5. Selecting and managing your team

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Learning objectives

- to understand the field of Human Resource Management and its potential for creating and sustaining competitive advantage
- to understand how an organization can effectively recruit, manage, and terminate its employees.
- to know the basic approaches to creating effective reward systems through base pay, benefits, and pay for performance
- to understand the relationship between work design and employee motivation
- to show familiarity with mechanisms to create employee voice and influence

Competitive advantage through human resource management

An introduction, by Cynthia V Fukami

A great deal of recent research has underscored the strategic advantage to be gained from managing employees as if they are assets rather than commodities. Consider the commodities a business employs—pads of paper, ballpoint pens—things that you purchase, use up, and then discard. Investing in a commodity is never considered—refilling a ballpoint pen, for a simple example—because it simply is not worth the expenditure of time and resources. A return on that investment is not expected. On the other hand, consider the assets employed in business—the physical plant, the equipment, and the money—things that are maintained and developed. When the paint peels on the office walls, one does not throw away the building and build a new one; a new coat of paint is sufficient. Making investments in a business's assets makes a great deal of sense, because these investments will bring a return. A growing number of companies, recognizing that their employees are among their most valuable assets, are backing up that recognition with solid investment.

In an important recent book, Professor Jeffrey Pfeffer of Stanford University identified seven management practices that have been associated with producing sustained competitive advantage for the companies that have adopted them. These practices are: employment security, selective hiring, self-managed teams with decentralized authority, high pay contingent on organizational performance, training, reduced status differences, and sharing information. Put together, these practices form the foundation of what is called a "high-commitment" or a "high-performance" management system.

The evidence on the results of implementing a high-commitment management system is striking and strong. Research has been conducted in many industries, from banking to automotive to semiconductors to service. Some research has focused on one industry while others have looked across industries. Some research has included companies from the United States and others have studied companies abroad. Overall, the conclusions of these studies are remarkably similar. High-commitment management systems produce higher organizational performance. Pfeffer summarizes the results into three categories. First, people work harder because they have more control over their work from the high-commitment management practices. Second, people work smarter because they have stronger skills and greater competence from the investments of high-commitment management practices. Third, companies save administrative overhead and the costs by reducing the alienation of their workforce and the adversarial relationship with management.

In a study of firms representing all major industries, Mark Huselid found that a one standard-deviation increased the use of high-commitment practices was associated with a 7.05 per cent decrease in employee turnover, a USD 27,044 per-employee increase in sales, USD 18,641 more in market value per employee, and USD 3,814 more in profits per employee. When he repeated the study several years later, he found that a similar increase in the use of high-commitment management practices was associated with a USD 41,000 increase in shareholder value per employee.

Another noteworthy study examined the management practices of initial public offerings or IPOs to see if there was a relationship between high-commitment management practices and the five-year survival rate of IPOs. This study concluded that the treatment of employees as assets and the use of stock options, profit sharing and gain sharing programs for all employees (versus limiting the programs to key executives) were significantly related to the survival of the IPO to the five-year milestone.

These studies, and many others like them, have put conventional wisdom on its ear. Typically, we have assumed that success was related to factors such as size, or being global, or leading your market, or being in particular industries such as high tech, or pursuing a brilliant strategy. Yet, research shows there is virtually no connection between industry and success. As Wal-Mart and Southwest Airlines have shown us, an individual business can be very successful in a terrible industry. Similarly, there is little or no connection between success over time and company size or market dominance. Instead, competitive advantage comes from the way business is conducted, and employees are the keys to this. The most successful companies manage their workforce effectively as assets not commodities.

So why are more companies not adopting high-commitment management practices? Why are their executives proclaiming employees to be their most valuable assets, while continuing to treat them as commodities? Perhaps it is a continual cultural emphasis on short run performance and stock prices—an emphasis that makes it seem more profitable to lay off employees or to cut training when times are tough. Perhaps it is a preoccupation with systems that control rather than delegate. Perhaps it is our overwhelming tendency to teach future managers technical tools at the expense of people-management tools. Whatever the reasons, the challenge remains. If a business is able to meet that challenge, the odds are that competitive advantages will follow.

Providing employee voice and influence

By Liz Evans

Employees are the resources of an organization in the same way as material assets but they are also the firm's stakeholders. The concept of **employees as stakeholders** refers to the interest employees have in the success of the company and the fact that actions taken by the organization directly affect the employees (Olson, 2003). Employees' stakes in the company are economic in the fact that their livelihood comes from the firm, psychological in that they derive pride from their work, and political in terms of their rights as employees and citizens. Though employees are the stakeholders who are arguably most visible to management on a day-to-day basis, they do not often command the majority of attention in terms of decision-making influences. The short-term, economic duties to stockholders often command more managerial attention in the decision making process than employee opinion (Peterson, 2005). According to Jones, the best way to incorporate employees' stake to improve firm performance is through employee participation and influence (Employees as Stakeholders, 1997).

Apart from unionization, employees can obtain influence in organizational decisions in several ways. **Grievance and Due Process Systems** allow employees to address grievances and to argue their point if they feel they are wronged by management or another employee. **Participation Systems** provide employees with influence in the organizational or managerial decision making processes. This subchapter will discuss the ways employees are given voice and influence in non-unionized workplaces, with particular attention paid to influence in decision-making and organizational success. This will include the benefits of employee input to the firm, the difference between voice and influence, and the many participation mechanisms management can use to harness employee influence into decision-making.

There are benefits to a firm for providing employee influence. For one, strong employee voice and influence mechanisms are an important part of a **High-Performance Human Resource System** in which the human resources of the firm are coordinated and "designed to maximize the quality of human capital in the organization" (Becker & Huselid, 2001). Voice and influence mechanisms allow employees to give input and to contribute their expertise to business success; these mechanisms allow firms to get the most benefit from the skills of their human capital. Thus, firms with employee influence mechanisms get higher financial return from their employee assets; high-performance HR systems improve the financial bottom line of the firm (Becker & Huselid, 2001).

Despite the many benefits, there are various reasons not to implement voice and influence mechanisms perceived by employees and management. Voice and influence can benefit employees by helping them to protect their rights and most "employees want a voice in their workplace" (Peterson, 2005). However, employees may be hesitant to organize into employee associations or push for voice mechanisms for fear of retribution due to perceived opposition to influence by management (Peterson, 2005). Employers benefit from the increased trust that comes from sharing information and giving employees influence (Pfeffer & Viega, Putting People First for Organizational Success, 1998). However, managers who are used to having control often find it "disconcerting, difficult and even impossible" to share power in the form of influence in exchange for the many organizational benefits (Marken, 2004).

Voice and influence are different, but both are necessary to garner the benefits to the firm. Many managers recognize the importance of giving their employees a **voice**, but often this open communication does not result in authentic employee involvement or influence on the actual decision making process (Golan, 2003). Hearing employee voice is not the same as giving **consideration** to the received information; consideration is what gives employees influence in the organization (Garvin & Roberto, 2001). Visible **action** is as important to influence as consideration (Solnik, 2006). Action provides the follow up that allows management to make it apparent to employees that they have influence; it also allows management to see real change and benefit from the insight provided by employees. Voice without consideration and action creates little benefit for employees or the firm.

Many different participation systems can be implemented to authentically get employee input and to capitalize on the benefits associated with employee influence. **Open book management** empowers employees with the information they need to see the reality of the organizational situation and to give relevant and helpful input (Case, 1997). Similar to open book management are **open-door policies**, where management makes it clear that employees can informally raise issues or give input at any time. The open-door policy page on the Central Parking Corporation website provides an example of such a policy and the procedures employed by the company for submitting and receiving employee input (Central Parking Corporation, 2004). **Feedback programs**, sometimes implemented in the form of employee surveys or through direct employee-management interaction, can be a less expensive way to get feedback from employees concerning specific programs or policies (Solnik, 2006). Surveys are particularly economical, especially when done online using free survey programs such as SurveyMonkey.com (Survey Monkey, 2007). Team mechanisms such as **quality circles, work teams, and total quality management teams** provide employees with the ability to synthesize their individual input into a better solution to organizational problems.

In conclusion, there are many possible benefits to a firm associated with providing employees with voice and influence within the organization. However, in order for these benefits to be realized, management must not only provide employees with an outlet to speak, but must also take the information into consideration and follow up with visible action. In this way, an organization can attend to its most important stakeholders, the employees, and garner return on its investment in its human capital.

Managing differences in organizations

By Hanoi N Soto Garcia and Nora Martin

In today's business environment, an increasing trend towards teamwork, a larger presence of women and ethnic minorities in the workplace, and a greater exposure to international businesses and cultures are constantly challenging employees from a variety of industries in all parts of the world. This posts a greater opportunity for people to learn from cultural and personal differences and create a more productive work environment. Thomas L Friedman, in *The World is Flat*, makes the following comment after one of his trips to Bangalore, India: "It is now possible for more people than ever to collaborate and compete in real time with more people on more different kinds of work from more different corners of the planet and on a more equal footing than at any previous time in the history of the world" (2006). Due to the importance of managing differences effectively in organizations, there is a need to identify the types of differences encompassed in organizations, the effects of differences in work teams, and the importance of understanding and diagnosing differences to maximize organizational performance.

Organizations usually take one of two paths in managing diversity: (1) they encourage people of diverse backgrounds to blend in for the benefit of fairness and equality; or (2) they set them apart in jobs that relate specifically to their backgrounds, assigning them, for example, to areas that require them to interface with clients or customers of the same identity group. African American MBAs often find themselves marketing products to innercity communities; Latino Americans are frequently positioned to market to Latinos or work for Latin American subsidiaries. In those kinds of cases, companies are operating on the assumption that the main virtue identity groups have to offer is knowledge of their own people. This assumption is limited and detrimental to diversity efforts. Diversity goes beyond increasing the number of different identity-group affiliations on the payroll. Such an effort is merely the first step in managing a diverse workforce for the organization's utmost benefit. Diversity should be understood as the "varied perspectives approaches to work that members of different identity groups bring" (Thomas & Ely, 1996).

Leaders realize that increasing demographic variation does not in itself increase organizational effectiveness. They realize that it is *how* a company defines diversity and *what it does* with the experiences of being a diverse organization that delivers on the promise.

Group diversity refers to the amount of heterogeneity within a group determined by several characteristics derived from informational, visible, and value differences (Hobman, Bordia, & Gallois, 2003). **Informational differences** refer to different professional backgrounds and experiences; **visible differences** refer to things that become more physically apparent, such as age, gender, ethnicity, etc.; and **value differences** are shaped by each individual's set of beliefs, goals, and values. These three categories of differences have a major impact on team performance because they can become the cause for multiple types of conflicts within a team. When approaching tasks, different members of the team will have different behaviors based on their own set of informational, visible, and values characteristics. Employees with different views of the same situation may have totally different ways of responding to it.

After the appearance of conflict, team members can create a true learning environment where they can perform far beyond expectations by leveraging their differences. Hobman, Bordia, and Galois highlight the ways in which group diversity can foster a higher organizational performance, "It has been noted that diversity can lead to higher performance when members understand each other, combine and build on each others' ideas. This suggests that interaction processes within a diverse team are crucial to the integration of diverse viewpoints. For example, Abramson found that organizations that had teams with high diversity and integration had the best performance" (Consequences of Feeling Dissimlar from Others in a Work Team, 2003). Along these lines, diverse groups have a higher ability to overcome initial difficulties by identifying the multiple angles of a problem and generating creative solutions.

The more openly they are recognized and discussed, the better chance there is for differences to become part of organizational success. Tomas and Ely believe in the notion that "a more diverse workplace will increase organizational effectiveness. It will lift morale, bring greater access to new segments of the market place, and enhance productivity" (Making Differences Matter; A New Paradigm for Managing Diversity, 1996). By truly embracing diversity, leveraging the talent within multicultural teams, and approaching diversity as means to higher knowledge and productivity, organizations will effectively manage differences, to achieve competitive advantage successfully.

Table 1: Paradigms of diversity

Paradigm	**Focus**	**Key success factors**

Discrimination-and-fairness	• Equal opportunity, fair treatment, recruitment, and compliance with US federal Equal Employment Opportunity requirements • Leaders work towards restructuring the makeup of the organization to reflect more closely that of society	• Effectiveness in its recruitment and retention goals rather than by the degree to which companies allow employees to draw on their personal assets and perspectives to do their work more efficiently
Access-and legitimacy	• Need of a more diverse workforce to help companies gain access to the differentiated segments • Matches the demographics of the organization to those of critical consumer or constituent groups	• Degree to which leaders in organizations understand niche capabilities and incorporate them into differentiated categories aligned to their business strategy
Learning-and-effectiveness	• Incorporates employee's perspectives into the main work of the organization • Enhances work by rethinking primary tasks and redefining markets, products, strategies, missions, business practices, and even cultures	• The promotion of equal opportunity and acknowledgment of cultural differences • Organizational learning and growth fostered by internalizing differences among employees
End goal: Leaders should thrive to shift to the Learning-and-effectiveness paradigm to approach diversity as a means to higher knowledge and productivity.		

Recruiting workers

Lukhvinder Rai

Recruitment of talented employees is an essential part of any company's ability to maintain success and ensure the achievement of standards within an organization. Recruiting workers consists of actively compiling a diverse pool of potential candidates which can be considered for employment. A good recruitment policy will do this in a timely, cost-efficient manner. The ultimate goal of any human resources recruitment policy is to develop relationships with potential employees before they may actually be needed while remaining cognizant of the costs of doing so. In different industries, the constant need for talent creates a highly competitive marketplace for individuals, and it is important for any manager to be aware of these factors as they develop recruitment programs and policies. As retirement among baby boomers becomes increasing prevalent, victory in the "war for talent" will depend greatly on recruitment policies.

Methods of recruitment

There are two principal ways to recruit workers: internally and externally. Most companies will actively use both methods, ensuring opportunities for existing employees to move up in the organization while at the same time fielding new talent. Depending on the time frame and the specialization of the position to fill, some methods will be more effective than others. In either case, the establishment of a comprehensive job description for every position for which the company recruits will help to narrow the scope of the search, and offer more qualified candidates, aiding in search efficiency.

Internal recruitment is often the most cost effective method of recruiting potential employees, as it uses existing company resources and talent pool to fill needs and therefore may not incur any extra costs. This is done in two principal ways:

- Advertising job openings internally: This is the act of using existing employees as a talent pool for open positions. It carries the advantage of reallocating individuals that are qualified and familiar with the company's practices and culture while at the same time empowering employees within the organization. It also shows the company's commitment to, and trust in, its current employees taking on new tasks.
- Using networking: This method can be used in a variety of different ways. First, this recruitment technique simply posts the question to existing employees on whether anybody is aware of qualified candidates that they know personally which could fill a position. Known as employee referrals, this method often gives bonuses to the existing employee if the recommended applicant is hired. Another method uses industry contacts and membership in professional organizations to help create a talent pool, through simple word-of-mouth information regarding the needs of the organization.

External recruitment focuses resources on looking outside the organization for potential candidates and expanding the available talent pool. The primary goal of external recruitment is to create diversity among potential candidates by attempting to reach a wider range of individuals unavailable through internal recruitment. Although external recruitment methods can be costly to managers in terms of dollars, the addition of a new perspective within the organization can carry many benefits which outweigh the costs. External recruitment can be done in a variety of ways:

- Traditional advertising: This often incorporates one or many forms of advertising, ranging from newspaper classifieds to radio announcements. It is estimated that companies spend USD 2.18 billion annually on these types of ads (Kulik, 2004). Before the emergence of the Internet, this was the most popular form of recruitment for organizations, but the decline of readership of newspapers has made it considerably less effective (Heathfield, Use the Web for Recruiting: Recruiting Online).
- Job fairs and campus visits: Job fairs are designed to bring together a comprehensive set of employers in one location so that they may gather and meet with potential employees. The costs of conducting a job fair are distributed across the various participants, and can offer an extremely diverse set of applicants. Depending on the proximity to a college or university, campus visits help to find candidates that are looking

for the opportunity to prove themselves and have minimum qualifications, such as a college education, that a firm seeks.

- Headhunters and recruitment services: These outside services are designed to essentially compile a talent pool for a company; however they can be extremely expensive. Although this service can be extremely efficient in providing qualified applicants for specialized or highly demanded job positions the rate for the services provided by headhunters can range from 20 to 35 per cent of the new recruit's annual salary if the individual is hired (Heathfield, Recruiting Stars: Top Ten Ideas for Recruiting Great Candidates).
- Online recruitment. The use of the Internet to recruit a talent pool is quickly becoming the preferred way of doing so, due to its ability to reach such a wide array of applicants extremely quickly and cheaply. There are many ways to turn the Internet into a recruitment tool for your company.

First, the use of the company website can allow a business to compile a list of potential applicants which are supremely interested in the company while at the same time allowing them exposure to your company's values and mission. In order to be successful using this recruitment method, a company must ensure that postings and the process for submitting resumes are as transparent and simple as possible.

Another popular use of online recruiting is through career websites (e.g. Monster.com or Careerbuilder.com). These sites charge employers a set fee for a job posting which can remain on the website for an agreed amount of time. These sites also carry a large database of applicants and allow clients to search their database to find potential employees. Although extremely effective, many companies prefer to use their own websites to eliminate the flood of resumes which may result from these services.

Finally, many professional associations may have websites on which a company may post job openings. For instance, the NCAA allows all of its member schools and conferences to post jobs on their website at a minimal cost, allowing for a more specialized selection of candidates. It may also be in a company's interest to contact area schools to see if they offer a career services site for their students for posting openings, further expanding the reach of recruitment efforts.

To learn more about the growth of internet job postings:

http://www.clickz.com/showPage.html?page=3443851

To learn how to create an effective online job posting:

http://www.yourhrexperts.com/posting.html

Evaluating recruiting policies

To evaluate recruitment policies, the concept of a **yield ratio** is often used. This calculates the efficiency of recruitment practices by taking the number of hirable individuals resulting from a recruitment policy divided by the total number of individuals recruited by the same policy (Kulik, 2004). This equation is outlined below:

$$\text{Yield ratio} = \frac{\text{Number of hirable individuals}}{\text{Total number of recruits}}$$

For many companies, this number can vary enormously, depending on the image, size and business of the company. However, it is still an extremely useful measure as it offers insight into the ability of a recruitment policy and whether it needs to be modified. A company like Microsoft may receive thousands of applicants simply based on the image that the firm carries, distorting its yield ratio without telling anything about the effectiveness of their recruitment strategies.

No matter how a company decides to recruit, the ultimate test will remain the ability of a recruitment strategy to produce viable applicants. Each manager will face different obstacles in doing this; however, it is important to remain concise and objective when searching for potential applicants. It is important to remember that recruiting is not simply done at a time of need for an organization but rather is a yearlong process that constantly maintains a talent pool and frequent contact with candidates.

Selective hiring

By Kristen Giacchino and Emily Gray

In recruiting, it is beneficial to attract not only a large quantity of applicants but a group of individuals with the necessary skills and requirements for the position. After obtaining a large, qualified applicant base managers need to identify those applicants with the highest potential for success at the organization. According to Pfeffer and Veiga, selecting the best person for the job is an extremely critical piece of the human resources inflow process (Pfeffer & Viega, Putting People First for Organizational Success, 1998). Selective hiring helps prevent the costly turnover of staff and increases the likeliness of high employee morale and productivity.

In order to evaluate the fit, it is important for managers to create a list of relevant criteria for each position before beginning the recruitment and selection process. Each job description should be associated with a list of critical skills, behaviors or attitudes that will make or break the job performance. When screening potential employees, managers need to select based on cultural fit and attitude as well as technical skills and competencies. There are some companies, such as Southwest Airlines, based out of the United States, who hire primarily based on attitude because they espouse the philosophy that you hire for attitude, train for skill. According to former CEO Herb Kelleher, “We can change skill levels through training. We can’t change attitude” (O'Reilly & Pfeffer). After determining the most important qualifications, managers can design the rest of the selection process so that it is in alignment with the other human resource processes.

Managers must strive to identify the best applicants at the lowest cost. Companies have a variety of processes available to screen potential employees, so managers must determine which system will generate the most accurate results. The methods of selection vary both in levels of effectiveness and in cost of application. In addition to biographical information, companies can conduct personal interviews, perform background checks, or request testing. Because of the costs associated with these measures, companies try to narrow down the number of applicants in each round of hiring. In some countries, such as the United States, the selection procedures are subject to Equal Employment Opportunity guidelines (Recruitment). Therefore, the companies also need to ensure that the process is accurate, with a high level of validity, reliable and related to critical aspects of the job. Proactively taking these measures will help companies avoid litigation related to discrimination in the selection process.

Interviews

As mentioned, it is important to first define the skills and attributes necessary to succeed in the specified position, then develop a list of questions that directly relate to the job requirements. The best interviews follow a structured framework in which each applicant is asked the same questions and is scored with a consistent rating process. Having a common set of information about the applicants upon which to compare after all the interviews have been conducted allows hiring managers to avoid prejudices and all interviewees are ensured a fair chance (Smith G.). Many companies choose to use several rounds of screening with different interviewers to discover additional facets of the applicant's attitude or skill as well as develop a more well rounded opinion of the applicant from diverse perspectives. Involving senior management in the interview process also acts as a signal to applicants about the company culture and value of each new hire. There are two common types of interviews: behavioral and situational.

Behavioral interview

In a behavioral interview, the interviewer asks the applicant to reflect on his or her past experiences (Janz, 1982). After deciding what skills are needed for the position, the interviewer will ask questions to find out if the candidate possesses these skills. The purpose of behavioral interviewing is to find links between the job's requirement and how the applicant's experience and past behaviors match those requirements. Examples of behavioral interview questions:

- Describe a time when you were faced with a stressful situation. How did you handle the situation?
- Give me an example of when you showed initiative and assumed a leadership role?

(Free Sample Behavioral Interview Questions).

Situational interview

A situational interview requires the applicant to explain how he or she would handle a series of hypothetical situations. Situational-based questions evaluate the applicant's judgment, ability, and knowledge (Latham & Saari, 1984). Before administering this type of interview, it is a good idea for the hiring manager to consider possible responses and develop a scoring key for evaluation purposes. Examples of situational interview questions:

- You and a colleague are working on a project together; however, your colleague fails to do his agreed portion of the work. What would you do?
- A client approaches you and claims that she has not received a payment that supposedly had been sent five days ago from your office. She is very angry. What would you do?

(Creating Situational Interviews and Rating Scales)

Selection tests

When making a hiring decision, it is critical to understand the applicant's personality style, values, and motivations (Smith G.). Technical aptitude is important, but attitude is often more important. The reality is that technical skills can be learned, but interpersonal work attitudes are usually more difficult to change (Schaefer). Behavioral assessments and personality profiles are a good way for hiring managers to learn how the individual will interact with their coworkers, customers, and supervisors (Smith G.). Tests such as the Myers Briggs and D.I.S.C Profile assessments are popular tools that provide an accurate analysis of an applicant's attitudes and interpersonal skills; however, it is critical that the tests are administered, scored and interpreted by a licensed professional. Other selection tests used in hiring, may include cognitive, which measure general intelligence, work sample tests that demonstrate the applicant's ability to perform specific job duties, and integrity tests, which measure honesty (Kulik, 2004).

Background checks

Background checks are a way for employers to verify the accuracy of information provided by applicants in resumes and applications. Information gathered in background checks may include employment history, education, credit reports, driving records, and criminal records. Employers must obtain written consent from the applicant before conducting a background check, and the information gathered in a background check should be relevant to the job.

Evaluation

Employers may choose to use just one or a combination of the screening methods to predict future job performance. It is important for companies to assess the effectiveness of their selective hiring process using metrics. This provides a benchmark for future performance as well as a means of evaluating the success of a particular method. Companies can continuously improve their selection practices to ensure a good fit for future employees that will successfully accomplish all that the job entails as well as fit into the organizational culture. If companies are not successful in their hiring practices, high turnover or low employee morale, decreased productivity will result. Research shows that the "degree of cultural fit and value congruence between job applicants and their organizations significantly predicts both subsequent turnover and job performance" (Pfeffer & Viega, Putting People First for Organizational Success, 1998). Thus, companies need to assess their hiring in terms of technical success as well as cultural fit. Evaluating the hiring process will help ensure continuing success because human capital is often a company's most important asset.

Employee training

By Peter Wright

For years, employee training was viewed as a necessary evil something unpleasant but needed. However, with time it was realized that training could be used to the advantage of the company. When used effectively, training provides the employee with skill and knowledge with relation to the job tasks, which then creates a competitive advantage for the company (Pfeffer & Viega, Putting People First for Organizational Success, 1998).

Training is generally defined as the act of teaching a skill or behavior. However, what does this mean in business terms? Simply put, training in business is the investment of resources in the employees of a company so that they are better equipped to perform the tasks of their job. The type of resources invested may include time to learn, money to create programs and develop training materials, training effectiveness evaluation systems, etc. (Fukami, Strategic Human Resources: Training, 2007). There are many training methods from which a company may choose; these will be covered in the *Training Methods* section of this article.

Benefits of training

Training can be a source of a competitive advantage for a company. The primary benefit to the company is the result of an accumulation of smaller benefits. Training provides greater skill and knowledge to the employees, which translate into any number of improved job performances. The belief is that providing employees with training will result in increased profits—the improved performance or error reduction of the employees results in cost reduction for the company (Pfeffer & Viega, Putting People First for Organizational Success, 1998). The company is not the only beneficiary of employee training; the employee benefits quite a bit as well.

The well-trained employee creates an advantage for him or herself. By attending training sessions, employees can deepen their existing skill set, increase their overall skill set and increase their understanding of the organization. Additionally, the trained employee becomes more marketable in the event that he or she searches for another job—more and better skills will often lead to better or higher paying jobs (Kulik, 2004).

These are not the only benefits that the company and employee enjoy as a result of utilizing a company's training systems. Below is a list of other benefits that both may enjoy:

- increased job satisfaction and morale among employees
- increased employee motivation
- increased efficiencies in processes, resulting in financial gain
- increased capacity to adopt new technologies and methods
- increased innovation in strategies and products
- reduced employee turnover
- enhanced company image, e.g. conducting ethics training (note that this is **not** a good reason for ethics training!)
- risk management, e.g. training about sexual harassment, diversity training (Duening & Ivancevich, 2003)

Need for training

The need for training varies depending on the type of organization that is being discussed; a manufacturing company has different training needs than an insurance firm. But regardless of the type of company being discussed, appropriate training systems can greatly benefit the company. However, how does one decide on a training system? The answer to this question stems from the example above—it depends on the type of organization that is being discussed as well as what the company wishes to address in the training. The process begins with a training needs assessment. This assessment ought to be a systematic and objective analysis of the training needs in three main areas—organizational, job, and person.

Organizational needs deal mostly with the skills the company is looking for, the labor force, etc. whereas the job needs focus on the skills that the company views as necessary for a specific position. Then there are the person needs, and these are the most variable needs. Often these needs arise after a gap is seen in the expected performance compared to the actual performance of the employee. A large gap needs to be addressed and is often dealt with through training or termination (see the *Termination and Downsizing* section) (Fukami, Strategic Human Resources: Training, 2007). Other reasons for the person issues in regards to training may include training to develop a skill set that is lacking but not affecting performance or that the employee feels a need to develop. Training can also be a part of a young employee's "exploration" stage, where training can be used to focus the employee's interest and development towards a specific area (Kulik, 2004).

Specific circumstances may also create the need for training. These circumstances usually occur rather suddenly and infrequently, creating a need for a specific and highly directed training mechanism. Examples of such circumstance are shifts in an organizations ethics (keeping the employees and organization in alignment), new legal requirements (such as Sarbanes-Oxley compliance in the United States), or during states of change within the organization (Duening & Ivancevich, 2003). If a company, regardless of the circumstances surrounding that need, deems training necessary a method for conducting this training needs to be developed and implemented.

Training methods

Designing and implementing the training systems requires the company to consider a number of things; the method of training, the material the training will deal with, who will provide the training, how to evaluate the effectiveness of the training, etc. (Fukami, Strategic Human Resources: Training, 2007). There are also a number of other items that can impact the training system, things like what the training program is called. Because of the negative view that training has had for so long, some organizations are shying away from the term training and replacing it with things such as "Learning & Development" in order to emphasize the importance of learning for the individual and the organization. In other organizations, the term "Human Resource Development" is used (Training and Development, 2007).

Two of the largest issues that a company faces with developing these training systems are: (1) what type of training to use, and (2) how to evaluate the effectiveness of the training. It is important that these training systems and evaluation procedures remain in-line with the culture and policies of the rest of the company. Below is a partial list of common training systems:

- Lectures: Similar to a school classroom, the session is lead by a "trainer/teacher" who covers a specific topic such as how to use a new computer program.
- Audio-visual media & computer-based training*:* With the advancement of technology, companies can invest in video, audio and computer based learning such as instructional tapes, recorded lectures or "podcasts", or computer materials such as Flash presentations. The benefit of these methods is that they are relatively inexpensive and can be utilized by the employee at their discretion (Training and Development, 2007).
- On-the-job: a training method that relies on the employee to recognize the skills and knowledge he or she will need as they perform their work, and then develop those skills on his or her own.
- Technical training: specialized training that focuses on a specific need of specific employees. This typically applies to manufacturing based companies in relation to training their employees on the machinery and methods used.
- Mentoring & coaching: Mentoring systems pair a younger or less experienced employee with an individual that has experience and success within the company who can offer guidance, aid and insight to the younger/less experienced employees (Craumer, 2001). Coaching systems are slightly different. They involve the manager offering developmental assistance to the employee through observation, assessment, providing feedback, questioning, etc. (Kram, 1985)
- Outdoor programs: the use of physical and mental activities such as ropes courses or problem-solving tasks that encourage the use of team work.

After the training system has been developed and implemented, the effectiveness of the system needs to be evaluated, and there are multiple ways to do this. Common methods includes surveys given to the employees who have used the system, an ROI analysis and test at the end of the session (Fukami, Strategic Human Resources: Training, 2007).

Training in the context of global business

When examining the need for and type of training in the context of global/international business, training becomes even more necessary. The training of an employee who will be working in a country other than his or her own can be broken into three segments—pre-departure, on-site, and repatriation.

The **pre-departure** training consists of formal language training, training with respect to the local culture (culture sensitivity), education about the country (history, geography, government, etc.), and education about the companies operation in the foreign country. Such training allows for easier assimilation of the employee into the country and the company's office there.

Once on site, training takes the shape of training at any other branch of the company (see "Training methods" section). When the employee abroad returns to his or her home country it is equally important that the company offer some form of repatriation program. Such programs are designed to reduce culture shock upon return and to integrate the experience abroad into the employees overall career plans and development. These programs are often most effectively carried out through mentor programs (Asheghian & Ebrahimi, 2005).

Aligning employee career development with organizational growth

By Rahul Choudaha

Work is such a cozy place that it's sometimes difficult for Google employees to leave the office…

(Lashinsky, 2007).

We all can predict at least one thing about the future of businesses—competition will increase. However, the direction of competition will not only be for customers, but also for talent. Satisfied talent will attract more customers and in turn will keep them satisfied. Losing talent in an era of talent scarcity is the last thing an organization wants. Especially for small and medium enterprises, criticality and dependability on the talent is much higher. Schweyer makes a case for improving the retention strategies within the organization because winning the internal war for talent is as critical as losing a top performer and leads to general employee dissatisfaction. "Successful talent management inside an organization sets in motion a virtuous cycle. Through word of mouth it becomes known as a great place to work. This reduces the external war for talent to mere skirmishes in which talent will almost always choose the top employer" (An Internal War for Talent, 2006).

Recruiting and selecting the right talent is the first stage, and identifying talent which fits into company's needs and values is critical. Subsequently, the challenge for the organization is to keep the talent and consistently motivate them to over deliver. Baruch examines transforming models of career management, arguing that there is a general shift in career trajectories from linear to multidirectional trajectories (Transforming Careers from Linear to Multidirectional Career Paths, 2004). In this new model, workers' experience of career development and progression does not follow a traditional linear model of moving up organizational hierarchies. The multidirectional career model suggests that as the individual career trajectories gain multiple direction and possibilities, workers are exposed to greater diversity of relationships, involving cross-functional, inter- and intra-organizational and multi-level encounters which transform the landscape of relationships involved in career experiences.

Best of East and West

Google was ranked number 1 in the Fortune 100 Best Companies to Work For. Google receives almost 1,300 resumes every day. The biggest challenge for Google is not how to attract the best talent but how to retain them and keep them excited. Google provides innumerable perks at the office like free meals, free professional advice on health and finance, childcare, shuttle services, gym etc. Google provides two key opportunities for career development. First, engineers are required to devote 20 per cent of their time to pursuing projects of their interests which are in alignment with organizational goals. Second, Google is exploring a sabbatical program and mobility within the company for the developing and retaining talent.

TCS was ranked the number 1 technology company in the DQ-IDC India Survey: Best Employers. This is not an easy achievement considering size of TCS and its philosophy of being one of the moderate pay masters. TCS has over 70,000 employees, and earned global revenue of USD 4.3 billion (2006-07). The key to success is the learning culture that the organization promotes. The organization has adopted a two-prong strategy for developing talent. First, continuous learning through technology: TCS has launched iCALMS, an integrated competency and learning management system. Second, providing global assignments to employees and hence enabling a route for professional and financial growth (Dataquest, 2006).

The career development programs should provide excitement and satisfaction at various stages of employee development. Marshall highlighted that leadership development programs for small organizations should identify the talent early on and provide multiple opportunities of learning by job rotation (Leadership Development for Small Organizations, 2002). These development programs should also leverage the internal talent, who are already experts in their fields for creating inspiration and developing the next chain of leaders. Komisar shared his experiences and mentioned that a passion-driven career has major virtues and ample learning opportunities. This is good for the organization as they know that employee is enjoying the work, and finally it provides fluidity and flexibility in the ever-changing landscape of the new economy (Goodbye Career, Hello Success, 2000).

The changing nature of careers and organizations has increased the significance of mentoring. It benefits and strengthens employer-employee relationship. Mentoring can be accomplished by immediate superiors, peers within one's own organization, individuals outside of one's organization, subordinates, and any number of other individuals (Baugh & Sullivan, 2005). Michaels, Handfield-Jones, and Axelrod in their book *The War for Talent* mentions that talent development is critical for organizations and many think development means training, but training is only a small part of the solution (2001). They suggest that development primarily happens through a sequence of stretch jobs, coaching, and mentoring. However, organizations are not leveraging the development opportunities. Companies need to adopt and accelerate development by improving the frequency and candor of feedback and institutionalizing mentoring. Every leader at all levels can and should be responsible for people development.

5. Selecting and managing your team

Hymowitz says that managers are not spending adequate time in understanding their team members and providing them with opportunities to learn and grow on the job (When Managers Neglect to Coach Their Talent, 2007). This is leading to employees feeling alienated, underutilized and ignored, and may be searching for new jobs elsewhere. "Managers who focus on talent assign their employees to jobs that play to their strengths, make sure they have the resources they need to perform well, respect their opinions and push them to advance" (Hymowitz, 2007). The people manager should develop relationships and an environment that is conducive to development. Five skill areas that successful developers of people have mastered are:

- encouraging an open climate for dialogue with employees
- providing employees with on-going feedback regarding performance
- helping employees understand the strategies of the organization
- helping employees identify multiple and realistic options for their career growth and development within the enterprise
- helping employees compile meaningful, business-driven personal development plans (Kaye & Vultaggio, 2004)

"...[I]n the new career model, employees make major shifts within the same company, or exit and reenter the company at different career stages" (Kulik, 2004). Organizations need to realize that talent is precious and dynamic. Organizations need to create action strategies and provide a favorable environment to help talent grow in line with the organizational goals.

Performance appraisal

By Adam Ruberg

Purpose of appraisals

Historically, performance appraisals have been used by companies for a variety of different purposes, including salary recommendations, promotion and layoff decisions, and training recommendations (Kulik, 2004). In general, "performance elements tell employees what they have to do and standards tell them how well they have to do it" (United States Department of the Interior, 2004). This broad definition, however, can allow for appraisals to be ineffective, even detrimental, to employee performance. "Second only to firing an employee, managers cite performance appraisal as the task they dislike the most", and employees generally have a similar disposition (Heathfield, Performance Appraisals Don't Work). One key item that is often forgotten during the appraisal process (by managers and employees alike) is that the appraisal is for improvement, not blame or harsh criticism (Bacal, 1999).

Creating an appropriate appraisal process

One significant problem in creating an appraisal process is that no single performance appraisal method will be perfect for every organization (Kulik, 2004). Establishing an appropriate process involves significant planning and analysis in order to provide quality feedback to the employee. The most crucial task in the process is determining proper job dimensions that can be used to gauge the employee against accepted standards that affect the performance of the team, business unit, or company (Fukami, Performance Appraisal, 2007). Peter Drucker developed a method termed 'Management by Objectives' or MBO, in order to address the creation of such job dimensions. Drucker suggests that the objectives of any employee can be validated if they pass the following six tests (Management by Objectives—SMART, 2007):

- **S**pecific
- **M**easurable
- **A**chievable
- **R**ealistic
- **T**ime-related

If an objective meets these criteria, it is considered a valid dimension on which to gauge performance. The standards on which the objective is compared with should also be validated using the SMART method.

Appraisal methods

Numerous methods exist for gauging an employee's performance, and each provides strengths and weaknesses for given environments. The following outlines some of the more commonly used methods, as well as some recently developed ones that can be useful for various feedback situations:

Graphic rating scales: This method involves assigning some form of rating system to pertinent traits. Ratings can be numerical ranges (1-5), descriptive categories (below average, average, above average), or scales between desirable and undesirable traits (poor ↔ excellent). This method can be simple to setup and easy to follow, but is often criticized for being too subjective, leaving the evaluator to define broad traits such "Leadership ability" or "Conformance with standards" (Kulik, 2004).

Behavioral methods: A broad category encompassing several methods with similar attributes. These methods identify to what extent an employee displays certain behaviors, such as asking a customer to identify the usefulness of a sales representative's recommendation. While extremely useful for jobs where behavior is critical to success, identifying behaviors and standards for employees can often be very time consuming for an organization (Kulik, 2004).

2+2: A relative newcomer in performance appraisal methodology, the 2+2 feedback system demonstrates how appraisals can be used primarily for improvement purposes. By offering employees two compliments and two suggestions for improvement focused around high-priority areas, creators Douglas and Dwight Allen suggest that organizations can become "more pleasant, more dynamic, and more productive" (Formula 2+2, 2004). If the goal of the performance appraisal is employee improvement, this system can provide significant benefits; however, if the goals are more akin to compensation changes and rankings, the system provides little benefit.

Appraisal methodologies depend greatly on the type of work being done; an assembly worker will require a considerably different appraisal system than a business consultant. Significant planning will be required to develop appropriate methods for each business unit in an organization in order to obtain maximum performance towards the appraisal goals.

Performing the appraisal

Performing an appraisal on employees can be nerve racking for both parties if the situation is not handled correctly, and is thus seen as one of the most difficult tasks managers face. There are many acts a manager can perform to make the process easier on both parties, and hopefully, mutually beneficial.

Many assume that performance appraisals are meant to identify weaknesses to be worked on, and exposing these weaknesses can be painful for employees. Martha Craumer suggests that organizations should be leveraging the strengths of each employee rather than focusing on their weaknesses. By "encouraging and developing what people do well naturally…the organization could become more efficient by allowing their people to do what they do best" (Craumer, 2001).

The frequency of appraisal can be a notable factor in ongoing development. Yearly performance reviews are becoming increasingly rare as companies begin to see the benefits of frequent appraisal. Susan Heathfield suggests that quarterly performance development meetings can allow for clear direction towards performance goals (Heathfield, Performance Management is NOT an Annual Appraisal). Constant tuning of performance can be much more effective than annual overhauls.

Any individual administering performance appraisals must realize the two-way conversation that is occurring. Inviting feedback and listening to reactions and concerns from the employee during the appraisal process becomes very important to establishing trust with the employee (United States Department of the Interior, 2004). If the appraiser provides any negative feedback or improvement points, suggestions should be made to help resolve the problem to develop the person's performance. With the suggestions made, follow-up should occur to assist with any problems with the development and to track progress, rather than waiting until the next performance review (Fukami, Performance Appraisal, 2007).

Often being seen as a strictly hierarchical feedback tool, performance appraisals can be less "scary" if employees have the opportunity to appraise their managers as well as their peers. With this 360-degree feedback process, employees and managers will see multiple vantages of their performance and can participate on an even playing field, ultimately providing a greater ability to work together to achieve corporate goals (Kulik, 2004).

Performance appraisals should not be looked upon as a necessary evil, but rather a process that has the ability to develop and improve the people within the company. By taking the time to create appropriate performance measures, and administering them accordingly, the resulting system can provide long-term gain for the company.

For further investigation:

For a discussion of why many people think of feedback as criticism visit:

http://www.selfhelpmagazine.com/articles/growth/feedback.html

For a discussion of differing views on feedback and specific examples on how to give feedback visit:

http://home.att.net/~nickols/feedback.htm

Giving and receiving feedback

By Kristin Hamilton and Tiffani Willis

In a broad sense, **feedback** is simply verbal or nonverbal communication between two or more parties. So, why are so many of us afraid of the word feedback? People often think of feedback as being synonymous with criticism because feedback is given, in most circumstances, when expectations have not been met (Rich). As humans, we all have the desire to fit in with our society's social norms and please those within our community by meeting expectations. As shown in Exhibit 25, we are constantly surrounded by feedback as we see the consequences of our actions and how our actions affect the impressions of those around us (Jossey and Bass, 1995). Feedback is an essential part of our personal life and our work environment, making, giving and receiving feedback successfully critical.

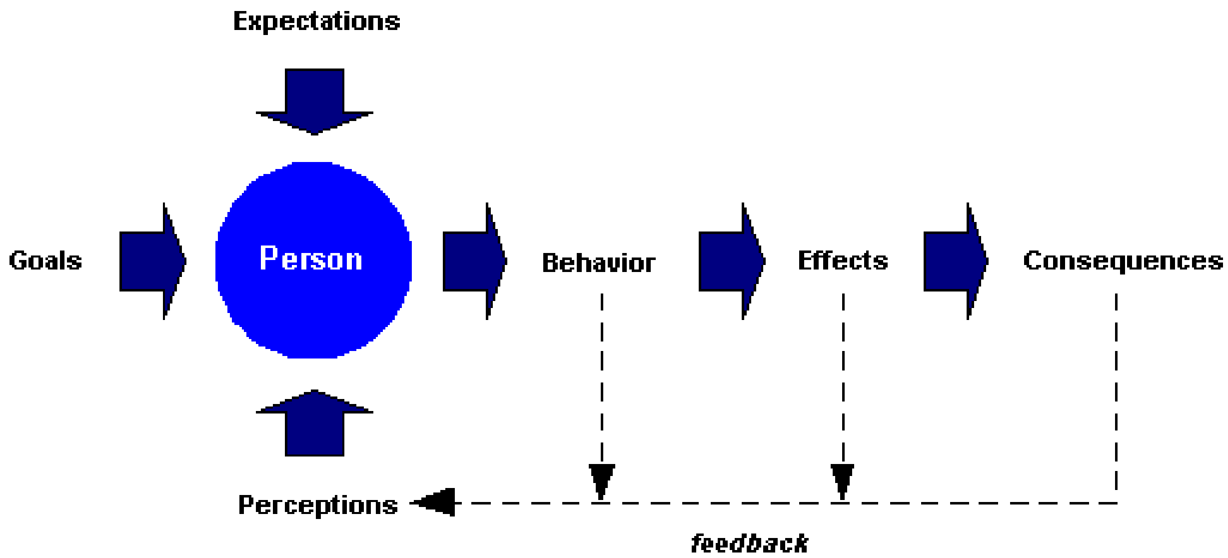

Exhibit 25: Feedback

Giving feedback

Many are not aware that giving successful feedback is affected by more than just the words used to communicate. Words used to tell ideas are only "7 per cent of your communication, your tone of voice comes out to 38 per cent and your gestures are equivalent to 55 per cent of your total communication" (Hathaway). As a result, the effectiveness of communication is related to how well one mirrors the culture and behaviors of the person to which one is talking. Matching a person's voice tone, tempo, body posture, movements, and gestures creates a feedback environment where the ideas being communicated are easily understood.

In addition to mirroring the person you are communicating with, there are nine easy steps that can be followed when giving feedback. First, be clear about what you have to say. Second, emphasize the person's ability to change in a positive way. Third, avoid general comments and clarify pronouns such as "it" and "that" so the person understands exactly what you are attempting to communicate. Fourth, make sure to pick the right time. Fifth, focus on the behavior that can be changed rather than the person or your opinions (Meister). Sixth, be descriptive rather than evaluative. Seventh, own the feedback by using "I statements" that clarify your feelings related to the person you are giving feedback to. Eighth, avoid generalization words such as "all", "never", "always" etc.; rather, use more specific examples of the behavior you are trying to change or encourage in the future. Ninth, to ensure mutual understanding after giving feedback, ask the person you are communicating with to restate their understanding of the issue being discussed (McGill & Beatty, 1994).

When thinking about feedback in an organization, it is likely a person will think of performance reviews. One common problem that managers overlook when reviewing performance is remembering that feedback is not all about forms. Traditional performance reviews have checklists, ratings or reports that are used as tools to analyze feedback in the organization. While these forms are useful in documenting and appraising a person's performance, feedback should not be dictated by the type of form an organization uses. Performance appraisals are often given at benchmarked times throughout the year. As a result, feedback is often delayed. Increased amounts of time that pass between the time the behavior took place and the time the recipient receives the feedback greatly affects the recipients ability to accept the feedback as useful information.

In one's personal life and in the work environment, it is important to understand that feedback is something that can be asked for. As such, the giver and receiver of feedback are equally accountable for communicating the need and desire to give and receive feedback. Finally, it is important to ask for comment on the way one gives feedback because most humans are great at self-delusion. It is much easier to think that our suggestions are useful to another person than to actually understand how our feedback is being interpreted by another. In the end, feedback is a continuous process which ensures goals and expectations are being met through communication between two parties.

Receiving feedback

While giving feedback is extremely important, receiving feedback and changing one's characteristics to reflect that feedback is just as important. Often, employees become defensive when they are receiving feedback on their performance. Ken Blanchard, co-author of *The One Minute Manager* states, "[t]he reason a lot of people get defensive with feedback is they don't distinguish feedback from reaction. While they are listening to the feedback, they have a reaction to the demand for action that your feedback implies" (Blanchard, 1996). For example, when a boss is telling an employee the aspects of the job the employee needs to work on, he may only focus on the negative points and not the positive.

Receiving feedback should not only be looked at from a downward point of view, such as a boss giving his employees critiques; but it should also be studied in an upward way. According to Richard Reilly, James Smither, and Nicholas Vasilopoulos, authors of *A Longitudinal Study of Upward Feedback*, "upward feedback (that is, subordinates rating the performance of their immediate supervisor) is growing in importance as a tool for the individual and organizational development" (1996). Upward feedback allows management to see the effects they have on their employees. It is then up to the managers to act on that feedback. Atwater, Roush and Fischthal found that "follower ratings of student leaders improved after feedback was given to leaders and that leaders receiving 'negative' feedback (defined as self-ratings that were considerably higher than follower ratings) improved the most" (The Influence of Upward Feedback on Self and Follower Ratings of Leadership, 1995). This shows that there is a bigger reaction when the upward feedback is negative instead of positive.

In order to effectively receive feedback, a person has to be ready to understand that they may hear critiques that they do not want to hear. Jan B. King, the former President and CEO of Merritt Publishing states that an individual is ready to receive feedback when he:

- wants to know him as others see him and he is clear that this is their perception, net necessarily what is true about you inside.
- trusts his co-workers to care enough about his development to risk hearing their opinion.
- has a place outside work where you can talk it through.
- Has opportunities for additional feedback so he gets validation of the changes he has made (Receiving Feedback Gracefully is a Critical Career Skill).

If an individual is not ready to constructively receive feedback, then the feedback he does receive will not be effective. King continues to state that individuals must remember this about feedback, “it is one opinion coming from another individual’s unique perspective” (Receiving Feedback Gracefully is a Critical Career Skill). Just because one person views another individual in a particular way does not mean that the rest of world views that person in the same way, but it is a good way for an individual to find out what others think of him/her that is not known.

There are several tips that an individual can use when receiving feedback. These tips include:

- Try to show your appreciation to the person providing the feedback. They will feel encouraged and believe it or not, you do want to encourage feedback.
- Even your manager or supervisor finds providing feedback scary. They never know how the person receiving feedback is going to react.
- If you find yourself becoming defensive or hostile, practice stress management techniques such as taking a deep breath and letting it out slowly.
- Focusing on understanding the feedback by questioning and restating usually defuses any feelings you have of hostility or anger.
- If you really disagree, are angry or upset, and want to dissuade the other person of their opinion, wait until your emotions are under control to reopen the discussion (Heathfield, How to Receive Feedback with Grace and Dignity).

These tips are helpful in becoming a better receiver for feedback, but they will only work as long as they are practiced on a regular basis.

With the above facts and figures workers can see that giving and receiving feedback does not have to be scary. As long as people give and receive feedback in a constructive way and practice their feedback skills it will eventually become second nature to the employees. It will also show that feedback provides benefits for both the individuals that work for the company, and the company itself.

For further investigation:

For information on Ken Blanchard, his Book *One Minute Manager*, and various facts on feedback visit:

http://www.answers.com/topic/ken-blanchard

For more information on the findings of “A longitudinal study of upward feedback” visit:

http://www.blackwell-synergy.com/ doi/ abs/10.1111/j.1744-6570.1996.tb01586.x

Link your knowledge:

Click on this link to find an exercise to practice effective ways to receive feedback:

http://humanresources.about.com/cs/communication/ht/receivefeedback.htm

Determining base pay

By Cynthia V Fukami

Have you ever wondered how a company decides how much to pay for a particular job? Imagine that you have seen a job posted on the Internet. It reads, "Office Assistant Wanted. Will answer the phone and greet visitors. Some word processing duties. Other duties as assigned. Start at USD 8.00 an hour". How did the manager decide to pay USD 8.00 per hour? Why did she decide that was fair? In this subchapter, we will cover the two types of "fairness" important in designing a base pay system.

Internal equity

The first consideration is that the base pay system needs to be **internally equitable**. This means that the pay differentials between jobs need to be appropriate. The amount of base pay assigned to jobs needs to reflect the relative contribution of each job to the company's business objectives. In determining this, the manager should ask his or herself, "How does the work of the office assistant described above compare with the work of the office manager?" Another question to be asked is, "Does one contribute to solutions for customers more than another?" Internal equity implies that pay rates should be the same for jobs where the work is similar and different for jobs where the work is dissimilar. In addition, determining the appropriate differential in pay for people performing different work is a key challenge. Compensation specialists use two tools to help make these decisions: job analysis and job evaluation.

Job analysis is a systematic method to discover and describe the differences and similarities among jobs. A good job analysis collects sufficient information to adequately identify, define, and describe the content of a job. Since job titles may in and of themselves be misleading, for example, "systems analyst" does not reveal much about the job; the content of the job is more important to the analysis than the title. In general, a typical job analysis attempts to describe the skill, effort, responsibility, and working conditions of each job. **Skill** refers to the experience, training, education, and ability required by the job. **Effort** refers to the mental or physical degree of effort actually expended in the performance of the job. **Responsibility** refers to the degree of accountability required in the performance of a job. **Working conditions** refer to the physical surroundings and hazards of a job, including dimensions such as inside versus outside work, heat, cold, and poor ventilation. A **job description** summarizes the information collected in the job analysis. See http://en.wikipedia.org/wiki/Job_analysis for more information about job analysis.

Job evaluation is a process that takes the information gathered by the job analysis and places a value on the job. Job evaluation is the process of systematically determining the relative worth of jobs based on a judgment of each job's value to the organization. The most commonly used method of job evaluation in the United States and Europe is the "point method". The point method consists of three steps: (1) defining a set of compensable factors, (2) creating a numerical scale for each compensable factor, and (3) weighting each compensable factor. Each job's relative value is determined by the total points assigned to it. See http://www.hr-guide.com/jobevaluation.htm for more information about job evaluation and the point system.

The result of the job analysis and job evaluation processes will be a pay structure or queue, in which jobs are ordered by their value to the organization.

External equity

The second consideration in creating a base pay system is external equity. **External equity** refers to the relationship between one company's pay levels in comparison to what other employers pay. Some employers set their pay levels higher than their competition, hoping to attract the best applicants. This is called "leading the market". The risk in leading the market is that a company's costs will generally be higher than its competitors' costs. Other employers set their pay levels lower than their competition, hoping to save labor costs. This is called "lagging the market". The risk in lagging the market is that the company will be unable to attract the best applicants. Most employers set their pay levels the same as their competition. This is called "matching the market". Matching the market maximizes the quality of talent while minimizing labor costs.

An important question in external equity is how you define your market. Traditionally, markets can be defined in one of three ways. One way to define your market is by identifying companies who hire employees with the same occupations or skills. For example, if a company hires electrical engineers, it may define its market as all companies that hire electrical engineers. Another way to define a market is by identifying companies who operate in the same geographic area. For example, if the company is in Denver, Colorado, the market would be defined as all companies in Denver, Colorado. A third way to define a company's market is by identifying direct competitors, that is, those companies who produce the same products and services. For example, Shady Acres Veterinary Clinic may define its market as all other veterinary clinics. Notice that these three characterizations can interact, that is, Shady Acres might define its market as all veterinary clinics in Denver, Colorado that employ veterinary technicians.

Once you have defined your market, the next step is to survey the compensation paid by employers in your market. Surveys can be done in a variety of ways. First, there are publicly available data through the Bureau of Labor Statistics in the United States. Second, there are publicly available data through the Internet, from sites such as www.salary.com or www.haypaynet.com. Third, salary information can be obtained from a third party source, such as an industry group or employer organization, which has collected general information for a geographic region or industry. Fourth, the company can hire a consulting organization to custom design a survey. Finally, one can conduct a survey one's self. See http://www.hr-guide.com/data/G474.htm for more information about salary surveys.

Combining internal and external equity

A company that has performed appropriate research has two sets of data. The first is **pay structure**, the output from the job evaluation. The second is **market data**, the output from the market survey. The next step will be to combine these two sets of data, to create a **pay policy line**. The pay policy line can be drawn freehand, by graphing actual salaries and connecting the dots. Alternatively, statistical techniques such as regression analysis are used to create a pay policy line. **Regression** generates a straight line that best fits the data by minimizing the variance around the line. In other words, the straight line generated by the regression analysis will be the line that best combines the internal value of a job (from job evaluation points) and the external value of a job (from the market survey). You can also enact a policy of "leading" the market by raising the line, and the policy of "lagging" the market by lowering the line.

How do companies decide the pay associated with each job? First, they analyze the content of each job. Second, they assess the value each job contributes to the company. Third, they price each job in the market. Finally, they look at the relationship between what they value internally and what the market values externally. By following each of these steps, a company will have a fair base pay system, which will lead to attracting and retaining the best employees.

Benefits and non-monetary compensation

By Julie Wells

In order for most businesses to function, employees must be provided with a payment in exchange for their services. Cash is one way to compensate employees, but cash alone is rarely enough payment. "Compensation is becoming more variable as companies base a greater proportion of it on stock options and bonuses and a smaller proportion on base salary, not only for executives but also for people further and further down the hierarchy" (Pfeffer, Six Dangerous Myths About Pay, 2000). Benefits and other forms of non-monetary compensation are becoming more appropriate forms of compensation for employees in today's workplace.

A **benefit** is a "general, indirect and non-cash compensation paid to an employee" that is offered to at least 80 per cent of staff (Employee Benefits Definition). On average, 40 per cent of payroll is dedicated to non-cash benefits (Kulik, 2004). In order to attract, retain, and motivate the best employees, benefits and other sources of non-monetary compensation should be considered. There are three things a company must fully consider before determining if and how they will issue employee benefits: the industry structure, the strengths of the company and its competitors, and the wage structure. A company should not issue benefits to employees if they have not considered the implications of these factors, specifically the wage structure. If a company offers employees extremely high wages compared to other businesses in the industry in addition to non-monetary compensation, costs may increase at a faster rate than profit. Benefits are also related to the type of industry in which the company does business. If the company has an understanding of what they can offer to employees and how those offerings will be received in the industry, benefits can increase a company's workforce quality and general happiness of employees.

Table 2: Types of non-monetary compensation

Employee Benefits	Fringe Benefits	Perks (perquisites)
relocation assistance	sick leave	company cars
medical and/or dental insurance plans	income protection	hotel stays
flexible spending accounts	vacation	profit-sharing
retirement plans	profit sharing	leisure activities on work time, in-office exercise facilities
life and long-term insurance	education funding	stationary, business cards,

		personalized office supplies
legal assistance plans		first choice at job assignments
adoption assistance and child care plans		
miscellaneous employee discounts		

The benefit of benefits

Benefits can be required by government, offered willingly by employers, or arise from pressures within the company. In the US, the government requires that businesses deduct Federal Income Contribution Act (**FICA**) taxes from employee paychecks, which pay for Social Security and Medicare (Internal Revenue Service). **Workers' Compensation** is paid to employees if they are injured while performing work necessary for their job function; this can include breaking a bone, getting into a car accident, or payments made to the family of someone killed on the job. **Unemployment insurance** provides wages to unemployed persons, generally only if they are registered as unemployed and actively seeking a job. In Australia, these benefits are paid through the income taxes, but payments are issued by Centrelink, a governmental office that seeks to support unemployed individuals and help them become self-supporting (Centrelink). The Family Medical Leave Act (**FMLA**) allows individuals to leave work for a semi-extended period of time in order to care for an ailing family member, new child, or personal illness. This leave is unpaid, but it guarantees that employees will not lose their jobs if they leave under these circumstances.

Employee benefits that are not required by law are often provided. These are attractive to businesses as well as employees because they provide both with some tax advantages. For example, if a company offers employees a flexible spending account, money that employees receive in this account may be deducted from total earnings on employees' tax returns. Employees can "use pre-tax dollars to pay for eligible health care and dependent care expenses", however any money that remains in the account at the end of the year will be forfeited (SHPS). This is a benefit to employees because individuals will receive a portion of their income tax-free. Employers also benefit from offering these types of programs because they also receive tax benefits and they retain happy employees by providing programs that meet their needs.

Benefits are also offered to employees as incentives. These are designed to attract, keep, and improve life for employees. They are not usually required by the government but companies may receive tax benefits for some types of these non-monetary payments. There are a plethora of services that can be offered, including complementary gym memberships, on-site daycare, company cars, and paid vacations. Companies offer such these benefits in order to create a culture for their employees, which have the ability to promote social interaction, make life easier for working parents, or improve employees' quality of life. Depending on the industry, benefits may be more attractive than salary figures; this could allow companies to pay lower wages to employees, thus reducing the total amount spent in payroll. In situations like these, a company may want to be extremely creative in devising their benefit packages.

Detriments of benefits

Benefits can provide companies with ways to attract high quality employees and help retain them especially if the benefits offered are significantly different or better than the benefits offered by competitors. However, there are negative situations that can arise from offering too many or the wrong kind of benefits to employees. These can be better understood in the context of the following case study.

By attracting employees who desire a strong work/life balance, the SAS Institute has the potential to create an overly homogenous culture. This can lead to a lack of dissent in the company; if someone disagrees with a policy or practice, they may be less likely to voice their opinions for fear of demonstrating different opinions than their friends and co-workers. This can also foster an environment that lacks cultural, ethnic, or social diversity, which can lead to an inability to adopt change within the company.

Case, The SAS Institute

The SAS Institute, based in the southern United States, is a software development company that competes against global software giants, such as Microsoft. In order to attract employees that fit their unique company culture, SAS has developed an extensive employee benefit program that is offered to all employees at the company. Salaries paid to SAS employees are not significantly higher than competitors in the industry, but they do maintain a competitive pay rate. For the ideal employee, however, the benefits more than compensate for an unimpressive salary.

Benefits at SAS include: private offices for all employees; contributions of 15 per cent into employee profit sharing plans; 200 acre natural campus setting with on-site hiking trails and picnic areas, sculptures, and artwork; the latest technology and equipment; 35 hour work week; on-site medical facility (including nurses, doctors, a physical therapist, massage therapist, and mental health practitioner), five minute waiting time for appointments, and free healthcare for employees and their families; health plans that cover most basic needs and offer “cost accountable” services for services that are more extensive; on-site Montessori daycare at 33 per cent of the cost of normal daycare; on-site private junior and senior high schools, open to students from outside of SAS, with high tech laboratories and equipment; free on-site gym for employees and families with a pool, exercise classes, yoga, weight room, etc.; cafeteria with high quality food at low prices, live piano music, and the option of dining with your children if they attend the on-site schools; subsidized memberships offered for health clubs and daycare off property; company owned country club memberships at significantly low costs for employees and their families; and more.

SAS is a unique example of a company that hires employees who desire a strong work/life balance. Not all software engineers would desire this lifestyle, but SAS recognizes that they hire from a unique niche of employees and seek to attract these individuals. This has been very successful; “SAS is certainly among the lowest [turnover] in the industry—less than 4 per cent annually. For a company of more than 5,000 employees, this is quite an achievement, and much of their success can be linked to their unique HRM practices” (SAS).

Pay for performance

By *Bonggi Yim and Chanakiat “Art Samarnbutra”*

Compensation techniques

According to Kulik, it is important for companies to attract "quality job applicants, motivate employees to be high performers, and encourage long-term employee retention" (Human Resources for the Non-HR Manager, 2004). Doing these things can increase companies' competitive power today. Compensation systems usually consist of three categories: "base salary, short-term incentive systems, and long-term incentive systems" (Kulik, 2004). Reward systems really affect work performance.

Reward systems can be applied to employees with different formula. Poorly designed and administered reward systems can do more harm than good. It is important to design reward systems carefully, taking into considerations base salary and incentives according to the different tasks of specific employees.

Companies should have well-designed base salaries. Nowadays, many websites (e.g. salary.com, jobstar.org, wageweb.com) provide detailed information to employees according to company mission (Kulik, 2004). When a company designs a base salary, they have to consider the company's unique aspects: locations and acquisition period of skills and so on. Depending on ranking system of the company, employees need to be evaluated differently. A CEO's evaluation is different from that of management and evaluation of management is different from that of employees.

Companies also provide short term incentives to employees. Most companies' compensation systems include "variable pay" (Kulik, 2004). Depending on work performance, many companies reward their employees without affecting base salary. To achieve a set goal, many companies use bonuses. For example, "Nucor set its base pay at about half of the competition's. By emphasizing a bonus system, Nucor has shifted the risk onto the employee's shoulders" (Kulik, 2004). Companies should have exact evaluation systems that support bonus pay. Many companies such as GE, HP, and Sun Microsystems are using software that directly evaluates employees' behavior with respect to customer service.

Long-term incentives are also a part of reward systems. Stock options and profit-sharing plans are representative long-term reward systems (Kulik, 2004). Even though employees are motivated by these incentives, they do not receive benefits until after few years. For example, employees cannot sell stock options until after a few years after they receive stock options. "In a profit-sharing plan, employees are promised a payment beyond base pay that is based on company profits" (Kulik, 2004).

Components of pay for performance

According to Dr Cynthia Fukami, a professor from the University of Denver, these are the main components of pay for performance (Fukami, Reward Systems, 2007):

1. The company pays the employee beyond his or her job value.
2. Many forms for improving the pay system are available.
3. The company can divide up the pay into 3 levels that are individual, team, and company-wide.

Pay secrecy

Besides the compensation techniques, the companies should consider whether the compensation system should be secret. Historically, employees and businesses both expressed concerns about the public discussion of salary; however, such discussions should not be prohibited (Kulik, 2004). Companies need to conclude what information they should reveal in their pay systems. Some US companies select to announce salary ranges. For example, for each position American Express posts the market pay ranges so that its employees can compare them with their salaries. Some companies disclose the formula and the factors they may use to calculate salaries, such as education and experience.

Good outcomes of paying for performance

Dr Cynthia Fukami notes that reward system is a powerful tool if pay links with performance (Fukami, Reward Systems, 2007):

1. Strategic objectives of the organization will be achieved.
2. The reward system will support the organizational culture.
3. Employees' working performance will be improved from the right pay practice.
4. Competitive advantages have increased continuously.

Folly of reward systems in different organizations

In politics: Politicians are separated from the general population when they speak only of official goals that are purposely vague and generalized. In contrast, the electorate will punish the candidate who frankly informs about the source of fund.

In universities: According to Steven Kerr, "Society hopes that professors will not neglect their teaching responsibilities but rewards them almost entirely for research and publications" (p. 9). While it is easy to recognize those professors who receive awards, quantifying a dedication to teaching is more difficult. To resolve this problem, it is essential that university leadership should emphasize teaching and doing research equally.

In sport: Coaches talk about teamwork, not individuals. Clearly, in a reward system, the best player will receive the biggest reward. Therefore, players normally think of themselves first and their team second. To correct this problem, the team manager needs to reduce the gaps of pay among team players.

Cautions for introducing a pay system

- *Much advice about pay is wrong* (Kerr, 1995).

  Many executives learn that the employees will certainly work more effectively in case that the company gives them higher compensation. Pfeffer said that the executives may not be "spending as much time and effort as it should on the work environment-on defining its jobs, on creating its culture, and making work fun and meaningful" (Six Dangerous Myths About Pay, 2000). Sometimes, companies pay well to create proactive work environment and get new innovative ideas in return. This policy does not surely work, especially when the top executives and employees are lacking of trust with each other.

- *Pay systems need to align with the company culture.*

  The top management should adjust the pay system when it is not fit with the current business strategy. However, changing the internal culture is a wrong idea because it is embedded in the employees' minds. The confusion can make the growth of the company stagnant.

- *Implementing the reward system is hard and takes management time*

Most companies believe that employees will work effectively when they get rewards for their efforts. Because of this concern, the HR managers cannot maintain the policy in compensation. From Mercer survey, “nearly three-quarters of all the companies surveyed had made major changes to their pay plans in just the past two years” (Pfeffer, Six Dangerous Myths About Pay, 2000). In addition, an example of changing reward system occurred in Sears. Sears had to eliminate its commission system because Sears’s employees wanted high commission, so they offered unneeded services to customers.

Meaningful job design

By Ryan Brown and Mike McClain

Job design is critical to the success of any organization. For our purposes **job design** is defined as the allocation of specific work tasks to individuals and groups (Schermerhorn, Job Design Alternatives, 2006). Allocating jobs and tasks means specifying the contents, method and relationships of jobs to satisfy technological and organizational requirements as well as the personal needs of jobholders. If successful job design is not implemented, than the companies general strategy and direction will be strongly diverted. Meaningful jobs must also exemplify the company’s goals and culture.

Elements to job design

In order to better understand job design it is helpful to define some key elements and their relationship with job design processes. A **task** can be best defined as a piece of assigned work expected to be done within a certain time. It is important to strictly and thoroughly identify tasks that need completion. In addition individuals need to be compelled, excited, and passionate to do their work. Hence, it is essential to design jobs that motivate employees. **Motivation** describes forces within the individual that account for the level, direction, and persistence of effort expended at work (Schermerhorn, Job Design Alternatives, 2006).

In job design it is necessary to identify and structure jobs in a way so that the company’s resources are being efficiently used. **Resource Allocation** occurs when organizations decide to appropriate or allocate certain resources to specific jobs, tasks or dilemmas facing the organization. Jobs need to be constructed so that efficiency of the worker or department is maximized. Organizations need to use the resources and creativity of their employees effectively and efficiently. Appropriate resource allocation allows large organizations to foster and develop innovation in their workforce (Dorenbosch, van Engen, & Verhagen, 2005).

Reward systems also play a role in job design. **Reward systems** include compensation, bonuses, raises, job security, benefits, and various other methods of reward for employees. An outline or description of reward packages needs to be established while constructing jobs.

Brief history of traditional approaches to job design

Taylorism, also known as scientific management, is a foundation for management and managerial decisions. Frederick Taylor developed this theory in an effort to develop a “science” for every job within an organization (Taylorism).

Table 3: Taylorism

Taylorism principles

Create a standard method for each job.
Successfully select and hire proper workers.
Effectively train these workers
Support these workers.

Hertzberg's Motivation-Hygiene theory attempts to uncover psychological needs of employees and enhance employee satisfaction. In regards to this theory employers are encouraged to design jobs that enhance and motivate employees beyond simply meeting a daily or weekly quota. This theory highlights the importance of rewards systems and monitoring when and how employees are rewarded. Simple recognition is often enough to motivate employees and increase job satisfaction (Herzberg's Motivation-Hygiene Theory).

More effective jobs can be created when specific goals are established. **Goal setting theory** as described by Edwin Locke mainly focuses on the motivational properties of task goals (Schermerhorn, Job Design Alternatives, 2006). Task goals can be highly motivating when set and managed properly. One of the problems with goal setting theory in job design is that individuals are more strongly motivated by establishing or setting their own personal goals. If organizations set these goals for their employees the effectiveness of this technique is diminished. Moreover, individuals are often times ineffective at setting personal goals (Godwin, Neck, & Houghton, 1999). If a company wants to implement goal setting theory with regards to job design than a reasonable job criteria and description must be established.

Current approaches to job design

Technology and the flattening of the global economy have contributed greatly to the changes we now see in jobs and job content across the world. This shift is a signal for employers to meet changing job demands and expectations (McDonald & Obenchain, 2003). We now recognize that a person presented with quality meaningful work is more likely to do that work well. Because of this insight, job design now presently takes a couple of prominent forms.

The first of which is designed around the evolution from individual work to work-groups. This job design practice is called socio-technical systems (STS) approach. This approach has the following guiding principles:

- The design of the organization must fit its goals.
- Employees must be actively involved in designing the structure of the organization.
- Control of variances in production or service must be undertaken as close to their source as possible.
- Subsystems must be designed around relatively self-contained and recognizable units of work.
- Support systems must fit in with the design of the organization.
- The design should allow for a high quality of working life.
- Changes should continue to be made as necessary to meet the changing environmental pressures (Accel Team)

Click here to read more about soci-technial systems approach to job design.

Another modern job design theory is the Job Characteristics Model (**JCM**), which maintains five important elements that motivate workers and performance: skill variety, task identity, task significance, autonomy, and job feedback. The individual elements are then proposed to lead to positive outcomes through three psychological states: experienced meaningfulness, experienced responsibility, and the knowledge of results (Parker & Turner, 2002).

A further evolution of this theory is **Psychological Empowerment Theory** (Spreitzer, 1995). This theory posits that there is a distinction between empowering practices and cognitive motivational states. When a person is aware of the impact that they are having, they benefit more than if they cannot relate a positive impact to any of their behaviors or practices.

There are many more iterations of job design theory that have evolved from the practices of previous generations, but one general trend can be identified among them; the move towards autonomous work teams and the importance placed upon the meaning derived from the individual.

Steps to effective job design

Key to effectively crafting a meaningful job for an employee is starting the thought process by looking at the values and strategy of the organization. By framing the job in these contexts the job design process is more likely to align potential employees with the purpose of the company. Once you have this context the following steps will ensure both meaningful and effective job design:

1. Assess skills, needs, abilities, and motivations of employees and the organization.
2. Design the job to meet those needs, abilities and motivations.
3. Implement the new job design.
4. Audit the success of the job design and begin with step one periodically as well as when problems have been identified.

How meaningful job design can impact an organization

The goal of job design is to positively affect the performance of an organization. “It (job design) affects how well employees coordinate their work, the degree to which they are committed to the goals of the organization, the extent to which their abilities are tapped, and the extent to which their psychological and ergonomic needs are met” (Beer, Spector, Lawrence, Mills, & Walton, 1984). As this quote shows, job design is the base element for producing effective work organizations, and without meaningful job design, an organization will never operate to its potential.

Termination

By James Frasche

The termination of an employee is an uncomfortable event for all parties involved. Obviously, the employee losing his or her job will be distraught for many reasons, and in many cases the manager responsible for making the termination decision and the employee have formed a personal relationship during the employee’s tenure, thereby making the manager’s responsibility of “letting someone go” an undesirable one. However, there are ways that a manager can lessen the unpleasantness of the termination process.

There are many factors to take into consideration when terminating an employee. First and foremost, an employer must take into account the nature of the relationship that exists between the organization and the employee in order to assess the legality of the termination. In the United States, approximately 70 per cent of employers and employees maintain an “at will” relationship with one another, that is, an employee may quit their job for any reason, at any time, or an employer may fire an employee for any reason, at any time. The other 30 per cent of the workforce is employed under individual employment contracts or union contracts that specify the “length of an employment relationship, how the relationship can be severed, and how the relationship can be extended” (Kulik, 2004).

An “at will” relationship may give the impression that a termination decision may never be challenged. Indeed, firing an employee “for cause” is made even easier when an “at will” relationship is present. Broadly speaking, an employer can typically fire an employee “for cause” when their behavior falls under the following categories (Falcone, 2002):

1. Policy and procedure violations
2. Substandard job performance
3. Inappropriate workplace conduct
4. Attendance/tardiness problems

However, there are some instances in which employees can be wrongfully discharged or fired for reasons that are not legitimate, typically either because they are unlawful or because they violate the terms of an employment contract (Lectric Law Library). Some of the illegitimate reasons for terminating employees include, among many others, discrimination and violations of public policy. For a more complete list of illegitimate reasons for terminating employees in the US, visit: http://smallbusiness.findlaw.com/employment-employer/employment-employer-ending/employment-employer-ending-wrongful-reasons(1).html.

There are several laws that have been enacted in the United States in order to protect employees from unfair termination in the workplace based on discrimination, the most prevalent of which are Title VII of the C*ivil Rights Act of 1964*, the *Age Discrimination and Employment Act of 1967* (**ADEA**) and the *Americans with Disabilities Act of 1990* (**ADA**). Title VII, the broadest of these statutes, protects employees, applicants, and union members from termination and discrimination in the workplace based on race, color, religion, gender, and national origin, regardless of the nature of the employment relationship (at will, union, etc.) (Clarkson, 2004). For instance, if an African American or Muslim individual can prove in a court of law that he or she was fired because of race or religious preferences, that employee is entitled to both compensatory and punitive damages under Title VII. Organizations that employ 100 people or less are liable for USD 50,000 and organizations that employ 100 or more employees are liable for USD 300,000 in punitive and compensatory damages under Title VII (Clarkson, 2004). For more information on Title VII, including the claims process, bona fide occupational qualification defense, and who is protected, visit the Equal Employment Opportunity Commission’s (**EEOC**) website at: http://www.eeoc.gov/policy/vii.html.

According to West’s Business Law, it is quite possible that discrimination based on age is the most widespread form of discrimination, being that anyone, regardless of gender, national origin, etc. may find themselves a victim at some point in their life (Clarkson, 2004). The practice of "laying-off" older employees and hiring younger, less expensive ones in order to cut costs is a common occurrence amongst organizations that operate in the United States. Sec. 621 (Section 2) of the ADEA states, "in the face of rising productivity and affluence, older workers find themselves disadvantaged in their efforts to retain employment, and especially to regain employment when displaced from jobs". In an effort to promote employment of older persons based on their ability rather than age, Congress enacted the ADEA, which "prohibits employment discrimination on the basis of age against individuals *forty years of age* or older" (The US Equal Employment Opportunity Commission). In order for the ADEA to apply to a specific employer (under federal law), that employer must employ twenty or more people, and the employer must engage in interstate commerce.

Should a plaintiff successfully prove that age discrimination has occurred, the remedies under the ADA stipulate that the employee may be awarded back pay, attorney's fees, liquidated damages (when a willful violation has been proven), front pay (which is designed to compensate the victim for future losses), and injunctive relief (which may include reinstatement). Unlike Title VII, punitive and compensatory damages are not awarded under the ADEA (Clarkson, 2004). To view the ADEA in its entirety, visit the EEOC's website at: http://www.eeoc.gov/policy/adea.html.

According to the US Congress, 43,000,000 Americans have one or more mental or physical disabilities. In 1990, Congress enacted the *Americans with Disabilities Ac*t, which made it illegal for private employers, state and local governments, employment agencies, labor organizations, and labor-management committees to discriminate against individuals based on a disability (The US Equal Employment Opportunity Commission). Furthermore, the ADA was specifically enacted in order to "(1) provide a clear and comprehensive mandate for the elimination of discrimination against individuals with disabilities, (2) provide clear, strong, consistent, enforceable standards addressing discrimination against individuals with disabilities, (3) to ensure that the Federal Government plays a central role in enforcing the standards established in this Act on behalf of individuals with disabilities, and (4) to invoke the sweep of congressional authority, including the power to enforce the fourteenth amendment and to regulate commerce, in order to address the major areas of discrimination faced day-to-day by people with disabilities" (US Department of Labor).

As of 1994, the ADA is applicable to companies that employ 15 or more employees and prohibits such companies from discriminating based on a disability in all employment practices such as recruitment, pay, hiring, firing, promotion, benefits, etc. For more information on the ADA including remedies under the act and the plaintiff's burden of proof, visit the US Department of Labor's website at: http://www.dol.gov/esa/regs/statutes/ofccp/ada.htm.

Most states in the US prohibit employers from "firing an employee in violation of public policy, that is, for reasons that most people would find morally or ethically wrong such as terminating an employee for (1) refusing to commit an illegal act such as refusing to falsify insurance claims or lie to government auditors (2) complaining about an employer's illegal conduct such as the employer's failure to pay minimum wage, or (3) exercising a legal right such as voting or taking family leave" (FindLaw.com).

The manner in which an organization terminates an employee can send a powerful message to the organization's remaining staff (Heathfield, How to Fire an Employee). Managers must be aware that seemingly unfair or harsh terminations may cause some of the organizations best workers to become less effective or seek new employment for fear of the same treatment. In some cases, it is appropriate for managers to engage in progressive discipline before terminating an under performing employee. Progressive discipline is "a process for dealing with job-related behavior that does not meet expected and communicated performance standards. The primary purpose for progressive discipline is to assist the employee to understand that a performance problem or opportunity for improvement exists" (Heathfield, Discipline (Progressive Discipline)). By attempting to assist an employee in fixing any problems that they are experiencing in the workplace before terminating them, the organization communicates a strong commitment to its employees, which can go a long way in regards to retention, turnover, and other areas of concern.

Should the decision be made to move forward with the termination process after all other options have been exhausted, it is important for managers to know how, when, and where to break the news to the employee. Supervising managers should generally be responsible for terminating an employee, and it is generally improper to pass this responsibility off to upper management or to the human resources department. Most managers postpone telling an employee about their termination until the end of the week. However, this may be a grave mistake, as the employee will have the entire weekend to complain about their treatment to their coworkers and friends, thereby tarnishing the reputation of the organization. An alternative is for managers to break the news of termination to employees at the beginning of the week. This will give the employee time to "cool off" and think about their next move before they have the opportunity to socially interact with former coworkers during the weekend (Kulik, 2004).

The termination interview is an important aspect of the exit process. The following are guidelines for the termination interview provided by the experts at Hay Associates as seen in Framework for Human Resource Management.

- *Plan the interview carefully.*
  - Make sure the employee keeps the appointment time.
  - Never inform an employee over the phone.
  - Allow 10 minutes as sufficient time for the interview.
  - Use a neutral site, never your own office.
  - Have employee agreements, the human resources file, and a release announcement (internal and external) prepared in advance.
  - Be available at a time after the interview in case questions or problems arise.
  - Have phone numbers ready for medical or security emergencies.
- *Get to the point.* As soon as the employee enters the meeting, give the person a moment to get comfortable and then inform him or her of your decision.
- *Describe the situation.* Briefly explain why the person is being fired. Remember to describe the situation rather than attack the employee personally.

- *Listen*. Continue the interview until the person appears to be talking freely and reasonably calmly about the reasons for termination.
- *Review all elements of the severance package*. Describe severance payments, benefits, access to office support people, and the way references will be handled. However, under no conditions should any promises or benefits beyond those already in the support package be implied.
- *Identify the next step*. The terminated employee may be disoriented and unsure of what to do next. Explain where the employee should go next, upon leaving the interview.

Note: The above is a brief summary of some of the issues surrounding the termination process in the United States and, due to space constraints, in no way takes into account all of the factors that managers should consider while terminating an employee. Readers are encouraged to explore the outside reference material noted above as well as other literature that will provide more insight into the termination process, as well as consulting with appropriate legal counsel.

Downsizing

By Logan Price

The goal of any company is to supply a product or service that customers are willing to pay for. If a company provides a good that consumers are willing to pay a lot of money for, the company will similarly earn a lot of money. As long as the amount of money the company brings in is more than the amount they spend to make the good the company will profit and grow. To fuel this growth companies must invest in additional resources and must increase its number of workers. During times of growth few employees are laid off and the company is making money.

However, a company's product or service may no longer be desired by consumers over time. Some reasons this might occur are because the good has gone out of date or a competitor may have created a better product or may offer a better service. Loss of demand happens all the time in a competitive business environment. With so many companies trying to sell their products or services it becomes essential for companies to continually improve upon existing offerings so they do not fall behind competitors. But companies do fall behind, and as a result growth and profits quickly turn to layoffs and losses. Sometimes losses are so bad that the company cannot survive and simply closes down. Other times the lost revenue is not enough to shut down the company. In this instance the company cuts some resources and workers in order to survive the downturn in business. When companies decide to do this it is called **downsizing**.

To downsize, as defined by the Merriam-Webster Dictionary, is "to fire (employees) for the purpose of downsizing a business". The reasons for downsizing businesses vary, but the main reason for doing this is because the product(s) or service(s) that the company offers is not as successful as it once was. As a result revenues decrease, and expenses (costs like materials and employees) must be cut to counter the lost revenue. Obviously, employees do not like it when they get laid off. However, downsizing is something that neither the company nor the employees want to see happen. Since both sides suffer (the company loses money and the worker loses a job) downsizing is often not met with strong resistance from employees. One reason for this lack of resistance is that employees understand that they are not being fired for doing a bad job. Employees tend to be more understanding if a company is forced to reduce its labor force. Also, the employees that are laid off during a downturn are normally the first ones to be rehired if business picks back up. Business will always have companies that are growing and companies that are dying, and downsizing and layoffs are a natural part of that cycle. Since downsizing is a normal part of business it can often be seen as necessary and reasonable.

There is one other main reason why companies would downsize. If a company observes that they could be getting the same amount of output from fewer workers it makes economic sense to let the excess workers go. As an example, imagine a job that it would take three workers an hour to do. Now, if a fourth worker was added the job area would get crowded so everyone worked slowly and it took the four of them over an hour to complete. Clearly, the fourth worker is not adding value to the job and the company should downsize by firing the fourth worker. This practice is somewhat common, as most businesses continually review their processes to look for areas of the business that could run more efficiently with fewer expenses. For example, by evaluating and changing a manufacturing process could be streamlined resulting in reduced labor, material, and/or time costs while producing the same output.

In order to continue growth and avoid the need for downsizing, products and services must constantly be made better, cheaper, and/or faster than what is being offered by the competition. A company that does this successfully will enjoy increased revenues and most likely growth. Companies that fail to offer products and services that are better, cheaper, and/or faster than their competition will not succeed. Companies are constantly battling with each other for market share, and downsizing and growth are two results of how effectively companies create demand for their good.

HR Metrics

By Ronald Tam

For any company that is implementing new human resource programs or adjusting existing ones, these changes can quickly become a substantial company project. The roles of human resource programs are to manage the employees of companies to increase the **human capital** in a company. However, the specific goals or strategies that HR seeks to achieve may be different for each company or situation. Therefore, there is no set standard for measuring the success of HR.

"The business world is dominated by people who look at metrics, and the HR world needs to play in that space… if you can measure manufacturing efficiency with Six Sigma, why not use similar analytics to measure human capital performance" (Grossman, 2006). It is suggested that the business world is focused on metrics in determining success. Similar approaches must be taken to value HR in order for it to be widely accepted, "but were the HR policies and practices really worth the time and effort? HR thought so, based on overall company performance. But Poses, who also had served as a financial analyst at AlliedSignal, wanted more. He wanted substantive proof, validation that his HR investments were paying off" (Grossman, 2006). This is the most common view of companies when it comes to HR, so the metrics sought out here is a financial measure.

The first approach to HR metrics would be the approach in measuring the financial success of the company as a result of the HR implementations. Evaluations can be viewed as company projects or investments in this case. The first measurement is just a simple ratio of change in profits due to new HR divided by cost of the new HR. This measure will give an idea of how well the new changes paid off relative to how much was spent on it. Another measure is payback period, "The payback period of an investment is the period of time required for the cumulative cash inflows (net cash flows) from a project to equal the initial cash outlay (net investment)" (Moyer, McGuigan, & Kretlow, 2006). The payback period is measured by the net investment divided by the annual cash inflows as a result of that investment; this measure will give a company an idea of how long it takes the project to earn by its cost. The final measure for financial metrics of HR is a net present value, "The net present value of a capital expenditure project is defined as the present value of the stream of net (operating) cash flows from the projects minus the project's net investment" (Moyer, McGuigan, & Kretlow, 2006). This is done by taking the present value of all future expected cash flows from the HR change and subtracting it from the cost of the project. This will put the value of the HR project in monetary terms like any other investment for the company. These are all measures that can be used to express the HR program or changes in terms of a relationship between its financial returns and costs. There are no specific standards for determining whether an HR project was a good investment or not, but the company should relate their results with industry results or historic results.

The other approach to HR metrics is more towards operations aspect of the company. "The old HR measures, such as head count, the cost of compensation and benefits, time to fill, and turnover, no longer cut it in this new world of accountability. They don't go far enough to create shareholder value and align people decisions with corporate objectives" (Schneider, 2006). Since the purpose of HR is to improve an operational aspect of the company, it should also be measured in that context. "Many companies are forging ahead on efforts to create a new set of metrics that the traditional HR functions like recruiting, training, and performance review [relate] to overall corporate goals" (Schneider, 2006). Measurements here can include a variety of traditional measurements such as employee turnover, average stay of employees, efficiency of employees, etc. These measures all affect the operation aspects of a company and are standardized information currently. A new measure that can be introduced is the measurement of human capital; "human-capital metrics can provide meaningful correlations that help predict behavior and human-capital investment demands well ahead of the annual budget". Another new HR metric can be directly related to the operational aspects of the company. "HR metrics might measure efficiency, or the time and cost of activities; human-capital metrics measure the effectiveness of such activities. Time to fill becomes time to productivity; turnover rate becomes turnover quality; training costs become training return on investment" (Schneider, 2006). The take from non-financial HR metrics is that there is no limit to any measurements or techniques. They can range from something simple and standard such as employee turnover to something creative that measures the effects of human capital increases, customer satisfaction increases, etc.

Human resources should be treated like any other projects that a company can undertake. It can be measured both with financial results or operational results. The financial results are measures to compare the cost against the return from HR. The operational measure can look at standards or more complex and creative measures. Ultimately HR metrics are valued and judged against the goals or strategies of the company and how well they are aligned with the results. Therefore, a company should not limit themselves on how they are evaluating their HR success and build techniques around how they feel they feel they should value it.

Discussion questions

- Provide three reasons for a company to implement a high-commitment work system.
- Name and describe three examples of mechanisms a company could use to increase employee participation.

5. Selecting and managing your team

- Discuss the four different categories of diversity. Give one reason why each would be important to a company.
- Discuss the pros and cons of internal and external recruiting. Which one do you prefer, and why?
- Should tests be used to select employees? Why? Why not?
- What are the primary benefits of training employees?
- What is the relationship between career development systems and employee retention?
- Identify the critical parts of an effective performance appraisal.
- Provide two lessons for giving, and for receiving, feedback effectively.
- Define internal and external equity in establishing a base pay system.
- Provide three reasons to provide employees compensation in the form of benefits.
- Name and describe two examples of each: short-term incentives and long-term incentives.
- Name the five characteristics of the JCM approach to job design, and provide an example of each.
- What are the four main reasons why an employee is terminated?
- How can a company avoid downsizing?
- Identify two ways to measure the effectiveness of your Human Resource Management policies.

Exercise

1. Read the description of SAS Institute in the section on Employee Benefits. Do some research on SAS Institute. Based on the description and your research, be prepared to debate the following issue:

Is SAS smart to provide these abundant benefits to its employees, or, are they spending too much money on their employees?

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