to determine qualifications. When developing your criteria for interviewing, determine the level the applicant needs to meet to meet the minimum criteria, for example, a minimum score on a personality test.
- We should be concerned with validity and reliability of measurement tools. Validity refers to how valid the test is, that is, how well a test measures a candidate's abilities to do a job. Reliability refers to which selection techniques yield similar data or results over time. It is important to choose the right measurement tool used to determine whether the candidate meets the criteria.
- Setting criteria before the interview process starts ensures that disparate impactor disparate treatment does not occur in the interview process.
- When hiring, there is the option of internal and external candidates. Each has its own set of advantages and disadvantages. Internal candidates may be able to "hit the ground running," but external candidates may come in with new perspectives. Even if an internal candidate seems to be the best hire, it is best to still perform the process of posting the job and interviewing, since other less vocal employees might be qualified internal candidates as well. In other words, don't assume one person is the obvious choice for the promotion.

Exercises

1. Develop criteria for the position of a retail salesperson working in teams.
2. Describe the advantages and disadvantages of hiring an internal and external candidate. Give an example of when you don't think an external candidate should be considered for a position.
3. How can development of criteria or minimum standards help in a case of disparate treatment accusations?

5.4 Interviewing

Learning Objectives

1. Explain the various types of interviews and interview questions.
2. Discuss interview methods and potential mistakes in interviewing candidates.
3. Explain the interview process.

Interviewing people costs money. As a result, after candidates are selected, good use of time is critical to making sure the interview process allows for selection of the right candidate. In an unstructured interview, questions are changed to match the specific applicant; for example, questions about the candidate's background in relation to their résumé might be used. In a structured interview, there is a set of standardized questions based on the job analysis, not on individual candidates' résumés. While a structured interview might seem the best option to find out about a particular candidate, the bigger concern is that the interview revolves around the specific job for which the candidate is interviewing. In a structured interview, the expected or desired answers are determined ahead of time, which allows the interviewer to rate responses as the candidate provides answers. This allows for a fair interview process, according to the US Office of Personnel Management. [6] For purposes of this section, we will assume that all interviews you perform will be structured, unless otherwise noted.

5.4.1 Types of Interviews

Interview processes can be time-consuming, so it makes sense to choose the right type of interview(s) for the individual job. Some jobs, for example, may necessitate only one interview, while another may necessitate a telephone interview and at least

6. "Structured Interviews: A Practical Guide," US Office of Personnel Management, September 2008, accessed January 25, 2011,https://apps.opm.gov/ADT/ContentFiles/SIGuide09.08.08.pdf.

one or two traditional interviews. Keep in mind, though, that there will likely be other methods with which to evaluate a candidate's potential, such as testing. Testing is discussed in "Testing (Page 131)". Here are different types of interviews:

1. Traditional interview. This type of interview normally takes place in the office. It consists of the interviewer and the candidate, and a series of questions are asked and answered.

2. Telephone interview. A telephone interview is often used to narrow the list of people receiving a traditional interview. It can be used to determine salary requirements or other data that might automatically rule out giving someone a traditional interview. For example, if you receive two hundred résumés and narrow these down to twenty-five, it is still unrealistic to interview twenty-five people in person. At this point, you may decide to conduct phone interviews of those twenty-five, which could narrow the in-person interviews to a more manageable ten or so people.

3. Panel interview. A panel interview occurs when several people are interviewing one candidate at the same time. While this type of interview can be nerve racking for the candidate, it can also be a more effective use of time. Consider some companies who require three to four people to interview candidates for a job. It would be unrealistic to ask the candidate to come in for three or four interviews, so it makes sense for them to be interviewed by everyone at once.

4. Information interview. Informational interviews are usually used when there is no specific job opening, but the candidate is exploring possibilities in a given career field. The advantage to conducting these types of interviews is the ability to find great people ahead of a job opening.

5. Meal interviews. Many organizations offer to take the candidate to lunch or dinner for the interview. This can allow for a more casual meeting where, as the interviewer, you might be able to gather more information about the person, such as their manners and treatment of waitstaff. This type of interview might be considered an unstructured interview, since it would tend to be more of a conversation as opposed to a session consisting of specific questions and answers.

6. Group interview. In a group interview, two or more candidates interview at the same time. This type of interview can be an excellent source of information if you need to know how they may relate to other people in their job.

7. Video interviews. Video interviews are the same as traditional interviews, except that video technology is used. This can be cost saving if one or more of your candidates are from out of town. Skype, for example, allows free video calls. An interview may not feel the same as a traditional interview, but the same information can be gathered about the candidate.

8. Nondirective interview (sometimes called an unstructured interview).In a nondirective interview, the candidate essentially leads the discussion. Some very general questions that are planned ahead of time may be asked, but the

candidate spends more time talking than the interviewer. The questions may be more open ended; for example, instead of asking, "Do you like working with customers?" you may ask, "What did you like best about your last job?" The advantage of this type of interview is that it can give candidates a good chance to show their abilities; however, the downside is that it may be hard to compare potential candidates, since questions are not set in advance. It relies on more of a "gut feeling" approach.

It is likely you may use one or more of these types of interviews. For example, you may conduct phone interviews, then do a meal interview, and follow up with a traditional interview, depending on the type of job.

5.4.2 Interview Questions

Most interviews consist of many types of questions, but they usually lean toward situational interviews or behavior description interviews. A situational interview is one in which the candidate is given a sample situation and is asked how he or she might deal with the situation. In a behavior description interview, the candidate is asked questions about what he or she actually did in a variety of given situations. The assumption in this type of interview is that someone's past experience or actions are an indicator of future behavior. These types of questions, as opposed to the old "tell me about yourself" questions, tend to assist the interviewer in knowing how a person would handle or has handled situations. These interview styles also use a structured method and provide a better basis for decision making. Examples of situational interview questions might include the following:

1. If you saw someone stealing from the company, what would you do?
2. One of your employees is performing poorly, but you know he has some personal home issues he is dealing with. How would you handle complaints from his colleagues about lack of performance?
3. A coworker has told you she called in sick three days last week because she actually decided to take a vacation. What would you do?
4. You are rolling out a new sales plan on Tuesday, which is really important to ensure success in your organization. When you present it, the team is lukewarm on the plan. What would you do?
5. You disagree with your supervisor on her handling of a situation. What would you do?

Examples of behavior description interview questions might include the following:

1. Tell me about a time you had to make a hard decision. How did you handle this process?
2. Give an example of how you handled an angry customer.

3. Give an example of how you handled an angry customer.

4. Do you show leadership in your current or past job? What would be an example of a situation in which you did this?

5. What accomplishments have given you the most pride and why?

6. What plans have you made to achieve your career goals?

As you already know, there are many types of interview questions that would be considered illegal. Here are some examples:

1. National origin. You cannot ask seemingly innocent questions such as “That’s a beautiful name, where is your family from?” This could indicate national origin, which could result in bias. You also cannot ask questions about citizenship, except by asking if a candidate is legally allowed to work in the United States. Questions about the first language of the candidate shouldn’t be asked, either. However, asking “Do you have any language abilities that would be helpful in this job?” or “Are you authorized to work in the United States?” would be acceptable.

2. Age. You cannot ask someone how old they are, and it is best to avoid questions that might indicate age, such as “When did you graduate from high school?” However, asking “Are you over 18?” is acceptable.

3. Marital status. You can’t ask direct questions about marital status or ages of children. An alternative may be to ask, “Do you have any restrictions on your ability to travel, since this job requires 50 percent travel?”

4. Religion. It’s illegal to ask candidates about their religious affiliation or to ask questions that may indicate a religion-affiliated school or university.

5. Disabilities. You may not directly ask if the person has disabilities or recent illnesses. You can ask if the candidate is able to perform the functions of the job with or without reasonable accommodations.

6. Criminal record. While it is fine to perform a criminal record check, asking a candidate if they have ever been arrested is not appropriate; however, questions about convictions and guilty pleadings are acceptable.

7. Personal questions. Avoid asking personal questions, such as questions about social organizations or clubs, unless they relate to the job.

Besides these questions, any specific questions about weight, height, gender, and arrest record (as opposed to allowable questions about criminal convictions) should be avoided.

HR professionals and managers should be aware of their own body language in an interview. Some habits, such as nodding, can make the candidate think they are on the right track when answering a question. Also, be aware of
ahalo effect or reverse halo effect. This occurs when an interviewer becomes biased because of one positive or negative trait a candidate possesses. Interview bias can occur in almost any interview situation. Interview bias is when an interviewer makes

assumptions about the candidate that may not be accurate. [7] These assumptions can be detrimental to an interview process. Contrast bias is a type of bias that occurs when comparing one candidate to others. It can result in one person looking particularly strong in an area, when in fact they look strong compared to the other candidates. A gut feeling bias is when an interviewer relies on an intuitive feeling about a candidate. Generalization bias can occur when an interviewer assumes that how someone behaves in an interview is how they always behave. For example, if a candidate is very nervous and stutters while talking, an assumption may be made that he or she always stutters. Another important bias called cultural noise bias occurs when a candidate thinks he or she knows what the interviewer wants to hear and answers the questions based on that assumption. Nonverbal behavior bias occurs when an interviewer likes an answer and smiles and nods, sending the wrong signal to the candidate. A similar to me bias (which could be considered discriminatory) results when an interviewer has a preference for a candidate because he or she views that person as having similar attributes as themselves. Finally, recency bias occurs when the interviewer remembers candidates interviewed most recently more so than the other candidates.

Human Resource Recall

What are the dangers of a reverse halo effect? A halo effect occurs when a desirable trait makes us believe all traits possessed by the candidate are desirable. This can be a major danger in interviewing candidates.

5.4.3 Interview Process

Once the criteria have been selected and interview questions developed, it is time to start interviewing people. Your interviewing plan can determine the direction and process that should be followed:

1. Recruit new candidates.
2. Establish criteria for which candidates will be rated.
3. Develop interview questions based on the analysis.
4. Set a time line for interviewing and decision making.
5. Connect schedules with others involved in the interview process.
6. Set up the interviews with candidates and set up any testing procedures.
7. Interview the candidates and perform any necessary testing.

7. Jeff Lipschultz, "Don't Be a Victim of Interview Bias," Career Builder, June 15, 2010, accessed July 12, 2011, http://jobs.aol.com/articles/2010/06/15/interview-bias/.

8. Once all results are back, meet with the hiring team to discuss each candidate and make a decision based on the established criteria.

9. Put together an offer for the candidate.

As you can see, a large part of the interviewing process is planning. For example, consider the hiring manager who doesn't know exactly the type of person and skills she is looking to hire but sets up interviews anyway. It is difficult, if not impossible, to determine who should be hired if you don't know what you are looking for in the first place. In addition, utilizing time lines for interviewing can help keep everyone involved on track and ensure the chosen candidate starts work in a timely manner. Here are some tips to consider when working with the interview process:

1. Make sure everyone is trained on the interviewing process. Allowing someone who has poor interviewing skills to conduct the interview will likely not result in the best candidate. In a worst-case scenario, someone could ask an illegal question, and once hired, the candidate can sue the organization. UCLA researchers [8] calculated that plaintiffs win about half of hiring discrimination cases that go to trial, sometimes because of interviewers asking illegal questions. For example, "I see you speak Spanish, where did you study it?" is a seemingly harmless question that could be indirectly asking a candidate his or her ethnic background. To avoid such issues, it's important to train managers in the proper interviewing process.

2. Listen to the candidate and try to develop a rapport with them. Understand how nervous they must be and try to put them at ease.

3. Be realistic about the job. Do not try to paint a "rosy" picture of all aspects of the job. Being honest up front helps a candidate know exactly what they will be in for when they begin their job.

4. Be aware of your own stereotypes and do not let them affect how you view a potential candidate.

5. Watch your own body language during the interview and that of the candidate. Body language is a powerful tool in seeing if someone is the right fit for a job. For example, Scott Simmons, vice president at Crist|Kolder, interviewed someone for a CFO position. The candidate had a great résumé, but during the interview, he offered a dead-fish handshake, slouched, and fidgeted in his chair. The candidate didn't make eye contact and mumbled responses, and, of course, he didn't get the job, [9] because his body language did not portray the expectations for the job position.

6. Stick to your criteria for hiring. Do not ask questions that have not been predetermined in your criteria.

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8. Mark Hanricks, "3 Interview Questions That Could Cost You $1 Million," BNET, March 8, 2011, accessed August 2, 2011, http://www.bnet.com/blog/business-myths/3-interview-questions-that-could-cost-your-company-1-million/791.
9. Scott Reeves, "Is Your Body Betraying You in Job Interviews?" Forbes, February 2006, accessed August 2, 2011, http://www.forbes.com/2006/02/15/employment-careers-interviews-cx_sr_0216bizbasics.html.

7. Learn to manage disagreement and determine a fair process if not everyone on the interviewing team agrees on who should be hired. Handling these types of disagreements is discussed further in "Successful Employee Communication (Page 263)".

Once you have successfully managed the interview process, it is time to make the decision. "Testing (Page 131)" discusses some of the tools we can use to determine the best candidate for the job.

Human Resource Recall

Can you think of a time when the interviewer was not properly trained? What were the results?

Key Takeaways

- Traditional, telephone, panel, informational, meal, group, and video are types of interviews. A combination of several of these may be used to determine the best candidate for the job. A structured interview format means the questions are determined ahead of time, and unstructured means the questions are based on the individual applicant. The advantage of a structured interview is that all candidates are rated on the same criteria. Before interviewing occurs, criteria and questions for a structured interview should be developed.
    - Interview questions can revolve around situational questions orbehavioral questions. Situational questions focus on asking someone what they would do in a given situation, while behavioral questions ask candidates what they have done in certain situations.
    - Interview questions about national origin, marital status, age, religion, and disabilities are illegal. To avoid any legal issues, it is important for interviewers to be trained on which questions cannot be asked. The halo effect, which assumes that one desirable trait means all traits are desirable, should also be avoided.
    - The process involved in interviewing a person includes the following steps: recruit new candidates; establish criteria for which candidates will be rated; develop interview questions based on the analysis; set a time line for interviewing and decision making; connect schedules with others involved in the interview process; set up interviews with candidates and set up any testing procedures; interview the candidates and perform any necessary testing; and once all results are back, meet with the hiring team to discuss each candidate and make a decision

based on the established criteria; then finally, put together an offer for the candidate.

- Developing a rapport, being honest, and managing the interview process are tips to having a successful interview.

Exercises

1. With a partner, develop a list of five examples (not already given in the chapter) of situational and behavioral interview questions.
2. Why is it important to determine criteria and interview questions before bringing someone in for an interview?
3. Visit Monster.com and find two examples of job postings that ask those with criminal records not to apply. Do you think, given the type of job, this is a reasonable criteria?

5.5 Testing and Selecting

Learning Objectives

1. Explain the types of tests that can be administered as part of the selection process.
2. Be able to discuss the types of selection models.

Besides the interview, we can also look at several other aspects that may predict success on the job. If any test is to be criteria for measuring a candidate, this should be communicated to each person interviewing, and criteria should be developed on specific test scores and expectations before interviewing and testing begins.

5.5.1 Testing

A variety of tests may be given upon successful completion of an interview. These employment tests can gauge a person's KSAOs in relation to another candidate. The major categories of tests include the following:

1. Cognitive ability tests
2. Personality tests
3. Physical ability tests

4. Job knowledge tests
5. Work sample

A number of written tests can be administered. A cognitive ability test can measure reasoning skills, math skills, and verbal skills. An aptitude test measures a person's ability to learn new skills, while an achievement test measures someone's current knowledge. Depending on the type of job, one or both will be better suited.

A cognitive ability test measures intelligences, such as numerical ability and reasoning. The Scholastic Aptitude Test (SAT) is an example of a cognitive ability test. It is important to note that some cognitive ability tests can have disparate impact. For example, in EEOC v. Ford Motor Co. and United Automobile Workers of America, African Americans were rejected from an apprentice program after taking a cognitive test known as the Apprenticeship Training Selection System (ATSS). [10] The test showed significant disparate impact on African Americans, and it was then replaced by a different selection procedure, after costing Ford $8.55 million. Some sample test categories might include the following:

1. Reasoning questions
2. Mathematical questions and calculations
3. Verbal and/or vocabulary skills

Aptitude tests can measure things such as mechanical aptitude and clerical aptitude (e.g., speed of typing or ability to use a particular computer program). Usually, an aptitude test asks specific questions related to the requirements of the job. To become a New York City police offer, for example, an aptitude test is required before an application will be considered. The written exam is given as a computerized test at a computerized testing center in the city. The test measures cognitive skills and observational skills (aptitude test) required for the job. [11]

Personality tests such as Meyers-Briggs and the "Big Five" personality factors may be measured and then compared with successful employee scores. For example, The University of Missouri Health Care system recently launched a patient satisfaction initiative as part of its strategic plan. The plan includes training for current employees and personality testing for nursing, managerial, and physician candidates. [12] The goal of the test is to assess talent and to see if the candidate has the potential to meet the expectations of patients. They hired a private company, Talent Plus, who conducts the test via phone interviews. However, many companies administer tests themselves, and some tests are free and can be administered online.

The Big Five personality test looks at extroversion, agreeableness, conscientiousness, neuroticism, and openness. Self-assessment statements might include the following:

1. I have an assertive personality.

10. "Employment Tests and Selection Procedures," US Equal Employment Opportunity Commission, accessed August 2, 2011,http://www.eeoc.gov/policy/docs/factemployment_procedures.html.
11. "Exam Schedule," New York Police Department, accessed August 2, 2011,http://www.nypdrecruit.com/exam-center/exam-overview.
12. Janese Silvey, "MU Health Care to Renew Satisfaction Effort," Columbia Daily Tribune, August 2, 2011, accessed August 2, 2011,http://www.columbiatribune.com/news/2011/aug/02/mu-health-care-to-renew-satisfaction-effort/.

2. I am generally trusting.
3. I am not always confident in my abilities.
4. I have a hard time dealing with change.

Some institutions also require physical ability tests; for example, to earn a position in a fire department, you may have to be able to carry one hundred pounds up three flights of stairs. If you use tests in your hiring processes, the key to making them useful is to determine a minimum standard or expectation, specifically related to the requirements of the job. An HR manager should also consider the legality of such tests. In the EEOC v. Dial Corp. case, [13] women were disproportionately rejected for entry-level positions. Prior to the test, 46 percent of hires were women, but after implementation of the test, only 15 percent of the new hires were women. The Equal Employment Opportunity Commission (EEOC) established that the test was considerably more difficult than the job, resulting in disparate impact. Physical ability tests need to show direct correlation with the job duties.

A job knowledge test measures the candidate's level of understanding about a particular job. For example, a job knowledge test may require an engineer to write code in a given period of time or may ask candidates to solve a case study problem related to the job.

Work sample tests ask candidates to show examples of work they have already done. In the advertising business, this may include a portfolio of designs, or for a project manager, this can include past project plans or budgets. When applying for a pharmaceutical representative position, a "brag book" might be required. [14] A brag book is a list of recommendation letters, awards, and achievements that the candidate shares with the interviewer. Work sample tests can be a useful way to test for KSAOs. These work samples can often be a good indicator of someone's abilities in a specific area. As always, before looking at samples, the interviewer should have specific criteria or expectations developed so each candidate can be measured fairly.

Once the interview is completed and testing occurs, other methods of checking KSAOs, including checking references, driving records, and credit history, can be performed. Some companies even use Facebook as a way of gauging the candidate's professionalism.

Reference checking is essential to verify a candidate's background. It is an added assurance that the candidate's abilities are parallel with what you were told in the interview. While employment dates and job titles can be verified with previous employers, many employers will not verify more than what can be verified in the employment record because of privacy laws. However, if you do find someone who is willing to discuss more than just dates and job titles, a list of questions is appropriate. Some of these questions might include the following:

1. What was the title and responsibilities of the position the candidate had while at your company?

13. "Employment Tests and Selection Procedures," US Equal Employment Opportunity Commission, accessed August 2, 2011,http://www.eeoc.gov/policy/docs/factemployment_procedures.html.
14. Katharine Hansen, "So, You Want to Get into Paramedical Sales?" n.d., Quintessential Careers, accessed August 2, 2011,http://www.quintcareers.com/pharmaceutical_sales_careers.html.

2. Do you think the candidate was qualified to assume those responsibilities?
3. Does this person show up on time and have good attendance?
4. Would you consider this person a team player?
5. What are the three strongest and weakest characteristics of this candidate?
6. Would you rehire this person?

If a candidate will be driving a company car or vehicle, such as a UPS truck, driving records may be checked. Criminal background checks may also be used if the position will include interaction with the public. If the position requires handling of money, a credit check may be required, although a written notice is required to be given to the candidate before the credit check is carried out. In addition, written permission must be provided to the credit agency, and the applicants must receive a copy of the report and a copy of their rights under the Consumer Credit Reporting Reform Act (CCRRA). All these types of tests can be used to determine if someone has been honest about their past employment.

Some companies require drug testing, which causes some debate. While some organizations say this is a safety issue (and pay lower insurance premiums), others say it is an invasion of privacy. As long as drug tests are administered for a defensible reason (safety), many organizations will continue to require them. Some organizations will also require physical examinations to ensure the candidate can perform the tasks required. A final form of testing is the honesty test. A number of "what would you do" questions are asked. The challenge with this type of test is that many people know the "right" answer but may not be honest in their responses.

Provocative or inappropriate photos or info	53%
Drinking or drug use	44%
Badmouthing previous employer, colleague, or client	35%
Poor communication skills	29%
Discriminatory comments	26%
Lied about qualifications	24%
Leaked confidential information about previous job	20%

Table 5.2: Reasons Why Employers Acted upon Data Found on Social Networking Sites

Source: Kit Eaton “If You’re Applying for a Job, Censor Your Facebook Page,” Fast Company, August 19, 2009, accessed January 27, 2011,http://www.fastcompany.com/blog/kit-eaton/technomix/if-youre-applying-job-censor-your-facebook-page.

Forty-five percent of organizations use social networking such as Facebook, Twitter, or LinkedIn to gather information about potential candidates. [15] See Table 5.2 "Reasons Why Employers Acted upon Data Found on Social Networking Sites" for the types of data found on social networking sites that disqualified candidates, according to an article by Fast Company. This can be an effective method to see the kind of image the candidate portrays in his or her personal time.

5.5.2 Selection Methods

A clinical selection approach is probably the most common selection method, and it involves all who will be making the decision to hire a candidate. The decision makers review the data and, based on what they learn from the candidate and the information available to them, decide who should be hired for a job. Because interviewers have a different perception about the strengths of a candidate, this method leaves room for error. One consideration is disparate treatment, in which one’s biases may result in not hiring candidates based on their age, race, or gender. One way to handle this and limit the personal stereotypes and perceptions of the interviewers is to use a statistical method in hiring.

In the statistical method, a selection model is developed that assigns scores and gives more weight to specific factors, if necessary. For example, for some jobs, the ability to work in a team might be more important, while in others, knowledge of a specific computer program is more important. In this case, a weight can be assigned to each of the job criteria listed. For example, if the job is a project manager, ability to work with the client might be more important than how someone dresses for the interview. So, in the example shown in Figure 5.4 "Sample Selection Model, with Sample Scores and Weighting Filled In", dress is weighted 1, while being able to give bad news to a client is weighted 5. In the example, the rating is multiplied by the weight to get the score for the particular job criteria. This method allows for a fairer process and can limit disparate treatment, although it may not limit disparate impact. A statistical method may work like this: you and the hiring team review the job analysis and job description and then determine the criteria for the job. You assign weights for each area and score ranges for each aspect of the criteria, rate candidates on each area as they interview, and then score tests or examine work samples. Once each hiring manager has scored each candidate, the hiring team can compare scores in each area and hopefully hire the best person in the best way. A sample candidate selection model is included in Figure 5.4 "Sample Selection Model, with Sample Scores and Weighting Filled In".

With the statistical approach, there is more objectivity than with the clinical approach. Statistical approaches include the compensatory model, multiple cutoff model, and

15. Kit Eaton, “If You’re Applying for a Job, Censor Your Facebook Page,” Fast Company, August 19, 2009, accessed January 27, 2011, http://www.fastcompany.com/blog/kit-eaton/technomix/if-youre-applying-job-censor-your-facebook-page.

the multiple hurdle model. In the compensatory model, a similar method of scoring is used as the weighted model but permits a high score in an important area to make up for a lower score in another area. In our Figure 5.4 "Sample Selection Model, with Sample Scores and Weighting Filled In" example, ability to give bad news to a client might outweigh a test score. These decisions would be made before the interviews happen.

A multiple cutoff model requires that a candidate has a minimum score level on all selection criteria. In our Figure 5.4 "Sample Selection Model, with Sample Scores and Weighting Filled In" example, the candidate may be required to have a score of at least 2 out of 5 on each criteria. If this was the case, the candidate in Figure 5.4 "Sample Selection Model, with Sample Scores and Weighting Filled In" scored low on “bad news to a client,” meaning he or she wouldn’t get the job in a multiple cutoff model. In themultiple hurdle model, only candidates with high (preset) scores go to the next stages of the selection process. For example, the expectations might be to score a 4 on at least three of the items in Figure 5.4 "Sample Selection Model, with Sample Scores and Weighting Filled In". If this were the case, this candidate might make it to the next level of the selection process, since he or she scored at least a 4 on three criteria areas.

Once the discussion on whom to hire has occurred and a person has been selected, the final phase of the process is to make an offer to the candidate. This is discussed in "Making the Offer (Page 138)".

Job Criteria	Rating*	Weight**	Total	Comments
Dress	4	1	4	Candidate dressed appropriately.
Personality	2	5	10	Did not seem excited about the job.
Interview questions				
Give an example of a time you showed leadership.	3	3	9	Descriptive but didn't seem to have experience required.
Give an example of when you had to give bad news to a client.	0	5	0	Has never had to do this.
Tell us how you have worked well in a team.	5	4	20	Great example of teamwork given.
Score on cognitive ability test.	78	5	390	Meets minimum required score of 70.
Work sample rating.	5	5	25	Excellent work samples.
			458	

***Rating system of 1-5, with 5 being the highest**
****Weighting of 1-5, with 5 being the most important**

Fig. 5.2: Sample Selection Model, with Sample Scores and Weighting Filled In

Key Takeaways

- Once the interview process is complete, some companies use other means of measuring candidates. For example, work samples are an excellent way of seeing how someone might perform at your company.
- An aptitude test or achievement test can be given. An aptitude test measures how well someone might be able to do something, while an achievement test measures what the candidate already knows. Tests that measure cognitive ability and personality are examples.
- Some organizations also perform drug tests and physical tests. A physical test might consist of being able to lift a certain amount of weight, if required for the job. Honesty tests are also given; these measure the honesty level of the candidate. However, these tests may not be reliable, since someone can guess the "right" answer.

- Facebook, Twitter, and other social networking websites are also used to gather information about a candidate. Calling references is another option.
- Every person interviewing the candidate should have a selection model; this method utilizes a statistical approach as opposed to a clinical approach. The selection table lists the criteria on the left and asks interviewers to provide a rating for each. This method can allow for a more consistent way of measuring candidates.

Exercises

1. Develop a sample candidate selection for your current job.
2. Visit your or another person's Facebook page. Consider the content from an interviewer's point of view. Should anything be removed or changed?

5.6 Making the Offer

Learning Objectives

1. Explain the steps in making the offer to the candidate.

Oftentimes once the decision is made to hire a candidate, HR professionals feel their job is finished. But making the offer to the chosen candidate can be equally as important as the interview process. If the offer is not handled properly, you can lose the candidate, or if the candidates takes the job, he or she could start off on the wrong foot.

According to Paul Falcone, vice president for human resources at the Fortune 500 company Time Warner, detailed information should be asked of the candidate before the offer is even made. [16] He says that as soon as the offer is made, power is shifted to the candidate. To handle this, he suggests asking salary questions in the interview, including the following:

"If we were to make a job offer today, when would you be in a position to accept or reject the offer?" If the candidate answers "right now," this indicates they do not have other job offers on the table or if they do, you are their first choice.

"At what point, dollar wise, would you accept our job offer and at what point, dollar wise would you reject the offer?" The advantage of using this strategy is that it gets to the point of understanding the candidate's expectations. If the interviewee does not respond right away, you can clarify by asking, "I am asking this question because I

16. Paul Falcone, "The New Hire: Five Questions to Ask before Making the Job Offer," n.d., Monster.com, accessed July 13, 2011, http://hiring.monster.com/hr/hr-best-practices/recruiting-hiring-advice/acquiring-job-candidates/making-a-job-offer.aspx.

would like to gauge your interest level. Share with me the ideal salary offer versus at what point you would be willing to walk away from this opportunity."

Asking these questions can assist in qualifying candidates, based on salary expectations. For example, if a candidate requests 20 percent more than you are able to pay for the job, this discussion can be had before the offer is even made, perhaps making this candidate no longer viable.

Once you have determined in the interview process that the salary expectation is in the range of what you can offer, the first step is to make the offer as soon as the decision is made. In a tight labor market, waiting a week or two may impact your ability to hire your first choice. You probably already have a salary range in mind and can begin to narrow down the offer based on the individual's KSAOs. Based on the range of salary you can offer, consider the following questions when making the offer to a candidate:

- What is the scarcity of the particular skills set?
- What are the "going" wages in your geographic area?
- What are the current economic conditions?
- What is the current pay for similar positions in your organization?
- What is your organizational compensation strategy?
- What is the fair market value of the job?
- What is the level of the job within the organization?
- What are your budget constraints?
- How soon will the employee be productive in the organization?
- Are there other candidates equally qualified that might have lower salary expectations?
- What are the national and regional unemployment rates?
- If you cannot pay more, can you offer other perks such as a signing bonus or flexible work schedule?

Once the offer has been made, it is reasonable to give the candidate some time to decide, but not too long, as this can result in losing other candidates should this candidate reject the job offer. It is likely the candidate may come back and ask for higher salary or benefits. Some tips to successfully negotiate are included below and in Video 5.4:

1. Be prepared. Know exactly what you can and can't offer.
2. Explain the career growth the organization can provide.
3. Address the benefits of the candidate's joining the organization.

4. Discuss the entire offer, including other benefits offered to the employee.

5. View the negotiation as a win-win situation.

6. Be able to provide salary research of similar positions and competitors for the same job title.

7. Use the trading technique. For example, "I cannot offer you the salary you are requesting right now, but what if we were able to review salary at your six-month performance review, assuming ____ objectives are met?"

Once the phone call is made and the candidate accepts the offer, an e-mail or formal letter should follow, outlining details of the employment agreement. The employment agreement or offer letter should include the following:

1. Job title

2. Salary

3. Other compensation, such as bonuses or stock options

4. Benefits, such as health-care coverage, 401(k)

5. Vacation time/paid holidays Start date

6. Non compete agreement expectations

7. Additional considerations such as relocation expenses

Once the pay and benefits package has been successfully negotiated and the offer letter (or e-mail) sent, you should clarify acceptance details in writing and receive confirmation of the start date. It is not unusual for people in higher-level positions to need a month or even two to transition from their old jobs. During this period, make sure to stay in touch and even complete the new hire paperwork in the meantime.

Key Takeaways

- The HR professional's job isn't finished once the selection is made. The next step is to actually make the offer. This step is important, because if it isn't done properly, you could lose the candidate or have ill feelings at the onset of the employment relationship.

- Once you have made the decision to hire someone, make the offer to the candidate right away. Normally this is done through a phone call and a follow-up e-mail, outlining the details of the offer.

- It is not unusual for someone to negotiate salary or benefits. Know how far you can negotiate and also be aware of how your current employees will be affected if you offer this person a higher salary.

- If you are having trouble coming to an agreement, be creative in what you can offer; for example, offer flextime instead of higher pay.

Exercise

1. Research “salary negotiation” on the Internet. What tips are provided for job seekers? Do you think these same tips could apply to the HR professional? Why or why not?

5.7 Cases and Problems

Chapter Summary

- The selection process refers to the steps involved in choosing someone who has the right qualifications to fill a current or future job opening.
- There are five main steps in the selection process. First, criteria should be developed to determine how the person will be chosen. Second, a review of the applications and résumés is conducted, often via a computer program that can find keywords. Next, interview the employee. The last steps involve administering tests, such as a personality test or drug test, and making the offer to the right candidate.
- The first step in selection is to review résumés. Even before you do this, though, it is important to develop criteria against which each candidate will be measured. Criteria can come from the job description as well as the job qualifications.
- Other tools, such as cognitive ability tests, credit checks, or personality tests, can be used to determine qualifications. When developing your criteria for interviewing, determine the level the applicant needs to meet to meet the minimum criteria—for example, a minimum score for a personality test.
- We should be concerned with validity and reliability of measurement tools.Validity refers to how valid the test is—that is, how well a test measures a candidate’s abilities to do a job. Reliability refers to which selection techniques yield similar data or results over time. It is important to choose the right measurement tool used to determine whether the candidate meets the criteria.
- Use of criteria before the interview process starts is also important to make sure disparate impact or disparate treatment do not occur in the interview process.

- When hiring, there is the option of internal and external candidates. Each has its own set of advantages and disadvantages. Internal candidates may be able to "hit the ground running" but external candidates may come in with new perspectives. Even if an internal candidate seems to be the best hire, it is best to still perform the process of posting the job and interviewing, since other less vocal employees might be qualified internal candidates as well. In other words, don't assume one person is the obvious choice for the promotion.
- Traditional, telephone, panel, informational, meal, group, and video are types of interviews. A combination of several of these may be used to determine the best candidate for the job. A structured interview format means the questions are determined ahead of time, and unstructured means the questions are based on the individual applicant. The advantage of a structured interview is that all candidates are rated on the same criteria. Before interviewing occurs, criteria and questions for a structured interview should be developed.
- Interview questions can revolve around situational questions or behavioral questions. Situational questions focus on asking someone what they would do in a given situation, while behavioral questions ask candidates what they would have done in certain situations.
- Interview questions about national origin, marital status, age, religion, and disabilities are illegal. To avoid any legal issues, it is important for interviewers to be trained on which questions cannot be asked. The halo effect, which assumes that one desirable trait means all traits are desirable, should also be avoided.
- The process involved in interviewing a person includes the following steps: recruit new candidates; establish criteria for which candidates will be rated; develop interview questions based on the analysis; set a time line for interviewing and decision making; connect schedules with others involved in the interview process; set up interviews with candidates and set up any testing procedures; interview the candidates and perform any necessary testing; and once all results are back, meet with the hiring team to discuss each candidate and make a decision based on the established criteria. Finally, put together an offer for the candidate.
- Developing a rapport, being honest, and managing the interview process are tips to having a successful interview.
- Once the interview process is complete, some companies use other means of measuring candidates. For example, work samples are an

excellent way of seeing how someone might perform at your company.

- An aptitude test or achievement test can be given. An aptitude test measures how well someone might be able to do something, while an achievement test measures what the candidate already knows. Tests that measure cognitive ability and personality are examples.
- Some organizations also perform drug tests and physical tests. A physical test might consist of being able to lift a certain amount of weight, if required for the job. Honesty tests are also given, which measure the honesty level of the candidate. However, these tests may not be reliable, since someone can guess the "right" answer.
- Facebook, Twitter, and other social networking websites are used to gather information about a candidate. Calling references is another option.
- Every person interviewing the candidate should have a selection model; this method utilizes a statistical approach as opposed to a clinical approach. The selection table lists the criteria on the left and asks interviewers to provide a rating for each. This method can allow for a more consistent way of measuring candidates.
- The job of the HR professional isn't finished once the selection is made. The next step is to make the offer. This step is important, because if it isn't done properly, you could lose the candidate or have ill feelings at the onset of the employment relationship.
- Once you have made the decision to hire someone, make the offer to the candidate right away. Normally this is done through a phone call and a follow-up e-mail, outlining the details of the offer.
- It is not unusual for someone to negotiate salary or benefits. Know how far you can negotiate, and also be aware of how your current employees will be affected if you offer this person a higher salary.
- If you are having trouble coming to an agreement, be creative in what you can offer; for example, offer flextime instead of higher pay.

Chapter Case

The Four-Fifths Rule

The four-fifths rule is a way of measuring adverse impact in selection processes of organizations. It works like this: assume your organization requires a cognitive test for employment. You set a test score of 70 as the required pass rate for the candidate to be considered for an interview. Based on our numbers, if 50 percent of men passed this test with a score of 70, then four-fifths or 40 percent of women should also be able to pass the test. You might calculate it like this:

Gender	Total who scored 70 or above	Total who took the test	Percent
Male	52	62	83.8 or 84% passed
Female	36	58	62.07 or 62%

If you divide the total of who scored above 70 by the total number who took the test, it shows the percentage of 84 percent passed the test. If you divide the number of women who passed by the total number of women who took the test, you come up with 62 percent. Then divide 62 percent by 84 percent (62/84 = 73.8%). The resulting 74 percent means that it is below the 80 percent or the four-fifths rule, and this test could be considered to have disparate impact.

52/62 = 84% of men who took the test passed the test36/58 = 62% of women who took the test passed the test62/84 = 73.8%, less than 80%, which could show disparate impact

This is only an indicator as to how the selection process works for the organization, and other factors, such as sample size, can impact the reliability of this test. Using the tables below, please calculate possible disparate impact and then answer the questions that follow.

National Origin	Passing Test Score	Total Number Taking the Test	Percent
Caucasians	56	89	
Minority groups	48	62	
People under 40	28	52	
People over 40	23	61	

1. Please calculate the above numbers using the four-fifths rule. Based on your calculation:

- Which group or groups might be affected negatively by this test?

1. What would be your considerations before changing any selection tools based on this data?
2. How might you change your selection process to ensure disparate impact isn't occurring at your organization?

Team Activity

1. In a team of two, take the Big Five personality test online (http://www.outofservice.com/bigfive/) and compare scores.
2. Assume you are hiring a retail salesperson and plan to administer the same Big Five personality test you took above. In your team, develop minimum percentile scores for each of the five areas that would be acceptable for your new hire.

Chapter 6 Compensation and Benefits

6.1 Matching Compensation with Core Values

As you sit down to review the compensation package your company offers, one thing that stands out is that your compensation package no longer matches the core values of your organization. When your organization merged five years ago with a similar firm that specializes in online shoe retailing, your company had to hire hundreds of people to keep up with growth. As a result—and what happens with many companies—the compensation plans are not revised and revisited as they should be. The core values your company adopted from the merging company focused on customer service, freedom to work where employees felt they could be most productive, and continuing education of employees, whether or not the education was related to the organization. The compensation package, providing the basic salary, health benefits, and 401(k) plans, seems a bit old-fashioned for the type of company yours has become.

After reviewing your company's strategic plan and your human resource management (HRM) strategic plan, you begin to develop a compensation plan that includes salary, health benefits, and 401(k) plans, but you feel it might be smart to better meet the needs of your employees by making some changes to these existing plans. For example, you are considering implementing a team bonus program for high customer service ratings and coverage for alternative forms of medicine, such as acupuncture and massage. Instead of guessing what employees would like to see in their compensation packages, you decide to develop a compensation survey to assess what benefits are most important to your employees. As you begin this task, you know it will be a lot of work, but it's important to the continued recruitment, retention, and motivation of your current employees.

6.2 Goals of a Compensation Plan

Learning Objectives

1. Be able to explain the goals of a compensation plan.

So far, we have discussed the process for strategic plan development and the recruitment and selection process. The next aspect of HRM is to develop compensation plans that will help in the recruitment and retention of employees. This is the topic of this chapter.

Most of us, no matter how much we like our jobs, would not do them without a compensation package. When we think of compensation, often we think of only our paycheck, but compensation in terms of HRM is much broader.
A compensation package can include pay, health-care benefits, and other benefits such as 401(k) plans, which will all be discussed in this chapter. Before we discuss specifics, you should be aware of courses and certifications that can be earned through the World at Work Society of Certified Professionals, specifically related to compensation (other certifications will be discussed in their respective chapters).

World at Work offers several certifications in the area of compensation:

1. Certified Compensation Professional (CCP)
2. Certified Benefits Professional (CBP)
3. Certified Sales Compensation Professional (CSCP)
4. Certified Executive Compensation Professional (CECP)

These certifications involve taking a multiple-choice exam online or at one of the World at Work testing locations. The exams test for knowledge, experience, and skills in each of the compensation certification areas and can be a valuable asset to you when applying for HR positions.

The certifications are based on many of the aspects of this chapter, including understanding the goals of compensation packages for employees, which is our focus for this section.

First, the compensation package should be positive enough to attract the best people for the job. An organization that does not pay as well as others within the same industry will likely not be able to attract the best candidates, resulting in a poorer overall company performance.

Once the best employees and talent come to work for your organization, you want the compensation to be competitive enough to motivate people to stay with your organization. Although we know that compensation packages are not the only thing that motivates people, compensation is a key component. We discuss other motivations in "Managing Employee Performance (Page 288)".

Third, compensation can be used to improve morale, motivation, and satisfaction among employees. If employees are not satisfied, this can result not only in higher turnover but also in poor quality of work for those employees who do stay. A proper compensation plan can also increase loyalty in the organization.

Pay systems can also be used to reward individual or team performance and encourage employees to work at their own peak performance. In fact, in the 2011 list of the Best Companies to Work For by Fortune magazine, all the companies who topped the list (SAS and Boston Consulting Group, for example) had satisfied employees—not only with their pay, but their entire benefits package. [1]

1. “100 Best Companies to Work For,” CNN Money, accessed February 11, 2011,http://money.cnn.com/magazines/fortune/bestcompanies/2011/snapshots/1.html?iid=EL.

With an appropriate pay system, companies find that customer service is better because employees are happier. In addition, having fairly compensated, motivated employees not only adds to the bottom line of the organization but also facilitates organizational growth and expansion. Motivated employees can also save the company money indirectly, by not taking sick days when the employee isn't really sick, and companies with good pay packages find fewer disability claims as well.

So far, our focus on HRM has been a strategic focus, and the same should be true for development of compensation packages. Before the package is developed for employees, it's key to understand the role compensation plays in the bottom line of the organization. For example, in 2010, the US military spent 22 percent of its budget on personnel salaries. [2] One-fifth of the total budget—or more—is not uncommon for most US organizations, depending on the industry. As a result, it is easy to see why the compensation plan should be an important aspect of the overall HRM strategic plan. The next few sections will detail the aspects of creating the right compensation packages: for your organization, including legal considerations.

Human Resource Recall

If you have had or currently have a job, do you feel the compensation plan motivated you? Why or why not?

Key Takeaways

- A compensation package is an important part of the overall strategic HRM plan, since much of the company budget is for employee compensation.
- A compensation package can include salary, bonuses, health-care plans, and a variety of other types of compensation.
- The goals of compensation are to attract people to work for your organization and to retain people who are already working in the organization.
- Compensation is also used to motivate employees to work at their peak performance and improve morale.
- Employees who are fairly compensated tend to provide better customer service, which can result in organizational growth and development.

Exercise

1. Visit a website that gives salary information for a variety of jobs, such as http://www.salary.com. Using the search box, type in your ideal job and research salary information. What is the median salary for the job you searched? What is the lowest salary you would be

2. US Department of Defense, Financial Summary Tables, May 2009, accessed February 11, 2011, http://comptroller.defense.gov/defbudget/fy2010/fy2010_summary_tables_whole.pdf.

willing to accept for this job? At which point would you be completely satisfied with the pay for this job?

6.3 Developing a Compensation Package

Learning Objectives

1. Be able to explain the internal and external considerations of compensation package development.
2. Know how to develop a compensation philosophy.

There are a few basic aspects of compensation packages we should discuss before moving into the specific aspects of compensation. These foundations can assist in the development of a compensation strategy that meets the goals of your organization and is in line with your strategic plan.

Before beginning work on your compensation packages, some analysis should be done to determine your organization's philosophy in regard to compensation. Before development of your compensation philosophies, there are some basic questions to address on your current compensation packages.

1. From the employee's perspective, what is a fair wage?
2. Are wages too high to achieve financial health in your organization?
3. Do managers and employees know and buy-into your compensation philosophy?
4. Does the pay scale reflect the importance of various job titles within the organization?
5. Is your compensation good enough to retain employees?
6. Are state and federal laws being met with your compensation package?
7. Is your compensation philosophy keeping in line with labor market changes, industry changes, and organizational changes?

Once these basic questions are addressed, we can see where we might have "holes" in our compensation package and begin to develop new philosophies in line with our strategic plan, which benefits the organization. Some possible compensation policies might include the following:

1. Are salaries higher or lower depending on the location of the business? For example, orthopedic surgeons are paid higher in the North Central states ($537,000) than in Hawaii ($250,000), according to the Medscape Physical report

of 2011. [3] Reasons could include cost of living in the area and fewer qualified people in a given area, giving them leverage to ask for a higher salary.

2. Are salaries lower or higher than the average in your region or area? If the salary is lower, what other benefits will the employee receive to make up for this difference? For example, wages might not be as high, but offering flextime or free day care might offset the lower salary.
3. Should there be a specific pay scale for each position in the organization, or should salaries be negotiated on an individual basis? If there is no set pay scale, how can you ensure individual salary offers are fair and nondiscriminatory?
4. What balance of salary and other rewards, such as bonuses, should be part of your compensation package? For example, some organizations prefer to offer a lower salary, but through bonuses and profit sharing, the employee has the potential to earn more.
5. When giving raises, will the employee's tenure be a factor, or will pay increases be merit based only, or a combination of both?

Let's discuss some internal and external factors in determining compensation in more detail.

6.3.1 Internal and External Pay Factors

One major internal factor is the compensation strategy the company has decided to use. Sixty-two percent of organizations have a written, documented compensation policy. [4]

Some organizations choose a market compensation policy, market plus, or market minus philosophy. A market compensation policy is to pay the going rate for a particular job, within a particular market based on research and salary studies. The organization that uses a market plus philosophy will determine the going rate and add a percentage to that rate, such as 5 percent. So if a particular job category median pays $57,000, the organization with a market plus of 5 percent philosophy will pay $59,850. A market minus philosophy pays a particular percentage less than the market; so in our example, if a company pays 5 percent less, the same job would pay $54,150. The University of Arizona, for example, posts its compensation philosophy on its website: [5]

In order to fulfill its mission, the University of Arizona shall maintain a compensation program directed toward attracting, retaining, and rewarding a qualified and diverse workforce. Within the boundaries of financial feasibility, employee compensation shall

3. Laura Miller, "9 Statistics on Orthopedic Surgeon Compensation by Location," OS Review, May 25, 2011, accessed August 3, 2011,http://www.beckersorthopedicandspine.com/orthopedic-spine-practices-improving-profits/item/4061-9-statistics-on-2010-orthopedic-surgeon-compensation-by-location.
4. Dow Scott, "Survey of Compensation Policies and Practices," World at Work, accessed July 23, 2011, http://www.worldatwork.org/waw/research/html/comppol03.html.
5. University of Arizona, "Compensation Philosophy," accessed July 23, 2011,http://www.hr.arizona.edu/compensation_philosophy.

be externally competitive and internally equitable, and shall be based upon performance as recognized within the work unit.

In addition to their compensation philosophy, the university lists compensation objectives, such as “average salaries will be targeted at the average salary levels of employees in comparable positions in our various labor markets.” This is an example of a market compensation policy.

An example of an organization with a market plus philosophy is Cisco Systems, listed as one of the top-paying companies on Fortune’s annual list. [6] For example, they pay $131,716 for software engineers, while at Yahoo! software engineers are paid an average of $101,669, using a market philosophy. The pay at Cisco reflects its compensation philosophy and objectives:

Cisco operates in the extremely competitive and rapidly changing high-technology industry. The Board's Compensation Committee believes that the compensation programs for the executive officers should be designed to attract, motivate, and retain talented executives responsible for the success of Cisco and should be determined within a framework based on the achievement of designated financial targets, individual contribution, customer satisfaction, and financial performance relative to that of Cisco's competitors. Within this overall philosophy, the Compensation Committee's objectives are to do the following:

1. Offer a total compensation program that is flexible and takes into consideration the compensation practices of a group of specifically identified peer companies and other selected companies with which Cisco competes for executive talent
2. Provide annual variable cash incentive awards that take into account Cisco's overall financial performance in terms of designated corporate objectives, as well as individual contributions and a measure of customer satisfaction
3. Align the financial interests of executive officers with those of shareholders by providing appropriate long-term, equity-based incentives

An example of an organization with a market minus philosophy is Whole Foods. The executive compensation for Whole Foods is a maximum of nineteen times the average store worker (or $608,000), very low by Fortune 500 executive pay standards, which average 343 times. [7] According to John Mackey, Whole Foods CEO, paying on a market minus philosophy makes good business sense: “Fewer things harm an organization’s morale more than great disparities in compensation. When a workplace is perceived as unfair and greedy, it begins to destroy the social fabric of the organization.” [8] Another example of an organization with a market minus philosophy is Southwest Airlines. Despite the lower pay (and more hours), the organization boasts just a 1.4 percent turnover rate, which can be attributed not to pay but to the workplace culture and, as a result, loyalty to the company. [9]

6. “Top 25 Paying Companies,” Fortune, accessed July 23, 2011,http://money.cnn.com/galleries/2011/pf/jobs/1101/gallery.best_companies_top_paying.fortune/14.html.
7. Ted Allen, “AFL-CIO Defends Pay Equality Disclosure Mandate,” ISS (blog), July 19, 2011, accessed July 23, 2011, http://blog.riskmetrics.com/gov/2011/07/afl-cio-defends-pay-equity-disclosure-mandate-1.html.
8. Susanna Hamner and Tom McNichol, “Ripping Up the Rules of Management,” CNN Money, n.d., accessed July 23, 2011,http://money.cnn.com/galleries/2007/biz2/0705/gallery.contrarians.biz2/3.html.
9. Kelly Eggers, “Why It’s OK to Be Paid Less,” Fins Technology, n.d., accessed July 23, 2011,http://it-jobs.fins.com/Articles/SB130816636352923783/Why-It-s-Okay -to-Get-Paid-Less.

There are many reasons why an organization would choose one philosophy over another. A market minus philosophy may tie into the company's core values, as in Whole Foods, or it may be because the types of jobs require an unskilled workforce that may be easier and less expensive to replace. A company may use a market plus philosophy because the industry's cutting-edge nature requires the best and the brightest.

Other internal pay factors might include the employer's ability to pay, the type of industry, and the value of the employee and the particular job to the organization. In addition, the presence of a union can lead to mandated pay scales. Unions are discussed in "Working with Labor Unions (Page 362)".

External pay factors can include the current economic state. For example, in June 2011, the US unemployment rate was 9.2 percent, which is quite high for the country. As a result of surplus workers, compensation may be reduced within organizations because of oversupply of workers. Inflation and cost of living in a given area can also determine compensation in a given market.

Once an organization has looked at the internal and external forces affecting pay, it can begin to develop a pay system within the organization. We discuss how to develop a pay system in "Types of Pay Systems (Page 153)".

Key Takeaways

- Before beginning work on a pay system, some general questions need to be answered. Important starting points include questions ranging from what is a fair wage from the employees' perspectives to how much can be paid but still retain financial health.
- After some pay questions are answered, a pay philosophy must be developed, based on internal and external factors. Some companies implement a market compensation philosophy, which pays the going market rate for a job. Other companies may decide to utilize a market plus philosophy, which pays higher than the average. A company could decide its pay philosophy is a market minus philosophy, which pays less than the market rate. For example, an organization may decide to pay lower salaries but offer more benefits.
- Once these tasks are done, the HR manager can then build a pay system that works for the size and industry of the organization.

Exercise

1. Think of your current organization or a past organization. What do you think their pay policy is/was? Describe and analyze whether you think it was or is effective. If you haven't worked before, perform an Internet search on pay policies and describe/analyze the pay policy of an organization.

6.4 Types of Pay Systems

Learning Objectives

1. Explain types of job evaluation systems and their uses.
2. Be able to define and discuss the types of pay systems and factors determining the type of pay system used.
3. Know the laws relating to compensation.

Once you have determined your compensation strategy based on internal and external factors, you will need to evaluate jobs, develop a pay system, and consider pay theories when making decisions. Next, you will determine the mix of pay you will use, taking into consideration legal implications.

6.4.1 Job Evaluation Systems

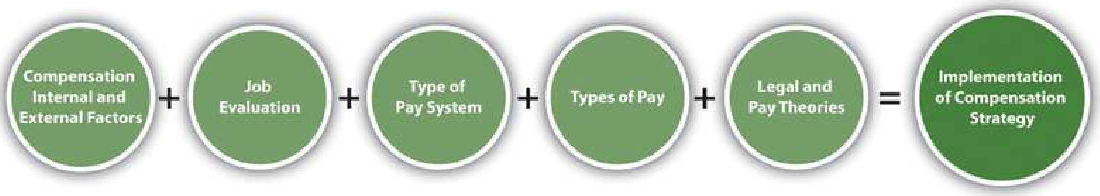


Fig. 6.1: The Process for Implementing Compensation Strategy

As mentioned when we discussed internal and external factors, the value of the job is a major factor when determining pay. There are several ways to determine the value of a job through job evaluation. Job evaluation is defined as the process of determining the relative worth of jobs to determine pay structure. Job evaluation can help us determine if pay is equitable and fair among our employees. There are several ways to perform a job evaluation. One of the simplest methods, used by smaller companies or within individual departments, is a job ranking system. In this type of evaluation, job titles are listed and ranked in order of importance to the organization. Apaired comparison can also occur, in which individual jobs are compared with every other job, based on a ranking system, and an overall score is given for each job, determining the highest-valued job to the lowest-valued job. For example, in Table 6.1 "Example of a Paired Comparison for a Job Evaluation", four jobs are compared based on a ranking of 0, 1, or 2. Zero indicates the job is less important than the one being compared, 1 means the job is about the same, and 2 means the job is more important. When the scores are added up, it is a quick way to see which jobs are of more importance to the organization. Of course, any person creating these rankings should be familiar with the duties of all the jobs. While this method may provide reasonably good results because of its simplicity, it doesn't compare differences between jobs, which may have received the same rank of importance.

Job	Receptionist	Project Manager	Account Manager	Sales	Director
Receptionist	X	0	0	0	0 = 4th
Project Administrative Assistant	1	X	0	0	1 = 3rd
Account Manager	2	1	X	0	3 = 2nd
Sales Director	2	2	2	X	6 = 1st
Based on the paired ranking system, the sales director should have a higher salary than the project administrative assistant, because the ranking for that job is higher. Likewise, a receptionist should be paid less than the project administrative assistant because this job ranks lower.					

Table 6.1: Example of a Paired Comparison for a Job Evaluation

In a job classification system, every job is classified and grouped based on the knowledge and skills required for the job, years of experience, and amount of authority for that job. The US military is perhaps the best known for this type of classification system. The navy, for example, has job classification codes, such as HM (hospitalman). Then the jobs are divided into specialties, such as HM-8483, the classification for surgical technologist, and HM-8451 for a hospitalman-X-ray technician. The federal government and most state governments use this type of system. Tied to each job are the basic function, characteristics, and typical work of that job classification, along with pay range data. A sample of a job classification system is shown in Table 6.2 "Example of a Job Classification System at the University of Washington".

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maxim Mo. Increm Rate
7715	ACCELERATOR TECHNICIAN 1		SEIU Local 925 Clerical Nonsupervisory	B4	40	$2689	$358
7300	ACCOUNTANT 1		SEIU Local 925 Clerical Nonsupervisory	B4	40	$2689	$358
7301	ACCOUNTANT 2		SEIU Local 925 Clerical Nonsupervisory	B4	44	$2949	$395
7302	ACCOUNTANT, SENIOR		SEIU Local 925 Clerical Nonsupervisory	B4	50	$3410	$458
7011	ACCOUNTING SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	50	$3410	$458
7045	ADMINISTRATIVE ASSISTANT A		SEIU Local 925 Clerical Nonsupervisory	B4	39	$2623	$349
7044	ADMINISTRATIVE ASSISTANT A-SUPV		SEIU Local 925 Clerical Supervisory	B4	41	$2751	$366
7046	ADMINISTRATIVE ASSISTANT B		SEIU Local 925 Clerical Supervisory	B4	42	$2816	$376
7080	ADMINISTRATIVE COORDINATOR		SEIU Local 925 Clerical Nonsupervisory	B4	37	$2506	$332

Table 6.2: Example of a Job Classification System at the University of Washington

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate
7490	ADMISSIONS SPECIALIST		SEIU Local 925 Clerical Nonsupervisory	B4	41	$2751
7583	AFFIRMATIVE ACTION/HUMAN RIGHTS ASST		SEIU Local 925 Clerical Nonsupervisory	B4	41	$2751
8696	ALCOHOLISM THERAPIST 1		WFSE HMC	B0	56	$3507
6119	ALCOHOLISM THERAPIST 2	359F	Classified Non-Union	C0	63	$3761
6329	ANATOMIC PATHOLOGY LABORATORY LEAD	315H	Classified Non-Union	C0	73	$4154
6328	ANATOMIC PATHOLOGY LABORATORY SUPERVISOR	315I	Classified Non-Union	C0	79	$4412
8146	ANATOMIC PATHOLOGY TECHNICIAN		SEIU Local 925-HMC Technical	B7	55	$3472
8326	ANATOMIC PATHOLOGY TECHNICIAN		SEIU LOCAL 925 Medical/ Laboratory Tech	B7	55	$3472
8145	ANATOMIC PATHOLOGY		SEIU Local 925-HMC Technical	B7	40	$2991

Table 6.2: Example of a Job Classification System at the University of Washington

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maxim Mo. Increm Rate
	TECHNICIAN TRAINEE						
8325	ANATOMIC PATHOLOGY TECHNICIAN TRAINEE		SEIU LOCAL 925 Medical/ Laboratory Tech	B7	40	$2991	$415
8147	ANATOMIC PATHOLOGY TECHNOLOGIST		SEIU Local 925-HMC Technical	B7	66	$3874	$538
8327	ANATOMIC PATHOLOGY TECHNOLOGIST		SEIU LOCAL 925 Medical/ Laboratory Tech	B7	66	$3874	$538
6313	ANESTHESIOLOGY TECHNICAL SERVICES SUPV	320H	Classified Non-Union	CA	61	$3686	$527
6310	ANESTHESIOLOGY TECHNICIAN 1	320E	Classified Non-Union	CA	13	$2287	$327
8711	ANESTHESIOLOGY TECHNICIAN 1		WFSE HMC	BA	10	$2219	$327
8312	ANESTHESIOLOGY TECHNICIAN 2		SEIU LOCAL 925 Medical/ Laboratory Tech	BS	46	$3344	$493
8960	ANESTHESIOLOGY TECHNICIAN 2		1199NW-HMC Respiratory/ Anesthesiology	BS	46	$3344	$493

Table 6.2: Example of a Job Classification System at the University of Washington

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate
6311	ANESTHESIOLOGY TECHNICIAN LEAD	320G	Classified Non-Union	CA	52	$3370
8959	ANESTHESIOLOGY TECHNICIAN LEAD		1199NW-HMC Respiratory/ Anesthesiology	BS	53	$3585
7724	ANIMAL TECHNICIAN 1		SEIU Local 925 Clerical Nonsupervisory	B4	25	$1903
7725	ANIMAL TECHNICIAN 2		SEIU Local 925 Clerical Nonsupervisory	B4	26	$1948
7726	ANIMAL TECHNICIAN 3		SEIU Local 925 Clerical Nonsupervisory	B4	30	$2134
4727	ANIMAL TECHNICIAN SUPERVISOR	525H	Classified Non-Union	C1	35	$2370
4658	ASSISTANT FACILITIES DESIGNER	540L	Classified Non-Union	C1	48	$3213
8874	ASSISTANT STEAM ENGINEER		WFSE Skilled Trades	BL	46G	$3566
8507	BAKER		WFSE Campuswide	BI	30	$2113
8508	BAKER LEAD		WFSE Campuswide	BI	33	$2266

Table 6.2: Example of a Job Classification System at the University of Washington

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maxim Mo. Increm Rate
4700	BIOMEDICAL ELECTRONICS TECHNICIAN 1	511E	Classified Non-Union	CA	54	$3438	$492
4701	BIOMEDICAL ELECTRONICS TECHNICIAN 2	511F	Classified Non-Union	CA	68	$3954	$565
4702	BIOMEDICAL ELECTRONICS TECHNICIAN 3	511G	Classified Non-Union	CA	78	$4368	$624
4703	BIOMEDICAL ELECTRONICS TECHNICIAN LEAD	511H	Classified Non-Union	CA	83	$4591	$656
4704	BIOMEDICAL ELECTRONICS TECHNICIAN SUPV	511I	Classified Non-Union	CA	88	$4826	$690
8875	BOILER OPERATOR		WFSE Skilled Trades	BL	42G	$3247	$373
7613	BOOK PRODUCTION COORDINATOR		SEIU Local 925 Clerical Nonsupervisory	B4	44	$2949	$395
7075	BOOKKEEPING MACHINE OPERATOR		SEIU Local 925 Clerical Nonsupervisory	B4	29	$2088	$275
7550	BROADCAST TECHNICIAN 1		SEIU Local 925 Clerical Nonsupervisory	B4	41	$2751	$366

Table 6.2: Example of a Job Classification System at the University of Washington

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate
7551	BROADCAST TECHNICIAN 2		SEIU Local 925 Clerical Nonsupervisory	B4	47	$3166
7552	BROADCAST TECHNICIAN 3		SEIU Local 925 Clerical Nonsupervisory	B4	51	$3493
7553	BROADCAST TECHNICIAN SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	55	$3856
7335	BUDGET ANALYST		SEIU Local 925 Clerical Nonsupervisory	B4	42	$2816
7336	BUDGET/FISCAL ANALYST		SEIU Local 925 Clerical Nonsupervisory	B4	46	$3093
7337	BUDGET/FISCAL ANALYST LEAD		SEIU Local 925 Clerical Nonsupervisory	B4	51	$3493
7339	BUDGET/FISCAL OPERATIONS SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	57	$4053
7338	BUDGET/FISCAL UNIT SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	54	$3763
7021	BUILDING SERVICES COORDINATOR		SEIU Local 925 Clerical Nonsupervisory	B4	33	$2289

Table 6.2: Example of a Job Classification System at the University of Washington

Job Code	Job Title	State Job Class Code Reference	Representative Group	Pay Table	Pay Range	Minimum Mo. Rate	Maxim Mo. Increm Rate
7022	BUILDING SERVICES SUPERVISOR		SEIU Local 925 Clerical Supervisory	B4	38	$2567	$341
5215	BUILDINGS AND GROUNDS SUPERVISOR A	598G	Classified Non-Union	C1	49	$3293	$432
5216	BUILDINGS AND GROUNDS SUPERVISOR B	598H	Classified Non-Union	C1	55	$3819	$501
7119	BUYER 1		SEIU Local 925 Clerical Nonsupervisory	B4	38	$2567	$341
7120	BUYER 2		SEIU Local 925 Clerical Nonsupervisory	B4	44	$2949	$395
7122	BUYER 3		SEIU Local 925 Clerical Nonsupervisory	B4	49	$3325	$447

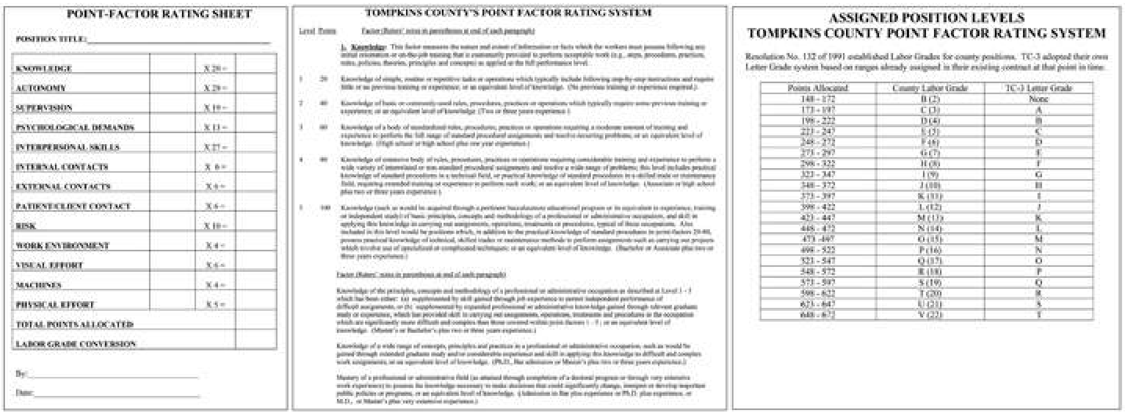
Source: Reprinted from The University of Washington website, Compensation: A Division of Resources,http://www.washington.edu/admin/hr/ocpsp/compensation/alpha.sort.files/alpha.sort.html (accessed September 14, 2011).

Table 6.2: Example of a Job Classification System at the University of Washington

Another type of job evaluation system is the point-factor system, which determines the value of a job by calculating the total points assigned to it. The points given to a specific job are called compensable factors. These can range from leadership ability to specific responsibilities and skills required for the job. Once the compensable factors are determined, each is given a weight compared to the importance of this skill or ability to the organization. When this system is applied to every job in the organization, expected compensable factors for each job are listed, along with corresponding points to determine which jobs have the most relative importance within the organization. Tompkins County in New York uses a point-factor system. Some of their compensable factors include the following:

1. Knowledge
2. Autonomy
3. Supervision
4. Psychological demands
5. Interpersonal skills
6. Internal and external contacts

In this point-factor system, autonomy ranks the highest and is given a weight of twenty-nine, while knowledge is given a rate of twenty, for example. Each of the compensable factors has a narrative that explains how points should be distributed for each factor. In this system, one hundred points are given for knowledge for a bachelor's degree and two to three years of experience, and eighty points are given if an employee has an associate's degree or high school diploma and two to three years of experience. The points are then multiplied by the weight (for knowledge, the weight is twenty) to give a final score on that compensable factor. After a score is developed for each, the employee is placed on the appropriate pay level for his or her score, as illustrated in Figure 6.3 "Example of a Point-Factor System".



POINT-FACTOR RATING SHEET

POSITION TITLE: ______

KNOWLEDGE		X 20 =	
AUTONOMY		X 29 =	
SUPERVISION		X 10 =	
PSYCHOLOGICAL DEMANDS		X 13 =	
INTERPERSONAL SKILLS		X 27 =	
INTERNAL CONTACTS		X 6 =	
EXTERNAL CONTACTS		X 6 =	
PATIENT/CLIENT CONTACT		X 6 =	
RISK		X 10 =	
WORK ENVIRONMENT		X 4 =	
VISUAL EFFORT		X 6 =	
MACHINES		X 4 =	
PHYSICAL EFFORT		X 5 =	
TOTAL POINTS ALLOCATED			
LABOR GRADE CONVERSION			

By: ______

Date: ______

TOMPKINS COUNTY'S POINT FACTOR RATING SYSTEM

ASSIGNED POSITION LEVELS
TOMPKINS COUNTY POINT FACTOR RATING SYSTEM

Points Allocated	County Labor Grade	TC-3 Letter Grade
148 - 172	B (2)	None
173 - 197	C (3)	A
198 - 222	D (4)	B
223 - 247	E (5)	C
248 - 272	F (6)	D
273 - 297	G (7)	E
298 - 322	H (8)	F
323 - 347	I (9)	G
348 - 372	J (10)	H
373 - 397	K (11)	I
398 - 422	L (12)	J
423 - 447	M (13)	K
448 - 472	N (14)	L
473 - 497	O (15)	M
498 - 522	P (16)	N
523 - 547	Q (17)	O
548 - 572	R (18)	P
573 - 597	S (19)	Q
598 - 622	T (20)	R
623 - 647	U (21)	S
648 - 672	V (22)	T

Fig. 6.2: Example of a Point-Factor System

Another option for job evaluation is called the Hay profile method. This proprietary job evaluation method focuses on three factors called know-how, problem solving, and accountability. Within these factors are specific statements such as "procedural proficiency." Each of these statements is given a point value in each category of know-how, problem solving, and accountability. Then job descriptions are reviewed and assigned a set of statements that most accurately reflect the job. The point values for each of the statements are added for each job description, providing a quantitative basis for job evaluation and eventually, compensation. An advantage of this method is its quantitative nature, but a disadvantage is the expense of performing an elaborate job evaluation.

6.4.2 Pay Systems

2011
Base General Schedule Pay Scale

RATES FROZEN AT 2010 LEVELS

EFFECTIVE JANUARY 2, 2011

Note: The following is a **BASE** pay scale. All U.S. locations (including Hawaii and Alaska) receive additional pay adjustments **above** the base pay ranging from **14.16%** to **35.15%**. To see the adjustment and pay scale for your location, scroll down the page and click on the location of your choice!

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 10	Step 9	WITHIN GRADE AMOUNTS
1	17803	18398	18990	19579	20171	20519	21104	21694	21717	22269	VARIES
2	20017	20493	21155	21717	21961	22607	23253	23899	24545	25191	VARIES
3	21840	22568	23296	24024	24752	25480	26208	26936	27664	28392	728
4	24518	25335	26152	26969	27786	28603	29420	30237	31054	31871	817
5	27431	28345	29259	30173	31087	32001	32915	33829	34743	35657	914
6	30577	31596	32615	33634	34653	35672	36691	37710	38729	39748	1019
7	33979	35112	36245	37378	38511	39644	40777	41910	43043	44176	1133
8	37631	38885	40139	41393	42647	43901	45155	46409	47663	48917	1254
9	41563	42948	44333	45718	47103	48488	49873	51258	52643	54028	1385
10	45771	47297	48823	50349	51875	53401	54927	56453	57979	59505	1526
11	50287	51963	53639	55315	56991	58667	60343	62019	63695	65371	1676
12	60274	62283	64292	66301	68310	70319	72328	74337	76346	78355	2009
13	71674	74063	76452	78841	81230	83619	86008	88397	90786	93175	2389
14	84697	87520	90343	93166	95989	98812	101635	104458	107281	110104	2823
15	99628	102949	106270	109591	112912	116233	119554	122875	126196	129517	3321

Pay rates for Senior Executive Service (SES), Senior Level (SL) and Scientific & Professional (ST) positions range from $119,554 to $179,700.
NOTE: SL & ST employees receive the appropriate percentage pay adjustment for their area.

Fig. 6.3: Sample Pay Scale for General Federal Jobs

The first method to pay grade is to develop a variety of pay grade levels. Figure 6.4 "Sample Pay Scale for General Federal Jobs"shows an example. Then once the levels are developed, each job is assigned a pay grade. When employees receive raises, their raises stay within the range of their individual pay grade, until they receive a promotion that may result in a higher pay grade. The advantage of this type of system is fairness. Everyone performing the same job is within a given range and there is little room for pay discrimination to occur. However, since the system is rigid, it may not be appropriate for some organizations in hiring the best people. Organizations that operate in several cities might use a pay grade scale, but they may add percentages based on where someone lives. For example, the cost of living in Spokane, Washington, is much lower than in New York City. If an organization has offices in both places, it may choose to add a percentage pay adjustment for people living within a geographic area—for example, 10 percent higher in New York.

One of the downsides to pay grading is the possible lack of motivation for employees to work harder. They know even if they perform tasks outside their job description, their pay level or pay grade will be the same. This can incubate a stagnant environment. Sometimes this system can also create too many levels of hierarchy. For large companies, this may work fine, but smaller, more agile organizations may use other methods to determine pay structure. For example, some organizations have moved to adelayering and banding process, which cuts down the number of pay levels within the organization. General Electric delayered pay grades in the mid-1990s because it found that employees were less likely to take a reassignment that was at a lower pay grade, even though the assignment might have been a good development opportunity. [10] So, delayering enables a broader range of pay and more flexibility within each level. Sometimes this type of process also occurs when a company downsizes. Let's assume a company with five hundred employees has traditionally used a pay grade model but decided to move to a more flexible model. Rather than have, say, thirty pay levels, it may reduce this to five or six levels, with greater salary differentials within the grades themselves. This allows organizations to better reward performance, while still having a basic model for hiring managers to follow.

Rather than use a pay grade scale, some organizations use a going rate model. In this model, analysis of the going rate for a particular job at a particular time is considered when creating the compensation package. This model can work well if market pressures or labor supply-and-demand pressures greatly impact your particular business. For example, if you need to attract the best project managers, but more are already employed (lack of supply)—and most companies are paying $75,000 for this position—you will likely need to pay the same or more, because of labor supply and demand. Many tools are available, such as salarywizard.com, to provide going rate information on particular jobs in every region of the United States.

Another pay model is the management fit model. In this model, each manager makes a decision about who should be paid what when that person is hired. The downside to this model may be potential discrimination, halo effects, and resentment within the organization. Of course, these factors can create morale issues, the exact thing we want to avoid when compensating employees.

In addition to the pay level models we just looked at, other considerations might include the following:

1. Skill-based pay. With a skill-based pay system, salary levels are based on an employee's skills, as opposed to job title. This method is implemented similarly to the pay grade model, but rather than job title, a set of skills is assigned a particular pay grade.

2. Competency-based pay. Rather than looking at specific skills, the competency-based approach looks at the employee's traits or characteristics as opposed to a specific skills set. This model focuses more on what the employee can become as opposed to the skills he or she already has.

3. Broadbanding. Broadbanding is similar to a pay grade system, except all jobs in a particular category are assigned a specific pay category. For example, everyone working in customer service, or all administrative assistants (regardless of department), are paid within the same general band. McDonald's uses this

10. Gerald Ferris, Handbook of Human Resource Management (Cambridge, MA: Blackwell, 1995).

compensation philosophy in their corporate offices, stating that it allows for flexibility in terms of pay, movement, and growth of employees. [11]

4. Variable pay system. This type of system provides employees with a pay basis but then links the attainment of certain goals or achievements directly to their pay. For example, a salesperson may receive a certain base pay but earn more if he or she meets the sales quota.

How Would You Handle This?

You have been working for your organization for five years. After lots of hard work, you are promoted to sales manager. One of your first tasks is to develop goals for your sales team, then create a budget based on these goals. First, you look at the salaries of all the sales staff to find major pay discrepancies. Some salespeople, who perform equally well, are paid much lower than some sales staff whom you consider to be nonperformers. As you dig deeper, you see this is a problem throughout the sales team. You are worried this might affect motivation for your team if they find out what others are making. How would you handle this?

How Would You Handle This?
https://api.wistia.com/v1/medias/1360653/embed

The author discusses the How Would You Handle This situation in this chapter at:*https://api.wistia.com/v1/medias/1360653/embed*.

6.4.3 Pay Theories

Now that we have discussed pay systems, it is important to look at some theories on pay that can be helpful to know when choosing the type of pay system your organization will use.

The equity theory is concerned with the relational satisfaction employees get from pay and inputs they provide to the organization. It says that people will evaluate their own compensation by comparing their compensation to others' compensation and their inputs to others' inputs. In other words, people will look at their own compensation packages and at their own inputs (the work performed) and compare that with others. If they perceive this to be unfair, in that another person is paid more but they believe that person is doing less work, motivational issues can occur. For example, people may reduce their own inputs and not work as hard. Employees may also decide to leave the organization as a result of the perceived inequity. In HR, this is an important theory to understand, because even if someone is being paid fairly, they will always compare their own pay to that of others in the organization. The key here is perception, in that the fairness is based entirely on what the employee sees, not what may be the actual reality. Even though HR or management may feel employees are being paid fairly, this may not be the employee's belief. In HR, we need to look at two

11. McDonald's Corporation, "Your Pay and Rewards," accessed July 23, 2011,http://www.aboutmcdonalds.com/mcd/corporate_careers/benefits/highlights_of_what_we_offer/pay_and_rewards.html.

factors related to pay equity: external pay equity and internal pay equity. External pay equity refers to what other people in similar organizations are being paid for a similar job. Internal pay equity focuses on employees within the same organization. Within the same organization, employees may look at higher level jobs, lower level jobs, and years with the organization to make their decision on pay equity. Consider Walmart, for example. In 2010, Michael Duke, CEO of Walmart, earned roughly $35 million in salary and other compensation, [12] while employees earned minimum wage or slightly higher in their respective states. While Walmart contends that its wages are competitive in local markets, the retail giant makes no apologies for the pay difference, citing the need for a specialized skill set to be able to be the CEO of a Fortune 500 company. There are hundreds of articles addressing the issue of pay equity between upper level managers and employees of an organization. To make a compensation strategy work, the perceived inputs (the work) and outputs (the pay) need to match fairly.

The expectancy theory is another key theory in relation to pay. The expectancy theory says that employees will put in as much work as they expect to receive. In other words, if the employee perceives they are going to be paid favorably, they will work to achieve the outcomes. If they believe the rewards do not equal the amount of effort, they may not work as hard.

The reinforcement theory, developed by Edward L. Thorndike, [13] says that if high performance is followed by some reward, that desired behavior will likely occur in the future. Likewise, if high performance isn't followed by a reward, it is less likely the high performance will occur in the future. Consider an extreme example of the reinforcement theory in the world of finance. On Wall Street, bonuses for traders and bankers are a major part of their salary. The average bonus in 2010 was $128,530, [14] which does not take into account specific commissions on trades, which can greatly increase total compensation. One interesting consideration is the ethical implications of certain pay structures, particularly commission and bonus plans. For example, after the US government bailed out American International Group (AIG) with $170 billion in 2009, it was reported AIG would still provide some $165 million in bonuses to the same business unit that brought the company to near collapse, because of contractual issues. Traditionally, a bonus structure is designed to reward performance, rather than be a guaranteed part of the compensation plan, as was the case with AIG. Bonus and commission plans should be utilized to drive desired behavior and act as a reward for the desired behavior, as the reinforcement theory states.

All these theories provide us information to make better decisions when developing our own pay systems. Other considerations are discussed next.

12. Alice Gomstyn, "Walmart CEO Pay," ABC News Money, July 2, 1010, accessed July 23, 2011, http://abcnews.go.com/Business/walmart-ceo-pay-hour-workers-year/story?id=11067470.
13. Indiana University, "Edward L. Thorndike," accessed February 14, 2011,http://www.indiana.edu/~intell/ethorndike.shtml.
14. Aaron Smith, "The 2010 Wall Street Bonus," CNN Money, February 24, 2011, accessed July 23, 2011, http://money.cnn.com/2011/02/24/news/economy/wall_street_bonus/index.htm.

6.4.4 Pay Decision Considerations

Besides the motivational aspect of creating a pay structure, there are some other considerations. First, the size of the organization and the expected expansion of the organization will be a factor. For example, if you are the HR manager for a ten-person company, you likely use a going rate or management fit model. While this is appropriate for your company today, as your organization grows, it may be prudent to develop a more formal pay structure. Ascentium Corporation, based in Seattle, Washington, found this to be the case. When the company started with fewer than fifteen employees, a management fit model was used. As the company ballooned to over five hundred employees in four cities, a pay banding model had to be put into place for fairness.

If your organization also operates overseas, a consideration is how domestic workers will be paid in comparison to the global market. One strategy is to develop a centralized compensation system, which would be one pay system for all employees, regardless of where they live. The downside to this is that the cost of living may be much less in some countries, making the centralized system possibly unfair to employees who live and work in more expensive countries. Another consideration is in what currency employees will be paid. Most US companies pay even their overseas workers in dollars, and not in the local currency where the employee is working. Currency valuation fluctuations could cause challenges in this regard. [15] We further discuss some global compensation policies in "International HRM (Page 421)".

How you communicate your pay system is extremely important to enhance the motivation that can be created by fair and equitable wage. In addition, where possible, asking for participation from your employees through the use of pay attitude surveys, for example, can create a transparent compensation process, resulting in higher performing employees.

Organizations should develop market pay surveys and review their wages constantly to ensure the organization is within expected ranges for the industry.

Human Resource Recall

Why do you think a transparent compensation policy is so important to motivating a workforce?

15. Bobby Watson, "Global Pay Systems, Compensation in Support of a Multinational Strategy," Compensation Benefits Review 37, no. 1 (2005): 33–36.

Pay	Attributes
Salary	Fixed compensation calculated on a weekly, biweekly, or monthly basis. No extra pay for overtime work.
Hourly Wage	Employees are paid on the basis of number of hours worked.
Piecework System	Employees are paid based on the number of items that are produced.
Types of Incentive Plans	Attributes
Commission Plans	An employee may or may not receive a salary but will be paid extra (e.g., a percentage for every sale made).
Bonus Plans	Extra pay for meeting or beating some goal previously determined. Bonus plans can consist of monetary compensation, but also other forms such as time off or gift certificates.
Profit-Sharing Plans	Annual bonuses paid to employees based on the amount of profit the organization earned.
Stock Options	When an employee is given the right to purchase company stock at a particular rate in time. Please note that a stock "option" is different from the actual giving of stock, since the option infers the employee will buy the stock at a set rate, obviously, usually cheaper than the going rate.
Fringe Benefits	This can include a variety of options. Sick leave, paid vacation time, health club memberships, daycare services.

Table 6.3: Types of Pay

Health Benefits	Most organizations provide health and dental care benefits for employees. In addition, disability and life insurance benefits are offered.
401(k) Plans	Some organizations provide a retirement plan for employees. The company would work with a financial organization to set up the plan so employees can save money, and often, companies will "match" a percentage of what the employee contributes to the plan.

Table 6.3: Types of Pay

6.4.5 Types of Pay

After a pay system has been developed, we can begin to look at specific methods of paying our employees. Remember that when we talk about compensation, we are referring to not only an actual paycheck but additional types of compensation, such as incentive plans that include bonuses and profit sharing. We can divide our total pay system into three categories: pay, incentives, and other types of compensation. Pay is the hourly, weekly, or monthly salary an employee earns. An incentive, often called a pay-for-performance incentive, is given for meeting certain performance standards, such as meeting sales targets. The advantage to incentive pay is that company goals can be linked directly to employee goals, resulting in higher pay for the employee and goal achievement by the organization. The following are desirable traits of incentive plans:

- Clearly communicated
- Attainable but challenging
- Easily understandable
- Tied to company goals

Table 6.3 "Types of Pay" illustrates the three types of compensation.

Most organizations use a combination of pay, incentives, and other compensation, as outlined in Table 6.3 "Types of Pay" , to develop the total compensation package.

6.4.6 Laws Relating to Pay

As you have already guessed from our earlier chapter discussions, people cannot be discriminated against when it comes to development of pay systems. One issue hotly debated is the issue of comparable worth. Comparable worth states that people should be given similar pay if they are performing the same type of job. Evidence over the years shows this isn't the case, with women earning less than men in many industries. On average, a woman earns 79 cents for every $1.00 a man earns. For women of color, the gap is wider at 69 cents for African-American women and 59 cents for Latina women. [16] Many publications state that women earn less than men for a few reasons:

1. Women work fewer hours because of family care and maternity leave.
2. The career path or job choice of women tends to be lower as a whole.
3. There is a bias favoring men as the "breadwinners," and therefore they are paid more.
4. Women are valued less than men in the workplace.
5. Women don't negotiate salaries as well as men do.

While the reasons are certainly debatable, there is evidence that young women (without children) entering the workforce actually earn more than their male counterparts, owing to higher levels of education. [17] As you may remember from Chapter 3 "Diversity and Multiculturalism", the EEOC covers discrimination in the workplace, including pay discrimination based on race, color, religion, sex, and national origin. The Equal Pay Act of 1963 makes it illegal to pay different wages to men and women if they perform equal work in the same workplace.

More recent legislation on pay includes the Lilly Ledbetter Fair Pay Act of 2009, the first law signed by President Obama. This bill amends the Civil Rights Act stating that the 180-day statute of limitations for filing an equal pay lawsuit regarding pay discrimination resets with each discriminatory paycheck. The bill stemmed from a lawsuit against Goodyear Tire and Rubber Company by Lilly Ledbetter, who claimed that her nineteen-year career at the company consisted of unfair pay, compared to male workers in the organization. Her complaint was time barred by the US Supreme Court, and the new act addressed the time (180 days) constraint in which people have to file claims.

The Fair Labor Standards Act, or FLSA, was established in 1938 and set a minimum wage for jobs, overtime laws, and child labor laws. FLSA divides workers into exempt and nonexempt status, and jobs under exempt status do not fall under the FLSA guidelines. An exempt employee is usually paid a salary and includes executive,

16. National Organization for Women, "Facts about Pay Equity," accessed February 15, 2011,http://www.now.org/issues/economic/factsheet.html.
17. Conor Dougherty, "Young Women's Pay Exceeds Male Peers," Wall Street Journal, September 1, 2010.

professional, outside sales, and administrative positions. A nonexempt employee is usually an hourly employee. For nonexempt employees, some states may implement a higher minimum wage than that established by the federal government. For example, in 2011, the minimum wage is $8.67 per hour in Washington State, while the federal minimum wage is $7.25 per hour. Obviously, as an HR manager or manager, it is your responsibility to ensure everyone is being paid the minimum wage. This law also requires overtime pay if employees work over forty hours per week. Organizations must also post the FLSA poster in a visible part of the workplace, outlining these laws.

Child labor also falls under FLSA. The goal of these laws is to protect the education of children, prohibit the employment of children in dangerous jobs, and limit the number of working hours of children during the school year and other times of the year. [18]

According to the FLSA, tipped employees are those earning $30 or more per month in tips, such as servers in a restaurant. Employers whose employees receive more than $30 in tips may consider tips as part of wages, but they also must pay $2.12 an hour in direct wages. They must also be able to show that the employee receives at least the applicable minimum wage. If the tips and direct wage do not meet the minimum wage, the employer must pay the difference.

Also relating to pay is the Federal Unemployment Tax Act (FUTA). FUTA provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay a federal and a state unemployment tax, and portions of these funds go toward unemployment benefits should the worker lose his or her job. TheFederal Employees Compensation Act (FECA) provides federal employees injured in the performance of their jobs compensation benefits, such as disability. Please note that this is elective for private companies but required of federal agencies.

Key Takeaways

- A job evaluation system should be used to determine the relative value of one job to another. This is the first step in setting up a pay system.
- Several types of pay systems can be implemented. A pay grade system sets up specific pay levels for particular jobs, while a going rate system looks at the pay through the industry for a certain job title. Management fit gives maximum flexibility for managers to pay what they think someone should earn.
- HR managers can also develop pay systems based on skills and competency and utilize broadbanding, which is similar to pay grades. Another option might include variable pay.
- There are several motivational theories in regard to pay. First, the equity theorysays that people will evaluate their own satisfaction with their compensation by comparing it to others' compensation. The expectancy theory says people will put in only as

18. US Department of Labor, "Child Labor," accessed February 15, 2011,http://www.dol.gov/whd/childlabor.htm

much work as they expect to receive in rewards. Finally, thereinforcement theory says if high performance is followed by a reward, high performance is likely to happen in the future.

- Other pay considerations include the size of the organization, whether the company is global, and the level of communication and employee involvement in compensation. HR managers should always be aware of what others are paying in the industry by performing market surveys.
- There are several laws pertaining to pay. Of course, the EEOC ensures that pay is fair for all and does not discriminate. FLSA sets a minimum wage and establishes standards for child labor. FUTA requires employers to pay unemployment taxes on employees. FECA ensures that federal employees receive certain benefits.

Exercises

1. Name and describe three considerations in developing a pay system. Which do you think is best?
2. Which pay theory do you think is the most important when developing your pay system? Why?
3. Visit http://www.dol.gov/dol/topic/wages/minimumwage.htm (please note that sometimes web address change so you may need to search for the information), which publishes minimum wage data for the United States. View the map and compare your state with the federal minimum wage. Is it higher or lower? Which two states have the highest minimum wage? The lowest?

6.5 Other Types of Compensation

Learning Objectives

1. Explain the various types of benefits that can be offered to employees.

As you already know, there is more to a compensation package than just pay. There are many other aspects to the creation of a good compensation package, including not only pay but incentive pay and other types of compensation. First, we will discuss benefits that are mandated by the federal government, and then we will discuss types of voluntary benefits, including both incentive pay and other types of compensation.

6.5.1 Mandated: Social Security and Medicare

The Social Security Act of 1935 requires employers to withdraw funds from workers' paychecks to pay for retirement benefits. This is called a payroll tax. Please note that all organizations are legally compelled to offer this benefit. After several revisions, we now call this OASDHI or the Old Age, Survivors, Disability, and Health Insurance Program. To be insured, employees must work forty quarters, with a minimum of $1,000 earned per quarter. Once this money is put aside, anyone born after 1960 will receive benefits at 67. The OASDHI tax in 2011 is 4.2 percent on earnings for employees, up to $106,800 and 6.2 percent for the employer up to the same limits. This covers both retirement income as well as medical benefits, called Medicare, once the employee reaches retirement age.

6.5.2 Mandated: Unemployment Insurance and Workers' Compensation

Unemployment insurance is required under the Social Security Act of 1935 and is also called the Federal Unemployment Tax Act (FUTA). This program's goals include providing some lost income for employees during involuntary unemployment, helping workers find a new job, incentivizing employers to continue employment, and developing worker skills if they are laid off. The majority of this plan is funded by employers' payroll taxes, which account for .8 percent per employee. The rate is actually 6.2 percent of compensation, but employers are allowed a tax credit for these payments, which results in the net .8 percent. With this benefit, employees receive unemployment benefits and/or job training when they are laid off or let go from a current job. However, employees would be ineligible to receive these benefits if they quit their job, as it must be involuntary. Just like Social Security, this payroll tax on employers is required.

Some employers also offer workers' compensation benefits. If an employee is hurt on the job, he or she would receive certain benefits, such as a percentage of pay. Jobs are classified into risk levels, and obviously the higher the risk level, the higher the cost of insurance. This is not a federally mandated program, but for some occupations in some states, it may be a requirement.

6.5.3 Mandated: COBRA

While the government does not require companies to provide health-care and medical benefits to employees,
theConsolidated Omnibus Budget Reconciliation Act (COBRA) requires companies to

allow employees to extend their group coverage for up to thirty-six months. The restrictions for this plan include the requirement of a qualifying event that would mean a loss of benefits, such as termination or reduction in hours. For example, if an employee works forty hours a week with medical insurance, but the schedule is reduced to twenty hours, no longer qualifying him or her for benefits, COBRA would be an option.

6.5.4 Voluntary: Incentive Pay Systems

As we discussed earlier, there are several types of incentive pay systems that can be tied directly to business objectives and the employees' ability to help the company meet those objectives. They include commissions, bonuses, profit sharing, stock options, team pay, and merit pay.

Commissions are usually calculated on the basis of a percentage and earned based on the achievement of specific targets that have been agreed upon by the employee and employer. For example, many salespeople receive commissions from each item sold. Many commission incentive plans require employees to meet a minimum level of sales, who then are paid a comission on each sale beyond the minimum. A straight commission plan is one in which the employee receives no base pay and entire pay is based on meeting sales goals. Many plans, however, include a base payand commission for each sale. Base pay is the guaranteed salary the employee earns.

Several types of bonuses can be given to employees as incentive pay. Meeting certain company goals or successfully completing a project or other objectives can be tied to a bonus, which is a one-time payment to an employee. A spot bonus is an unplanned bonus given to an employee for meeting a certain objective. These types of bonuses do not always have to be money; they can be other forms such as a gift certificate or trip. Fifty-eight percent of World at Work members [19] said that they provide spot bonuses to employees for special recognition above and beyond work performance.

Some organizations choose to reward employees financially when the organization as a whole performs well, through the use of profit sharing as an incentive. For example, if an organization has a profit-sharing program of 2 percent for employees, the employees would earn 2 percent of the overall profit of the company. As you have guessed, this can be an excellent incentive for employees to both work as a team and also monitor their own personal performance so as not to let down the team. For example, in 2011, US automaker General Motors gave one of its highest profit-sharing payouts ever. Forty-five thousand employees received $189 million in a profit-sharing bonus, which equaled about $4,200 per person. [20] While profit sharing can be a great incentive, it can also be a large expense that should be carefully considered.

19. WorldatWork, “Spot Bonus Survey,” July 2000, accessed July 23, 2011, http://www.worldatwork.org/waw/research/html/spotbonus-home.html.
20. Nick Bunkley, “GM Workers to Get $189 Million in Profit Sharing,” New York Times, February 14, 2011, accessed February 21, 2011,http://www.nytimes.com/2011/02/15/business/15auto.html?_r=2&ref=business.

Employee ownership of the organization is similar to profit sharing but with a few key differences. In this type of plan, employees are granted stock options, which allow the employees to buy stock at a fixed price. Then if the stock goes up in value, the employee earns the difference between what he or she paid and the value of the stock. With this type of incentive, employees are encouraged to act in the best interest of the organization. Some plans, called employee stock ownership plans, are different from stock options, in that in these plans the employee is given stock as reward for performance.

In a smaller organization, team pay or group incentives can be popular. In this type of plan, if the group meets a specified goal, such as the increase of sales by 10 percent, the entire group receives a reward, which can consist of additional pay or bonus. Please note that this is different from individualized bonuses, discussed earlier, since the incentive is a reward for the group as opposed for the individual.

Merit pay is a pay program that links pay to how well the employee performs within the job, and it is normally tied to performance appraisals. Performance appraisals are discussed further in Chapter 10 "Managing Employee Performance". Merit base is normally an annual pay increase tied to performance. The problem with merit pay is that it may only be received once per year, limiting incentive flexibility. To make merit pay work, performance guidelines should be predetermined. Some organizations offer cost of living annual increases (COLAs), which is not tied to merit but is given to employees as an annual inflationary increase.

Fortune 500 Focus

While the cost of health insurance premiums may be going up for most Americans, these premiums do not hit the individual employee's pocketbook at Microsoft. Microsoft, based in Redmond, Washington, finds itself once again on the Fortune500 Best Companies to Work For list in several areas, including paying for 100 percent of employees' health-care premiums. [21] In addition to cutting this cost for employees, Microsoft also offers domestic partner benefits, one of the first Fortune500 companies to do so. In 2005, Microsoft also began to offer partial coverage for transgender surgery to its existing health-care coverage, which earned Microsoft the highest attainable score by the Human Rights Campaign (HRC) Equality Index. [22] Microsoft also promotes fitness and wellness as part of its health-care plan, providing an on-site fitness center and subsidized gym memberships.

21. "100 Best Companies to Work For," Fortune, accessed July 21, 2011,http://money.cnn.com/magazines/fortune/bestcompanies/2010/snapshots/51.html.
22. Gay, Lesbian, Bisexual, and Transgender Employees at Microsoft (GLEAM), Microsoft website, accessed July 21, 2011,http://www.microsoft.com/about/diversity/en/us/programs/ergen/gleam.aspx.

6.5.5 Voluntary: Medical Insurance

According to the Bureau of Labor Statistics, 62 percent of companies in 2010 offered health-care benefits to employees. [23] The yearly cost for employee medical insurance averages $9,552, according to the 2009 Towers Perrin survey. [24] With such a significant cost to companies, it is up to HR managers to contain these costs, while not negatively affecting employee motivation. Medical insurance usually includes hospital expenses, surgical expenses, and routine health-care visits. Most insurance plans also allow for wellness visits and other alternative care (e.g., massage and acupuncture) within the plans. Many employers also offer vision and dental care benefits as part of their benefits packages. Disability insurance is also provided by some employers as well. We will discuss each of these in detail next.

One important law to keep in mind regarding medical insurance is the Health Insurance Portability and Accountability Act (HIPAA) of 1996. It provides federal protections for personal health information held by covered entities, such as employers. In other words, employers cannot divulge or share health care information they may have on an employee.

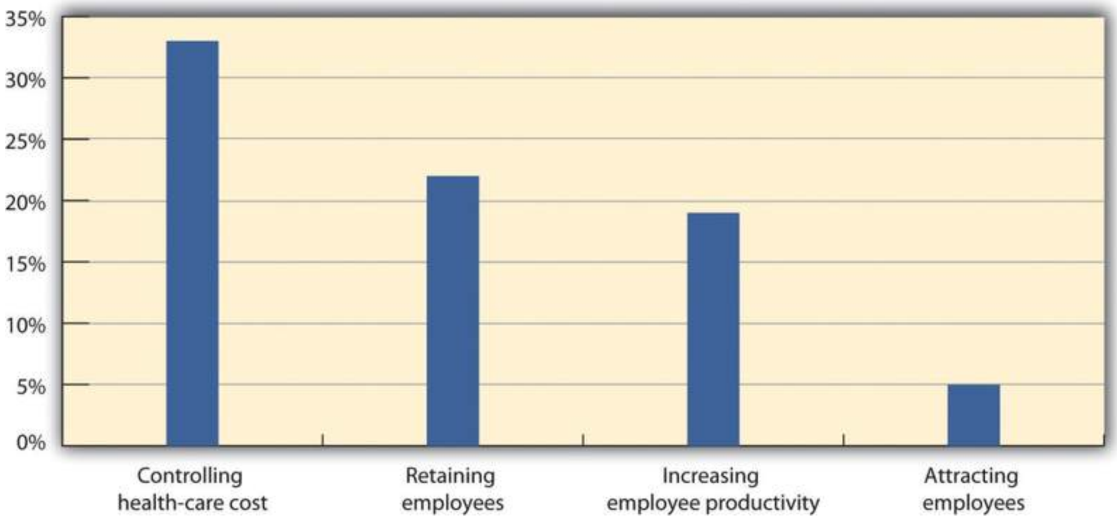


Fig. 6.4: As you can see from MetLife's 9th annual study in 2010, cost containment is an important aspect to health-care plans. Source: MetLife, "9th Annual Study of Employee Benefits Trends," 2010,http://www.metlife.com/assets/institutional/services/insights-and-tools/ebts/Employee-Benefits-Trends-Study.pdf (accessed July 23, 2011).

As the HR professional, it will likely be your responsibility to choose the health-care plan that best meets the needs of your employees. Some options include the following:

Fee-for-service plans. In this type of plan, people pay for medical expenses out of pocket, and then are reimbursed for the benefit level. For example, if your insurance

23. Bureau of Labor Statistics, "Employee Benefits Survey," 2010, accessed July 23, 2011, http://www.bls.gov/ncs/ebs/benefits/2010/ownership/private/table01a.htm.
24. Towers Watson, "2009 Health Care Cost Survey Reveals High-Performing Companies Gain Health Dividend,"

plan covers doctor visits, you could see any doctor, pay the bill, and then submit payment to your insurer for reimbursement. Most companies will have a base plan, which covers more serious issues requiring hospitalization, while the major medical part of the plan would cover routine services, such as doctor's visits. As you can imagine, the disadvantage of this type of plan can be twofold: first, the initial expense for the employee, and second, the time it may take to receive reimbursement for employees. Remember that medical insurance can help retain and motivate employees and help you recruit new employees, so consideration of the disadvantages is important.

Health maintenance organizations (HMOs). The HMO will likely have greater coverage than the fee-for-service plan, but it limits the ability of employees to see the doctors they choose. There may be a limited number of physicians and specialists for the employee to see, and going outside the plan and seeing another doctor may result in an out-of-pocket expense for the employee. Most HMOs cover a wide range of medical issues and will usually require a copayment by the employee. Some may have minimum deductibles they must meet before the HMO will cover in full. For example, if you are part of an HMO with a deductible of $500 and copayments of $25, you would need to see the doctor for a value of $500 (paid out of pocket) before you can begin to just make the $25 copayment for visits. Some HMOs will not allow members to see a specialist, such as a dermatologist, without prior approval from the primary care physician.

Fig. 6.5: Considerations When Choosing Medical Insurance

Preferred provider organization (PPO). This type of medical plan is similar to HMOs but allows employees to see a physician outside the network. They will likely still have to pay a deductible as mentioned above, but PPOs do allow employees more freedom to see specialists, such as dermatologists.

When choosing the best type of plan for your organization, the following aspects should be considered:

1. The cost of the plan
2. The type of coverage
3. The quality of the care
4. Administration of the plan

First, the cost is usually a major consideration for the HR professional. Developing a budget for health-care costs, initiating bids from possible providers, and then negotiating those bids is a key factor in controlling this cost for employers.

Second, asking for employees' opinions about the type of coverage they would prefer is a way to ensure your plan meets the needs of your employees. Next, consider the quality of care your employees will receive and, finally, how simple will the plan be for your HR department to administer. For example, many HMO plans offer fully automated and online services for employees, making them easy to administer.

Disability insurance provides income to individuals (usually a portion of their salary) should they be injured or need long-term care resulting from an illness. Short-term disability insurance (STD) provides benefits to someone if they are unable to work for six months or less, while long-term disability insurance (LTD) covers the employee for a longer period of time. Normally, disability insurance provides income to the employee that is 60–80 percent of their normal salary.

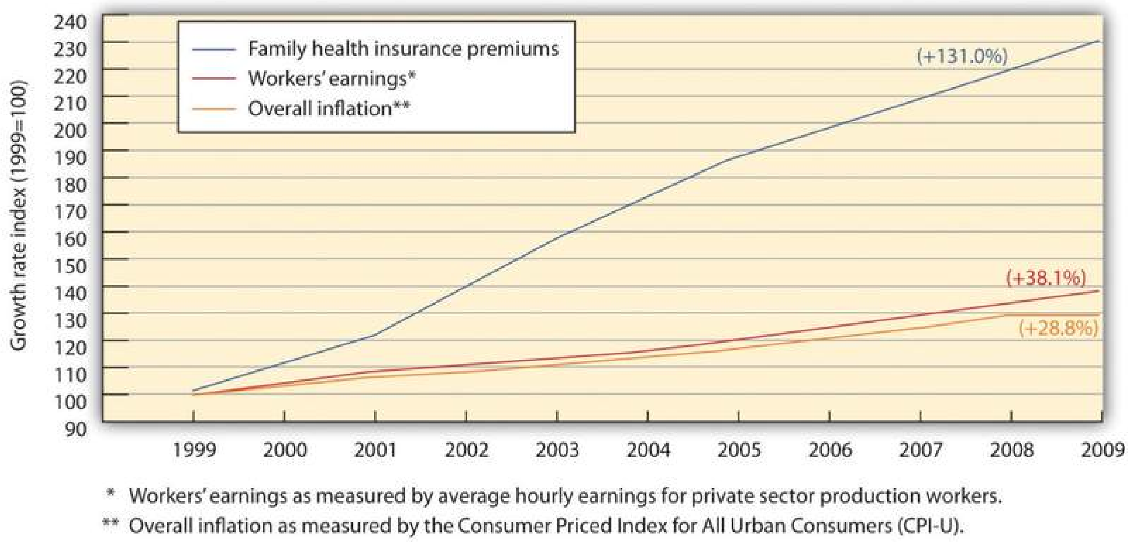


Fig. 6.6: One of the biggest challenges in health-care benefits planning is to manage the growing cost of health insurance premiums for employees while still managing cost containment for the organization. Source: Economic Policy Institute, "The State of Working America: Health Premiums," http://stateofworkingamerica.org/charts/growth-rate-of-premiums-earnings-and-inflation/ (accessed July 23, 2011).

6.5.6 Voluntary: 401(k) Plans

As the scenery of the workforce has changed, benefits have changed, too. One such recent change is the movement of employee pension plans to 401(k) plans. While some organizations still offer pension plans, such plans are far more rare. A pension plan is a set dollar amount an employee will receive when they retire from their organization. This type of plan was popular when most people worked their entire life at the same company. However, many pension plans have gone bankrupt, and the United States has an agency to protect people from losing pension benefits. The Pension Benefit Guaranty Corporation (PBGC) was created by the Employee Retirement Income Security Act (ERISA) to protect pension benefits in private sector pension plans. If a pension plan ends or isn't able to pay all benefits, PBGC's insurance program pays the benefit that should have been provided. Financing for this plan comes from insurance premiums paid by the companies whose plans PBGC protects.

As more mobility in the workplace has occurred, most organizations no longer offer pension plans, but instead, they offer 401(k) plans. While a pension plan can motivate employee loyalty, 401(k) plans are far more popular. According to the US Bureau of Labor Statistics, employer-provided retirement plans, such as 401(k) plans, were available to 74 percent of all full-time workers in the United States, [25] while 39 percent of part-time workers had access to retirement benefits.

A 401(k) plan is a plan set up by the organization in which employees directly deposit money from their paycheck. The funds are tax deferred for the employee until retirement. If an employee leaves the job, their 401(k) plan goes with them. As an extra incentive, many organizations offer to match what the employee puts into the plan, usually based on a percentage. For example, an employee can sign up to contribute 5 percent of salary into a 401(k) plan, and the company will contribute the same amount. Most companies require a vesting period—that is, a certain time period, such as a year, before the employer will match the funds contributed.

Usually, 401(k) plans are easy to administer, after the initial setup has occurred. If the employer is matching employee contributions, the expense of such a plan can be great, but it also increases employee retention. Some considerations when choosing a 401(k) plan are as follows:

1. Is the vendor trustworthy?
2. Does the vendor allow employees to change their investments and account information online?
3. How much are the management fees?

It is first important to make sure the vendor you are considering for administration of your 401(k) plan has a positive reputation and also provides ease of access for your

25. US Bureau of Labor Statistics, "Employee Benefits in the United States: March 2010," news release, July 27, 2010, accessed September 12, 2011,http://www.bls.gov/ncs/ebs/sp/ebnr0016.txt.

employees. For example, most 401(k) plans allow employees to change their address online and move investments from a stock to a bond. Twenty-four-hour access has become the expectation of most employees, and as a result, this is a major consideration before choosing a plan. Most 401(k) plans charge a fee to manage the investments of your employees. The management fees can vary greatly, so receiving a number of bids and comparing these fees is important to ensure your employees are getting the best deal.

It is important to mention the Employee Retirement Income Security Act (ERISA) here, as this relates directly to administration of your 401(k) plan. First, ERISA does not require employers to offer a pension or 401(k) plan, but for those who do, it requires them to meet certain standards when administering this type of plan. Some of these standards include the following:

1. Requires participants receive specific information about the plan, such as plan features and funding
2. Sets minimum standards for participation and vesting
3. Requires accountability of plan's fiduciary responsibilities
4. Requires payment of certain benefits, should the plan be terminated

6.5.7 Voluntary: Paid Time Off

Time off is a benefit we should address, since this type of benefit varies greatly, especially in other parts of the world. French companies, for example, are mandated by law to provide five weeks of paid vacation time to employees. [26] In the United States, the number of days off provided is a major budget item worth considering. Here are the general types of time off:

6.5.8 Paid Holidays

Many companies offer a set number of paid holidays, such as New Year's Day, Memorial Day, Christmas, Independence Day, and Thanksgiving.

26. Rebecca Leung, "France: Less Work, More Time Off," CBS News, February 11, 2009, accessed July 23, 2011,http://www.cbsnews.com/stories/2005/06/27/60II/main704571.shtml.

6.5.9 Sick Leave

The number of sick leave days can vary greatly among employers. The average in the United States is 8.4 paid sick days offered to employees per year. [27]

6.5.10 Paid Vacation

With full-time employment, many organizations also offer paid vacation to employees, and it is generally expected as part of the compensation package. According to a survey performed by Salary.com, the average number of paid vacation days in the United States is nine days for one year of service, fourteen days for five years of service, and seventeen days for ten years of service to the organization. [28]

Organizations vary greatly in how vacation time is accrued. Some organizations give one hour for a certain number of days worked, while others require a waiting period before earning any paid time off (PTO). In addition, some organizations allow their employees to carry over unused vacation time from one year to the next, while other employees must use their vacation every year or risk losing it.

6.5.11 Paid Time Off (PTO)

One option is to provide a set number of days off, which can be used for vacation time, holidays, and/or sick leave.

To promote longevity, some organizations offer paid (or for example, 60 percent of salary paid) sabbaticals. For example, after five years of employment, the employee may take a paid sabbatical for one month.

6.5.12 A Final Note on Compensation and Benefits Strategy

When creating your compensation plan, of course the ability to recruit and retain should be an important factor. But also, consideration of your workforce needs is crucial to any successful compensation plan. The first step in development of a plan is to ask the employees what they care about. Some employees would rather receive more pay with fewer benefits or better benefits with fewer days off. Surveying the

27. HRM Guide, "Sick Day Entitlement Survey," accessed February 21, 2011,http://www.hrmguide.com/health/sick-entitlement.htm.
28. Jessica Yang, "Paid Time Off from Work Survey," Salary.com, accessed September 15, 2011, http://www.salary.com/Articles/ArticleDetail.asp?part=par088.

employees allows you, as the HR professional, to better understand the needs of your specific workforce. Once you have developed your plan, understand that it may change to best meet the needs of your business as it changes over time.

Once the plan is developed, communicating the plan with your employees is also essential. Inform your employees via an HR blog, e-mails, and traditional methods such as face to face. Your employees might not always be aware of the benefits cost to the company, so making sure they know is your responsibility. For example, if you pay for 80 percent of the medical insurance premiums, let your employees know. This type of communication can go a long way to allowing the employees to see their value to you within the organization.

Key Takeaways

- Before beginning work on a pay system, some general questions need to be answered. Questions such as what is a fair wage from the employee's perspective and how much can be paid but still retain financial health are important starting points.
- After some pay questions are answered, development of a pay philosophy must be developed. For example, an organization may decide to pay lower salaries but offer more benefits.
- Once these tasks are done, the HR manager can then build a pay system that works for the size and industry of the organization.
- Besides salary, one of the biggest expenses for compensation is medical benefits. These can include health benefits, vision, dental, and disability benefits.
- Social Security and unemployment insurance are both required by federal law. Both are paid as a percentage of income by the employee and employer.
- Depending on the state, workers' compensation might be a requirement. A percentage is paid on behalf of the employee in case he or she is hurt on the job.
- A mandatory benefit, COBRA was enacted to allow employees to continue their health insurance coverage, even if they leave their job.
- There are three main types of health-care plans. A fee-based plan allows the insured to see any doctor and submit reimbursement after a visit. An HMO plan restricts employees to certain doctors and facilities and may require a copayment and/or deductibles. A PPO plan is similar to the HMO but allows for more flexibility in which providers the employee can see.

- Pension funds were once popular, but as people tend to change jobs more, 401(k) plans are becoming more popular, since they can move with the employee.
- Profit sharing is a benefit in which employees receive a percentage of profit the organization earns. Stock ownership plans are plans in which employees can purchase stock or are granted stock and become an owner in the organization.
- Team rewards are also a popular way to motivate employees. These can be in the form of compensation if a group or the company meets certain target goals.
- Paid time off, or PTO, can come in the form of holidays, vacation time, and sick leave. Usually, employees earn more days as they stay with the company.
- Communication with employees is key to a successful benefits strategy.

Exercises

1. Of the benefits we discussed, which ones are required by law? Which are not?
2. Research current Federal Insurance Contributions Act (FICA) tax rates and Social Security limits, as these change frequently. Write down each of these rates and be prepared to share in class.
3. Describe the considerations when developing medical benefits. Which do you think would be the most important to you as the HR manager?
4. Visit websites of three companies you might be interested in working for. Review the incentives they offer and be prepared to discuss your findings in class.

6.6 Cases and Problems

Chapter Summary

- A compensation package is an important part of the overall strategic HRM plan, since much of the company budget is for employee compensation.

- A compensation package can include salary, bonuses, health-care plans, and a variety of other types of compensation.
- The goals of compensation are first to attract people to work for your organization. Second, they can be used to retain people who are already working in the organization.
- Compensation is also used to motivate employees to work at their peak performance and improve morale of the organization.
- Employees who are fairly compensated tend to provide better customer service, which can result in organizational growth and development.
- Several types of pay systems can be implemented. A pay grade system sets up specific pay levels for particular jobs, while a going rate system looks at the pay throughout the industry for a certain job title. Management fit gives maximum flexibility for managers to pay what they think someone should earn.
- HR managers can also develop pay systems based on skills and competency and utilize a broadbanding approach, which is similar to pay grades. Another option might include variable pay.
- There are several motivational theories in regard to pay. First, the equity theory says that people will evaluate their own satisfaction with their compensation by comparing it to others' compensation. The expectancy theory says people will put in only as much work as they expect to receive in rewards. Finally, the reinforcement theory says that if high performance is followed by a reward, high performance is likely to happen in the future.
- Other pay considerations include the size of the organization, whether the company is global, and the level of communication and employee involvement in compensation. HR managers should always be aware of what others are paying in the industry by performing market surveys.
- There are several laws pertaining to pay. Of course, the Equal Employment Opportunity Commission (EEOC) ensures that pay is fair for all and does not discriminate. The Fair Labor Standards Act (FLSA) sets a minimum wage and establishes standards for child labor. The Federal Unemployment Tax Act (FUTA) requires employers to pay unemployment taxes on employees. TheFederal Employees Compensation Act (FECA) ensures that federal employees receive certain benefits.
- Besides salary, one of the biggest expenses for compensation is medical benefits. These can include health benefits, vision, dental, and disability benefits.

- The Consolidated Omnibus Budget Reconciliation Act(COBRA) was enacted to allow employees to continue their health insurance coverage, even if they leave their job.
- There are three main types of health-care plans. A fee-based plan allows the insured to see any doctor and submit reimbursement after a visit. An HMO plan restricts employees to certain doctors and facilities and may require a copayment and/or deductibles. A PPO plan is similar to the HMO but allows for more flexibility in which providers the employee can see.
- Pension funds were once popular, but as people tend to change jobs more, 401(k) plans are becoming more popular, since they can move with the employee.
- Profit sharing is a benefit in which employees receive a percentage of profit the organization earns. Stock ownership plans are plans in which employees can purchase stock or are granted stock and become an owner in the organization.
- Team rewards are also a popular way to motivate employees. These can be in the form of compensation if a group or the company meets certain target goals.
- Social Security and unemployment insurance are both required by federal law. Both are paid as a percentage of income by the employee and employer.
- Depending on the state, workers' compensation might be a requirement. A percentage is paid on behalf of the employee in case he or she is hurt on the job.
- Paid time off, or PTO, can come in the form of holidays, vacation time, and sick leave. Usually, employees earn more days as they stay with the company.
- Communication with employees is key to a successful benefits strategy. This includes communication before implementing the plan as well as communication about the plan.

Chapter Case

PTO: Too Little or Too Much?

You just finished analyzing information for the current compensation and benefits program. You find that some changes should be made, as the majority of employees (you have 120 employees) are not happy with what is being offered. In fact, the plan had not been revised in over fifteen years, making it dated and definitely ready for some changes.

One of the major points of contention is the PTO the organization offers. Employees feel the current system of sick time and vacation time offers too few options. For example, one employee says, "I often come to work sick, so I can still have my vacation time for my vacation." Another employee says, "I have given nine years to this organization, but I receive only three days more than someone who has just started." Here is the current PTO offering:

1+ year	7 days
5+years	10 days
10+ years	14 days

What cost considerations would you take into account when revising this part of your compensation plan?

What other considerations would you take into account when developing a new PTO plan?

Propose a new plan and estimate the cost of your plan on an Excel spreadsheet. Be prepared to present to the board of directors.

Team Activity

Work in teams of four or five. Assume your organization is expanding and wants to open a sales office overseas. What compensation factors would be a concern? Brainstorm a list and be prepared to present to the rest of the class.

Go to http://www.bls.gov/oco/ and review the information on the Occupational Outlook Handbook in teams of three. Pick three different jobs under the management category and record their average salary. Discuss reasons for the pay difference between the jobs you choose.

Chapter 7 Retention and Motivation

7.1 Dissatisfaction Isn't Always about Pay

As an HR consultant, your job normally involves reviewing HR strategic plans and systems of small to medium size companies, then making recommendations on how to improve. Most of the companies you work with do not have large HR departments, and they find it less expensive to hire you than to hire a full-time person.

Your current client, Pacific Books, is a small online retailer with forty-seven employees. Pacific Books has had some challenges, and as the economy has improved, several employees have quit. They want you to look into this issue and provide a plan to improve retention.

Pacific Books currently has just one person managing payroll and benefits. The individual managers in the organization are the ones who handle other HR aspects, such as recruiting and developing compensation plans. As you speak with the managers and the payroll and benefits manager, it is clear employees are not happy working for this organization. You are concerned that if the company does not improve its employee retention, they will spend an excessive amount of time trying to recruit and train new people, so retention of the current employees is important.

As with most HR issues, rather than just guessing what employees want, you develop a survey to send to all employees, including management. You developed the survey on Survey Monkey and asked employee satisfaction questions surrounding pay and benefits. However, you know that there are many other things that can cause someone to be unhappy at work, so to take this survey a step further, you decide to ask questions about the type of work employees are doing, management style, and work-life balance. Then you send out a link to all employees, giving them one week to take the survey.

When the results come in, they are astounding. Out of the forty-seven employees, forty-three selected "dissatisfied" on at least four or more areas of the five-question survey. While some employees are not happy with pay and benefits, the results say that other areas of the organization are actually what are causing the dissatisfaction. Employees are feeling micromanaged and do not have freedom over their time. There are also questions of favoritism by some managers for some employees, who always seem to get the "best" projects. When you sit down with the CEO to discuss the survey results, at first she defends the organization by saying the company offers the highest salaries and best benefits in the industry, and she doesn't understand how someone can be dissatisfied. You explain to her that employee retention and motivation is partly about pay and benefits, but it includes other aspects of the employee's job, too. She listens intently and then asks you to develop a retention and motivation plan that can improve the organization.

7.2 The Costs of Turnover

Learning Objectives

1. Be able identify the difference between direct and indirect turnover costs.
2. Describe some of the reasons why employees leave.
3. Explain the components of a retention plan.

According to the book Keeping the People Who Keep You in Business by Leigh Branham, [1] the cost of losing an employee can range from 25 percent to 200 percent of that employee's salary. Some of the costs cited revolve around customer service disruption and loss of morale among other employees, burnout of other employees, and the costs of hiring someone new. Losing an employee is called turnover.

There are two types of turnover, voluntary turnover and involuntary turnover. Voluntary turnover is the type of turnover that is initiated by the employee for many different reasons. Voluntary turnover can be somewhat predicted and addressed in HR, the focus of this chapter. Involuntary turnover is where the employee has no choice in their termination—for example, employer-initiated due to nonperformance. This is discussed further in "Successful Employee Communication (Page 263)".

It has been suggested that replacement of an employee who is paid $8 per hour can range upwards of $4,000. [2] Turnover can be calculated by separations during the time period (month)/total number of employees midmonth × 100 = the percentage of turnover. For example, let's assume there were three separations during the month of August and 115 employees midmonth. We can calculate turnover in this scenario by 3/115 × 100 = 2.6% turnover rate.

This gives us the overall turnover rate for our organization. We may want to calculate turnover rates based on region or department to gather more specific data. For example, let's say of the three separations, two were in the accounting department. We have ten people in the accounting department. We can calculate that by accounting: 2/10 × 100 = 20% turnover rate.

1. Leigh Branham, Keeping the People Who Keep You in Business (New York: American Management Association, 2000), 6.
2. Noel Paiement "It Will Cost You $4,000 to Replace Just One $8 per Hour Employee," Charity Village, July 13, 2009, accessed August 30, 2011,http://www.charityvillage.com/cv/research/rhr50.html.

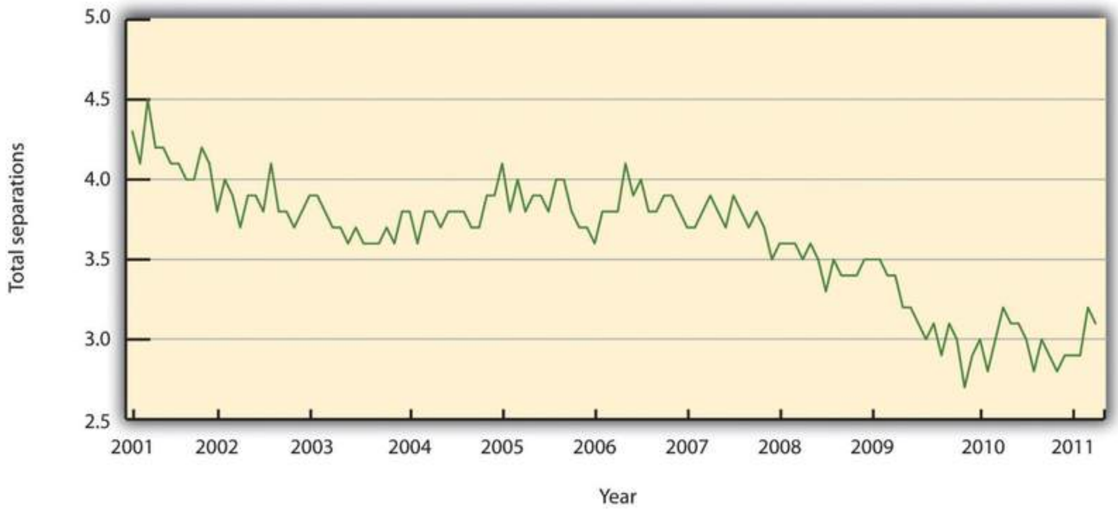


Fig. 7.1: United States Yearly Turnover Statistics, 2001–11 Source: Data from Bureau of Labor Statistics, "Job Openings and Labor Turnover Survey," accessed August 11, 2011, http://www.bls.gov/

The turnover rate in accounting is alarmingly high compared to our company turnover rate. There may be something happening in this department to cause unusual turnover. Some of the possible reasons are discussed in "Reasons for Voluntary Turnover (Page 192)".

In HR, we can separate the costs associated with turnover into indirect costs and direct costs. Direct turnover costs include the cost of leaving, replacement costs, and transition costs, while indirect turnover costs include the loss of production and reduced performance. The following are some examples of turnover costs: [3]

- Recruitment of replacements
- Administrative hiring costs
- Lost productivity associated with the time between the loss of the employee and hiring of replacement
- Lost productivity due to a new employee learning the job
- Lost productivity associated with coworkers helping the new employee
- Costs of training
- Costs associated with the employee's lack of motivation prior to leaving
- Sometimes, the costs of trade secrets and proprietary information shared by the employee who leaves
- Public relations costs
-

3. Carl. P. Maertz, Jr. and M. A. Campion, "25 Years of Voluntary Turnover Research: A Review and Critique," in International Review of Industrial and Organizational Psychology, vol. 13, ed. Cary L. Cooper and Ivan T. Robertson (London: John Wiley, 1998), 49–86.

To avoid these costs, development of retention plans is an important function of the HR strategic plan. Retention plans outline the strategies the organization will use to reduce turnover and address employee motivation.

Direct	Indirect
Recruitment costs	Lost knowledge
Advertising costs for new position	Loss of productivity while new employee is brought up to speed
Orientation and training of new employee	Cost associated with lack of motivation prior to leaving
Severance costs	Cost associated with loss of trade secrets
Testing costs	
Time to interview new replacements	
Time to recruit and train new hires	

Table 7.1: Turnover Costs

7.2.1 Reasons for Voluntary Turnover

Before we discuss specific details on retention planning, it is important to address the reasons why people choose to leave an organization to begin with. One mistake HR professionals and managers make is to assume people leave solely on the basis of their unhappiness with their compensation packages. Many factors can cause demotivated employees, which we discuss in "Theories on Job Dissatisfaction (Page 196)".

Once we find out what can cause voluntary turnover, we can develop retention strategies to reduce turnover. Some of the common reasons employees leave organizations can include the following:

1. A poor match between the job and the skills of the employee. This issue is directly related to the recruitment process. When a poor match occurs, it can cause frustration for the employee and for the manager. Ensuring the recruitment phase is viable and sound is a first step to making sure the right match between job and skills occurs.

2. Lack of growth. Some employees feel “stuck” in their job and don’t see a way to have upward mobility in the organization. Implementing a training plan and developing a clearly defined path to job growth is a way to combat this reason for leaving.

3. Internal pay equity. Some employees, while they may not feel dissatisfied with their own pay initially, may feel dissatisfaction when comparing their pay with others. Remember the pay equity theory discussed in "Compensation and Benefits (Page 146)"? This theory relates to one reason why people leave.

4. Management. Many employees cite management as their reason for leaving. This can be attributed to overmanaging (micromanaging) people, managers not being fair or playing favorites, lack of or poor communication by managers, and unrealistic expectations of managers.

5. Workload. Some employees feel their workloads are too heavy, resulting in employees being spread thin and lacking satisfaction from their jobs, and possibly, lack of work-life balance as a result. We know that some people will move or perhaps their family situation changes. This type of turnover is normal and expected. Figure 7.2 "Common Reasons for Employee Turnover" shows other examples of why people leave organizations.

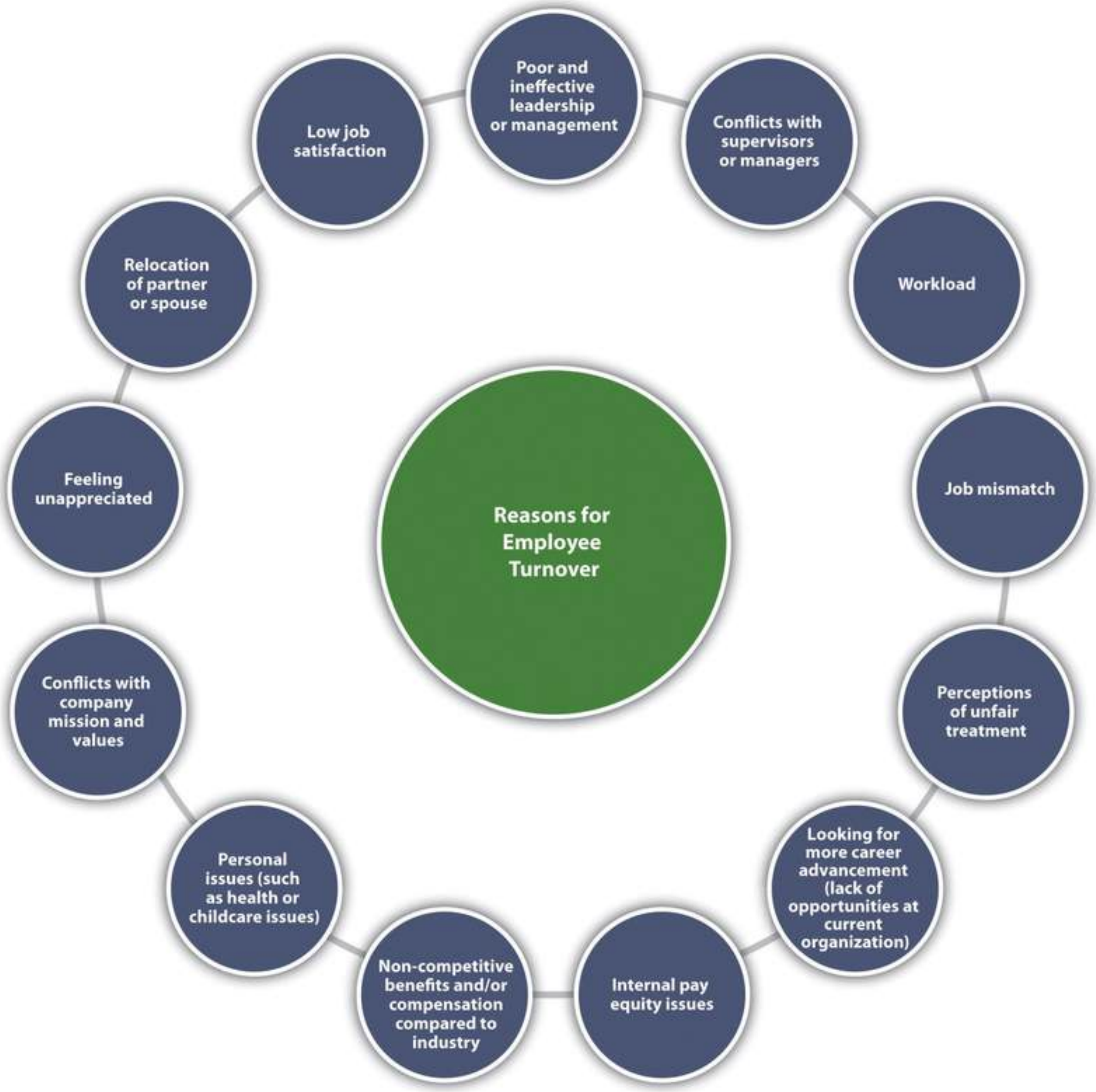


Fig. 7.2: Common Reasons for Employee Turnover

As HR professionals and managers, we want to be sure we have plans in place to keep our best people. One such plan is the retention plan, which we will discuss in "Retention Plans (Page 195)".

Human Resource Recall

Do you feel your current or past organization did a good job of reducing turnover? Why or why not?

Key Takeaways

- Retaining employees is an important component to a healthy organization. Losing an employee is called turnover. Turnover can be very expensive to an organization, which is why it is important to develop retention plans to manage turnover.
- Voluntary turnover is turnover that is initiated by the employee, whileinvoluntary turnover is initiated by the organization for various reasons such as nonperformance.

- Direct turnover costs and indirect turnover costs can include the costs associated with employee replacement, declining employee morale, or lost customers.
- Some of the reasons why employees leave can include a poor match between job and skills, no growth potential, pay inequity among employees, the fairness and communication style of management, and heavy workloads.

Exercises

1. Perform an Internet search of average employee turnover cost and report findings from at least three different industries or companies.

7.3 Retention Plans

Learning Objectives

1. Be able to discuss some of the theories on job satisfaction and dissatisfaction.
2. Explain the components of a retention plan.

Effective high-performance work systems (HPWS) is the name given to a set of systematic HR practices that create an environment where the employee has greater involvement and responsibility for the success of the organization. A high-performance work system is a strategic approach to many of the things we do in HR, including retention. Generally speaking, a HPWS gets employees involved in conceiving, designing, and implementing processes that are better for the company and better for the employee, which increases retention. Figure 7.4 "HR Components of a HPWS"gives an example of HR's part in creating these systems.

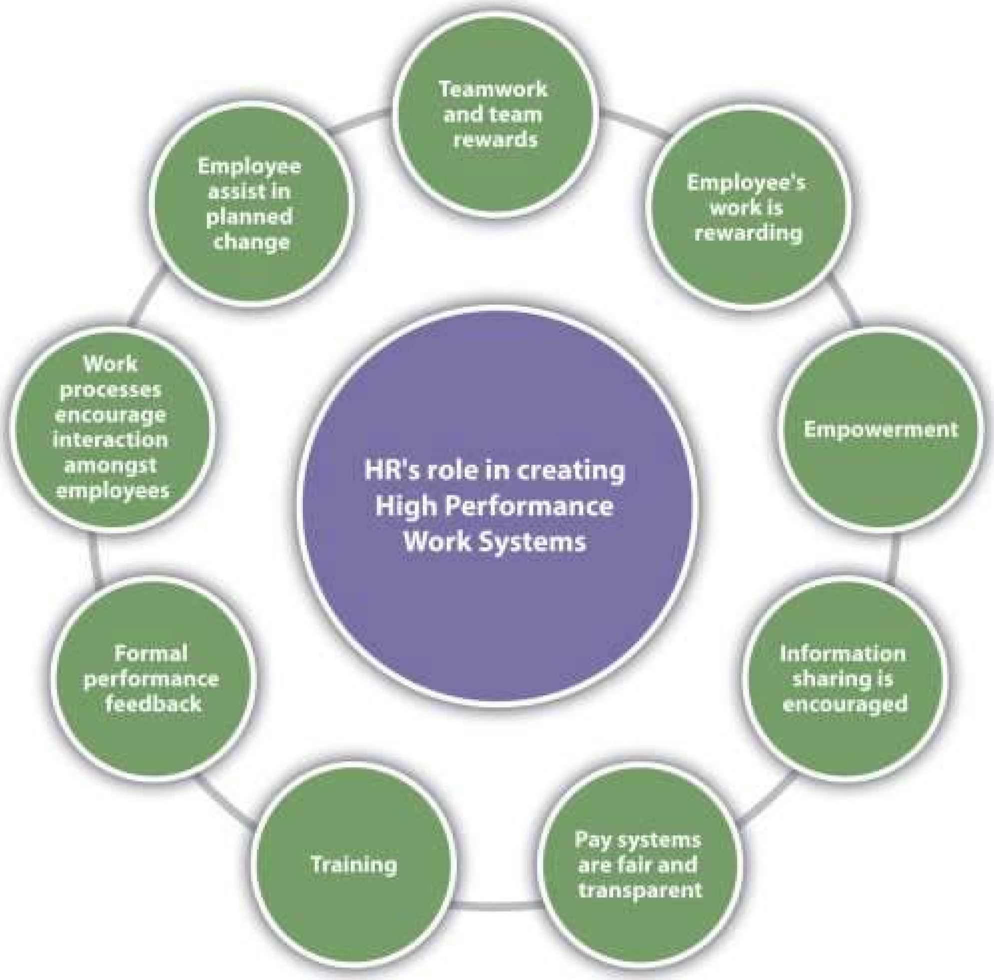


Fig. 7.3: HR Components of a HPWS

Keeping HPWS in mind, we can begin to develop retention plans. The first step in this process is to understand some of the theories on job satisfaction and dissatisfaction. Next, we can gather data as to the satisfaction level of our current employees. Then we can begin to implement specific strategies for employee retention.

7.3.1 Theories on Job Dissatisfaction

There are a number of theories that attempt to describe what makes a satisfied employee versus an unsatisfied employee. While you may have learned about these theories in another class, such as organizational behavior, they are worth a review here to help us better understand employee satisfaction from an HR perspective.

7.3.2 Progression of Job Withdrawal

The first step to developing a retention plan is understanding some of the theories surrounding job satisfaction. One of the basic theories is the progression of job withdrawal theory, developed by Dan Farrell and James Petersen. [4] It says that people develop a set of behaviors in succession to avoid their work situation. These behaviors include behavior change, physical withdrawal, and psychological withdrawal.

Within the behavior change area, an employee will first try to change the situation that is causing the dissatisfaction. For example, if the employee is unhappy with the management style, he or she might consider asking for a department move. In the physical withdrawal phase, the employee does one of the following:

- Leaves the job
- Takes an internal transfer
- Starts to become absent or tardy

If an employee is unable to leave the job situation, he or she will experience psychological withdrawal. They will become disengaged and may show less job involvement and commitment to the organization, which can create large costs to the organization, such as dissatisfied customers.

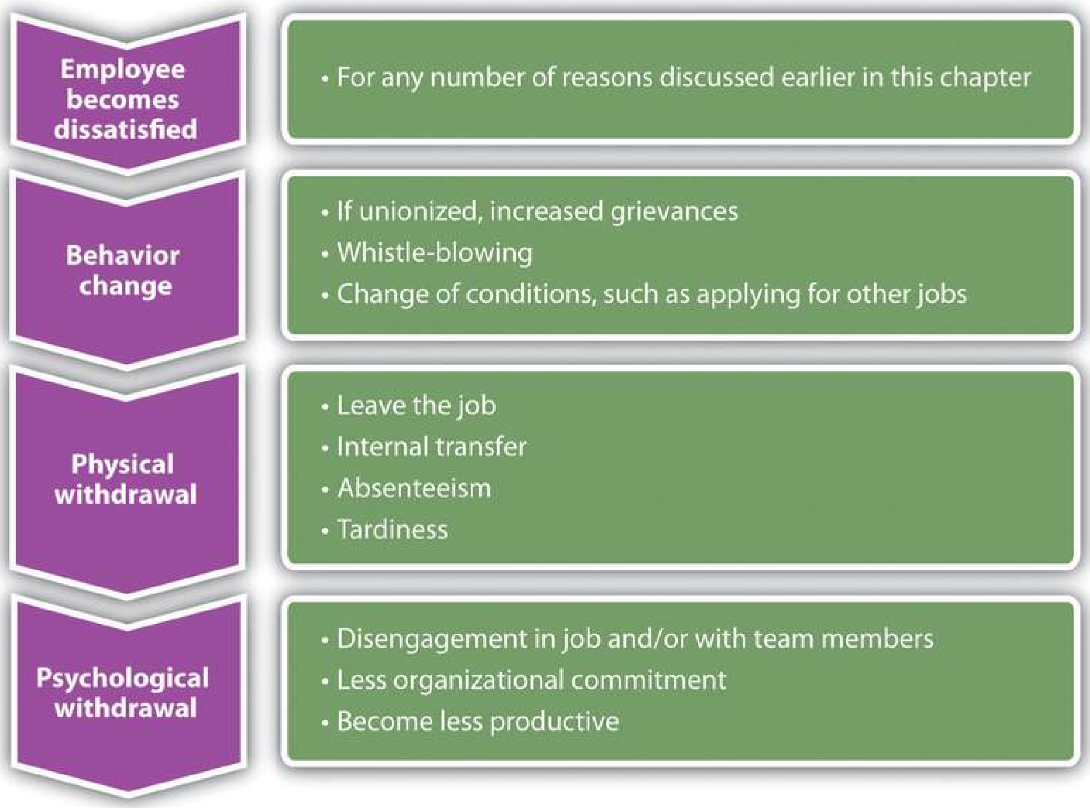


Fig. 7.4: Process of Job Withdrawal

4. Dan Farrell and James C. Petersen, "Commitment, Absenteeism and Turnover of New Employees: A Longitudinal Study," Human Relations 37, no. 8 (August 1984): 681–692, accessed August 26, 2011,http://libres.uncg.edu/ir/uncg/f/J_Petersen_Commitment_1984.pdf.

7.3.3 Hawthorne Studies

Between 1927 and 1932, a series of experiments were conducted by Elton Mayo in the Western Electric Hawthorne Works company in Illinois. [5] Mayo developed these experiments to see how the physical and environmental factors of the workplace, such as lighting and break times, would affect employee motivation.

This was some of the first research performed that looked at human motivation at work. His results were surprising, as he found that no matter which experiments were performed, worker output improved. His conclusion and explanation for this was the simple fact the workers were happy to receive attention from researchers who expressed interest in them. As a result, these experiments, scheduled to last one year, extended to five years to increase the knowledge base about human motivation.

The implication of this research applies to HR and managers even today. It tells us that our retention plans must include training and other activities that make the employee feel valued.

7.3.4 Maslow's Hierarchy of Needs

In 1943, Abraham Maslow developed what was known as the theory of human motivation. [6] His theory was developed in an attempt to explain human motivation. According to Maslow, there is a hierarchy of five needs, and as one level of need is satisfied, it will no longer be a motivator. In other words, people start at the bottom of the hierarchy and work their way up. Maslow's hierarchy consists of the following:

- Self-actualization needs
- Esteem needs
- Social needs
- Safety needs
- Physiological needs

Physiological needs are our most basic needs, including food, water, and shelter. Safety needs at work might include feeling safe in the actual physical environment, or job security. As humans, we have the basic need to spend time with others. Esteem needs refer to the need we have to feel good about ourselves. Finally, self-actualization needs are the needs we have to better ourselves.

The implications of his research tell us, for example, that as long as an employee's physiological needs are met, increased pay may not be a motivator. Likewise,

5. Elton Mayo, The Social Problems of an Industrial Civilization (1949; repr., New York: Arno Press, 2007).
6. Abraham Maslow, Toward a Psychology of Being, 3rd ed. (New York: Wiley, 1999).

employees should be motivated at work by having all needs met. Needs might include, for example, fair pay, safety standards at work, opportunities to socialize, compliments to help raise our esteem, and training opportunities to further develop ourselves.

7.3.5 Herzberg Two-Factor Theory

In 1959, Frederick Herzberg published The Motivation to Work, [7] which described his studies to determine which aspects in a work environment caused satisfaction or dissatisfaction. He performed interviews in which employees were asked what pleased and displeased them about their work. From his research, he developed the motivation-hygiene theory to explain these results.

The things that satisfied the employees were motivators, while the dissatisfiers were the hygiene factors. He further said the hygiene factors were not necessarily motivators, but if not present in the work environment, they would actually cause demotivation. In other words, the hygiene factors are expected and assumed, while they may not necessarily motivate.

His research showed the following as the top six motivation factors:

1. Achievement
2. Recognition
3. The work itself
4. Responsibility
5. Advancement
6. Growth

The following were the top six hygiene factors:

1. Company policies
2. Supervision
3. Relationship with manager
4. Work conditions
5. Salary
6. Relationship with peers

The implication of this research is clear. Salary, for example, is on the hygiene factor list. Fair pay is expected, but it doesn't actually motivate someone to do a better job.

7. Frederick Herzberg, Bernard Mausner, and Barbara Bloch Snyderman, The Motivation to Work (New Brunswick, NJ: Transaction Publishers, 1993).

On the other hand, programs to further develop employees, such as management training programs, would be considered a motivator. Therefore, our retention plans should be focused on the area of fair salary of course, but if they take the direction of Herzberg's motivational factors, the actual motivators tend to be the work and recognition surrounding the work performed.

7.3.6 McGregor

Douglas McGregor proposed the X-Y theory in his 1960 book called The Human Side of Enterprise. [8] McGregor's theory gives us a starting point to understanding how management style can impact the retention of employees. His theory suggests two fundamental approaches to managing people. Theory X managers, who have an authoritarian management style, have the following fundamental management beliefs:

- The average person dislikes work and will avoid it.
- Most people need to be threatened with punishment to work toward company goals.
- The average person needs to be directed.
- Most workers will avoid responsibility.

Theory Y managers, on the other hand, have the following beliefs:

Most people want to make an effort at work.

- People will apply self-control and self-direction in pursuit of company objectives.
- Commitment to objectives is a function of expected rewards received.
- People usually accept and actually welcome responsibility.
- Most workers will use imagination and ingenuity in solving company problems.

As you can see, these two belief systems have a large variance, and managers who manage under the X theory may have a more difficult time retaining workers and may see higher turnover rates. As a result, it is our job in HR to provide training opportunities in the area of management, so our managers can help motivate the employees. Training is a large part of the retention plan. This will be addressed in more detail in "Implementing Retention Strategies (Page 207)".

Human Resources Recall

What are the disadvantages of taking a theory X approach with your employees?

8. Douglas McGregor, The Human Side of Enterprise (1960; repr., New York: McGraw-Hill, 2006).

7.3.7 Carrot and Stick

It is unknown for sure where this term was first used, although some believe it was coined in the 1700s during the Seven Years' War. In business today, the stick approach refers to "poking and prodding" to get employees to do something. The carrot approach refers to the offering of some reward or incentive to motivate employees. Many companies use the stick approach, as in the following examples:

- If you don't increase your sales by 10 percent, you will be fired.
- Everyone will have to take a pay cut if we don't produce 15 percent more than we are currently producing.

As you can see, the stick approach takes a punitive look at retention, and we know this may motivate for a short period of time, but not in the long term.

The carrot approach might include the following:

- If you increase sales by 10 percent, you will receive a bonus.
- If production increases by 15 percent, the entire team will receive an extra day off next month.

The carrot approach takes a much more positive approach to employee motivation but still may not be effective. For example, this approach can actually demotivate employees if they do not feel the goal is achievable. Also, if organizations use this as the only motivational technique, ignoring physiological rewards such as career growth, this could be a detriment as well. This approach is used as a retention method, usually as part of a compensation plan.

All the employee satisfaction theories we have discussed have implications for the development of our retention plans and reduction of turnover. These theories can be intertwined into the specific retention strategies we will implement. This is discussed in Section 7.3.1 "Salaries and Benefits".

7.3.8 Sources of Employee Satisfaction Data

After we have an understanding of why employees leave and employee satisfaction theories, research is our next step in developing a retention plan that will work for your organization. There isn't a "one size fits all" approach to retention planning, so the research component is essential to formulate a plan that will make a difference in turnover rates.

Research can be performed in two ways. First, exit interviews of employees who are leaving the organization can provide important retention information.

Anexit interview is an interview performed by HR or a manager that seeks information as to what the employee liked at the organization and what they see should be improved. Exit interviews can be a valuable way to gather information about employee satisfaction and can serve as a starting point for determining any retention issues that may exist in the organization. However, the exit survey data should be reviewed over longer periods of time with several employees, so we can be sure we are not making retention plans based on the feedback of only a few people.

Sample Exit Interview Questions

1. What is your primary reason for leaving?
2. What did you like most about your job?
3. What did you like least about your job?
4. Did you feel there was room for growth in your job?
5. What incentives did you utilize while at our company?
6. Which incentives would you change and why?
7. Did you have enough training to do your job effectively?

The second way to perform research is through employee satisfaction surveys. A standardized and widely used measure of job satisfaction is thejob descriptive index (JDI) survey. While JDI was initially developed in 1969 at Bowling Green State University, it has gone through extensive revisions, the most recent one in 2009. JDI looks at five aspects of job satisfaction, including present job, present pay, opportunities for promotion, supervision, and coworkers. [9] Each of the five facets contains nine or eighteen questions; the survey can be given in whole or measure only one facet. The value of the scale is that an HR manager can measure job satisfaction over a period of time and compare current results to past results and even compare job satisfaction at their company versus their industry. This allows the HR manager to consider changes in the organization, such as a change in compensation structure, and see how job satisfaction is impacted by the change.

Any type of survey can provide information on the employee's satisfaction with their manager, workload, and other satisfaction and motivational issues. An example of a general employee satisfaction survey is shown in Figure 7.7 "A Sample Employee Satisfaction Survey". However, a few things should be considered when developing an employee satisfaction survey:

1. Communicate the purpose and goal of the survey.
2. Once the survey is complete, communicate what changes have been made as a result of the survey.
3. Assure employees their responses will be anonymous and private.

9. "Job Descriptive Index," JDI Research Group, Bowling Green State University, accessed July 29, 2011, http://www.bgsu.edu/departments/psych/io/jdi/page54706.html.

4. Involve management and leadership in the survey development.
5. Ask clear, concise questions that get at the root of morale issues.

Once data have been gathered and analyzed, we can formulate our retention plans. Our plan should always be tied to the strategic goals of the organization and the HPWS previously developed, and awareness of motivational theories should be coupled with the plans. Here are the components of a retention plan:

1. JDI survey results, other survey results, and exit interview findings
2. Current retention plans, strengths, and weaknesses
3. Goals of a retention plan (e.g., reduce turnover by 10 percent)
4. Individual strategies to meet retention and turnover reduction goals.
5. Budgeting. An understanding of how your retention plans will impact the payroll budget is important. See Video 7.2 for an example on how to calculate turnover costs and compare those to costs saved with an effective retention strategy.

In "Implementing Retention Strategies (Page 207)", we will discuss the implementation of specific retention strategies.

ZARCA INTERACTIVE®
KNOW WHAT'S NEXT™

Sample Employee Satisfaction Survey/ Sample Questions for Employee Satisfaction Survey

A brief version of the larger Employee Satisfaction Survey, this questionnaire serves to obtain a brief snapshot of employee climate. Some of the topics addressed in the survey include: perception of job description, position within the company, relationships with supervisors, advancement opportunities, and overall satisfaction.

This survey asks questions about your experience working for The Company. It starts and ends with some questions about your satisfaction with various aspects of work and contains other questions about how you think and feel about The Company. Thank you for sharing your opinions.

1.
Overall, how satisfied are you working for The Company?

-Select-

2.
What I like best about working for The Company is...

Characters Remaining: 800

3.
Things that The Company should do to make it a better workplace are...

Characters Remaining: 800

4.
Please indicate the extent to which you agree with the following statements:

	Disagree Completely	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree	Agree Completely
(a) The company clearly conveys its mission to its employees.							
(b) There is good communication from managers to employees.							
(c) I have the tools and resources I need to do my job.							
(d) I have the training I need to do my job.							
(e) I feel underutilized in my job.							
(f) The amount of work expected of me is reasonable.							
(g) It is easy to get along with my colleagues.							
(h) The morale in my department is high							

5.
Please indicate the extent to which you agree with the following statements.

	Disagree Completely	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree	Agree Completely
(a) Overall, my supervisor does a good job.							
(b) My supervisor promotes an atmosphere of teamwork.							
(c) My supervisor provides me with actionable suggestions on what I can do to improve.							
(d) When I have questions or concerns, my supervisor is able to address them.							

6.
How satisfied are you with...

	Completely Dissatisfied	Very Dissatisfied	Somewhat Dissatisfied	Neutral	Somewhat Satisfied	Very Satisfied	Completely Satisfied
(a) your pay?							
(b) your career progression at The Company thus far?							
(c) benefits offered by The Company?							
(d) the process used to determine annual raises?							

7.
What is your current position?

Position 1

Position 2

Position 3

Position 4

Position 5

8.
In which department do you work?

Department 1

Department 2

Department 3

Department 4

Department 5

9.
How many years have you been with The Company?

Less than a year

1 - 3 years

4 - 6 years

More than six years

10.
What is your primary work location?

Location 1

Location 2

Location 3

Location 4

Location 5

11.
What is your gender?

Male

Female

12.
What is your age?

18 - 29

30 - 39

40 - 55

55+ years

Sample Employee Satisfaction Survey Questions by Zarca Interactive

Fig. 7.5: A Sample Employee Satisfaction Survey

KEY TAKEAWAYS

- A high-performance work system (HPWS) is a set of systematic HR practices that create an environment where the employee has greater involvement and responsibility for the success of the organization. The overall company strategy should impact the HPWS HR develops in regard to retention.
- Retention plans are developed to address employee turnover, resulting in a more effective organization.
- The first step in developing a retention plan is to use exit interviews and/or surveys to find out the satisfaction level of employees. Once you have the data, you can begin to write the plan, making sure it is tied to the organizational objectives.
- A standardized and widely used measure of job satisfaction is the JDI survey, or the Job Descriptive Index. While JDI was initially developed in 1969 at Bowling Green State University, it has gone through extensive revisions, the most recent one in 2009. JDI looks at five aspects of job satisfaction, including present job, present pay, opportunities for promotion, supervision, and coworkers. [10]
- A retention plan normally consists of survey and exit interview analysis, any current plans and strengths and weaknesses of those plans, the goal of the retention plan, and finally, the specific strategies to be implemented.
- There are many motivation theories that attempt to explain people's motivation or lack of motivation at work.
- The Hawthorne studies were a series of studies beginning in 1927 that initially looked at physical environments but found that people tended to be more motivated when they felt cared about. The implications to retention are clear, in that employees should feel cared about and developed within the organization.
- Maslow's theory on motivation says that if someone already has a need met, giving them something to meet more of that need will no longer motivate. Maslow divided the needs into physiological, safety, social, esteem, and self-actualization needs. Many companies only motivate based on the low-level needs, such as pay. Development of training opportunities, for example, can motivate employees on high-level self-actualization needs.
- Herzberg developed motivational theories based on actual motivation factors and hygiene factors. Hygiene factors are those things that are expected in the workplace and will demotivate

10. "Job Descriptive Index," JDI Research Group, Bowling Green State University, accessed July 29, 2011, http://www.bgsu.edu/departments/psych/io/jdi/page54706.html.

employees when absent but will not actually motivate when present. If managers try to motivate only on the basis of hygiene factors, turnover can be high. Motivation on both of his factors is key to a good retention plan.

- McGregor's theory on motivation looked at managers' attitudes toward employees. He found that theory X managers had more of a negative view of employees, while theory Y managers had a more positive view. Providing training to the managers in our organization can be a key retention strategy based on McGregor's theory.
- The carrot-and-stick approach means you can get someone to do something by prodding or by offering some incentive to motivate them to do the work. This theory implies these are the only two methods to motivate, which of course, we know isn't true. The implication of this in our retention plan is such that we must utilize a variety of methods to retain employees.

EXERCISES

1. What types of things will motivate you in your career? Name at least five things. Where would these fit on Maslow's hierarchy of needs and Herzberg's two-factor theory?
2. How can you apply each of these motivation techniques to motivation theories?

- Training
- Employee recognition programs
- Bonuses
- Management training for your current managers
- Profit sharing

7.4 Implementing Retention Strategies

Learning Objective

1. Explain the strategies and considerations in development of a retention plan.

As we have addressed so far in this chapter, retention and reduction of turnover is paramount to a healthy organization. Performing research, such as calculating turnover rates, doing exit interviews, and surveying employees' satisfaction, are the first steps. Once this is done, understanding motivational theories and the application of them in the retention plan can help reduce turnover. Next, we can apply specific retention strategies to include in our plans, while keeping our budget in mind. Some of the retention strategies discussed have already or will be discussed in their own chapters, but they are certainly worth a mention here as part of the overall plan.

7.4.1 Salaries and Benefits

As we know from "Compensation and Benefits (Page 146)", a comprehensive compensation plan that includes not only pay but things such as health benefits and paid time off (PTO) is the first retention strategy that should be addressed. The compensation plan should not only help in recruitment of the right people but also help retain employees. Utilizing a pay banding system, in which the levels of compensation for jobs are clearly defined, is one way to ensure fairness exists within internal pay structures.

As we know from this chapter, compensation is not everything. An employee can be well paid and have great benefits but still not be satisfied with the organization. Some of the considerations surrounding pay as a way to retain employees include the following:

1. Instituting a standard process. Many organizations do not have set pay plans, which can result in unfairness when onboarding (the process of bringing someone "on board" with the company, including discussion and negotiation of compensation) or offering pay increases. Make sure the process for receiving pay raises is fair and defensible, so as not to appear to be discriminatory. This can be addressed in both your compensation planning process as well as your retention plan.

2. A pay communication strategy. Employees deserve to know how their pay rates are being determined. Transparency in the process of how raises are given and then communicating the process can help in your retention planning process. [11]

3. Paid time off. Is your organization offering competitive PTO? Consider implementing a PTO system that is based on the amount of hours an employee works. For example, rather than developing a policy based on hours worked for the company, consider revising the policy so that for every X number of hours worked, PTO is earned. This can create fairness for the salaried employee, especially for those employees who may work more than the required forty hours.

Please refer to "Compensation and Benefits (Page 146)" for more information on pay and benefits, and analyze how your compensation plans could be negatively affecting your retention.

11. "The Knowledge of Pay Study," WorldatWork and The LeBlanc Group LLC, 2010, accessed February 26, 2011, http://www.worldatwork.org/waw/Content/research/html/research-home.jsp.

7.4.2 Training and Development

To meet our higher level needs, humans need to experience self-growth. HR professionals and managers can help this process by offering training programs within the organization and paying for employees to attend career skill seminars and programs. In addition, many companies offer tuition reimbursement programs to help the employee earn a degree. Dick's Drive-In, a local fast food restaurant in Seattle, Washington, offers $18,000 in scholarships over four years to employees working twenty hours per week. There is a six-month waiting period, and the employee must continue to work twenty hours per week. In a high turnover industry, Dick's Drive-In boasts one of the highest retention rates around.

How Would You Handle This?

You work for a small organization in the HR department. One of your web developers schedules a meeting with you, and during the meeting she says that she doesn't see any career growth for her in the organization. As a result, she confides that she is planning to leave the organization as soon as she can find another job. She is one of the best developers you have and you would hate to lose her.

How Would You Handle This?
https://api.wistia.com/v1/medias/1348713/embed

The author discusses the How Would You Handle This situation in this chapter at: *https://api.wistia.com/v1/medias/1348713/embed*.

7.5 Performance Appraisals

"Employee Assessment (Page 321)" addresses performance appraisals.
The performance appraisal is a formalized process to assess how well an employee does his or her job. The effectiveness of this process can contribute to employee retention, in that employees can gain constructive feedback on their job performance, and it can be an opportunity for the manager to work with the employee to set goals within the organization. This process can help ensure the employee's upper level self-actualization needs are met, but it also can address some of the motivational factors discussed by Herzberg, such as achievement, recognition, and responsibility.

Human Resource Recall

How important is PTO to you? How do you think the amount of PTO would affect your likelihood to accept one job over another?

7.5.1 Succession Planning

Succession planning is a process of identifying and developing internal people who have the potential for filling positions. As we know, many people leave organizations because they do not see career growth or potential. One way we can combat this in our retention plan is to make sure we have a clear succession planning process that is communicated to employees. Succession planning is sometimes called the talent bench, because successful companies always have talented people "on the bench" or ready to do the job should a key position become vacant. The goals of most succession plans include the following: [12]

- Identify high-potential employees capable of advancing to positions of higher responsibility.
- Ensure the development of these individuals to help them be "ready" to earn a promotion into a new position.
- Ensure diversity in the talent bench by creating a formal succession planning process.

Succession planning must be just that: planned. This allows clear communication to the employees on how they can further develop within the organization, and it helps them see what skills they should master before that time comes. "Training and Development (Page 224)" will provide more information on how to develop and implement a succession plan.

7.5.2 Flextime, Telecommuting, and Sabbaticals

According to a Salary.com survey, the ability to work from home and flexible work schedules are benefits that would entice an employee to stay in their job. [13] The ability to implement this type of retention strategy might be difficult, depending on the type of business. For example, a retailer may not be able to implement this, since the sales associate must be in the store to assist customers. However, for many professions, it is a viable option, worth including in the retention plan and part of work-life balance, which we will discuss in "Work-Life Balance (Page 215)".

Some companies, such as Recreational Equipment Incorporated, based in Seattle, offer twelve weeks of unpaid leave per year (beyond the twelve weeks required under the Family and Medical Leave Act) for the employee to pursue volunteering or traveling opportunities. In addition, with fifteen years of service with the company,

12. William J. Rothwell and H. C. Kazanas, Building In-House Leadership and Management Development Programs: Their Creation, Management, and Continuous Improvement(Westport, CT: Quorum Books, 1999), 131.
13. "Employee Job Satisfaction and Retention Survey, 2007/2008," Salary.com, 2008, accessed February 26, 2011, http://www.salary.com/docs/resources/JobSatSurvey_08.pdf.

paid sabbaticals are offered, which include four weeks plus already earned vacation time.

7.5.3 Management Training

As we discuss in "Reasons for Voluntary Turnover (Page 192)", a manager can affect an employee's willingness to stay on the job. In a recent Gallup poll of one million workers, a poor supervisor or manager is the number one reason why people leave their jobs. [14] Managers who bully, use the theory X approach, communicate poorly, or are incompetent may find it difficult to motivate employees to stay within the organization. While in HR we cannot control a manager's behavior, we can provide training to create better management. Training of managers to be better communicators and motivators is a way to handle this retention issue. We will discuss training further in "Training and Development (Page 224)".

7.5.4 Conflict Management and Fairness

Perceptions on fairness and how organizations handle conflict can be a contributing factor to retention. Outcome fairness refers to the judgment that people make with respect to the outcomes they receive versus the outcomes received by others with whom they associate with. When people are deciding if something is fair, they will likely look at procedural justice, or the process used to determine the outcomes received. There are six main areas employees will use to determine the outcome fairness of a conflict:

1. Consistency. The employee will determine if the procedures are applied consistently to other persons and throughout periods of time.
2. Bias suppression. The employee perceives the person making the decision does not have bias or vested interest in the outcome.
3. Information accuracy. The decision made is based on correct information.
4. Correctability. The decision is able to be appealed and mistakes in the decision process can be corrected.
5. Representativeness. The employee feels the concerns of all stakeholders involved have been taken into account.
6. Ethicality. The decision is in line with moral societal standards.

For example, let's suppose JoAnn just received a bonus and recognition at the company party for her contributions to an important company project. Another

14. "No. 1 Reason People Quit Their jobs," AOL News, Netscape, n.d., accessed July 28, 2011,http://webcenters.netscape.compuserve.com/whatsnew/package.jsp?name=fte/quitjobs/quitjobs&floc=wn-dx.

employee, Sam, might compare his inputs and outputs and determine it was unfair that JoAnn was recognized because he had worked on bigger projects and not received the same recognition or bonus. When we look at how our retention strategies are developed, we want to be sure they can apply to everyone in the organization; otherwise it may cause retention problems. Some of the procedures questioned could include the following:

- How time off is requested
- How assignments of the "best" projects are given
- Division of work
- Promotion processes
- Pay processes

While some of these policies may seem minor, they can make a big difference in retention. Besides development of fair policies, we should be sure that the policies are clearly communicated and any processes are communicated as well. These types of policies should be revisited yearly and addressed in the retention plan if it appears they are causing employee dissatisfaction.

In addition to a sense of fairness within the organization, there should be a specific way (process) of managing conflict. If the organization is unionized, it is likely a grievance process is already in place to handle many types of conflicts. We will discuss this process in greater detail in "Working with Labor Unions (Page 362)". There are four basic steps to handle conflict. First, the individuals in conflict should try to handle the conflict by discussing the problem with one another. If this doesn't work, a panel of representatives from the organization should hear both sides of the dispute and make a recommendation. If this doesn't work, the organization may want to consider mediation and, in extreme cases, arbitration. Inmediation, a neutral third party from outside the organization hears both sides of a dispute and tries to get the parties to come to a resolution, while in arbitration, an outside person hears both sides and makes a specific decision about how things should proceed.

Fortune 500 Focus

With over nineteen thousand employees in sixty countries, Google has seen its share of retention problems. [15] In late 2010, Googlers left the organization en masse to work for Facebook or Twitter. [16] Many who left were looking for pre–initial public offering (IPO) organizations to work with, something that Google couldn't compete with, since it went IPO in April 2004. As a result of the high turnover, Google put its mathematical algorithms to work to determine which employees were most likely to leave, allowing HR to determine what departments to focus on in their retention plans. In 2011, Google gave

15. "Our Philosophy," Google, n.d., accessed July 28, 2011,http://www.google.com/about/corporate/company/tenthings.html.
16. Ben Popper, "Why Google's Retention Plan Backfired," CBS Business Network, September 16, 2010, accessed July 28, 2011, http://www.bnet.com/blog/high-tech/why-googles-retention-plan-backfired/1172.

every employee a 10 percent pay raise, and it continues to offer a variety of new and old perks, such as free food in any of its cafeterias, 20 percent of time to work on personal projects, and $175 peer spot bonuses. Google also offers free laundry services, climbing walls, tuition reimbursement, child-care centers, financial planning classes, and matching funds (up to $3,000 per employee) to nonprofit organizations. For all this, Google ranked number four on Fortune magazine's list of 100 best companies to work for in 2011. [17] Some say it isn't the perks, high pay, or bonuses but the company culture that Google creates. A weekly all-hands meeting with the founders, where people are encouraged to ask the founders questions, and a team focus meeting where everyone shares ideas are examples of the company culture Google creates. Google exemplifies the importance of culture in retention of employees.

7.5.5 Job Design, Job Enlargement, and Empowerment

As we have discussed previously, one of the reasons for job dissatisfaction is the job itself. Ensuring we are appropriately matching skills with the job when we do our initial hiring is important. Revisiting the recruitment plan and selection process should be a consideration.

Job enrichment means to enhance a job by adding more meaningful tasks to make the employee's work more rewarding. For example, if a retail salesperson is good at creating eye-catching displays, allow him or her to practice this skill and assign tasks revolving around this. Job enrichment can fulfill the higher level of human needs while creating job satisfaction at the same time. In fact, research in this area by Richard Hackman and Greg Oldham [18] found that employees need the following to achieve job satisfaction:

- Skill variety, or many different activities as part of the job
- Task identity, or being able to complete one task from beginning to end
- Task significance, or the degree to which the job has impact on others, internally or externally
- Autonomy, or freedom to make decisions within the job
- Feedback, or clear information about performance

In addition, job enlargement, defined as the adding of new challenges or responsibilities to a current job, can create job satisfaction. Assigning employees to a

17. "100 Best Companies to Work For," CNN Money, 2011, accessed July 28, 2011,http://money.cnn.com/magazines/fortune/bestcompanies/2011/snapshots/4.html.
18. Robert N. Ford, Motivation through the Work Itself (New York: American Management Association, 1969); William J. Paul, Keith B. Robertson, and Frederick Herzberg, "Job Enrichment Pays Off," Harvard Business Review, March–April 1969, 61–78.

special project or task is an example of job enlargement. Be cautioned, though, that some employees may resent additional work, and job enlargement could actually be a demotivator. Otherwise, knowing the employee and his or her goals and adding work that can be an end to these goals is the best way to achieve retention through job enlargement.

Employee empowerment involves employees in their work by allowing them to make decisions and act upon those decisions, with the support of the organization. Employees who are not micromanaged and who have the power to determine the sequence of their own work day, for example, tend to be more satisfied than those who are not empowered. Empowerment can include the following:

- Encourage innovation or new ways of doing things.
- Make sure employees have the information they need to do their jobs; for example, they are not dependent on managers for information in decision making.
- Use management styles that allow for participation, feedback, and ideas from employees.

7.5.6 Pay-for-Performance Strategies

"Compensation and Benefits (Page 146)", we discussed several pay-for-performance strategies we can implement to motivate our employees. A pay-for-performance strategy means that employees are rewarded for meeting preset objectives within the organization. For example, in a merit-based pay system, the employee is rewarded for meeting or exceeding performance during a given time period. Rather than a set pay increase every year, the increase is based on performance. Some organizations offer bonuses to employees for meeting objectives, while some organizations offer team incentive pay if a team achieves a specific, predetermined outcome. For example, each player on the winning team of the 2010 NFL Super Bowl earned a team bonus of $83,000, [19] while the losing team of the Super Bowl took home $42,000. Players also earn money for each wild card game and payoff game. Some organizations also offer profit sharing, which is tied to a company's overall performance. Gain sharing, different from profit sharing, focuses on improvement of productivity within the organization. For example, the city of Loveland in Colorado implemented a gain-sharing program that defined three criteria that needed to be met for employees to be given extra compensation. The city revenues had to exceed expenses, expenses had to be equal to or less than the previous year's expenses, and a citizen satisfaction survey had to meet minimum requirements.

To make sure a pay-for-performance system works, the organization needs to ensure the following:

- Standards are specific and measureable.

19. Darren Rovell, "How Much Do Players Get Paid for Winning the Super Bowl?" CNBC Sports, January 18, 2011, accessed July 29, 2011,http://www.cnbc.com/id/41138354/How_Much_Do_Players_Get_Paid_For_Winning_the_Super_Bowl.

- The system is applied fairly to all employees.
- The system is communicated clearly to employees.
- The best work from everyone in the organization is encouraged.
- Rewards are given to performers versus nonperformers.
- The system is updated as the business climate changes.
- There are substantial rewards for high performers.

As we have already addressed, pay isn't everything, but it certainly can be an important part of the employee retention plan and strategy.

7.5.7 Work-Life Balance

Work-life balance discussions originated during the 1960s and 1970s and pertained mostly to working mothers' meeting the demands of family and work. During the 1980s, the realization that meeting a work-life balance is important (for all, not just working mothers) resulted in companies such as IBM implementing flextime and home-based work solutions. The growing awareness of the work-life balance problem continued into the 1990s, when policies were developed and implemented but not acted upon by managers and employees, according to Jim Bird in Employment Relations Today. [20] Today, work-life balance is considered an important topic, so much so that the World at Work Society offers special certifications in this area. The World at Work certification programs focus on creation of successful programs to attract, retain, and motivate employees.

Karol Rose, author of Work Life Effectiveness, [21] says that most companies look at a systems approach of work-life balance, instead of a systems and individual approach. The systems approach to work-life balance includes policies and procedures that allow people flexibility, such as telecommuting and flextime options.

According to Rose, looking at the individual differences is equally as important as the systems approach. Brad Harrington, the director of Boston College's Center for Work and Family, stresses this issue: "Work-life balance comes down, not to an organizational strategy, but to an individual strategy." For example, a single parent has a different work-life balance need than someone without children. In other words, as HR professionals, we can create work-life balance systems, but we should also look at individual approaches. For example, at Recreational Equipment Incorporated (REI), [22] they use the systems approach perspective and offer paid time off and sabbaticals, but their employee assistance program also offers access to services, referrals, and free consulting for the individual to find his or her perfect work-life balance. For this,

20. Jim Bird, "Work-Life Balance: Doing It Right and Avoiding the Pitfalls," Employment Relations Today 33, no. 3 (2006), reprinted on WorkLifeBalance.com, accessed July 29, 2011,http://www.worklifebalance.com/assets/pdfs/article3.pdf.
21. Karol Rose, Work-life Effectiveness: Bottom-line Strategies for Today's Workplace(Scottsdale, AZ: World at Work Press, 2006).
22. "Pay and Benefits: Total Rewards at REI," Recreational Equipment Incorporated, n.d., accessed July 29, 2011, http://www.rei.com/jobs/pay.html.

REI receives a number nine ranking on Fortune's list of best companies to work for in the area of work-life balance.

The company culture can contribute greatly to work-life balance. Some organizations have a culture of flexibility that fares well for workers who do not want to feel tethered to an office, while some workers prefer to be in the office where more informal socializing can occur. While some companies promote work-life balance on paper, upper management needs to let employees know it is OK to take advantage of the alternatives to create a positive work-life balance. For example, companies place different levels of value on work-life options such as telecommuting. An organization may have a telecommuting option, but the employees must feel it is OK to use these options. Even in a company that has work-life balance systems, a manager who sends e-mails at 10 p.m. on Saturday night could be sending the wrong message to employees about the expectations, creating an environment in which work-life balance is not practiced in reality. O'Neill, a surf gear company in California, sends a strong message to its employees by offering half-day Fridays during the summer, [23] so employees can get a head start on the weekend.

Jim Bird, in his work-life balance article in Employment Relations Today, suggests implementing a work-life balance training program that is dual purpose (can serve both personal interests and professional development). In other words, implement trainings in which the employee can develop both personal skills and interests that can translate into higher productivity at work.

Besides the training program, Bird suggests creating a monthly work-life newsletter as an educational tool to show the company's commitment to work-life balance. The newsletter can include interviews from respected employees and tips on how to create a work-life balance.

Finally, training managers on the importance of work-life balance and how to create a culture that embraces this is a key way to use work-life balance as a retention strategy.

7.5.8 Other Retention Strategies

According to Fortune's "100 Best Companies to Work For," [24] retention strategies that are more unusual might be part of your retention plan. Some strategies from the list might include the following:

- On-site daycare or daycare assistance
- Gym memberships or on-site gyms
- Concierge service to assist in party planning or dog grooming, for example

23. "Vans, Quiksilver, and California Top Skate Companies Offer Dream Careers to FIDM's Graphic Design School Grads," Fashion News, June 4, 2011, accessed July 29, 2011,http://www.fashionnews.com/2011/06/04/vans-quiksilver-californias-top-skate-companies-offer-dream-careers-to-fidms-graphic -design-school-grads.
24. "100 Best Companies to Work For," CNN Money, 2011, accessed February 26, 2011,http://money.cnn.com/galleries/2011/news/companies/1101/gallery.bestcompanies_unusual_perks.fortune/5.html.

- On-site dry cleaning drop-off and pickup
- Car care, such as oil changes, on-site once a week
- On-site doggie daycare
- On-site yoga or other fitness classes
- "Summer Fridays," when all employees work half days on Fridays during the summer
- Various support groups for cancer survivors, weight loss, or support in caring for aging parents
- Allowance for fertility treatment benefits
- On-site life coaches
- Peer-to-peer employee recognition programs
- Management recognition programs

While some of these options may not work in your organization, we must remember to be creative when our goal is to retain our best employees and reduce turnover in our organizations. The bottom line is to create a plan and make sure the plan is communicated to all employees.

Key Takeaways

- Once you determine the employee's level of satisfaction through exit interviews and surveys and understand motivational theories, you can begin to develop specific retention strategies.
- Of course, salary and benefits are a major component of retention strategies. Consistent pay systems and transparent processes as to how raises occur must be included in a retention plan (and compensation strategy).
- Training and development meets the higher level needs of the individual. Many companies offer paid tuition programs, reimbursement programs, and in-house training to increase the skills and knowledge of the employee.
- Performance appraisals provide an avenue for feedback and goal setting. They also allow for employees to be recognized for their contributions.
- Succession plans allow employees to see how they can continue their career with the organization, and they clearly detail what employees need to do to achieve career growth, without leaving your organization.

- Flextime and telecommuting options are worth considering as an addition to your retention plan. These types of plans allow the employee flexibility when developing his or her schedule and some control of his or her work. Some companies also offer paid or unpaid sabbaticals after a certain number of years with the company to pursue personal interests.
- Since one of the reasons people are dissatisfied at their job is because of the relationship with their manager, providing in-house training to all management team members to help them become better communicators and better managers can trickle down to the employee level, creating better relationships and resulting in better retention and less turnover.
- Reviewing company policies to ensure they are fair can contribute to better retention. For example, how projects are assigned or the process for requesting vacation time can contribute to dissatisfaction if the employee feels the processes are not fair.
- Review the job design to ensure the employee is experiencing growth within their job. Changing the job through empowerment or job enlargement to help the growth of the employee can create better retention.
- Other, more unique ways of retaining employees might include offering services to make the employee's life easier, such as dry cleaning, daycare services, or on-site yoga classes.

Exercise

1. Research two different companies you might be interested in working for. When reviewing their list of benefits, which ones are offered that might motivate someone to stay with the organization?

7.6 Cases and Problems

Chapter Summary

- Retaining employees is an important component to a healthy organization. Losing an employee is called turnover.
- Direct turnover costs and indirect turnover costs can include the costs associated with employee replacement, declining employee morale, or lost customers.

- A high-performance work system (HPWS) is a set of systematic HR practices that create an environment where the employee has greater involvement and responsibility for the success of the organization. The overall company strategy should impact the HPWS HR develops in regard to retention.
- Retention plans are developed to address employee turnover, resulting in a more effective organization.
- Some of the reasons why employees leave can include a poor match between job and skills, no growth potential, pay inequity among employees, the fairness and communication style of management, and heavy workloads.
- The first step in developing a retention plan is to use exit interviews and/or surveys to find out the satisfaction level of employees. Once you have the data, you can begin to write the plan, making sure it is tied to the organizational objectives.
- A retention plan normally consists of survey and exit interview analysis, any current plans and strengths and weaknesses of those plans, the goal of the retention plan, and the specific strategies to be implemented.
- There are many motivation theories that attempt to explain people's motivation or lack of motivation at work.
- The Hawthorne studies were a series of studies beginning in 1927 that initially looked at physical environments but found that people tended to be more motivated when they felt cared about. The implications to retention are clear, in that employees should feel cared about and developed within the organization.
- Maslow's theory on motivation says that if someone already has a need met, giving them something to meet more of that need will no longer motivate. Maslow divided the needs into physiological, safety, social, esteem, and self-actualization needs. Many companies only motivate based on the low-level needs, such as pay. Development of training opportunities, for example, can motivate employees on high-level self-actualization needs.
- Herzberg developed motivational theories based on actual motivation factors and hygiene factors. Hygiene factors are those things that are expected in the workplace and will demotivate employees when absent but will not actually motivate when present. If managers try to motivate only on the basis of hygiene factors, turnover can be high. Motivation on both factors is key to a good retention plan.

- McGregor's theory on motivation looked at managers' attitudes toward employees. He found that theory X managers had more of a negative view of employees, while theory Y managers had a more positive view. Providing training to the managers in our organization can be a key retention strategy, based on McGregor's theory.
- The carrot-and-stick approach means you can get someone to do something by prodding or offering some incentive to motivate them to do the work. This theory implies these are the only two methods to motivate, which we know isn't true. The implication of this in our retention plan is such that we must utilize a variety of methods to retain employees.
- Once you determine the employee's level of satisfaction through exit interviews and surveys and understand motivational theories, you can develop specific retention strategies.
- Of course, salary and benefits are a major component of retention strategies. Consistent pay systems and transparent processes as to how raises occur must be included in a retention plan (and compensation strategy).
- Training and development meets the higher level needs of the individual. Many companies offer paid tuition programs, reimbursement programs, and in-house training to increase the skills and knowledge of the employee.
- Performance appraisals provide an avenue for feedback and goal setting. They also allow for employees to be recognized for their contributions.
- Succession plans allow employees to see how they can continue their career with the organization, and they clearly detail what employees need to do to achieve career growth-without leaving your organization.
- Flextime and telecommuting options are worth considering as an addition to your retention plan. These types of plans allow the employee flexibility when developing his or her schedule and some control of his or her work. Some companies also offer paid or unpaid sabbaticals after a certain number of years with the company to pursue personal interests.
- Since one of the reasons people are dissatisfied at their job is because of the relationship with their manager, providing in-house training to all management team members to help them become better communicators and better managers can trickle down to the

employee level, creating better relationships and resulting in better retention and less turnover.

- Reviewing company policies to ensure they are fair can contribute to better retention. For example, how projects are assigned or the process for requesting vacation time can contribute to dissatisfaction if the employee feels the processes are not fair.
- Review the job design to ensure the employee is experiencing growth within their job. Changing the job through empowerment or job enlargement to help the growth of the employee can create better retention.
- Other, more unique ways of retaining employees might include offering services to make the employee's life easier, such as dry cleaning, daycare services, or on-site yoga classes.

Chapter Case

Turnover Analysis

You recently completed your company's new compensation plan. You are happy with the results but know there is more to retaining the employees than just pay, and you don't currently have a retention plan. Your organization is a large staffing firm, consisting of several offices on the West Coast. The majority of employees are staffing recruiters, and they fill full-time and temporary positions for a variety of clients. One of the challenges you face is a difference in geographical areas, and as a result, there are differences in what may motivate employees.

As you initially look at turnover numbers, you have the sense that turnover has increased over the last six months. Your initial thoughts are the need for a better retention strategy, utilizing a bonus structure as well as other methods of retention. Currently, your organization pays a straight salary to employees, does not offer flextime or telecommuting options, focuses on individual performance (number of staffing placements) rather than team performance, and provides five days of vacation for every two years with the organization.

Month	Separated Employees	Total Number of Employees Midmonth
March	12	552
April	14	541
May	16	539
June	20	548
July	22	545

1. Calculate monthly turnover for the past six months.
2. What are the possible reasons for turnover in your organization and other organizations?
3. What steps would you take to remedy the situation?

Team Activity

1. Following is a list of some possible retention strategies. Rank each one in order of importance to you as an employee (1 being the most important), then share your rankings with classmates:

- Salary
- Opportunity for bonuses, profit sharing
- Benefits
- Opportunity to grow professionally with the organization
- Team bonuses
- More paid time off
- Option to telecommute
- Flextime scheduling
- Sense of empowerment
- Tuition reimbursement
- Job satisfaction

Chapter 8 Training and Development

8.1 Training: Not Like It Used to Be

Imagine this: You have a pile of work on your desk and as you get started, your Outlook calendar reminds you about a sexual harassment training in ten minutes. You groan to yourself, not looking forward to sitting in a conference room and seeing PowerPoint slide after PowerPoint slide. As you walk to the conference room, you run into a colleague who is taking the same training that day and commiserate on how boring this training is probably going to be. When you step into the conference room, however, you see something very different.

Computers are set up at every chair with a video ready to start on the computer. The HR manager greets you and asks you to take a seat. When the training starts, you are introduced (via video) on each of the computers to a series of sexual harassment example scenarios. The videos stop, and there is a recorded discussion about what the videos portrayed. Your colleagues in the Washington, DC, office are able to see the same training and, via video conferencing, are able to participate in the discussions. It is highly interactive and interesting. Once the training is finished, there are assignments to be completed via specific channels that have been set up for this training. You communicate about the material and complete the assignments in teams with members of your Washington, DC, office. If you want to review the material, you simply click on a review and the entire session or parts of the training can be reviewed. In fact, on your bus ride home from work, you access the channels on your iPhone, chatting with a colleague in your other office about the sexual harassment training assignment you have due next week. You receive an e-mail from your HR manager asking you to complete a training assessment located in a specific channel in the software, and you happily comply because you have an entirely new perspective on what training can be.

This is the training of today. No longer do people sit in hot, stuffy rooms to get training on boring content. Training has become highly interactive, technical, and interesting owing to the amount of multimedia we can use. Sun Microsystems, for example, has developed just the kind of software mentioned above, called Social Learning eXchange (SLX). This type of training allows people across the country to connect with each other, saving both money and time. In fact, Sun Microsystems received a Best Practices Award from Training Magazine for this innovative software in 2010. [1] The SLX software allows training to be delivered in an interactive manner in multiple locations. The implications of this type of software are numerous. For example, SLX is used at Sun Professional Services division by delivering instructional videos on tools and software, which employees can view at their own pace. [2] There is also a channel in the

1. 2010 Top 25 Winners," Training Magazine, accessed July 25, 2010,http://www.trainingmag.com/article/2010-top-125-winners.
2. "Video Community for the Enterprise," Social Learning eXchange, accessed July 25, 2010,http://www.slideshare.net/sociallearningexchange/social-learning-exchange-slx?from=share_email.

software that allows the vice president to communicate with employees on a regular basis to improve employee communications. In another example, this software can be used to quickly communicate product changes to the sales team, who then begin the process of positioning their products to consumers. Training videos, including breakout sessions, can save companies money by not requiring travel to a session. These can even be accessed using application technology on cell phones. Employees can obtain the training they need in the comfort of their own city, office, or home. Someone is sick the day the training is delivered? No problem; they can review the recorded training sessions.

An estimated $1,400 per employee is spent on training annually, with training costs consuming 2.72 percent of the total payroll budget [3] for the average company. With such a large amount of funds at stake, HR managers must develop the right training programs to meet the needs; otherwise, these funds are virtually wasted. This chapter is all about how to assess, develop, implement, and measure an effective training program.

8.2 Steps to Take in Training an Employee

Learning Objective

1. Explain the four steps involved when training an employee.

Any effective company has training in place to make sure employees can perform his or her job. During the recruitment and selection process, the right person should be hired to begin with. But even the right person may need training in how your company does things. Lack of training can result in lost productivity, lost customers, and poor relationships between employees and managers. It can also result in dissatisfaction, which means retention problems and high turnover. All these end up being direct costs to the organization. In fact, a study performed by the American Society for Training and Development (ASTD) found that 41 percent of employees at companies with poor training planned to leave within the year, but in companies with excellent training, only 12 percent planned to leave. [4] To reduce some costs associated with not training or undertraining, development of training programs can help with some of the risk. This is what this chapter will address.

For effective employee training, there are four steps that generally occur. First, the new employee goes through an orientation, and then he or she will receive in-house training on job-specific areas. Next, the employee should be assigned a mentor, and then, as comfort with the job duties grows, he or she may engage in external training. Employee training and development is the process of helping employees develop their personal and organization skills, knowledge, and abilities.

3. See the American Society for Training and Development Trend Review, ASTD Website, accessed July 25, 2010, http://www.astd.org/.
4. Leigh Branham, The 7 Hidden Reasons Why Employees Leave (New York: American Management Association,2005), 112–5.

8.2.1 Employee Orientation

The first step in training is an employee orientation. Employee orientation is the process used for welcoming a new employee into the organization. The importance of employee orientation is two-fold. First, the goal is for employees to gain an understanding of the company policies and learn how their specific job fits into the big picture. Employee orientation usually involves filling out employee paperwork such as I-9 and 401(k) program forms.

The goals of an orientation are as follows:

1. To reduce start-up costs. If an orientation is done right, it can help get the employee up to speed on various policies and procedures, so the employee can start working right away. It can also be a way to ensure all hiring paperwork is filled out correctly, so the employee is paid on time.
2. To reduce anxiety. Starting a new job can be stressful. One goal of an orientation is to reduce the stress and anxiety people feel when going into an unknown situation.
3. To reduce employee turnover. Employee turnover tends to be higher when employees don't feel valued or are not given the tools to perform. An employee orientation can show that the organization values the employee and provides tools necessary for a successful entry.
4. To save time for the supervisor and coworkers. A well-done orientation makes for a better prepared employee, which means less time having to teach the employee.
5. To set expectations and attitudes. If employees know from the start what the expectations are, they tend to perform better. Likewise, if employees learn the values and attitudes of the organization from the beginning, there is a higher chance of a successful tenure at the company.

Some companies use employee orientation as a way to introduce employees not only to the company policies and procedures but also to the staff. For an example of an orientation schedule for the day, see Figure 8.1.

Schedule

Below you find the planned schedule for New Employee Orientation. Following the topic are the beginning and ending times and the topic's duration.

Topic	Start Time	End Time	Duration
Introduction	7:30 AM	8:05 AM	35 min
Welcome Video	8:05 AM	8:20 AM	15 min
Form Completion/Oath	8:20 AM	8:55 AM	35 min
Management Welcome & Mission/Philosophy	8:55 AM	9:10 AM	15 min
Payroll	9:10 AM	9:25 AM	15 min
BREAK	9:25 AM	9:40 AM	15 min
Personnel Health (TB Test)	9:40 AM	10:10 AM	30 min
Patient Privacy Training/HIPPA	10:10AM	10:20 AM	10 min
Union	10:20 AM	10:50 AM	30 min
Police Briefing	10:50 AM	11:05 AM	15 min
ID Badges	11:05 AM	11:45 AM	40 min
LUNCH	11:45 AM	12:15 PM	30 min
Employee Responsibility and Conduct	12:15 PM	12:45 PM	30 min
Information Security	12:45 PM	1:00 PM	15 min
Benefits (*See remarks below)	1:00 PM	2:30 PM	1.5 hr
BREAK (P&R Form Completion)	2:30 PM	2:45 PM	15 min
Computer Orientation	2:45 PM	4:00 PM	1 hr 15 min
Student Programs/Career Development	2:45 PM	4:00 PM	1 hr 15 min

*All Employees **NOT** receiving Benefits will attend Computer Orientation from 1:00 PM TO 2:30 PM then from 2:45 PM to 4:00 PM. Information sessions on Student Programs and Career Development are by an HR Staff member.

Beverage will be served in the morning and a box lunch will be served at lunchtime.

Fig. 8.1:

Some companies have very specific orientations, with a variety of people providing information to the new hires. This can create a welcoming environment, besides giving the employee the information they need. This is an example of one such orientation.

Source: Sample schedule courtesy of Louis Stokes Cleveland VA Medical Center,http://www.cleveland.va.gov/docs/NEOSchedule.pdf (accessed September 2, 2011).

Human Resource Recall

Have you ever participated in an orientation? What was it like? What components did it have?

8.2.2 In-House Training

In-house training programs are learning opportunities developed by the organization in which they are used. This is usually the second step in the training process and often is ongoing. In-house training programs can be training related to a specific job, such as how to use a particular kind of software. In a manufacturing setting, in-house training might include an employee learning how to use a particular kind of machinery.

Many companies provide in-house training on various HR topics as well, meaning it doesn't always have to relate to a specific job. Some examples of in-house training include the following:

- Ethics training
- Sexual harassment training
- Multicultural training
- Communication training
- Management training
- Customer service training
- Operation of special equipment
- Training to do the job itself
- Basic skills training

As you can tell by the list of topics, HR might sometimes create and deliver this training, but often a supervisor or manager delivers the training.

8.2.3 Mentoring

After the employee has completed orientation and in-house training, companies see the value in offering mentoring opportunities as the next step in training. Sometimes a mentor may be assigned during in-house training. A mentor is a trusted, experienced advisor who has direct investment in the development of an employee. A mentor may be a supervisor, but often a mentor is a colleague who has the experience and personality to help guide someone through processes. While mentoring may occur informally, a mentorship program can help ensure the new employee not only feels welcomed but is paired up with someone who already knows the ropes and can help guide the new employee through any on-the-job challenges.

To work effectively, a mentoring program should become part of the company culture; in other words, new mentors should receive in-house training to be a mentor. Mentors are selected based on experience, willingness, and personality. IBM's Integrated Supply Chain Division, for example, has successfully implemented a mentorship program. The company's division boasts 19,000 employees and half of IBM's revenues, making management of a mentorship program challenging. However, potential mentors are trained and put into a database where new employees can search attributes and strengths of mentors and choose the person who closely meets their needs. Then the mentor and mentee work together in development of the new employee. "We view this as a best practice," says Patricia Lewis-Burton, vice president of human resources, Integrated Supply Chain Division. "We view it as something that is not left to human resources alone. In fact, the program is imbedded in the way our group does business." [5]

Some companies use short-term mentorship programs because they find employees training other employees to be valuable for all involved. Starbucks, for example,

5. Blyde Witt, "Serious Leadership: IBM Builds a Successful Mentoring Program," Material Handling Management,December 1, 2005, accessed July 25, 2010,http://mhmonline.com/workforce-solutions/mhm_imp_4483/.

utilizes this approach. When it opens a new store in a new market, a team of experienced store managers and baristas are sent from existing stores to the new stores to lead the store-opening efforts, including training of new employees. [6]

8.2.4 External Training

External training includes any type of training that is not performed in-house. This is usually the last step in training, and it can be ongoing. It can include sending an employee to a seminar to help further develop leadership skills or helping pay tuition for an employee who wants to take a marketing class. To be a Ford automotive technician, for example, you must attend the Ford ASSET Program, which is a partnership between Ford Motor Company, Ford dealers, and select technical schools. [7]

How Would You Handle This?

To Train or Not to Train

Towanda Michaels is the human resource manager at a medium-size pet supply wholesaler. Casey Cleps is a salesperson at the organization and an invaluable member of the team. Last year, his sales brought in about 20 percent of the company revenue alone. Everybody likes Casey: he is friendly, competent, and professional.

Training is an important part of the company, and an e-mail was sent last month that said if employees do not complete the required safety training by July 1, they would be let go.

It is July 15, and it has just come to Towanda's attention that Casey has not completed the online safety training that is required for his job. When she approaches him about it, he says, "I am the best salesperson here; I can't waste time doing training. I already know all the safety rules anyway."

Would you let Casey go, as stated in the e-mail? How would you handle this?

How Would You Handle This?

https://api.wistia.com/v1/medias/1348781/embed

The author discusses the How Would You Handle This situation in this chapter at: *https://api.wistia.com/v1/medias/1348781/embed*.

6. Arthur Thompson, "Starbucks Corporation," July 24, 2011, accessed July 29, 2011,http://www.mhhe.com/business/management/thompson/11e/case/starbucks-2.html.
7. "Automotive Technology/Ford ASSET Course," Sheridan Technical Center, accessed July 29, 2011, http://www.sheridantechnical.com/Default.aspx?tabid=692.

Key Takeaways

- Employee training and development is the framework for helping employees develop their personal and organizational skills, knowledge, and abilities. Training is important to employee retention.
- There are four steps in training that should occur. Employee orientation has the purpose of welcoming new employees into the organization. An effective employee orientation can help reduce start-up costs, reduce anxiety for the employee, reduce turnover, save time for the supervisor and colleagues, and set expectations and attitudes.
- An in-house training program is any type of program in which the training is delivered by someone who works for the company. This could include management or HR. Examples might include sexual harassment training or ethics training. In-house training can also include components specific to a job, such as how to use a specific kind of software. In-house training is normally done as a second and ongoing step in employee development.
- A mentor form of training pairs a new employee with a seasoned employee. This is usually the third step in employee training. A mentor program for training should include a formalized program and process.
- External training is any type of training not performed in-house; part of the last training step, external training can also be ongoing. It can include sending employees to conferences or seminars for leadership development or even paying tuition for a class they want to take.

Exercises

1. Why do you think some companies do not follow the four training steps? What are the advantages of doing so?
2. What qualities do you think a mentor should have? List at least five.
3. Have you ever worked with a mentor in a job, at school, or in extracurricular activities? Describe your experience.

8.3 Types of Training

Learning Objective

1. Be able to explain and give examples of the types of training that can be offered within an organization.

There are a number of different types of training we can use to engage an employee. These types are usually used in all steps in a training process (orientation, in-house, mentorship, and external training). The training utilized depends on the amount of resources available for training, the type of company, and the priority the company places on training. Companies such as The Cheesecake Factory, a family restaurant, make training a high priority. The company spends an average of $2,000 per hourly employee. This includes everyone from the dishwasher and managers to the servers. For The Cheesecake Factory, this expenditure has paid off. They measure the effectiveness of its training by looking at turnover, which is 15 percent below the industry average. [8] Servers make up 40 percent of the workforce and spend two weeks training to obtain certification. Thirty days later, they receive follow-up classes, and when the menu changes, they receive additional training. [9] Let's take a look at some of the training we can offer our employees.

As you will see from the types of training below, no one type would be enough for the jobs we do. Most HR managers use a variety of these types of training to develop a holistic employee.

8.3.1 Technical or Technology Training

Depending on the type of job, technical training will be required. Technical training is a type of training meant to teach the new employee the technological aspects of the job. In a retail environment, technical training might include teaching someone how to use the computer system to ring up customers. In a sales position, it might include showing someone how to use the customer relationship management (CRM) system to find new prospects. In a consulting business, technical training might be used so the consultant knows how to use the system to input the number of hours that should be charged to a client. In a restaurant, the server needs to be trained on how to use the system to process orders. Let's assume your company has decided to switch to the newest version of Microsoft Office. This might require some technical training of the entire company to ensure everyone uses the technology effectively. Technical training is often performed in-house, but it can also be administrered externally.

8. Gina Ruiz, "Cheesecake Factory Cooks Up a Rigorous Employee Training Program,"Workforce Management, April 24, 2006, accessed July 25, 2010,http://www.workforce.com/section/11/feature/24/35/18/.
9. Gina Ruiz, "Cheesecake Factory Cooks Up a Rigorous Employee Training Program,"Workforce Management, April 24, 2006, accessed July 25, 2010,http://www.workforce.com/section/11/feature/24/35/18/.

8.3.2 Quality Training

In a production-focused business, quality training is extremely important. Quality training refers to familiarizing employees with the means of preventing, detecting, and eliminating nonquality items, usually in an organization that produces a product. In a world where quality can set your business apart from competitors, this type of training provides employees with the knowledge to recognize products that are not up to quality standards and teaches them what to do in this scenario. Numerous organizations, such as the International Organization for Standardization (ISO), measure quality based on a number of metrics. This organization provides the stamp of quality approval for companies producing tangible products. ISO has developed quality standards for almost every field imaginable, not only considering product quality but also certifying companies in environmental management quality. ISO9000 is the set of standards for quality management, while ISO14000 is the set of standards for environmental management. ISO has developed 18,000 standards over the last 60 years. [10] With the increase in globalization, these international quality standards are more important than ever for business development. Some companies, like 3M, [11]choose to offer ISO training as external online training, employing companies such as QAI to deliver the training both online and in classrooms to employees.

Training employees on quality standards, including ISO standards, can give them a competitive advantage. It can result in cost savings in production as well as provide an edge in marketing of the quality-controlled products. Some quality training can happen in-house, but organizations such as ISO also perform external training.

8.3.3 Skills Training

Skills training, the third type of training, includes proficiencies needed to actually perform the job. For example, an administrative assistant might be trained in how to answer the phone, while a salesperson at Best Buy might be trained in assessment of customer needs and on how to offer the customer information to make a buying decision. Think of skills training as the things you actually need to know to perform your job. A cashier needs to know not only the technology to ring someone up but what to do if something is priced wrong. Most of the time, skills training is given in-house and can include the use of a mentor. An example of a type of skills training is from AT&T and Apple, [12] who in summer 2011 asked their managers to accelerate retail employee training on the iPhone 5, which was released to market in the fall.

10. "The ISO Story," International Organization for Standards, accessed July 26, 2010,http://www.iso.org/iso/about/the_iso_story/iso_story_early_years.htm.
11. QAI website, accessed July 30, 2011, http://www.trainingforquality.com/Content.aspx?id=26.
12. Lance Whitney, "Apple, AT&T Reportedly Prepping Staff for iPhone 5 Launch," CNET, July 26, 2011, accessed July 29, 2011, http://news.cnet.com/8301-13579_3-20083435-37/apple-at-t-reportedly-prepping-staff-for-iphone-5-launch/.

8.3.4 Soft Skills Training

Our fourth type of training is called soft skills training. Soft skills refer to personality traits, social graces, communication, and personal habits that are used to characterize relationships with other people. Soft skills might include how to answer the phone or how to be friendly and welcoming to customers. It could include sexual harassment training and ethics training. In some jobs, necessary soft skills might include how to motivate others, maintain small talk, and establish rapport.

In a retail or restaurant environment, soft skills are used in every interaction with customers and are a key component of the customer experience. In fact, according to a Computer world magazine survey, executives say there is an increasing need for people who have not only the skills and technical skills to do a job but also the necessary soft skills, such as strong listening and communication abilities. [13] Many problems in organizations are due to a lack of soft skills, or interpersonal skills, not by problems with the business itself. As a result, HR and managers should work together to strengthen these employee skills. Soft skills training can be administered either in-house or externally.

8.3.5 Professional Training and Legal Training

In some jobs, professional training must be done on an ongoing basis. Professional training is a type of training required to be up to date in one's own professional field. For example, tax laws change often, and as a result, an accountant for H&R Block must receive yearly professional training on new tax codes. [14] Lawyers need professional training as laws change. A personal fitness trainer will undergo yearly certifications to stay up to date in new fitness and nutrition information.

Some organizations have paid a high cost for not properly training their employees on the laws relating to their industry. In 2011, Massachusetts General Hospital paid over $1 million in fines related to privacy policies that were not followed. [15] As a result, the organization has agreed to develop training for workers on medical privacy. The fines could have been prevented if the organization had provided the proper training to begin with. Other types of legal training might include sexual harassment law training and discrimination law training.

13. Thomas Hoffman, "Nine Nontechie Skills That Hiring Managers Wish You Had,"Computerworld, November 12, 2007, accessed July 26, 2010,http://www.computerworld.com/s/article/305966/Are_You_the_Complete_Package_.
14. Jeannine Silkey, "Tax Preparer Certifications," Suite 101, January 28, 2010, accessed July 26, 2010, http://personal-tax-planning.suite101.com/article.cfm/tax-preparer-certifications.
15. Julie Donnelly, "Mass. General to Pay $1M to Settle Privacy Claims," Boston Business Journal, February 24, 1011, accessed February 26, 2011,http://www.bizjournals.com/boston/news/2011/02/24/mass-general-to-pay-1m-to-settle.html.

8.3.6 Team Training

Do you know the exercise in which a person is asked to close his or her eyes and fall back, and then supposedly the team members will catch that person? As a team-building exercise (and a scary one at that), this is an example of team training. The goal of team training is to develop cohesiveness among team members, allowing them to get to know each other and facilitate relationship building. We can define team training as a process that empowers teams to improve decision making, problem solving, and team-development skills to achieve business results. Often this type of training can occur after an organization has been restructured and new people are working together or perhaps after a merger or acquisition. Some reasons for team training include the following:

- Improving communication
- Making the workplace more enjoyable
- Motivating a team
- Getting to know each other
- Getting everyone “onto the same page,” including goal setting
- Teaching the team self-regulation strategies
- Helping participants to learn more about themselves (strengths and weaknesses)
- Identifying and utilizing the strengths of team members
- Improving team productivity
- Practicing effective collaboration with team members

Team training can be administered either in-house or externally. Ironically, through the use of technology, team training no longer requires people to even be in the same room.

Human Resource Recall

What kind of team training have you participated in? What was it like? Do you think it accomplished what it was supposed to accomplish?

8.3.7 Managerial Training

After someone has spent time with an organization, they might be identified as a candidate for promotion. When this occurs, managerial training would occur. Topics might include those from our soft skills section, such as how to motivate and delegate, while others may be technical in nature. For example, if management uses a particular computer system for scheduling, the manager candidate might be technically trained. Some managerial training might be performed in-house while other training, such as leadership skills, might be performed externally.

For example, Mastek, a global IT solutions and services provider, provides a program called “One Skill a Month,” which enables managers to learn skills such as delegation, coaching, and giving feedback. The average number of total training days at Mastek is 7.8 per employee [16] and includes managerial topics and soft skills topics such as e-mail etiquette. The goal of its training programs is to increase productivity, one of the organization’s core values.

8.3.8 Safety Training

Safety training is a type of training that occurs to ensure employees are protected from injuries caused by work-related accidents. Safety training is especially important for organizations that use chemicals or other types of hazardous materials in their production. Safety training can also include evacuation plans, fire drills, and workplace violence procedures. Safety training can also include the following:

- Eye safety
- First aid
- Food service safety
- Hearing protection
- Asbestos
- Construction safety
- Hazmat safety

The Occupational Safety and Health Administration, or OSHA, is the main federal agency charged with enforcement of safety and health regulation in the United States. OSHA provides external training to companies on OSHA standards. Sometimes in-house training will also cover safety training.

Starbucks Training Video

This is a short video Starbucks uses to train new employees on customer service.

Please view this video at http://www.youtube.com/watch?v=OAmftgYEWqU.

Key Takeaways

- There are several types of training we can provide for employees. In all situations, a variety of training types will be used, depending on the type of job.
- Technical training addresses software or other programs that employees use while working for the organization.

16. Mastek website, accessed July 30, 2011, http://www.mastek.com/careers/learning-development.html.

- Quality training is a type of training that familiarizes all employees with the means to produce a good-quality product. The ISO sets the standard on quality for most production and environmental situations. ISO training can be done in-house or externally.
- Skills training focuses on the skills that the employee actually needs to know to perform their job. A mentor can help with this kind of training.
- Soft skills are those that do not relate directly to our job but are important. Soft skills training may train someone on how to better communicate and negotiate or provide good customer service.
- Professional training is normally given externally and might be obtaining certification or specific information needed about a profession to perform a job. For example, tax accountants need to be up to date on tax laws; this type of training is often external.
- Team training is a process that empowers teams to improve decision making, problem solving, and team-development skills. Team training can help improve communication and result in more productive businesses.
- To get someone ready to take on a management role, managerial training might be given.
- Safety training is important to make sure an organization is meeting OSHAstandards. Safety training can also include disaster planning.

Exercises

1. Which type of training do you think is most important for an administrative assistant? What about for a restaurant server? Explain your answer.
2. Research OSHA. What are some of the new standards and laws it has recently developed? Outline a training plan for the new standards.

8.4 Training Delivery Methods

Learning Objective

1. Explain the types of training delivery methods.

Depending on the type of training occurring, you may choose one delivery method over another. This section discusses the types of delivery methods we can use to execute the types of training. Keep in mind, however, that most good training programs will use a variety of delivery methods.

8.4.1 On-the-Job Coaching Training Delivery

On-the-job coaching is one way to facilitate employee skills training. On-the-job coaching refers to an approved person training an employee on the skills necessary to complete tasks. A manager or someone with experience shows the employee how to perform the actual job. The selection of an on-the-job coach can be done in a variety of ways, but usually the coach is selected based on personality, skills, and knowledge. This type of skills training is normally facilitated in-house. The disadvantage of this training revolves around the person delivering the training. If he or she is not a good communicator, the training may not work. Likewise, if this person has "other things to do," he or she may not spend as much time required to train the person and provide guidance. In this situation, training can frustrate the new employee and may result in turnover.

8.4.2 Mentoring and Coaching Training Delivery

Mentoring is also a type of training delivery. A mentor is a trusted, experienced advisor who has direct investment in the development of an employee. Mentoring is a process by which an employee can be trained and developed by an experienced person. Normally, mentoring is used as a continuing method to train and develop an employee. One disadvantage of this type of training is possible communication style and personality conflict. It can also create overdependence in the mentee or micromanagement by the mentor. This is more different than on-the-job coaching, which tends to be short term and focuses on the skills needed to perform a particular job.

8.4.3 Brown Bag Lunch Training Delivery

Brown bag lunches are a training delivery method meant to create an informal atmosphere. As the name suggests,brown bag lunch training is one in which the training occurs during lunchtime, employees bring their food, and someone presents training information to them. The trainer could be HR or management or even another employee showing a new technical skill. Brown bag lunches can also be an effective way to perform team training, as it brings people together in a more relaxed atmosphere. Some companies offer brown bag lunch training for personal development as well. For example, HR might want to bring in a specialist on 401(k) plans, or perhaps an employee provides a slide presentation on a trip he or she has taken, discussing the things learned on the trip. One disadvantage to this type of training can be low attendance and garnering enough interest from employees who may not want to "work" during lunch breaks. There can also be inconsistency in messages if training is delivered and not everyone is present to hear the message.

Human Resource Recall

What types of brown bag lunch training would employees be most willing to attend? Do you think this type of training should be required?

8.4.4 Web-Based Training Delivery

Web-based training delivery has a number of names. It could be called e-learning or Internet-based, computer-based, or technology-based learning. No matter what it is called, any web-based training involves the use of technology to facilitate training. There are two types of web-based learning. First, synchronous learning uses instructor-led facilitation. Asynchronous learning is self-directed, and there is no instructor facilitating the course. There are several advantages to web-based training. First, it is available on demand, does not require travel, and can be cost efficient. However, disadvantages might include an impersonal aspect to the training and limited bandwidth or technology capabilities. [17]

Web-based training delivery lends itself well to certain training topics. For example, this might be an appropriate delivery method for safety training, technical training, quality training, and professional training. However, for some training, such as soft-skills training, job skills training, managerial training, and team training, another more personalized method may be better for delivery. However, there are many different platforms that lend themselves to an interactive approach to training, such as Sun Microsystems' Social Learning eXchange (SLX) training system, which has real-time video and recording capabilities. Hundreds of platforms are available to facilitate web-based training. DigitalChalk, for example, allows for both synchronous and asynchronous training and allows the instructor or human relations manager to track training progress and completion. [18] Some companies use SharePoint, an intranet platform, to store training videos and materials. [19] Blackboard and Angel (used primarily by higher education institutions) allows human resource managers to create training modules, which can be moderated by a facilitator or managed in a self-paced format. In any of the platforms available, media such as video and podcasts can be included within the training.

Considerations for selecting a web-based platform include the following:

- Is there a one-time fee or a per-user fee?

17. "Advantages and Disadvantages," Web Based Training Information Center, accessed July 27, 2010, http://www.webbasedtraining.com/primer_advdis.aspx.
18. DigitalChalk website, accessed August 12, 2010, http://www.digitalchalk.com/.
19. Microsoft's SharePoint website, accessed August 12, 2010,http://sharepoint.microsoft.com/enus/Pages/default.aspx.

- Do the majority of your employees use a Mac or a PC, and how does the platform work with both systems?
- Is there enough bandwidth in your organization to support this type of platform?
- Is the platform flexible enough to meet your training needs?
- Does the software allow for collaboration and multimedia?
- Is there training for the trainer in adoption of this system? Is technical support offered?

8.4.5 Job Shadowing Training Delivery

Job shadowing is a training delivery method that places an employee who already has the skills with another employee who wants to develop those skills. Apprenticeships use job shadowing as one type of training method. For example, an apprentice electrician would shadow and watch the journeyman electrician perform the skills and tasks and learn by watching. Eventually, the apprentice would be able to learn the skills to do the job alone. The downside to this type of training is the possibility that the person job shadowing may learn "bad habits" or shortcuts to performing tasks that may not be beneficial to the organization.

Fortune 500 Focus

It takes a lot of training for the Walt Disney Company to produce the best Mickey Mouse, Snow White, Aladdin, or Peter Pan. In Orlando at Disneyworld, most of this training takes place at Disney University. Disney University provides training to its 42,000 cast members (this is what Disney calls employees) in areas such as culinary arts, computer applications, and specific job components. Once hired, all cast members go through a two-day Disney training program called Traditions, where they learn the basics of being a good cast member and the history of the company. For all practical purposes, Traditions is a new employee orientation.

Training doesn't stop at orientation, though. While all positions receive extensive training, one of the most extensive trainings are especially for Disney characters, since their presence at the theme parks is a major part of the customer experience. To become a character cast member, a character performer audition is required. The auditions require dancing and acting, and once hired, the individual is given the job of several characters to play. After a two-week intensive training process on character history, personalities, and ability to sign the names of the characters (for the autograph books sold at the parks for kids), an exam is given. The exam tests competency in character understanding, and passing the exam is required to become hired. [20]

20. Jim Hill, "Blood, Sweat, and Fur," Jim Hill Media, May 2005, accessed July 30, 2011,http://jimhillmedia.com/guest_writers1/b/rob_bloom/archive/2005/05/03/1703.aspx.

While Disney University trains people for specific positions, it also offers an array of continuing development courses called Disney Development Connection. Disney says in 2010, more than 3,254,596 hours were spent training a variety of employees, [21] from characters to management. The training doesn't stop at in-house training, either. Disney offers tuition reimbursement up to $700 per credit and pays for 100 percent of books and $100 per course for cost of other materials. In 2010, Disney paid over $8 million in tuition expenses for cast members._ [22]

Disney consistently ranks in "America's Most Admired Companies" by Fortune Magazine, and its excellent training could be one of the many reasons.

8.4.6 Job Swapping Training Delivery

Job swapping is a method for training in which two employees agree to change jobs for a period of time. Of course, with this training delivery method, other training would be necessary to ensure the employee learns the skills needed to perform the skills of the new job. Job swap options can be motivational to employees by providing a change of scenery. It can be great for the organization as well to cross-train employees in different types of jobs. However, the time spent learning can result in unproductive time and lost revenue.

8.4.7 Vestibule Training Delivery

In vestibule training, training is performed near the worksite in conference rooms, lecture rooms, and classrooms. This might be an appropriate method to deliver orientations and some skills-based training. For example, to become a journeyman electrician, an apprentice performs job shadowing, on-the-job training, and vestibule training to learn the law and codes related to electricity installation. During the busy holiday season, Macy's uses vestibule training to teach new hires how to use the cash register system and provides skills training on how to provide great customer service. [23]

Many organizations use vestibule training for technical training, safety training, professional training, and quality training. It can also be appropriate for managerial training, soft skills training, and team training. As you can tell, this delivery method, like web-based training delivery, is quite versatile. For some jobs or training topics, this

21. "Training and Development," Disney, accessed July 30, 2011,http://corporate.disney.go.com/citizenship2010/disneyworkplaces/overview/traininganddevelopment/.
22. "Training and Development," Disney, accessed July 30, 2011,http://corporate.disney.go.com/citizenship2010/disneyworkplaces/overview/traininganddevelopment/.
23. Macy's website, accessed July 27, 2010, http://www.macysjobs.com/about/.

may take too much time away from performing the actual "job," which can result in lost productivity.

8.4.8 International Assignment Training

Since we are working within a global economy, it might be necessary to provide training to employees who are moving overseas or working overseas. Up to 40 percent of international assignments are terminated early because of a lack of international training. [24] Ensuring success overseas is reliant upon the local employee's learning how to navigate in the new country. The following topics might be included in this type of training:

1. Cultural differences and similarities
2. Insight and daily living in the country
3. Social norms and etiquette
4. Communication training, such as language skills

This training is best delivered by a professional in the region or area in which the employee will be working. We discuss this topic in more detail in International HRM (Page 421).

Key Takeaways

- Training delivery methods are important to consider, depending on the type of training that needs to be performed.
- Most organizations do not use only one type of training delivery method; a combination of many methods will be used.
- On-the-job coaching delivery method is a training delivery method in which an employee is assigned to a more experienced employee or manager to learn the skills needed for the job. This is similar to the mentor training delivery method, except a mentor training method is less about skills training and more about ongoing employee development.
- Brown bag lunch training delivery is normally informal and can involve personal development as well as specific job-related skills.
- Web-based training is any type of training that is delivered using technology.
- There are numerous platforms that can be used for web-based training and considerations, such as cost, when selecting a platform for use.

24. Sherry E. Sullivan and Howard Tu, "Preparing Yourself for an International Assignment," Bnet, accessed September 15, 2011,http://findarticles.com/p/articles/mi_m1038/is_n1_v37/ai_14922926/.

- A synchronous training method is used for web-based training and refers to delivery that is led by a facilitator.
  An asynchronous training method is one that is self-directed.
- Job shadowing is a delivery method consisting of on-the-job training and the employee's learning skills by watching someone more experienced.
- To motivate employees and allow them to develop new skills, job swapping training delivery may be used. This occurs when two people change jobs for a set period of time to learn new skills. With this method, it is likely that other methods will also be used, too.
- Vestibule training delivery is also known as "near site" training. It normally happens in a classroom, conference room, or lecture room and works well to deliver orientations and some skills-based training. Many organizations also use vestibule training for technical training, safety training, professional training, and quality training.
- Since many companies operate overseas, providing training to those employees with international assignments can better prepare them for living and working abroad.

Exercises

1. Do an Internet search on web-based training. Discuss two of the platforms you found. What are the features and benefits?
2. Which training delivery method do you think you personally would prefer in a job and why?
3. What do you see as advantages and disadvantages to each type of training method?

8.5 Designing a Training Program

Learning Objectives

1. Be able to design a training program framework.
2. Understand the uses and applications of a career development program.

The next step in the training process is to create a training framework that will help guide you as you set up a training program. Information on how to use the framework is included in this section.

8.5.1 Training Program Framework Development

When developing your training plan, there are a number of considerations. Training is something that should be planned and developed in advance.

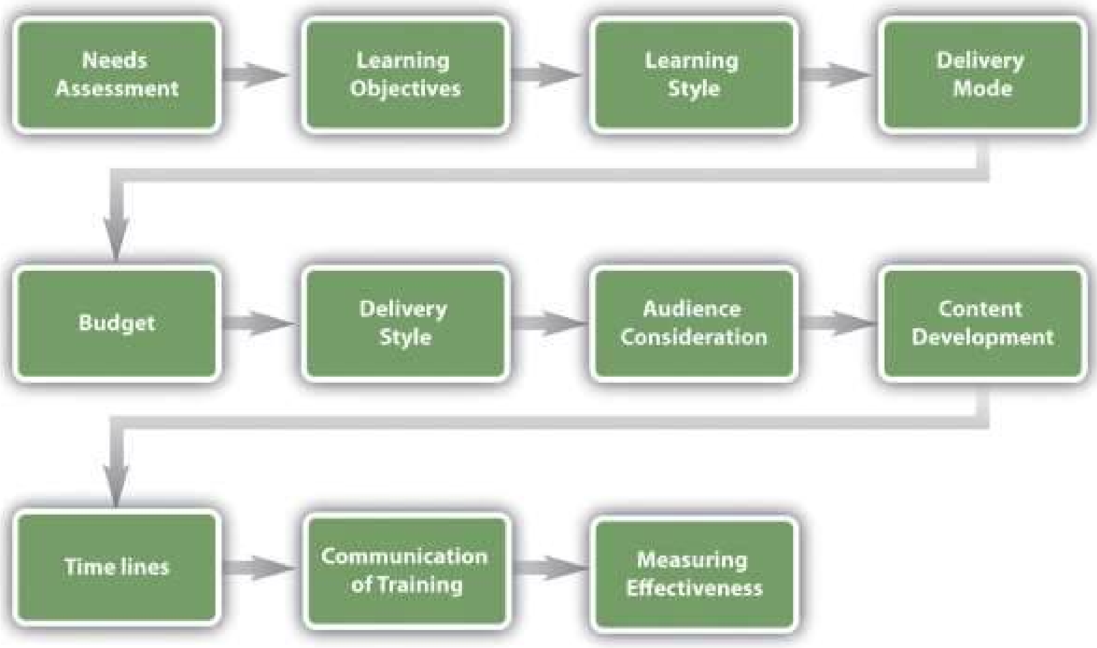


Fig. 8.2: Training Program Development Model

The considerations for developing a training program are as follows:

1. Needs assessment and learning objectives. This part of the framework development asks you to consider what kind of training is needed in your organization. Once you have determined the training needed, you can set learning objectives to measure at the end of the training.
2. Consideration of learning styles. Making sure to teach to a variety of learning styles is important to development of training programs.
3. Delivery mode. What is the best way to get your message across? Is web-based training more appropriate, or should mentoring be used? Can vestibule training be used for a portion of the training while job shadowing be used for some of the training, too? Most training programs will include a variety of delivery methods.
4. Budget. How much money do you have to spend on this training?
5. Delivery style. Will the training be self-paced or instructor led? What kinds of discussions and interactivity can be developed in conjunction with this training?
6. Audience. Who will be part of this training? Do you have a mix of roles, such as accounting people and marketing people? What are the job responsibilities of these individuals, and how can you make the training relevant to their individual jobs?
7. Content. What needs to be taught? How will you sequence the information?
8. Timelines. How long will it take to develop the training? Is there a deadline for training to be completed?
9. Communication. How will employees know the training is available to them?

10. Measuring effectiveness of training. How will you know if your training worked? What ways will you use to measure this?

Human Resource Recall

Can you think of a time where you received training, but the facilitator did not connect with the audience? Does that ever happen in any of your classes (of course not this one, though)?

8.5.2 Needs Assessment

The first step in developing a training program is to determine what the organization needs in terms of training. There are three levels of training needs assessment: organizational assessment, occupational (task) assessment, and individual assessment:

1. Organizational assessment. In this type of needs assessment, we can determine the skills, knowledge, and abilities a company needs to meet its strategic objectives. This type of assessment considers things such as changing demographics and technological trends. Overall, this type of assessment looks at how the organization as a whole can handle its weaknesses while promoting strengths.
2. Occupational (task) assessment. This type of assessment looks at the specific tasks, skills knowledge, and abilities required to do jobs within the organization.
3. Individual assessment. An individual assessment looks at the performance of an individual employee and determines what training should be accomplished for that individual.

We can apply each of these to our training plan. First, to perform an organizational assessment, we can look at future trends and our overall company's strategic plan to determine training needs. We can also see how jobs and industries are changing, and knowing this, we can better determine the occupational and individual assessments.

Researching training needs can be done through a variety of ways. One option is to use an online tool such as Survey Monkey to poll employees on what types of training they would like to see offered.

As you review performance evaluations turned in by your managers, you may see a pattern developing showing that employees are not meeting expectations. As a result, this may provide data as to where your training is lacking.

There are also types of training that will likely be required for a job, such as technical training, safety training, quality training, and professional training. Each of these should be viewed as separate training programs, requiring an individual framework for each type of training. For example, an employee orientation framework will look entirely different from an in-house technical training framework.

Training must be tied to job expectations. Any and all training developed should transfer directly to the skills of that particular employee. Reviewing the HR strategic plan and various job analyses may help you see what kind of training should be developed for specific job titles in your organization.

8.5.3 Learning Objectives

After you have determined what type of training should occur, learning objectives for the training should be set. A learning objective is what you want the learner to be able to do, explain, or demonstrate at the end of the training period. Good learning objectives are performance based and clear, and the end result of the learning objective can be observable or measured in some way. Examples of learning objectives might include the following:

1. Be able to explain the company policy on sexual harassment and give examples of sexual harassment.
2. Be able to show the proper way to take a customer's order.
3. Perform a variety of customer needs analyses using company software.
4. Understand and utilize the new expense-tracking software.
5. Explain the safety procedure in handling chemicals.
6. Be able to explain the types of communication styles and strategies to effectively deal with each style.
7. Demonstrate ethics when handling customer complaints.
8. Be able to effectively delegate to employees.

Once we have set our learning objectives, we can utilize information on learning styles to then determine the best delivery mode for our training.

8.5.4 Learning Styles

Understanding learning styles is an important component to any training program. For our purposes, we will utilize a widely accepted learning style model. Recent research has shown that classifying people into learning styles may not be the best way to determine a style, and most people have a different style depending on the information being taught. In a study by Pashler et al., [25] the authors look at aptitude and personality as key traits when learning, as opposed to classifying people into categories of learning styles. Bearing this in mind, we will address a common approach to learning styles next.

25. Harold Pashler, Mark McDaniel, Doug Rohrer, and Robert Bjork, "Learning Styles: Concepts and Evidence," Psychological Science in the Public Interest 9, no. 3 (2008): 109–19, accessed February 26, 2011, http://www.psychologicalscience.org/journals/pspi/PSPI_9_3.pdf.

An effective trainer tries to develop training to meet the three different learning styles: [26]

1. Visual learner. A visual learner usually has a clear "picture" of an experience. A visual learner often says things such as "I can see what you are saying" or "This looks good." A visual learner is best reached using graphics, pictures, and figures.
2. Auditory learner. An auditory learner learns by sound. An auditory learner might say, "If I hear you right" or "What do you hear about this situation?" The auditory learner will learn by listening to a lecture or to someone explaining how to do something.
3. Kinesthetic learner. A kinesthetic learner learns by developing feelings toward an experience. These types of learners tend to learn by doing rather than listening or seeing someone else do it. This type of learner will often say things such as "This feels right."

Most individuals use more than one type of learning style, depending on what kinds of information they are processing. For example, in class you might be a visual learner, but when learning how to change a tire, you might be a kinesthetic learner.

8.5.5 Delivery Mode

Depending on the type of training that needs to be delivered, you will likely choose a different mode to deliver the training. An orientation might lend itself best to vestibule training, while sexual harassment training may be better for web-based training. When choosing a delivery mode, it is important to consider the audience and budget constrictions. For example, Oakwood Worldwide, a provider of temporary housing, recently won the Top 125 Training Award for its training and development programs. [27] It offers in-class and online classes for all associates and constantly add to its course catalog. This is a major recruitment as well as retention tool for its employees. In fact, the company credits this program for retaining 25 percent of its workforce for ten years or more. Table 8.1 looks at each of the types of training and suggests appropriate options for delivery modes.

Delivery Method	Type of Training Suggested
On-the-job coaching	Technical training
	Skills training
	Managerial training
	Safety training
Mentor	Technical training

Table 8.1: Types of Training and Delivery

26. "What's YOUR Learning Style?" adapted from Instructor Magazine, University of South Dakota, August 1989, accessed July 28, 2010, http://people.usd.edu/~bwjames/tut/learning-style/.
27. "Oakwood Worldwide Honored by Training Magazine for Fifth Consecutive Year Training also Presents Oakwood with Best Practice Award," press release, February 25, 2011,Marketwire, accessed February 26, 2011, http://www.live-pr.com/en/oakwood-worldwide-honored-by-training-magazine-r1048761409.htm.

	Skills training
	Managerial training
	Safety training
Brown bag lunch	Quality training
	Soft skills training
	Professional training
	Safety training
Web-based	Technical training
	Quality training
	Skills training
	Soft skills training
	Professional training
	Team training
	Managerial training
	Safety training
Job shadowing	Technical training
	Quality training
	Skills training
	Safety training
Job swapping	Technical training
	Quality training
	Skills training
	Professional training
	Team training
	Managerial training
	Safety training
Vestibule training	Technical training
	Quality training
	Skills training
	Soft skills training
	Professional training

Table 8.1: Types of Training and Delivery

	Team training
	Managerial training
	Safety training

Table 8.1: Types of Training and Delivery

8.5.6 Budget

How much money do you think the training will cost? The type of training performed will depend greatly on the budget. If you decide that web-based training is the right delivery mode, but you don't have the budget to pay the user fee for the platform, this wouldn't be the best option. Besides the actual cost of training, another cost consideration is people's time. If employees are in training for two hours, what is the cost to the organization while they are not able to perform their job? A spreadsheet should be developed that lists the actual cost for materials, snacks, and other direct costs, but also the indirect costs, such as people's time.

8.5.7 Delivery Style

Taking into consideration the delivery method, what is the best style to deliver this training? It's also important to keep in mind that most people don't learn through "death by PowerPoint"; they learn in a variety of ways, such as auditory, kinesthetic, or visual. Considering this, what kinds of ice breakers, breakout discussions, and activities can you incorporate to make the training as interactive as possible? Role plays and other games can make the training fun for employees. Many trainers implement online videos, podcasts, and other interactive media in their training sessions. This ensures different learning styles are met and also makes the training more interesting.

8.5.8 Audience

Considering your audience is an important aspect to training. How long have they been with the organization, or are they new employees? What departments do they work in? Knowing the answers to these questions can help you develop a relevant delivery style that makes for better training. For example, if you know that all the people attending the training are from the accounting department, examples you provide in the training can be focused on this type of job. If you have a mixed group, examples and discussions can touch on a variety of disciplines.

8.5.9 Content Development

The content you want to deliver is perhaps one of the most important parts in training and one of the most time-consuming to develop. Development of learning objectives or those things you want your learners to know after the training makes for a more focused training. Think of learning objectives as goals—what should someone know after completing this training? Here are some sample learning objectives:

1. Be able to define and explain the handling of hazardous materials in the workplace.
2. Be able to utilize the team decision process model.
3. Understand the definition of sexual harassment and be able to recognize sexual harassment in the workplace.
4. Understand and be able to explain the company policies and structure.

After you have developed the objectives and goals, you can begin to develop the content of the training. Consideration of the learning methods you will use, such as discussion and role playing, will be outlined in your content area.

Development of content usually requires a development of learning objectives and then a brief outline of the major topics you wish to cover. With that outline, you can "fill in" the major topics with information. Based on this information, you can develop modules or PowerPoint slides, activities, discussion questions, and other learning techniques.

8.5.10 Timelines

For some types of training, time lines may be required to ensure the training has been done. This is often the case for safety training; usually the training should be done before the employee starts. In other words, in what time frame should an employee complete the training?

Another consideration regarding time lines is how much time you think you need to give the training. Perhaps one hour will be enough, but sometimes, training may take a day or even a week. After you have developed your training content, you will likely have a good idea as to how long it will take to deliver it. Consider the fact that most people do not have a lot of time for training and keep the training time realistic and concise.

From a long-term approach, it may not be cost effective to offer an orientation each time someone new is hired. One consideration might be to offer orientation training once per month so that all employees hired within that month are trained at the same time.

Development of a dependable schedule for training might be ideal, as in the following example:

1. Orientation is offered on the first Thursday of every month.
2. The second and third Tuesday will consist of vestibule training on management skills and communication.
3. Twice yearly, in August and March, safety and sexual harassment training will be given to meet the legal company requirements.

Developing a dependable training schedule allows for better communication to your staff, results in fewer communication issues surrounding training, and allows all employees to plan ahead to attend training.

8.5.11 Communication

Once you have developed your training, your next consideration is how you will communicate the available training to employees. In a situation such as an orientation, you will need to communicate to managers, staff, and anyone involved in the training the timing and confirm that it fits within their schedule. If it is an informal training, such as a brown bag lunch on 401(k) plans, this might involve determining the days and times that most people are in the office and might be able to participate. Because employees use Mondays and Fridays, respectively, to catch up and finish up work for the week, these days tend to be the worst for training.

Consider utilizing your company's intranet, e-mail, and even old-fashioned posters to communicate the training. Many companies have Listservs that can relay the message to only certain groups, if need be.

Human Resource Recall

What can happen if training is not communicated to employees appropriately?

8.5.12 Measuring Effectiveness

After we have completed the training, we want to make sure our training objectives were met. One model to measure effectiveness of training is the Kirkpatrick model,[28] developed in the 1950s. His model has four levels:

1. Reaction: How did the participants react to the training program?
2. Learning: To what extent did participants improve knowledge and skills?
3. Behavior: Did behavior change as a result of the training?
4. Results: What benefits to the organization resulted from the training?

28. Donald Kirkpatrick, Evaluating Training Programs, 3rd ed. (San Francisco: Berrett-Koehler, 2006).

Each of Kirkpatrick's levels can be assessed using a variety of methods. We will discuss those next.

Fig. 8.3: Kirkpatrick's Four Levels of Training Evaluation

Review the performance of the employees who received the training, and if possible review the performance of those who did not receive the training. For example, in your orientation training, if one of the learning objectives was to be able to request time off using the company intranet, and several employees who attended the training come back and ask for clarification on how to perform this task, it may mean the training didn't work as well as you might have thought. In this case, it is important to go back and review the learning objectives and content of your training to ensure it can be more effective in the future.

Many trainers also ask people to take informal, anonymous surveys after the training to gauge the training. These types of surveys can be developed quickly and easily through websites such as Survey Monkey. Another option is to require a quiz at the end of the training to see how well the employees understand what you were trying to teach them. The quiz should be developed based on the learning objective you set for the training. For example, if a learning objective was to be able to follow OSHA standards, then a quiz might be developed specifically related to those standards. There are a number of online tools, some free, to develop quizzes and send them to people attending your training. For example, Wondershare Quiz Creator [29] offers a free trial and enables the manager to track who took the quiz and how well they did. Once developed by the trainer, the quiz can be e-mailed to each participant and the manager can see how each trainee did on the final quiz. After you see how participants do on the quiz, you can modify the training for next time to highlight areas where participants needed improvement.

29. WonderShare QuizCreator, accessed July 29, 2010, http://www.sameshow.com/quiz-creator.html#172.

It can be easy to forget about this step in the training process because usually we are so involved with the next task: we forget to ask questions about how something went and then take steps to improve it.

One way to improve effectiveness of a training program is to offer rewards when employees meet training goals. For example, if budget allows, a person might receive a pay increase or other reward for each level of training completed.

Training Framework	Plan
Needs Assessment	Formalized New Employee Orientation
Delivery Mode	Vestibule
Budget (per person)	Lunch: $15 Notebook: $20
Delivery Style	Discussion, PowerPoints, Icebreaker
Audience	New hires from all departments
Goals and Learning Objectives	• Be able to explain company history and structure • Understand operational company policies • Meet department heads
Timeline	4 hours for training, new employee orientation offered on the 5th and 15th of every month
Communication	E-mail to hiring managers and to new employee
Measurement Method	Interactive team quiz

Training Framework	Plan
Needs Assessment	Sexual harassment training
Delivery Mode	Web based
Budget (per person)	User fee: $10
Delivery Style	Online modules and online assignments
Audience	Required for all employees
Goals and Learning Objectives	• Understand what constitutes sexual harassment • Know what to do if you are sexually harassed at work
Timeline	1.5 hours, offered every Tuesday at 10:00 a.m. and every Thursday at 3:30 p.m. during the month of February
Communication	Company Listserv, announcement to department heads at weekly meeting
Measurement Method	Online end-of-course quiz

Training Framework	Plan
Needs Assessment	Product training
Delivery Mode	Vestibule
Budget (per person)	Materials only online: $0
Delivery Style	PowerPoint, Role playing
Audience	Salespeople
Goals and Learning Objectives	• Understand the features of product xx • Be able to explain the benefits of product xx
Timeline	New product release is October 1st, so training will be in September. 1 hour. Delivered during regular weekly sales meeting
Communication	E-mail list message to salespeople, work with sales manager
Measurement Method	Sales figures for product xx

Fig. 8.4:

Once the training framework has been developed, the training content can be developed. The training plan serves as a starting point for training development.

8.5.13 Career Development Programs and Succession Planning

Another important aspect to training is career development programs. A career development program is a process developed to help people manage their career, learn new things, and take steps to improve personally and professionally. Think of it as a training program of sorts, but for individuals. Sometimes career development programs are called professional development plans.

Today's Date	February 15, 2012
Employee	Sammie Smith
Current job title	Clerk, Accounts Payable
Goals	• Develop management skills • Learn accounting standards • Promoted to Accounts Payable Manager
Training Needed	• Management training • Peachtree accounting software Advanced training • Earn AAAS online degree in accounting • Take tax certification course • Communications training
Estimated Costs	• AAAS degree, $5, 678 • Peachtree Training, $150 for one day seminar • Tax certification certificate, $550 for intensive weekend conference
Completion Date	Spring of 2014
Manager Notes: • In-house training offered yearly: "Reading Body Language," and "Writing Development," and "Running an Effective Meeting" • External Training needed: Peachtree software, AAAS Degree, Tax certification Training Course • Assign Sammie to Dorothy Redgur, the CFO for mentorship • Next steps: Sammie should develop a timeline for when she plans to complete the seminars. The budget allows us to pay up to $1,000 per year for external training for all employees. Talk with Sammie about how to receive reimbursement.	

Fig. 8.5: Sample Career Development Plan Developed by an Employee and Commented on by Her Manager

As you can see, the employee developed goals and made suggestions on the types of training that could help her meet her goals. Based on this data, the manager suggested in-house training and external training for her to reach her goals within the organization.

Career development programs are necessary in today's organizations for a variety of reasons. First, with a maturing baby-boom population, newer employees must be trained to take those jobs once baby boomers retire. Second, if an employee knows a particular path to career development is in place, this can increase motivation. A career development plan usually includes a list of short- and long-term goals that employees have pertaining to their current and future jobs and a planned sequence of formal and informal training and experiences needed to help them reach the goals. As this chapter has discussed, the organization can and should be instrumental in defining what types of training, both in-house and external, can be used to help develop employees.

To help develop this type of program, managers can consider a few components: [30]

1. Talk to employees. Although this may seem obvious, it doesn't always happen. Talking with employees about their goals and what they hope to achieve can be a good first step in developing a formal career development program.
2. Create specific requirements for career development. Allow employees to see that if they do A, B, and C, they will be eligible for promotion. For example, to become a supervisor, maybe three years of experience, management training, and communication training are required. Perhaps an employee might be required to prove themselves in certain areas, such as "maintain and exceed sales quota for eight quarters" to be a sales manager. In other words, in career development there should be a clear process for the employees to develop themselves within the organization.
3. Use cross-training and job rotation. Cross-training is a method by which employees can gain management experience, even if for short periods of time. For example, when a manager is out of the office, putting an employee "in charge" can help the employee learn skills and abilities needed to perform that function appropriately. Through the use of job rotation, which involves a systematic movement of employees from job to job within an organization, employees can gain a variety of experiences to prepare them for upward movement in the organization.
4. Utilize mentors. Mentorship can be a great way for employees to understand what it takes to develop one's career to the next level. A formal mentorship program in place with willing mentees can add value to your career development program.

30. Martha Heller, "Six Tips for Effective Employee Development Programs," CIO Magazine, June 15, 2005, accessed July 28, 2010,http://www.cio.com/article/29169/Six_Tips_for_Effective_Career_Development_Programs.

Fig. 8.6: Career Development Sample Process to Become an Accounts Payable Manager

There are many tools on the web, including templates to help employees develop their own career development plans. Many organizations, in fact, ask employees to develop their own plans and use those as a starting point for understanding long-term career goals. Then hopefully the organization can provide them with the opportunities to meet these career goals. In the late 1980s, many employees felt that career opportunities at their current organizations dwindled after seeing the downsizing that occurred. It gave employees the feeling that companies were not going to help develop them, unless they took the initiative to do so themselves. Unfortunately, this attitude means that workers will not wait for career opportunities within the company, unless a clear plan and guide is put into place by the company. [31] Here is an example of a process that can be used to put a career development program in place: [32]

1. Meet individually with employees to identify their long-term career interests (this may be done by human resources or the direct manager).
2. Identify resources within the organization that can help employees achieve their goals. Create new opportunities for training if you see a gap in needs versus what is currently offered.
3. Prepare a plan for each employee, or ask them to prepare the plan.
4. Meet with the employee to discuss the plan.
5. During performance evaluations, revisit the plan and make changes as necessary.

31. Peter Capelli, "A Balanced Plan for Career Development," n.d., Microsoft, accessed July 29, 2010, http://office.microsoft.com/en-us/word-help/a-balanced-plan-for-career-development-HA001126815.aspx.
32. Jose Trueba Adolfo, "The Career Development Plan: A Quick Guide for Managers and Supervisors," n.d., National Career Development Association, accessed July 29, 2010,http://associationdatabase.com/aws/NCDA/pt/sd/news_article/6420/_PARENT/layout_details/false.

Identifying and developing a planning process not only helps the employee but also can assist the managers in supporting employees in gaining new skills, adding value, and motivating employees.

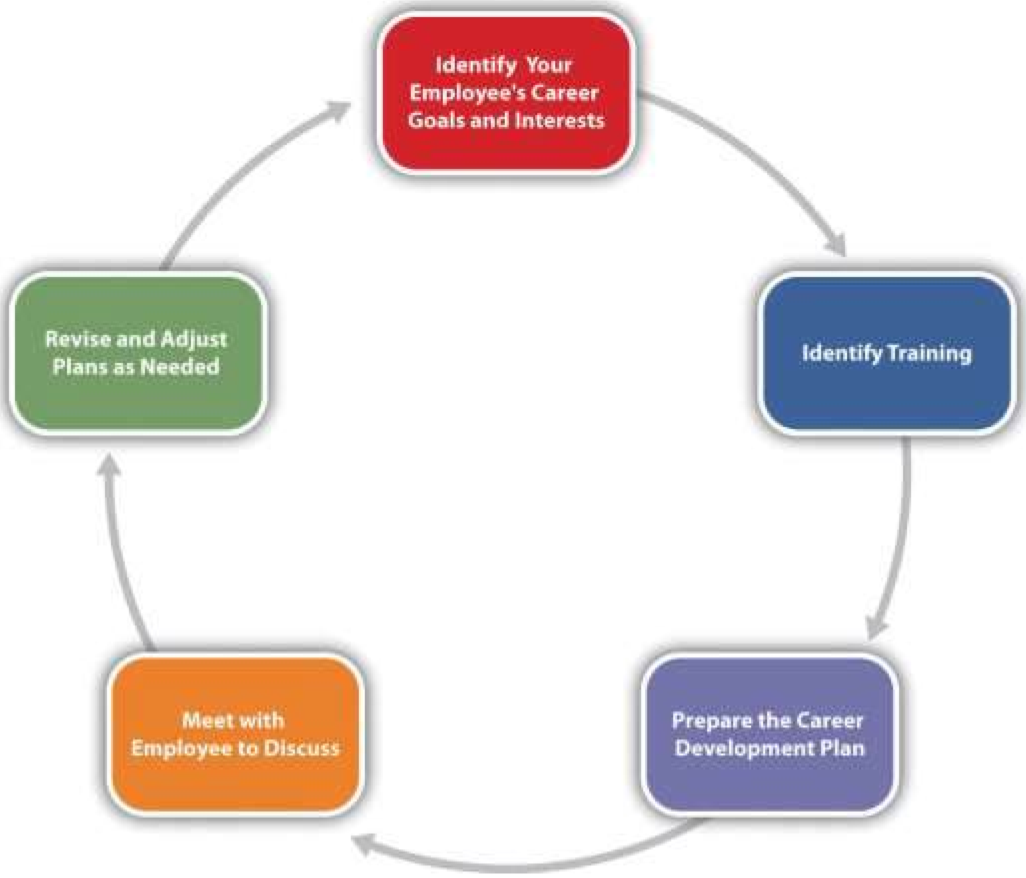


Fig. 8.7: Career Development Planning Process

Key Takeaways

- There are a number of key considerations in developing a training program. Training should not be handled casually but instead developed specifically to meet the needs of the organization. This can be done by a needs assessment consisting of three levels: organizational, occupational, and individual assessments.
- The first consideration is the delivery mode; depending on the type of training and other factors, some modes might be better than others.
- Budget is a consideration in developing training. The cost of materials, but also the cost of time, should be considered.
- The delivery style must take into account people's individual learning styles. The amount of lecture, discussion, role plays, and activities are considered part of delivery style.
- The audience for the training is an important aspect when developing training. This can allow the training to be better

developed to meet the needs and the skills of a particular group of people.

- The content obviously is an important consideration. Learning objectives and goals for the training should be developed before content is developed.
- After content is developed, understanding the time constraints is an important aspect. Will the training take one hour or a day to deliver? What is the time line consideration in terms of when people should take the training?
- Letting people know when and where the training will take place is part of communication.
- The final aspect of developing a training framework is to consider how it will be measured. At the end, how will you know if the trainees learned what they needed to learn?
- A career development process can help retain good employees. It involves creating a specific program in which employee goals are identified and new training and opportunities are identified and created to help the employee in the career development process.

Exercises

1. Develop a rough draft of a training framework using for a job you find on Monster.com.
2. Write three learning objectives you think would be necessary when developing orientation training for a receptionist in an advertising firm.
3. Why is a career development plan important to develop personally, even if your company doesn't have a formal plan in place? List at least three reasons and describe.

8.6 Cases and Problems

Chapter Summary

- Employee training and development is a necessity in today's work environment. Training and development can lead to lower turnover and increased motivation.
- There are four basic steps to employee training: employee orientation, in-house training, mentoring, and external training.
- Different types of training can be delivered, each falling into the steps of employee training. These include technical or technology training, quality training, skills training, soft skills training, professional training, team training, managerial training, and safety training.
- Within the types of training, we need to determine which method is best for the actual delivery of training. Options include on-the-job training, mentor training, brown bag lunches, web-based training, job shadowing, job swapping, and vestibule training.
- Development of a training development framework is the first step in solidifying the training.
- Considerations and steps to developing the training framework include determining the training needs, delivery modes, budget, delivery style, audience, content, time lines, communication of the training, and measurement of the training.
- Career development programs can be an essential piece to the training puzzle. A comprehensive program or plan, either developed by employees or administered by HR, can help with motivation and fill the gap when people in the organization leave or retire. It can also be used as a motivational tool.

Chapter Case

New on the Job

JoAnn Michaels just started her job as human resources manager at In the Dog House, a retail chain specializing in dog apparel and accessories. She is a good friend of yours you met in college.

The organization has 35 stores with 250 employees in Washington, Idaho, and Oregon. As the chain has grown, the training programs have been conducted somewhat piecemeal. Upon visiting some of the stores in a three-week tour, JoAnn has realized that all the stores seem to have different ways of training their in-store employees.

When she digs further, she realizes even the corporate offices, which employ seventy-five people, have no formal training program. In the past, they have done informal and optional brown bag lunch training to keep employees up to date. As a result, JoAnn develops a survey using SurveyMonkey and sends it to all seventy-five corporate employees. She created a rating system, with 1 meaning strongly disagree and 5 meaning strongly agree. Employees were not required to answer all questions, hence the variation in the number of responses column. After this task, JoAnn creates a slightly different survey and sends it to all store managers, asking them to encourage their retail employees to take the survey. The results are shown here.

In the Dog House Corporate Employee Survey Results		
Question	Number of Responses	Average Rating
I am paid fairly.	73	3.9
I feel my group works well as a team.	69	2.63
I appreciate the amount of soft skills training offered at In the Dog House.	74	2.1
I can see myself growing professionally here.	69	1.95
I feel I am paid fairly.	74	3.8
I have all the tools and equipment I need to do my job.	67	4.2
I feel confident if there were an emergency at the office, I would know what to do and could help others.	73	2.67
I think my direct supervisor is an excellent manager.	55	2.41
The orientation training I received was helpful in understanding the expectations of the job.	75	3.1
I would take training related to my job knowing there would be a reward offered for doing so. 71 4.24 In	71	4.24
In the Dog House Retail Employee Survey Results		
Question	Number of Responses	Average Rating
I am content with the benefits I am receiving.	143	1.2
I feel my store works well as a team.	190	4.1
I appreciate the amount of product training and information offered at In the Dog House.	182	2.34

I can see myself growing professionally here.	158	1.99
I feel I am paid fairly.	182	3.2
My supervisor works with my schedule, so I work at times that are convenient for me.	172	3.67
I feel confident if I had to evacuate the store, I would know what to do and could help customers.	179	2.88
I think my store manager is a great manager.	139	3.34
The orientation training I received was helpful in understanding the expectations of the job.	183	4.3
I am interested in developing my career at In the Dog House.	174	1.69

Based on the information JoAnn received from her survey, she decided some changes need to be made. JoAnn asks you to meet for coffee and take a look at the results. After you review them, JoAnn asks you the following questions. How would you respond to each?

“Obviously, I need to start working on some training programs. Which topics do you think I should start with?”

“How do I go about developing a training program that will be really useful and make people excited? What are the steps I need to take?”

“How should I communicate the training program to the corporate and retail employees? Should the new training I develop be communicated in the same way?”

“Do you think that we should look at changing pay and benefits? Why or why not?”

“Can you please help me draft a training program framework for what we have discussed? Do you think I should design one for both the corporate offices and one for the retail stores?” (Hint: Look at Figure 8.4for guidelines.)

Team Activity

1. In teams of three to four, outline a two-hour training program for managers to better understand motivation for their employees. Motivation is discussed in Retention and Motivation (Page 189). Use the training development model discussed in this chapter. Your training should address learning objectives, delivery modes, budget, delivery style, time line, communication, and measurement. Prepare a five-minute presentation to present in class.
2. Using the same plan above, plan and deliver the content to the rest of the class.

Chapter 9 Successful Employee Communication

9.1 The Biggest Challenge

Casey is seated at his desk reviewing his human resource strategic plan when Lily walks in, obviously upset. Her facial expressions show she is upset, and after she enters, she crosses her arms while standing in front of Casey's desk. Casey thinks Lily is a very hard worker and does an excellent job managing people as the manager of her marketing department. Lately, she has been having trouble with some of her employees.

"Casey," she says, "I really need to vent. Can I sit down and talk with you?" Casey offers Lily a seat and she sits down. She tells Casey that Sam, a marketing manager, made snide and underhanded comments during a meeting this morning. "For example, when I asked the status on one of our projects, Sam said snidely, 'Why don't you ask one of your marketing assistants? They are doing such a great job, after all.' I suspect he is upset with something I wrote on my blog last week. As you know, I started the blog to continually let employees know of changes in the department and to provide feedback. In last week's blog, I wrote about what a great job the marketing assistants are doing in my department."

Lily goes on, "So I pulled him aside after the meeting and asked him about his comment. He said that he was upset that I had given feedback to the marketing assistants because he feels that as their manager, it is his job to do that. He felt I had stepped on his toes and the toes of other marketing managers."

Casey thinks about the situation and asks Lily if she apologized. Lily responds, "I didn't feel like I needed to. I do think the marketing assistants are doing a good job, and I don't need to apologize for mentioning that. I am just trying to raise morale among them. You know, two marketing assistants have quit in the last three months."

Casey leans back in his chair and gives some thought as to how to advise Lily. He suggests that Lily speak with Sam directly (not via e-mail) and tell him that her intention was only positive and not meant to be harmful, and see what happens. Lily thinks about that and says she will try to see Sam later today. When she leaves, Casey sits back and thinks about how communication is one of the biggest challenges in any job, but especially in human resources.

9.2 Communication Strategies

Learning Objectives

1. Explain the concept of emotional intelligence.
2. Describe the four types of communication in the workplace.
3. Explain the various communication styles and identify your own style.
4. Define nonverbal communication and describe the importance of it in an HR setting.

Communication, as you see in our opening scenario, is key to a successful career as a human resource manager (HRM) or as a manager. While communication is likely discussed in several of your business classes, it should also be addressed in an HRM book, since much of what we do in HR is based on effective communication.

How many times do miscommunications happen on a daily basis, either in your personal life or at your job? The good news is that we can all get better at communication. The first thing we need to do is learn how we can communicate with our employees. Then we will want to look at our own communication style and compare that with other styles. Have you ever spoken with someone you just didn't "get"? It is probably because you have different communication styles. We address this in Communication Styles (Page 268). Body language is also a key contributor to communication; in fact, as was suggested in the late 1960s by researcher Albert Mehrabian, body language makes up 93 percent of our communication.[1] Part of communication is also looking at the way we manage people. Depending on our style of management, we may use a variety of management styles to communicate things we need done or to give performance feedback. One major way companies communicate with employees is through the use of meetings. Some meetings can be very effective, but as you probably already know, many meetings aren't very productive. We will discuss some strategies to help you run a more effective meeting.

9.2.1 Communication and Emotional Intelligence (EI)

One of the most important aspects to good communication is emotional intelligence (EI). Emotional intelligence is different from IQ. First, EI predicts much of life success, much more than IQ, in fact.[2] The great thing about EI is that it can actually improve

1. Albert Mehrabian and Susan R. Ferris, "Inference of Attitudes from Nonverbal Communication in Two Channels," Journal of Consulting Psychology 31, no. 3 (1967): 248–58.
2. Daniel Goleman, Emotional Intelligence (New York: Bantam Books, 2005).

over time, unlike IQ, which stays the same over a lifetime. According to Daniel Goleman, [3] a researcher on EI, there are five main aspects or domains to EI:

1. Knowing your emotions
2. Managing your emotions
3. Motivating yourself
4. Recognizing and understanding other people's emotions
5. Managing relationships

First, let's discuss knowing your emotions. If we don't know how we feel about something, it can be difficult to communicate. It may seem obvious to know what we are feeling from moment to moment, but oftentimes we do not. How we feel impacts our body language as well as our verbal communication. For example, let's say you just got home from work and had a really crummy day. When you get home, you find that your spouse has not unloaded the dishwasher yet, as you had agreed. Tie this with a crummy day, and you might communicate differently about it than if you had a great day.

On the other hand, if you recognize that you are tired and a bit cranky, your awareness of these emotions allows you to manage them. The third aspect of EI, motivating yourself, goes without saying in a management or human resource role. This is the key not only to career success but also to personal success.

The last two domains of EI revolve around being able to see and understand emotions in other people, which in turn can benefit the relationship. Let's say, in the situation above, you get home and the dishwasher isn't unloaded, but you recognize immediately through body language and facial expressions that your spouse is extremely upset by something. Seeing this emotion in someone else may help you decide if you should mention the dishwasher—or not—at this specific time. But what if you didn't recognize this emotion and raised your voice to your spouse about the unloaded dishwasher? It will probably result in an argument. Using this example, I am sure you can see how this translates into the workplace. Emotional intelligence allows us to work better with people, understand them, and communicate with them.

Human Resource Recall

Do you think you are a good communicator? What could you improve?

9.2.2 Communication Directions

As you already know, communication in companies is key to having a successful organization. Those companies who communicate well with their employees end up with more loyal and motivated workers. Those that don't communicate well, though, see increased turnover, absenteeism, dissatisfied customers, higher product defect

3. Daniel Goleman, Emotional Intelligence (New York: Bantam Books, 2005).

rates, lack of focus on business objectives, and lack of innovation. [4] Proper communication can result in a sense of belonging and self-worth, leading to less turnover and absenteeism, which is mentioned in the opening scenario. These issues are also discussed in Retention and Motivation (Page 189). In Communication Styles (Page 268), we discuss some of the ways we can stay connected with our employees.

Four main types of communications occur within a company: upward communication, downward communication, diagonal communication, and horizontal communication. Each type of communication can serve a different purpose in human resources, and many messages may be sent in a variety of ways.

Upward communication is when the lower levels of an organization communicate with the upper levels of an organization. Some examples might be an employee satisfaction survey using online survey tools such as Survey Monkey. These kinds of tools can be used to determine the changes that should occur in a company. Oftentimes human resource departments may develop a survey such as this to find out how satisfied the employees are with things such as benefits. Then the organization can make changes based on the satisfaction level of the employees. Employees might also engage in upward communication in a given work situation. They might tell their manager their plate is full and they can't take on any new projects. This is considered upward communication, too.

Downward communication is the opposite of upward communication, in that the communication occurs from the upper levels of an organization down to the lower levels of the organization. A manager explaining how to do a task to an employee would be considered downward communication. Development of training programs to communicate safety in the organization might be another example. A change in a pay or bonus structure would be communicated using the downward approach as well.

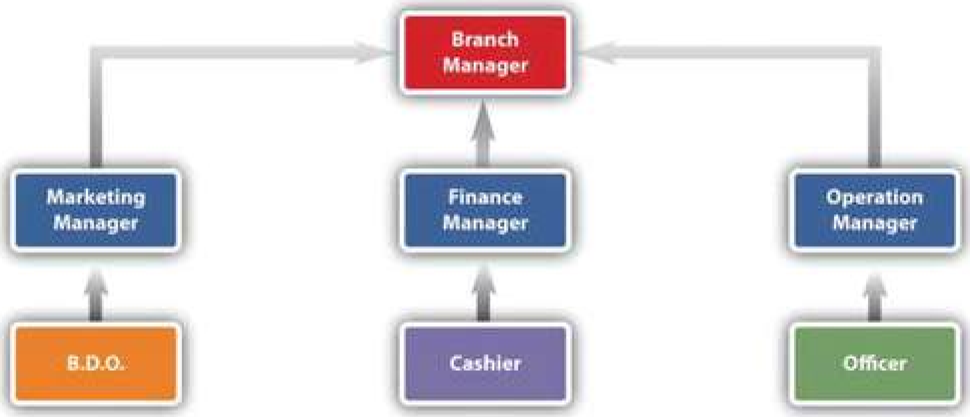
A diagonal communication approach occurs when interdepartmental communication occurs with people at different levels of the organization. When the human resources assistant speaks with the marketing manager about the hiring of a new employee in marketing, this would be considered diagonal communication.

Horizontal communication occurs when people of the same level in an organization, for example, a marketing manager and a human resource manager, communicate usually to coordinate work between departments. An accounting manager might share information with a production manager so the production manager knows how much budget they have left.

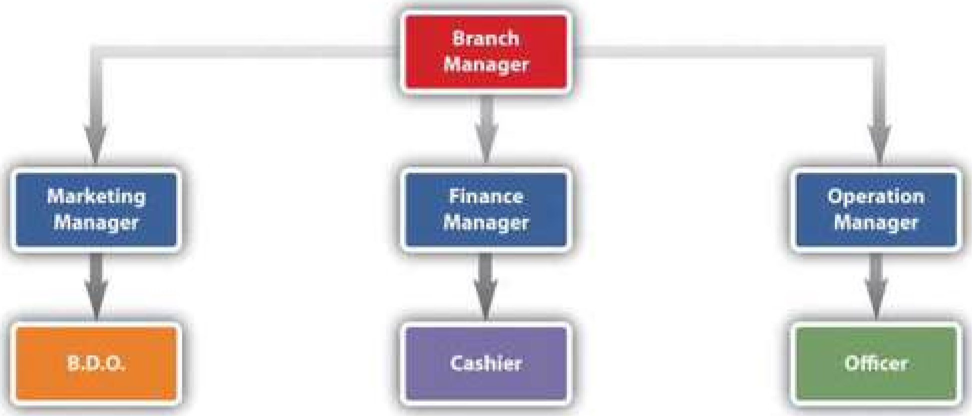
Within all the communication methods we discussed, there are a variety of approaches. Of course, the most obvious is the informal communication that occurs. An e-mail may be sent or a phone call made. Meetings are another way to communicate information. Companies can also use more formal means to communicate. A blog would be an example. Many companies use blogs to communicate information such as financial numbers, changes to policy, and other "state of the business" information. This type of information is often downward communication. However, blogs are not just for upper management anymore.

4. "Effective Communication in the Workplace," Business Performance, accessed July 19, 2010, http://www.businessperform.com/workplace-communication/workplace_communication.html.

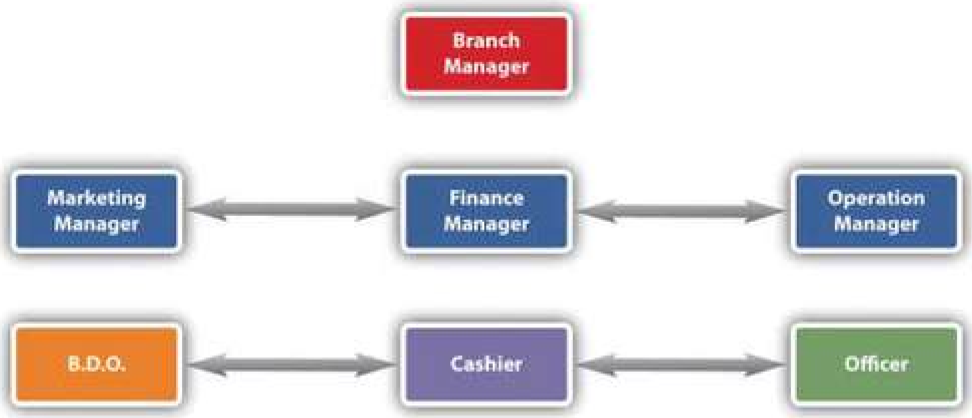
Companies are using microblogs more and more to ensure that people in various departments stay connected with each other, especially when tasks tend to be very interdependent.



"Upward" Communication in a Bank



"Downward" Communication in a Bank



"Horizontal" Communication in a Bank

Fig. 9.1: Types of Communication Flow in Organizations

Companies also use social networking sites to keep in touch, such as Twitter and Facebook. For example, Alcatel-Lucent, a 77,000-employee telecommunications company in Europe, found that using social media keeps a large number of employees connected and tends to be a low or no-cost method of communicating. Rather than sending e-mail to their employees telling them to expect updates via these methods, the news is spread via word of mouth as most of the employees blog or use Facebook or other social media to communicate. In fact, Alcatel-Lucent has over eight hundred groups in its system, ranging from business related to ones social in nature. [5] Use of this type of technology can result in upward, downward, horizontal, and diagonal communication all at once.

Companies also use intranets to communicate information to their employees. An intranet is an internal website, meaning that others generally cannot log in and see information there. The intranet may include information on pay and vacation time as well as recent happenings, awards, and achievements.

9.2.3 Communication Styles

In addition to the communication that occurs within organizations, each of us has our own individual communication style. Many organizations give tests that may indicate their candidate's preferred style, providing information on the best job fit.

Our communication styles can determine how well we communicate with others, how well we are understood, and even how well we get along with others. As you can imagine, our personality types and our communication styles are very similar. Keep in mind, though, that no one person is "always" one style. We can change our style depending on the situation. The more we can understand our own dominant communication style and pinpoint the styles of others, the better we can communicate. The styles are expresser, driver, relater, and analytical. Let's discuss each of these styles next.

People with an expresser communication style tend to get excited. They like challenges and rely heavily on hunches and feelings. Depending on the type of business, this can be a downfall as sometimes hard data should be used for decision-making purposes. These people are easily recognized because they don't like too many facts or boring explanations and tend to be antsy if they feel their time is being wasted with too many facts.

People with a driver style like to have their own way and tend to be decisive. They have strong viewpoints, which they are not afraid to share with others. They like to take charge in their jobs but also in the way they communicate. Drivers usually get right to the point and not waste time with small talk.

People with a relater style like positive attention and want to be regarded warmly. They want others to care about them and treat them well. Because relaters value friendships, a good way to communicate well with them is to create a communication environment where they can feel close to others.

5. Sharon Gaudin, "Alcatel-Lucent Gets Social with Company Communication,"Computerworld, accessed July 19, 2010,http://www.computerworld.com/s/article/9179169/Alcatel_Lucent_gets_social_with_company_communication.

People with an analytical communication style will ask a lot of questions and behave methodically. They don't like to be pressured to make a decision and prefer to be structured. They are easily recognized by the high number of questions they ask.

	Passive	**Assertive**	**Aggressive**
Definition	Communication style in which you put the rights of others before your own, minimizing your own self-worth	Communication style in which you stand up for your rights while maintaining respect for the rights of others	Communication style in which you stand up for your rights but you violate the rights of others
Implications to others	my feelings are not important	we are both important	your feelings are not important
	I don't matter	we both matter	you don't matter
	I think I'm inferior	I think we are equal	I think I'm superior
Verbal styles	apologetic	I statements	you statements
	overly soft or tentative voice	firm voice	loud voice
Nonverbal styles	looking down or away	looking direct	staring, narrow eyes
	stooped posture, excessive head nodding	relaxed posture, smooth and relaxed movements	tense, clenched fists, rigid posture, pointing fingers
Potential consequences	lowered self-esteem	higher self-esteem	guilt
	anger at self	self-respect	anger from others
	false feelings of inferiority	respect from others	lowered self-esteem
	disrespect from others	respect of others	disrespect from others

Table 9.1: Which One of These Communication Styles Do You Tend to Use?

	pitied by others		feared by others

Table 9.1: Which One of These Communication Styles Do You Tend to Use?

Let's discuss an example of how these communication styles might interact. Let's assume an analytical communicator and a relater are beginning a meeting where the purpose is to develop a project time line. The analytical communicator will be focused on the time line and not necessarily the rapport building that the relater would be focused on. The conversation might go something like this:

Relater:	What are you doing this weekend? I am going to my son's baseball game. It is supposed to be hot—I am looking forward to it.
Analytical:	That's great. OK, so I was thinking a start date of August 1stfor this project. I can get Kristin started on a to-do list for the project.
Relater:	That would be great. Kristin is a really hard worker, and I'm sure she won't miss any details.
Analytical:	Yes, she's OK. So, your team will need to start development now with a start day coming up. How are you going to go about this?

How do these two personality styles walk away from this conversation? First, the relater may feel ignored or rejected, because the analytical communicator didn't want to discuss weekend details. The analytical communicator may feel annoyed that the relater is wasting time talking about personal things when they have a goal to set a project time line. These types of small miscommunications in business are what can create low morale, absenteeism, and other workplace issues. Understanding which style we tend to use can be the key in determining how we communicate with others. Here is another, personal example of these communication styles and how a conversation might go:

Expresser, to his partner:	I am really excited for our hiking trip this weekend.
Driver:	I still think we should leave on Thursday night rather than Friday.
Expresser:	I told you, I don't think I can get all day Friday off. Besides, we won't have much time to explore anyway, if we get there on Thursday, it will already be dark.
Driver:	It won't be dark; we will get there around 7, before anyone else, if we leave after work.
Expresser:	I planned the trip. I am the one who went and got our food and permits, I don't see why you have to change it.
Driver:	You didn't plan the trip; I am the one who applied for the permits.

In this situation, you can see that the expresser is just excited about the trip and brings up the conversation as such. The driver has a tendency to be competitive and wants to win, hence his willingness to get there Thursday before everyone else. The expresser, on the other hand, tried to sell his ideas and didn't get the feedback he felt he deserved for planning the trip, which made the communication start to go south.

In addition to our communication personalities, people tend to communicate based on one of three styles. First, a passive communicator tends to put the rights of others before his or her own. Passive communicators tend to be apologetic or sound tentative when they speak. They do not speak up if they feel like they are being wronged.

An aggressive communicator, on the other hand, will come across as standing up for his or her rights, while possibly violating the rights of others. This person tends to communicate in a way that tells others they don't matter, or their feelings don't matter.

An assertive communicator respects his rights and the rights of others when communicating. This person tends to be direct but not insulting or offensive. The assertive communicator stands up for his or her own rights but makes sure the rights of others aren't affected.

Have you heard of a passive-aggressive communicator? This person tends to be passive but later aggressive by perhaps making negative comments about others or making snide or underhanded comments. This person might express his or her negative feelings in an indirect way, instead of being direct. For example, you are trying to complete a project for a client and the deadline is three days away. You and your team are working frantically to finish. You ask one of your employees to come in to work on Saturday morning to finish up the loose ends, so the project will be ready to present to the client on Monday. Your employee agrees, but when you show up on Monday, the project isn't ready to present. You find out that this person had plans on Saturday but wasn't direct with you about this. So the project didn't get completed, and you had to change the appointment with the client. Later, you also find out that this employee was complaining to everyone else that you had asked her to come in on Saturday. As you can see from this example, passive-aggressive behavior doesn't benefit anyone. The employee should have been direct and simply said, "I can't come in on Saturday, but I can come in Sunday or work late Friday night." Ideally, we want to be assertive communicators, as this shows our own self-esteem but at the same time respects others and isn't misleading to others, either.

When dealing with someone who exhibits passive-aggressive behavior, it is best to just be direct with them. Tell that person you would rather she be direct than not show up. Oftentimes passive-aggressive people try to play the martyr or the victim. Do not allow such people to press your buttons and get you to feel sorry for them. This gives them control and can allow them to take advantage.

9.2.4 Nonverbal Communication

Now that we have discussed the types of communication in organizations and different verbal communication styles, it is only appropriate to discuss body language as well. Most successful HR professionals are excellent at reading and understanding nonverbal language, especially during the interview process. This is discussed in Selection (Page 112). The interviewer's nonverbal language can also help or hinder a candidate, so we want to be careful of our nonverbal language when interviewing someone. Nonverbal language accounts for a large part of communication. Without seeing and hearing the nonverbal clues, it is easier to have misunderstandings. Nonverbal language can include facial expressions, eye contact, standing or sitting posture, and the position of our hands. Our tone of voice, loudness or softness, and gestures can also be part of body language. The better we can get at knowing what our own body language is telling others and reading others' body language, the better we can get at communicating well with others.

Strategic HR Communication Style in Organizations

Consider the use of digital forms of communication, such as e-mail and text messaging. These forms of communication do not allow us to read another's body language, which can often result in misconceptions about what another is saying. Use of "smiley" icons can make this clearer, but often people cannot detect sarcasm and other nonverbal communication cues. If you have something important to communicate, it is better to communicate most of the time in person or via phone, so you can hear tone and see facial expressions.

How Would You Handle This?

She Said What?

As the HR manager, you have a meeting scheduled in a few minutes with Adeline. Adeline is the accounting manager for a small firm in Boise, Idaho. She has four people who report to her, Alan being one of them. Alan manages three people in his position as account director. Adeline just left a meeting with one of Alan's employees, who complained of Alan's communication style and threatened to quit. She said that Alan belittles them and withholds information. She also complained of Alan making inappropriate comments, which were meant as a joke but were offensive. How would you handle this?

How Would You Handle This?

https://api.wistia.com/v1/medias/1360833/embed

The author discusses the How Would You Handle This situation in this chapter at: https://api.wistia.com/v1/medias/1360833/embed.

Another note to consider on body language is how body language can be different across cultures. For example, the OK sign (thumb and pointer figure put together to form a circle) means "great" or "fine" in the United States, but in Brazil, Germany, and Russia, this sign would be considered both rude and offensive. In Japan, this sign means you want the store to give you change in coins. When traveling, we often take for granted that gestures, and even interpersonal distance, or how far apart we stand from another person, are the same at home, but obviously this is not the case. Different nonverbal language can be different wherever you go, so reading up on the place you will visit can ensure you won't offend anyone while there. Having this information can also help us train our employees for overseas assignments. This is discussed in Training and Development (Page 224) and International HRM (Page 421).

Fig. 9.2: What Are Each of These Images Telling Us?

9.2.5 Listening

Listening is obviously an important part of communication. There are three main types of listening. Competitive or combative listening happens when we are focused on sharing our own point of view instead of listening to someone else.
Inpassive listening, we are interesting in hearing the other person and assume we hear and understand what the person says correctly, without verifying.
In active listening, we are interested in what the other person has to say and we are active in checking our understanding with the speaker. For example, we may restate what the person has said and then verify our understanding is correct. The feedback process is the main difference between passive listening and active listening.

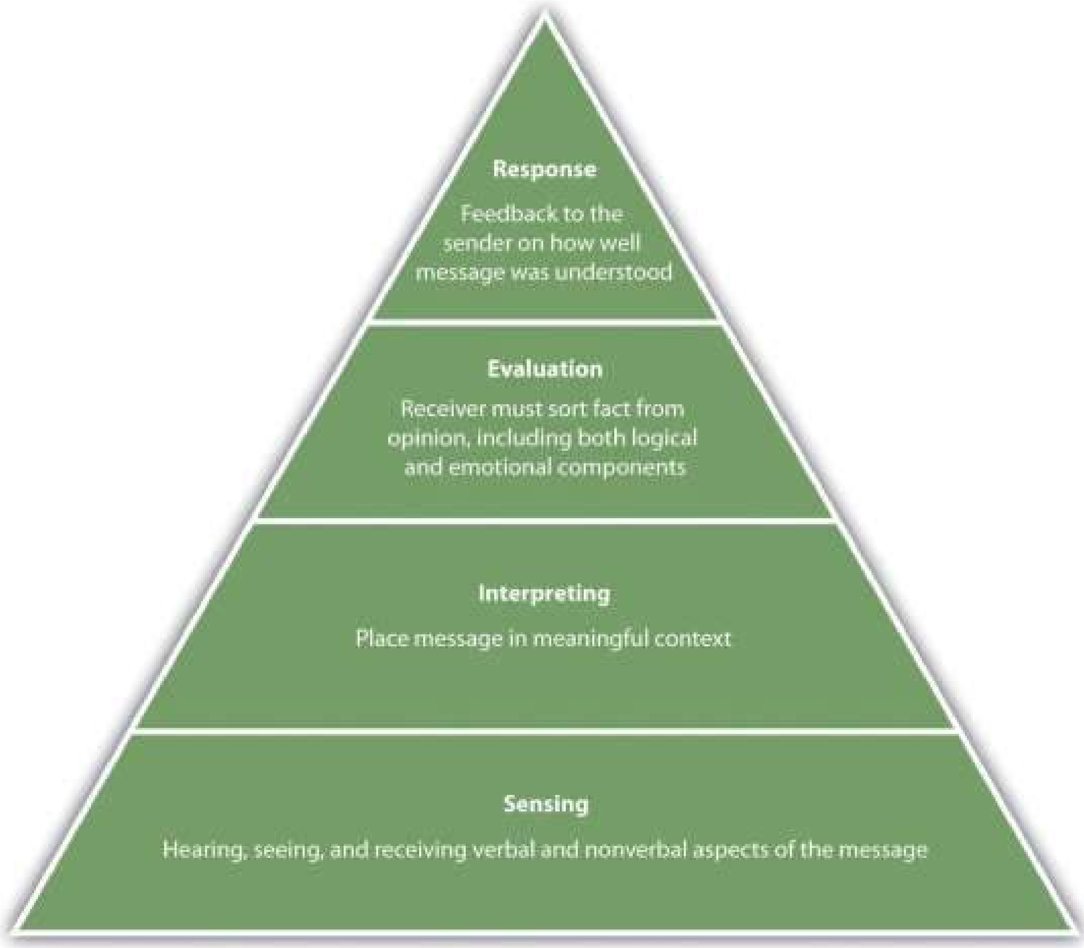


Fig. 9.3: Active listening involves four phases]

by Lyman Steil, Larry Barker, and Kittie Watson, “SIER Hierarchy of Active Listening,” Provenmodels, accessed August 1, 2011, http://www.provenmodels.com/554..

Key Takeaways

- Emotional intelligence can be improved over time, unlike IQ, which stays stable throughout life.
- Emotional intelligence includes knowing and managing your emotions, motivating yourself, recognizing and understanding other people's emotions, and managing relationships.
- There are four types of communication at work: downward, upward, horizontal, and diagonal. All types of communication can happen at once, especially with the use of blogs and social networking sites.
- Companies that use good communication tend to have less turnover and less absenteeism.
- There are four main types of communication styles: expresser, driver, relater, and analytical. The better we can understand our own style of communication and the communication styles of others, the easier it will be to communicate with them.
- Passive, aggressive, and passive-aggressive behaviors are not healthy ways of communicating. Assertive behavior, on the other hand, respects one's own rights and the rights of others.
- Nonverbal communication is one of the most important tools we can use to communicate how we feel. Watching others' body language can give us signals as to how they may really feel.
- Listening is also an important part of communication. Active listening occurs when we are interested in what the other person has to say, and we check with the speaker to make sure we understand what they have said. Competitive or combative listening is when we are focused on sharing our own point of view.Passive listening is when we listen to someone, but do not verify that we understand what someone is saying.

Exercises

1. Learn more about your EI by going tohttp://www.queendom.com/tests/access_page/index.htm?idRegTest=1121 and taking the test. Then answer the following questions:
   a. What did the test say about your EI?
   b. What are some things you can do to improve your EI? What strategies might you use to improve your EI?

Which communication style, the expresser, driver, relater, or analytical, do you typically use? How can you get better at understanding other people's style and get comfortable communicating in their style?

Do you tend to be passive, assertive, or aggressive? Give an example of when you used each style and discuss the result.

Take a few hours and watch the body language of the people in your workplace or personal life. Pay careful attention, really being aware of body language. What was the situation? What kinds of body language did they show?

9.3 Management Styles

Learning Objectives

1. Define the various types of management styles.
2. Explain how we can determine which style to use in a variety of situations.

Management style ties in very closely with communication style. There isn't necessarily one management style that is better than another; they are simply different and might be used in a variety of situations. HR managers can provide training on each of these areas since management style impacts the ability and motivation of employees to do their jobs. This is addressed in Retention and Motivation (Page 189)".

FORTUNE 500 FOCUS

One of the most famous Fortune 500 management styles is the GE Way, which has been discussed in numerous books and articles. In fact, GE has traditionally been the recruiting ground for other companies' CEO searches. When Jack Welch, the famous GE CEO known for several books on his management style, including Winning, retired and was replaced, it took less than a week for the two runners-up for his job to be offered jobs at other Fortune 500 companies. Home Depot recruited Robert Nardellia and 3M recruited W. James McNearney. [6] However, the command-and-control management style responsible for the success of GE did not work out well for several former GE executives. Command-and-control style is based on military management. The idea is to get people to do what you tell them to do, and if they don't, there are major penalties, similar to an autocratic style. Many say that Nardellia was unsuccessful at Home Depot because of this ingrained management style learned at GE. [7] For example, Nardellia insisted that shelves be stocked during off hours, and he instituted formal inventory control. Unfortunately, he didn't understand most employees were not looking to rise within the organization, so the extra work didn't provide any upside for the individuals, causing high turnover. An autocratic style may work well in some organizations, well enough for numerous books to be written, but management style isn't always transferable to other organizations, as Nardellia found out at Home Depot.

Management styles are one of the most challenging topics we can deal with in a work setting. Everyone is different; everyone has a preference for which style motivates them the best in a variety of situations. Oftentimes managers make the mistake of using the same style for everyone, regardless of ability or motivation. In this section, we will discuss some of the main management styles and how to know which one to use in a specific situation.

9.3.1 Task Style versus People-Centered Style

When we look at the styles of management, we see that most styles fall into one of two categories, a task-oriented management style or a people-centered style.

A manager with a task-oriented style will focus on the technical or task aspects of the job. The concern for this manager is that employees know what is expected of them and have the tools needed to do their job.

6. Claudia Deutsch, "The GE Way Isn't for Everyone," New York Times, January 7, 2007, accessed August 1, 2011,http://www.nytimes.com/2007/01/04/business/worldbusiness/04iht-ge.4102488.html.
7. Claudia Deutsch, "The GE Way Isn't for Everyone," New York Times, January 7, 2007, accessed August 1, 2011,http://www.nytimes.com/2007/01/04/business/worldbusiness/04iht-ge.4102488.html.

A people-oriented style is more concerned with the relationships in the workplace. The manager emphasizes the interpersonal relations, as opposed to the task. The manager is most concerned about the welfare of the employee and tends to be friendly and trusting.

Understanding these two main differences in management style, we will now look at other possible styles a manager might use.

9.3.2 Participatory, Directing, or Teamwork Styles

Utilization of a participatory management style involves both a task-oriented style and a people-centered style. This style emphasizes how the employee's assigned task fits into the bigger picture. This style will provide support and input where needed. As a result, the focus is on the task but also on the person and the relationships required to get the task done. This style might be used when the employees are experienced and the deadlines reasonable enough to provide the time needed to focus both on the task and the person. If more hands-on management is required,
[8] adirecting management style might be appropriate. Consider a very tight deadline or an emergency situation in which someone needs to be calling the shots. For example, in your doggie treats business, you just received an order for one hundred dog cookies by later this afternoon. You might consider using a directing style to make sure it gets done on time. This style doesn't focus on the person, but rather focuses on getting the task done; hence it tends to be more of a task-oriented style.

A manager who uses a teamwork management style believes there is a value (or necessity) in having people work in teams. As a result, this style tends to require a people-centered approach. Relationships are most important, and assuming the individuals work well together, the task will be successfully accomplished. The advantage to this style, given the type of task and situation, is that as a manager you are able to pool resources and abilities from several different people. Use of a team style can also provide big benefits for the company. For example, Google uses a teamwork approach it calls "grouplets." Google believes that individuals should be able to spend time on something that interests them and is also company related. Engineers at Google spend 20 percent of their time on this endeavor. As a result, grouplets are formed, and the grouplet works on their idea with no specific budget. Some of the best ideas from Google have come through this teamwork process. Gmail, in fact, was developed using a grouplet. [9]

8. "Three Effective Management Styles," Dun & Bradstreet Credibility Corp., 2010, accessed February 5, 2010, http://smallbusiness.dnb.com/human-resources/workforce-management/11438-1.html.
9. Bharat Mediratta, as told to Julie Bick, "The Google Way: Give Engineers Room," New York Times, October 21, 2007, accessed February 15, 2010,http://www.nytimes.com/2007/10/21/jobs/21pre.html.

9.3.3 Autocratic, Participative, and Free-Reign Styles

An autocratic style of management involves the task-oriented style. The focus is on getting things done, and relationships are secondary. This type of manager tends to tell people what to do and takes a “my way or the highway” approach. Another description for this type of manager is a taskmaster. This person uses his or her authority and makes all the decisions as to who does what, how it is done, and when it should get done.

On the other hand, a participative style constantly seeks input from the employees. Setting goals, making plans, and determining objectives are viewed as a group effort, rather than the manager making all the decisions.

At the other extreme, a free-rein style gives employees total freedom to make decisions on how things will get done. The manager may establish a few objectives, but the employees can decide how those objectives are met. In other words, the leader tends to be removed from the day-to-day activities but is available to help employees deal with any situation that may come up.

9.3.4 Path Goal Model for Leadership

The path goal theory says that the role of a leader is to define goals and lay down the path for the employees to meet those goals. Aspects include clarification of the task and scope of the process. Clarification of the employee’s role and clarification around how the success of the task will be measured are key aspects in this model. The leader also is involved in guidance and coaching surrounding the goal and removes obstacles for employees that might affect the completion of the task. The path goal theory says that if employees are satisfied by the leadership style, they will be motivated toward the goals of leadership. Part of the model also stresses that the skills, experience, and environmental contingencies of the job play a role in the success of the leader.

Fig. 9.4: Path Goal Model for Leadership

9.3.5 Applying Management Styles

It is great to talk about management style, but application of that management style, especially in an HR environment, is just as important as knowing the management styles. In this section, we will discuss how and when you might use each style when managing people.

Another way we can view leadership is through the situational leadership model.[10] This model, developed by Ken Blanchard (author of the One Minute Manager series of books), does a good job explaining how we might use one type of management style versus another.

The model looks at three areas: the relationship behavior of the manager, the task behavior of the manager, and the readiness of employees. The relationship behavior means how supportive the manager needs to be in helping employees. Task behavior refers to the type of style the manager should use when managing employees, based on their readiness level. Readiness includes the willingness and skills to perform the task at hand. Depending on where the employees fall in each of these areas, you might use a different management style:

- D4—High Competence, High Commitment—Experienced at the job and comfortable with their own ability to do it well. May even be more skilled than the leader.

10. Ken Blanchard, Patricia Zigarmi, and Drea Zigarmi, Leadership and the One Minute Manager (New York:HarperCollins Entertainment, 2000).

- D3—High Competence, Variable Commitment—Experienced and capable, but may lack the confidence to go it alone or the motivation to do it well/quickly.
- D2—Some Competence, Low Commitment—May have some relevant skills but won't be able to do the job without help. The task or the situation may be new to them.
- D1—Low Competence, High Commitment—Generally lacking the specific skills required for the job at hand but has the confidence and/or motivation to tackle it.

Based on the readiness and commitment of the employee, the leader can see what management style and level of support the employee should experience: [11]

- S1—Telling/Directing—High task focus, low relationship focus—Leaders define the roles and tasks of the "follower" and supervise them closely. Decisions are made by the leader and announced, so communication is largely one way. This style can be used with people who lack competence but are enthusiastic and committed and who need direction and supervision to get them started.
- S2—Selling/Coaching—High task focus, high relationship focus—Leaders still define roles and tasks but seek ideas and suggestions from the follower. Decisions remain the leader's prerogative, but communication is much more two-way. This approach can be used with people who have some competence but lack commitment and who need direction and supervision because they are still relatively inexperienced. These individuals may also need support and praise to build their self-esteem and involvement in decision making to restore their commitment.
- S3—Participating/Supporting—Low task focus, high relationship focus—Leaders pass day-to-day decisions, such as task allocation and processes, to the follower. The leader facilitates and takes part in decisions, but control is given to the follower. This style can be used with people who have the necessary competence but lack confidence or motivation. These individuals may need little direction because of their skills, but support is necessary to bolster their confidence and motivation.
- S4—Delegating—Low task focus, low relationship focus—Leaders are still involved in decisions and problem solving, but control is with the follower. The follower decides when and how the leader will be involved. This style would work with people who have both competence and commitment and who are able and willing to work on a project by themselves with little supervision or support.

The bottom line when discussing management style is that no one style works best in all situations. We may be more comfortable with one style versus another, but we need to change our management style depending on the person and task we are working with. For example, if you have an employee who is brand new, you will likely work with that person using a more directive style. As she develops, you might change to a participative style. Likewise, someone who does good work and has lots of experience may prefer a free-rein style. Many managers make the mistake of trying to use the same style with every person in every situation. To be a great manager, we must change our styles based on the situation and the individual involved. How does this relate to human resources? First, in HR, we are the "go to" people when there are

11. Situational Leadership Grid, Chimaera Consulting, 2008, accessed February 4, 2010,http://www.chimaeraconsulting.com/sitleader.htm.

communication issues or issues between management and employees. By understanding these styles ourselves, it will be easier to communicate with and provide solutions for the people we work with. We might even be able to use this information to develop management training, which can result in better communication and higher productivity.

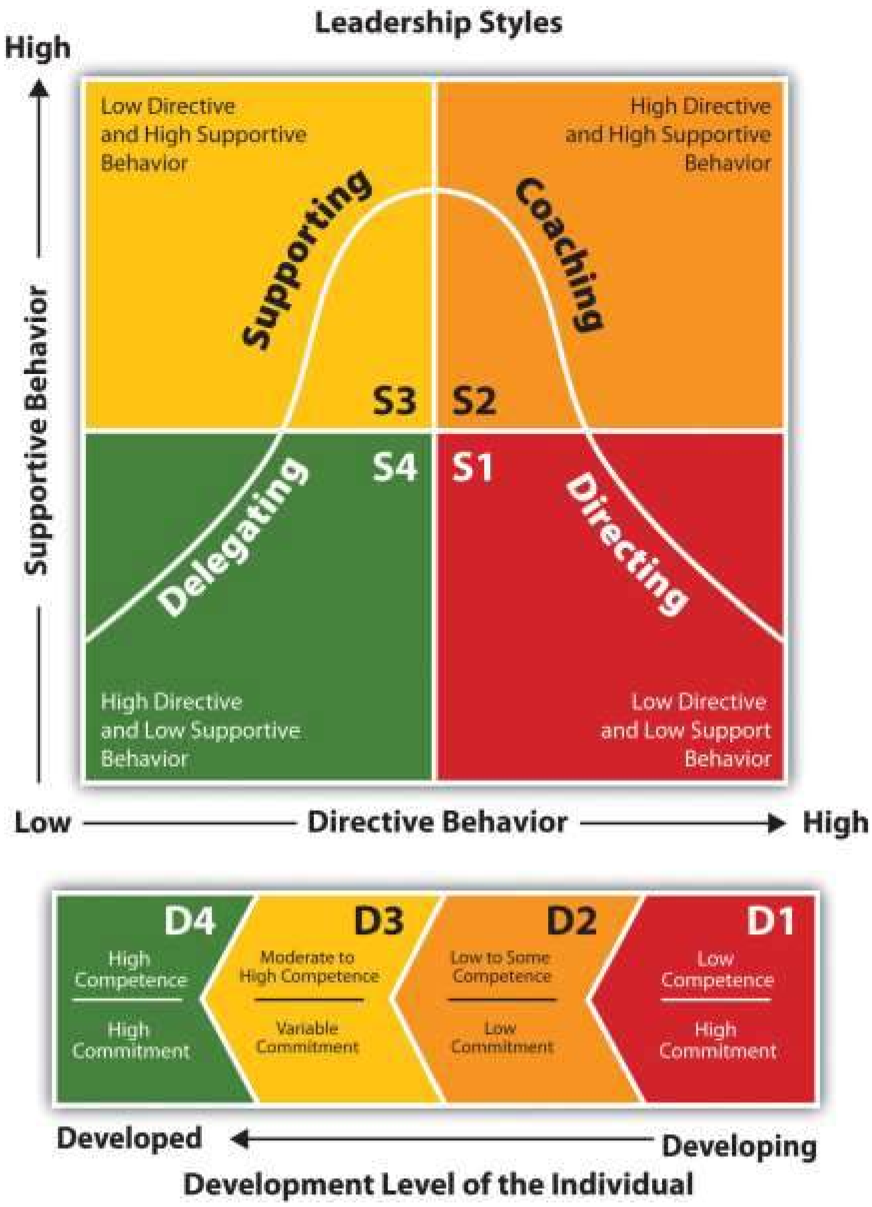


Fig. 9.5: Blanchard's Situational Leadership Model

Human Resource Recall

What kind of management style does your supervisor use? Is it effective?

Key Takeaways

- Just like in communication, a different management style should be used depending on the employee.
- Task styles focus on getting the job done, while people-centered styles focus on relationships.
- A participatory style involves both task-oriented and people-centered styles. Adirecting style is focused on the task and doesn't allow for employee participation. A teamwork style focuses on teamwork and is a people-oriented style. The advantage of this style is the ability to use strengths from everyone on the team.
- An autocratic style doesn't allow much room for employee decision making; the focus is on getting the task done. A participative style constantly requires input from employees. The free-rein style gives employees freedom to make decisions on how things will get done.
- The situational leadership model, which looks at relationship behavior, task behavior, and the readiness of employees, is used to recommend different management styles.
- No one management style works in all situations. Just like with communication, you will likely want to vary your approach based on the situation to get the best results.

Exercises

1. Why is it important to understand management style if you are an HR professional or manager? Discuss at least three points.
2. What combinations of management style might you use in each of these situations and why?
    a. You are considering a major change in the way your company does business. Your staff has an excellent record of achieving goals, and your relationship with them is trusting and supportive.
    b. Your employees do a great job. A situation has developed in which you need to make quick decisions and finish a project by the end of the week.
    c. Your employees arehaving trouble getting the job done. Their performance as a whole is less than expected..
    d. You have an employee who is very motivated but has little experience.