THE PRAEGER HANDBOOK OF HUMAN RESOURCE MANAGEMENT

Volume 1 and 2

Ann Gilley, Jerry W. Gilley, Scott A. Quatro, Pamela Dixon

Greenwood
PUBLISHING GROUP

THE PRAEGER HANDBOOK OF HUMAN RESOURCE MANAGEMENT

This page intentionally left blank

The Praeger Handbook of Human Resource Management

Volume 1

Ann Gilley
Jerry W. Gilley
Scott A. Quatro
Pamela Dixon

This page intentionally left blank

Contents

VOLUME TWO

This page intentionally left blank

Preface

One of the most overused and abused phrases uttered by managers is that "employees are our greatest asset." Although many organizations' annual reports and mission statements tout the importance of employees, most fail to "walk the talk," which reveals a definite disparity between the perceived importance of employees and their treatment. In reality, physical facilities receive better care and attention than most employees. As a result, organizations fail to maximize the potential of their human capital. Creativity, responsiveness, and quality suffer as the untapped talent within employees goes to waste and their growth and development are ignored. Effective managers align human resource management with their organization's strategic goals and objectives. How? Read on!

HUMAN RESOURCE MANAGEMENT

First, it is important to distinguish between two often misunderstood terms. Human resources is frequently the department within an organization charged with administrative duties such as payroll and benefits. *Human resource management* (HRM) is a dynamic and evolving practice used by leaders and managers throughout a firm to enhance productivity, quality, and effectiveness. It is the goal of this book to provide a resource through which organizational leaders and managers may understand the field of HRM and grasp its simplicity. It is within this simplicity that an appreciation of the complexity of HRM can be realized. This book provides an overview of the field and practice of HRM.

We have tried to clarify and simplify HRM so that it becomes less complicated to the newcomer. If, after studying the following chapters, readers feel better able to understand the field, its components, roles, areas of practice, unique competencies, and strategies for improving performance within organizations, then the book has indeed accomplished its mission. Ultimately, our goal is to provide the details, descriptions, and facts necessary to enable HRM professionals to develop strategies for becoming more effective professionals.

Regardless of one's orientation, this book will serve as a reference for HRM professionals and managers interested in a better understanding of the principles and practices of HRM. The question remains, *What is human resource management?* Given the complex nature of the practice of HRM, a simple definition is made even more difficult due to the rapidly changing nature of the field. However, the very term "human resource management" provides us with clues as to its meaning. Let us examine the terms "human resources" and "management" more closely.

What Are Human Resources?

Today's organizations consist of three types of resources: physical, financial, and human. *Physical resources* are machines, materials, facilities, equipment, and component parts of products, which are often referred to as *fixed organization assets.* Physical resources are important to the health of the organization because they provide it with stability and growth opportunities. Also, because they are tangible and can be seen, physical resources provide the public with assurances of quality as well as a measure of the organization's success. Buildings are an example of this type of resource.

The *liquid assets* of an organization refer to its *financial* resources. These include cash, stocks, bonds, investments, and operating capital. Similar to physical resources, financial resources are vital to the organization's ability to react to opportunities for growth and expansion, which reflect its overall financial stability and strength. This is determined by comparing the assets (physical and financial) with the liabilities (debts) of the organization. A positive outcome reveals *net worth,* which is the figure that investors and financial organizations use to assess the financial health of an organization.

Human resources refer to the workers employed by an organization. Unlike the typical, straightforward, standard measures used to value fixed and liquid assets, organizations lack widely acceptable means by which to value the contributions of their employees. For example, employees cannot be depreciated like physical resources and, more importantly, are seldom reflected in the net worth of an organization. However, employees are a greater asset than physical or financial resources, for the talent of employees is what determines an organization's success. Unfortunately, organizational board members and leaders often overlook this fact because employees are not used to reflect the organization's prosperity. Forward-thinking leaders of firms recognize the value of their employees and consider them in their asset portfolios. As a result, many recognize the importance of the HRM function and realize that improved knowledge, competencies, skills, and attitudes are necessary to improve the overall success of the organization.

The cost of recruiting, hiring, relocating, training, and orientation is one helpful measure available to companies to determine the importance of their employees. The collective knowledge, competencies, skills, and attitudes of the members of the organization are another measure. These intangibles have value. Obviously, a well-trained, highly skilled, and knowledgeable employee is more valuable to an organization than one who is not. This value manifests itself in increased quality, productivity, effectiveness, efficiency, and customer service.

What Is Management?

Examining the critical components of management frames the process of improving the success of an organization. The management process involves a group of similar activities performed by a manager, regardless of the type and size of the organization. These activities are planning, organizing, staffing, and controlling:
- Planning charts a course of action for the future, aiming to achieve a consistent, coordinated set of operations that yields desired results. Planning is the primary task of management and administrators, occurring prior to other manual activities as they determine the framework for their execution.
- Organizing is based on the goals and objectives established through the planning process, reflecting the thinking on the structure of and relationship among the various parts of the

HRM function and those of the organization. A classic discussion of organizing includes division of labor, authority, span of control, and structure of the organization (formal and informal).

- Staffing supplies qualified employees needed to run a planned and organized system, fulfill its mission, and achieve its objectives. Staffing includes recruiting, selecting, placing, appraising, and compensating employees.
- Controlling is the process that checks performance against standards, making certain that goals and objectives are being met. Controlling involves training, coaching, and regular checks of progress aimed at keeping the organization and its members on track.

What Is Human Resource Management?

Human resource management refers to activities and tasks useful in maximizing employees' performance. *Human resource management,* therefore, includes the recruitment, selection, placement, motivation, appraisal, development, communication with, utilization, and overall accommodation of employees to achieve organizational goals.

At the unit/departmental and individual levels, managers hold two primary responsibilities—improve and manage performance. At the unit/departmental level, managers engage in planning, teambuilding, and performance management activities to improve current and future performance. At the individual performer level, managers coach, appraise, motivate, and collaboratively develop career and professional development plans that enhance employee talent and career opportunities. The activities at the departmental and individual performer levels are known as *human resource development* actions.

At the division and corporate levels, managers participate in organizational development, change management, and strategic planning to enhance an organization's productivity and effectiveness. These efforts lead to organizational renewal, which is a firm's ability to reinvent itself and remain competitive. In summary, then, we can define HRM as the process of facilitating organizational performance, productivity, and change through organized (formal and informal) interventions, initiatives, and management actions in order to enhance a firm's performance capacity, capability, competitive readiness, and renewal.

ORGANIZATION OF THIS BOOK

This book is arranged by major topic sections. Part I includes entries related to Human Resource Practices, including recruiting and selection, employee development, performance management, compensation, benefits and insurance, and employment law. These topics, such as human resource planning and coaching, and the numerous laws impacting workers, are critical for managers and HRM professionals at all levels.

Part II, Organizational Issues, focuses on leadership and strategy, organizational development and change, and organizational behavior. Each entry in this section covers issues that profoundly impact an organization's direction and functioning, including strategic planning and change, innovation and competitiveness, and the organizational behavior issues (such as culture and teambuilding) that enhance or impede firm success.

Part III, General HR Issues, addresses concerns that are common to all firms at all levels and thus are critical components of HRM practice. Documentation, forecasting, job design, and safety are examples of covered topics. This section also includes entries on

recent business and societal concerns impacting businesses, such as homeland security, international HR, metrics, safety, work-life balance, and workplace violence.

Part IV, HR Policy, includes discussions of and suggestions for guidelines and standards common to many firms. Employee policy handbooks often detail subjects such as dress codes, overtime, disciplinary procedures, Internet/email restrictions, flex-time, security, travel, and telecommuting, to name a few.

Parts V and VI include an abundance of resources for the manager and HRM practitioner. Resources include a sampling of related articles, books, Web sites, and organizations, along with checklists, sample forms, and other tools useful in managing human resources.

OUTCOMES OF HRM IN ORGANIZATIONS

Traditionally, the human resource department has been responsible for providing services such as compensation and benefits management, administration of personnel records and activities, compliance and outplacement services, employer relations, training and development, staffing and recruiting, and payroll management. These services continue to be vitally important to organizations. Forward-thinking organizations have expanded human resource services to meet the constantly growing needs of the organization and its members. Expanded service offerings such as coaching and developmental appraisals enable managers to lay the foundation needed to build a developmental culture within their organizations.

Effective managers provide development initiatives, performance coaching and appraisal activities, and serve the needs of tomorrow's organization. Expanded services such as these focus on satisfying the needs and wants of both internal and external constituents by providing added value, the result of interaction and facilitation of desired organizational goals and objectives. Within organizations, these actions promote changes such as enhanced communications, employee growth and development, and exemplary performance.

HRM activities, to be effective, adhere to a set of guiding principles that serve the organization and bring about the change necessary for continuous personnel growth and development. These guiding principles include
- focusing on important organizational processes such as facilities and resource management;
- learning through collaboration and teamwork;
- enhanced commitment to employees while meeting organizational needs; and
- measuring the value of HRM activity.

These guiding principles provide direction and focus while establishing a value-based approach critical to creating a productive, developmental culture and work climate.

One of the primary benefits of HRM involves having the right people in the right place at the right time interacting with the right leadership. Consequently, it is important to select and develop leaders, managers, and employees who possess the talent necessary to meet the goals and objectives facing the organization now and in the future. Specific strategies that bring about desired results include
- improving organizational effectiveness and responsiveness through people and processes, and
- building competencies in people and the organization.

To create competitive advantage through people and processes, human resource oriented organizations adopt the principles and practices that enable them to treat their employees as their most valuable component in achieving greater success.

Each approach nourishes an organization's capability through state-of-the-art human resource practices. Building competencies in people and organizations requires managers as HRM professionals—in concert with organizational leaders and HR practitioners—to focus on enhancing human resource principles, policies, and practices. Organizations that proactively focus on principles, policies, and practices to improve their responsiveness, enhance organizational renewal, and increase their overall performance capacity and capability will meet their strategic goals while providing rewarding career opportunities to a reservoir of highly talented personnel. Effective managers accept the challenges of and responsibilities for HRM by demonstrating that their employees are indeed the organization's greatest asset. HRM enables leaders and managers to lay the foundation for ever-increasing organizational success.

This page intentionally left blank

Part I
Human Resource Practices

This page intentionally left blank

Chapter 1

Recruiting and Selection

Staffing: An Overview

Staffing is one of the most fundamental and essential sources of an organization's financial performance and attainment of its long-term goals. According to Paul Austermuehle, senior vice president with the Bernard Hodes Group:

> Staffing is a mission-critical process that supports the organization's business model and strategic objectives.[1]

One of the underlying suppositions for an effective staffing program is that coherent and cohesive processes are needed to drive the staffing strategies from requisition to hire. Recruiting and selection are two essential elements of an overall process that should be viewed as a core competency that helps the company achieve its competitive advantage. The following are the critical success factors of the process:

1. Employer Branding
2. Business Staffing Plan
3. Sourcing
4. Recruiting and Selection
5. Hiring
6. On-boarding
7. Metrics and Implementation

Dave Ulrich,[2] noted professor at the University of Michigan's School of Business and codirector of the university's Human Resources Executive Education programs, states that the HR function must be focused on the creation of value. Therefore, staffing should also focus its activities and energies on this imperative. It must deliver products and services that are value-added in the eyes of all internal clients such as hiring managers and other HR partners. It starts with creating repeatable processes, deliverables that are created in conjunction with the customer. Shared responsibilities are defined that lead to the customer realizing the strategic importance of Staffing and how each player is accountable for the successful execution of the process.

By Ulrich's definition, staffing then becomes a "center of expertise," a function that is comprised of subject matter experts that understand how to combine the ensemble of critical success factors mentioned above to source and recruit the best-in-class candidates.

According to Karen Hart, also a senior vice president of the Bernard Hodes Group, the core of a successful recruitment program is a process that lends itself to efficiencies and economies of scale. She adds:

> This process should utilize but not be crippled by technology, should include a high level of customer service to both the candidate and the internal customers (HR team and hiring managers), and should be seamless in its scope. A periodic review of this process can result in elimination of redundancies, better utilization of staff, better response times, and better hires.[3]

Employer Branding

Austermuehle indicated the following regarding employer branding:

> The brand is best characterized as the relationship between an individual and the organization. It is described in a way that outlines how the relationship works and how each party benefits from their mutual commitment.

Austermuehle says that the staffing and marketing functions usually develop the descriptors of the brand together. They then identify key brand messages that apply to current employees, prospective employees, and, often, former employees who would be welcomed back to the organization. The messages should convey important information about how the employee best contributes to the business' strategic goals and what they can expect in return. This kind of message is often described as an employee value proposition. While there is usually one broad brand description, there can be several value propositions—each targeted to subsets within the talent community. This enables the company to hire people who fit to the culture regardless of their work function, area of expertise, or level of experience.

Overall, excellent companies attract excellent people. A durable brand in the marketplace results in a durable brand in the labor market. If quality is a hallmark of the company, it will attract quality people.

Business Staffing Plan

The business staffing plan (BSP) is an integral part of the organization's strategic business plan. The plan entails identification of the current and future skill sets and number of employees needed to deliver new and improved products and services to the company's customers. The BSP should be reviewed and updated on a quarterly basis to maintain is relevance and reliability.

The initial step in the planning process is to evaluate the characteristics of the current workforce in relationship to the needs identified in the BSP. It then compares the current staff with the desired future workforce to highlight shortages, surpluses, and competency gaps.

A list of questions to use during the BSP discussions is provided in the table on the next page.

Sourcing

Sourcing is basically finding the candidates of choice to satisfy the BSP requirements. It is the most important step in the staffing process. It should be initiated once the workforce

> ### *Questions to Ask during HR Staffing Planning Discussions*
>
> 1. How is your industry changing? What demands will this place on your staff requirements?
> 2. What distinctive core competencies are linked to your organization's competitive advantage? How will these be sustained?
> 3. What new customer requirements and expectations will significantly shape your needs?
> 4. What new market penetrations will demand increased staff?
> 5. What new products will be or need to be introduced to meet strategic objectives? How will this impact the competency requirements of your staff?
> 6. What competitors are attractive to the talent you wish to hire? Who is attracting our talent away from us and why?
> 7. What customer contracts will justify additional staffing? When will these take effect? What success have you had in converting contractors to full time staff? How is this practice integrated into your business strategy?
> 8. What new data/assumptions have changed since our last meeting?
> 9. What are your cost/benefit hiring experiences?
> 10. Assuming that we will source effectively according to talent competencies, what values/beliefs do you need in the new hires?
> 11. What services do you need from HR in the staffing planning process?
> 12. What "applicant-friendly" recruiting strategies would make this business attract the kind of candidates you desire?
> 13. How effectively does your business employ the succession planning process in you hiring strategies?
> 14. How will turnover and retirements affect your staffing requirements?

plan has been finalized and then become an ongoing process that is refined once the periodic review of the BSP is completed.

Under most circumstances, internal searches should be conducted as the first priority for sourcing candidates for the BSP requirements. This can be accomplished using the key talent inventory maintained by human resources. Once this is completed, the external search can be initiated. Key external techniques include online job boards, traditional media advertising, career fairs, campus recruiting, international recruitment, rightsizing companies, diversity associations and conferences, and agencies and/or search firms. These practices will generate real-time candidates.

The company may have to invest in sourcing methods that focus on passive candidates, ones who are not actively searching for another job. This pool of talent is generally the best qualified and worth the time and energy to find. The list of techniques includes cold calling, researching industry journals, employee referrals, networking, and executive recruitment agencies.

Recruiting and Selection

Recruiting is selling the candidates on the personal and professional value of the opportunity presented to them. Recruitment can be handled in house or outsourced to a recruitment agency. After the application process opens, the candidate pool is narrowed based on

skill sets, salary requirements, geographic location, experience, etc. External recruiting costs (or sourcing costs) include any initiative used to identify or attract candidates, including employer branding.

Selection of the best candidate can be achieved through many interviewing techniques. Behavioral interviewing is one of the most popular and provides an in-depth look into the prospective new hire's ability to handle multifaceted situations. Another tool is the panel or group interview. This provides the hiring team with an understanding of the applicant's capability to handle challenging and potentially stressful situations and is used primarily for managerial position candidates.

The ultimate goal of the recruiting and selection process is to find the most appropriate fit, for the candidate as well as the company.

Hiring

Hiring is a series of transactional events and is contingent upon successful completion of the following: background checks with appropriate law enforcement agencies, educational and employment verification and references, and physicals and drug testing (where necessary and/or required by state or federal law). Documents typically completed on the first day of employment include employee confidentiality agreements, relocation expenses agreements, payroll enrollment, employment eligibility, and the selection of medical, dental, and/or life insurance options.

On-boarding

On-boarding is an essential program that encompasses the employee's entire first year of employment with the organization. On-boarding processes are intended to make the individual's integration into the new environment as seamless and smooth as possible. It is a period of time to energize the new employee in order to lay the foundation for a productive and rewarding tenure with the organization. Successful on-boarding programs also entail assigning the new employee a mentor who acts as a confidant and counselor. Hence, on-boarding can be viewed as a solid retention tool as well.

Metrics and Implementation

The company should create an automated resume and applicant tracking system to manage all phases of staffing's responsibilities.

Use a "Balanced Scorecard" to track and measure the following:

1. Cycle time to fill positions.
2. Quality of hire as defined by the hiring manager.
3. Quantitative statistics that comprise the cost-per-hire:
    a. Fixed-overhead sourcing (agency, advertising, Internet posting costs) and recruiting (applicant travel, lodging, meals, rental car, etc.) expenses.
    b. Signing bonuses.
    c. Relocation and other hiring expenses such as visa preparation costs, medical exams, etc.

Successful implementation of the staffing model is best achieved by creating processes that are repeatable and used consistently by all concerned. Doing so provides the

opportunity to identify/track costs mentioned above and establish the appropriate metrics for gauging real fiscal responsibility. This will then validate staffing's value proposition.[4]

Conclusion

Staffing can be viewed as a human resource center of excellence that keeps the organization supplied with the human assets it needs to continuously move ahead and maintain its competitive posture in the market place. Sourcing generates the slate of qualified talent that can be accessed by recruiters and their customers, the company's hiring managers. Repeatable processes, aligned with the business's overall human asset plan and integrated into the company's balanced scorecard, can facilitate the achievement of this imperative. The bottom line is to have the right people, at the right place, at the right time, and at the right price.

NOTES

1. Paul Austermuehle, senior vice president, Bernard Hodes Group, interview by authors, January 21, 2008.

2. David Ulrich, *Human Resource Champions* (Boston: Harvard Business School Press, 1997).

3. Margie Kasse, vice president, Health Care Division, and Karen Hart, senior vice president, Health Care Division, Bernard Hodes Group, interview by authors, January 15, 2008.

4. Ulrich, *Human Resource Champions.*

Fred Miles and Douglas Maxwell

ABILITY INVENTORIES

Over the past three decades, the process of assessing employee skills and abilities has evolved. Managers and human resource personnel have begun to use technology to assist in the analysis of employee skills, which has led to the development of knowledge management (KM) initiatives. Knowledge management involves several systems used to manage information about the intellectual capital within the organization. The organization usually has knowledge management database (KMD) software to analyze employee abilities and performance. This database allows managers and human resource personnel to easily track information about employees. In most cases, KMD systems have a varying range of sophistication depending on the size and needs of the organization. The use of this technology has revolutionized the notion of analyzing employee ability through a database system. Furthermore, such technology allows managers to make wise decisions about hiring, placement, and promotion.

Introduction

Ability inventories are assessments used to measure an employee's level of proficiency relative to pre-defined skill sets. Inventories are administered to measure the abilities of each employee. Inventories are usually based on performance standards for specific job tasks. The data from these inventories are uploaded and housed in the organization's KMD. Managers and human resource personnel can access the information to make data

driven decisions about employee hiring, promotion, training and employee placement. When used correctly, ability inventories serve as a powerful tool for managing employees and meeting organizational objectives.

Uses of Ability Inventories

Organizations that use inventories realize the benefits of the tool. The data from inventories, accessed through KMDs, makes the process of decision making and managing employees much easier. Moreover, many possible uses of ability inventories exist. Below are a few possible applications of ability inventories to employee management.

Employee Hiring and Selection

Managers and human resource personnel can use ability inventories to enhance the hiring process for applicants. Inventories allow managers to rate resumes of applicants for the skills necessary to perform job tasks. In addition, data from inventories provide the manager with an analysis of each applicant's potential for hire. In short, ability inventories ease the process of selecting the right person for the job.

Training

Ability inventories provide managers with a detailed assessment of an employee's proficiency in predetermined performance standards. Inventories can be used on an ongoing basis to measure each employee's skills, knowledge, and abilities to perform job tasks. Consequently, data from the inventories aid the development of performance plans based on employee needs for growth. Data allows the efficient use of training dollars to provide employees with developmental activities relevant to needs.

Succession Planning

Ability inventories can be used as an effective strategy to implement succession planning. In most cases, inventories are automated and housed in a KMD located on the organization's intranet. Managers use the KMD to query inventories and identify employees who qualify for future positions. In addition, employees with strong potential can be matched with mentors to encourage their growth and development. In the long run, inventories allow managers to prepare employees to meet the future needs of the organization, while avoiding any interruption of business processes when a seasoned employee leaves.

Project Management

Data from ability inventories facilitate the decision-making process about implementation as new strategic initiatives arise. The organization's KMD can be queried to determine if the skills are available to implement the initiative. If a lack of skills exists, managers determine the development necessary to implement the initiative. Another aspect of project management is using inventories to select team members who possess the skills and attributes needed to complete the assigned task. Proper selection greatly increases the team's ability to complete projects on time and within budget. All in all, inventories serve as a powerful tool to aid the completion of organizational projects and initiatives.

CONCLUSION

Over the years managers and human resource personnel have worked to improve the process of assessing employee skills. Powerful tools such as KMD have allowed organizations

to use data from Ability Inventories to measure employee's skills. Such processes have provided managers with the ability to quickly assess skill sets relevant to strategic organizational needs. Finally, such assessments aid the process of making data driven decisions about employee hiring, promotion, training, and employee placement.

Derrick E. Haynes

ASSESSMENT CENTER

An assessment center may be either a physical location or a methodology used for the human resource function of deciding who to select or promote to a position, diagnosing the relative strengths or weaknesses for an individual in work-related skills as an antecedent to development, or developing job-relevant or job-specific skills for a position either an individual currently has or to which the individual has the potential to be promoted. An assessment center will typically utilize multiple evaluation techniques, designed and tailored to expose behaviors considered relevant to the critical aspects of the position. By observing a participant's behavior under simulated conditions, a valid picture can be developed regarding how the person would actually perform in the position.[1]

Historical Background

Assessment centers trace their lineage to the War Office Selection Boards used by the United Kingdom during World War II. This was in response to the large proportion of officers selected for promotion being "returned to unit" as unsuitable. The old system, which relied upon criteria such as social and educational background and "exceptional smartness," was overhauled with an assessment center approach that sought to evaluate characteristics more relevant to the tasks and behaviors of military officers. The new system was deemed successful, as a substantial drop in officers being "returned to unit" was realized.[2] In the United States, assessment centers were utilized by the Office of Strategic Studies to select spies during World War II. The activities, which included group exercises (many with strenuous physical requirements), stress tests, and an interrogation of an "escaped" prisoner, were an attempt not only to assess the separate components, but to delve into the personality and character of each participant under very stressful conditions.[3]

In 1956, AT&T became the first private-sector organization to employ assessment centers. As a result of the AT&T Management Progress Study, assessment centers were incorporated into longitudinal research for individuals entering management positions in Bell Telephone operating companies. Career progress was charted accordingly.[4] Over the next decade, large organizations such as IBM, Sears, General Electric, and J. C. Penney created assessment centers closely modeled after AT&T.

Assessment centers today bear many of the characteristics of their predecessors, and have a rich body of scholarly research and documented practice to guide their continued growth and development. Additionally, the challenges and opportunities impacting assessment centers are truly global, as evidenced by the annual International Congress on Assessment Center Methods meeting, which has convened annually since 1973.

Common Features and Exercises

An assessment center will typically involve six to 12 participants, or "assessees," three to six assessors (middle-level managers or human resource staff members) who are trained to observe and evaluate the behaviors and abilities of each participant, and an administrator from the assessment center organization. The location of the assessment center will usually be away from the organization, such as a hotel conference center. The time required for each participant to complete all exercises and simulations is typically one to three days, with assessors then sharing observations. All behaviors as documented by the assessors are integrated through a consensus discussion process, led by the assessment center administrator. Each participant then receives a written report containing objective information relating to their performance, either from the administrator or one of the assessors.[5] The simulations and exercises in which each participant engages may include any of the following:

— **Leaderless Group Discussion**—A group of four to eight participants solve an assigned problem or problems together within a specified time frame. Written recommendations are often expected that have been fully endorsed by all exercise participants.

— **In-basket or In-box**—Although the terms themselves are something of an anachronism, this exercise presents each participant with memos, letters, reports, announcements, requests, and irrelevant information in a multitude of formats (voice mail, fax, e-mail, paper, etc.). The participant must then evaluate the various pieces of information and schedule meetings, delegate tasks, write correspondence, etc., all within a relatively short time period.

— **Written Case Analysis**—Each participant reads about an organizational problem and is required to prepare a set of recommendations for superiors to consider towards a resolution. The problem can be tailored either to assess more general abilities or to evaluate specific skills, depending upon the needs of the sponsoring organization.

— **Oral Presentation**—Each participant makes either a short speech or a longer, formal presentation on a topic of interest. Various presentation aides may be incorporated, including flip charts, overhead projectors, or slides. This simulation may alternately be combined with the written case analysis, as well.

— **Interview Simulation or Role-play Exercises**—The participant talks with one or more persons who may assume the roles of a subordinate, colleague, superior, or client. In all cases, the person being interviewed, or "role player," has been trained to act in a standardized manner towards the participant. Typically, the resolution of a problem is discussed, and the participant is observed by one or more assessors.[6]

Additional activities may also include a business game, background interview, cognitive ability or personality test, and oral fact finding. An integrated exercise, termed "A Day in the Life," may also be incorporated into the assessment center.

Fairness, Objectivity, and Legal Issues

In comparison with other selection methodologies, assessment centers are perceived as more fair and objective when factors such as gender, race, and age are included. The *Guidelines and Ethical Considerations for Assessment Center Operations* states that participants are to receive feedback of results,[7] as this serves to validate the credibility of an assessment center. Individuals should have a high level of confidence that results were obtained in an objective, accurate, and fair manner.

Federal courts not only view assessment centers as valid and fair, but have often mandated assessment centers when more conventional selection instruments have exhibited

bias or other such problems.[8] By emphasizing actual behavior, as opposed to psychological constructs, assessment centers have gained acceptance and legitimacy in a wide variety of selection applications.

NOTES

1. William C. Byham, "What Is an Assessment Center?—Section 1: How an Assessment Center Works," in *The 34th International Congress on Assessment Center Methods,* http://www.assessmentcenters.org/articles/whatisassess1.asp (accessed October 30, 2007).

2. Liam Healy & Associates, "Assessment and Development Centres," http://www.psychometrics.co.uk/adc.htm (accessed November 2, 2007).

3. Douglas W. Bray, "Centered on Assessment," in *The 34th International Congress on Assessment Center Methods,* http://www.assessmentcenters.org/articles/centeredonassess.asp (accessed October 30, 2007).

4. Bill Waldron and Rich Joines, "Introduction to Assessment Centers (Assessment Centers 101). A Workshop Conducted at the IPMAAC Conference on Public Personnel Assessment, Charleston, SC, June 26, 1994." http://www.ipmaac.org/files/ac101.pdf (accessed November 2, 2007); and Bray, "Centered on Assessment."

5. Waldron and Joines, "Introduction to Assessment Centers (Assessment Centers 101)"; Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright, *Human Resource Management* (New York: McGraw-Hill, 2003); Byham, "What Is an Assessment Center?"

6. Noe, Hollenbeck, Gerhart, and Wright, *Human Resource Management;* George C. Thornton III and Deborah E. Rupp, *Assessment Centers in Human Resource Management* (Mahwah, NJ: Lawrence Erlbaum Associates, Inc., 2006).

7. International Task Force on Assessment Center Guidelines. "Guidelines and Ethical Considerations for Assessment Center Operations." *28th International Congress on the Assessment Center Methods* (May 2000). http://www.assessmentcenters.org/pdf/00guidelines.pdf (accessed November 2, 2007).

8. Byham, "What Is an Assessment Center?"

Steven J. Kerno Jr.

BACKGROUND INVESTIGATION

Selecting the right new employees is a critical success factor for any contemporary organization. HR must ensure that all selection processes are thorough, consistent, accurate, decisive, and legally defensible. Indeed, one recent study found that the top 10th percentile of organizations calculate the average cost of turnover (including all position classifications, from nonexempt labor roles to exempt senior executive roles) to be in excess of $40,000 per employee.[1] Thus, it becomes clear that including a background investigation in the selection process for new employees is a wise investment of HR's time and resources.

Typical Methods and Components of Background Investigations

Most background investigations are contracted to third-party vendors to ensure consistency and objectivity, as well as to create some level of an "arms-length" relationship between the employer organization and the background investigation process. Also, the highly repetitive, specialized, labor-intensive, and administrative nature of the tasks further builds the case for outsourcing this process.

The following components are typically included in a thorough background investigation:

- Professional references—Typically conducted by internal HR staff, this is often the most valuable source of information regarding the established pattern of behavior of a prospective employee, but also the most difficult from which to solicit objective information. This is because most professional references provided by candidates are predisposed to provide a positive reference. This is the most common component of background investigations to be conducted by internal HR staff, as opposed to being conducted by an outsourcing partner given the organic nature of the dialogue, and related qualitative information that often surfaces during a reference-related discussion.
- Work history—Typically outsourced to a specialized vendor, this involves verifying previous employer organizations, dates of employment, and titles. Gaps of employment are included/identified as well.
- Educational history—Typically outsourced to a specialized vendor, this involves verifying institutions attended, dates of attendance, and diplomas, certifications, and/or degrees conferred.
- Criminal history—Typically outsourced to a specialized vendor, this involves investigating previous criminal activity/convictions via publicly available records.
- Credit history—Typically outsourced to a specialized vendor, this involves investigating credit history via publicly available records.

Negligent Hiring and Background Investigations

Given that the doctrine of negligent hiring has caused the courts to more regularly hold employers responsible for harmful employee acts in the workplace if a reasonable background investigation was not conducted, the importance of conducting thorough background investigations has grown. This requires that HR strike a tenuous balance between the prospective employee's right to privacy and the employer's legal responsibility to, in good faith, provide a safe work environment.[2]

See also Staffing: An Overview; Selection; Negligent Hiring; Privacy Act; Fair Credit Reporting Act

NOTES

1. Carla Joinson, "Capturing Turnover Costs," *HR Magazine,* July 2000, 107–19.
2. "SHRM Board Approves Investment Advice, Safety, and Reference Check Positions," *HR News,* May 2002, 11.

Scott A. Quatro

BEHAVIOR INVENTORY

According to Merriam-Webster, an "inventory" consists of a list of traits, preferences, attitudes, interests, or abilities used to evaluate personal characteristics or skills. Behavior inventories are found in various disciplines, such as psychology, education, and the social sciences. Examples of specific behavior inventories might include creative behavior inventories, reading behavior inventories, abuse behavior inventories, social behavior inventories, and group behavior inventories. In human resources, behavior inventories can "focus on how people behave and can be graded"[1] and therefore, specific inventories can be used in recruiting and developing staff. One specific inventory that can be used in human resources is the work behavior inventory (WBI).

Work Behavior Inventory

Work behavior inventories are assessments that measure work-related behaviors essential for successful employment. A WBI can provide information on individuals' personal style of behaving at work. By assessing work styles of both applicants and employees, WBI assessments can allow employers to objectively match people to jobs.[2] WBI instruments include a number of subscales to assess factors such as personality factors, social skills, leadership styles, emotional intelligence, cooperativeness, work quality, work habits, and self-presentation.[3] WBI assessments are frequently "normed" against other professionals and managers who have completed the inventory. They can also include information on the accuracy of each individual's responses (people tend to overreport or inflate their responses) and whether or not scores should be interpreted cautiously or adjusted to reflect a more accurate representation.[4]

WBI assessments can be used to focus and guide leadership development, to pinpoint specific strengths of individuals, and to identify areas for further training and skill development. For individuals, WBI assessments can help to identify the kind of work environment that will allow them to be most successful and can also help to guide career choices and career transitions.[5]

Organizations interested in obtaining WBI assessments can work with industrial and organizational psychology or human resources consulting firms, associations, and university programs that have expertise in the development and validation of WBI assessments. Sources can be found online, such as the Association of Behavior Analysis International, the Society of Human Resource Management, the Society for Industrial and Organizational Psychology, or governmental agencies such as the Office of Personnel Management. Further, journals such as *Personnel Psychology* will provide peer-reviewed research results regarding the various types and applications of behavior inventories.

See also Assessment Center; Talent Inventory

NOTES

1. Christopher Rowe, "Clarifying the Use of Competence and Competency Models in Recruitment, Assessment and Staff Development," *Industrial and Commercial Training* (1995): 12.
2. Human Resources Consultants, Inc., http://www.hrconsultants.com.
3. Jimmy Choi and Alice Medalia, "Factors Associated with a Positive Response to Cognitive Remediation in a Community Psychiatric Sample," American Psychiatric Association, http://psychservices.psychiatryonlie.org/cgi/content/full/56/5/602 (accessed October 13, 2007); and Human Resources Consultants, Inc.
4. Leadership Coach Academy, http://www.leadershipcoachacademy.com/WBI_Sample_Report.pdf (accessed October 13, 2007).
5. Ibid.

Lynda Kemp

CAMPUS RECRUITING

Many employer organizations utilize college and university campus recruiting as a primary means of attracting large numbers of candidates with generally high levels of promise. Indeed, according to the National Association of Colleges and Employers,

direct-from-campus hiring is expected to increase by 16 percent in 2008, creating intense competition for college graduates.[1]

Primary Motivations for Campus Recruiting

Many HR-centric organizations place campus relations and college/university recruiting at the top of their list of strategic priorities. Most of *Fortune* magazine's Most Admired Corporations and 100 Best Companies to Work for in America strongly emphasize direct-from-campus hiring for exempt, professional roles.[2]

The following justifications are typically provided by those employers that invest heavily in college/university relations and recruiting programs:

- Intellectual capacity—college graduates have the highest level of overall intellectual capacity. Despite common perception, less than 30 percent of the adult U.S. population over the age of 25 have earned an undergraduate degree, and less than 12 percent have earned a graduate degree. Thus, the competition among employer organizations for these "best and brightest" potential employees is fierce, indeed.
- Intellectual curiosity—college graduates are more likely to pursue lifelong learning. And as the United States moves to a more knowledge-based economy (67.8 percent of 2006 GDP was generated by services-based industries), the intellectual curiosity of employees will continue to increase in importance.
- "Big five" personality characteristics—college graduates are more likely to exhibit the "big five personality traits," namely sociability, agreeableness, conscientiousness, emotional stability, and openness to new experiences. These traits have been demonstrated to be relevant to most work settings, especially for managerial and leadership roles.[3]
- High potential—college graduates are more likely to perform at high levels and to advance to senior-level roles. Thus, employer organizations that invest heavily in college/university recruiting do so with an eye towards long-term retention, development, and leadership succession from the ranks of their direct-from-campus hires.

Campus Relations and Management Trainee Programs

As discussed above, many of the HR benchmark organizations in U.S. industry make significant investments in campus recruiting. Such investment often involves a dedicated campus relations team charged with cultivating a talent pipeline from selected target campuses. Additionally, many of these organizations hire large numbers of direct-from-campus candidates into formal management/leadership development trainee programs. These programs typically involve one-to-three-month rotations through several staff units (i.e., HR, brand management, finance) and/or line units (i.e. manufacturing, store operations, field sales) for up to 18 months before a new hire is permanently placed into a formal role. While this requires a significant up-front and ongoing investment, a strategic HR perspective demands viewing such an investment in light of the significant, long-term return realized in the form of increased human/social capital.

See also Staffing: An Overview; Recruiting; Selection; Employment Testing

NOTES

1. "Job Outlook 2008," National Association of Colleges and Employers (September 2007).

2. http://money.cnn.com/galleries/2008/fortune/0802/gallery.mostadmired_top20.fortune/index
.html and http://money.cnn.com/magazines/fortune/bestcompanies/2008/snapshots/1.html (both accessed April 1, 2008).

3. Lewis R. Goldberg, "An Alternative 'Description of Personality': The Big Five Structure," *Journal of Personality and Social Psychology* 59 (December 1990): 1216–29.

Scott A. Quatro

EMPLOYEE REFERRAL PROGRAMS

Employee referral programs (ERPs) expand the organization's talent pool, which can positively impact the company's financial performance. ERPs should be viewed as strategic business initiatives aligned with the organization's overall strategic business objectives and supported by the organization's senior leaders.

Dr. John Sullivan, professor of human resource management in the College of Business at San Francisco State University, has prepared an extensive list of key elements necessary for a world-class ERP.[1] Sullivan comments that a world-class employee referral program should include the following ensemble of critical success factors:

1. Identify that the overall objective of the ERP is to become a "best-in-class" program that attracts the highest quality candidates for key positions.
2. Define specific start and end dates for the program.
3. Design repeatable processes to facilitate and support speed of execution.
4. Develop a minimum number of rules that are easy to follow and that allow all associates to participate.
5. Process critical skills resumes expeditiously to ensure they are given the appropriate attention and emphasis.
6. Automate the program for ease of access and use, and permit employees to track the progress of their referrals.
7. Create promotional campaigns that address ongoing needs as well as high-priority requirements.
8. Provide rewards, financial and otherwise, that are paid expediently and that are commensurate with the level of importance of the positions to be filled.
9. Design the program to support the on-boarding process to take advantage of ties between the employee and the referred candidate to achieve the retention of the referred candidate as a "long-term" employee.
10. Design and deliver training programs to educate all employees who manage the program, and those employees eligible to participate, about the program's principles of engagement and the roles and responsibilities of all concerned.
11. Design and implement measurement criteria that track costs, cycle time, and percentage of ERP hires. Then, build metrics into the hiring manager's performance goals.

Advantages of ERPs

Sullivan's premise is that the most successful programs reduce staffing costs, decrease cycle time, and improve the quality of hiring decisions. He stresses that there are additional benefits of solid and productive programs. These include increased offer-to-accept ratios, improved morale and employee pride, and influencing a more effective utilization of the staffing department's time and resources.

The Bernard Hodes Group, one of the world's preeminent recruitment, communications, consulting, and talent acquisitions firms, suggests organizations can create an ERP that is regarded as an organizational core competency, and provides a competitive

advantage by looking no further than its own employees when seeking top talent. Margie Kasse and Karen Hart, senior consultants for the organization, stated the following regarding ERPs:[2]

"Quality ERP programs, whether print or online, will consistently deliver candidates who:
- Are less expensive to recruit
- Are more qualified, and recommended
- Are less likely to turnover
- Are already familiar with your business
- Have a tendency to be more loyal
- In most cases, do not require relocation
- Are more likely to accept offers
- Require less time to hire
- Increase hiring managers satisfaction"

Another advantage of employee referrals is found when the initiative gives support to building and enhancing organizational culture. Similar values and beliefs within the current employees beget similar values and beliefs in the referred candidates. With a successful hire, organizational behavioral expectations are reinforced by the actions of the current employees. Positive employee engagement results in increased quality and productivity. The bottom line on an ERP is that a successful program has the potential to increase financial performance.

R. Wayne Moody[3] describes *employee enlistment* as a new employee referral strategy. Moody states that this is not the same as asking for referrals from employees. Rather, each associate is challenged to become a recruiter and is provided with "business cards" that can be distributed anywhere the employee goes. The cards do not contain names or positions, as is customary, but have a simple message such as: "We are always looking for great _____. For more information, log on to our Web site." The intent is to make others aware that the organization is truly interested in having people apply.

Disadvantages of ERPs

An organization that relies heavily on employee referrals runs the risk of possibly hiring individuals that may be too similar to the existing talent base. This could result in not bringing "new blood" with "new ideas" into the organization.

Another possible disadvantage can be found in the 2006 EEOC Compliance Manual that provides guidance on the prohibition of discrimination as defined in Title VII of the 1964 Civil Rights Act. It cautions that reliance on word-of-mouth programs such as employee referrals may generate candidates that do not necessarily reflect the diverse nature of the labor market.

Conclusion

Employee referral programs are superb talent acquisition tools but must be created and managed using best practices as derived from sound benchmarking strategies. Care should be given to ensure that senior staff actively supports this initiative. The program should be designed and implemented as an ongoing resource that survives the fluctuations of economic conditions and business needs. Periodic audits and appropriate use of metrics are vital for the program's effectiveness, longevity, and viability.

NOTES

1. John Sullivan, "Assessing Employee Referral Programs: A Checklist,"Electronic Recruiting Exchange (September 12, 2005), http://www.erexchange.com/articles/db/87C8B60EA1A4450BB3BF 26AC12AO4C6.asp (accessed January 11, 2008).

2. Margie Kasse, vice president, Health Care Division, and Karen Hart, senior vice president, Health Care Division, Bernard Hodes Group, interview by authors, January 15, 2008.

3. R. Wayne Moody, *Human Resource Management,* 10th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2005).

Fred Miles and Douglas Maxwell

EMPLOYMENT TESTING

In today's job market, employers are looking for any edge they can obtain to build the most productive and cohesive work force. One way that firms are trying to gain a competitive advantage is through the use of employment testing.

Employment testing enables organizations to enhance their selection, placement, training and development, coaching, promotion, career guiding, and program evaluation practices, to name a few. A host of tests and resources are available to companies, including tests of knowledge, skills, and abilities that reveal a candidate's intelligence or mental ability, decision-making style, physical speed or strength, work style, values, ethics, salesmanship, approach to groups/teams, overall personality, etc.

Employment tests, like all assessment tools, are subject to errors in measurement and interpretation. Although tests may help organizations' selection of more qualified candidates, they reveal a limited picture—at a point in time—of an individual's overall ability. For these reasons, employment tests should comprise a component of the selection process and not provide the entire basis of the employment decision.

Legal Issues

Over the last 25 years, employment testing has grown in popularity as a substantial tool used to find the best "fit" among potential candidates. Some sources say that 55 percent to 65 percent of businesses are now using skills testing as a substantial part of the interview process. There are issues that human resources personnel need to consider, however, such as the Uniform Guidelines on Employee Selection and relevant employment laws such as Title VII of the Civil Rights Act of 1964 and the Americans with Disabilities Act of 1990.

Uniform Guidelines on Employee Selection

The EEOC, Civil Service Commission, Department of Labor, and Department of Justice have adopted uniform guidelines on the use of tests and other employee selection procedures that are used as a basis for employment decisions (e.g., hiring, firing, promotion, demotion, etc.). In essence, any selection procedure that adversely impacts the hiring, promotion, or other employment opportunities of an individual or group due to race, gender, or ethnicity is considered discriminatory and in contrast to the Uniform

Guidelines unless the procedure or practice has been validated in accordance with the guidelines. If two or more valid selection procedures are available to a user with a legitimate interest, the procedure that has a lesser adverse impact should be used. Further, employers are required to maintain records revealing the impact of tests and selection procedures on protected groups, along with specifics regarding candidates' gender, race, and ethnic group.

Civil Rights Act of 1964—Title VII

Title VII of the Civil Rights Act of 1964 was enacted to eliminate the use of discrimination in hiring practices. It says, in part, that it is:

> unlawful for an employer to refuse to hire any individual, or otherwise discriminate against any individual with respect to his . . . employment, because of race, color, religion, sex, or national origin.

Hiring once could be done, legally, based on the outcome of any test—until the court case of *Griggs v. Duke Power Co.* In this case, the U.S. Supreme Court found that Duke Power Company was using an "employment test" to weed out minorities. Duke Power had a "skills test" that measured one's aptitude in math, English, reading, and problem solving. Management at Duke Power knew that minorities did not have the same educational opportunities as Caucasians (due to segregation in schools) and would not perform well on their test.

Justice Burger's opinion said:

> *On the record before us, neither the high school completion requirement nor the general intelligence test is shown to bear a demonstrable relationship to successful performance of the jobs for which it was used. Both were adopted, as the Court of Appeals noted, without meaningful study of their relationship to job performance ability.*

Based on the Supreme Court's decision, legislation was drafted that detailed permissible uses of employment testing. Any test that is administered in the selection process must have a justifiable link to job function and skills. The test and its results must stand up in court on this point.

Americans with Disabilities Act of 1990

Another piece of legislation that affects employment testing is the Americans with Disabilities Act of 1990 (ADA). The act prohibits discriminating against qualified applicants based on a variety of disabilities. The act, among other things, requires the need for validity in employment testing. Tests must have one or more of the following:
- Content validity—the test is a representative sample of performance in some defined area of job-related skills, knowledge, or abilities.
- Construct validity—the test must illustrate relevant skills of the job.
- Criterion-related validity—the criteria on the test must be statistically linked to job success.

Controversy with Employment Testing

One of the more controversial areas in job testing concerns law enforcement. Let us look at two examples.

If one applies to be a dispatcher at a local Colorado police department, one must pass several tests. Most of those tests are easily defended as being pertinent to the job (e.g., polygraph, oral board interview, etc.). All applicants of the department's dispatch center must also take a computer test that measures the ability to multitask. The test taker will have to enter information into a computer while answering phone calls. This test is a good measure of one's ability to prioritize and complete important procedures.

This computer test easily fits into both the content validity and construct validity models because the tasks to be completed are directly job related. One needs to be able to multitask and communicate; these are skills that are important in the position.

Another example of an employment test is the "job functions test" that police officers must perform annually in the department. During this test, an officer must perform the following functions:

- Exit a patrol car
- Scale a chain-link fence
- Crawl under a table
- Climb through a window
- Run up a flight of stairs
- Identify a "suspect" by the description given to the officer before leaving the car
- Drag a 120-pound dummy 10 feet across a line in 64 seconds or less.

This test fits the "construct validity" and "criterion-related validity" models. Previously, the department held officers to a fitness standard called the Cooper Fitness Test. Although this test measured the overall fitness of an officer (a 1.5-mile timed run and pushups and sit-ups in a minute) at no point would an officer run a mile and a half during his or her job function; thus the test failed to pass any of the three validity tests and was removed as a requirement.

CONCLUSION

There are many things that a human resources professional must consider when conducting employment testing. One must weigh the legal ramifications with the proven validity of a test in predicting success in a job.

Matt Springer

INTERVIEWING

Job Interviews

While many types of interviews exist, perhaps the most common is the interview for a job. Interviews are all about the presentation of a candidate. The first impression is the most important, and people often make bad impressions due to poor interviewing skills and improper preparation. Interviews are often stressful for candidates, and those who do not interview as well as others may lose out on opportunities at which they would otherwise excel. Likewise, candidates who interview well have a better chance of obtaining the job, though they may not always be the most qualified. Interview etiquette is essential for those who are job hunting. The range of questions an employer can ask is broad, but not

endless. Legalities prevent employers from asking personal questions such as issues regarding disabilities, religion, and marital status, unless these questions are demonstratively job-related. Asking candidates open-ended questions such as "Why do you want to work here?" often prove to be more successful than yes-or-no questions, as the employer will get a better sense of the candidate.[1]

Behavioral and Situational Job Interviews

A contemporary trend in interviewing is employing behavioral and situational interviewing. Questions in these types of interviews allow the candidate to provide more information and allow the potential employer to gain a better sense of how the employee may perform. Rather than asking general questions about the candidate's background, employers in behavioral and situational interviews probe as to how the candidate has managed and/or would manage particular situations. The ultimate goal of employing such an interviewing methodology is to improve the validity (accuracy) of the interview as a selection tool. The more accurate the interview data, the better the hiring decision,[2] and it is believed that "behavioral and situational interviewing is 55 percent predictive of future on-the-job behavior, while traditional interviewing is only 10 percent predictive."[3] Such statistics become even more compelling when considering that job interviews are the sole and/or most highly emphasized selection tool utilized by most employers.

Payless ShoeSource has long utilized behavioral and situational interviews as a key means of ensuring sound hiring decisions. Delineated below is an illustrative example of both a behavioral and a situational question asked of candidates for store manager positions with the firm:

- Behavioral interview question example—"Please think of a specific example from your past professional experience where you demonstrated the ability to develop a team. Once you have thought of this example, I would like for you to tell me about in great detail." This statement sets the context for a lengthy dialogue (often up to 20 minutes in length) about the core job-related competency (in this case, team building) for which the candidate is being screened.
- Situational interview question example—"Assume that you have just witnessed an employee stealing money from the cash register. I would like for you to tell me in great detail how you would handle this situation." This statement sets the context for a lengthy dialogue (often up to 20 minutes in length) about the core job-related competencies (in this case, conflict resolution and assertiveness) for which the candidate is being screened.

Once the context is set via these behavioral and situational questions/scenarios, the interviewer then probes deeply for detail, using open-ended follow-up questions and statements such as:

- "Tell me more about that."
- "How did that make you feel?"
- "What was the end result?"
- "Why did you do that?"
- "What would you do next?"

In the end, behavioral and situational interviewing methods result in much richer job-related dialogue, leading to more insight into a candidate's past experience via behavioral questions (i.e., "tell me what you did"), and future potential via situational questions (i.e., "tell me what you would do").

Interviewing for Data Collection

Interviews are the most common tool for gathering and analyzing data in organizational development. Often organizations "need a snapshot of what is presently being done, rather than simply jumping in and changing the process pell-mell."[4] Interview data gives management clear descriptions of employee needs and wants. Data collection interviews can be done in groups or individually. Interviews are subjective and respondents may be swayed by the way a question is worded. Interviews can be time consuming but have proven to be effective for gaining organizational development-related insight from employees.[5]

Exit Interviews

Exit interviews are another important tool in data collection, and are conducted when an employee leaves an organization. These interviews are designed to provide feedback on why the employee is leaving and what improvements can be made. Exit interviews are typically done in a one-on-one, face-to-face setting. This often deters employees from being as honest as they would like to be. Additionally, employees often feel that the interview will be of no value since he or she is leaving anyway. Nonetheless, exit interviews are important as they can potentially "improve a company's inner workings, and maybe even help colleagues."[6]

See also: Staffing: An Overview; Background Investigation; Selection

NOTES

1. Charles Fleischer, *HR For Small Business* (Naperville, IL: Sourcebooks, Inc., 2005).

2. Wendel Williams, "Behavioral Interviewing Can Be Accurate, but Only When Done Right," *Experience,* August 17, 2006, http://www.ere.net/articles (accessed March 1, 2008).

3. Katharine Hansen, "Behavioral Interviewing Strategies For Job Seekers," *Quintessential Careers,* January 1, 2008, http://www.quintcareers.com/behavioral_interviewing.html (accessed March 1, 2008).

4. Jack Orsburn and Linda Moran, *The New Self-Directed Work Teams,* 2nd ed. (New York: McGraw-Hill, 2000).

5. Thomas Cummings and Christopher Worley, *Organization Development and Change,* 8th ed. (Mason, OH: South-Western, 2005).

6. Jared Sandberg, "Ah, the Exit Interview: Free at Last, Is It Smart to Really Be Candid?" *Wall Street Journal Online,* May 26, 2005, http://208.144.115.170/columnists/cubicleculture/20050526-cubicle.html (accessed March 1, 2008).

Meghan Clarisse Cave

JOB DESCRIPTION

A job description states what is involved in performing a particular job. It identifies the duties, responsibilities, and working conditions of a particular job. This information is of great value to the jobholder and the employer. It establishes expectations for job performance and minimizes misunderstandings that can occur between these two parties. Furthermore, job descriptions provide essential information for human resource management functions such as recruitment and selection, performance appraisal, legal compliance, and career planning.

Job Description: Contents

Job descriptions can vary considerably regarding how much detail they contain. There is no customary written format for job descriptions, although they usually will have the same format within the same company. Most job descriptions, however, will provide certain types of information. Job descriptions typically contain sections that include the following types of information: job identification, job summary, responsibilities and duties, working conditions, relationships, standards of performance, and job specifications.[1]

Job Identification and Job Summary

In the *job identification* section of a job description, the following information may be given: the job title, the job code or identification number, the FLSA status of the job (exempt/nonexempt), the department or division where the job is performed, the location of the job, the immediate supervisor's title, the grade or level of the job, its EEOC classification, the date the job description was last revised, the effective date of the job description, and who approved the job description as well as the date of approval. A job description should also contain a *job summary.* The job summary provides an overall description of the job and include its major functions, activities, and tasks. A job summary should provide a brief, yet clear, picture of what is involved in performing the job.

Responsibilities, Duties, and Working Conditions

A job description should have a section listing the *responsibilities and duties* of the jobholder. This section will list the job's major duties and responsibilities, with a brief description for each. Often these will be listed in order of importance, along with the weight or value of each duty. The value of each duty is often expressed as a percentage of time devoted to it. It is also important for a job description to mention the *working conditions* of the job, especially when these conditions may be hazardous (e.g., noise levels, temperature levels, risk of electric shock). Additionally, some jobs may require working with physically demanding tools, machines, and other equipment.

Relationships, Standards of Performance, and Job Specifications

Sometimes a job description will include information about the *relationships* associated with a job. This information will describe to whom the jobholder reports, whom he or she supervises (if applicable), and with whom the jobholder works inside and outside of the organization. These details should allow one to see how the job relates to other jobs within the organization.

Some job descriptions also may contain a section about *standards of work performance.* This information will state the level or degree of performance expected with the job's major duties and responsibilities. This might pertain to performing tasks within certain time periods, achieving specific targets, producing a limited number of errors, etc. Lastly, the *job specifications* section of a job description will state the knowledge, skills, abilities, and other characteristics required to perform the job. Specific qualifications and experience might also be included in this section. Although the job specification may be included as part of the job description, it may also be an entirely separate document.

Although few job descriptions will contain all of the details given above, most will contain at least three parts: the job title, a job identification section, and a job duties section.[2]

Additionally, because the format and length of job descriptions can vary so greatly, they may not present information in the same order or with as much detail as discussed above. To help organize and classify jobs, the U.S. Department of Labor published the *Dictionary of Occupational Titles* (DOT). This book held detailed descriptions of about 20,000 jobs in a standardized format. The DOT helped establish some consistency in job titles and descriptions across the United States. The Department of Labor replaced the DOT with the Occupational Information Network database, called O*NET (http://online .onetcenter.org/). This online database includes all of the information from the DOT as well as job descriptions for thousands of more jobs.

Job Description: Influence on HRM Functions

Job descriptions provide essential information for human resource management (HRM) functions such as recruitment and selection, performance appraisal, and career planning, and they also assist in Americans with Disabilities Act (ADA) compliance.[3]

Recruitment and Selection, and Performance Appraisal

Job descriptions play a crucial role in helping HR managers achieve their *recruitment and selection* goals. In terms of recruitment, job descriptions help shape the job advertisement or posting that is used to attract potential job applicants. If the job advertisement is poorly designed and does not accurately reflect the job description, HR managers will end up with applicants who are unqualified for the job. Badly written job descriptions may also cause problems in the selection process because it may not be clear what type of selection tools (e.g., selection tests) should be used. An organization's *performance appraisal system* is another major area of HRM directly related to job description. You cannot accurately appraise the performance of a jobholder without having a specific description of what he or she is expected to do. Job descriptions identify the key duties and responsibilities that management will analyze when evaluating and rewarding employee job performance.

Career Planning and ADA Compliance

Job descriptions can assist individuals with their *career planning*. For example, by reading descriptions of jobs they could apply for in the future, individuals can determine what knowledge, skills, and abilities they need to develop to achieve their career goals. Accurate job descriptions will help them seek the training and mentoring necessary to perform these jobs in the future. Through this process, individuals can pursue a series of jobs that will shape their desired career paths. Job descriptions can be very helpful in achieving *ADA compliance*.[4] According to the ADA, job descriptions must take into account the needs of disabled workers. Job descriptions must specify the physical demands and requirements of the work entailed. Additionally, the ADA requires that job descriptions state the environmental conditions of the work to be performed (e.g., exposure to dangerous conditions). If they are written well, job descriptions can offer legal protection and support when accommodations are provided to disabled jobholders.

See also Job Design; Job Analysis

NOTES

1. Gary Dessler, *Human Resource Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2005).

2. George Bohlander and Scott Snell, *Managing Human Resources,* 14th ed. (Mason, OH: Thomas South-Western, 2007).

3. Marie Gan and Brian H. Kleiner, "How to Write Job Descriptions Effectively," *Management Research News* 8, no. 28 (2005): 48–54.

4. Gan and Kleiner.

Michael J. Gundlach and Suzanne Zivnuska

JOB POSTING

A job posting refers to communicating the profiles of either vacant or available positions existing within an organization to allow those seeking jobs to apply.[1] Job postings are alternately referred to as listings, announcements, and notices. Job postings can be made available to both those internal and external to the organization, depending upon the firm's overall recruitment strategy, the availability of qualified candidates, and the costs associated with such efforts. Since internal and external job postings possess certain characteristics that should be considered before pursuing either, each shall be examined separately.

Internal Job Postings

Internal job postings, by definition, exclude anyone who currently is not employed by the organization. They may be communicated by internal job bulletin boards available to all employees, on a restricted basis for certain middle and upper management positions, or online via a company's intranet. The applicants for internal job postings are likely to have greater knowledge regarding the firm and its activities and the nature of position duties and responsibilities (reducing the likelihood of inflated job expectations) than are external potential candidates. These factors contribute to the likelihood of finding a candidate more quickly and less expensively through the utilization of internal job postings. Internal job postings may include more targeted and specific information such as pay grade, human resource or hiring manager contact information, and posting and unposting date, in addition to a description of responsibilities, skills, education, and experience necessary. Internal job postings also may offer a cash bonus to anyone who refers a candidate for a position that requires advanced or specific skills that are difficult to find, if the person referred is successfully hired. Even if a position is also communicated through external sources, any applicants from within the organization often are given first consideration.[2]

External Job Postings

External job postings may be utilized by an organization for entry-level positions and occasionally for highly specialized or upper-level management positions for which there are insufficient qualified internal candidates.[3] External job postings also allow an opportunity to hire people who have more current or relevant knowledge, skills, experiences, and ideas as they relate to the organization's markets or how it conducts business. There are many ways an organization can communicate job postings externally, and the choice will impact such factors as the number of applicants, their qualifications or suitability for the position in question, and the likelihood that applicants will accept a position, if one is offered.[4]

Job postings have traditionally been communicated through advertisements in newspapers and journals or periodicals. With the increased prevalence of the Internet, organizations now commonly post their openings to the company Web site, to job banks and job boards, and with trade associations and societies.[5] Additionally, for positions requiring a highly specialized or unique skill set or for mid- to top-level management, organizations may utilize the services of an executive search firm or "headhunter." A company may post a certain critical position with a headhunter, who often has a large (and private) database of individuals to access, many of whom may not even be searching actively for a new position.[6]

External job postings will often need to communicate more information than internal ones, since applicants may not be as familiar with the organization. This may include the job title, the department or division, its geographic location, the starting salary or wage, appropriate contact information for interested applicants, and descriptive information such as the products or services the organization derives its revenues from, appropriate accreditations or memberships (e.g. ISO9000, QS9000, Fortune 500, S&P 500), and perhaps a statement to encourage minorities, handicapped individuals, or veterans to apply.

Gaining a Competitive Advantage

Since job postings, particularly those where an organization is soliciting external candidates, often have an impact on the knowledge, skills, and other characteristics such as minority status or gender of those who apply, companies should be mindful of tailoring their communications appropriately. Companies that are aware of a possible image problem or perception among certain segments of the population need to be particularly careful or sensitive to the concerns of members of these groups, and the possibility that additional resources may be required to encourage their application. Conversely, companies are often able to more effectively attract talent when jobs are posted in novel or unusual ways. For example, when Ben & Jerry's, a manufacturer and distributor of premium ice cream and similar products, needed to conduct a search for a new CEO in the early 1990s, they invited customers to participate in a contest titled "Yo! I Want to be CEO!" Applicants were invited to submit a 100-word essay and the lid of their favorite Ben & Jerry's flavor.[7] The favorable press coverage generated, coupled with the socially conscious nature of the company, have allowed Ben & Jerry's to gain a competitive advantage in the marketplace for its corporate parent, Unilever.[8]

See also Employment Agencies, Search Firms, and Headhunters; Selection

NOTES

1. "Job Listing," HR World, http://www.hrworld.com/dictionary/job-listing/ (accessed December 10, 2007).

2. Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright, *Human Resource Management* (New York: McGraw-Hill, 2003); James A. Breaugh, *Recruitment: Science and Practice* (Boston: PWS-Kent, 1992).

3. Noe, Hollenbeck, Gerhart, and Wright, *Human Resource Management.*

4. Breaugh, *Recruitment: Science and Practice.*

5. "Job Searching," About.com, http://jobsearch.about.com/od/joblistings/Job_Listings.htm (accessed December 11, 2007).

6. Steve Brooks, "Getting a Hand Hiring Top Talent," *Restaurant Business,* October 2007, 22–26; Claire Gagne, "Search & Employ," *Canadian Business,* January 16, 2006, 62–63.

7. Ross Sneyd, "Yo! Ben & Jerry's Scoops Up a New CEO after Contest," *Chicago Sun-Times,* February 2, 1995.

8. "Our Brands," Unilever Web site, http://www.unilever.com/ourbrands/ (accessed December 13, 2007).

Steven J. Kerno Jr.

NEGLIGENT HIRING

Employers run a risk of liability for negligent hiring. The duty stems from the common law duty to provide a safe workplace. Negligent hiring is a potential cause of action based in tort law.[1] Employers face liability if they expose a customer, employee, client, or other to injury caused by an employee. Employers must exercise reasonable care to investigate a potential employee's fitness for the job he or she will perform. The elements of a cause of action for the tort of negligent hiring are: selection of an employee who is not capable to perform the work and the employee's actions, while working, caused the foreseeable harm.

Cause for Concern

Human resource practitioners and those involved in the hiring process must have a thorough understanding of the job description. Everyone involved in the hiring process must understand the degree of foreseeable danger involved in the work that the potential employee will perform. For example, if the employee will have foreseeable contact with customers, then you should examine the job candidate's background for any criminal convictions related to assault and similar offenses.

Preventing Liability

An employer has a duty to provide a safe workplace. The employer's obligation extends to customers, clients, and any other visitors to the work site. Therefore, employers should complete background checks on all employees. At a minimum, the background check should include having the candidate complete an application, checking references, and perhaps checking for criminal convictions. In situations in which the employee will serve in a position exercising discretionary care of people or money there should be calls to references (both listed in the candidate's resume and not listed) and a check of both criminal and credit histories. Employers are wise to make and document reference checks consistently on all potential employees.

Protecting Privacy

Contrasted with the duty to provide a safe workplace is the duty of the employer to protect the privacy of employees. Employers may be liable for defamation when they provide inaccurate information about current or former employees. Thus, an employer must balance the need to protect the privacy of all employees with the need of the potential employer of that employee to avoid potential harm. Many employers are adopting policies of answering minimally intrusive questions: the fact of the employee's employment, title, and the dates of employment. In cases where there is a documentation of dangerous behavior, release of information must be evaluated on a case-by-case basis.

See also: Fair Credit Reporting Act; Recruiting; References

NOTE

1. Rest. 2d Torts, Sec. 314 *et. seq.*

Laura Dendinger

POLYGRAPH TEST

A polygraph is a member of the larger domain of machines commonly known as "lie detectors." In familiar usage, polygraph refers to a machine that simultaneously records the heart rate, breathing rate, and electrical resistance at the fingertip (caused by changes in sweat production) of a person being interrogated; some polygraphs also record muscular activity. These physiological responses are graphically recorded and juxtaposed in real time with the questions being asked.

Under stressful circumstances, physiological changes, such as those measured by a polygraph, differ from normal. Theoretically, a skilled operator/interrogator can reliably elicit and detect these physiological changes in response to specific questions such that he can identify which questions and/or answers cause stress to the person being questioned. Then, if the stressful questions and answers correlate with a particular theme of interrogation the assumption is that the interrogee's answers are less than truthful.

The U.S. Congress enacted the Employee Polygraph Protection Act of 1988[1] (EPPA). The act states:

> The term lie detector includes a polygraph, deceptograph, voice stress analyzer, psychological stress evaluator, or any similar device (whether mechanical or electrical) that is used, or the results of which are used, for the purpose of rendering a diagnostic opinion regarding the honesty or dishonesty of an individual.

The EPPA significantly restricts the use of polygraphs in the work place for testing of employees or prospective employees and provides for severe penalties (up to a $10,000 fine and liabilities from private civil action) for any use outside of its very specific exemptions. Any consideration of polygraph utilization should be carefully investigated for legality and appropriateness of situation.

Employee Rights, Restrictions, and Exemptions under the EPPA

Exemptions to the EPPA, noted in the following section, do not apply unless a host of requirements are met during each phase of the test.

All Phases

The examiner may not conduct a polygraph test if a physician provides sufficient written evidence "that the examinee is suffering from a medical or psychological condition or undergoing treatment that might cause abnormal responses during the actual testing phase." An examinee may not be asked any question not provided in writing prior to the test, any degrading or needlessly intrusive questions, or any questions concerning

religious beliefs or affiliations, racial beliefs or opinions, political beliefs or affiliations, sexual behavior or orientation, or union beliefs, opinions, or affiliations.

Pre-test Phase

Reasonably before the test the prospective examinee must be notified in writing:
- Of the date, time, and place of the examination
- Of the right to have representation present
- Of the nature and characteristics of the machine to be utilized and the tests to be conducted
- Whether the examination area is equipped in any manner that would allow for monitoring or observing (e.g., with a camera or two-way mirror)
- That the session may, with mutual knowledge, be recorded by either party
- That any admission of criminal activity may be reported to appropriate authorities
- That the examinee may review all questions to be asked
- That the examinee may terminate the test at any time

The examiner must also sign a written notice informing the examinee:
- That the examinee cannot be required to take the test as a condition of employment
- That any statement made during the test may constitute additional supporting evidence for the purposes of an adverse employment action
- The legal rights and remedies available to the examinee if the polygraph is not conducted in accordance with this act
- The legal rights and remedies of the employer under this act

Post-test Phase

Before any adverse employment action, the employer shall further interview the examinee on the basis of the results of the test, and provide the examinee with a written copy of any opinion or conclusion rendered as a result of the test, and a copy of the questions asked during the test along with the corresponding charted responses.

Exceptions to the EPPA

With respect to lie detector statutes, any state or local law or any collective bargaining agreement that is more restrictive than the EPPA takes precedence.

The EPPA does not apply to "federal, state and local governments and any political subdivision of state or local government." Significantly, the *federal government* may perform polygraph testing on certain employees of contractors to several federal agencies, but the exemption does not necessarily allow the *contractor* to perform the tests. Some of the specific employees affected by these exemptions are experts or consultants with access to top secret information or with intelligence or counter-intelligence functions with the Department of Defense, National Security Agency, Defense Intelligence Agency, Central Intelligence Agency, or Federal Bureau of Investigation.

Private-sector exemptions include security services such as armored car personnel, alarm system installers, security personnel charged with protecting currency, precious commodities, or negotiable instruments, and "facilities, materials or operations having a significant impact on the health and safety" of the public, such as: electrical and nuclear power facilities, public water supplies, shipping and storing of radioactive or toxic material, and public transportation.

Also exempted are manufacturers, distributors, and dispensers of Schedule I, II, III, or IV controlled substances if the prospective employee will have direct access to the controlled substance or if a current employee is tested in connection with an ongoing investigation as described below.

Section 7.d. of the EPPA, Limited Exemption for Ongoing Investigations, allows an employer to request that an employee submit to a polygraph test if the employer provides a written statement to the employee that describes the specific incident that is being investigated, including that the ongoing investigation involves economic loss or injury to the employer's business, that the employee had access to the property that is the subject of the investigation, and a reasonable explanation for implicating the employee.

Examiner Requirements

Polygraph examiners must be licensed and bonded. The EPPA places restrictions on examiners regarding the maximum number of exams performed per day (five), the minimum duration of exams (90 minutes), and the content of examination reports.

Disclosure of Information

Unless otherwise specified in writing by the examinee, the examiner may not release information obtained during an exam except to the employer who requested the exam, legal authorities or government agencies in accordance with due process, or, of course, the examinee. Employers are similarly restricted from disclosing information from a polygraph exam.

Employers are required to display an EPPA poster, distributed by the Department of Labor, where employees and prospective employees can readily see it. The notice can be downloaded from http://dol.gov/esa/regs/compliance/poster/pdf/eppabw.pdf.

NOTE

1. Public Law 100-347, 100th Cong. (June 27, 1988). *Employee Polygraph Protection Act of 1988,* 29 USC 2001.

Martin Kollasch

RECRUITING

Any business or organization that employs workers requires having some form of recruitment process. This process involves understanding the staffing needs of the organization, and then attracting the most qualified candidate for the position. Hence, a primary purpose of the human resources department is to ensure the organization has a collection of reasonably qualified applicants available for review when a vacancy may occur.[1]

Internal vs. External Recruiting

An organization really has two main sources of recruiting personnel for any vacancy or newly created position, either internal or external. It is often desirable to fill higher positions by promoting from within, or to utilize existing employed and experienced talent to fill vacancies. However, it is also advantageous to recruit externally when it becomes necessary to employ candidates with technological expertise that the organization may

be lacking. Additionally, while entry-level positions are logically filled from external sources, bringing in outsiders can often improve the organization by gaining new ideas or new ways of conducting business.[2]

There are distinct advantages to internal recruiting that are worth considering. First, it is more economical to recruit from within, and second, there is usually a better knowledge of internal applicant skills and abilities over an unknown external applicant. A third advantage is that having an internal policy of promoting from within will also enhance organizational commitment and motivation towards job satisfaction. A downside to internal recruiting is that if the strategy involves change, some entrenched managers and employees may not be as willing to embrace change, and thus the old way of doing things may be the preferred style.[3] Outside of the benefit of new ideas and thinking being brought into the organization, another advantage to external recruiting is the potential of acquiring talent that will help bring the organization into competitive advantage. Some of the disadvantages of external recruiting is that it is generally much more time consuming and costly to recruit outside talent. It takes time and resources to acquaint the new employee with organizational tasks and required skills. Additionally, introduction of new personnel may have an impact on cohesion and morale within the ranks, and finally, typically there is less information available on the external candidate. Therefore, more assessment is needed during the initial days of employment.

External Recruitment Sources

There are a myriad of ways to recruit externally. The most common and least expensive method is the unsolicited application in which job seekers apply to the organization by walking in the door and completing an application, or by submitting a resume. Often considered by many an internal method, employee referrals are sometimes implemented where the organization asks for qualified friends or family members. This has the advantage of generally increasing job tenure and reducing employee turnover.

Typically, external recruitment takes place when the organization actively seeks outside the boundaries of the organization. Throughout the years, a common method has been to advertise in local newspapers, magazines, and trade journals. This approach affords the opportunity to target specific job markets or geographical areas. Additional coverage can be supplied via local radio stations and television or cable networks to draw from a larger geographical area. Since this method of recruiting is fairly expensive, the job criteria needs to be narrowly defined in an attempt to attract only the most qualified candidates.

A more popular method in recent years is to contract with employment agencies or search firms that actively seek and screen potential candidates who meet the specific requirements of the organization. There are two basic types of employment agencies; one is funded by the public in the form of a state employment agency, and the other is a private firm that specializes in providing candidates. Either will screen potential candidates during the selection process so as to refer only the most qualified candidates to the parent organization. Within the realm of private employment agencies, two types are present. One provides the service for the organization requiring the candidate to pay for the employment services; and the other provides the service free to the candidate while billing the organization if the candidate is hired.

Another popular method used by many organizations is the college campus visit, or the job fairs that universities hold during the year by inviting organizations searching for

entry-level employees. One other very successful technique for organizations to attract college candidates is via the internship program, in which the organization will employ a college student to learn that particular business and establish a long-term relationship.

Thanks to recent technology, one of the more recent methods for recruiting now is the World Wide Web. Many people are now using electronic job boards such as Monster.com, Careerbuilder.com, and the like to post their resumes for prospective employers to view. Thus, employers are able to manually scan or use software to search, review, and screen potential candidates.[4] At the same time, many employers are e-recruiting through their own Web sites to receive resumes and online applications for screening through an automated database that focuses on key words. Other employers are accepting only resumes and electronic applications at their own Web sites. For these employers now using e-recruiting techniques, a large database sorts and screens potential employees, while at the same time applicant tracking facilitates the ability to categorize candidates by various criteria. One advantage to applicant tracking software is the ability to hone in on certain characteristics so that an organization may target more diverse candidates to build diversity within the organization.

Regardless of the recruitment method used, each has the final goal of selecting the right candidate for a position the organization needs filled.

NOTES

1. H. John Bernardin, *Human Resource Management: An Experiential Approach,* 4th ed. (Boston: McGraw-Hill, Irwin, 2007).

2. James G. Meade, *The Human Resources Software Handbook: Evaluating Technology Solutions for Your Organization* (San Francisco: Jossey-Bass/Pfeiffer, 2003).

3. Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright. *Human Resource Management: Gaining a Competitive Advantage,* 4th ed. (Boston: McGraw-Hill Irwin, 2003).

4. Ibid.

Frank E. Armstrong

REFERENCES

References are commonly used by organizations as one of the selection methods for screening prospective employees. References are typically supplied by the person being interviewed, and can include current and former bosses, coworkers, customers, vendors, colleagues, and college professors.[1] References can also include reference letters, which are prepared recommendations from people who may be very difficult to contact for a variety of reasons (relocation, frequent travel or job changes, etc.). It is important to develop an action plan to maximize the value of contacting and speaking directly with the references a prospective employee may provide.

Considerations When Contacting References

References provided by a potential employee should be able to convey a sense for how well the person will "fit" into the new organization, be able to identify and describe relevant job skills and abilities, and supply documented records and other such objective information. Additionally, checking references can save a company time, money, and public

embarrassment, should the position be public in nature and scope, and representative of the organization or institution in general. A recent example of insufficient reference checking includes the hiring, and subsequent forced resignation five days later, of George O'Leary as the head football coach at the University of Notre Dame. O'Leary was found to have falsified both his academic credentials from the State University of New York at Stony Brook, as well as his performance as a scholar-athlete at the University of New Hampshire, on an application for employment.[2] The following guidelines should facilitate this process:

— *Obtain permission before contacting*—An applicant must grant permission before a firm contacts either present or former employers.[3] This can be addressed by including a reference check release or permission form with any application materials. Additionally, previous employers may require applicant approval before the release of any information.

— *Contact the reference prior to asking questions*—Doing so allows the reference individual an opportunity to schedule a future time and location, if necessary, to ensure the confidentiality of responses.[4] It also should facilitate a conversation in which miscellaneous intrusions or time constraints are less of an issue. Also, some employers have policies that prohibit the dissemination of any reference information of a subjective nature and will provide only job titles held, dates of employment, salary history, and other such information that has been documented.[5] Should this occur, it may be necessary to contact the applicant for an alternate, or, if multiple reference names have been provided, to use another.

— *Prepare questions beforehand*—Depending on the nature of the position, questions should be tailored to ensure that relevant job-related information is obtained and that no questions are asked that might elicit personal facts or characteristics. A good strategy is to compile a reference check questions sheet and to begin by asking more open-ended questions, to develop and encourage dialogue with the reference individual. Possible subject areas for questions are as follows:
  ○ What duties did the person perform while employed?
  ○ How would you describe the person's work performance or progress?
  ○ How did the person compare with coworkers regarding work performance?
  ○ If given the opportunity, would you reemploy the person? If no, why not?
  ○ What strengths did the person exhibit as an employee? What limitations or weaknesses?[6]

— *Stick to the script*—If any information is offered by the reference that does not pertain to the applicant's knowledge, skills, job performance, or other such qualifications, it should be ignored. Further, be aware of any subjective statements that could be considered discriminatory.[7]

— *Check more than one reference*—Although this may slow down the hiring process, it is well worth the extra effort. Additionally, some organizations have adopted the practice of requesting many references—sometimes as many as 12—to overcome the fact that the first few typically have the most positive information to report about the candidate.[8]

Consequences for Failing to Check References

Failing to properly check the references provided by a prospective employee, other than increasing the possibility of an embarrassing situation for higher-profile positions, can also leave an employer vulnerable to a more serious, time-consuming, and costly situation—a negligent hiring claim. U.S. courts have ruled that employers have a responsibility to check criminal records for employees where contact with the public regularly

occurs. Also, damages against firms are being awarded when negligence in performing a reasonable search into the potential employee's background is proven.[9]

See also: Background Investigation; Negligent Hiring; Selection

NOTES

1. "Employment References—How to Get and Provide References for Employment," About.com: Job Searching, http://jobsearch.about.com/od/referencesrecommendations/a/referencetips.htm (accessed December 20, 2007).

2. "Short Tenure—O'Leary Out at Notre Dame after One Week," CNNSI.com, College Football, http://sportsillustrated.cnn.com/football/college/news/2001/12/14/oleary_notredame/ (accessed January 2, 2008).

3. "Guide to Checking Job References," Work.com,http://www.work.com/checking-job-references-107 (accessed December 18, 2007).

4. "Do You Know Who You Are Hiring? Don't Forget the Reference Checks!" *Leading Edition: E-Newsletter for Purdue University Supervisors,*http://www.purdue.edu/hr/LeadingEdition/LEdi_1003_ref_check.htm (accessed January 2, 2008).

5. "Employment References—How to Get and Provide References for Employment."

6. Purdue University, "Staff Recruitment and Selection—Procedures Manual," http://www.purdue.edu/humanrel/contribute_pdf_docs/staffhire2005.pdf (accessed January 2, 2008).

7. "Do You Know Who You Are Hiring? Don't Forget the Reference Checks!"

8. Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright, *Human Resource Management* (New York: McGraw-Hill, 2003).

9. "Do You Know Who You Are Hiring? Don't Forget the Reference Checks!"

Steven J. Kerno Jr.

RESUME

Potential employees will document their past job experiences and skills with a document called a resume. The typical resume will list the job candidate's educational background, work history, relevant skills, career objective, and references. Candidates typically list their name, address, and contact information in the heading of the resume. The listing of the candidate's name at the top of the document assists the computer in alphabetizing candidates when resumes are scanned into the computer for analysis and storage.

Many times, candidates introduce themselves by listing an overall career objective. This way, the potential employer is able to identify the applicant's focus area. What the candidate lists after the objective depends on his/her station in life. Candidates that have recently completed their education will typically list their educational achievements first. Candidates who have some related work experience will open their resume by listing their employment starting with the most recent.

Resumes, in conjunction with applications, are used as initial screening devices. The resume is reviewed to determine the degree to which an applicant meets the minimum requirements of the job. HR professionals will look at job titles and experience from previous jobs in order to determine job functions performed. Action verbs such as "managed," "coordinated," or "analyzed" provide insight into the skills, abilities, and strengths of the applicant.

Beyond the minimum qualifications, the resume provides insight into major accomplishments, which should be written as quantitative outcomes (e.g., 15 percent productivity increase). This provides insight into how an applicant contributed to the success of previous employers. In addition, a resume can represent an applicant's fit based on its look and feel. If the job to be filled requires attention to detail, creativity, or sales, then the resume should match the characteristics desired. In other words, the resume should be detailed, creative, or oriented toward selling.

Types of Resumes

Generally, candidates will limit resumes to one to two pages. There are two basic ways to format a resume: the (preferred) chronological approach and the functional approach. Regardless of the format, HR should be able to review the resume and pick out applicable information quickly. On average, less than 40 seconds is dedicated to scanning a resume. Therefore, a resume should have adequate white space in margins and between sections; appropriate use of bullets, bold and italicized text, and indents.

Chronological Approach

Candidates using a chronological style of resume will follow a chronology to list their work experiences, starting with the most recent. Human resource practitioners prefer this style of resume. It is easier for the reader of a chronological resume to find a gap in the time sequence that might indicate a period of unemployment. Also, a recruiter is able to trace the career path of a potential employee in terms of increasing responsibility.

Functional Approach

Candidates using a functional style of resume group work experience by job function, such as "sales" or "marketing." This style of resume lends itself to a potential employee who is changing fields or has a career path that is not readily apparent from the combination of jobs.

Available Technology

More companies are moving towards soliciting online applications. Firms are able to process the data from online applications to sort them based on objective criteria, such as a requisite certification or degree. There are also advantages for potential employees submitting online applications. The candidates can enter more information online, as brevity is not as important. Also, potential employees will lengthen resume data as more companies scan the documents into the computer for analysis.

Resume Content

When reviewing a resume, HR should remember that the resume is essentially a marketing tool for applicants. The applicant will, to the greatest extent possible, provide information that paints a positive picture. Therefore, it is in the organization's best interest to use the resume as a basis for interview questions that will probe and elicit details regarding the applicants work experience. Further considerations include gaps in job history, frequent job changes, varied experiences and industries, and typing errors.

Gaps in Job History

HR should watch for gaps in job history. If gaps exist, then questions during an interview should determine the reason for the gaps. Gaps may consist of family obligations or education, which are reasonable. However, if the reason indicates the applicant could not find work, this could be a red flag.

Frequent Job Changes

Numerous job changes could suggest a lack of commitment, inability to strive toward long-term goals, or dissatisfaction on the part of past employers with the applicant's work. All reasons suggest that you may spend money on training only to have the employee leave the company soon after she is hired.

Varied Experiences and Industries

While relevant experience is important, HR should not pass over applicants with varied experience or education outside the organization's industry. Considering an applicant who has experiences, accomplishments, and/or skills that were applied outside the industry may be an advantage because the applicant may provide new perspectives and creative solutions to projects.

Typing Errors

A resume that contains typing errors suggests carelessness. If the applicant does not give the necessary level of attention to their resume, you cannot be sure that they will give it to their work.

Conclusion

Resumes are an important component to the selection process. As an initial screening device, the resume will enable HR to determine to what degree an applicant meets the minimum requirements of the job. Effective resumes are formatted appropriately, contain relevant content, and convey the degree to which an applicant is a good fit for a given job.

See also: I-9 Forms; Interviewing; Record Retention Laws

NOTE

1. "Résumé," *Dictionary of Human Resources and Personnel Management* (2006), http://www.credoreference.com/entry/6511733 (accessed March 13, 2008).

Laura Dendinger

SELECTION

Effectively selecting new employees into an organization is among the most important of all organizational initiatives. The cost impact associated with poor selection processes and related decisions is sobering, with some studies indicating a bottom-line impact of up to $200,000 per departing employee.[1] Clearly, selection must be positioned as a key strategic priority for any firm intent upon achieving sustainable high performance. HR professionals must lead the charge in this regard.

To this end, the selection process must include careful consideration of interviews, tests, and references as selection mechanisms. Further, each of these predictors must be

developed and employed with the goal of maximizing the consistency (i.e., reliability) and accuracy (i.e., validity) of the process and related hiring decisions, so as to better ensure both the legality and strategic value-added of the organization's staffing function.

Interviewing and Selection

Interviewing is the most commonly employed selection mechanism. Unfortunately, it is also the most erroneous. Too many organizations overemphasize interviews as selection predictors, and conduct interviews in a faulty manner. Traditionally unstructured and personally customized (by the interviewer) interviews are very subjective. In order to improve both the consistency and accuracy of interviews, many organizations are increasingly taking the following steps:

1. Structured interviews—developing and consistently employing structured interview guides.
2. Behavioral questions—including behaviorally based interview questions that probe deeply for job-related details and experience from a candidate's past. These questions essentially ask a candidate, "Tell me, in great detail, what did you do?" in relationship to a specific accomplishment from their past that is directly related to the job for which the candidate is being considered.
3. Situational questions—including situationally based interview questions that probe deeply for job-related details in a hypothetical context. Such questions essentially ask a candidate, "Tell me, in great detail, what you would do?" in relationship to a contextually bound competency or ability that is directly related to the job for which the candidate is being considered.
4. Training interviewers—ensuring that all interviewers are trained in conducting structured interviews that include behavioral and situational questions.

Combined, these steps go a long way towards minimizing the risks associated with the inherent subjectivity and related inconsistency and inaccuracy of traditional interviews.

Testing and Selection

Another critical selection mechanism is candidate testing. Common tests include work sample tests, general intellectual capacity tests, manual dexterity tests, drug tests, and personality tests. The latter has become more common as organizations increasingly prioritize organizational culture fit in the selection process.[2] Common personality tests employed in this vein include those based on the Myers-Briggs Type Indicator (MBTI) and Big-Five Personality Dimensions constructs.

Background Investigation and Selection

Lastly, background checks allow an organization to investigate the employment, education, and criminal history of a candidate. This has become an increasingly challenging task for organizations to perform, as fewer and fewer past employers are willing to divulge performance-related information relative to candidates. However, it has concurrently become an increasingly important task as the doctrine of negligent hiring has evolved, which holds employer organizations potentially liable for illegal employee actions in the workplace. At a minimum, it is incumbent upon a hiring organization to verify dates of employment and job titles with past employers, verify educational records including graduation date(s) and degree(s) conferred, and to investigate criminal records.

Legal Compliance and Selection

It is important that organizations conduct all of the above outlined selection steps with a keen eye towards compliance with EEO-related statutes. Central to this is ensuring the job-relatedness of all selection mechanisms. This can be demonstrated via either content validity (i.e., requiring a manufacturing candidate to complete a manual dexterity test because such skills are clearly related to performing the job), or empirical validity (i.e., demonstrating a positive correlation between candidate scores on a manual dexterity test and subsequent, longitudinal performance ratings in the job should those same candidates indeed be hired). In general, the more accurate a selection mechanism is (i.e., demonstratively job related) the more valid it is as a predictor of job performance, and hence the more legally defensible it is as a basis for unbiased hiring decisions.

In rare circumstances, selection processes may, with impunity, systematically enforce what is in effect "legal discrimination" in favor of candidates that are members of specific protected classes. For example, the Hooters restaurant chain has successfully defended its right to require that all successful wait staff candidates be female. Hooters has demonstrated via several court actions that having an exclusively female wait staff is a business necessity given the mission and business model of the firm, and hence that being female is a bona fide occupational qualification (BFOQ) for a wait staff position in a Hooters restaurant.

Strategically Focused Selection

Perhaps most important in today's competitive environment is the need for an organization's selection process to reinforce the accomplishment of strategic objectives. And perhaps the Hooters example (although arguably quite provocative) is a prime case of a firm doing exactly that. Hooters has effectively developed and operationalized a selection process that, through extensive interviewing and testing, enables the firm to consistently and accurately hire successful "Hooters Girls." The process even involves situational interview questions that probe a candidate's willingness to be subject to "potentially offensive verbal banter" with Hooters patrons. In the end, it can be argued that such selection steps are integral to Hooters success given the firm's business model, and give evidence to the strategically-focused nature of the firm's selection process.

See also: Staffing: An Overview; Background Investigation; Employment Testing; Interviewing; HR Strategy

NOTES

1. Carla Joinson, "Capturing Turnover Costs," *HR Magazine,* July 2000, 107–19.
2. David E. Bowen, Gerald E. Ledford, and Barry R. Nathan, "Hiring for the Organization, Not the Job," *Academy of Management Executive,* November 1991, 35–51.

Scott A. Quatro

TALENT INVENTORY

Talent inventory is a critical human resource planning activity that enables HR professionals and managers to identify human resource capacity and capabilities. It provides a wealth of information useful in forecasting human resource requirements and matching

them with human resource strategies. These activities also identify the organization's strengths and weaknesses, its opportunities and threats, and the quantity and quality of human resources within the firm.

Talent inventory can be defined as an organization's effort to identify the skills, knowledge, and abilities of their current employees.[1] Talent inventories enable HR professionals and managers to identify employee proficiencies and establish a reliable baseline for organizational productivity, performance, and quality management. Once established, performance management strategies and employee development plans can be established. Such decisions can be made regarding the aggregate competencies of employees as well as on an individual basis. Furthermore, decisions can be made about future external recruiting efforts necessary to improve skill and knowledge gaps and to improve the human capital capacity of the organization.

As a result, talent inventories reveal employees':

- Specialized training
- Current employment information
- Significant work experiences
- Educational background (including degrees, licenses, or certifications)
- Language skills
- Growth and development plans (past and present)
- Professional association leadership
- Work history
- Special contributions
- Major accomplishments
- Key attributes, strengths, and special skills
- Aspirations
- Motivators and de-motivators
- Development opportunities
- Awards received[2]

Such information helps organizations develop profiles of their employees' capacity and capabilities. Accordingly, the purpose of a talent inventory is to determine the current human resource capacity and capabilities and compare it to estimated labor requirements at some future date.[3]

Talent inventories also identify needed competencies, key positions, and high potential employees. Competencies include the following:

- Knowledge, skills, abilities, attitudes, and attributes of employees
- Role-specific competencies of employees
- Core competencies that are linked to strategic goals
- Gaps in employees' knowledge, skills, abilities, attitudes, and attributes, which equal development opportunities

Key positions refer to critical roles in the organization in which specialized skills are needed to remain competitive. Further, such positions require ongoing developmental and learning activities. Finally, talent inventories require an individual talent assessment of all high performing and high potential employees.

Forecasting Human Resource's Capabilities and Capacity

It is critical that organizations identify the current and future quantity and quality of human capital. This is needed for organizations to remain competitive, flexible, and agile.

This is likened to a professional baseball, football, or basketball franchise that anticipates its future human resource needs to remain competitive. The franchise must forecast the future strengths and weaknesses of the team, project departures of key players, assess its bench strength, anticipate changes in competition, blend the team with a mix of veterans, young players, and rookies, determine when certain players can be used, identify which players have developed well enough to play every day, and have key backups in vital positions. In short, a well-developed talent inventory is greatly influenced by future HR requirements of the organization, requiring HR professionals and managers to analyze their situation carefully and make projections accordingly.

Forecasting includes the external and internal supply of labor and the aggregate external and internal demand for labor.[4] External supply refers to the labor market as a whole while internal supply refers to the conditions inside the organization. Each of these components must be carefully examined by HR professionals and managers to accurately project the quantity and quality of future human resources.

NOTES

1. Jerry W. Gilley and Ann Maycunich, *Beyond the Learning Organization: Creating a Culture of Continuous Growth and Development through State-of-the-Art Human Resource Practices* (Cambridge, MA: Perseus Publishing, 2000), 62.

2. Ibid.

3. Jerry W. Gilley, Steven A. Eggland, and Ann Maycunich Gilley, *Principles of Human Resource Development,* 2nd ed. (Cambridge, MA: Perseus Publishing 2002).

4. Jerry W. Gilley and Ann Maycunich Gilley, *Strategically Integrated HRD: Six Transformational Roles in Creating Results Driven Programs* (Cambridge, MA: Perseus Publishing, 2003).

Jerry W. Gilley and Paul Shelton

This page intentionally left blank

Chapter 2

Employee Development

Employee Development: An Overview

Employee development has emerged, in part, out of training in organizations. Training is much more limited in terms of scope and overall impact on an organization. The content of training programs can lose relevance quickly; it is typically a one-time event, whereas development is ongoing and topical. The shift from training to development reflects a growing awareness of the strategic implications of human resources.

Purpose of Employee Development

Employee development serves two purposes: (1) improving organizational performance, and (2) developing the employee. In both instances, learning is central. More specifically, learning capability is the foundation from which both organizational performance and individual growth are realized. The major drivers for the increased emphasis on learning capability include the need for (1) continuous improvement, (2) innovation, and (3) continuous adaptation.

Continuous Improvement. Continuous improvement is a concept that grew in momentum with the implementation of total quality management (TQM) in the 1980s, which places emphasis on feedback and measurement to increase performance. The process has been labeled single loop learning,[1] and the focus is on learning to get better at current work processes through incremental improvements over time.

Innovation. Being first to market with a new product or service enables an organization to attain a competitive advantage. To do so requires innovation. Innovation is realized through creative problem solving and learning—learning new ways of understanding or reconfiguring concepts and ideas.

Continuous Adaptation. The degree to which an organization has a competitive advantage derives from learning to respond or adapting to external market conditions, including customer needs, new competitors, and new technology.

Types of Employee Development

Employee development places emphasis on formal education, job experiences, assessment centers, and mentoring and coaching programs; all aimed at developing competencies that are directly related to future contribution to an organization. Because it is future-oriented, the learning that takes place may not necessarily be related to an employee's current position in the organization. Rather, development prepares employees for future jobs.

Formal Education. Formal education can take place off-site as part of university degree programs, or on-site through "corporate universities," which will typically involve lectures by business experts or senior executives in the organization, simulations, or adventure learning.

Job Experiences. Experience on the job is made up of working through problems, decision making, interpersonal relationships, and task management. Development through job experiences occurs when employees are faced with new tasks or challenges on the job—where the employee must stretch his skills (forced to learn new skills) or apply current knowledge in a new way. Formal programs that support this type of development include job enlargement, job rotation, transfers or promotions, or temporary assignments and projects.

Assessment. Assessment involves collecting information and providing feedback about performance, skills, and behaviors on the job. There are various methods and instruments that can be used, including personality assessments, psychological tests, in-basket exercises, and leaderless group discussions.

Mentoring and Coaching Programs. Mentoring, either one-on-one or with a group, has been shown to be a highly effective way to develop employees. A mentor is an experienced senior employee who works one-on-one with a less experienced employee (protégé). Effective mentoring relationships are ones that are based on shared interests, values, or similar personalities.

Coaching consists of a manager or peer who works with an employee to develop skills and provide feedback. Coaches can work one-on-one with employees, or provide information and resources in order to support the employee learning on her own.

Conclusion

Most organizations use the development methods described in this article. Regardless of the approach, employees need a development plan that outlines the type of development needed, goals, and a way to measure improvement or growth. The most effective development plan involves identifying and tailoring the plan to the employee's needs, and puts the control of development in the employee's hands.

NOTE

1. Christopher Argyris, "Single-Loop and Double-Loop Models in Research on Decision-Making," *Administrative Science Quarterly* 21 (1976): 373–75.

Pamela Dixon

ACTION PLAN

An action plan is a way to make sure an organizational (or team or individual) goal is made concrete. An action plan describes the way an organization will use its strategies to meet its goal. Action planning is the process that guides the day-to-day activities of an organization or project. It is the process of planning what needs to be done, when it needs to be done, by whom it needs to be done, and what resources or inputs are needed to do it. It is the process of operationalizing strategic objectives, which is why it is also called operational planning. The design and implementation of the action plan depends on

the nature and needs of the organization. Middle and frontline managers use action plans to achieve the organization's goals and objectives.

What Should Be in an Action Plan?

An action plan clearly delineates the *why, what, who, when ,* and *necessary resources* relative to the plan, as outlined below:

WHY is this action being carried out? The goal statement is listed as the first item on the action plan worksheet. Clearly defined goals help communicate to all relevant organizational members why certain steps are being undertaken and what the organization hopes to accomplish after the steps are completed.

WHAT actions or critical steps (objectives) will occur? Before steps are detailed, agreement is reached about a strategy for arriving at the desired result. One way organizations do this is through brainstorming possible options, writing them up on a flip chart, and making a decision as to which make the most sense. The decision is made by assessing the advantages and disadvantages of each option and comparing the options against appropriate criteria such as: alignment with the organization or general project approach, employee or staff capacity to use a strategy, cost, and timing. Each critical step or task is outlined to break the goal down into individual components. The goal becomes easier to manage when it is broken into smaller steps. The critical steps are detailed to help plan for obstacles or barriers that might arise during each action step.

WHO will carry out these steps or actions? Identifying who will be responsible for carrying out each step makes it clear who should be included and who is responsible for making decisions if any decisions are required. The key question here is: Who should participate in and be responsible for actions in the action planning process? Effective action plans identify who specifically is responsible for carrying out an activity and the degree of authority that goes with the responsibility. Organizations that successfully use action plans recognize there is no use in saying that someone is responsible for putting together a report by a certain date unless he has the authority to insist that contributors give him their contributions by a certain date.

The decision on who should be responsible for a particular activity takes the following into account: the experience, skills, capabilities, and confidence needed to do the task; who has time to do the task when it needs to be done, as well as the ability to do it; and the willingness of someone to do a job or learn a job. Of course, there will always be some tasks no one is too keen to do, but it does help if people see a task as naturally falling into their work (for example, an accountant says she will do the budgeting), or someone is interested in a particular task or tasks. Even if someone is not fully competent and experienced, if he is willing to be coached and mentored it may be worthwhile to invest a bit of extra time in making him the responsible person, as a longer-term investment in development.

In the action planning process, the need to establish who is responsible for getting a task done does not mean that other people won't also be involved. At the team level, there may be a need to spell out exactly what this means in more detail.

WHEN will these actions take place, and for how long? A timeframe for the actions is developed and increases the likelihood that individuals will work more efficiently. The timeframe also helps to better strategize each sequence of steps to reach the completed target date. Sequencing is the key when it comes to planning the time needed for an

action plan: doing things in the right order, and making sure that actions do not get held up because something that should have been done earlier has not been done, and is now holding up the whole process. When the action planning process is complete, it is useful to do a summary of the time plan, both as a checklist and to help employees to see at a glance when the busiest periods are likely to be and to prepare for them in advance.

WHAT RESOURCES are needed to carry out the steps? Resources can include money, time, people, locations, events, etc. Resources also refer to both internal to the organization and external—those resources that are not a part of the organization but that may be required or helpful for carrying out the action step. What all this usually means is money. Looking at the inputs required is necessary in order to work out the financial cost. In most instances, the bottom line will be a financial cost of some kind to the organization or project.

The action planning process identifies what is likely to incur costs, and then the activity is carefully budgeted. The budget summarizes the financing resources that are needed in order to carry out the action plan. This budget then is incorporated into the overall project budget or, if the budget already exists, compared with allocations for the relevant line items or budget areas. A budget cannot be prepared until there is an action plan.

In summary, then, action planning is the process in which organizations plan what will happen in the project or organization in a given period of time, and clarify what resources are needed to make it possible.

See also Strategic Planning

Ronald R. Sims

APPRECIATIVE INQUIRY

Appreciative inquiry (AI) is a perspective, a mindset, and a systematic process of creating positive change in organizations. AI is a systemwide, participative approach to identifying what is present at the positive core of a human system that creates optimal performance within an organization. *Appreciation* is that which is increasing in value or affirming past and present strengths or successes. *Inquiry* is being curious, exploring or asking questions. Therefore, appreciative inquiry is an approach to organizational development that asks questions about what is already working well within an organization to bring about positive change. Appreciative inquiry was founded in 1980 by David Cooperrider and Suresh Srivastva of Case Western Reserve University.[1]

Appreciative Inquiry vs. Problem Solving

The term appreciative inquiry was coined by David Cooperrider, who challenged the traditional problem-solving approach to performance improvement and proposed a new paradigm of looking at an organization's strengths and building on what is already working well within the organization. Appreciative inquiry differs from the problem-solving approach as follows:[2]
- Appreciate *what is* vs. identifying the problem
- Imagine *what might be* vs. conducting a root cause analysis
- Determine *what should be* vs. brainstorming solutions
- Create *what will be* vs. developing an action plan

The Five Principles of Appreciative Inquiry

Appreciative inquiry is based on the following five principles:[3]

The Constructionist Principle—This principle states that individuals create their own reality, and an organization's reality is created through the consensus of its individuals through conversations of what they believe to be true and anticipate the future to be.

The Principle of Simultaneity—This principle contends that inquiry is intervention, and that the questions we ask determine what we discover.

The Poetic Principle—Organizations must be studied as social systems. Just as a poem is open to interpretation, so is a human organization, and organizations have a choice on what to focus on with regard to their human experience. Finding themes is the key to identifying the organization's real capabilities.

The Anticipatory Principle—Similar to the placebo effect, this principle contends that the future that organizational members anticipate is the one they create. The images of the future determine their current behavior.

The Positive Principle—Focusing on past successes and building on what works is more effective for positive organizational change than focusing on the problem.

The Appreciative Inquiry Process

The four core processes of appreciative inquiry are[2]

1. *Definition*—Choose the positive as the focus on inquiry.
   Since human systems grow in the direction of what they study, the *definition* phase includes identifying an affirmative focus for the inquiry. This is often identified with the executive or leader of the change initiative. This phase also includes creating the interview questions and determining participation.
2. *Discovery*—Inquire into exceptionally positive moments and locate themes that appear in the stories.
   The *discovery* phase brings a group of stakeholders together to interview each other eliciting positive stories of past and present successes to build positive energy. During this phase, participants identify themes that appear in the stories that help them build consensus on the positive core of the strengths of the organization.
3. *Dream*—Create shared images of a preferred future.
   The *dream* phase engages participants to envision what is possible for the future of the organization. This phase often includes drafting a possibility statement that summarizes the organization's vision and purpose and experiencing what this future would look, feel, and be like if the shared positive experiences were the norm in the organization.
4. *Design and Delivery*—Innovate ways to create that future.
   The *design and delivery* phase, sometimes referred to as *Destiny,* includes participants identifying innovative ways to create the future through inspired individual and organizational commitments to develop strategies and systems that build off the positive core of the organization.

NOTES

1. David Cooperrider and Suresh Srivastva, "Appreciative Inquiry in Organizational Life." *Research in Organizational Change and Development* 1 (1987): 129–69.

2. Magruder Watkins, Jane and Bernard Mohr. *Appreciative Inquiry* (San Francisco: Jossey-Bass/Pfeiffer, 2001).

3. Ron Zemke, "Don't Fix That Company! Appreciative Inquiry in Organization Development." *Training* 36 (1999): 26.

Dean Savoca

BURNOUT

Burnout is a state of physical, mental, or emotional exhaustion, or negativity toward one's job. An employee experiences burnout when something causes continuous stress at work and the employee does not perceive that he or she has the personal capacity to effectively deal with the situation.

Symptoms

Symptoms of burnout vary among individuals but often include stress, illness, diminished productivity, tiredness, higher rates of absenteeism, interpersonal conflicts, and substance abuse. Burnout is more common in the service professions than in other professions,[1] although in all professions it is associated with low employee buy-in, which can lead to diminished productivity or high turnover; both of which impact the bottom line of the company and, in many instances, customer satisfaction. Young, talented employees with great future potential are reporting burnout early in their careers.[2] As the epidemic of burnout continues to grow, it is costing U.S. companies an estimated $200 billion every year in reduced productivity, accidents, absenteeism, turnover, and insurances expenses.[3]

Causes

The cause of burnout varies among individuals, but several common themes provide insight into the elements that are consistently found in burnout research. Organizations that promote workaholic behaviors, either directly or indirectly, will experience higher levels of burnout during a time when "growing demands for productivity, meeting bottom line requirements, and a push toward greater efficiencies" are driving organizational culture.[4] Working extremely long hours on a regular basis, large amounts of travel, and a large number of direct reports can directly contribute to increased levels of employee burnout. Technology creates another element that challenges employees: constant availability. With the evolution of the BlackBerry, an employee is often expected to be continuously available to clients and superiors, which can lead to burnout. In industries with frequent layoffs and turnover, the constant concern and fear of losing one's job also contributes to feelings of burnout.

One last and widespread contributor to burnout is managerial malpractice in the building of manager-employee relationships. "As a result of managerial malpractice, employee morale and productivity remain low, which leads to poor-quality products and services, and higher costs."[5] In these situations, feelings of helplessness and frustration can be overwhelming and potentially lead to burnout symptoms.

Strategies for Preventing Burnout

The best way to manage burnout is to prevent it from occurring in the first place. Prevention measures can be taken at the organizational level as well as the personal level.

Following are suggestions for each category. Because organizational situations and individuals are so incredibly diverse, there is no one-size-fits-all answer. Each situation will demand a unique combination of strategies to prevent burnout.

Organizational Strategies for Preventing Burnout

- Have managers focus on results and allow the process to be less micromanaged.
- Measure productivity by outcomes instead of the number of hours an employee is at the office. Take care not to reward workaholic behaviors.
- Provide mentor programs to support young talent and those newly promoted to positions of higher responsibility.
- Focus on the strengths of employees and align them with the needs and profit goals of the organization.
- Encourage individuals to develop themselves. Provide emotional intelligence, professional development, and career development opportunities for employees.
- Provide critical employee feedback and allow employees to provide feedback of managerial practices.

Individual Strategies for Preventing Burnout

- Develop professional networking.
- Achieve and maintain work/life balance and seek opportunities to continue to improve your understanding of how to balance the demands of your career and your personal life.
- Focus and build on your strengths so that they align with the needs of your employer and work to promote these strengths.
- Expand your marketability and take charge of your personal career development. This will help develop a sense of security and minimize anxiety and anger during times of high turnover.
- Accept mentor programs, professional development, career development, and emotional intelligence development from your employer and/or the community.
- Provide honest, useful feedback when your organization requests it. Listen carefully to feedback provided to you.
  See also Career Resource Centers; Managerial Malpractice

NOTES

1. Dana Yagil, "The Relationship of Service Provider Power Motivation, Empowerment and Burnout to Customer Satisfaction," *International Journal of Service Industry Management* (2006): 258.

2. Lara Ashworth, "Insights," *People Management,* January 25, 2007, 57.

3. Joseph Jordan, "Beating Burnout," *Chemical Engineering* (1999): 133.

4. "Beware the Dangers of Being an 'Extreme' Organization," *HR Focus,* April 2007, 10.

5. Jerry Gilley, "Taming the Organization," *Human Resource Development International* (2001): 217.

Teresa Dwire

CAREER PLANNING AND DEVELOPMENT

Many employees feel trapped, stagnated, or overlooked in their present assignments. Deriving little pleasure from one's work contributes to increased stress and poor performance. Dissatisfied workers often do not work up to their full potential and may fail to

meet expectations. Some have lost their professional mission in life, or they have been unable to identify their vocational purpose. To further complicate matters, some organizational leaders and managers are reluctant to approach employees about performance problems. They hold their breath, look the other way, cross their fingers, and hope that somehow the situation will work itself out. In short, many performance problems are career related.

Organizational leaders who accept responsibility for establishing career development programs and organizing career planning efforts contribute to employees' success. The overall success of both individuals and organizations depend on organizational leaders' ability to create career development program policies, allocate financial resources, provide opportunities for collaboration and integration, and advocate the importance of career development. Effective career development agents provide guidance and information regarding the impact and importance of career development, exhibit leadership and expertise in creating career development activities, and serve as a liaison between employees and the organization.

Barriers to Career Development

Career development requires change; thus, organizational leaders need to help employees address it accordingly. It has been suggested that "people resist [change] not out of spite but out of fear...some people will fight back when they believe that the change [career development] threatens their own best interest."[1]

Several common concerns about career development are often expressed by organizational leaders. They are:
- We cannot promote everyone, so why raise unrealistic expectations?
- We have a space on our performance appraisal forms to indicate what career plans our employees have, and our organizational leaders are supposed to discuss these career plans with their people. What else is there to do?
- What if employees "develop" in ways that would not be useful to the organization?
- We do not have the staff needed to implement career development.
- We are sure it would be nice, but we cannot afford it.
- If we develop our employees, they will just jump ship to other organizations.
- We already have a career development program.
- We have a lot of internal courses and a generous tuition reimbursement program, and employees do not even take advantage of these now.
- Organizational leaders are technical people—they are not good at career development.[2]

Organizational leaders' support and the identification of the needs of individual career development address the above concerns. Effective career development advocates identify the people who have a stake in the outcome of career development and explore the existing career development resources within the organization. Additionally, they ascertain employee commitment to career development activities along with the steps needed to gain support or acceptance.

What Is Career Development?

Career development has been an accepted developmental strategy within organizations for several decades.[3] Career development programs communicate strong employer

investment in their personnel, something organizations want in order to maintain a positive recruiting image. As such, successful career development programs are integrated into the organization.

Career development can be defined as an organized, planned effort comprised of structured activities or processes that result in a mutual career plotting effort between employees and the organization.[4] Within the system of career development, employees are responsible for career planning, while the organization is responsible for career management. These two separate but related processes combined form career development, a partnership between the organization and its individual employees.

Career development allows and encourages personnel to examine future career paths. Career development programs help individuals analyze their abilities and interests in order to better match their personal needs for career development with the needs of the organization. Organizational leaders can improve employee attitudes toward work, work satisfaction levels, efficient allocation of human resources, and loyalty among personnel.

A marriage between employer and employee is essential in career development. In this process, organizations engage in developmental planning, which is the process of assessing appropriate goals and objectives, along with the proper allocation of physical, financial, and human resources. Concurrently, employees are encouraged to engage in career/life planning, which includes analysis of personal goals and competencies and a realistic evaluation of future opportunities. Both organizations and their personnel need to conduct three types of analyses:

- *Needs analysis* refers to the examination of personal and organization needs.
- *Skills analysis* refers to the evaluation of an individual's competencies while the organization examines the competencies required within each job classification and those needed throughout the organization.
- *Potential analysis* is conducted when both individuals and the organization project their future competency requirements and determine areas of deficiency or weakness.

These evaluations determine the "matching process" between individual and organization. Organizational leaders can then blend career information (employee) with developmental plans (educational organization) to improve the matching process. This also provides valuable insights for future implementation of career development activities by organizations and their employees.

Several benefits and limitations of collaborative career development have been identified.

Benefits

- The organization has a record of employees' interests, mobility, and goals.
- Information can be available in a database for selection decisions and HR planning, taking each individual's input into account.
- Development needs of the group reveal opportunities for training curricula and development planning options organization-wide.
- Development plans can be a measure of individual involvement in one's career management.
- Community pressure for greater responsiveness and quality requires everyone to upgrade skills and keep them current; an annual development plan is a means of accountability.
- An ongoing emphasis can be maintained by requiring an updated development plan annually as a basis for career discussions.

Limitations

- Employees may not be open about career development goals and plans in an environment devoid of trust. They may write what they think should be written, rather than what they want.
- Shared goal information must be administered, whether on paper copies or in a database. If a database is to be kept, who enters and modifies the data?
- The purpose of shared information from employees must be clearly communicated. Will it be used for staffing decisions? For HR planning? For training needs assessment? Without a perceived benefit to leaders, faculty, and staff, this becomes one more administrative requirement.[5]

Successful career development programs require organizations and their personnel to work together as a team. Organizational leaders are responsible for management of career development programs, including identification and facilitation of the development activities deemed appropriate. Familiarity with a variety of career development theories aids program development and selection of appropriate activities.

Organizational leaders and employees must accept ownership of and responsibility for their own career and personal growth. Organizations do their part by providing the resources and support necessary for success. The most effective career development programs enjoy board member support and align individual needs with those of the organization.

Purpose of Career Development

Organizations implement career development programs to develop and promote employees from within, encourage commitment and loyalty, improve morale and motivation, and reduce turnover. Demonstrating the organization's commitment to personnel improvement, growth, and development increases organizational success.

Six integrative activities can be adopted by organizational leaders: (1) forecasting future organization needs, (2) utilizing performance appraisals, (3) job announcements and postings, (4) career pathing for employees, (5) training and development, and (6) the creation of consistent compensation practices.

Effective career development programs account for the diversity of people, use methods other than the traditional classroom training approach, and focus on long-term results. For best results, organizational leaders encourage employees to identify their needs and career goals and plan career development activities accordingly. To ensure success, we offer several guidelines:

1. Start small and design a specific program in response to a particular need.
2. Integrate the program into ongoing personal activities or programs.
3. Obtain organizational leaders' support.
4. Encourage time management and lobby for support.
5. Develop an evaluation process and communicate measured results.
6. Continue to explore alternatives and maintain flexibility.[6]

Quite simply, successful career development is based on individualized needs and interests, remains flexible, incorporates appropriate evaluation procedures, and enjoys the support of organizational leaders.

Organizational leaders cannot assist employees adequately unless the organization offers the right kinds of challenging career development activities. Organizational leaders

must also develop an appropriate awareness and appreciation of career development. Otherwise, career development will proceed in a piecemeal fashion.

Benefits of a Career Development System

Career development yields many benefits, including:
- Reduced turnover of highly skilled or experienced employees
- Revision of outdated expectations for career opportunities after flattening or reorganizing
- Motivated personnel who take responsibility for their own development and continue to add value
- Understanding by employees of the urgency to keep skills current
- Managers, employees, and organizational leaders' buy-in of the need for continuous learning
- Equal opportunity for minorities and women
- Organizational leaders who are convinced of the importance of developing their personnel
- A competitive organization through productive and motivated employees
- Flexible employees who can move out of functional "silos" or narrowly defined roles
- Matching of realities in the organization to recruiting promises
- Employees with meaningful development plans.[7]

To reap the benefits of career development, organizational leaders must relate to employees at all levels and cultivate individuals who are responsible for various career development roles—such as department supervisors, team leaders, and other informal leaders. In this way, career development becomes a vital part of individual and educational organizational enhancement. Simultaneously, organizational leaders emphasize the importance of career development to employees, inform and update others within the organization while serving as mentors and career counselors, and maintain a careful balance of facilitating, coordinating, and monitoring of career development activities.

Conclusion

Preparing employees for current and future job assignments requires managers to embrace career development programs. Career development is a process of creating a partnership between the organization and its personnel, enhancing their knowledge, skills, and abilities. Career development *is* a quintessential developmental activity of an organization. It allows for improved individual proficiencies while concurrently enhancing organization success.

Managers should understand that the primary purpose of career development is to help employees analyze their abilities and interests to better match personnel needs to the needs of the organization. Effective managers identify the factors in maintaining a successful career development program, recognize their general responsibilities in the area of career development, and isolate methods for improving the harmony between employees and the organization related to career development. Applying career development to the organization setting helps prepare organizations and their personnel to meet the challenges of a dynamic environment.

NOTES

1. Robert Maurer, *Beyond the Wall of Resistance: Unconventional Strategies that Build Support for Change* (Austin, TX: Bard Books, 1996).

2. Patricia Simonsen, *Promoting a Developmental Culture in Your Organization: Using Career Development as a Change Agent* (Palo Alto, CA: Davies-Black Publishing, 1997).

3. Jerry W. Gilley, Steven A. Eggland, and Ann Maycunich Gilley, *Principles of Human Resource Development,* 2nd ed. (Cambridge, MA: Perseus, 2002).

4. Ibid.

5. Simonsen, *Promoting a Developmental Culture in Your Organization.*

6. Gilley, Eggland, and Gilley, *Principles of Human Resource Development.*

7. Simonsen, *Promoting a Developmental Culture in Your Organization.*

Jerry W. Gilley and Ann Gilley

CAREER RESOURCE CENTER

Career resource centers, often referred to as career development centers, are a source of information, counseling, and development tools that help guide the formation of employee career planning. These range from a few books and videotapes underneath job postings to complex online resource centers, to external agency services and even outplacement resources. Companies have successfully used career resource centers for years. For example, Hewitt Associates has tracked growth for more than 15 years and has used a career development center to provide transition management, coaching, and outplacement as an element of their success.[1]

Reasons for Career Resource Centers

Career development is often considered the responsibility of the employee, and due to this, there are several reasons why organizations would be wise to provide career development resources to serve and attract employees. Current and future trends suggest that employees will change jobs more often than in previous years, and this means organizations will also be dealing with a growing amount of change. Additionally, there will be an increased demand for knowledge workers. When an organization provides career development resources, it is taking charge of developing the higher-quality, more flexible employees it will need.[2] Because organizational competition for talent will grow ever more fierce, career resource centers can be used to attract and keep talent, making strong career development centers an element that, in the eye of perceptive future employees, is an employer of choice above the organization's competition. In high-turnover industries, career resources are being provided as outplacement support, which directly benefits the organization by reducing stress and anxiety related to the concern of losing a job. When employees experience lower levels of stress and anxiety, they are less likely to demonstrate the symptoms of burnout, such as lower productivity, higher absenteeism, and increased reports of illness.

Considerations for Career Resource Center Development

Once an organization recognizes the benefits of career development centers, it has the option of outsourcing an agency or consultant that specializes in career development, or developing its own in-house services. When beginning the process of implementing career development, it is important to consider some of the changes in career development assumptions. For example, teaching no longer focuses on memorization in isolated situations, but is much more effective when information is connected with contextual situations and simulations that engage in higher-level problem-solving activities. Another

change is that the focus is not just on academics, but also character development.[3] Also essential to career development planning is to consider how to integrate the following elements into the organization's career resource center. First, career development must be driven by business needs. It must be guided by a vision and philosophy of career development and supported by senior management. Communication and education are critical, and employees must hold responsibility for their own growth.[4]

Career Development and Technology

Another aspect of career development centers on technology. With global interdependence and ever-growing staffs, sometimes it is unrealistic to have a physical career resource that everyone in the company has access to. Many companies have developed online resources that include feedback, development planning, training, and career planning.[5] Although online resources lack the ability to address as many learning styles and needs as interpersonal teaching, it is a useful avenue for addressing the demands and realities of a global economy.

Conclusion

Implementing career development centers in an organization can be challenging and is often considered the HR effort that will last for only a brief time. When the decision to introduce a career development plan is put into place, it will take the follow-through and commitment of senior executives for it to be successful. Significant literature and numerous experts are available to help implement a solid career resource center that is beneficial to both the employer and employee. It is advisable to fully research and plan before implementing career development so that it has the greatest potential for success.

NOTES

1. B.G. Doyle, "Hewitt Associates: 15 Years of Growth and Innovation," *Caribbean Business* (2005): S3.

2. Jeanne Meister, "The Quest for Lifetime Employability," *Journal of Business Strategy* 19, no. 3 (May–June 1998): 25.

3. Rich Feller and Judy Whichard, *Knowledge Nomads and the Nervously Employed: Workplace Change and Courageous Career Choices* (Austin, TX: CAPS Press, 2005).

4. Peggy Simonsen, *Promoting Development Culture in Your Organization Using Career Development as a Change Agent* (Palo Alto, CA: Davies-Black Publishing, 1997).

5. Jacki Keagy and Jim Warner, "Creating a Virtual Career Development Center," *HR Focus,* October 1997, 11.

Teresa Dwire

COACHING

Why coaching? First, organizations face the same challenges today that they faced centuries ago: scarcity of resources (and corresponding battles), varying levels of individual talent, the need to improve performance, distribution complexities, competition, and so on. Organizations are facing constant and rapid change, which requires them to confront new challenges, provide quick innovative solutions, and manage talented employees.

Therefore, effective organizations adopt a strategy that helps them to institute and manage change, provide ongoing training, and model collaboration and team building.[1] They need managers who can model mastery, mold values, character, and commitment, and improve individual and team performance.[2] Finally, they need creative problem-solvers— ones who can assess and strategically deploy human talent and make quick and decisive decisions. Quite simply, organizations need their managers to developing coaching skills and abilities.

What Is Coaching

Coaching is a partnership that equips individuals with the tools they need to succeed. Most important, coaching enables people to develop themselves.[3] Additionally, coaching is a developmental process in which all employees grow and develop, improve their performance, and advance their careers. An old Chinese proverb states, *"give a man a fish, you feed him for a day; teach a man to fish, you feed him for a lifetime."* The same is true of the coaching process. Briefly, managers (as coaches) partner with employees in straightforward, honest, and collaborative exchanges regarding performance that focus on expanding excellence through individual learning, growth, and development. Coaching provides individuals with the ability to approach or react to opportunities, threats, and other events in a confident, reflective, powerful way.

Why Coach?

Skeptics claim that coaching is simply the newest management gimmick. Not true; presidents, monarchs, heads of state, world-class athletes, and performers have and continue to surround themselves with experts on whom they rely for advice, guidance, feedback, support, reinforcement, encouragement, challenge, confrontation, instruction, observation, and more. They realized that they cannot excel without the guidance of a coach, and many have credited coaches (whom they have also called mentors, sages, guides, or confidants) with contributing to their success.

Benefits of Performance Coaching

The benefits of coaching are numerous for employees, managers, and organizations.

Coaching Benefits to Employees

For the employee, coaching encourages challenges, opportunities, and growth. Coaching provides:
- A better relationship with one's manager, including appreciation of his or her expertise
- Improved self-esteem via challenging and rewarding assignments, positive feedback, and encouragement
- An environment that encourages growth and development
- Opportunities to develop to one's fullest potential
- Opportunities to influence the way in which one relates to work, the work environment, and the organization
- Greater job/career satisfaction
- Being treated as a human being with a complex set of needs and values, all of which are important in his or her work and life.[4]

Performance Coaching Benefits for Managers

Managers aid their organizations and personnel through coaching activities. In return, they reap the following benefits:

- A better understanding of their employees' skills, strengths, and areas needing development for current and future assignments; also enables succession planning
- Opportunities to better serve their personnel through learning facilitation, persuasion, mentoring, and leading
- Superior results through people (e.g., higher sales levels, better customer service, greater production, fewer errors, etc.)
- A more motivated and productive workforce
- Enhanced problem solving as a result of collaboration
- They are energized, motivated, and challenged to become the best managers/leaders they can be
- They take on increasingly difficult managerial assignments, which initiates change within the firm
- They are perceived as human beings rather than as resources in the productivity process
- They enhance their own interpersonal skills.[5]

Performance Coaching Benefits for the Organization

Ultimately, organizations improve as personnel improve. Just as a rising tide raises all ships, organizational benefits of coaching include:

- Better communications between and among leaders, managers, and personnel
- Improved performance and effectiveness
- Improved capability, which is a firm's ability to establish internal structures and processes that influence its members to create organization-specific competencies and, thus, enable the organization to adapt to changing customer and strategic needs
- Increased competitiveness through achievement of strategic goals and objectives
- Enhanced creativity, problem solving, and decision-making
- More accurate HR and succession planning (the result of assessment of talent, growth and development plans)
- Healthy employees who are more qualified to lead the firm to long-term success, the result of the aggregate growth, development, reflection, and renewal abilities of personnel
- Transfer of individuals' enhanced knowledge, skills, and abilities to the firm (organizational learning)
- Development and maintenance of the most important systems and linkages needed for improving performance, readiness, efficiency, and effectiveness
- Adaptation of developmental and leadership strategies that optimize the contributions of all employees
- Enhanced collaboration, teamwork, and the ability to capitalize on synergy to produce results
- Competitive advantage through people, which is nearly impossible for rivals to duplicate.[6]

Conclusion

The need for and benefits of coaching are clear. The times require it, organizations and their employees need it, and managers are capable of it.

See also: Mentoring; Performance Coaching

NOTES

1. Frederic M. Hudson, *The Handbook of Coaching: A Comprehensive Resource Guide for Managers, Executives, Consultants, and Human Resource Professionals* (San Francisco: Jossey-Bass, 1999).

2. Jerry W. Gilley and Nathaniel W. Boughton, *Stop Managing, Start Coaching* (New York: McGraw-Hill, 1996).

3. David B. Peterson and Mary Dee Hicks, *Leaders as Coaches: Strategies for Coaching and Developing Others* (Minneapolis, MN: Personnel Decisions International, 1996).

4. Jerry W. Gilley and Ann Gilley, *The Manager as Coach* (Westport, CT: Praeger, 2007).

5. Ibid.

6. Ibid.

Jerry W. Gilley

COMPUTER-BASED TRAINING

Computerization has transformed literally every segment of society—including education. Virtual campuses have provided people with educational opportunities that previously did not exist. Consider the following factors:

- Computerization affects the way almost every business operates—most households even have computers with Internet access.
- Globalization requires that organizations stay connected with information to remain competitive.
- The rate at which change is imposed upon business demands that employees keep their level of skill up to date.
- Investment of time and money are ever increasing challenges in an organization's ability to participate in the training and development process.
- Education—as an industry—is expanding its reach with nontraditional approaches to instruction through use of the World Wide Web and multimedia.

Computer-based training (CBT)—also know as "technology delivered training" or "computer assisted instruction"—is the vehicle that links all of these innovations and needs together.

The Fundamentals

Some historical accounts of the advent of computer-based training (CBT) divide the process into segments that mark distinctions in approaches to CBT over the years. Terms like "e-learning" and "performance era" highlight differences between how learning can take place and how knowledge can be assimilated. In an effort to produce a concise and operational definition of CBT, the various concepts will be combined as follows:

- Computer-based training refers to the process of delivering training or providing learning opportunities utilizing a computerized, electronic delivery system. This system can include, but is not limited to:
  - Stand-alone computer and video applications utilizing CDs, DVDs, and software.
  - Live audio and/or video feed providing real-time links to classroom instruction.
  - Computer applications that connect the user to a network or Internet stream. This could be live or preprogrammed.
  - Expert systems (specialized computer programs) that train themselves as business transacts within an organization. An example of this would be an inventory monitoring system

that can track sales volume, manage the reordering process, and provide updates to personnel as needed. In this case, the employees are both educated in the dynamics of business operations at the same time they participate in the continual updating of the system—a kind of reciprocal training.

More than a simple training process that occurs in front of a computer screen, CBT seeks to add value to the organization by utilizing existing technology to integrate new knowledge with mission-critical applications. This can range from an employee acquiring the skills to use word processing software, to designing an office automation system that teaches the employee as it is developed and updated.

Advantages and Disadvantages

When looking at technology as an instructional delivery system, it is important to consider its strengths and weaknesses. Advantages and disadvantages will have an organization-specific element, but there are general considerations when looking at the pros and cons of CBT. Some advantages:

- Flexibility—In terms of scheduling, CBT offers the organization and participants the ability to make the training work around their schedule. Often, live streaming can be scheduled according to availability. The pace of the training can also be controlled to allow students to learn at their own speed.
- Progress tracking/scoring—Since the training takes place on a computer, the system can track the students' progress and manage the grading. Additionally, management can view student progress and provide feedback.
- Utilization of expert instruction—People who serve in the capacity of trainers within an organization often must learn new topics to serve as instructors. This process is costly, time consuming, and lowers the quality of education due to the limitation of instructor expertise. In most cases, CBT brings people with high levels of experience and knowledge to the organization at a reasonable cost.
- Enhanced training capacity—Occasionally, there is a need to train large numbers of personnel in a short period of time. Traditional methods of training would make this task difficult, if not impossible. With CBT, the organization can utilize existing technology and flexible scheduling to minimize interruption to the daily operations of the organization.

As is the case with any system, there are disadvantages to CBT that should be considered. Some disadvantages include:

- Access to technology—Although most of the workforce today has access to a computer, there are several scenarios in which personnel do not. Some examples might include various medical personnel, people who are skilled in maintenance trades, operators in manufacturing facilities, and individuals who have never had the occasion to use a computer in their career.
- Lack of human interaction—Learning styles vary from person to person. Some individuals learn more efficiently when they interact with the instructor. Although CBT can be used in conjunction with a facilitator, it largely depends on the student managing the learning process alone.
- Students with limited computer aptitude—Low levels of computer literacy can create discomfort with participation in CBT. More importantly, the effectiveness of CBT for those individuals that feel compelled to participate might be lower than normal—and could potentially go undetected.

Considerations and Suggestions

When considering CBT as an option for your organization, ask the following questions:

1. What are the challenges facing your organization?
2. Who needs to be involved?
3. Is the content available, or can you create it?
4. Is the technology available, or can it be acquired?
5. Do the targeted learners have the skills necessary to benefit from CBT?

When you are satisfied with the answers to these questions, here are some suggestions on how to proceed:

1. *Work with established products and vendors*—Leverage their expertise.
2. *Try to start with "off the shelf" products*—These are less expensive and give you a chance to test the process of CBT before investing in a customized system.
3. *Gather as much information as you can before proceeding*—Learning from the experiences of others will keep you from repeating their mistakes.
4. *Make sure that your CBT programs are based around business results and business strategies*—Know that training is the appropriate intervention for the issue being addressed, and make sure the results are measurable.

Resources:

Oakes, Kevin. "Annual Pay and Compensation Report." *T+D* 57, no. 1, (2003): 64.
Wokosin, Linda. "FAQs about Your First CBT." *Intercom* 51, no. 9 (2004): 21–23.

Scott McDonald

CONTINUOUS IMPROVEMENT PLAN

Continuous improvement is a method of creating incremental change through the activities of individuals or groups typically focused on identifying and eliminating non-value-added processes, allowing organizations to operate more efficiently. Continuous improvement planning is the process of identifying and coordinating the incremental activities that support the improvement methodologies that organizations have identified as important to meeting their strategic objectives.

Continuous Improvement Methodologies

It is important to understand the difference between the continuous improvement process and other improvement initiatives that have been introduced to organizations over the past years. In today's organizations, when someone speaks of continuous improvement it is more than likely based on one of a number of different improvement methodologies that are currently being implemented throughout North America, Europe, and Asia in industries such as manufacturing, health care, service, construction, and beyond. Common names for these programs are Lean Manufacturing, Total Quality Management, Six Sigma, Toyota Production System, Theory of Constraints, Demand Flow Technology, and a number of other lesser-known names. Continuous improvement strategies are used in all of these methodologies as the core philosophy behind the success of the program.[1]

   Continuous improvement is found within an organization's culture of dedicated, ongoing incremental improvement that is a natural, expected activity of all associates and directly tied to the strategic goals of developmental organizations. This is in sharp contrast to organizations that focus on large, project-based, or departmental-driven improvement initiatives that occur sporadically over a long period of time and are disconnected from any strategic objectives often found within traditional organizations.

The Origins of Continuous Improvement

One of the more common types of continuous improvement methods often referred to is the Plan, Do, Check, Act (PDCA) model that was introduced by W. Edwards Deming and Walter Shewart in the 1950s. This simple model is based on a continuous cycle of improvement and had its origins in quality control and production improvements.
- *Plan:* Based on the strategic objectives of the organization, identify the area, process, or activity that warrants improvement.
- *Do:* Implement the change.
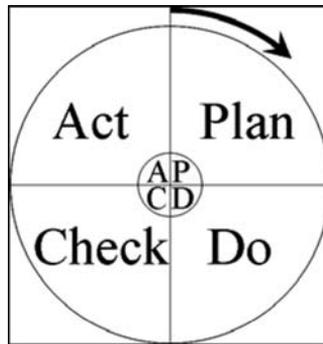
- *Check:* Review the area, process, or activity that is being improved to ensure that the excepted objectives are met.
- *Act:* Upon completion of the improvement, review the actions taken, lessons learned, and initiate another improvement event that will continuously driving incremental improvement.
   Initially, Deming introduced this model to the Japanese in an effort to assist with the rebuilding of their country after World War II. The Toyota Motor Company adopted these techniques early on and combined them with Henry Ford's mass production techniques to create what is now known as the Toyota Production System.[2] An integral part of their system is the use of Kaizen events that drive continuous improvement throughout their organization. These events have their foundations in the PDCA model. In the mid-1970s, General Motors, followed in later years by companies such as Motorola and General Electric, implemented improvement methodologies that have their roots firmly planted in the PDCA model.

Continuous Improvement Events

Continuous improvement activities are often referred to as rapid continuous improvement events (RCIs) and could be thought of as *the activity that provides the opportunity for continuous improvement to occur.* In other words, ideas turn into actions that produce results. The simplicity of the RCI event is the key behind its success. RCI teams typically consist of a
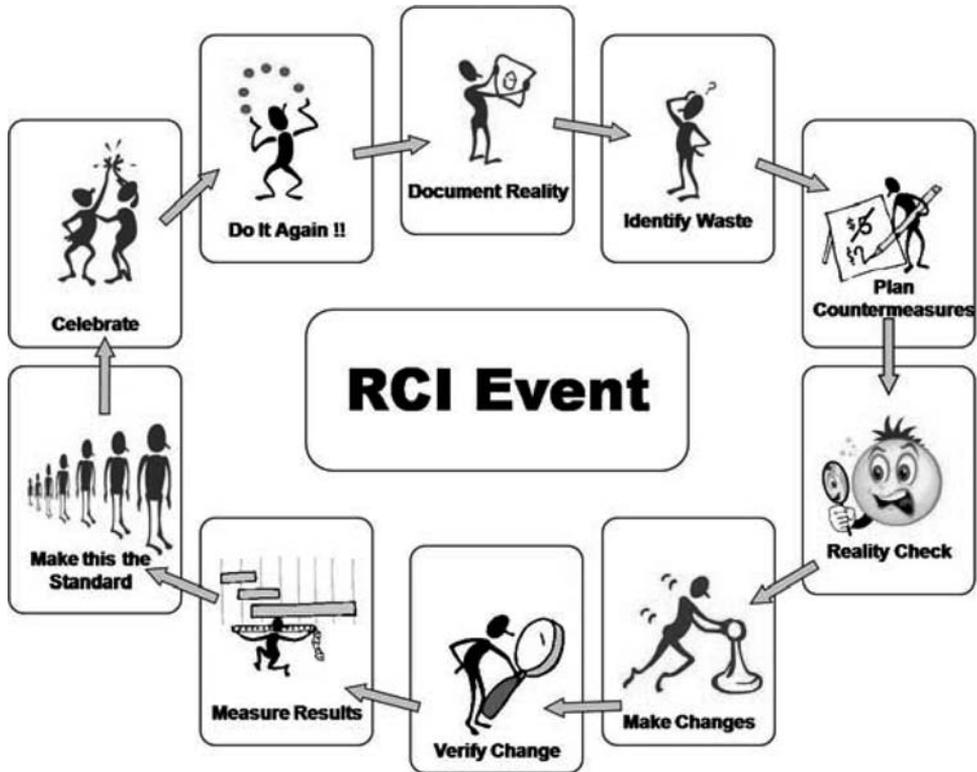
highly focused group of four to eight people, at least ⅓ from the area affected along with others that can provide additional perspectives. The team follows a methodical process of identifying the issues, determining and implementing solutions, and follow-up using a set of standard tools often defined by the improvement methodology (e.g., Lean Manufacturing, Total Quality Management, and Toyota Production System). The RCI event should have a very specific objective that is measurable, and the team can be held accountable for meeting at the end of the event. Most events are five days long, but can be shorter or longer depending on the overall objectives and availability of resources. In many smaller organizations where resources are limited there has been success in running two-day RCI events that are highly focused and result in amazing incremental improvement.

Regardless of the length, the key is to scope the event appropriately and keep focused on the overall strategic objectives of the organization. As mentioned previously, the incremental nature of improvements combined with the circular process of continuous improvement can at times make it feel as though there is very little improvement being made. The RCI event is one of a thousand steps often required to achieve true transformation. The scoping of the RCI event and ensuring that it ties back to the overall objectives of the organization is critical for successful events.

Continuous Improvement Planning

Determining the sequence and timing of the RCI events is dependent on the magnitude of the change and the urgency of meeting the strategic objectives. The idea behind the continuous improvement philosophy is that once the area, process, or activity has been

improved, returning to the same area and improving it again and again will result in much greater gains than if the improvement was only completed once. Connecting these improvement events together in some sort of systematic sequence is often the task of the value stream manager or an individual who is able to dedicate her resources to understanding where the non-value- and value-added activities are occurring and their connection to the strategic objectives of the organization.[3] This individual will direct the RCI coordinators who reside in each division of an organization to schedule and scope RCI events according to the overall value stream. The RCI events are typically planned on a yearly basis and occur at least once a month in many organizations.

Continuous Improvement Culture

When you think of the word "culture," what is your definition? How would you define the culture of your organization? Do you think there are different cultures within your organization? Different cultures within a department? Chances are there are as many definitions as there are people. Culture is a difficult term to define because it is something one cannot touch or feel; instead, it is an idea or a way of thinking and acting. When the term "culture" is used in the work environment, a common definition is "the sum of peoples' habits related to how they get their work done."[4] If the culture is based on peoples' habits, then a large part of shifting or changing a culture has to do with being able to identify and change behaviors that result in new actions that eventually become habits. Keep in mind that *all* habits are not bad. When we are talking about understanding an organization's culture, a large part of the analysis consists of observing and documenting actions, then working toward the reshaping of people's behaviors that result in the creation of new habits. These habits result in measurable actions that are used to define the culture based on the vision, values, purpose, and goals of the organization. The continuous improvement culture could be defined as: *an organization that is continuously working toward identifying non-value-added activities and eliminating them from the process, leaving only value-added activities.*

NOTES

1. David Blanchard, "Lean Green and Low Cost: Census of U.S. Manufacturers," *Industry Week,* October 2007, 38.

2. James P. Womack, Daniel T. Jones, and Daniel Roos, *The Machine That Changed the World,* (New York: HarperCollins, 1991), 277.

3. Mike Rother and John Shook, *Learning to See* (Brookline, MA: The Lean Enterprise Institute, 1999), 7.

4. David Mann, *Creating a Lean Culture* (New York: Productivity Press, 2005), 3.

Kyle B. Stone

CORPORATE UNIVERSITY

Corporate universities have existed in the United States for more than 40 years.[1] A corporate university is the "formal entity associated with an organization that is chartered with providing employees with the skills and understanding they need to help the organization achieve its business objectives, both short and long term."[2] Corporate universities differ

from traditional training and development functions in their close alignment with an organization's strategic goals and objectives. A corporate university can be "a centralized strategic umbrella for the education and development of employees." It can also be the "chief vehicle for disseminating an organization's culture and fostering the development of not only job skills, but also such core workplace skills as learning-to-learn, leadership, creative thinking, and problem solving."[3]

How Corporate Universities Differ from Training Departments

Corporate universities differ from training and development departments in their alignment with business strategy. One way to look at the difference is that training and development functions are "short-term, tactical, and narrowly focused," whereas corporate universities are "broader and more strategic."[4] A simple connection is not sufficient; virtually any course can be shown to have some connection to business objectives or strategy. To truly function as a corporate university, the following needs to occur: there must be "a major, direct connection to the business goals"; there must be "CEO-level awareness and support, if not direct involvement"; and courses must focus on more than building or improving professional skills of employees.[5]

What Should Corporate Universities Teach?

Conceptually, corporate universities should strive to have one of the following primary strategic focuses for their programs and curriculum:
- Initiative driven: focus on "*driving a corporate-wide initiative* or business plan or project."
- Change-management focused: focus on driving change or facilitating a transformation. process
- Leadership development driven: focus on developing managers and/or leaders.
- Business development driven: focus on developing business opportunities or exploring new possibilities.
- Customer/supplier relationship management orientation: focus on educating and managing the customer and supplier relationship.
- Competency-based/career development focused: focus on individual skill development and managing the career development process.[6]

A combination of any of these would be acceptable. Each of these strategic focuses, however, derives from the requirement that corporate universities have strong links to specific business strategies and goals.

Corporate University Structure

Physically, corporate universities come in many forms. When people hear the term corporate university, many think of "Hamburger U." With a dedicated building and dedicated staff, McDonald's Corporation's Hamburger University in Oak Brook, Illinois, is one of the world's best known corporate universities, providing training to more than 5,000 "students" a year.[7] For organizations without dedicated buildings, however, training occurs in a variety of ways: in a traditional classroom format, either on- or off-site; via satellite, bringing employees together from different locations simultaneously; as Web-based offerings, which allow for customization as well as performance measurement; and through virtual reality, where actual job duties can be mimicked virtually.[8]

Corporations, through their corporate universities, also partner with traditional educational institutions as a means of providing learning opportunities and training programs to their employees. For example, UnitedHealth Group and United Technologies partnered to offered MBA classes through Stanford University. UnitedHealth Group also partnered with Rensselaer Polytechnic Institute and other employers to deliver programs to employees through UnitedHealth's Learning Institute.[9]

Although the traditional definition of "university" pertains to degree-granting educational institutions, in recent years, the American Council of Education has begun to recognize, and grant credit for, some coursework and programs affiliated with corporate universities. At Hamburger U, for example, students in the restaurant manager and mid-management curriculum can earn credits toward a college degree through their course work. These credits are eligible to be transferred to other colleges and universities and applied toward a degree.

In another direction, many corporate universities are opening their doors to nonemployees—and charging tuition—as a tool for building relationships and enhancing effectiveness as well as a means of teaching their own strategies for success. Disney, for example, offers three-day professional development programs for nonemployee executives to help these executives "learn how to make magic in their own industries."[10]

The Future of Corporate Universities

Globalization, flattening of organizations, demographic shifts and loss of talent, technology, and other global business trends will continue to affect the way in which organizations must prepare their employees to remain competitive, the content of learning efforts, and the way in which knowledge and information are delivered. Increasingly, the purpose of corporate universities is shifting from being "a place to go," with structured program delivery occurring at a designated central location, to dynamic, "on-demand," and "constantly changing" operations that "come to you."[11]

Resources:

http://www.corpu.com/

NOTES

1. "Corporate Universities: First Lessons from a European Learning Group," *Journal of European Industrial Training* (2000): 50.

2. Global Learning Resources, Inc., "Corporate Universities Overview," http://www.glresources.com/ls_cu.php (accessed October 12, 2007).

3. Jeanne Meister, "Ten Steps to Creating a Corporate University," *Training and Development* (1998): 38.

4. Global Learning Resources, Inc., "Corporate Universities Overview."

5. Ibid.

6. Kevin Wheeler, "The Uses and Misuses of the Term Corporate University," (Global Learning Resources, Inc., 2003). http://www.glresources.com/dl_docs./uses_of_term_corp_univ.pdf (accessed October 12, 2007).

7. Hamburger University, McDonald's Web site, http://www.mcdonalds.com/corp/career/hamburger_university.html (accessed October 15, 2007).

8. Denise R. Hearn, "Education in the Workplace: An Examination of Corporate University Models," http://www.newfoundations.com/OrgTheory/Hearn721.html (accessed October 12, 2007)

9. Meryl Davids Landau, "Corporate Universities Crack Open Their Doors," *Journal of Business Strategy* (May–June 2000): 18.

10. Ibid.

11. Josh Bersin, "Death of Corporate University: Birth of Learning Services," Bersin & Associates, http://www.bersin.com/tips_techniques/05_nov_death_cu.asp (accessed October 13, 2007).

Lynda Kemp

CROSS-TRAINING

Today, organizations are always trying to accomplish more work with fewer workers. Therefore, one technique that helps to motivate and retain employees is known as cross-training. Cross-training, however, requires managers and HR professionals to replace their traditional idea of *one job per person* with a broader definition.[1]

Cross-training involves teaching an employee who was hired to perform one job function the skills required to perform other job functions.[2] It requires teaching employees the skills and responsibilities of another position in an organization to increase their effectiveness.[3] Cross-training is training someone in another activity that is related to his current work. The name comes from the fact that training is across a broader spectrum of the organization's work.[4] Cross-trained employees might focus their efforts on one process or could set up a systematic job-rotation plan and train workers to become proficient in a variety of functions.[5]

For some organizations with limited human resource capacity, cross-training enables operations to continue if a key employee requires a leave of absence. Such absence could produce disastrous consequences unless someone else is trained to conduct operations smoothly during an extended absence.[6] A temporary employee may not be the best solution if the job requires technical skill or an in-depth knowledge of the operations.[7]

Employees are a valuable asset; but since some organizations cannot afford to hire the appropriate number of employees, cross-training makes it easier to maximize employees' skills and talents in order to remain competitive. Investing in employees' is a critical strategy for retaining key employees, and in turn, employees are willing to learn new skills. Thus, employees will be more productive and loyal, and overall morale will improve.[8] Cross-training reveals that an organization has confidence in employees' skills and abilities. Consequently, firms are willing to provide workers with opportunities for career growth.

Benefits of Cross-training

Cross-training offers a number of benefits for organizations. As such, a well-designed cross-training program can help reduce costs, reduce turnover, increase productivity, and improve employee morale. Further, it provides greater scheduling flexibility, which could improve organizational efficiency and effectiveness and can provide greater job satisfaction among employees. Cross-trained employees usually feel that their jobs have been enriched, and they often suggest creative and cost-effective improvements that can lead to productivity gains that help firms stay competitive.[9] Cross-training also provides the following benefits:

- Prevents stagnation.
- Offers a learning and professional development opportunity.

- Rejuvenates all departments.
- Improves understanding of the different departments and the organization as a whole.
- Leads to better coordination and teamwork.
- Erases differences, enmity, and unhealthy competition.
- Increases knowledge, know-how, skills, and work performance.
- Improves overall motivation.
- Leads to the sharing of organizational goals and objectives.
- Helps patrons/customers/clients because employees are empowered to answer questions about the entire organization.
- Requires staff to reevaluate the reasons and methods for accomplishing their work; therefore, inefficient methods, outdated techniques, and bureaucratic drift are challenged, if not eliminated.
- Raises an awareness of what other departments do.
- Enhances routine scheduling with the ability to move employees throughout the organization.
- Increases coverage, flexibility, and ability to cope with unexpected absences, emergencies, illness, etc.
- Increases the "employability" of employees who have the opportunity to train in areas they were not originally hired for.[10]

Pitfalls of Cross-training

Cross-training can create a condition in which employees focus too much on acquiring new skills instead of becoming expert in their current position. It is also difficult to find new challenges once employees have *mastered* all cross-training opportunities, and can lead to high turnover of more experienced and seasoned employees due to the marketability of their skills.[11] Another disadvantage is trying to establish a program without taking a systematic approach.[12] Other potential pitfalls of cross-training include:
- Failing to include employees in planning the program.
- Trying to coerce the participation of reluctant employees.
- Failing to recognize the value of new skills with appropriate changes in compensation.
- Assuming that employees are familiar with the techniques needed to train others.
- Penalizing employees who take part in cross-training by not reducing their workload accordingly.[13]

Success Criteria

Gaining the full support of top management is one of the most important factors in the success of any cross-training initiative. Next, it is extremely important to communicate to employees that cross-training is not a management conspiracy designed to eliminate jobs, but that it is a benefit to all employees as well as the organization.[14] It is also important to involve employees who are already performing the job in the training process, which will allow experienced employees to share their thoughts and ideas on how to properly train others, and will help prevent them from feeling like their job may be in jeopardy.[15] Thus, the decision to cross-train should be considered carefully because there are many complex and uncertain factors, including:
- Labor dynamics
- Product dynamics

- Task heterogeneity
- Worker heterogeneity[16]

Effective cross-training programs are carefully planned and organized. Cross-training should not be implemented due to a sudden shortage of qualified employees. Cross-training, as in other forms of strategic intervention within organizations, should be planned and coordinated with clear outcomes in mind. Therefore, it is important to decide who will be eligible for training and if the training will be restricted within job classifications or open to other classifications. Managers and HR professionals will also need to determine whether cross-training will be administered internally or externally, and whether the training will be mandatory or voluntary. Some organizations have developed a task force consisting of both management and employees to identify the advantages and disadvantages of cross-training, determine the feasibility of setting up a program, identify the implementation issues, and establish a realistic schedule for each position.[17]

Employees must be made to feel that their efforts are being recognized for a cross-training program to be successful. Therefore, organizations need to address compensation issues before cross-training programs are implemented; thus, organizations must be willing to compensate employees for increasing their skills by instituting pay-for-skill or pay-for-knowledge programs.[18] Organizations also need to be willing to promote employees who learn new skills. Finally, cross-trained employees must be given the time they need to absorb new information. Accordingly, their workload should be reduced during the training so that they will not feel as if they are being penalized for participating in the program.

NOTES

1. Brian Gill, "Cross-Training Can Be a Win-Win Plan," *American Printer* (October 1997).
2. Lynda Rogerson, "Cover Your Bases," *Small Business Reports* (July 1993).
3. http://www.entrepreneur.com/encyclopedia/term/82142.html.
4. http://management.about.com/cs/peoplemanagement/g/crosstraining.htm.
5. Rogerson, "Cover Your Bases."
6. Thomas Love, "Keeping the Business Going When an Executive Is Absent," *Nation's Business* (March 1998).
7. Ibid.
8. Gill, "Cross-Training Can Be a Win-Win Plan."
9. Rogerson, "Cover Your Bases."
10. http://www.easytraining.com/crosstrain.htm.
11. http://www.industrialrelationscentre.com/employee-development/publications/current-issues-series/cis-cross-training-at-peace-river-pulp-a-case-study.pdf.
12. Rogerson, "Cover Your Bases."
13. Ibid.
14. Gill, "Cross-Training Can Be a Win-Win Plan."
15. Ibid.
16. http://www.allbusiness.com/human-resources/careers-career-development/585607-1.html.
17. Gill, "Cross-Training Can Be a Win-Win Plan."
18. Jerry W. Gilley and Ann Maycunich, *Beyond the Learning Organization: Creating a Culture of Continuous Growth and Development through State-of-the-Art Human Resource Practices* (Cambridge, MA: Perseus Books, 2000), 62.

Paul Shelton and Jerry W. Gilley

DELEGATION

Delegation is a primary responsibility of managers who are familiar with the organization and have the authority to redistribute job tasks, responsibility, and authority. Delegation requires trust in one's employees, confidence in their abilities, and an understanding of performance improvement's impact on an organization.

Delegation can be defined as appointing someone to operate on your behalf. It is simply assigning an employee a task or responsibility that is otherwise part of someone else's job.[1] Consequently, when managers delegate a work assignment to an employee, they remain accountable for the outcome. In other words, tasks and responsibilities may be delegated, but accountability cannot. Thus, accountability rests with the individual who was originally assigned the task or responsibility—typically the manager. Therefore, it is important to have an open, honest discussion about the accountability relationship that occurs as a result of the delegation. In this way, an employee knows exactly what she is accountable for, and to whom.

The following guidelines improve delegation activities:

1. *Decide what to delegate*—choose a job/task that is realistic yet challenging.
2. *Plan the delegation*—review all essential details and decisions, determine appropriate feedback controls, provide for training and coaching, and establish performance standards.
3. *Select the right person*—consider the employee's interests, skills, abilities, qualifications to complete the assignment, and what support or training is needed.
4. *Delegate effectively*—clarify the results expected and priorities involved, specify level of authority granted, identify importance of the assignment, feedback, and reporting requirements.
5. *Follow up*—insist on results but not perfection, demand timely performance reports, encourage independence, do not short-circuit or take back the assignment, and reward good performance.[2]

The delegation cycle begins by identifying tasks and responsibilities to be delegated. This often requires that the manager analyze jobs, determine which tasks are most appropriate for delegation, and clarify the expected results. Once identified, managers should meet with their employees to explain the work assignment rationale and allow workers to ask questions or share opinions.

Next, identify the level of authority being granted to an employee. In other words, this answers the question, "What authority can the employee exercise to accomplish the task at hand?" The authority granted in a delegation depends upon the employee's experience and the manager's confidence in the employee's skills and abilities. Confidence refers to the extent to which you trust the employee's abilities based upon the employee's performance history. Thus, the combination of confidence and experience determines the level of authority to grant.

A model illustrating this relationship places experience on a horizontal axis from limited-extensive and confidence on a vertical axis from low-moderate-high. The working model demonstrates five levels of authority placed according to ones level of experience (1–9) and the confidence others have in his/her abilities (1–9). The levels of authority are represented by:

1. Rookie (1,1)—limited experience, low confidence
2. Worker bee (5,5)—moderate experience, moderate confidence

3. New member (9,1)—extensive experience, low confidence
4. Rising star (1,9)—limited experience, high confidence
5. Partner (9,9)—extensive experience, high confidence[3]

When delegating tasks and responsibilities, it is important to identify the appropriate level of authority. Employee experience and your confidence in his or her skills and abilities determine which level of authority is granted. For example:

- **Rookie (1,1)**—At this level of authority, experience is limited and confidence is low. The employee gets the facts (e.g. gathers data, prepares data requests), although the coach decides what further actions are necessary. As the individual successfully completes assignments, the coach's confidence rises.
- **Worker Bee (5,5)**—Experience and confidence are both moderate. The employee decides the actions to be taken while the coach maintains veto power. This limits the employee's freedom until he has gained even more experience and the performance coach's confidence rises higher. Performance feedback and monitoring activities are still very important at this stage.
- **New Member (9,1)**—This employee's experience is extensive, although he has little or no firsthand knowledge of the employee and thus has little confidence. Therefore, allow the employee to handle the task while closely monitoring performance. Feedback is not as critical here because the individual has performed successfully in the past. Monitoring future performance is the best way of increasing one's confidence in the employee's skills and abilities.
- **Rising Star (1,9)**—At this level, experience is limited, although one has complete confidence in the "potential abilities" of the employee. Under this circumstance, work closely with the employee by training him, assigning tasks to be completed, and providing positive and constructive feedback about performance. Serving as a career advisor (for the performance coaching and management process role, see Chapter 3) is most appropriate when working with this type of employee.
- **Partner (9,9)**—At this point, experience is extensive and confidence is high. The employee is free to act and simply report results. Here the employee is operating on the manager's behalf, at the highest level of authority.[4]

A few moments should be spent with the employee discussing possible performance barriers once the most appropriate level of authority has been identified, Such a conversation gives an employee an opportunity to discuss more thoroughly the exact performance outputs expected.

NOTES

1. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset* (Cambridge, MA: Perseus Books, 1999).
2. Jerry W. Gilley and Ann Gilley, *The Manager as Coach* (Westport, CT: Praeger, 2007).
3. Gilley, Boughton, and Maycunich, *The Performance Challenge.*
4. Gilley and Gilley, *The Manager as Coach.*

Jerry W. Gilley

EMOTIONAL INTELLIGENCE

The general construct of emotional intelligence (EI) is becoming widely known, appearing in popular books, journal articles, and magazines.[1,2] EI can best be explained as "people smarts," as opposed to "book smarts." EI is just one of the many elements that make each employee unique. With the popularity of EI, there has been a rush of competing models. To date, the majority of research has examined three competing models of EI. It is instrumental to understand the three models before making managerial decisions regarding EI.

Models of Emotional Intelligence

Ability-based Models

Emotional intelligence is defined as the "ability to monitor one's own and others' feeling and emotions, to discriminate among them, and to use this information to guide one's thinking and actions."[3] The model considers perceiving and regulating emotion, as well as thinking about feelings.[4] The ability model of EI consists of four branches, including perceiving, using, understanding, and managing of emotion. There is currently only one measure of EI ability. The Mayer Salovey Caruso Emotional Intelligence Test (MSCEIT) has 141 items and takes approximately 40 minutes to complete. The ability measure asks the participant to correctly answer questions. The measure produces four branch scores and an overall EI score. The ability model is theoretically distinct from traditional models of intelligence (e.g., verbal and quantitative) and provides essential information currently omitted from cognitive ability assessments.[5]

Mixed Models

The mixed model approach defines EI as effectively understanding oneself and others, relating well to people, and adapting to and coping with immediate surroundings to be more successful in dealing with environmental demands.[6] Mixed models overlap with dozens of other concepts because of their breadth of coverage, including such characteristics as motivation, personality, and psychological well-being. There are several mixed model self-report EI measures available today including the Emotion Quotient Inventory (EQ-i) and the Wong Law Emotional Intelligence Scale (WLEIS). These measures are relatively brief and easy to administer. Ability model researchers suggest that mixed models decrease the degree to which the components independently contribute to a person's behavior and general life competence because they include several nonability-based characteristics.[7] In general, mixed models assess so many different elements not related to cognitive intelligence that the results cannot be summative of EI.

Trait Models

Trait EI is defined as a grouping of emotion-related dispositions located at the roots of personality hierarchies[8] and as within employee consistency and between employee uniqueness in the capacity and willingness to perceive, understand, regulate, and express emotion in the self and others.[9] Trait models of EI "capture motivational aspects through personality components, which capture the 'can do' of EI, whereas personality captures the intrinsic 'will do.'"[10] EI as a personality domain is significantly related to several important life outcomes such as job satisfaction and turnover.[11] There are many measures of self-report trait EI, such as the Multitrait Emotional Intelligence Assessment (MEIA), the Schutte Self-Report Emotional Intelligence Test (SSEIT)[12] and the Trait Emotional Intelligence Questionnaire (TEIQue). Scores on measures of trait EI, including the MEIA and the TEIQue, are

unrelated to nonverbal reasoning, which supports the view of EI as a part of personality rather than intelligence. Measures of trait EI should not be summed to produce an overall score. An overall measure of EI limits the role of EI in predicting variables. Trait models are best used in combination with ability models and do not illustrate EI ability while measured alone.

The three models presented have received considerable attention over the last 10 years. Models of EI are developing more salient definitions and measures, but to date, no model has been selected as the most predictive or reliable. It is best to use a combination of measures from different models to gain an accurate view of EI.[13]

What Does Emotional Intelligence Predict?

Several unjustified claims have been introduced to management concerning the predictability of EI. Researchers are conducting validation studies to test many of these claims. The results are promising, but not to the degree first suggested. Managers today can use EI as a predictor of leadership, job satisfaction, contextual behaviors, and performance.

The role of the leader in the organization is instrumental to success. Leaders continually interact with subordinates throughout daily tasks. Interpersonal interactions that involve emotional awareness and management have increased the quality of exchange.[14] Leaders that effectively read their subordinates' emotions and moods are better equipped to assign the most appropriate task at that time. Research illustrates that the EI of leaders is significantly related to the job satisfaction and contextual behaviors of their followers.[15]

Job satisfaction is the complex emotional reaction to the job. Employees with higher abilities of EI experience greater amounts of positive emotions, successful coworker interactions, and satisfaction compared to individuals low in EI.[16] People with higher job satisfaction exhibit sustained positive moods and an increase in extra-role behaviors. Thus, employees with high EI are more likely to perform extra-role behaviors because they have increased job satisfaction. Also, they can perceive and understand the emotional needs of their coworkers more than employees who are low in EI.[17]

Increased EI is negatively related to turnover intentions because emotionally intelligent individuals see themselves as a part of the organizational process. Problems and challenges within an organization are seen not as threats to emotionally intelligence employees, but as opportunities.[18] Opportunities create a niche for the emotionally intelligent employee because they are able to take advantage of the situation and increase positive emotions. Emotionally intelligent employees are more likely to sustain organizational challenges and not leave. Obtaining managers with high EI may positively impact later retention of valued employees.[19]

Employees with high cognitive ability have sustained levels of task performance regardless of EI. However, emotionally intelligent employees with lower cognitive ability have increased task performance compared to emotionally unintelligent employees with low cognitive ability.[20]

Conclusion

Managers have known for a long time that "people" smarts are important to several job relevant outcomes. It is no surprise that academics have now identified a construct that establishes "people" smarts known as EI. Although there is little concrete empirical evidence to illustrate the predictive ability of EI, there is promise. Utilizing EI for

employee selection and promotion decisions may be premature, but EI measures should be used to aid decisions including team formation, leadership responsibilities, and task management. However, EI models not rooted in theory or selected for use because of popularity would not consistently or accurately predict outcomes. It is important to critically assess why an EI measure should be used, who created it, and what it predicts.

NOTES

1. John D. Mayer, Peter Salovey, and David Caruso, "Models of Emotional Intelligence," in *The Handbook of Intelligence,* ed. R.J. Sternberg (New York: Cambridge University Press, 2000), 396–420.

2. Daniel Goleman, *Emotional Intelligence* (New York: Bantam Books, 1995).

3. Peter Salovey and John D. Mayer, "Emotional Intelligence," *Imagination, Cognition, and Personality* (1990): 185–211.

4. John D. Mayer and Peter Salovey, "What Is Emotional Intelligence" in Peter Salovey and D. Sluyter (Ed), *Emotional Development and Emotional Intelligence: Implications for Educators* (New York: Basic Books Inc., 1997), 3–31.

5. Mayer, Salovey, and Caruso, "Models of Emotional Intelligence," 396–420.

6. Ibid.

7. Ibid.

8. K.V. Petrides and Adrian Furnham, "Trait Emotional Intelligence: Psychometric Investigation with References to Established Trait Taxonomies," *European Journal of Personality* 15 (2001): 4235–4448.

9. R.P. Tett, K.E. Fox, and A. Wang, "Development and Validation of a Self-report Measure of Emotional Intelligence as a Multidimensional Trait Domain," *PSPB* (2005): 859–88.

10. Ibid.

11. A. Furnham, and K.V. Petrides, "Trait Emotional Intelligence and Happiness," *Social Behavioral and Personality* (2003): 815–24.

12. Nicola S. Schutte, John M. Malouff, Lena E. Hall, Donald J. Haggeryy, Joan T. Cooper, Charles J. Golden, and Liane Dornheim, "Development and Validation of a Measure of Emotional Intelligence," *Personality and Individual Differences* (1998): 167–77.

13. Tett, Fox, and Wang, "Development and Validation of a Self-report Measure of Emotional Intelligence."

14. Chi-Sum Wong and Kenneth S. Law, "The Effects of Leader and Follower Emotional Intelligence on Performance and Attitude: An Exploratory Study," *Leadership Quarterly* (2002): 243–74.

15. Ibid.

16. Petrides and Furnham, 2001.

17. Abraham Carmeli, "The Relationship between Emotional Intelligence and Work Attitudes, Behaviors and Outcomes," *Journal of Managerial Psychology* (2003): 788–813.

18. Ibid.

19. Ibid., 403–19.

20. S. Cote and M. Miners, "Emotional Intelligence, Cognitive Intelligence, and Job Performance," *Administrative Science Quarterly* (2006): 1–28.

Dana M. Borchert

GOAL SETTING

Goal setting is the formal process by which employees establish their goals or objectives for a given performance period. Goals include: (1) the actions the employee is going to take,

(2) the outcome or targets the employee expects to achieve, and (3) the metrics that will allow the employee to measure his or her success (e.g., time, cost, quantity, quality, etc.).

Employees generally establish both performance goals and development goals. Performance goals identify the job functions employees are expected to perform to meet their job requirements. Development goals are designed to document what actions employees can take to assist them in improving their performance and in growing their skills and capabilities.

Setting Performance Goals

Goal setting is the first step in the performance process, during which the employee will establish his individual goals. This generally occurs annually, semiannually, or quarterly depending on the frequency of the performance cycle. During the performance planning process, the employee and her manager work together to identify potential performance and development goals for the employee to ensure that they are properly selected, aligned to the business strategy and goals, and clearly documented so that the employee and manager will know that success has been met.

Step 1: Identify the Goals. Identify, prioritize, and select the goals, ensuring that they align to and support the overall goals of the business. This step should begin with a review of the corporate goals and how they filter down to the individual employee-owner. The cascading process ensures that the employee understands the company's goals and that his individual goals align to and support the higher-level goals of the business. A manager should review the cascaded goals with the employee at the corporate, functional, and team levels to help the employee understand how the work she does every day supports the business.

Step 2: Document the Goals. Once company goals have been cascaded, the manager and the employee will work together to document the employee's individual performance goals for the year, so the employee knows specifically what is expected of him. Document the goals by creating a detailed, written description of each goal using the SMART acronym:

S = Specific: clear, unambiguous, straightforward, and understandable
M = Measurable: quantity, quality, time, money
A = Achievable: challenging but within the reach of a competent and committed person.
R = Relevant: relevant to the objectives of the organization so that the goal of the individual is aligned to the corporate goals.
T = Time bound—to be completed within an agreed time scale.[1]

Step 3: Plan. Create a plan for how the employee will achieve the goals.
- Identify the key projects or tasks that will help the employee achieve each of her goals.
- Determine which projects or tasks need to be completed sequentially/simultaneously and plan accordingly.
- For each project or task, describe measurable results or outcomes.
- Determine what resources (money, people, time, etc.) are needed to carry out each project or task.
- Establish a time frame for the completion of each project or task (include a start or finish date).
- Set up milestones along the way to review project completion and overall impact.
- Consider the potential obstacles that might confront each goal and its associated projects. Then, map out possible solutions for each obstacle.[2]

Step 4: Perform. Once the employee has documented goals it is time to deliver on them. Throughout the performance period, the employee should work according to the established performance plan, documenting achievements and completed milestones, tasks, and projects. The employee should keep the manager as well as other stakeholders informed of his progress.[3]

Step 5: Evaluate. Throughout the performance cycle, the employee and manager should meet to assess the employee's performance against the performance goals to ensure that she is on track and to gauge whether existing goals are still realistic, timely, and relevant.[4]

Setting Developmental Goals

Employee development goals are created as a part of the development planning process, which is a planned effort to grow the employee's professional capabilities so that the employee and the company become even more successful together. Development planning is a forward-focused conversation about how the employee can be successful in her current job, while simultaneously building capabilities for the future.

Employee development goals should be created using a similar process as performance goals. The employee and manager should work together to identify the employee's performance or skill gaps for his current position as well as for the employee's desired future position or career. The employee and manager should agree on the developmental priorities and set SMART development goals in order to enable the employee to improve or enhance her skills and abilities. The development goals should be tracked and evaluated in a similar fashion as performance goals to ensure that the employee is achieving his development goals.

NOTES

1. Michael Armstrong, *Performance Management: Key Strategies and Practical Guidelines* (London: Kogan Page, 2006).

2. Penny Locey and Linda A. Hill, *Harvard Business Online: Harvard Manage Mentor* (Cambridge, MA: Harvard Business School Press, 2001), http://ww3.harvardbusiness.org/corporate/Products-and-Services\reference\product-Harvard-managementor-overview.htm. Accessed October 2, 2001.

3. Ibid.

4. Ibid.

Stephanee Roessing

HUMAN RESOURCE DEVELOPMENT

The term "human resource development" (HRD) provides us with clues as to its meaning. Clearly, it is related to the development of people, but calling people "human resources" reveals an organizational orientation just as "financial resources" and "physical resources" do. Thus, HRD is about the development of people *within* organizations. Therefore, to properly define HRD, let us examine the terms "human resources" and "development" more closely.

All organizations consist of three types of resources:

• Physical resources are machines, materials, facilities, equipment, and component parts of products, which are often referred to as fixed assets.

- Financial resources refer to the liquid assets of an organization. They are the cash, stock, bonds, investments, and operating capital.
- Human resources refer to the people employed by an organization.[1]

There are several ways in which HR professionals and managers can determine the importance of human resources. First, HR professionals and managers consider the cost of replacing valuable employees. Such costs include recruiting, hiring, relocating, lost productivity, training, and orientation. Another consideration is the knowledge, competencies, skills, and attitudes of the human resources. HR professionals and managers need to place a value on these intangibles. Quite simply, a well-trained, highly skilled, and knowledgeable employee is more valuable to an organization than one who is not. This value is ultimately reflected in increased productivity, enhanced attitudes toward work and the organization, and efficiency. While organizations are aware of the value of human resources, they often fail to consider them in their asset portfolio. As a result, many do not realize that improved knowledge, competencies, skills, and attitudes are necessary to improve the overall efficiency and effectiveness of the organization. Consequently, they do not recognize the importance of HRD functions, nor value its contribution to organizational success.

What Is Development?

The term "development" requires addressing two questions:

1. What is meant by the development of employees?
2. What type of development really occurs within an institution?[2]

Development of human resources refers to the personal and professional advancement of knowledge, skills, and competencies. It also includes improved behavior of individuals within the organization, which reflects a focus on the individual and a philosophical commitment to the professional advancement of human resources within the organization. Continuous employee development benefits the organization through greater efficiency and more effective practices. Ultimately, development refers to the continuous improvement of an organization's culture through interventions that crystallize the firm's mission, strategy, structure, policies and procedures, work climate, and leadership practices.

Purpose and Mission of HRD

The purpose of HRD is to bring about the changes that cause the organizational and performance improvements necessary to enhance the organization. In short, HRD's function is used to *make a difference* in the way an organization and its employees operate. In other words, learning activities, career development systems, performance interventions, and change initiatives bring about improved on-the-job performance, reducing costs, improving quality, and increasing the competitiveness of the organization.[3]

Human resource development occurs when employees participate in activities (formal and informal) designed to introduce new knowledge and skills to improve performance behaviors. Unfortunately, on-the-job training is a hit-or-miss approach that sometimes results in inadequate or inappropriate knowledge, skills, and behaviors. Therefore, HRD refers to the introduction of organized learning, performance, and change activities designed to increase knowledge, skills, and competencies, and improve behavior.[4]

The mission of HRD is to provide individual development focused on performance improvement related to a current job and to provide career development focused on performance improvement related to future job assignments. The mission of HRD also is to develop performance management systems used to enhance organizational performance capacity and capability, and provide organizational development that results in both optimal utilization of human potential and improved human performance. Together, these enhance the culture of an organization, hence its effectiveness as measured by increased competitive readiness, profitability, and renewal capacity.[5]

Roles in HRD

These are the roles in HRD: managers/leaders, learning agents, instructional designers, performance engineers, and HRD consultants (performance and change agents).[6]
- Manager of an HRD function includes managing the organizational learning and performance management systems, planning, organizing, staffing, controlling, and coordinating of the HRD function, and providing strategic leadership.
- Learning agents (instructors) are responsible for identifying learning needs and developing appropriate activities and programs to address those needs, presenting the information that is associated with learning programs and training activities, and evaluating the effectiveness of the programs and activities.
- Instructional designers design, develop, and evaluate the learning activities. They are often the organization's media specialist, instructional writer, task analyst, and evaluator.
- Performance engineers conduct performance, causal, and root-cause analysis to determine current and desired performance.
- HRD consultants range from technical experts to facilitators who solve problems to bring about change.

These roles are used to execute the mission and purpose of the HRD function.

HRD Practice

Five fundamental areas of practice have emerged as essential in order to execute each of the four missions of HRD:
- Analysis—the identification of individual, business, performance and organizational needs through a variety of analysis activities.
- Instructional design—the design, development, and evaluation of learning activities and career development programs.
- Learning acquisition—the delivery and facilitation of instruction designed to improve employees' knowledge, skills, and abilities.
- Learning transfer—the activities required to make certain that learning and change are applied to the job.
- Evaluation—the examination of the changes in behavior and impact or learning, performance, and change interventions and initiatives.[7]

NOTES

1. Jerry W. Gilley, Steven A. Eggland, and Ann Maycunich Gilley, *Principles of Human Resource Development,* 2nd ed. (Cambridge, MA: Perseus 2002).
2. Ibid.
3. Ibid.

4. Ibid.
5. Ibid.
6. Ibid.
7. Ibid.

Jerry W. Gilley and Ann Gilley

INTERACTIVE VIDEO TRAINING (IVT)

Interactive video training (IVT) utilizes different technological mediums to blend interaction and video into a user-controlled episode.[1] IVTs are used in various training situations and can be a very important tool for the human resource manager (HRM). IVTs can be viewed in a hardcopy or online format. With an increase in broadband Internet speeds, many HRMs provide online training that can be viewed from work or home. The online format can also provide a necessary option for the employee who works remotely or travels often.

Principal Forms of Interactive Video

There are three different forms of interactive video training that can provide diverse experiences for the user. The first form is called customizable. Customizable IVTs allow the employee to modify options that play the video using the user's selections. The predefined options allow the user only to create a special performance of the video, not interact with the video when it is streaming. An example of a customizable video might be one that allows the employee to choose between different HR informational videos. An important option may allow a handicapped employee the ability to change font size or colors that assist with viewing of the video.

The second form is called conversational. Conversational IVTs allow the employee to interact with the video as if they were a part of the video. This form may allow the user to watch a video pertinent to a situation and then make a decision based on the facts presented in the video. A human resource example might be a video that attempts to train employees in a specific task like cardiopulmonary resuscitation (CPR).

The final form of IVT is called exploratory. Exploratory IVTs provide the employee with a fully interactive environment in which they may move through virtual surroundings or view any object in this environment. The object might be utilized by the video to provide suitable information to the user as they attempt to make decisions and interact with the virtual world.

Challenges of Using IVT

A current employee resource base may include individuals who do not have many technological skills. The younger generation is growing up learning how to use technology to communicate and learn, but the older generation has not had that preparation. This might create an uncomfortable situation for employees in that they might not interact correctly with a video, or it may prevent them from using this form of training tool. The HRM will have to assess this inability and either provide an alternate method or additional training as required.

Another challenge may be acquiring the needed technology to provide IVT within the company. Human resource budgets may prevent the HRM from purchasing either the videos or the equipment required to play the IVTs. Many IVTs can be a simple digital video disc (DVD) or video cassette that do not require a lot of high-priced equipment. But most of the time, exploratory or conversational IVTs that are used require a substantial amount of equipment to operate.

IVT can also introduce problems when dealing with handicapped employees. The nature of the IVT environment can prevent these employees from viewing, hearing, or even interacting with the IVT medium.[2]

Create, Manage, and Deploy IVT

Many companies provide an application to create, manage, and deploy one's own IVT. These applications can provide the HRM with a powerful tool that customizes a company's own IVT series. An example might be within a company that employs pilots or police officers. The HRM might develop an IVT that challenges the employee with different video segments of life-and-death situations that will cause the video to branch based on their decisions.[3] Many companies have governmental or corporate standards that need to be met, and customized IVT series might provide the assessment tool needed to comply with these standards.

Another option might be to purchase packages that provide specific training videos with special or limited customizable options. The HRM does not have to know how to create the video, as the package will provide a particular video with limited customized options that are set by the HRM before delivering the IVT to their employees.

NOTES

1. Kenneth C. Laudon and Jane P. Laudon, *Management Information Systems: Managing the Digital Firm* (Upper Saddle River, NJ: Prentice Hall, 2004).

2. Lucie Zundans and Natasha Wright, "Can Big Brother Watch? The Challenges of Interactive Video Teaching," paper prepared for the Australian Association for Research in Education Annual Conference Auckland, December 2002.

3. Thomas J. Donahue and Mary Ann Donahue, "Understanding Interactive Video," *Training and Development Journal,* December 1983.

Lori Nicholson

JOB SHARING

Job sharing involves two individuals who are responsible for the duties and responsibilities of one position within an organization.[1] This type of flexible work arrangement enables the pair to work a reduced number of hours during the week; and at the same time, it provides the organization with full-time coverage for that position. Job sharing is one of a variety of flextime options proliferating in the U.S. workforce today. Even though utilization of this flexible work arrangement is increasing, job sharing is viewed as the most challenging of all flexible work arrangements.[2] However, when implemented and maintained well, it has proven to be a beneficial option for both the employee and his respective organization.

This entry briefly explores the challenges involved in successful utilization of a job-sharing partnership. In addition, it will outline the benefits derived by the individuals and the organizations that utilize job sharing as a flexible work arrangement. Further, critical success factors that ensure successful partnerships will be discussed, and the implications for human resources departments as well as managers will be described.

Challenges

It has been suggested that job sharing is "the most complicated and problematic" of the flexible work arrangements.[3] It is seen as a challenging arrangement because of the complexity involved in terms of coordinating tasks in a transparent and seamless manner; gaining acceptance from internal stakeholders; sharing information; and relaying consistent messages (versus mixed) to coworkers, management, and clients. Overcoming these challenges requires that attention be paid to specific critical success factors necessary for successful implementation and maintenance of the job-sharing partnership.

Critical Success Factors

Several interdependent factors support the successful utilization of job-sharing partnerships. The factors viewed as most important include formal policies; managerial support and promotion; access to information and communication technology; planning; communication; and compatibility between the job-share pair.

Policies, Support, and Promotion

Support mechanisms such as clearly written policies outlining the criteria and procedures for a job-sharing partnership are critical. A commitment and endorsement by senior leadership is also important. Examples include communications promoting the use of job-share partnerships, such as articles describing success stories in the company newsletter; or job-share opportunities posted on an internal bulletin board, which also ensures equal access for all employees.

Technology

Information and communication technology (ICT) is a critical enabler to the coordination and transference of work between the job-share pair on a day-to-day basis.[4] ICT applications include Web portals, e-mail, and voice mail. Also, electronic documents (e.g., Microsoft Word) that are saved on a server or database are used to maintain daily logs that are written by and shared between partners.

The individuals within the partnership must execute tasks in a transparent and seamless manner. In order to accomplish this, utilization of technology is imperative. Further, the pair must devise and implement a well-thought-out work plan and integrate strategies for communication between the pair and with internal stakeholders, and the pair must be compatible.

Planning

Planning pertains to how the pair will accomplish their shared work. Coordinating work and sharing duties can be organized temporally or functionally.[5] If organizing the work by dividing time, the pair may work different part-time schedules each week, or alternate the number of hours worked on a monthly basis. Duties organized functionally consist of the pair taking responsibility for separate tasks. Regardless of how a work plan is executed,

work coordination requires a high proficiency in communication skills and access to a variety of communication tools.

Communication

There are three primary aspects to communication that enable success in a job-share partnership: (1) information sharing between partners, (2) communication with organizational stakeholders (e.g., coworkers, management, and clients), and (3) feedback regarding performance.

Communication must be managed between the partners so that the coordination of work is transparent and seamless. The pair must know when and what kind of information the other partner will need at any given time. Using a web portal, e-mail, voice mail, or daily logs and maintaining copies of correspondence and meeting minutes will facilitate communication. Further, holding regular update meetings via phone, instant messenger, or face to face is essential for coordination of work, and will help to facilitate relationship building.

Communication with coworkers, management, and clients requires that the pair provide consistent information and reduce the potential of variations in the messages. Consistency is achieved by ensuring copious notes are completed in a daily log, information and documents are shared between the pair in a timely manner, gaining access to the partner who is not working (e.g., agreeing it is okay to contact the other in cases in which clarification is needed), and creating "scripts" for messages that are common in the position. For example, the pair may agree on a script to use when a coworker asks a follow-up question to one of the job-share partners from a prior interaction they had with the other partner. If the answer to the question is not known, the script may sound like, "I want to make sure I give you accurate information, so I will research it and call you back within the hour." Scripts lend credibility and consistency to the messages communicated to internal stakeholders.

Performance reviews communicate expectations for performance and outcomes, and describe the degree of success achieved. Reviews can be delivered by the supervisor one-on-one (separately) with individuals, the pair together, or a mixture of both. Even though some performance reviews occur annually, six-month reviews are common with job-sharing partners.

In general, agreement on how communication will be managed is essential to a successful working partnership. Agreement is easier when the pair is flexible, accommodating, and, above all, compatible.

Compatibility

Working in a job-share partnership requires that an individual is not only accountable for his own work, but for the work of his partner. A key factor of being successful in a job share is being in synch with one another, which requires sharing similar values and work styles.[6] Further, resolving conflicts quickly and effectively is necessary. This requires strong relationships built on trust, respect, and compassion. Developing a strong partnership requires hard work, time, and energy. For many job-share pairs, the benefits garnered through a job share partnership outweigh the extra time and energy required to make the partnership successful.

Benefits

Those working in a job-share partnership generally benefit from being able to support the demands of family or other facets of life, and the need or desire to work and grow in a

career. Also, there are two primary benefits for organizations; retention, and the ability to leverage the intellectual capital of two, rather than one individual.

Work-life Flexibility

Working in a job-share partnership enables an individual to meet the demands of being a primary caregiver to his family, or demands from other facets of life (e.g., continuing education), and at the same time maintaining a career.[7] Women make up half of the workforce and are still, in many cases, the primary caregiver. In this light, it is easy to see why the majority of job-share partnerships consist of women. Further, older workers, regardless of gender, who are eligible for retirement are choosing to stay in the workforce; however, they are looking for a flexible work schedule that allows for a better balance between work and other facets of life. Job sharing is a flexible work arrangement that enables work-life flexibility.

Retention

While a challenging and successful career is important, many people are choosing to create a balance and give time and energy to other facets of their life. Rather than losing the talent because the design of a job does not allow for that balance, organizations are responding by offering flexible work arrangements, including job sharing. Retention of talent is of great concern to organizations because they require a highly skilled workforce in order to remain competitive in their respective industry. Job sharing is increasingly utilized by businesses as a viable retention strategy, and successful implementation and maintenance of job-share partnerships have demonstrated positive results.[8]

Leveraging Intellectual Capital

Job sharing capitalizes on the notion of intellectual capital, which is a combination of human capital (people) and social capital (interaction of people). From this perspective, knowledge sharing between the job-share pair and others in the organization is a value-added dimension based on the organization's ability to obtain and utilize the combined knowledge and experiences of the job-share pair. Further, the job-share pair will ultimately share knowledge with each other, learning from each other while working together, which further increases their value to the organization. The intellectual capital gained by utilizing job-sharing positions has great potential that can be tapped with the support of the human resources department and the manager of the job-share pair.

Implications for Human Resource Departments

A well-thought-out job-share design begins with examining whether or not the position can be shared, and ensuring there are two individuals with the same qualifications that can share the position. Human resources (HR) can assist with both the job design and the selection processes. Further, HR can provide guidance and tools for the job-share partners and their respective managers. Guidance includes how to build the relationship between the partners, how to organize work, and advising the manager on ways to manage performance and ensure that the intellectual capital garnered from the pair is fully engaged. HR will also work with the legal department to set up agreements, and establish the pay and benefits package.

Implications for Managers

Managers are aware of the benefits of retaining highly qualified employees, yet the mindset that job sharing is a viable option remains limited.[9] Through their dedicated time and effort, managers perform a critical role in ensuring that a job share is successful. Therefore, their buy-in is critical. Managing a job share position involves a higher level of complexity compared to a regular job. There is an increase in the amount of time to monitor the work, at least initially. Further, modifying communication (more e-mail versus face to face), and ensuring performance expectations are being met is required. The way a manager thinks about how work gets done will not necessarily be in line with how an effective job-share partnership works. Therefore, flexibility on the part of the manager and a willingness to change their frame of reference will be important. Finally, promoting the idea and communicating support for the partnership with management and other stakeholders is critical. Similar to the manager, the way other stakeholders think about how work gets done will likely be different from how an effective job-share pair works. Through their communicated support, the manager of the pair will influence how other stakeholders perceive the job share arrangement.

Conclusion

There are many challenges involved in successful utilization of a job-sharing partnership, as well as benefits derived by individuals and their respective organizations, critical success factors, and implications for human resources departments and managers. Job-sharing partnerships are not an easily executed flexible work arrangement, but mounting evidence suggests the extra time and energy involved in ensuring a successful partnership has great benefits for both the individual and the organization.

See also Flextime

NOTES

1. M. Branine, "Job Sharing and Equal Opportunities under the New Public Management in Local Authorities," *International Journal of Public Sector Management* 17, no. 2 (2004): 136–52.

2. C.M. Solomon, "Job Sharing: One Job, Double Headache?" *Personnel Journal* 73, no. 9 (September 1994): 88–94.

3. Ibid, 89.

4. Branine, "Job Sharing and Equal Opportunities."

5. S. Lewis, "Restructuring Workplace Cultures: The Ultimate Work-Family Challenge?" *Women in Management Review* 16, no. 1 (2001): 21–29.

6. Solomon, "Job Sharing: One Job, Double Headache?"

7. D. Pollitt, "Greater Flexibility and Better Work-Life Balance," *Human Resource Management International Digest* 11, no. 2 (2003): 14–16.

8. Ibid.

9. Lewis, "Restructuring Workplace Cultures."

Pamela Dixon

MASLOW'S HIERARCHY OF NEEDS

Abraham Maslow's hierarchy of needs theory has stood the test of time, as it was first formally introduced to business practitioners in 1965.[1] As a seminal theory, it has resonated

across several academic disciplines and professional fields, including psychology, sociology, theology/religion, organizational behavior, and HR. It serves as an outstanding foundational construct for designing and operationalizing HR practices in line with fundamental human needs.

Maslow's Hierarchy and HR Practices

According to Maslow's research, universal human needs can be categorized as either *lower order* or *higher order.* The lower-order needs are physiological, safety, and social, while the higher-order needs are esteem and self-actualization. Maslow further argued that two key principles are operative for all human beings relative to the hierarchy. First, the *deficit principle* states that any satisfied need is no longer a felt motivator. Second, the *progression principle* states that once a need is met, human beings are motivated to satisfy the next highest need in the hierarchy. The relative needs can be further understood vis-à-vis various key HR practices/initiatives, as delineated below.

- Physiological—the lowest-order need. The obvious key HR connection point here is to ensure that the wages and benefits afforded to employees are such that their basic needs for food, shelter, and medical care will be adequately met. This underscores the importance of designing compensation systems, including job grades and pay ranges, that are externally and internally consistent and equitable, and in compliance with related compensation laws.
- Safety—the second-level need. The key HR connection point relative to safety needs is to ensure that the workplace in general, and the jobs in particular, are safe for employees. This highlights the need to ensure compliance with EEO-related statutes, as well as OSHA-related requirements. All employees must be protected from physical and emotional harm in the workplace.
- Social—the third-level need. The key connection points for HR are to ensure that employee acculturation is intentional, and employee relations are positive and proactively managed. Social capital is developed when the HR function develops and delivers a thorough new employee orientation program, and ensures that employee conflicts are addressed forthrightly.
- Esteem—the fourth-level need. The key HR connection relative to esteem needs is career planning and development. HR must ensure that all employees are viewed as assets that are worthy of ongoing investment, and allow for the development of individual career development plans for all employees. Related to this is the role of HR in developing and administering extrinsic rewards as recognition of outstanding employee performance.
- Self-actualization—the highest-order need. The key connection point for HR here is to ensure that as many employees as possible can identify with the larger mission of the organization, and how their individual contributions and unique value commitments fit into the larger whole. This involves treating employees as holistic beings and affording them significant autonomy and responsibility in performing their work.

Maslow's Hierarchy and Strategic HR

While all of the needs on Maslow's hierarchy are important for HR practitioners to be mindful of, in developed economies, the higher-order needs of esteem and self-actualization are most pressing. For example, the majority of employees in the United States are no longer motivated by lower-order needs, and hence are desirous of the sort of treatment mandated by a contemporary, strategic view of HR. Accordingly, many organizations in the United States have shifted the focus of their internal HR professionals

and resources. These firms have begun to de-emphasize those activities more aligned with the lower-order needs (while still ensuring HR soundness in those areas, often via outsourcing partners focused on employment law compliance, employee wellness, and benefits administration), and instead have increasingly emphasized those HR activities more aligned with the higher-order needs. Arguably, a contemporary and strategic approach to HR mandates that U.S.-based organizations focus their internal HR resources in areas such as staffing, job design, training and development, and organizational mission alignment, in an effort to better meet the esteem and self-actualization needs of their employees.

See also Motivation; Job Satisfaction; HR Strategy

NOTE

1. Abraham H. Maslow, *Eupsychian Management* (Homewood, IL: Richard D. Irwin, 1965).

Scott A. Quatro

MENTORING

Mentoring occurs when one individual chooses or is asked to invest in or educate another individual for either personal needs or organizational performance management. Mentorship refers to a developmental relationship between a more experienced mentor and a less experienced partner, referred to as a mentee or protégé.

There are two types of mentoring relationships: formal and informal. Informal relationships develop on their own between partners. Formal mentoring, on the other hand, refers to assigned relationships, often associated with organizational mentoring programs designed to promote employee development. In well-designed formal mentoring programs, there are program goals, schedules, training (for mentors and mentees), and evaluation. Mentors inspire their mentees to follow their dreams.[1]

History

The word mentor has its origins in Homer's poetic epic, *The Odyssey*. In Homer's story, Odysseus, king of Ithaca, sailed off with his army to do battle in the Trojan War. Before leaving, Odysseus entrusted his faithful friend, Mentor, to care for and educate his son, Telemachus. The war lasted 10 years, and Odysseus's return trip took another decade. Meanwhile, back in Ithaca, noblemen were courting Penelope, the wife of Odysseus, in her husband's absence. Thinking that Odysseus would never return, these suitors wasted his possessions by staging numerous feasts and parties. Throughout all of this, Mentor faithfully performed his duties in caring for and educating Telemachus. His efforts were manifest in the young man Telemachus, who ultimately demonstrated he was worthy to be the son of Odysseus. Originating from this tale, the word mentor became synonymous with loyal and trusted friend, enlightened advisor, and teacher.[2]

Overview

Mentoring programs generally serve the following broad purposes:
- *Educational or academic mentoring* helps mentored people improve their overall academic achievement.

- *Career mentoring* helps mentored people develop the necessary skills to enter or continue on a career path.
- *Personal development mentoring* supports those mentored during times of personal or social stress and provides guidance for decision making.

What are some examples of mentoring programs? Traditional programs such as Big Brothers/Big Sisters have been joined by school-based programs, independent living skills programs, court-mandated programs, and recreational "buddy" programs. Religious institutions continue to play a leadership role, and corporations and social organizations now promote employee and member involvement.[3] Increasingly, older youth are encouraged to volunteer as part of their educational requirements.[4]

Mentoring is very similar to coaching. Coaching is a term used more often today in reference to a mentoring relationship. Both coaching and mentoring are processes that enable both individual and corporate clients to achieve their full potential. Coaching and mentoring share many similarities, so it makes sense to outline the common things coaches and mentors do, whether the services are offered in a paid (professional) or unpaid (philanthropic) role. They both:

- Facilitate the exploration of needs, motivations, desires, skills, and thought processes to assist the individual in making real, lasting change.
- Use questioning techniques to facilitate the client's own thought processes in order to identify solutions and actions rather than takes a wholly directive approach.
- Support the client in setting appropriate goals and methods of assessing progress in relation to these goals.
- Observe, listen, and ask questions to understand the client's situation.
- Creatively apply tools and techniques, which may include one-to-one training, facilitating, counseling, and networking.
- Encourage a commitment to action and the development of lasting personal growth and change.
- Maintain unconditional positive regard for the client, which means that the coach is at all times supportive and nonjudgmental of the client and their views, lifestyle, and aspirations.
- Ensure that clients develop personal competencies and do not develop unhealthy dependencies on the coaching or mentoring relationship.
- Evaluate the outcomes of the process, using objective measures wherever possible to ensure the relationship is successful and the client is achieving their personal goals.
- Encourage clients to continually improve competencies and to develop new developmental alliances where necessary to achieve their goals.
- Work within their area of personal competence.
- Possess qualifications and experience in the areas in which skills-transfer coaching is offered.
- Manage the relationship to ensure the client receives the appropriate level of service and that programs are neither too short nor too long.[5]

Insights from Research

While research on the effects of mentoring is scarce, some studies and program evaluations do support positive claims. In an evaluation of Project RAISE, a Baltimore-based mentoring project, it was determined that mentoring had positive effects on school attendance and grades in English, but not on promotion rates or standardized test scores.[6] Related to this, it was concluded that positive effects are much more likely when

one-on-one mentoring has been strongly implemented. Another evaluation found that participants in various mentoring programs had higher levels of college enrollment and higher educational aspirations than nonparticipants receiving comparable amounts of education and job-related services.[75]

The primary duties of a mentor change over time. At any moment, mentoring duties may involve different facets of activity. Switching one's duties from mentor-advisor to mentor-confidant to mentor-critic might occur over the span of a day or even over a few hours. Being responsive to the necessity of changing one's mentoring demeanor requires critical personal attention and oversight.[8] Mentors and mentees or protégés should have a clear purpose and understanding for their mentoring relationship. Once established, there are many opportunities for both parties to benefit from the relationship.

NOTES

1. Wikimedia Foundation, Inc., http://en.wikipedia.org/wiki/Mentoring.

2. Virginia Commonwealth University, http://www.vcu.edu/graduate/pdfs/mentoring.pdf.

3. Michael Newman, *Beginning a Mentoring Program* (Pittsburgh, PA: QED Communications, 1990).

4. U.S. Department of Education, http://www.ed.gov/pubs/OR/ConsumerGuides/mentor.html.

5. The Coaching and Mentoring Network Ltd., Oxford, http://www.coachingnetwork.org.uk/resourcecentre/WhatAreCoachingAndMentoring.htm.

6. U.S. Department of Education.
Virginia Commonwealth University, http://www.vcu.edu/graduate/pdfs/mentoring.pdf.

7. Ibid.

8. Virginia Commonwealth University, http://www.vcu.edu/graduate/pdfs/mentoring.pdf.

Roger Odegard

MYERS-BRIGGS TYPE INDICATOR

The Myers-Briggs Type Indicator (MBTI), based on Carl Jung's theory of psychological types, is a personality questionnaire that is primarily concerned with the differences in people that result from where they like to focus their attention, the way they acquire information, the way they like to make decisions, and the type of lifestyle they adopt. The premise is that people have varying preferences, with each type having its own set of inherent strengths. There is no right or wrong to these preferences. They simply help us to understand ourselves and our behavior, as well as help us to understand and appreciate the differences in others.

The developers of MBTI were Katherine Cook Briggs and her daughter, Isabel Briggs Myers, who initially created the indicator during World War II. They believed that a knowledge of personality preferences would help women who were entering the industrial workforce for the first time to identify the sort of wartime jobs in which they would be "most comfortable and effective."[1]

While many academic psychologists have criticized the indicator in research literature, claiming that it "lacks convincing validity data,"[2] proponents of the test cite "unblinded anecdotal predictions of individual behavior."[3] Regardless, personality testing is an expanding $400 million industry utilized by almost half of all American companies, with the MBTI being the most popular assessment tool of its kind in the world with about

2.5 million tests being given each year.[4] Critics and supporters alike say that the MBTI endures because it does a good job of pointing out the differences between people, and as such is a valuable asset in team building and improving communication.

MBTI Type Preferences

There are 16 distinct and unique personality paths based on the concept of type preferences, in which MBTI asserts that individuals find certain ways of thinking and behaving easier than others. These psychological polarities are sorted into four opposite pairs that result into the 16 possible combinations. MBTI assumes that although each of us uses all eight of these parts of our personalities at least some of the time, we experience one part in each of the four pairs as more natural and comfortable. The more natural and comfortable parts of our personalities describes our *preferences.* Each preference is represented by a letter—namely, E or I, S or N, T or F, and J or P. A person's personality type is made up of a combination of these four preferences and is identified by the four letters representing them, which is referred to as *type.* For example, ENFP represents a type of personality that prefers extroversion, intuition, feeling, and perceiving. MBTI contends that if people understand their psychological preferences, with time, they can become more proficient with the opposite psychological preference and thereby more behaviorally flexible. The eight preference types that define MBTI are as follows:

The *E-I scale,* or *attitudes,* describes two opposite preferences for where attention is focused—the outer or inner world. Extroversion (E) is focused on the outer world where energy is derived from others. Introversion (I) is focused on the inner world where energy comes from within one's self.

The *S-N scale,* or *information-gathering functions,* describes opposite ways in which a person perceives or acquires information. The *Sensing (S)* function trusts information that is acquired in the present, tangible and concrete or information that is gathered by the five senses. In other words, you must experience it to be true. On the other hand, *iNtuition (N)* allows for going beyond and trusting information that is more abstract or theoretical. Reliance on this "sixth sense" shows the relationships, meanings, and future possibilities of new information.

The *T-F scale* is the *decision-making or judging function.* Both the Thinking and Feeling functions are based on data received from their information gathering functions (S or N). The *Thinking (T)* function emphasizes logic, analysis, and objective rational thought in decision making. The *Feeling (F)* function prioritizes human values, trying to determine the impact of decisions on others, while striving to achieve the greatest harmony.

The *J-P scale* is the *function of relating to the outside world.* Individuals have a preference of showing their Judging or Perceiving functions when dealing with the outside world. The person who prefers the *Judging (J)* function tends to be organized and orderly and makes decisions quickly with the information acquired through the T or P functions. The person who prefers the *Perceiving (P)* function tends to be flexible, adaptable, and keeps all options open as long as possible with the information that was acquired through either the T or P functions. So TJ types tend to show their logical side to the world, whereas FJ types appear as empathetic. Those types ending in P show the world their Perceiving functions—SP types appear concrete and solid, while NP types appear loose and abstract. P types appear to keep all matters and possibilities open.

The MBTI does not measure knowledge, skills, or abilities. Nor does it measure intelligence. Further, it is not intended to be used as a tool for employee selection, promotion, or assigning projects. Type preferences are considered to be polar opposites, and a precept of MBTI is that an individual fundamentally prefers one thing over another, not a bit of both. No one type is better than someone else's—just different. The belief is if a person understands his type preferences, he can approach work in a manner that best suits his style, including managing one's time, problem solving, best approaches to decision making, and dealing with stress. Knowledge of type can help a person deal with workplace culture, development of new skills, understanding participation on teams, and coping with change in the workplace.

NOTES

1. Isabel Briggs Myers with Peter B. Myers, *Gifts Differing: Understanding Personality Type* (Mountain View, CA: Davies-Black Publishing, 1995).

2. John Hunsley, Catherine M. Lee, and James M. Wood, "Controversial and Questionable Assessment Techniques," in *Science and Pseudoscience in Clinical Psychology,* ed. Scott O. Lilienfeld, Steven J. Lynn, and Jeffrey M. Lohr (New York: Guilford Press, 2004), 39–76.

3. Barbara Barron Tieger and Paul D. Tieger, *Do What You Are: Discover the Perfect Career for You through the Secrets of Personality Type* (Boston: Little & Brown, 1995).

4. Douglas Shuit, "At 60, Myers-Briggs is Still Sorting Out and Identifying People's Types," *Workforce Management* (December 2003).

Victoria T. Dieringer

NEW EMPLOYEE ORIENTATION

New employee orientation is the process by which organizations welcome new employees. New employee orientation, often spearheaded by a meeting with the human resources department, generally contains information about safety, the work environment, the new job description, benefits and eligibility, company culture, company history, the organization chart, and anything else relevant to working in the new company.

John Sullivan, head of the Human Resource Management Program at San Francisco State University, concludes that several elements contribute to a world-class orientation program. According to Sullivan, the best new employee orientation process:

- Has targeted goals and meets them.
- Makes the first day a celebration.
- Involves family as well as coworkers.
- Makes new hires productive on the first day.
- Is not boring, rushed, or ineffective, and uses feedback to continuously improve.[1]

Pre-Orientation Planning

Human resources professionals and line managers first need to consider key new employee orientation planning questions before implementing or revamping a current program. These are the key questions to ask:

- What things do new employees need to know about this work environment that would make them more comfortable?

- What impression and impact do you want to have on a new employee's first day?
- What key policies and procedures must employees be aware of on the first day to avoid mistakes on the second day? Concentrate on vital issues.
- What special things (desk, work area, equipment, special instructions) can you provide to make new employees feel comfortable, welcome, and secure?
- What positive experience can you provide for the new employee that she could discuss with her family at the end of the first day of work? The experience should be something to make the new employee feel valued by the organization.
- How can you help the new employee's supervisor be available to the new employee on the first day to provide personal attention and to convey a clear message that the new employee is an important addition to the work team?

Since first impressions are crucial, here are some tips for putting your best foot forward during an orientation session:

- Begin the process before the new person starts work. Send an agenda to the new associate with the offer letter so the employee knows what to expect. Stay in touch after he or she has accepted the position to answer questions. Make sure the new person's work area is ready for the first day of work.
- Make sure key coworkers know the employee is starting and encourage them to come to say "hello" before orientation begins.
- Assign a mentor, or buddy, to show the new person around, make introductions, and start training. Let the mentor have sufficient notice so they can make preparations. The mentoring relationship should continue for at least 90 days.
- Start with the basics. People become productive sooner if they are firmly grounded in the basic knowledge they need to understand their job. Focus on the why, when, where, and how of the position before expecting them to handle assignments or big projects. Don't overwhelm them with too much information.
- Provide samples about how to complete forms and the person's job description with the orientation packet.

An effective orientation program—or the lack of one—will make a significant difference in how quickly a new employee becomes productive and has other long-term impacts for your organization. The end of the first day, the end of the first week, the end of each day in your employment, is just as important as the beginning. Help your employees feel that you want them to come back the next day, and the next, and the next.[2]

New Employee Orientation Checklist

Welcome your new employee. Smile, and tell them you are glad that they have come to work in your establishment. You can make a big difference at this point. Show them around the facility, pointing out any important features along the way like emergency exits and hazardous areas, for example. Pretend you are showing a guest through your home. You want to make them feel comfortable and for them to relax as much as possible. Introduce them to people you meet along the way. Chances are your new worker will not be able to remember everyone's name when he is through with your tour, but you will at least have given other people the chance to learn who the new person is. As you introduce your new employee, explain what job he will be assigned and to whom he will be reporting. This will help existing employees mentally fit the new person into what they know of your organization.

Introduce your new employee to the supervisor to whom he will be reporting, if they have not already met. Show him the work station and where to get any supplies he might need. Talk briefly about important contacts he will want to remember, such as the person responsible for ordering supplies, the payroll person, and any others you feel are key to the operation.

Prepare a checklist of subjects that should be reviewed with each new employee and then set aside the appropriate amount of time so that can be done. Let everyone else know that you are not to be interrupted while you are orienting your new worker. You will want to convey to the new person that he is the most important item on your agenda at the moment.

Consider the following items for your new employee orientation:
- Personnel file contents
  - Job application or resume
  - Interview summary
  - Reference check information
  - Verification of any licenses or certifications required on this person's job (driver's license, teaching credential, broker's license, etc.)
- Complete necessary paperwork:
  - INS Form I-9, Employment Eligibility Verification
  - Employment agreement, if you use them
  - Receipt for their copy of your employee handbook
  - W-4 form for payroll withholding
  - Personal data sheet so you will have the information necessary on emergency contacts, home address and telephone number, Social Security number, etc.
  - Security or identification card information form
  - Benefit coverage election and beneficiary designation forms for your benefit programs that provide immediate eligibility for all employees.
- An explanation of the following practices and procedures you use in your organization:
  - Hours of work and attendance/tardiness policy
  - Payroll periods, when paychecks are delivered, and when the new employee's first check will arrive
  - Rates of pay
  - Overtime rules
  - Training or introductory employment period
  - Employee benefits for which they are or may become eligible:
    - Medical insurance
    - Sick leave
    - Vacation
    - Personal leave, jury duty, holidays
    - Pension programs, savings programs and/or stock plans
    - Life, disability, and accident insurance
    - Employee activities
    - Other benefits you offer and how much the employer will pay for each
  - Advancement or promotion opportunities and procedures
  - Employee suggestion plan
  - Parking arrangements
  - Union-related information if this person will be in a represented group
- Provide copies to the new employee of the following documents:

- Employee handbook
- Safety plan
- Annual report
- Employee newsletter
- Letter explaining COBRA (Consolidated Omnibus Budget Reconciliation Act of 1988) governing continuation of benefits following payroll separation
- Direct payroll deposit request
- Employee benefit booklet explaining each of the organization's offered benefits

- Show the employee any marketing or informational materials that are used with your customers or clients. Play any video or audio tapes you have prepared for employees or customers that explain what your organization is all about.
- Explain your organization's mission and its philosophy of doing business.

<div align="center">

"The way we do things around here…"

"We believe that our customers are…"

"Nothing is more important than…"

</div>

During your orientation discussion with the new employee, you want to take the opportunity to stress "how we do things around here." This is the best time for you to create the attitude you want your workers to have in performing their jobs. Remember that you can set the tone for the remainder of their employment with you. Make it positive and stress the things that are truly important to your organization. Give the employee opportunity to ask questions along the way.

Be sure you show your new employee where the required employment posters are located. If they are in a lunch room/break room, take the opportunity to explain the rules for use of that part of your facility. Make a special point of reviewing the organization's policy regarding sexual harassment.

How long should this process take? That depends on you and your organization. It will likely require an hour of your time at a minimum. It will be an hour in which to clarify important information and avoid misunderstandings that could take you many hours to correct later on. An hour making people feel welcome and important and giving them the information they need to succeed in your organization is indeed an hour well spent.[3]

NOTES

1. Susan M. Heathfield, "New Employee Orientation," *New Employee Orientation,* About.com, Human Resources, http://humanresources.about.com (accessed February 22, 2008).

2. "Employee Orientation: Keeping New Employees on Board," About.com, Human Resources, http://humanresources.about.com (accessed February 28, 2008).

3. William H. Truesdell, *New Employee Orientation: Starting Off on The Right Foot* (Walnut Creek, CA: Management Advantage, 1998).

Roger Odegard

ON-THE-JOB TRAINING

On-the-job training (OJT) may be broadly defined as an intervention undertaken within an employee's workplace to increase or to enhance individual knowledge, skills, and capabilities as he relates to his job.[1] The training is typically led by an experienced instructor or trainer, who may be a manager or supervisor, peer, or specialist in the activity or skill, and

is designed to change targeted job behaviors. On-the-job training is normally integrated into an employee's "everyday" working conditions or physical environment, and utilizes the actual machinery, equipment, tools, documents, and other materials that are commonly used. The employee's goal is typically to display competence or sufficient mastery such that he may be assigned to work independently or with minimal supervision. The guiding philosophy of on-the-job training is that employees are capable of learning necessary job skills through observing other, more knowledgeable, or experienced persons, and by imitating or replicating their behaviors when and where appropriate.[2] Other terms that alternately may be used to refer to on-the-job training include job shadowing, job coaching, and hands-on training.

History

On-the-job training has, in some capacity, existed for centuries. The training required to gain entrance into many craft guilds during the Middle Ages required an extensive period of on-the-job training (also referred to as an apprenticeship, of which such training is an important component), including the production of a *masterpiece,* to demonstrate mastery of the skill or trade.[3] On-the-job training continued during the Industrial and Agricultural revolutions, as the need increased for skilled operators of technologically advanced machinery. Those individuals capable of mastering the unique skills necessitated by the new inventions and processes introduced during this period were often able to increase their standard of living.

Where Appropriate or Desirable

On-the-job training is appropriate and desirable for newly hired employees, when experienced employees are confronted with a situation requiring the updating or upgrading of their current skill set, when employees can be trained for positions where their skill set is applicable, when there is considerable overlap of responsibilities within a department or work unit (it may also be referred to as "cross-training"), or when employees are transferred or promoted to new positions.[4] On-the-job training is a critical component of a modern-day apprenticeship, which is a work-study training method that also incorporates classroom activities. Apprenticeships are particularly common among vocationally oriented jobs or skilled trades, including electrical work, carpentry, masonry, plumbing, tool and die, and others. On-the-job training has been increasingly used within other occupations, such as call center operators, retail salespeople, telemarketing, and computer-related administrative jobs, as well. Additionally, management trainees for many firms continue to receive much of their training while on the job. When certain skills that are unique to a position are necessary for its successful execution, and when the facilities and equipment are present on-site, it is likely the job is appropriate for on-the-job training.[5]

Factors Influencing the Effectiveness of On-the-job Training

The following list is intended to describe certain critical elements that, when properly accounted for, can significantly improve the overall effectiveness of an on-the-job training program.

— *Selection of trainers.* Individuals selected to conduct on-the-job training should possess expert knowledge of the skills and activities within their area of the training program.

Some organizations require trainers to complete intensive "train the trainer" programs, in which classroom training involving concepts and theory is integrated with the demonstration of proficiency with the tools, equipment, and machinery that employees will need instruction on.

— *Initial evaluation of employees.* Employees requiring training may have differing levels of literacy or skills pertaining to job content. As such, an evaluation of basic skills (reading, writing, arithmetic) may be necessary for entry-level type positions, while proficiency in different computer software or various job-related standards and practices may be more appropriate for positions requiring more specific or advanced knowledge.

— *Clear specification of training course content and anticipated outcomes.* Before deployment, training materials such as lesson plans, employee training manuals, applicable policies and procedures, checklists to chart progress, and trainer assignments should be clearly specified. Additionally, anticipated outcomes from the training, such as an improved safety record, improved employee retention, and greater workforce flexibility regarding job assignment should be stated, as there will likely be up-front costs associated with such an undertaking.[6]

— *Tailor rewards to successful training outcomes.* The phrase "What gets rewarded gets done" may be successfully tailored to employees regarding on-the-job training efforts. When significant milestones or levels of proficiency or competence are attained, employees should receive appropriate rewards to reinforce their continued efforts and progress. Rewards need not always be financial, either. Public recognition for a "job well done," when accompanied with genuine sincerity, can be much more effective than a bonus or raise, and is often remembered long after any financial compensation is received.

Expected Benefits

Adhering to on-the-job training and related programs does require considerable discipline on the part of management. The continued pressure on many organizations to reduce costs wherever and whenever possible can translate into reduced or scaled-back training options for employees. However, the work environment that on-the-job training often fosters is an ancillary benefit, with improved employee morale, productivity, and professionalism,[7] coupled with the continued skills shortage in many sectors of the economy, indicate that perhaps these organizations should reexamine the benefits, both short-term and long-term, of such programs. Finally, in companies having a large percentage of retirement-eligible employees, these workers could be deployed through coordinated on-the-job training efforts with new or recent hires to ensure that their knowledge and skills, sometimes collected over several decades, do not "walk out the door" when they do.

NOTES

1. CIPD, "On-the-job Training," http://www.cipd.co.uk/subjects/training/trnmthds/otjtrain.htm (accessed December 5, 2007).

2. Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright, *Human Resource Management* (New York: McGraw-Hill, 2003).

3. Allen Farber, "Medieval Guilds and Craft Production," http://employees.oneonta.edu/farberas/arth/ARTH200/artist/guilds.html (accessed December 6, 2007).

4. Noe, Hollenbeck, Gerhart, and Wright, *Human Resource Management.*

5. U.S. Department of the Interior, "Personnel Manager—On-the-Job-Training (OJT)," http://www.doi.gov/hrm/pmanager/ed6b.html (accessed December 5, 2007).

6. CIPD, "On-the-job Training"; Noe, Hollenbeck, Gerhart, and Wright, *Human Resource Management;* Peter Zelinski, "Engineering Employees," *Modern Machine Shop* (August 2007): 88–95.

7. U.S. Department of the Interior, "Personnel Manager—On-the-Job-Training (OJT)."

Steven J. Kerno Jr.

PERFORMANCE AIDS

A performance aid, also known as a job aid, is a tool to assist an employee in completing a task. It is intended to ease correct completion of a job that is (1) immediately accessible, (2) instructional, (3) sufficiently descriptive, and (4) concise.[1] Performance aids are typically found in the form of checklists, help menus, templates, charts, and so forth. Performance aids help employees quickly and correctly complete a job task without having to memorize all of the steps of the task. The performance aid must be descriptive enough to effectively explain the task without being so verbose as to slow down the performer. Performance aids are not the same as formal education—rather, they are quick tools to use in place of, or to augment, formal education.

Why Are Performance Aids Important?

Learners Want Instant Access

As adults age, they have a greater affinity toward self-directed learning.[2] That is, adults want (and can) learn without direction from an instructor. Moreover, employees are beginning to expect that organizations allow and encourage them to learn at will, which enables them to more efficiently obtain new knowledge, skills, and attitudes.[3] Performance aids are a quick and easy way to provide vast amounts of accurate and helpful information to employees.

Educators Want Cheaper Solutions

Performance aids are designed to assist an employee with completing a job. Some research suggests that we should train an employee only when the employee does not know how to do the job.[4] Classroom training is costly and often overkill for what might easily be accomplished with a performance aid. Because performance aids are simpler mechanisms than training, they cost a lot less to build.

When Should Performance Aids Be Used?

Perfection Is Paramount

In situations in which tasks are complicated and exact performance is essential, a performance aid may be an appropriate tool to assist the employee in correctly completing the task.[5] For example, patients would find it unacceptable to get an infection in the hospital if a step was missed in the cleaning of their wound. Of course, if the task is too complicated to be simply explained in a performance aid, additional education and tools may be needed or the content may need to be divided into subtasks.

Repetition Is Rare

If a job task is infrequently performed, a performance aid is a helpful memory-jogging tool.[6] When a task is rarely performed, people have a difficult time remembering how

to complete it—especially if that task is complicated. In that situation, having a checklist or some other form of performance aid is a good way to reinforce correct task completion. If the learner must do the task solely from memory, a performance aid is not appropriate and full training is required.

Resources Are Limited

When employees need to be taught something, educators can create training or job aids to impart this information. However, if there is little time or money to prepare the education, a performance aid is a cost-effective method because it is faster and easier than training and development.[7]

Speed Is Secondary

Tasks that must be completed very quickly may not allow the employee the time needed to refer to a performance aid.[8] For example, a paramedic cannot take the time to refer to a performance aid when CPR is needed. In this situation, a performance aid is not appropriate; rather, the employee needs to memorize the task steps, which may require training.

Environment Is Fitting

If a task is completed in a fast-paced, dangerous, confined, or somehow difficult work environment, a performance aid may not be appropriate.[9] Performance aids are effective only when the employee can easily access and refer to them. For example, a telephone pole worker cannot easily access an instruction manual while hanging from a pole.

How to Create a Performance Aid

Identify the Content

Just like training and development, performance aid creation should start with an in-depth look at what must be conveyed. Once the need for a performance aid has been determined, start by narrowing down the content you *want* to teach down to the content you *need* to teach. This may be done by writing the objective of the content, defining how you want learners to practice that objective, analyzing audience needs, and then asking yourself if knowing the objective alone provides enough information for the learner to complete the task.[10] That is, what else does the learner need to know in order to accomplish the objective? It is imperative that *only* the needed content be included in a performance aid, not tangential content.

Determine Format

Once performance aid content has been identified, determine the best format.[11] For example, if the task requires sequential performance, you might consider a checklist or flow chart. A task that requires complex decision making may benefit from a decision table or algorithm. When the task requires differentiation between elements, you may consider a matrix. In any event, determining the format will help organize information for your performance aid.

Create the Performance Aid

Developing the performance aid may be a fairly simple step if you have adequately analyzed and planned your solution. Creativity and innovation on the part of the designer often enhance the learner's experience.

Test and Improve

The performance aid should be tested in the real environment with individual employees, whose use of the aid without assistance should be observed.[12] Only after the employee has finished using the performance aid should you ask her thoughts and opinions regarding improvement. After incorporating improvements, continue the testing process until satisfied the performance aid accomplishes its objective.

Maintain

Periodically checking the performance aid ensures that it is still useful and accurate. Set up a maintenance cycle with all performance aids to remind you to check them on a regular basis (e.g., annually). Performance aids that are no longer being used should be improved or archived. Outdated performance aids do not improve performance and can actually lower results. For example, consider a salesperson who sells a discontinued product because an outdated product list was used. Ensure that content is accurate and up to date.

NOTES

1. Joseph Harless, "Guiding Performance with Job Aids," in *Introduction to Performance Technology,* ed. Martin Smith (Washington, DC: National Society for Performance and Instruction, 1986).

2. Malcolm Knowles, *The Modern Practice of Adult Education: From Pedagogy to Andragogy,* 2nd ed. (New York: Cambridge University Press, 1980).

3. Harriett Hankin, *The New Workforce.* (New York: AMACOM, 2005).

4. Robert F. Mager and Peter Pipe, *Analyzing Performance Problems,* 3rd ed. (Atlanta, GA: Center for Effective Performance, 1997).

5. William J. Rothwell and H. C. Kazanas, *Mastering the Instructional Design Process,* 2nd ed. (San Francisco: Jossey-Bass, 1998).

6. Ibid.

7. Ibid.

8. David E. Ripley, "Harless on Job Aids," in *Performance Engineering at Work,* ed. Peter Dean, 2nd ed. (Washington, DC: International Society of Performance Improvement, 1999).

9. Ibid.

10. Robert F. Mager, *Making Instruction Work,* 2nd ed. (Atlanta, GA: Center for Effective Performance, 1997).

11. Ripley, "Harless on Job Aids."

12. Ibid.

Kevin F. Preston

PERFORMANCE COACHING

Performance coaching gives managers the opportunity to share their perspectives of their employees' performance and discuss methods of improvement. In this way, performance coaching serves a vital function within the organization. At the core of performance coaching lies the concept of *feedback.* Accordingly, performance coaching is an ongoing minute-by-minute, day-by-day feedback opportunity that provides managers an opportunity to create action plans that improve employee performance. Additionally, performance coaching is specific and timely in order for employees to make the types of corrections and improvements required to bring about desired business results.

Many employees fail to perform adequately due to barriers that prohibit exemplary performance. Performance coaching:

- Provides assessment of employees strengths, weaknesses, and areas for improvement.
- Frames plans for growth and development.
- Encourages feedback for improvement.
- Helps isolate performance obstacles and formulate strategies for overcoming them.[1]

As a result, employees participate in discussions that improve the work environment and general conditions under which they are asked to perform.

Principles of Performance Coaching

Three fundamental principles explain most employee behavior and why managers fail to secure the results they desire. These principles include:

1. Performance/reward disconnect—failing to perform adequately because there is no correlation between their performance and that rewarded by the organization.
2. Performance whitewashing—failing to communicate which results are the most important or treating all performance results the same.
3. Inspection failure—failing to inspect their employees' work.[2]

Performance/Reward Disconnect

Some managers demonstrate the concept of team building and invest much time and money training their people in the skills, knowledge, and practice of self-directed work teams. However, they continue to compensate their employees for individual performance. Thus, performance behaviors that an organization desires are ignored or punished in the workplace.

Performance Whitewashing

Performance whitewashing occurs when managers fail to communicate their expectations and the outcomes required of their employees. Such behavior confuses employees and causes them to prioritize results according to their own perspectives, which may or may not align with organizational expectations. Correction requires managers to determine and express which results are truly important and which are less so. These priorities must be communicated to employees and rewarded accordingly.

Inspection Failure

Many managers have little time to review or inspect employees' performance. Consequently, employees are on their own to produce results they perceive to be important to the organization. Employees must know what is important and that their managers will be inspecting performance outputs. Thus, effective managers link expectations with inspection, which can occur during performance coaching.

Prepare for a Performance Coaching Episode

Effective managers examine their strategies to create an environment conducive to the sharing of information and ideas. In fact, every performance coaching episode has an opening, body, and conclusion. Careful planning of the approach includes climate-setting comments designed to reduce stress for both parties along with a brief overview of the agenda.

To improve the outcome of performance coaching, effective managers decide the best time and place for the exchange to take place. The primary focus of the meeting entails consideration of items to be discussed and the manner in which they will be handled. Planning the conclusion and follow-up activities guarantees closure for both parties. Further, planning the conclusion helps to emphasize the importance of continuous review and reinforcement of the agreed-upon action plan.

For the best results, schedule the meeting when and where both parties can spend quality time together without distraction, interruption, or interference. The setting should be a neutral, private room or office, off-site if necessary. The location should allow both parties to be alone together without distractions. Some employees may be reluctant to share their opinions openly and honestly without sufficient privacy.

Effective managers properly prepare the meeting room to create an environment that encourages the free exchange of ideas, suggestions, and opinions. The environment should allow both parties to function as equals in discussions, via tactics such as placing chairs side by side and having beverages or snacks available. Such a trust-building and confidential meeting makes employees feel valued; strengthening positive feedback while fostering an air of "working together" to improve performance or manage deficiencies.

The following general guidelines will help prepare for the actual performance coaching exchange. These guidelines help establish an environment that exudes respect for individuals and their contributions. They also serve as a reminder of the participatory emphasis of performance coaching exchanges, reinforcing their developmental nature. To ensure successful performance coaching activity, managers should:

- Establish and maintain rapport with their personnel.
- Explain clearly the purpose of the interview.
- Encourage employees to share their opinions and ideas.
- Listen actively, without interruption, to employees' opinions and ideas.
- Avoid confrontation or arguments that lead to negative or destructive discourse.
- Focus on performance, not personalities.
- Confront; do not criticize or blame.
- Focus on future performance, not past performance.
- Emphasize individual strengths as well as areas needing improvement.
- End the interview on a positive note.
- End the interview when all parties reach agreement.[3]

Why Performance Coaching Fails

Performance coaching occasionally fails to yield positive outcomes because managers focus on personal characteristic and personalities rather than performance. Another reason for disappointing outcomes is because some managers focus too much on employees' past actions instead of focusing on future performance. Although past performance *does* provide a means of sculpting and structuring the future, a manager's attention should be on future performance behaviors.

Conclusion

Performance coaching provides individuals with feedback on their performance. Coaching is useful in helping employees recognize their strengths and achievements over a

specific period of time, and identify areas where they can continue to grow and develop. Employees are able to define performance goals for a specific period of time and to review the "match" between the organization's expectations and those of the employee. Performance coaching helps managers make decisions regarding the performance of employees and aids in construction of developmental and career planning activities that improve their productivity.

Managers and employees should work closely together during a performance coaching. This requires creating a partnership focused on identifying the strengths and weaknesses of the employee and the creation of an action plan that builds on strengths and manages weaknesses. A mutually beneficial partnership allows both parties to build a trusting, collaborative relationship that helps individuals identify performance development opportunities. In this way, managers solicit the involvement and support of employees in their growth and development, which addresses one of the primary reasons why institutions fail to achieve desired performance results. Moreover, managers will enjoy better outcomes when employees willingly participate in their own action planning.

See also Coaching; Mentoring

NOTES

1. Jerry W. Gilley and Ann Gilley, *The Manager as Coach* (Westport, CT: Praeger, 2007).

2. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset* (Cambridge, MA: Perseus Books, 1999).

3. Gilley and Gilley, *The Manager as Coach.*

Jerry W. Gilley and Ann Gilley

PRODUCTIVITY IMPROVEMENT PLAN

Improving productivity means increasing efficiency, output, or yield. Productivity improvement plans address obtaining increases by eliminating wasted steps, decreasing the need to rework a step or streamline the process. A Google search of the phrase "productivity improvement plan" provided 2.14 million hits. There is much to say about this topic. Checking ABI/Inform, an online database, provided a list of 9,976 scholarly journals, trade magazine articles, and newspaper articles related to productivity. The mechanisms often mentioned to improve productivity are lean enterprise, six-sigma, Baldrige criteria, and benchmarking. These are all useful; however, cultural issues typically need to be addressed first. If the culture of the organization is one in which problems are hidden and the messenger is shot, then adding improvement tools should not be the first step. Below is a story to help explain the system perspective based on the Baldrige criteria.[1]

Andrew and Digby have been friends since college. Both went on to have successful careers, and each manages an organization but in different fields. Andrew's attitude toward his employees is influenced by Theory Y, which states people are influenced by higher-order needs. Digby embraces Theory X, believing that people are motivated by basic needs. Both executives have been successful, so they never examined the influence of their own beliefs.

Both are experiencing tough competition and are talking to each other more often to get feedback. Andrew explained the elements of his beliefs, Theory Y.

- "People will exercise self-direction and self-control if they are committed to the objectives of the task."
- "The average person can learn and even seek responsibility."
- "The ability to make innovation decisions is widely dispersed throughout the general population and is not necessarily the sole province of those in management positions."[2]

Because Andrew believes people come to work wanting to make a contribution and do a good job, he looks at practices, procedures, and systems to see why things go wrong. Digby's attitude encompasses the ideas that people are lazy and need to be watched. When problems occur, Digby wants to blame someone.

This distinct difference in attitudes espoused by each executive could also be viewed under the lens of intrinsic and extrinsic motivation. "The most important act that a manager can take is to understand what it is that is important to an individual. Everyone is different from everyone else. All people are motivated to a different degree, extrinsically and intrinsically. That is why it is vital that managers spend time to listen to an employee to understand whether he is looking for recognition by the company or by his peers, time at work to publish, flexible working hours, or time to take a university course. In this way, a manager can provide positive outcomes for his people and may even move some people toward replacement of extrinsic motivation with intrinsic motivation."[3]

Once Andrew understood his friend's belief of theory X, he shared the management grid, contained in Table 2.1, with him. This grid shows the characteristics of progression from a traditional organization to one demonstrating performance excellence.[4]

Often, executives in the *Traditional* stage think their problems will go away "if only they could get good workers." Contests are held between employees, departments or divisions to try to motivate people. "Extrinsic motivators...are not only ineffective but corrosive. They eat away at the kind of motivation that *does* produce results."[5] Problems are fixed when the customer complains. A study done by the Technical Assistance Research Program (TARP) reported that only 5 percent of dissatisfied customers complain to top management, 45 percent complain to an agent or frontline representative such as a hotel desk clerk, and 50 percent encounter a problem but never complain. Oftentimes, a customer who encounters a problem will go elsewhere for the product or service in the future.

In the *Awareness* stage, the leadership realizes that the rules of the game have changed and what achieved success in the past will not necessarily provide success in the future. The battle cry of organizations in this stage is "if only suppliers and manufacturing would do their job, we would not have these problems." Organizations in this stage know they need customer, employee, and supplier input, but they may not be good at obtaining it or using it.

Businesses at the *Improving* stage are doing very well. They recognize that one of the roles of leadership is to remove the roadblocks that keep people from doing a good job. New ideas are sought, and employees continually improve processes. There are positive trends in data tracked, and comparisons to industry leaders show the company to be one of the leaders. Internal improvements made correlate well with improved customer satisfactions so the teams are working on the correct processes.

Table 2.1

Category	Traditional	Awareness	Improving	Outstanding
Leadership	• State lofty goals • Motivating people is the solution • Delegate improvement activities • Business units compete with one another	+ Mission/vision statement includes all stakeholders + Recognize procedures and practices cause most variation	+ Open to new ideas from others, including other organizations + Consider whole system + Remove barriers that rob people of pride in work	+ Leadership highly visible and a role model of ethical behavior + Leadership acts as a coach + Good corporate citizen + Ongoing communication
Measurement, Analysis, and Knowledge Management	• Fight fires • Key product and service features are tracked in addition to financial data • A lot of data, little information	+ Root cause analysis prevents reoccurrence • Some useful visual displays of data • Track opportunities per 1,000	+ Value-added reports and graphs + Data are tracked in all areas of business including support (accounting, purchasing, etc.) + Track opportunities per million + Aware of best practices globally	+ Extensive depth and breadth of information + Ready access to information throughout the organization + Positive correlation between internal measures and customer satisfaction + Understand why best practices have worked at other organizations
Strategic Planning	• There is a business plan • Optimization occurs within a department	+ Progress to business plan is reviewed + Business plan is updated annually • There is a plan for business excellence	+ Business plan and performance excellence plan are one + Plan includes stretch goals • Plan covers one-to-two-year horizon • Cross-functional input to plan but limited scope	+ Business plans include performance excellence goals and strategies + Customers, suppliers, and employees provide input to plan + Resources are provided to achieve goals + Short- and long-term views + Total system is optimized
Workforce Focus	• Training is offered to employees • There is a suggestion box	+ Employees on problem-solving teams • Increased focus on obtaining more suggestions • Mass training	• Employees are told they are empowered + Training is just-in-time + Employees are involved in process analysis and improvement + There are opportunities for teams and individuals to contribute + Employee satisfaction levels show positive trends	+ Internal supplier-customer relation + Employees feel and act empowered + Culture supports use of new skills + Employees feel their ideas are important + Employee satisfaction, attendance, and turnover levels are outstanding

Process Management	• Improvement effort is focused on manufacturing of product or delivery of service • Receiving inspection	• Quality is owned by manufacturing • Control charts are used to maintain some processes • End-of-line inspection is the safety net • Inspection of supplied material occurs if there has been a recent problem	• Some prevention activities • Motto is "if it ain't broke, don't fix it" + Key processes throughout organization identified, studied, and improved + Process control and improvement in support areas + Suppliers are part of the team	+ Prevention and elimination of waste + Robust designs not sensitive to expected variation + Process control and improvement + Reduced cycle time + Supplier certification + Assessments done on processes and systems
Results	• Data are available to those that ask	• Some data tracked in support areas	• Data on key processes throughout the organization show mostly positive trends • Some comparisons to industry norms	+ Three-to-five-year trends show continual improvement + One of the leaders according to data for product, service, and response time throughout organization
Customer and Market Focus	• Take care of customer problems • Track customer satisfaction by "looking in the rearview mirror" only (e.g., market share) • Assume silence means satisfaction	• Guarantee is typical for industry • There is a customer satisfaction survey	+ Listen to customers • Satisfy the customers • Have service standards + Customer has easy access to organization + Frontline employees have current information and make things right for the customers • Positive trends in customer satisfaction	+ Lead the customer regarding the art of the possible + Commitments to customers lead the industry + Delight the customers + Customer problems are rare, but when they occur, correction is prompt + One of the leaders in customer satisfaction, loyalty, and market share.

Key: + indicates attributes that should be carried forward to achieve and sustain outstanding status.

The *Outstanding* stage reflects excellence in everything the company does. The leadership is visible and is a good role model for the expected behavior. Cooperation among employees and department is valued. The customers' future requirements are anticipated and created by the company. We did not ask for a fax machine or antilock brakes, but proactive companies developed them and created a new need. An organization at this stage is a workplace of choice.

Digby now realizes he is entrenched somewhere between the *Traditional* and *Awareness* stages, whereas Andrew's organization is firmly in the *Improving* stage. When Digby started using Andrew as a sounding board, he was hoping there was something he could have his employees do that would improve the competitiveness of his company. Maybe he could ask everyone to develop a flowchart of their process or something like that. He heard flowcharts are powerful. (For basic improvement tools, see GOAL/QPC or Langley). Digby was disappointed to hear that first he had to look himself in the mirror and realize how his underlying beliefs have had a negative impact on his company. Change was needed, but it started with him examining his behavior. At first, Digby was disappointed that he was the one that needed to change, but then he started to get excited. His friend Andrew agreed to coach him in his leadership style and help him on the journey.

Resources:

Brassard, Michael, ed. *The Memory Jogger: A Pocket Guide of Tools for Continuous Improvement and Effective Planning,* 2nd ed. Salem, NH: GOAL/QPC, 1985.

 Langley, G., K. Nolan, T. Nolan, C. Norman, and L. Provost. *The Improvement Guide.* San Francisco: Jossey-Bass, 1996. TARP presented at Quest for Excellence IV Conference, Washington, DC.

NOTES

1. NIST National Institute of Standards and Technology, *Criteria for Performance Excellence* (2007), http://www.quality.nist.gov/Business_Criteria.htm (accessed August 13, 2008).

2. A.D. Shriberg and R. Kumari, *Practicing Leadership.* (Hoboken, NJ: John Wiley & Sons, Inc., 2005), 77.

3. W.E. Deming, *The New Economics for Industry, Government, Education.* (Cambridge, MA: Massachusetts Institute of Technology. 1993), 1115.

4. M.S. Heaphy and G.F. Gruska, *The Malcolm Baldrige National Quality Award: A Yardstick for Quality Growth* (Reading, MA: Addison-Wesley Publishing Co., 1995), 24–25.

5. Alfie Kohn, *No Contest* (Boston: Houghton Mifflin, 1986), 60.

Maureen S. Heaphy

PROFESSIONAL CERTIFICATION

Society expects practitioners of all disciplines to be professional and competent. There are many ways to identify and determine competence today. One approach, professional certification, has been used to describe a process that is said to separate individuals who are competent from those who are less competent. It is viewed as a vital part of the evolutionary process of professionalization because it focuses attention on the competencies that constitute an occupation, including human resource management (HRM).[1] Competencies are used to define an emerging field and provide guidance to its practitioners in conducting self-assessment activities useful in continuous learning. They also provide information for academic and professional preparation programs for HRM program

development, and can aid employers in identifying qualified practitioners. Additionally, perhaps the most important aspect of professional certification is that it communicates clearly to practitioners the expectations of the profession, enabling them to perform their roles and tasks within the profession more effectively.[2]

The identification of competencies unique to the field of HRM sets it off from others in the eyes of the public. It also aids HRM practitioners in focusing on, studying, and improving those competencies, which may lead to the development of variations or more sophisticated practices.

Identified competencies are helpful to HRM practitioners and the field in six different ways. They will provide:
- Experienced professionals with a tool for self-assessment and professional growth.
- A common set of concepts and vocabulary that will improve communication among professionals and other professional groups.
- The academic and professional preparation programs with information for program development.
- A basis for a potential certification program.
- Aid to employers in identifying qualified applicants.
- A basis for defining an emerging field of study.[3]

Accordingly, the Society for Human Resource Management (SHRM), American Society for Training and Development (ASTD), International Society for Performance and Improvement (ISPI), and American Payroll Association (AMA) have each developed specialized certification programs. Finally, in 1985, a nonprofit organization, the International Board of Standards for Training, Performance, and Instruction (IBSTPI), was created for the purpose of continuing certification research, competency development and validation, and consulting services.

Characteristics of a Profession

Research has identified eight essential interrelated characteristics vital to a profession. Of course, the degree of importance of the different characteristics varies from occupation to occupation. The eight characteristics include:

1. A code of ethics
2. An organized and accepted body of knowledge
3. Specialized skills and identified competencies
4. Minimum education requirement for members
5. Certification of proficiency needed for before members can achieve professional status
6. An orderly process in the fulfillment of responsibilities
7. Opportunities for the promulgation and interchange of ideas among members
8. Demands of acceptance of the disciplines of the profession, realizing that the price of failure or malpractice is to be "out" of the profession[4]

Purpose of Professional Certification

Since professional certification is primarily viewed as an impetus to professional development, it encourages practitioners to achieve high standards and it encourages the field of HRM to focus the use of resources in order to assist them in doing so. Thus, the identification and advancement of professional competencies is the primary purpose for

professional certification. Secondary purposes include:
• Avoiding external regulation
• Enhancing prestige of the field
• Stabilizing individual job security
• Increasing the influence of societies and associations on the profession
• Protecting the public, clients, and employers
• Improving academic programs
• Assisting in hiring practices
• Recognizing practitioner achievement
• Enhancing the field[5]

Regardless of the expressed purpose for certification, its significance lies in the fact that individuals, in preparation for certification, are required to increase their knowledge and ability, and that, rather than the designation itself, is its greatest benefit. Self-improvement is satisfying to the individual and increases one's sense of worth, which is a benefit to employers. Ultimately, it increases the quality of the product and services in HRM.

Qualification Criteria Utilized to Develop Professional Certification Programs

In a study of 70 associations and societies that maintain certification programs, 10 qualification criteria were identified as the most important when evaluating applicants for certification. They are:

1. Professional experience
2. Successful completion of written examinations or work projects
3. Completion of a program of study
4. Current employment in the respective field
5. Successful completion of a professional examination
6. Membership in a professional association or society
7. Completion of additional training and/or continuing education
8. Evidence of ethical behavior
9. Personal and professional references
10. Successful completion of an oral evaluation and/or interview[6]

Most of these criteria are being used by each of the HRD-related societies previously identified as having a specialized professional certification program.

For specific information regarding the exact requirement of each of the four HRM-related certification programs, please visit their respective Web sites listed in the Resources section:

Resources:
American Payroll Association
 http://www.asisvcs.com/publications/pdf/189900.pdf.
 American Society for Training and Development
http://www.astd.org/NR/rdonlyres/7B0E3A00-9C07-400D-9BE1-1649BB8B9BD4/0/CPLP
_Candidate_Bulletin_FINAL012308.pdf.
 International Society for Performance and Improvement
http://www.certifiedpt.org/index.cfm?section=apply.
 Society for Human Resource Management
http://www.hrci.org/hrci_files/_items/hrci-mr-tab2-1329/docs/2008%20cert%20handbook.pdf.

NOTES

1. Jerry W. Gilley and Steven A. Eggland, *Principles of Human Resource Development* (Reading, MA: Addison-Wesley Publishing Company, 1989).

2. Jerry W. Gilley and Michael W. Galbraith, "Examining Professional Certification," *Training and Development Journal* 40, no. 6 (June 1986): 60–61.

3. Barry B. Bratton and Michael Hildebrand, "Plain Talk about Professional Certification," *Instructional Innovator* 25, no. 9 (December 1980): 22–24, 49.

4. W. E. Scheer, "Is Personnel Management a Profession?" *Personnel Journal* 43, no. 5 (May 1964): 225–62.

5. Gilley and Eggland, *Principles of Human Resource Development*.

6. Ibid.

Jerry W. Gilley and Paul Shelton

SOCIALIZATION

Completion of candidate interviews should lead to the selection of the most qualified candidate(s). However, one consideration should be addressed prior to extending a job offer—the socialization process. Socialization can be defined as a process by which organizations bring new people into the culture.[1] Examining socialization more closely reveals that placement and orientation as well as the characteristics and phases of socialization are critical to the future success of the employee. This prevents a mindset in which employees are left on their own to sink or swim within the muck and mire of organizational culture.[2]

Placement

Placement is the process of introducing new employees to their coworkers, supervisor, managers, and organizational leaders, which is sometimes referred to as the career path identified by the employee and/or the organization. Thus, the first few days on a new job can be very difficult. Effective organizations understand the complexity of personal integration on the job and provide "support" employees to make introductions and provide overviews of the workplace, and so forth. Sometimes mentors are provided to help with long-term indoctrination and growth and development activities.

Managers and HR professionals determine how well the candidate's personality, career objectives, values, beliefs, and attitudes align with those of the organization. Accordingly, the organizational culture is one of the first determinants of the socialization process.[3] Thus, new employees adopt a set of basic assumptions that enable them to invest, discover, or develop an understanding of the organizational environment. These assumptions are deeply embedded and transmitted through such mechanisms as the following:
- Formal statements of organizational philosophy
- Material used during recruiting, selection, and socialization of new employees
- Promotion criteria
- Stories, legends, and myths about key people and events
- What leaders pay attention to, measure, evaluate, control, and reward[4]

Therefore, it is critical to determine the cultural match between new employees and the organization. New employees must possess the values, beliefs, and attitudes necessary to

assure acceptance within the firm. If these values, beliefs, and attitudes are absent, a mismatch will occur that results in negative outcomes for both the employee and organization.

Orientation

Organizations that fail to prepare new employees for the organization and their respective coworkers will bring on a condition known as *employment shock*—the psychological gap between what new employees expect and what they find.[5] To avoid this adverse condition, organizations conscientiously use orientation training programs that familiarize new employees with their roles and responsibilities, the organizational system, its expectations, performance standards, performance output requirements, reporting relationships, growth and development requirements, and growth and enhancement practices used to ensure organizational renewal and competitive readiness.[6] Employee turnover and the cognitive dissonance associated with unresolved expectations can be greatly reduced when such programs are used.

Phases of Socialization

Three phases of socialization predominate within organizations: *anticipatory socialization, accommodation socialization,* and *role management.*[7] Each phase requires different activities and undertakings to increase an employee's chances of enjoying a successful career within an organization.

Anticipatory Socialization

When employees first join an organization, they typically pose two questions:

1. What will it be like to work for the firm?
2. Are they suited to the jobs available within the firm?

Each question should be addressed by the organization prior to hiring the individual, since first impressions are typically lasting ones. Thus, employees will feel a heightened sense of satisfaction and loyalty if addressed correctly.

Accommodation Socialization

The second phase of socialization occurs after an employee becomes a member of the organization. It is a period in which employees discover the organization and its jobs as they really are, and in time, employees become competent performers on the job and active participants within the firm. This is sometimes referred to as the probationary period, and can be very stressful for most individuals. Four common activities constitute the accommodation phase:

1. Establishing new interpersonal relations with both coworkers and managers
2. Learning the tasks required to perform the job
3. Clarifying one's role within the organization via formal and informal groups
4. Evaluating one's progress toward satisfying demands of the job and the role[8]

If things are positive during this phase, employees will feel a sense of accomplishment and acceptance by coworkers and superiors while gaining confidence in performing their jobs.

Role Management Socialization

Role management refers to the conflict that occurs once an individual has been fully integrated into the organization. Conflict may involve interpersonal relationships with coworkers or managers, inadequate development opportunities, insufficient job assignments, job performance, misinterpretation of rules or regulations, and so on. Regardless, role management socialization refers to the organization's ability to address and resolve conflicts between employees and the firm.[9] Unresolved or negative resolution may cause resentment, poor attitudes, or lukewarm cooperation on the part of new employees, while successful resolution results in reinforcement of positive organizational perceptions. Effective organizations focus on resolving conflict in a positive way to enhance relationships and build organizational esprit de corps.

Characteristics of Effective Socialization

Some organizations are more effective in socializing employees into their culture than are others. Effective organizations understand the importance of recruiting employees using effective job interviewing techniques followed by selection and placement using realistic career path projections. Accordingly, they address and resolve the issues most concerning employees prior to joining the organization.

Effective organizations focus their attention on enhancing employee socialization by providing five different but impactful activities, including:
- Tailor-made and individualized orientation programs
- Social and technical skill training
- Performance evaluations designed to provide supportive and accurate performance feedback
- Challenging work assignments that stretch an employee's abilities and talents
- Demanding but fair managers who practice effective performance coaching techniques[10]

Each of these activities retain and develop new employees while reducing tension and conflict within the organization.

Conclusion

Organizations that adopt effective socialization practices and policies understand fully the damage caused by conflict. As a result, these organizations encourage managers and HRD professionals to be proactive in socializing employees, communicating the unique elements of the organization's culture, and helping resolve conflict early in a new employee's tenure with the firm.

See also New Employee Orientation

NOTES

1. James L. Gibson, John M. Ivancevich, James. H. Donnelly, and Robert Konopaske, *Organizations: Behavior, Structure Process,* 12th ed. (New York: McGraw-Hill, 2007).

2. Jerry W. Gilley and Ann Maycunich, *Organizational Learning, Performance, and Change: An Introduction to Strategic HRD* (Cambridge, MA: Perseus Publishing, 2000).

3. Wayne F. Cascio, *Managing Human Resources: Productivity, Quality of Work Life, Profits* (New York: McGraw-Hill, Inc., 2005).

4. Ibid.

5. Gibson, Ivancevich, Donnelly, and Konopaske, *Organizations: Behavior, Structure Process.*

6. Jerry W. Gilley, Steven A. Eggland, and Ann Maycunich Gilley, *Principles of Human Resource Development,* 2nd ed. (Cambridge, MA: Perseus Publishing, 2002).

7. Gibson, Ivancevich, Donnelly, and Konopaske, *Organizations: Behavior, Structure Process.*

8. Ibid.

9. Gilley, Eggland, and Gilley, *Principles of Human Resource Development.*

10. Ibid.

Jerry W. Gilley

TRAINING

Training is the process of obtaining knowledge, skills, and/or abilities needed to carry out a specific activity or task. Identifying individual and company-wide training needs is a first step to increasing productivity and performance, creating sustainable value from human capital, and retaining talented employees.[1] This entry discusses organizational trends that have an impact on training, specifically the acquisition and keeping of key talent, training and delivery methods, and transferring skills.

Acquiring and Retaining Key Talent

Acquiring and keeping key talent ranks high on the list of concerns of senior leaders in organizations. Organizational success is directly related to acquiring and retaining talent. Increased global competition and a projected lack of available talent make acquiring and retaining talent a challenging task. Approaches to overcome these challenges include succession planning, leadership and employee development, and career planning.[2]

All of the above-mentioned approaches support cultivating a supply of internal talent to meet the needs of an organization. Training is a key ingredient in all of the approaches, both formal and informal training (e.g., projects and developmental assignments on the job). With the soaring costs of searching for and hiring new employees, it is prudent for organizations to assess their internal talent and cultivate that talent for future needs.

Training Delivery Methods

Training methods vary greatly, so it is essential to get the right combination to ensure the highest possible rate of learning and the subsequent return on investment. Organizations should identify the training method that best fits their employees' learning styles, be flexible enough to allow for changes when needed, and ensure that the training can be transferred into everyday job skills. Regardless of the method used, ensuring that training is effective is the primary goal. To start, answer the following questions:

• What is the primary purpose of the training?
• What are the learning objectives?
• Which organizational objectives and/or strategies is the training going to impact?
• Is senior level management supportive and/or involved?
• Where will the training be held, and is it centrally located?
• What are the costs associated and subsequent measures to determine overall effectiveness?

Once variables such as these have been addressed, the organization will be in a better position to implement training.

In addition to the traditional training methods used, such as formal presentations and print distribution, there are a number of methods that have shown higher success rates in terms of learning and transferring skills back to the job. These include experiential-based training, Web-based training (WBT), and 360-degree programs.

Experiential-based Training

Experiential-based training has evolved from classroom training, placing a heavier emphasis on an individual's taking action as part of the learning process. Participants are given opportunities for hands-on learning. Games, writing assignments, exercises, and challenge courses are options used to give participants a chance to discuss points of view and to try out new skills. Debriefing at the conclusion is a vital part of experiential training because it draws together everything the participant has learned at that particular session.

Web-based Training

Web-based training, or e-learning, engages the employee through opportunities for discussion and group participation, which are experienced without the employee leaving their computer terminal. The multimedia-rich environment has proven beneficial for learning as well as efficient delivery of training materials.

360-Degree Feedback

Three-hundred-sixty-degree programs are used for training or career development. Feedback is the essential component used to evaluate an employee's behavior and skills on the job. Information is gathered from several sources, including those people who have direct contact with the employee (e.g., coworkers, customers, or boss). Once feedback is provided, developmental goals and an action plan are created to enhance or build upon current skill sets.

Transferring Skills

With the increase of global competition for workers, it cannot be overstated how critical training has become. Organizations need to ensure that training endeavors are effective. In other words, the new knowledge and/or skills are transferred directly to the job, and employees are applying what they learned on the job.

Integrating HR processes such as compensation, learning management, and performance management will ensure training is transferred to the job. Integrating these processes helps set clear performance goals for the employee after the training, provides a financial reward, and helps to enhance ownership on the part of the training participant. Further, supervisors who follow up with employees with on-the-job coaching and mentoring will increase the likelihood that new skills transfer directly to the job.

Many challenges are looming ahead for the U.S. labor force. More and more, it has become imperative to retain current workers and continue to build upon the talent and skills of those workers. Developing and maintaining a comprehensive training program will ensure that organizations have the talent they need now and in the future.

See also Computer-Based Training; Interactive Video Training; Training Evaluation

NOTES

1. Bruce Pfau and Ira Kay, "Playing the Training Game," *HR Magazine,* 2002.
2. Susan Melsinger, "Talent Management in a Knowledge-Based Economy," *HR Magazine,* 2006.

3. Nancy R. Lockwood, "Talent Management: Driver for Organizational Success," *SHRM Research Quarterly* (2006),http://www.shrm.org (accessed January 2008).

Robin R. Labenz and Pamela Dixon

TRAINING EVALUATION

Countless HR thought leaders have vigorously proposed the merits of building learning organizations that are committed to making substantial investments in training.[1] They have done so on the grounds that organizations that invest in training and that learn better and faster than do their competitors achieve stronger long-term performance. Such an argument is compelling indeed, especially given the pace of change in today's marketplace.

The Case of ''Big Blue''—Training-related Investment at the ''Twelfth Hour''

Consider, for example, the case of IBM. In the mid-1990s, "Big Blue" was faced with the very real possibility of permanently losing its blue-chip status as one of the benchmark firms in American industry. The firm had relied too heavily and too narrowly on its core competencies in hardware manufacturing, research and development, and administrative discipline, and as a result had literally missed the shift from "big machines" (mainframes) to "smaller machines" (servers and PCs) and bundled IT services. Fortunately, the board of IBM saw the writing on the wall before it was too late, and brought in Lou Gerstner, a marketer from Nabisco, as CEO. Gerstner's challenge was less associated with embracing the need for IBM to learn (and learn fast) as an organization, but more so with leveraging the newfound knowledge that was generated via the learning that he catalyzed as the new leader intent on taking the firm in a critical new direction. The means by which he codified this shift towards learning was heavy investment in HR practices focused on the following training-related corporate priorities and initiatives.

1. *Learning-centric Performance Management.* Organizations intent on leveraging increasing organizational knowledge must first catalyze and reinforce learning at the individual employee level. They do so by building specific and measurable learning objectives into their performance appraisal tools and process, and orienting these learning objectives towards critical business needs. IBM's Gerstner started here by ensuring that the performance management process for the firm shifted towards the measurement of employee learning as a key assessment component, especially for those employees in leadership roles. And these learning objectives were articulated to specifically reinforce the marketing and systems thinking knowledge and skills necessary to compete in the new IT market.

2. *Cross-functional and Cross-divisional Team Structures.* In addition to fostering increased learning at the individual employee level, organizations must employ cross-functional and cross-divisional team structures as much as possible, for both temporary project and permanent operational purposes. Doing so ensures that individual employee learning is not only enhanced, but shared with others on a regular basis. Gerstner ensured that these types of team structures, essentially unheard of in the traditionally compartmentalized IBM of old, were immediately put in place. Such teams eventually became the means through which IBM offered bundled IT services alongside hardware components, and led the drive towards increased services revenue for the firm as a whole. Today, an increasingly significant portion of IBM's revenues are generated by intangible IT services (bolstered by the mid-2002

acquisition of PricewaterhouseCoopers' consulting business) offered to clients via cross-functional and cross-divisional teams. It is somewhat ironic and perhaps even nostalgic to remember that IBM stands for "International Business Machines," given this fundamental shift in their business model.

3. *A Shared Corporate Knowledge Bank.* Despite the shift to a increasingly services-based business model, IBM still produces machines—and they use them to house their shared corporate knowledge bank. This database allows IBM associates anywhere in the world to share and access the best practices of the firm. And the expectation within the firm is that they will do so on a regular basis.

Combined, these three training-related infrastructure components enabled IBM to measure and reward individual employee learning, foster team learning, and codify the increased knowledge associated with that learning. The end result of investing in these training-related initiatives and priorities at IBM speaks for itself—the firm is once again considered to be at the leading edge not only of the IT industry, but of American industry as a whole.

Training Best Practices

Perhaps the single biggest constraint regarding investment in employee training is the risk involved. Put simply, employees are not "owned" by an organization. Thus, investing in employees is inherently risky. Despite this, the best performing organizations make employee training and development investment a priority, rightly recognizing that such investment leads to competitive advantage. This involves the training best practices of plan, do, check, and act.[2] The above-outlined case study of IBM can be further illuminated via this framework.

- *Plan*—Gerstner clearly understood the strategic value of training initiatives. Perhaps even more importantly, he ensured that the training initiatives outlined at IBM during the early stages of his CEO tenure were tightly aligned with the IBM's strategic shift from hardware manufacturing to integrated IT services.
- *Do*—IBM employed several pedagogical and training design approaches to ensure that learning transfer (from classroom to the conference room) was maximized.
- *Check*—Gerstner understood the critical interdependency that exists between training and performance management. Thus, he ensured that the IBM performance management and appraisal system evaluated employees based at least in part on the basis of whether or not they demonstrated the new skills and behaviors associated with recently completed training and development programs.
- *Act*—Gerstner reinforced, sustained, and advanced the ongoing importance of training as a key to sustained competitive advantage for IBM. The firm did so by rewarding employees from a compensation standpoint at least in part based on the training components of performance appraisals. Additionally, the corporate knowledge bank championed by Gerstner further solidified the importance of training by ensuring that tacit individual employee learning was codified and shared with the larger organization.

Levels of Training Evaluation

Clearly, the IBM case reflects a keen understanding of the critical interdependencies that exist between training, performance management, and compensation. Such systemic design of HR practices is critical to the widely embraced, hierarchical training evaluation

construct that considers the reaction, learning, behavior, and results levels of training evaluation.[3] Once again, the above outlined case study of IBM can be further illuminated via this framework:

1. *Reaction*—the first level of training evaluation. At IBM, Gerstner ensured that all participants in formal training sessions/workshops completed evaluative questionnaires immediately upon completing the session/workshop. These questionnaires included assessment of participants' reactions to the instructors, facilities, and general usefulness of the session/workshop content.
2. *Learning*—the second level of training evaluation. Gerstner ensured that "graded" simulations and exercises were part of every management training session/workshop at IBM. These simulations/exercises involved participants receiving real-time, evaluative feedback from both instructors and colleagues.
3. *Behavior*—the third level of training evaluation. As outlined above, Gerstner ensured that employee behavior vis-à-vis the training initiatives was evaluated via IBM's performance management process, and reinforced via IBM's compensation system. In short, IBM employees were evaluated and compensated at least partially based upon their demonstration of the skills and competencies addressed in the training sessions/workshops that they had attended.
4. *Results*—the fourth and highest level of training evaluation. In the end, it can be argued that IBM recovered from the brink of being delisted by the New York Stock Exchange at least in part due to the heavy investment that Gerstner catalyzed in organization learning and related training initiatives.

See also Employee Development: An Overview; Training; Learning Organizations; Needs Analysis

NOTES

1. Jerry G. Gilley and Ann Maycunich, *Organizational Learning, Performance, and Change* (Cambridge, MA: Perseus Publishing, 2000); David Ulrich and Wayne Brockbank, *The HR Value Proposition.* (Boston: Harvard Business School Press, 2005).

2. Judy D. Olian, Cathy C. Durham, Amy L. Kristof, Kenneth G. Brown, Richard M. Pierce, and Linda Kunder, "Designing Management Training and Development for Competitive Advantage: Lessons from the Best," *Human Resource Planning* 1 (1998): 20–31.

3. David Kirkpatrick, "Four Steps to Measuring Training Effectiveness," *Personnel Administrator* (November 1983): 17–28.

Scott A. Quatro

Chapter 3

Performance Management

Performance Management: An Overview

The performance challenge facing every organization is to develop management systems that make employees the firm's greatest asset. Designing, developing, and implementing an organization-wide performance management process links performance to the organization's strategic goals and objectives, constituent needs and expectations, and employee compensation and rewards. Applying the concepts, principles, and ideas of the performance management process at both the organizational and individual levels promotes maximum efficiency and performance throughout the firm.

Many ineffective organizations use an outdated, overly simple performance management process in which: (1) they identify and assemble the material resources required for employees to perform the job; (2) workers engage in activities to complete tasks; and (3) employers assess employees' performance and allocate compensation and rewards.[1] This simple process has its roots in the Industrial Revolution of more than a hundred years ago, when supervisors needed a fast, efficient way to manage a multitude of workers often performing similar routine manufacturing tasks. Today's sophisticated workforce demands more of its managers.

The dilemma facing many organizations is their ignorance regarding how to manage performance, develop people, or create initiatives and techniques that enhance effectiveness. Quite simply, how can companies transform their leaders, managers, and employees into high performers who are their greatest asset? This requires creating a performance management system that allows organizations to prepare for growth, achieve their strategic goals and objectives, and enhance organizational capability and competitiveness.

Successful performance management initiatives mandate significant change in organizational philosophy, operations, and strategy. This monumental effort requires firm leaders to sponsor and embrace change, since they are responsible for the performance of their organization and its employees. This section explores the specifics and challenges of performance management, including evaluations, feedback, performance analysis, motivation, retention, and more.

Improving Performance Management

Organizations have, over the years, learned much about human productivity, employee work and motivation, components of supervisor effectiveness, and the impact of organizational leadership and support with respect to performance management. As a result, more

contemporary models of effective performance management have evolved. These models incorporate numerous human resource management theoretical frameworks, such as goal setting, motivation, coaching, feedback, and rewards.

Effective performance management techniques are applicable at the organizational, departmental (business process), and individual levels.

Organizational Level. The primary aim of performance management at the organizational level is achievement of strategic goals and objectives. Common organization goals and objectives include increases in sales, customer satisfaction, or profits; greater community involvement; higher rankings or perceived quality compared to competing firms; and so forth.

Department (Business Process) Level. No department or division is an island—all interact with or support others. Every job interacts with others at the business process or departmental level (e.g., finance, human resources, admissions, counseling, accounts payable, etc.).[2] Establishing goals for each process, function, and department collectively helps the organization meet the needs and expectations of its internal and external stakeholders.

Identifying interfaces between these business processes to reduce breakdowns or isolate potential improvements improves organizational efficiency and overall performance. In turn, organizations are able to uncover related opportunities for individual employee performance improvement, growth, and development.

Individual Level. Employees execute the tasks and assignments required to meet individual, departmental, and organizational responsibilities. Although

> the organizational and business process levels may be architectural masterpieces, if performers cannot execute efficiently and effectively, performance quality and outputs will be negatively affected. Unless organizations create conditions by which their employees can produce adequate products and services, organizational process goals will be jeopardized.[3]

Individuals are the heart of any organization—we do the work! Hence, the discussion that follows focuses on performance management at the individual level.

With an understanding that firm supervisors and managers possess diverse backgrounds typically *not* in human resource management, we will expand on the six-step contemporary system of performance management mentioned earlier in order to provide a systematic, comprehensive, in-depth approach useful to all. We suggest an enhanced performance management system that consists of the following 11 steps.

1. Identify stakeholder needs and expectations
2. Link the job to the organization's strategic goals and objectives
3. Provide resources
4. Establish preliminary job-related performance goals
5. Hire/promote/select qualified performers
6. Establish employee-specific performance goals
7. Develop performance standards and expectations
8. Coach and provide feedback
9. Conduct developmental evaluations
10. Create performance growth and development plans
11. Link compensation and rewards to individual goals, growth, and development.

Roles in Performance Management

Performance management forces organizational leaders to assume additional roles and their related responsibilities: champion for change, performance management advocate, and performance coach.

Change Champion. Improving performance within organizations requires firm leaders to accept their role as its champion, identifying key success details for building performance capacity. Seven critical factors of success build capacity for performance management and improvement.[4] Firm leaders must:

1. Lead performance management and improvement initiatives
2. Mobilize commitment for performance management and improvement
3. Modify initiatives and structures to support performance management and improvement
4. Monitor employee progress through performance management initiatives
5. Make performance management last by reinforcing and rewarding employee growth and development
6. Create a shared need for performance management and improvement
7. Shape a vision for performance management and improvement initiatives

Effectively sponsoring change requires a basic understanding of the nature of change and the human response to it. The nature of change may be categorized by type:[5]
- *Micro changes* are small, manageable, common transitions, such as adopting a new instructional method, adding new software to one's computer, or participating in graduate studies.
- *Organizational changes* are large-scale transitions that affect interactions, reporting relationships, and responsibilities. Examples include organizational reorganization or merging of departments.
- *Macro changes* are massive transitions that alter one's life or change ones assumptions, values, or beliefs. The events of September 11, 2001, for example, represent a macro change for millions of people.

Micro change occurs when "I" change; organizational change is when "we" change; macro change involves "everyone." Although the term *macro* sounds extensive, it seldom occurs; but when it does, it dramatically affects our lives. Such change alters the way we think and behave forever.

Human begins are inherently resistant to change, and often fear it. We are more comfortable and inclined to embrace the known, familiar, and routine, even when change may be in our best interest. Change can be frightening, particularly when it forces us out of our comfort zone or area of expertise, or exposes us to potential failure. Change champions understand our reactions to change and set up conditions for employee success. They provide individuals with abundant communications, tools, and support to help workers integrate change into their organizational lives. Ultimately, the keys to successful change management are understanding, communication, and support.

Performance Management Advocate. Effective firm leaders serve as advocates during the performance management process, acting as guides, providing and interpreting information, identifying problems, facilitating solutions, and evaluating outcomes. Advocates are proactive "scouts" who pioneer ways the organization can successfully implement the process.[6] As scouts, firm leaders focus on the success of performance management, acting as change ambassadors within the firm. Advocates for performance management

demonstrate vision, possess credibility with other decision makers and stakeholders, and ask the organization to take risks that may seriously impact its future.

Performance Coach. Employing performance management requires a dramatic shift in the role of the firm leader to that of performance coach. Coaches are responsible for establishing rapport with employees, encouraging face-to-face communications, being active participants with employees rather than passive observers, and engaging their listening, questioning, and facilitation skills to achieve desired organizational results.

As discussed earlier, performance coaches engage in four distinct roles (trainer, mentor, confronter, counselor). As such, performance coaches' responsibilities are varied and ever-changing, depending on the situation. They function as cheerleaders, listeners, feedback providers, motivators, advisors, and so forth.

Conclusion

Organizations are systems operating on three distinct levels: organizational, departmental (business process), and individual. Each level requires evaluation based on its goals, design, and management practices. Although it is often more expedient to view organizational management from a macro level, the performance challenge is best addressed by applying the principles and concepts of the performance management process at the individual level. This process offers a long-term approach that enables firm leaders, managers, and employees—in spite of their different perspectives—to develop a common view of the organization and its future.

Performance management is a comprehensive, systematic process that benefits all organizational levels and employees by enhancing individual and collective performance. Performance management is comprised of goal setting, establishing related standards and expectations, performance coaching, developmental evaluation, creating growth and development plans, and linking compensation and rewards to individual growth and development.

NOTES

1. James Fuller and Jeanne Farrington, *From Training to Performance Improvement: Navigating the Transition* (San Francisco: Jossey-Bass, 1999).

2. Geary A. Rummler and Alan. P. Brache, *Improving Performance: How to Manage the White Spaces on the Organizational Chart* (San Francisco: Jossey-Bass, 1995).

3. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge* (Cambridge, MA: Perseus Books, 1999), 42.

4. David Ulrich, *Human Resource Champions* (Boston: Harvard Business School Press, 1997).

5. Daryl R. Conner, *Managing at the Speed of Change* (New York: Villard Books, 1992), 79.

6. Jerry W. Gilley and Ann Maycunich Gilley, *Strategically Integrated HRD,* 2nd ed. (Cambridge, MA: Perseus Publishers, 2003).

Ann Gilley and Jerry W. Gilley

DEVELOPMENTAL EVALUATIONS

One of the most important activities that organizations can do to improve productivity, performance, and quality is to conduct regular (monthly, quarterly, semiannual, or

annual) performance appraisals with every employee. Performance appraisals, sometimes called performance reviews, give managers the opportunity to judge the adequacy and quality of employees' performance useful in adjusting compensation levels and create professional development plans aimed at improving future performance. Unfortunately, the term "performance appraisal" restricts the manager's ability to work collaboratively with employees in their development. This is because the term "appraisal" often is perceived negatively, which can create defensiveness on the part of employees when engaging in the review process. To overcome this problem, we refer to performance appraisals as developmental evaluations.[1]

Developmental evaluations are an excellent way to analyze employee performance and make recommendations for improvement. Many employees fail to perform adequately due to barriers that prohibit exemplary performance.[2] Developmental evaluations help isolate these obstacles and formulate strategies for overcoming them.

The principal purpose of a developmental evaluation is to assess the employee's strengths and weaknesses. In this way, developmental evaluations provide managers with opportunities to analyze employees' knowledge, skills, and attitudes, and to determine those areas of excellence or needing improvement. These evaluations also present opportunities for managers and employees to discuss current and future developmental goals and objectives, and how employees plan to achieve them. Most importantly, developmental evaluations are a vehicle for discussion of future growth and development activities that will enhance employees' abilities and competencies as well as advance their careers.[3]

At the core of every developmental evaluation lies the concept of feedback. In this way, developmental evaluations and performance coaching are very similar activities. The fundamental difference between the two is that performance coaching is an ongoing minute-by-minute, day-by-day feedback opportunity, while developmental evaluations are designed to be formal, summative evaluations. In some respects, both performance coaching and developmental evaluations are designed to achieve the same goals—the creation of growth and development plans that improve employee performance. Accordingly, developmental evaluations are specific and timely in order for employees to make corrections and improvements required to bring about desired business results.

Without corrective and meaningful feedback needed to make appropriate performance adjustment, employees will be "flying blind" without any kind of assistance from their manager or the organization. Consequently, they will make decisions regarding their performance without adequate data. Absent such informative data, employees will make mistakes, which could have disastrous outcomes. Fortunately, developmental evaluations give managers the opportunity to share their perspectives of their employees' performance and discuss means of improvement. In this way, developmental evaluations serve a vital function within the organization.

Types of Developmental Evaluations

Managers can use one of five different types of development evaluations to improve employees' performance. Each of these five differ in application, focus, purpose, manager's role, employee's role, and power distribution. The types of developmental activities include:

- Work planning and reviews are used to direct, control, and improve performance. Their focus is on an employee's current job and is designed to manage workflow by objectives

and results. Work planning and reviews are characterized by discussions between managers and employees about the goals and objectives employees are attempting to achieve, and the results they are attempting to accomplish.

- Compensation reviews are intended to motivate employees by rewarding past efforts and identifying future compensation and reward potential for upcoming performance. The focus is upon identifying the compensation and rewards an employee will receive as a result of meeting or exceeding performance standards. They are characterized by review of salary structure, merit increases, bonuses, benefits, and nonmonetary rewards that are appropriate based upon an employee's past and anticipated future performance.
- Developmental planning's purpose is to improve employees' knowledge, skills, and attitudes. The focus of this evaluation is on skill building, and is characterized by preparing self-improvement and personal growth activities and action planning. As a result, agreed-upon growth and development plans begin to surface.
- Career planning is the process of establishing individual career objectives for employees and creatively developing long-term developmental activities to achieve them. Career planning differs from growth and development plans in the time frame encompassing maximization of knowledge, skills, and abilities. In short, career planning is a long-term process of charting an employee's career, while growth and development plans help improve employee production immediately.
- Human resource planning is designed to maintain organizational continuity vis-à-vis human resources over an extended period of time, focusing on career pathing, succession planning, and blending high potential career actions. Human resource planning remains largely the exclusive domain of managers and executives, with limited solicited employee input. Ultimately, the final human resource determination lies with the organization.[4]

Examination of each of the five unique developmental evaluation activities reveals that they are conducted for very different reasons while focusing on distinct activities and outcomes. Further, each of the five developmental evaluations is a separate developmental evaluation opportunity and should not be used in combination, as their purpose differs greatly.

Unfortunately, the most common evaluations that are mistakenly combined are those of work planning and compensation review. Given that work-planning evaluations are conducted to direct, control, and improve performance, they should not be combined with discussions related to an employee's compensation and rewards. Compensation and reward evaluations should be separate activities used to reward employees for past performance achievements and motivate future accomplishments. Mistakenly, these two separate, distinct reviews are completed in combination. Thus, employees enter into the developmental evaluation process solely interested in the identification of their future compensation and rewards. This bias often prevents open, honest discussions about current or future performance and prohibits an in-depth analysis of strengths and weaknesses. Employees enter this evaluation process anticipating the amount of salary increase or potential bonuses to be received as a result of their performance. Thus, it is inappropriate to combine them, as their individual effectiveness is weakened.

Conclusion

Developmental evaluations provide employees with feedback on their performance, help recognize their strengths and achievements over a specific period of time, identify areas where they can continue to grow and develop, define performance goals for the next 6–12 months, and review the "match" between the organization's expectations and those

of employees. Quite simply, developmental evaluations help organizations make decisions regarding the performance of employees and aid in construction of developmental and career planning activities that enhance their work.

See also Performance Coaching; Performance Appraisals

NOTES

1. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset* (Cambridge, MA: Perseus Books, 1999).

2. Jerry W. Gilley, *Improving HRD Practice* (Malabar, FL: Krieger Publishing Co, 1998).

3. Jerry W. Gilley and Ann Gilley, *The Manager as Coach* (Westport, CT: Praeger, 2007).

4. Jerry W. Gilley and Joe Davidson, *Quality Leadership* (New York: Wm. M. Mercer, 1993).

Jerry W. Gilley and Ann Gilley

EVALUATION

One of the most important and powerful components of HRM practice is that of evaluation. Evaluation should be a daily practice presiding over each component of HRM practice, including selection and recruiting, employee development, organizational and needs analysis, the performance management process, compensation and reward system, HR practices, policies, and procedures, and organizational development and change management initiatives. As an operational approach: evaluate, evaluate, evaluate. When uncertain of usefulness, effectiveness, or credibility: evaluate. Then and only then will HRM professionals be able to determine the viability, reliability, and utility of HR programs, activities, partnerships, initiatives, interventions, practices, and processes.

Evaluation is a process, not an event, that involves all key decision-makers, stakeholders, and influencers, and should be influenced by a clear understanding of the organization's performance and business needs, as well as its strategic goals and objectives.[1] As a process, evaluation is used to measure every aspect of the HRM function. Accordingly, it should measure the HRM philosophy and practice, as well as the impact and utility of strategic business partnerships.

During the evolution of the HRM function, evaluation displays the distinctive characteristics of each phase. During the activity phase of HRM (see the entry on HR Strategy), the majority of evaluation occurs at the completion of programs and/or tranactions. However, as HRM crosses over the line of demarcation from an activity to a results orientation, which is the value-added phase, the evaluation process changes dramatically. Now evaluation becomes a tool for measuring performance improvement and the impact of various interventions, initiatives, partnerships, and strategic practices throughout the organization. Consequently, evaluation captures the scope, depth, and degree of impact HRM professionals and their interventions and practices have on the organization.

The Evaluation Process

Regardless of the type of evaluation completed, the evaluation process consists of six steps, each of which is essential and based upon the previous steps. Quite simply, the evaluation process compares results with objectives. The six steps include:

1. Collecting data
2. Analyzing data
3. Interpreting and drawing conclusions from the data
4. Comparing conclusions to stated objectives
5. Documenting results
6. Communicating results to key decision-makers, stakeholders, and influencers.[2]

A variety of data collection techniques are used during the evaluation process, including questionnaires, interviews, focus groups, organizational reports and records, pretests and posttests, and management's perception of change. Each of these techniques can be used to collect the data necessary to draw conclusions and make recommendations to stakeholders and decision-makers.

To improve the accuracy of the evaluation process, HRM professionals should use an intervention analysis worksheet. This is a simple, straightforward guide designed to capture more salient information regarding the impact of any HRD intervention or initiative. An intervention analysis worksheet inculdes the following information:

• What is the name of the intervention or initiative?
• What organizational change took place? Have performance skills, knowledge, or business results changed or improved as a result of the intervention or initiative?
• What on-the-job performance behaviors changed as a result of the intervention or initiative? What were the organizational benefits as a result of the intervention or initiative?[3]

Such tools helps HRM professionals capture information that can be used to improve interventions and initiative as well as improve their implementation. Further, the information gathered can serve as the foundation for individual interviews and focus group activities. The definitive benefit of the intervention outcome analysis tool is that it allows HRM professionals the opportunity to discuss their interventions or initiatives with key decision-makers, stakeholders, and influencers and gather their perceptions, opinions, and points of view. Such an engagement can only help improve the image and credibility of HRM professionals within the organization.

Validity, Reliability, and Utility

Since the accuracy of evaluation results impact image and credibility of HRM professionals, they must be accurate. Therefore, the three criteria of validity, reliability, and utility should be used to measure the effectiveness of an evaluation.

Validity
Validity is concerned with the extent to which an evaluation measures what it is supposed to measure.[4] Accordingly, evaluations should be more objective as they attempt to isolate and control independent variables (things that affect the outcome[s] of the evaluation), which can alter the evaluation's accuracy. Three types of validity relevant to HRM evaluations are content, predictive, and concurrent validity.

Content Validity. Content validity is used to ensure that evaluations represent specific competencies, performances, and skills that reflect actual practice. Therefore, HRM professionals must guarantee that the questions used to assess employee performance or level of competence accurately measure real-life events when constructing an evaluation. Content validity ensures that evaluations test *real-life practices* under circumstances and conditions similar to those encountered on the job. When evaluations are developed in such a way as to achieve this end, they will be meaningful as well as useful.

Predictive Validity. Predictive validity refers to an evaluator's (HRM professional) ability to predict future performance.[5] It assures that the evaluations used accurately reflect what an employee accomplishes on the job. Two types of data are involved:

- The results of an evaluation
- Individual performance on the job

If the evaluation has high predictive validity, an employee scores high on an evaluation and performs at a high level on the job. Evaluations exhibiting this type of validity serve as the foundation for predicting future performance and organizational outcomes, which become valuable information for supporting the utility of HRM interventions, initiatives, and practices. Such outcomes, again, are useful in improving the image and credibility of HRM, its programs, and professionals.

Concurrent Validity. Concurrent validity is used to determine whether or not evaluation results provide an accurate estimate of present performance.[6] As with predictive validity, concurrent validity involves the relationship between the evaluation and some other measure. For example, comparing the results of a written test with that of performance observations enables HRM professionals to test the accuracy of each evaluation technique. A strong correlation (relationship) in results allows for use of the most cost-efficient evaluation technique, since either one can predict on-the-job performance accurately.

Reliability

Consistency and stability of an evaluation indicate its reliability.[7] It could be said that an evaluation is reliable if results are consistent and scores do not change significantly over time, which is known as test/retest reliability.[8] Evaluations are also considered reliable if scores do not change a great deal when different variations of the same evaluation are used. In other words, if the order of questions used during a focus group or an interview varies from evaluation to evaluation, but the evaluation includes the exact same questions and the results are similar, the evaluation is considered reliable. This is referred to as equivalent form reliability.

Utility

Evaluation must also be easy to use while being valid and reliable. Accordingly, HRM professionals must consider ease of scoring, distributing, administering, and interpreting various evaluations prior to selecting the most appropriate form. Additional factors influencing utility include evaluation subjectivity, comparability of scores and performances, and cost.[9]

Conclusion

Evaluation is the key to reflective insight and continuous improvement. Without evaluation, HRM professionals will never truly know how well they are performing or how they are perceived within the organization. Failure to evaluate is equivalent to HRM malpractice and deception. Further, evaluation is a state of mind, not a technique, and should guide everyday practice and activities. Consequently, it provides invaluable information that can only help improve the image and credibility of the HRM function within the organization.

NOTES

1. Jerry W. Gilley, Steven A. Eggland, and Ann Maycunich Gilley, *Principles of Human Resource Development,* 2nd ed. (Cambridge, MA: Perseus 2002).
2. Ibid.
3. Ibid, 388.
4. Ibid.
5. Ibid.
6. Ibid.
7. Ibid.
8. Ibid.
9. Ibid.

Jerry W. Gilley and Ann Gilley

EXIT INTERVIEW

An exit interview occurs between an employer and employee when the employee has given notice to terminate employment. Long considered perfunctory, exit interviews can be a strategic tool that can help employers reduce turnover, increase retention, and hire more strategically in the future. Exit interviews can yield information that allows employers to more proactively manage their employees.

When to Interview

There is some debate as to when to conduct an exit interview; therefore, employers should consider their specific needs when determining what works best for them. Options include: right after an employee announces his resignation, midway through the notice period, a few days before the employee leaves, when an employee returns to collect a final paycheck or turn in his uniform, or two to seven weeks after an employee has left.

Each option has its strengths and weaknesses. Conducting the interview early on provides the opportunity to counteroffer, especially if the purpose for leaving is strictly financial.[1] Waiting for several weeks after an employee gives notice allows for an employee to address the multitude of HR actions that generally occur (i.e., benefits, insurance, workload transitions, etc.) during one's final days. Time in between allows employees to deal "with their own cognition about why they are leaving."[2] Generally, however, conducting an exit interview during an employee's final week or last day is discouraged, as the employee is usually focused more on the transition and less on the reasons why.

How to Interview

Interviews can be conducted in person, via a paper survey, or by using an electronic survey on the Internet. Many of the Web-based interviews provide greater anonymity and confidentiality, and can often interpret data as well.[3] Interviews can be conducted by internal HR professionals, or employers can elect to use outside sources (which may be perceived as more neutral). Exit interview forms should be consistent across the company.[4] Increasingly, employers are looking to technology to automate the exit interview process.[5]

However an employer chooses to conduct an interview, a few basic guidelines should be followed. Always give advance notice to the employee that he will be asked to conduct an

exit interview. Interviewers should be respectful, considerate, and appreciative of the outgoing employee's time and input; interviewers should not be defensive. Finally, information gathered at an exit interview should be kept confidential, and the former employee should be made aware of this.[6]

Why Interview

Exit interviews can yield valuable information into the current operations of a company that can lead to positive change.[7] Employers should strive to learn as much as possible about why employees leave so that changes can be implemented to decrease turnover and increase retention.[8] Also, departing employees often want to "help" those who stay behind by offering constructive comments that might result in improved work situations.[9] Employees should be informed that information gathered may be used to make concrete changes in the future.[10]

Exit interviews can inform future hiring decisions. Some employers use the information gathered at exit interviews to create preferred candidate profiles. Others have developed databases of insights, focusing on trends and patterns in the information rather than single anecdotes.[11] Examples of changes that have been made as a result of exit interviews include changes in supervisor training, changes in incentive programs, and changes in pay packages.

What to Ask

Exit interviews should seek to understand workers' motives, attitudes, and insights. Interviewers should "avoid being too general or asking leading questions."[12] Open-ended questions will allow employees to speak from their own experience. Interviewers should listen carefully, probe for greater detail, not make assumptions, and avoid arguing with the interviewee. Interviewers should strive to "keep the interview going in as positive a direction as possible" and worry about "validating and analyzing" the information later.[13] Questions an interviewer might ask include:
- If the CEO left unexpectedly today and you were put in charge, what are the first things you would change?
- What could have changed six months ago that would have prevented you from looking for a new job?
- If you were not looking, what factors tipped the scale when an opportunity came up?
- Who do you think is next to resign? And why?
- If one person from the firm would cause you to think twice about leaving, who would that person be?
- Why did you not leave us sooner than now?
- How did your manager communicate your responsibilities? Do you think he or she was fair and reasonable?
- Describe any areas of conflict that have affected either your performance or morale, or that you believe affected other employees.[14]

NOTES

1. Scott Westcott, "Goodbye and Good Luck," *Inc.,* April 2006, 40.
2. "How New Style Exit Interviews Can Help You Reduce Turnover," *Human Resource Department Management Report,* April 2005, 2.

3. Ibid.

4. Margaret Macafee, "...Conduct Exit Interviews," *People Management,* July 2007, 42.

5. "How New Style Exit Interviews Can Help You Reduce Turnover," 2; and Kathy Gurchiek, "Execs Take Exit Interviews Seriously," *HR Magazine,* January 2007, 34.

6. Westcott, "Goodbye and Good Luck," 40.

7. Terry McKenna, "How to Conduct Exit Interviews," *National Petroleum News,* May 2007, 23.

8. Don H. Harris, "The Benefits of Exit Interviews," *Information Systems Management,* Summer 2000, 17.

9. Harris, "The Benefits of Exit Interviews," 17, and Westcott, "Goodbye and Good Luck," 40.

10. Westcott, "Goodbye and Good Luck," 40.

11. Ibid.

12. Harris, "The Benefits of Exit Interviews," 17.

13. Ibid.

14. Westcott, "Goodbye and Good Luck," 40.

Lynda Kemp

FEEDBACK

Feedback is the sharing of observations about job performance or work-related behaviors. The goal is to achieve work objectives by reinforcing or changing behavior.[1]

Feedback can be given upward, downward, and laterally, by an employee to his/her manager, direct reports, or peers. One of a manager's most important responsibilities is to provide actionable feedback to his/her direct reports to enable them to build on their strengths, address areas in need of development, and achieve their performance goals.

Benefits of Effective Feedback

Providing timely and actionable feedback to the employee has many benefits. Feedback:
- Reinforces appropriate behaviors
- Aids an employee in correcting inappropriate or ineffective behaviors
- Ensures the employee has a clear understanding of his/her manager's expectations
- Provides clear direction to the employee for improving his/her work performance
- Encourages and supports employee development
- Promotes constructive communication between the manager and the employee.

Giving Effective Feedback

In order for feedback to have a meaningful and positive impact on the recipient, it is important that the giver of the feedback follow some general guidelines.

1. *Give feedback as close to the performance event as possible.*[2] To have the greatest impact, the feedback should be given to someone soon after you have observed his/her performance. This will allow the person to recall the specific situation and his/her actions and put the feedback in the proper context.

2. *Address behaviors and actions, not personality.* Avoid accusations and personal attacks such as "You did...," and "Why did you...?" which lead to resistance and resentment. Instead, focus on behaviors and consequences, such as "Arriving 15 minutes late delays the team and hinders its productivity."

3. *Balance the good with the bad.*[3] Too much of anything can be a bad thing, including critical feedback. Try to balance criticism with positive feedback whenever possible. Let the person know what she is doing well as well as what performance she needs to improve. This may not always be realistic, but if the giving of feedback is generally balanced, the receiver will be more likely to accept critical feedback when it is given. An effective strategy is to start with a positive observation, provide the critical feedback, and end with a positive comment.

4. *Be sure that the intent in giving feedback is to be helpful, and not punitive, and that the person knows it.*[4] A part of giving effective feedback is establishing a trusting relationship with the recipient. It is critical that the recipient of the feedback trust that the feedback is being given as a means to help him be more successful.

5. *Make sure the feedback is concrete and specific.*[5] When giving feedback about a person's performance, it is important to provide meaningful and actionable feedback to him. This can be done by providing the specific details of the situation that was observed, the actions that the person took, and the results that these actions had on the person's performance. By providing specific examples of demonstrated behaviors to the person and the results that his behaviors and actions had on performance and the business, the giver of the feedback can coach the recipient on why/how those actions led to a positive or negative outcome.

6. *Ensure that the feedback is actionable.*[6] Feedback should be given about actions or behaviors that a person can change or enhance. Giving feedback or criticism about a person that cannot be changed (e.g., someone's height) is not helpful, as they cannot take action on this feedback.

7. *Avoid making sweeping generalizations.*[7] As mentioned before, providing specific examples of actions or behaviors is essential; sweeping generalizations, such as "You always…" or "You never…" can put the recipient of the feedback on the defensive and cause the feedback to go unheeded and unaddressed.

8. *Provide examples of appropriate performance.*[8] Identify the change that must occur in terms of steps to be followed or other specific ways to improve knowledge, skills, or performance.

9. *Review the downside of continuous poor performance.*[9] The employee must clearly understand the consequences of poor performance, and that change must occur.

10. *Check for agreement/understanding and establish a commitment for next steps.* Once the feedback has been given, the giver should confirm that the recipient understands the feedback that has been given. If the giver of the feedback is the recipient's manager, then it is appropriate for the manager and the employee to discuss what steps the employee should take to act on this feedback and by when. The manager and the employee should then commit to a date when they will meet to check in on the commitment for action.

11. *Express confidence in the employee's ability to improve.* All employees possess areas of strength. Offer support and share your confidence in the employee's ability to be a valued member of the organization.

NOTES

1. *Harvard Business Online: Harvard Manage Mentor* (Cambridge, MA: Harvard Business School Press, 2001).

2. Terry R. Bacon, *Effective Coaching* (Durango, CO: International Learning Works, 1997).

3. Ibid.

4. Ibid.

5. Ibid.

6. Ibid.

7. Ibid.

8. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge* (Cambridge, MA: Perseus Books, 1999).

9. Ibid.

Stephanee Roessing

FORCED RANKING EVALUATION

Forced ranking is a form of evaluating employee performance within an organization. Organizations such as General Electric, Ford, PepsiCo, Cisco, Sun Microsystems, and other Fortune 500 firms use a form of forcefully ranking the performance of their employees relative to a peer group.[1] Other euphemisms for this approach include vitality curve, quartile ranking, up or out policy, rank and yank, top grading, differentiation, and laddering.[2] GE is probably the most widely known for its forced ranking system.

Forced ranking systems are very appealing from an executive point of view. It forces organizations to invest in top performers and to coach lower performers to either improve or allow the employee to move on to another organization that would fit that employee better, by giving the employee feedback that is honest and consistent. The belief is that if you continually invest in the best performers, then you increase the performance potential of the organization. The process involves systematic and rigorous assessments that managers perform at regular intervals during the year.[3] The assessments are usually along a competency-based evaluation approach in which employees are assessed based on their ability to master certain defined job-critical skills. Those employees are then compared to others within their peer group.

The Basics

How does forced ranking really work? Given the nature of the system, assessments and assessment tools are very important. Subjectivity is something that can undermine the entire system. Ideally, forced ranking maintains a level of transparency that allows employees to determine their development needs with the mentoring of their supervisor in order to improve performance. In actuality, forced ranking evaluates one individual's performance against the performance of another or others, creating a relative rather than an absolute measuring device. Three of the most popular ways to compare employees is through "group order ranking, individual ranking, and paired comparisons."[4]

With group order ranking, all employees are placed into a particular classification, such as top one-fifth or second one-fifth. Often used for admitting students into higher education, this evaluation technique places students into segments of the total population. When managers use this type of ranking, all of their subordinates are ranked. For instance, if a manager has 25 subordinates, then five would be in the top one-fifth while five would be in the bottom one-fifth.

Individual ranking orders employees from best to worst. The approach assumes that there are equal differences between each employee, such as the difference between the first and second employee is the same as the difference between the 21st and 22nd.[5] The goal is a clear ordering of employees from the best performer to the lowest performer.

A paired comparison identifies each employee with every other employee and rates each as either the superior or weaker member between the pair. The employee is provided a

summary of ranking derived from the total superior scores received. Although this method is administratively cumbersome, it ensures that every employee is compared against every other.

Ford Motor Company utilizes a group order ranking by dividing all 18,000 employees into groups of 30 to 50 employees. Their system defines that 10 percent receive an "A," 80 percent receive a "B," and 10 percent receive a "C." C players, as this group has become known, are restricted from pay increases, and if they sustain C ratings for two consecutive years, they are either demoted or terminated. Many "self-select" out of the organization as a result of these rankings. General Electric has a similar well-known program, in which the breakdown is 20 percent, 70 percent, and 10 percent. The focus in both these scenarios is to keep and reward the top performers while removing the bottom groups. Performance is believed to be built by virtue of raising the standard every year and increasing quality within the organization by removing those who are not in line with expectations.

Pros and Cons

Proponents of forced ranking suggest that the true cost of keeping low performers are great, and actually weaken the company.[6] A study on profit growth within one company showed that "A managers grew profits on average 80% in one company and 130% in the other, while C managers achieved no profit growth."[7] Other arguments are that by keeping low performers in a role, they are occupying a role that is then not available to an A player or a high performer, thus limiting the advancement of the very people whom the organization wants to retain. Those who are asked to report to a C player are believed to be subjected to limited learning opportunities, are held back from being able to make a strong contribution, and ultimately may leave out of frustration that advancement is not available.

On the other side of the argument, some scholars argue that performance within a forced ranking system neglects to take into consideration that there is not necessarily a normal distribution curve in performance and potential of employees.[8] It has been suggested that to gain a normal distribution, a sample size that is typical in teams (in the tens) is not large enough to make the assertion that individuals within a forced ranking system have been randomly sampled (usually in the thousands). This undermines the belief that a forced ranking system maintains objectivity. The argument continues that if hiring and development practices are effective, then there should be no need to identify later that there are average and poor performers.[9] Another difference in opinion is the belief that given certain dynamics of teams, a forced ranking system can actually serve to shroud low performers if they are in a low-performing team. Is it the same to remove the worst employees from a high-performing team as it is to not remove the best employees from a team of bad performers?[10] Additionally, ranking individuals against each other in an environment where team work is valued sends a contradictory message.

Identifying Performance

In "A New Game for C Players," the authors conducted a study in which only 16 percent of managers strongly agreed that their company knew who the higher and lower performers were in the senior ranks.[11] This issue is compounded at the line level, where a supervisor may have 20 or 30 subordinates to review. Critical to a forced ranking process is the ability to review and rank employees within the underpinnings of fairness.

The process that accompanies a forced ranking system is detailed and rigorous. Implementation of a forced ranking system takes on an added requirement because they can be grounds for wrongful termination or EEO-related lawsuits on the basis of a disparate impact if not implemented properly.[12] The goals of most performance appraisal processes are to:

- Help or prod supervisors to observe their subordinates more closely and to do a better job coaching.
- Motivate employees by providing feedback on how they are doing.
- Provide backup data for management decisions concerning merit increases, transfers, dismissals, and so on.
- Improve organization development by identifying people with promotion potential and pinpointing developmental needs.
- Establish a research and reference base for personnel decisions.[13]

Implementing a forced ranking system in an organization requires that care is taken to inform and train employees. Several "to-dos" are identified in IOMA's Report on Managing Customer Service:

- Give employees notice of the new policy.
- Clearly communicate objectives and measurable expectations, and involve the employee in goal setting.
- Provide accurate feedback as often as possible.
- Ensure evaluations contain concrete examples of good and bad performance [so that you can] avoid claims of biased stereotypes.
- Monitor your results to see whether your decisions are having a lopsided effect on the basis of age, race, gender, etc.
- Train managers on how the system is supposed to work, and be prepared to bring them back periodically for refresher training.
- Build quality-control checkpoints into the process to ensure quality of the performance reviews, quality of feedback to employees, avoidance of rater bias (e.g., leniency/strictness, halo effect, etc.), and compliance with relevant regulations and other legal considerations.
- Obtain regular feedback from employees on the effectiveness of the process and their perceptions of the system's fairness.
- Permit employees to challenge their performance ranking through internal dispute mechanisms. [14]

Conclusion

Clearly, there are perils to implementing a forced ranking process in any organization. Understanding the culture of the organization, and what limits of change the organization can handle, would be important when advising executives on the prudence of such measures. The executives may likely be enamored with the idea on some level. Harnessing the hidden potential in the existing talent will continue to be at the forefront of conversation in the coming years as organizations try to utilize every advantage within reach. It is within management and HR's ability to direct and foster appropriate tools for capturing the hidden organizational talent and potential. Kelly Holland reported in the *New York Times* in September 2006:

> It is instructive to note that critics of performance reviews have been around for a very, very long time. When the Wei dynasty in China rated the performance of its household members

in the third century A.D., the philosopher Sin Yu noted that "an imperial rater of nine grades seldom rates men according to their merits, but always according to his likes and dislikes."[15]

Whether it is with forced ranking or with another tool, known or unknown today, performance management is a concept that will change and adjust to market conditions, but will likely be around in perpetuity.

See also Human Capital; Performance Management: An Overview

NOTES

1. Sundararaman Ramesh, "What Value Does an Employee Add?" *IIMB Management Review* 16, no. 2 (2004): 21–27.

2. Ibid.

3. Stephen P. Robbins, *Organizational Behavior,* ed. Jennifer Glennon, 10th ed. (Upper Saddle River, NJ: Prentice Hall, 2003), 503–4.

4. Ibid.

5. Ibid.

6. Beth Axelrod, Helen Handfield-Jones, and Ed Michaels, "A New Game Plan for C Players," *Harvard Business Review* (January 2002): 80–88.

7. Ibid.

8. Ramesh, "What Value Does an Employee Add?"

9. Ibid.

10. Ibid.

11. Axelrod, Handfield-Jones, and Michaels. "A New Game Plan for C Players."

12. "Forced Rankings: Today's Performance Reviews Are Taking a More Serious Tone,"*IOMA's Report on Managing Customer Service* 11 (2001): 5.

13. Kelly Holland, "Performance Reviews: Many Need Improvement," *New York Times,* September 10, 2006, http://www.nytimes.com/2006/09/10/business/yourmoney/10mgmt.html?ex=1315540800&en=f9bf772cdd74e62e&ei=5088&partner=rssnyt&emc=rss (accessed March 18, 2008).

14. "Forced Rankings: Today's Performance Reviews Are Taking a More Serious Tone."

15. Holland, "Performance Reviews: Many Need Improvement."

Lisa Scott Brinkman

MOTIVATION

Employee motivation must be a central and overarching focus for HRM. The reality is that the direction, level, and persistence of effort demonstrated by employees is directly impacted by their individual and aggregate motivation levels. It is clear that the highest performing firms have highly motivated employees, and HRM functions that design and operationalize HRM practices are undergirded by a sound understanding of motivation theory. Ultimately, all motivation theories are grounded in a baseline understanding of the role that both extrinsic and intrinsic rewards play in affecting employee motivation levels.[1]

Extrinsic Rewards and HR Practice

An extrinsic reward is a motivational stimulus provided by someone else. In short, it is a reward that comes from outside the employee, and is thus offered to the employee as

incentive for certain behaviors. Extrinsic rewards are valued outcomes for a job well done. Several key truths relative to HRM practice and extrinsic rewards can be delineated.

- *Reward alignment*—in order for extrinsic rewards to be motivating, they need to customized to the aggregate organization. For example, the employees at Google are corporately motivated through challenging, broad-based assignments, whereas the employees at Mary Kay are corporately motivated via lavish public recognition ceremonies and rewards such as the coveted pink "career car." From a strategic HRM perspective, the key is to use the chosen extrinsic rewards to reinforce the desired employee behaviors, which in turn are aligned with the firm's overarching strategic objectives. At Google, these desired behaviors include collaboration and creativity, which are central to achieving strong performance in the IT industry. At Mary Kay, the desired behaviors are independence and entrepreneurialism, which are central to success in the direct-selling industry.
- *Reward attractiveness*—in order for extrinsic rewards to be motivating, they need to be customized to individual employee preferences. At Google, individual employees are afforded the flexibility of choosing which assignments to take and which to pass on. At Mary Kay, while the pink "career car" may be the ultimate reward and the color is nonnegotiable, recipients in the United States can choose from several makes and models, including a Saturn Vue, a Pontiac Vibe, and a Cadillac CTS. Or recipients can even choose a cash equivalent reward instead of the car.
- *Reward consistency*—in order for extrinsic rewards to be motivating, they must be consistently awarded. That is, once the organization and the HRM function have delineated the formal guidelines (as at Mary Kay) or even the informal, shared cultural expectation (as at Google) relative to the rewards, it is imperative that they be consistently administered. Imagine the impact if Mary Kay decided in a particular year to eliminate the "career car" award due to "unforeseen business challenges." The result would be significant erosion of motivational pull that had built up over many years (the first pink car reward was given to high-performing employees in 1969), and may never be fully recovered. Amazingly, many firms do exactly this when faced with financial pressures.

Intrinsic Rewards and HRM Practice

An intrinsic reward is a self-administered motivational stimulus. In short, it is a reward that comes from inside the employee, and is thus experienced by the employee as a natural by-product of performing certain tasks/jobs. Intrinsic rewards are valued emotional states experienced in relationship to the job itself. Intrinsic motivation and rewards are affected primarily via job design and ongoing career development. Specific intrinsic rewards include feelings of competence, personal development, and autonomy. Both Google and Mary Kay have designed jobs and related career development programs to reinforce these key emotional states throughout their employee ranks.

See also Performance Management: An Overview; Promotion; Job Satisfaction

NOTE

1. Edward E. Lawler, "The Design of Effective Reward Systems," in *Handbook of Organizational Behavior,* ed. Jay W. Lorsch (Englewood Cliffs, NJ: Prentice-Hall, 1987), 255–71; Edward Deci, *Intrinsic Motivation* (New York: Plenum Publishing, 1975).

Scott A. Quatro

PERFORMANCE ANALYSIS

Performance analysis is a formalized feedback activity designed to provide individuals with valuable information regarding the quantity and quality of their performance.[1] They help managers make difficult decisions regarding their employees' futures, and is useful in conducting performance appraisals, compensation reviews, career planning, and human resource planning. Performance analysis provides an opportunity for employees to create action plans to overcome performance deficiencies while building upon strengths and managing weaknesses.[2]

Performance analysis can be a formal or informal feedback process that helps organizations transform their employees into their greatest assets. These formal and informal feedback approaches enable employees to develop strategies for their continuous improvement, which ultimately leads to improved organizational responsiveness, quality, efficiency, and effect. Performance analysis is designed to provide individuals with valuable information regarding the quantity and quality of their performance. They help organization leaders and managers make difficult decisions regarding their employees' futures, and are useful in conducting work planning and review activities, compensation reviews, career planning, and human resource planning. Performance analysis provides a forum in which employees create action plans to overcome performance deficiencies while building upon strengths and managing weaknesses.

Performance analysis is also an examination of the knowledge, skill, abilities, and attitudes of employees, their current and future career goals and objectives, and the "match" between employees and organizational expectations. Such an analysis also helps determine how employee performance helps the organization achieve its strategic goals and objectives. Accordingly, performance analysis exposes performance problems and identifies solutions and opportunities for employee growth and development.

Critical Questions

Performance analysis discloses the existing and desired conditions surrounding an employee's performance. As a result, performance analysis answers the following key questions:

1. What results (performance outcomes) are being achieved?
2. What results are desired?
3. How large is the performance gap?
4. What is the impact of the performance gap?[3]

In preparation for a performance analysis, managers address a number of their own questions. Each will help set the stage for a substantive, outcome-based analysis and help provide a complete and comprehensive depiction of an employee's current performance and what prevents optimal performance from happening. Some of the questions include the following:

1. Have I compared the individual's performance outputs and activities with identified performance standards?
2. For what specific performance outputs or activities may I praise the employee?
3. In what specific areas do I want the employee to improve?
4. Can I support my evaluation of the person's performance with facts?

5. What specific improvement(s) do I want to see as a result of the evaluation meeting?
6. What kind of professional development activities can I offer my personnel?
7. What kind of follow-up do I have planned?
8. What type of action plan would I recommend for this individual?[4]

Evaluating the Performance Analysis Process

As a way of determining the effectiveness of performance analysis, it is critical to evaluate the process. This evaluation will also identify areas of improvement. Several important questions frame this evaluation:

- Did the performance analysis achieve its purpose?
- Did I help my employee examine her performance?
- How could I have made the analysis more productive?
- What changes could I have made in my approach to achieve a better outcome?
- What items or subjects could I have discussed that were omitted?
- What unnecessary items could I have omitted from the discussion?
- What did I learn about my skills and abilities?
- What did I learn about my employee that I did not know before?
- Do we (organization leader and employee) have a better understanding of each other as a result of the appraisal?
- Do I feel that I am able to conduct my next appraisal more effectively?
- What did I learn about my interpersonal skills (e.g., questioning, listening, handling difficulties)?[5]

Each of these questions provides managers with an opportunity to reflect upon the performance analysis process, its outcomes, and the employer-employee relationship that has been enhanced as a result.

See also Developmental Evaluations; Performance Appraisals

NOTES

1. Jerry W. Gilley and Ann Maycunich, *Organizational Learning, Performance, and Change: An Introduction to Strategic HRD* (Cambridge, MA: Perseus Publishing, 2000).

2. M. Buckingham and C. Coffman, *First, Break All the Rules: What the World's Greatest Managers Do Differently* (New York: Simon and Schuster, 1999).

3. William Rothwell, *Beyond Training and Development: State-of-the-art Strategies for Enhancing Human Performance* New York: AMACOM, 1996.

4. Ibid. 13.

5. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset* (Cambridge, MA: Perseus Books, 1999).

Jerry W. Gilley and Ann Gilley

PERFORMANCE APPRAISALS

A performance appraisal is the process by which an organization assesses the job-related performance and development of its employees. The process is twofold: (1) rating performance against company-set standards, and (2) providing feedback as to quality of work performed.

Purpose of Performance Appraisals

The purpose of performance appraisals is to maximize employee performance. By assessing the strengths and weaknesses of its employees, an organization can create goals to develop the most effective, highly skilled, productive, and satisfied workforce.

Performance Appraisal Benefits

There are many benefits to conducting performance appraisals for managers and individual employees, as well as their departments and the organization as a whole. They are:
- Improved communication between managers and employees
- Motivated employees who perform/produce at a higher level
- Creation of short- and long-term goals (individual, department- and company-wide) and monitoring of progress toward previously set goals
- Identification of training needs
- Heightened sense of accountability, empowerment, teamwork, and loyalty
- Increased promotion and retention rates
- Validation for rewards/pay increases
- Documentation of ongoing performance issues for legal reasons

Performance Appraisal Frequency

Formal performance appraisals are most commonly conducted once per year. However, a continuous feedback approach, whereby the employee receives updates on a regular basis (either formally or informally), is the most effective means of keeping tabs on performance and helping employees improve. With continuous feedback, there are no "surprises" at the formal appraisal meeting.

Many organizations also use a probationary appraisal for assessing new-hire performance. This appraisal is usually done within several weeks or months of an employee's hire date. Passing a probationary appraisal is often a condition of continued employment and can also be used as a benchmark for benefit administration (e.g., time off and insurance benefits).

Some organizations use what is considered a "warning" appraisal for specific instances of poor performance. When performance or behavior is particularly egregious, the employee is given a warning or ultimatum to immediately improve performance or change a behavior. If immediate improvement is not seen, termination is usually the consequence.

Performance Appraisal Methods

Many different approaches to conducting performance appraisals exist. The size and culture of an organization affect what type of appraisal system is used and how often an appraisal is done (most often once a year). The resources necessary to implement a formal system can be extensive; creation of forms, analysis and dissemination of information, filing, etc., can be time consuming and costly. However, once in place, a process can be maintained with little manpower.

The appraisal can take an informal or formal approach. Informally, performance is casually discussed and documentation is kept to a minimum. In a formal approach, performance is discussed in an appraisal meeting in which key performance indicators are

thoroughly documented (usually on a standard form). Some of the most common performance appraisal methods are:

- *Performance-based*—the manager rates specific job related requirements associated with an employee's position. Identifying where an employee falls on a "below expectations" to "exceeds expectations" scale is a quick way to accurately assess performance. This method involves filling out a standard rating-scale form, which can make the process fairly fast and simple. In order to be fair and equitable, the job-related requirements that are measured must be the same for all employees who hold the same position.
- *Top-down*—several management-level members rate the performance of an employee.
- *Upward*—the employee rates the performance and effectiveness of the manager.
- *Peer review*—peers and team members rate the employee's performance. Care must be taken in choosing unbiased peers, and the manager must decide how much weight is given to each peer's feedback in order to reach a fair result. Choosing someone in competition for a promotion or pay raise may lead to flawed feedback. This method can be used when a manager has limited contact with the employee.
- *Self-assessment*—employees rate their own performance. A self-assessment can be implemented into all performance appraisal methods.
- *360-degree review*—this method relies on feedback gathered from people throughout an organization, and at varying professional levels, who have worked with the employee. This includes the manager, peers, and customers (both internal and external).
- *Continuous feedback*—the appraisal process is conducted more than once per year (usually 2–4 times). This allows for constant monitoring, communication, feedback, and modification of performance and goals.
- *Narrative*—an essay-type evaluation of performance is written by the manager. This can be used alone, but is most often used to supplement the standard rating form. This can be a very subjective means of evaluation, with the writer often discussing more personality-based traits of the individual versus measurable job skills. It can be used as a way to "soften the blow" of a less than favorable appraisal. The effectiveness of a narrative is directly related to the writing skills of the manager. If used alone, it does not allow for a rating comparison of several employees.
- *Follow-up reviews*—continuation of the appraisal process when training/development opportunities are scheduled, short-term goals are evaluated/changed, and progress is discussed. Follow-up reviews are often conducted within several weeks of the main appraisal meeting.

Pitfalls

Some common mistakes that managers make during the appraisal process are:
- Not having a clear description of a job's specific requirements, or not having agreement between the employee and manager about the specific job related requirements that are being rated.
- Rating immeasurable or irrelevant characteristics such as popularity or personality, instead of measurable performance indicators.
- Giving a "middle of the road" rating to a poor performer in order to avoid conflict.
- Conducting the appraisal with little or no input from the employee.
- Rating "instances" of performance, not performance over the entire rating period.
- Receiving feedback about the employee from inappropriate people.
- Retaliating against an employee who has "gone against" the manager.

- Holding past performance/behavior either for or against the employee; letting past performance distort perception of an employee's performance in the current appraisal period.
- Not following up with the employee regarding any unresolved issues stemming from the appraisal meeting.
- Not following through with training/development needs that were recognized in the appraisal process.

Types of Documentation

Although the most commonly used type of appraisal documentation is a standard rating-scale form, narratives and electronic appraisal forms are gaining popularity:

- *Rating form*—a standard rating-scale form that lists job-related requirements and skills is filled out for the performance appraisal period.
- *Narrative*—an essay-type evaluation of performance is written by the manager. This allows for more flexibility to discuss performance issues and behaviors that are not covered on a standard rating form.
- *Electronic appraisal*—an electronic or online system is used to track ratings, instead of a paper form. This allows for easy analysis and editing of collected data. Using electronic media can be a time- and money-saving opportunity, but should not be used to avoid a face-to-face discussion with an employee.

See Also Developmental Evaluations; Performance Management Systems; Performance Analysis; Performance Standards

Resources:

DelPo, A. *The Performance Appraisal Handbook: Legal and Practical Rules for Managers.* (Berkeley, CA: Nolo, 2005).

Performance-Appraisals.com. http://www.performance-appraisals.com.

Society of Human Resource Management. http://www.shrm.org.

Wilson, P. *Performance-Based Assessments.* (Milwaukee, WI: ASQC Quality Press, 1995).

Jennifer A. Majkowski

PERFORMANCE CONSULTING

Performance consulting is the process of closing the gap between current performance and desired performance within an organization. This process includes identifying the root cause, proposing and implementing performance improvement solutions, and evaluating results. The purpose of performance consulting is to help organizations achieve their business goals by improving performance results. The results improvement process[1] summarizes the systematic approach in which performance consulting operates:

1. Desired Results Determined and Project Defined
   This phase includes determining where is the gap in results and defining a project to close the gap.
2. Barriers Determined and Changes Specified
   This phase includes identifying why the gap in results exists, the barriers to achieving the desired results, and determining what changes are necessary to close the gap.
3. Changes Designed, Developed, and Implemented
   This phase includes how to close the gap—the designing, developing and implementing the potential changes to close the gap in results.

4. Results Evaluated and Maintained or Improved
   This phase includes determining if the gap in results was closed, monitoring the changes, evaluating their impact, and modifying the changes to close the gap in results.

Levels of Performance Consulting

Performance consulting focuses on three levels of the organization including organizational level, process level, and job level. The organizational level includes understanding the organizational system and processes and identifying which processes are impacting the lack of performance. The process level includes analyzing the processes and determining which job functions are critical to improving performance. The job level includes analyzing job outputs, identifying gaps in desired performance, and proposing potential solutions to close the gap.

Performance Consulting Client Types

Performance consulting includes identifying and managing four client types—decision makers, stakeholders, influencers, and scouts.[2] Performance consulting includes understanding each of these client types' needs and how they influence an effective performance improvement initiative. Decision makers, typically executives, have the final approval on the project and are most concerned with the bottom-line financial impact of an intervention. Stakeholders are ultimately responsible for the implementation of the intervention and are accountable for its success. Influencers are clients who do not have authority to approve an intervention, but do influence the decisions made by decision makers and stakeholders. Scouts serve as guides to provide information that supports a successful change initiative.

Performance Consulting Process

While there are numerous performance consulting models, the performance technology model[3] summarizes the key elements of the performance consulting process, including performance analysis, cause analysis, intervention selection, and evaluation. Performance analysis identifies the gap between desired and actual performance levels through analyzing organizational objectives, capabilities, structure, and culture as well as external factors. Numerous data collection methods can be used, including interviews, focus groups, observation, and review of organizational data. The cause analysis identifies the potential causes of the performance problem and determines the underlying root cause and obstacles to performance. The intervention selection includes working collaboratively within the organization to determine the potential solutions, assigning resources, and creating action plans to implement the intervention. Lastly, evaluation includes assessing the effectiveness of the intervention and determining what changes are necessary to continue the performance improvement process.

Performance Consulting Approach

Performance Relationship Map

This is a tool to help understand human performance within the organization. It identifies a specific business goal and looks at current employee performance versus desired

performance and current operational results versus desired operational results to achieve the goal. It also identifies factors (external) and forces (internal) that are affecting performance.

Performance Analysis

This includes working with the client to understand the business need, performance problem, and desired outcomes and to determine the criteria of how to measure success. Information is gathered through interviews, focus groups, organizational data, and observation to understand the organizational system.

Developing Models of Performance

This step identifies best practices and competencies to achieve performance results. Best practices are determined by talking with employees who are top performers. Competencies are identified by reviewing the knowledge, skills, and attitudes necessary to be successful in a job. Criteria is determined to measure performance results and environmental factors impacting performance are identified.

Identifying Actual Performance and Factors Impacting Performance

This step includes identifying the problem and determining and analyzing the specific factors and causes for the problem. A performance assessment is created to determine the gap in performance and gain agreement on the actions to solve the problem. This step also identifies the factors impacting performance or root cause, which may include employee knowledge, skills, abilities, behaviors, motivation or environment.

Implementing Performance Improvement Interventions

Implementation of an intervention closes the performance gap in order to achieve the business goal(s). This includes identifying the performance improvement intervention to address the root cause of the performance problem.

Measuring Results

Measuring the results of the actions based on the set criteria and reporting these effectively is the last step in the performance consulting process.[4]

NOTES

1. Geary Rummler, *Serious Performance Consulting* (Silver Spring, MD: International Society for Performance Improvement, 2004).

2. Jerry Gilley and Ann Maycunich, *Organizational Learning, Performance and Change* (Cambridge, MA: Perseus Publishing, 2000).

3. William Deterline and Marc Rosenberg, "Workplace Productivity: Performance Technology Success Stories," *International Society for Performance Improvement* 25 (1992): 21–22.

4. Dana Robinson and James Robinson, *Performance Consulting: Moving Beyond Training* (San Francisco: Berrett-Koehler, 1996).

Dean M. Savoca

PERFORMANCE MANAGEMENT SYSTEMS

Performance management systems guide, motivate, control, and develop personnel behavior and talent toward achievement of desired individual and organizational objectives.

Many organizations are ignorant with regard to motivating, managing performance, and developing people so that they become the organization's greatest asset. Effective performance management systems enable individuals to maximize their potential while organizations build a dynamic, highly functioning workforce prepared for change, growth, and the challenges of a globally competitive environment.

Individual Performance Management

Those responsible for leading and managing others possess diverse backgrounds typically *not* in human resource management or development. In fact, many supervisors and managers are largely unprepared for the rigors of developing others. New supervisors often express shock at the complexity and requirements of managing others' performance.

Performance management is a systematic process that, once mastered, may be applied across cultures, industries, departments, jobs, and people. Steps in performance management are:

1. Link the job to the institution's strategic goals and objectives
2. Hire/promote/select qualified performers.
3. Establish employee-specific performance goals.
4. Develop performance standards and expectations.
5. Coach and provide feedback.
6. Conduct developmental evaluations.
7. Create performance growth and development plans.
8. Link compensation and rewards to individual goals, growth, and development.[1]

Performance management demands that supervisors and managers possess a host of broad skills, specifically, interpersonal/communications, technical, and strategic skills. Effective managers partner with their employees, working closely to identify areas of strength and opportunities for improvement, coaching, growth, and development of both parties. Technical skills are necessary to establish appropriate goals and standards during the training and coaching phases, as employees look to their supervisors to model best practices. Strategic skills enable managers to link individual jobs and compensation to broader organizational initiatives.

Organizational Performance Management

Performance management systems are effective processes across all levels of an organization—from executive to front line. Poor performance—that which has fallen below acceptable standards—typically occurs due to lack of appropriate performance management. All too often, organizations respond to an individual's unacceptable performance via reprimands, training, job reassignment, negative performance reviews, or other negative consequences.

Organization-wide performance management systems reduce poor performance while creating cultures of teamwork, partnering, trust, communications, and continuous improvement. Organization-wide systems require:
- Senior management support and involvement
- Resource allocation
- Training for and commitment from all supervisory and managerial staff
- Ongoing development of all new and existing supervisory and managerial staff

Benefits of Performance Management

In reality, performance management is everyone's responsibility—and everyone benefits. The specific benefits of performance management are numerous for employees, management, and the organization.

For individual employees, performance management:

- Eliminates unrealistic career expectations, particularly when organizations face cutbacks, flattening, or reorganization.
- Motivates employees, who take responsibility for their own growth and development.
- Helps individuals understand the urgency of keeping skills and abilities current.
- Creates meaningful growth and development plans.
- Increases involvement in decision making.
- Enhances promotion opportunities (as their skills improve).

For supervisors and managers, performance management:

- Encourages their continuous support of learning, growth, and development.
- Helps supervisors and managers develop their staff.
- Enhances their interpersonal relationship skills.
- Helps supervisors match organizational realities to recruiting promises.
- Cultivates flexible employees who are capable of moving out of narrowly defined tasks and into functional roles.
- Develops specific performance goals and objectives for their staff in support of organizational strategies.

For organizations, performance management:

- Reduces turnover of highly skilled employees by providing environments conducive to growth and development.
- Assists human resource planning.
- Enhances organizational responsiveness and competitiveness through productive, motivated employees.
- Increases commitment from employees at all levels.
- Improves individual performance that contributes to the greater good.

Ineffective Performance Management

For many, performance management is an alien term. All too often, supervisors' and employees' limited exposure to performance management surfaces during the formal performance appraisal, which is rarely understood to be an essential component of strategic performance management. What *prevents* institutions from engaging in formal, systematic performance management? Reasons include, but are not limited to:

- Supervisors/managers/organizations do not realize they need a performance management system.
- Supervisors and managers do not know how to design and implement performance management systems.
- Supervisors/managers' backgrounds are not in human resource management; thus they are not trained in effective performance management techniques.
- Time constraints.
- Union interference.[2]

Employee evaluations traditionally are conducted on an annual basis, use simple appraisal forms, and often provide individuals with their only source of *formal feedback* regarding their efforts. The traditional evaluation process has been widely criticized as:

- Retroactive, focusing on past performance (which cannot be changed) instead of future, long-term improvement.
- A one-sided, biased portrayal of another's performance (and often by a supervisor/manager unskilled in evaluating the work of others or the use of the appraisal forms).
- Not timely—annual reviews are insufficient gauges of one's daily work.
- Too simplistic and not representative of the complexities of many positions.
- Inconsistent—the quality of performance appraisals varies from supervisor to supervisor, department to department, and institution to institution.
- Incomplete—lacking forward-looking employee performance growth and development plans.
- Lacking motivational components.
- Often combined with the compensation and reward discussion, which dilutes the focus on organizational goals.
- Erroneous in the assumption that all employees know exactly what they are supposed to do, when, how, and to what level of quality.[3]

Improving Performance Management

Performance management systems enhance the performance of individuals and thus that of their organizations. Improving performance and its management requires commitment and support of all organizational players, particularly management. Senior management is responsible for reducing any barriers (e.g., ignorance, egos, lack of resources, organizational inertia, poor communications) that inhibit establishment of a performance management system. Doing so will unleash the potential of all employees, which ultimately benefits the firm.

See also Coaching; Compensation; Strategic Communications

NOTES

1. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset* (Cambridge, MA: Perseus Books, 1999).

2. D.B. Peterson, and M.D. Hicks, *Development First: Strategies for Self-development.* (Minneapolis: Personnel Decisions International, 1995).

3. M.J. Rosenberg, "Human Performance Technology: Foundation for Human Performance Improvement. In *The ASTD Models for Human Performance Improvement: Roles, Competencies, and Outputs,* ed. William Rothwell (Alexandria, VA: American Society for Training and Development, 1996).

Ann Gilley and Jerry W. Gilley

PERFORMANCE STANDARDS

For years, managers have struggled with the process of achieving high levels of performance from their employees. Improving employee performance lies in the development of strong performance standards. Such standards establish a clear process for the employee to follow to perform job tasks and enable the manager to provide feedback, coaching, and evaluation of performance. Performance standards are developed from well-written job descriptions that clearly define the tasks necessary to perform a job. To standardize job

descriptions, many organizations seek guidance from business-specific professional associations that develop industry-wide standards for performance. As organizations continue to refine the process of defining job tasks and refining job descriptions, employee performance will continue to improve.

Understanding Performance Standards

To understand performance standards, the needs of the organization, leadership, managers, and employees must be examined. Each need contributes to the formation and implementation of performance standards. For the purposes of this entry, performance standards are defined as "the quantifiable measures that define the criteria for performing tasks to be completed by employees."[1] Generally, performance standards can be split into two categories; activity-based, and productivity performance standards. Activity-based performance standards relate to the types of tasks performed by the employee. Examples of activity-based standards include: typing reports, answering phones, processing claims, responding to e-mails, and other related duties. In contrast, productivity performance standards are directly related to the quality and quantity of work employees are expected to complete. Examples of productivity performance standards include: process 100 claims with less than a 5 percent error rate, recruit 35 employees by the end of the quarter, and sell 15 products per shift.

Benefits of Performance Standards

Well-developed performance standards benefit the organization at both the macro and micro levels. They also increase the satisfaction and productivity of employees. Below is a list of some of the benefits that occur from the use of strong performance standards.
- Standards create common expectations for performance throughout the organization, building a culture of employees who have the same understanding of performance expectations.
- Performance standards provide structure and order to the organizational culture.
- Organizations use standards to set expectations for performance that support its strategic goals and objectives.
- Standards protect organizations from frivolous lawsuits based on managerial malpractice.
- Employees have a clear understanding of the expectations necessary to perform job duties when performance standards are used.
- Managers are able to provide quality feedback, based on the framework provided by performance standards.
- Standards encourage meaningful coaching between the manager and employee about performance.

Overall, the use of performance standards produces positive outcomes for all involved.

Creating Performance Standards

Performance standards must be clear and well written. When creating standards, the SMART (Specific, Measurable, Achievable, Relevant, Timely) model should be applied as follows:

Specific

Performance standards must be well written and clearly defined. Clear and specific standards help the manager to communicate performance expectations. Also, clear standards make the process of achieving objectives easier for the employee.

Measurable

Measurable standards describe how the task is to be completed. These standards reduce confusion about the work needed to complete job tasks.

Achievable

Employees must be able to achieve the assigned performance standards. If an employee does not have the skills or ability to achieve a performance standard, the employee must be coached, developed, or reassigned. In some cases, the standard can be rewritten to meet the skills and abilities of the employee. Moreover, it is the responsibility of the manager to ensure that the employee has the resources and tools necessary to meet the performance standards.

Relevant

Each performance standard must be aligned to the strategic goals and objectives of the office, department, and/or organization. Relevant performance objectives allow the employee to understand his or her role in contributing to the strategic goals and objectives of the organization.

Timely

Performance standards should include a schedule for completing tasks. Time schedules clarify expectations for an employee and provide necessary motivation to complete tasks.

Using Performance Standards as a Management Tool

Performance standards provide a framework for managers to lead employees. Standards provide all involved with a common ground for understanding performance. This understanding allows managers to provide employees with coaching and development between performance appraisal periods. During this time, managers should spend quality time with each employee by observing performance. From these observations, the manager documents instances of employee performance to provide continual constructive feedback. Additionally, feedback and coaching based on performance standards reduce conflict because the conversation stays constructive (related directly to performance, not personality). If managers use a constant model for feedback and coaching, employees will never be surprised about ratings on their performance appraisals. Once the appraisal period arrives, the employee and manager will have a productive meeting because continual communication has occurred over time. All in all, using performance standards can produce positive outcomes for the manager, employee, and organization.

Conclusion

Well-written job descriptions contribute to the employee's ability to meet expected performance standards. Standards help the employee to perform job tasks and help the manager to provide feedback and coaching. Furthermore, when used as a management tool, standards encourage productive communication between the employee and manager about performance. Finally, the use of performance standards improves the organizational culture, thus benefiting both the manager and employee.

Resources:
Bates, Gary D. "Employee Performance Standards: What Works Best?" *Journal of Management and Engineering* (1995), 24–26.

Buhler, Patricia M. "Managing in the New Millennium: The Performance Appraisal Process." *Supervision,* 2005.

Gilley, Jerry W., and Ann Maycunich. *Organizational Learning, Performance, and Change: An Introduction to Strategic HRD.* Cambridge, MA: Perseus Publishing, 2000.

NOTE

1. John O. Alexander, "A Performance Plan that Thrives On Change." *Management Review* (1988), 20.

Derrick E. Haynes

PROMOTION

An organization has two options when filling positions. It can select and promote internal candidates, or rely on external hires. Promoting a qualified individual from his or her current position to a higher-level position in an organization's hierarchy, and to a higher salary grade, has many advantages for the organization and the employee.

Advantages

From the organization's perspective, the internal candidate is known—his or her past performance, interactions with coworkers, and capacity for learning and growth have been observed. Internal candidates have knowledge about the organization, the technology, and the operations, and therefore make the transition or orientation faster and smoother compared to hiring from the outside. Further, promotions can be viewed as a motivational or retention strategy. Retaining employees is viewed as a competitive advantage in terms of keeping talent (knowledge, skills, and abilities) within the company. Further, promoting employees perpetuates the culture and values of the organization. In the case of promotions to supervisory positions, the organization will benefit from having supervisors who are coordinating the efforts of people whom they know. This contact provides a social basis of influence.

The use of promotions creates a sense of fairness, workplace justice, and subsequent satisfaction. If employees do outstanding work, but outsiders are brought in over them, there will be a perception of disaffection on the part of the organization and subsequent dissatisfaction on the part of employees. Also, there is a nonmonetary incentive produced by the move, which is status-based. A sense of achievement and pride in terms of career progression is realized. A promotion provides a signal to the internal candidate that he or she is valued. It also suggests to the rest of the organization's workforce that there are opportunities for growth and career advancement, and therefore, employees will be encouraged to stay with the firm.

Advantages notwithstanding, employees may be promoted beyond their competence and may find it difficult to achieve the outcomes expected. Also, some employees may find it hard to earn the respect of peers when they have started in the company at lower-level positions.

Overcoming Obstacles

Overcoming the obstacles to successful promotions is imperative. Given the projected labor shortage in the United States, organizations can not afford to promote internal candidates only to have them fail due to lack of support and resources.

The organization can ensure successful internal promotions by providing employees with training, coaching, mentorship, and sponsorship from higher-level management. Further, meeting with internal candidates not selected for a promotion is an important part of the process of developing employees within an organization. Having a discussion regarding gaps between the internal candidate's skills and the required competencies of the position can lead to a development plan for the employee, prevent wounded feelings, and encourage unsuccessful candidates to remain with the organization.

Other useful strategies for ensuring successful promotions are to develop clear selection criteria and establish procedures for posting available positions. Doing so provides assurance that employees will be made aware of the promotional opportunity and that the most qualified internal candidate is selected. These administrative duties are typically performed by human resources in conjunction with line management.

Resources:
Society for Human Resource Management. http://www.search.shrm.org.
 Workforce Week. http://www.workforce.com

Pamela Dixon and Marie Shanle

RETENTION

Strategic business decisions such as restructuring and downsizing implemented in U.S. organizations have eliminated the notion of job security and, to varying degrees, decreased the commitment level of employees. This has equated to a shift in the psychological contract that exists between an employee and employer. The psychological contract regulates the employee-employer relationship and is supported by the notion of reciprocity. If employees do not believe that their employer is committed to their well-being, they are less likely to be engaged and committed to the organization; moreover, they are more likely to leave that employer.[1]

A new psychological contract requires that employers demonstrate a commitment to their employees through policies and practices that (a) provide equitable pay and recognition; (b) provide opportunities for training and career development; (c) support the individual's performance by establishing and communicating standards, expectations, and feedback; and (d) promoting and championing work-life balance. In return, the organization will be able to retain higher numbers of employees and, at the same time, receive a higher level of commitment and engagement.

Retention is defined as an ongoing employment relationship. Conversely, turnover is defined as the separation from an employment relationship. Retaining talented employees has become an organizational imperative. Human resource management (HRM) policies and practices that address retention in today's competitive workforce will take into consideration broader predictors of employee satisfaction than just monetary incentives.

HRM Practices

Retention is influenced by HRM policies and practices that promote employee recognition, professional growth, mechanisms for successful performance, and personal well-being.[2] Policies and practices include compensation and recognition; promotional, career

development, and training opportunities; establishment and communication of performance standards, expectations, and feedback, and work-life balance; all of which have been shown to have an indirect influence on an organization's operational and financial performance.

Compensation and Recognition

In addition to a base salary that is perceived as competitive and equitable, incentive pay is also used as a retention strategy. Incentive pay may consist of bonuses or employee stock ownership.

Retention is not entirely achieved with monetary incentives. Employees rarely leave their jobs because they are not satisfied with their pay. Rather, they choose not to stay with a company if they have a poor relationship with their supervisor; or they do not feel valued for their contributions and recognized for their talent; or there are limited opportunities for promotions and other career growth opportunities.

An effective way to motivate employees and demonstrate appreciation for their contribution is to simply say "thank you" or praise their work in a public forum. In addition, coaching employees is also a motivational factor in that the supervisor is recognizing their strengths and taking the time to help employees improve areas that are weaknesses.

Promotional, Career Development, and Training Opportunities

Providing opportunities for promotions or lateral assignments that offer increased challenge and skill development have been linked to a perception that the organization is making an investment and is encouraging career growth, which in turn has been linked to job satisfaction. A positive relationship has been demonstrated between experiential, career-focused development opportunities and perceived organization support, which has been empirically connected to higher retention.[3] Astute organizations, even those with a flatter structure where potential for promotion is limited, recognize that providing learning and career development opportunities that increase employability can be a powerful mechanism for retention.

Performance Standards, Expectations, and Feedback

Clearly communicating what is expected, and how performance will be measured, enables employees to achieve goals and successfully perform their jobs. Also, providing feedback that is specific, timely, and communicated in a way that is respectful also contributes to ongoing successful performance. Further, feedback that is two-way is also important. When employees know that their supervisor is willing to listen, employees will be more likely to express frustration and issues can be resolved, versus the employees not trusting that their opinion counts or that their issues will be taken seriously.

Work-life Flexibility

The change in workforce composition has played a role in the increase of initiatives geared toward work-life flexibility. Initiatives include flexible work arrangements, long-term saving and profit-sharing programs, and resources to help with day care and/or elder care. Work-life flexibility not only requires the appropriate initiatives, but also a different way of thinking in terms of supporting and managing retention in organizations. No longer can organizations think about getting work done in the traditional sense; employees will physically be at work from 9 to 5, and work 40 hours or more per week, Monday through Friday.

Conclusion

The role of HRM will continue to be critical as organizations continually adapt to a changing workforce and global marketplace. HRM policies and practices will necessarily define and support critical capabilities that organizations must maintain to remain competitive and thrive. A new psychological contract that demonstrates an employer's commitment to their employees' well-being (both career and personal life) will foster an engaged and committed workforce, and positively influence the retention of key talent.

See also Compensation: An Overview; Turnover; Work-life Balance

NOTES

1. Robert G. DelCampo, "The influence of Culture Strength on Person Organization Fit and Turnover," *International Journal of Management* 23 (2006): 465–69.

2. Janet Polach, "HRD's Role in Work-life Integration Issues: Moving the Workforce to a Change in Mindset," *Human Resource Development International* 6 (2003): 57–68.

3. Clayton Glen, "Key Skills Retention and Motivation: The War for Talent Still Rages and Retention Is the High Ground," *Industrial and Commercial Training* 38 (2006): 37–45.

Pamela Dixon

360-DEGREE FEEDBACK

Three-hundred-sixty-degree feedback, also known as multirater assessment, can be a valuable tool for performance management and employee development. Three-hundred-sixty-degree feedback has been defined as "evaluations gathered about a participant from two or more rating sources, including self, supervisor, peers, direct reports, internal customers, external customers, vendors, and suppliers."[1]

Though supervisors are traditionally responsible for providing developmental feedback to employees, many do not have exposure to the true picture of an individual's performance. By using a 360-degree program, employees also receive feedback from those who work most closely with them and who are in a position to provide better input on specific competencies and skills in need of development. While not all-inclusive, examples of competencies include leadership, creativity, integrity and trust, listening, negotiating, strategic agility, and business acumen.

Uses of 360-Degree Feedback

While originally used in leadership-development programs for senior management, 360-degree tools are now being used across all levels of organizations. Most organizations use 360-degree feedback to identify areas in need of improvement and provide developmental opportunities for employees. "The questions used in a good 360-survey used for development purposes rate observable behaviors and skills. The intent is to gather sound and reliable data for feedback with the aim of building a development plan."[2]

Growing in popularity, however, is the use of 360-degree surveys for performance appraisals. The feedback is a supplement to a supervisory review and used to facilitate discussion between the employee and supervisor. "It blends the multisource feedback on behaviors or competencies with the supervisor's assessment of results. Individuals are

evaluated both on how they do the job—that is, their behaviors—and what they do—their results or outcomes."[3]

Requirements for an Effective Process

There are no standardized models for 360-degree feedback, and the feedback can be collected via paper-and-pencil or electronic means or simply through dialogue with survey respondents. Many human resource vendors offer companies online tools that make data collection more efficient. Other organizations develop electronic tools through in-house resources. However, whether an employer uses hard copy or computer-based tools, there are several factors and/or features that should be considered to ensure an effective process.

- Determine the purpose of your feedback system before selecting or determining the method to use for data collection. For example, will the feedback be used for employee development or performance appraisal? What do you want to accomplish, and does it support the organization's values, position competencies, etc.?
- If you design your own survey, consult with key stakeholders (e.g., management, employees, customers, etc.) to ensure that it will accurately measure the desired information.
- Determine the minimum and maximum number of evaluators to be surveyed. Results can be skewed if too few people respond. A minimum of four respondents in addition to the manager and employee receiving the feedback is recommended.[4]
- Ensure that raters are trained to provide usable feedback. They should be coached on providing honest, actionable feedback on behaviors or competencies that are important to the person and position being evaluated versus making personal attacks.
- Provide an opportunity for the respondents to provide written comments to provide context for the numerical ratings.
- Limit questions to avoid respondent fatigue. Additionally, larger organizations might want to consider implementing the process over several weeks to ensure that respondents are not asked to complete too many surveys at one time.
- Ensure confidentiality to protect the anonymity of the respondents.
- Ensure that employees are trained how to receive and interpret the feedback as well as provide guidance to employees on how to create a developmental plan.

   See also Performance Management: An Overview; Performance Management System; Performance Appraisals; Developmental Evaluations; Feedback

NOTES

   1. Michael A. Campion, Frederick P. Morgeson, and Troy V. Mumford, "Coming Full Circle: Using Research and Practice to Address 27 Questions About 360-Degree Feedback Programs." *Consulting Psychology Journal: Practice and Research* 57, no. 3 (Summer, 2005): 196–209.

   2. Jane L. Wilson, "Business of Training—360° Appraisals" *Training and Development,* June 1997, 44.

   3. Mark R. Edwards and Ann J. Ewan, *360° Feedback: The Powerful New Model for Employee Assessment & Performance Improvement* (New York: AMACOM, 1996), 7.

   4. Ibid., 20.

Nancy Svoboda

This page intentionally left blank

Chapter 4

Compensation, Benefits, and Insurance

Compensation: An Overview

The primary purpose of any organization is to secure results. This benefits the organization by leading to improved quality, responsiveness, efficiency, and productivity. The responsibility for securing desired results rests with leaders whose sole challenge is to "get results through others." Improving organizational effectiveness remains a difficult undertaking, requiring the cooperation of all represented groups. Therefore, organizations must develop a compensation and reward philosophy, select appropriate compensation and reward strategies, adopt principles of effective compensation and reward programs, and align compensation and rewards with the goals of the organization.

Traditional Compensation and Rewards

Historically, compensation and reward programs merely rewarded employees for showing up and looking busy. Traditional programs attempted to justify individual increases in compensation based on annual performance appraisals. Because of biases, inaccurate or unfair performance measures, and difficulty in assessment, rewarding individual performance was severely compromised. In essence, traditional compensation systems fail to recognize employee performance differences.

Compensation and reward programs also frequently fail to recognize (1) employee growth and development, and (2) organization goals. A compensation and rewards program that fails to link performance improvement to growth and development "will stagnate or even decline."[1] Failure to align compensation and reward programs with strategic organizational goals sabotages their growth and is yet another indicator of outdated, ineffective compensation and reward practices.

Money continues to be a very popular form of reward and a powerful motivator. For example, in a recent survey, 79 percent of salespersons chose cash as their favored reward. Interestingly, as respondents' salary increased, the importance of cash decreased. Of those who make under $50,000 per year, 83 percent chose cash, compared to 66 percent of those who earn between $151,000 and $200,000.[2]

Money remains a status symbol for many people because it represents power and prestige. Money and the things it buys demonstrate our success to the world. Thus, monetary rewards do get results. Effective organizations link monetary rewards to desired performance that supports strategic goals and objectives while encouraging employee learning, reflection, and growth. From the organization's perspective, money is a widely used

incentive for three reasons: it is easy to equate with or align to performance, is universal (typically desired and accepted by all), and is thought (erroneously) by supervisors to be the primary motivator of human behavior.

This chapter explores the numerous avenues available to organizations through which to compensate their employees, from cash and bonuses to benefits (including health care insurance) and retirement plans. A firm's overall compensation philosophy and specific strategies draw upon many of the entries that follow.

Compensation and Reward Philosophy

A compensation and reward philosophy should be based on rewarding employees for the "right" performance. In this way, organizations demonstrate their understanding that "the things that get rewarded get done."[3] This approach ensures that the organization will secure its desired outcomes. On the other hand, failure to reward the right behaviors leads to unsatisfactory outcomes.

A compensation and reward philosophy should be flexible enough to take into account the dynamic nature of the organization's change initiatives, and other important system-wide activities. When this occurs, the compensation and reward program remains fluid, subject to review, alteration, or redesign. This approach encourages continuous compensation improvement that reflects the organization's culture, values, guiding principles, and strategic business goals and objectives. Compensation and reward philosophies define who participates in compensation and reward decisions, whether decision making should be centralized with leadership or decentralized within departments, and whether managers should be held accountable for their respective decisions and contributions to the compensation and reward program.

An effective compensation and reward philosophy takes into account each step of the organization's performance management process, enabling organizations to (1) identify constituents' needs and expectations; (2) design jobs that produce maximum results at the highest possible level of quality; (3) encourage leaders to build synergistic relationships with employees; (5) require leaders to conduct formal performance appraisals with employees; and (6) collaboratively create performance growth and development plans designed to enhance performance.[4]

Compensation and Reward Strategies

Compensation and reward programs should be designed to help organizations achieve specific outcomes. As stated previously, compensation and reward programs are often performance-based, with little consideration given to rewarding employees for a variety of other desired behaviors that contribute to achieving results. Therefore, it makes tremendous sense to reward individuals for the "right things," such as (1) creativity, (2) leadership, (3) teamwork and cooperation, (4) commitment and loyalty, (5) long-term solutions, and (6) learning and applying new skills. Rewarding these behaviors works wonders in improving performance and achieving the results needed by the organization.

Rewarding Creativity. Fear of failure or punishment may prevent employees from engaging in creative expression. Organizations that stifle individual creativity neglect the benefits of their employees' experience and talent. Effective organizations encourage risk-taking on the part of their staff, understanding that failures provide experience and insight that often lead to ultimate success. Employee ideas and creativity are often credited

with cost savings, new product development, improvement of existing programs, stream-lined processes, or elimination of redundant procedures.

Compensation programs that encourage creativity reward the sharing of ideas, invite risk-taking, and promote free-flowing communication between leaders, managers, and employees. Dynamic organizations build climates of creativity, encourage employees to let their creative juices flow, and include creativity in individual responsibilities. From suggestion boxes to innovation incentives to regular team brainstorming meetings, encouraging creativity is a simple concept that may yield enormous benefits for employees and the organization. Many leaders are beginning to discover the importance of encouraging and rewarding employees who share their innovations.[5] Rewarding innovative ideas serves as an inducement to employees to share their creative insights.

Rewarding Leadership.   Although many organizations encourage leadership, they seldom reward it. Consequently, a leadership vacuum exists in many of today's firms. Effective organizations compensate and reward those who take initiative, offer opinions, and make suggestions to better their companies. Leadership characteristics that should be rewarded include idea advocacy, servantship, vision, initiative, risk taking, results orientation, self-sacrifice, long-term focus, dedication, flexibility, responsibility, accountability, and so forth. Skills include creativity, communications, ability to inspire or motivate, build teams, and coaching aptitude. Organizations should reward leadership talents with base compensation, benefits, and incentives commensurate with an individual's effort and results.

To be effective, a leadership reward strategy must closely align with the organization's culture, values, goals, and objectives by integrating leadership attributes into job descriptions, providing opportunities for leadership expression and development, and by assigning mentors to help develop potential among future leaders.

Rewarding Teamwork and Cooperation.   Many organizations desire teamwork and cooperation, advocating its importance and value in helping the organization achieve better results. In reality, most organizations continue to compensate and reward employees for their individual efforts. Annual performance appraisals, for example, typically stress individual skills, competencies, and attitudes, while rarely recognizing collaboration and teamwork attributes such as loyalty, support, cooperation, or communication. Dynamic organizations identify desirable, effective collaboration and teamwork components, communicate these to their employees, stress their importance, incorporate teamwork skills into the evaluation process, and reward these talents accordingly. Teams win and lose together, play and struggle together. Members of the team who win together should be rewarded together. Successful teams may be compensated monetarily or with other meaningful incentives or rewards.

Rewarding Commitment and Loyalty.   Success is a journey that all organizational members take together. Therefore, leaders need to understand one important principle in order to adopt appropriate reward strategies—the principle of *reciprocity.* Simply stated, employees will reciprocate the behavior they receive from their employers.[6] When individuals are treated with respect, they treat others with respect. Thus, loyalty begets loyalty, and commitment begets commitment.

Although organizations expect, even demand, loyalty and commitment, they rarely examine their compensation and reward programs to determine whether they are practicing hypocrisy. Quite simply, organizations must reward loyalty and commitment in order to get it. Organizations need to determine whether providing job security, appropriate work environments, promotion and growth opportunities, and fair, livable wages are

essential in enhancing employee commitment and loyalty. When an organization is willing to invest in and reward commitment and loyalty, it is, in essence, communicating its employees' importance to the execution of the vision and mission.

Rewarding Long-term Solutions.   Many organizations and their leaders embrace short-term solutions—convenient quick fixes such as downsizing, layoffs, or reducing employee benefits—that fail to satisfy long-range strategic organizational objectives. Customer, employee, investor, community, and competitive pressures demand immediate results, often undermining the integrity of sound, long-term objectives necessary to maintain organizational viability.

Effective compensation and reward strategies focus on the horizon and rewarding long-term activities for reaching it. The emphasis on organizational effectiveness forces leaders and managers to concentrate on measurable, meaningful initiatives capable of sustaining the organization's indefinite long-term growth. Examples of desirable long-range behaviors include investing in leadership training, mentoring programs, encouraging employee creativity and innovation, enhancing customer service, development of new products, and so forth.

Rewarding the Application of New Skills.   "Employees are the organization's greatest asset; therefore, organizations must develop long-term compensation and reward strategies that encourage them to participate in performance growth and development activities that foster continuous learning and skill acquisition."[7] Organizations that encourage employee growth at all stages of career or professional development assess employee needs and potential for growth, providing abundant, pertinent learning opportunities and application in areas of importance such as facilitation skills, computer and Internet competency, communications, current job-related tasks, supervisory skills, and the like.

Employees are encouraged to participate in learning activities *and* apply their knowledge on the job. A long-term compensation and reward strategy should also reward leaders, managers, and supervisors for creating environments instrumental to learning acquisition and transfer.

Linking Compensation and Rewards to Organizational Goals

Employee performance increases dramatically when an organization's compensation and reward strategy is linked to its mission and goals. Linking compensation and reward programs to goals requires working in harmony with other vital systems within the firm. Linkage ensures the consistent allocation of compensation and rewards, helping the organization function in a way that is acceptable to all constituents.

Developing an effective compensation and reward program requires a well-conceived, designed, implemented, and monitored plan, as evidenced by the following nine principles of effective compensation and reward programs:

1. *Align your compensation with the organization's culture, values, and strategic goals and objectives.* Compensation should be integrated with all aspects of the business.
2. *Link compensation to other changes.* Compensation should support and reinforce organizational change initiatives.
3. *Time the compensation program to best support other change initiatives.* Timing is everything. Compensation should not force change or lag behind the process.

4. *Integrate compensation with other employee processes.* Compensation is not a substitute for developing relationships with employees.
5. *Democratize the compensation process.* Incorporate employees' opinions and decisions in compensation and rewards.
6. *Demystify compensation.* Since knowledge is power, communication counts. Clearly articulate aspects of the organization's compensation and reward program so that all understand. Therefore, share the wealth, so to speak, in more than the traditional way.
7. *Measure results.* Performance can and should be measured with fairness and consistency.
8. *Refine. Refine again. Refine some more.* Continually improve the compensation program—analyze and revise. Keep up with the times.
9. *Be selective.* Do not take to heart everything you hear or read about compensation.[8]

Reward Strategies

Rewards have been studied, at length, for years. Historically, efforts to motivate employees and improve organization performance have focused on universal motivators—a one-size-fits-all strategy. This approach ignores individuality, priorities, and degree of motivation due to intrinsic and extrinsic rewards. Recognizing the power and importance of individualism enables firms to offer a variety of unique incentives to reward individual employees along their journey of productivity, growth, and renewal. The following rewards are intended to promote continuous growth and development of the individual and organization: recognition, noncash incentives, group/team incentives, responsibility and authority, professional development, freedom and independence, vacation, leisure time, sabbaticals, and fun.

Recognition

Recognition is second only to cash as a powerful motivator. It is impossible to negate the power of recognition and the genuine pleasure we feel when acknowledged for our efforts. Recognition boosts our self-esteem, places us on a pedestal, and validates our abilities. Recognition proves effective for rewarding stellar performance, professional development, attainment of performance goals, earning of advanced degrees, innovations and creative ideas, teamwork, community involvement, promotions, years of service, cost-savings ideas, and so forth.

Appropriate recognition includes timely praise for a job well done; involvement in major project teams, acquisitions, or strategy sessions; employee -of-the-month or year awards; honors banquets; trophies, certificates, and plaques; publicity in the organizational newsletter; formal and informal announcements by supervisors or leaders; organizational gifts such as pens, rings, watches, etc.; president's club or hall of fame; and so forth.

Noncash Incentives

Noncash incentives such as gift certificates, organizational merchandise and clothing, trophies or plaques, or other prizes are often desirable incentives. These noncash incentives are usually small in value (often less than $50) and are bestowed more frequently, such as when used to promote completion of a special project or going the "extra mile" for the organization or a customer. Noncash incentives may also be distributed and awarded on a peer-to-peer basis.

Group/Team Incentives

Group incentives reward performance of a particular set of employees, often a small group, cross-functional team, unit, or department. If group performance improves or reaches a certain goal, members are rewarded accordingly. This practice bolsters teamwork and cooperation, often resulting in a closeness and camaraderie absent prior to inception of the recognition program. Group incentives are important to those organizations that encourage or demand group or team work of their employees.

Responsibility and Authority

Employees prove themselves every day; from completing small, routine tasks to far exceeding personal and professional expectations. Those who are willing and able to assume greater responsibility should be given opportunities to do so. Many firms take care to balance additional responsibility with correspondingly increased authority. Responsibility without authority is a frustrating, de-motivating phenomenon.

Professional Development

Some organizations treat personal growth and development as a routine function, not an award for doing well. Internal ongoing training and external educational reimbursement send powerful messages—that the employee is valued, and his or her growth and development are critical to organization success.

Freedom and Independence

"Highly enterprising employees will welcome the opportunity to obtain freedom and independence as a reward for a job well done."[9] Freedom takes many forms: the ability to develop a new product or process; casual dress days; opportunities to work on a "special" project; and so forth. Genuine growth and development are by-products of individual creativity set free.

Vacation and Leisure Time

Hardworking employees push themselves to achieve personal and professional growth, often working overtime, evenings, or weekends. Since companies reap the benefits of extra effort and growth, it makes sense to compensate individuals for their efforts. Too much work can cause frustration or burnout; thus, employees need time to relax and reenergize. Extra vacation or leisure time is an appropriate reward for someone who has devoted long hours to business pursuits, and may provide a refreshing "time out" in preparation for the next challenge.

Fun

Laughter is the best medicine. What better way to relieve the tension of challenging work situations than to engage in lighthearted, fun activities, particularly with one's peers? One of the authors worked for an organization that regularly held golf outings, bowling nights, raffles, decorating contests, and the like. These amusements promoted a sense of teamwork, camaraderie, and goodwill while alleviating the stress that accumulates over time. Many organizations encourage and support teams of volunteer employees, occasionally

called "sunshine," "excitement," or "fun," committees to coordinate motivational activities. Often, service on the committee itself proves stimulating.

Conclusion

Compensation is designed to reward employees for a job well done or to motivate them to continue or enhance their performance. Organizations that embrace the challenges of the twenty-first century develop a dynamic, responsive compensation and reward philosophy, select appropriate compensation and reward strategies, adopt principles of effective compensation and reward programs, and align compensation and rewards with goals and objectives. Compensation and rewards must be responsive to employees' needs and individual motivators while furthering organizational aims.

NOTES

1. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Greatest Asset* (Cambridge, MA: Perseus, 1999), 139.

2. K. Hern and V. Alonzo, "This Is What We Want," *Incentive,* October 1998, 40.

3. Michael LeBoeuf, *Getting Results: The Secret to Motivating Yourself and Others* (New York: Berkeley Books, 1985), 9.

4. Gilley, Boughton, and Maycunich, *The Performance Challenge.*

5. David Ulrich, Jack Zenger, and Norm Smallwood, *Results-based Leadership: How Leaders Build the Business and Improve the Bottom Line* (Boston: Harvard Business School Press, 1999).

6. E.L. Thorndike, *Human Learning* (Cambridge, MA: MIT Press, 1931).

7. Gilley, Boughton, and Maycunich, *The Performance Challenge,* 144.

8. T.P. Flannery, D.A. Hofrichter, & P.E. Platten, *People Performance and Pay: Dynamic Compensation for Changing Organizations* (New York: The Free Press, 1996), 247–50.

9. Jerry W. Gilley and Nathaniel W. Boughton, *Stop Managing, Start Coaching: How Performance Coaching Can Enhance Commitment and Improve Productivity* (New York: McGraw-Hill, 1996), 217.

Ann Gilley and Marisha L. Godek

ABSENCES

An absence is a period of interruption in the continuous work cycle of an employee. The majority of absences are preceded and followed by paid employment. Recently, the increase of absences among employees has been identified as a growing problem for organizations. Unscheduled absences result in reduced production for companies. Most recent survey estimates indicate that unscheduled absences cost companies annually $660 per employee.[1]

Types of Absences

Absences are counted toward a nonproductive time for the organization. Some absences are considered to be legitimate, such as illness of the employee or one of his or her immediate family members, vacation time, jury duty, and so on. These absences have a legitimate justification as to why the employee is not present at work.

The other type of absence is considered absence abuse and considered to be nonlegitimate. Workers who falsely take sick days or time off to which they are not entitled are contributing to the rise of absence abuse.

Reasons for Absence Abuse

The increase in absence abuse among some members of an organization pushes employers to apply more pressure on workers who are present in order to achieve their goals and objectives. This strategy causes some workers to seek stress relief by taking every opportunity not to be present at work, creating the "push back" effect within the organization.

Other factors impacting absence abuse include substance abuse, smoking, obesity among employees, stressful work environments, and family issues, to name a few. Another contributing factor to absence abuse is poor management. Investigating the absence problem among employees often provides management with valuable information with regard to absences, management problems, and other contributions to absence abuse.

Combating Absence Abuse

Many strategies exist to reduce absence abuse, including communicating with employees, enhancing coaching/mentoring activities, improving working conditions, offering better benefits, and involving workers in decision making. Additionally, some companies revise their existing performance evaluation system or develop a new evaluation system. New systems are often based upon the output of the employee and not her working hours. Policies such as these allow workers some flexibility in managing their schedules, lives, and stressors by permitting them to set their own hours. Although some workers abuse this policy as well, it has been shown to alleviate absence abuse in some firms.

Some companies, like Georgia-Pacific and Southwest Airlines, are inventing new ways of tracking the absence abuse among their employees. Southwest Airlines, for example, has new software that tracks the under-the-wing crew and has already saved the company $2 million annually in reduced administrative costs alone."[2]

One of the best ways to deal with the increased number of absences among employees is to keep the employee engaged and involved in processes within the organization. Motivating employees by increasing their awareness of the processes within the organization and showing the vital role they play by doing what they are doing on a daily basis also decreases the number of absences. Personal development plans for employees that specify promotion opportunities and professional growth within a firm may be used to motivate and engage employees, while concurrently reducing absences.

See also PTO (Paid Time Off) Bank

NOTES

1. Statistics Canada, *Absences from Work* (June 2007); "Shrinking Working: The War on Hooky," *Business Week,* November 12, 2007.
2. "Shrinking Working: The War on Hooky," *Business Week,* November 12, 2007.

Igor Golovatyy

BENEFITS

In addition to direct compensation (e.g., base pay), organizations provide employees with indirect compensation, also known as benefits. The use of benefits can be viewed as a strategic approach that enables an organization to recruit and retain highly skilled talent

and increase the likelihood of employee commitment. Benefits are a part of an organization's total compensation program and are viewed as a way to promote financial security and overall well-being.

Commonly offered employee benefits include medical/health insurance, dental, vision, vacation and sick days, personal days, life and disability insurance, tuition reimbursement, and discounts on company products. Benefits may comprise 30 percent or more of an employee's total compensation. The basic benefits offered in organizations are highly regulated, and some are legally required.

Benefits Legislation and Statutes

Federal and state governments mandate some benefits, such as:[1]
- Employee Retirement Income Security Act (ERISA)
- Health Insurance Portability and Accountability Act (HIPPA)
- Consolidated Omnibus Budget Reconciliation Act (COBRA)
- Family and Medical Leave Act (FMLA)

ERISA

The Employee Retirement Income Security Act establishes minimum standards for health, life, disability, and retirement plans. Employers are not required to offer health, life or retirement plans, but if they choose to have a plan, it must conform to the guidelines outlined by ERISA.

HIPPA

The purpose of the Health Insurance Portability and Accountability act is to ensure that health plans (1) do not limit or deny coverage for preexisting conditions, (2) are renewable, (3) are portable when individuals change jobs, (4) adhere to antidiscrimination rules, and (5) have established privacy rules for health care plans and providers.

COBRA

Under the provisions of the Consolidated Omnibus Budget Reconciliation Act, organizations that provide health care benefits to their employees, and that employ 20 or more people, must provide for benefits continuation in circumstances such as when employment has been terminated (except when termination is due to gross misconduct).

FMLA

The Family and Medical Leave Act enables eligible employees to take up to 12 weeks of unpaid leave for the birth or adoption of a child, or a serious health condition of the employee or the employee's spouse, child, or parent. The act covers employers with 50 or more full- or part-time employees. To be eligible for this benefit, employees must have worked 12 months and 1,250 hours in the year prior to requesting the leave.

Other benefits required by statute include Social Security, unemployment insurance, and workers' compensation.

Social Security

Social Security has two elements—Social Security and Medicare. The Social Security program provides retirement, disability, death, and survivor's benefits. Medicare covers hospital insurance and supplemental medical insurance. All individuals are eligible for Medicare at the age of 65, regardless of whether they have retired or not. If an

individual is retired, Medicare is the primary carrier and the employer's insurance is secondary.

Unemployment Insurance

Unemployment insurance, which is regulated by individual states, provides subsistence pay to individuals who are between jobs.[2] In brief, provisions for eligibility indicate that individuals have to be available and actively seeking employment. Further, they cannot have left their previous job voluntarily or been terminated for misconduct. Other provisions apply, and laws may vary state by state.

Workers' Compensation

The purpose of workers' compensation is to protect employees who have a work-related injury or illness. Under this plan, employers assume all costs regardless of who is at fault for the accident or exposure. Cost control is a goal of management, which is handled by implementing strategies such as prevention programs and training.

Conclusion

Benefits, which make up one part of the total compensation program within an organization, are viewed by employees as a way to protect the financial and physical well-being of themselves and their families. Employers view benefits as a strategic approach to recruit and retain talent. At the same time, employers are continuously focused on controlling the ever-rising costs of benefits—particularly health care benefits.

See also COBRA; ERISA; FMLA; HIPAA; Payroll; Workers' Compensation

Resources:

Milkovich, George T., Jerry Newman, and Carolyn Milkovich. *Compensation* (New York: Irwin/McGraw-Hill, 2007).

Society for Human Resource Management Toolkits, http://www.shrm.org/hrtools/toolkits_published/ (accessed August 18, 2008).

WorldatWork, http://www.worldatwork.org (accessed August 18, 2008).

NOTES

1. David A. DeCenzo and Stephen P. Robbins, *Human Resource Management,* 6th ed. (New York: John Wiley & Sons, Inc., 1999), 77–79.

2. Ibid.

Pamela Dixon

BONUSES

The purpose of bonus programs is to increase performance and reward employees. Bonuses provide employees with extra compensation and are paid out as a lump sum. In other words, an employee's base pay is not adjusted based on the bonus. There are three common types of bonuses, including performance-based bonuses, formula-based bonuses, and discretionary-based bonuses. In addition, holistic approaches to measuring performance levels are becoming more popular. In these instances, bonuses are tied to a larger number of variables, including customer satisfaction and other aspects that are not necessarily a primary function of the job. Regardless of the type of bonus plan

utilized, organizations must take care to ensure that performance targets and the timing of bonus payouts do not become disincentives for employees.

Performance-based Bonus

Performance-based bonuses, the most commonly used, are paid out based on the degree of achievement of some preestablished performance criteria, at the individual, group, and/or organization levels.

Formula-based Bonus

Formula-based bonuses are based on a percentage of the company's financial goals. An organization sets targets to meet a minimum gross margin or profit level, and it must meet this target for anyone in the organization to receive a bonus.

Discretionary-based Bonus

Discretionary-based bonuses are given based on the judgment of managers. For example, managers may give employees discretionary bonuses for superior performance or achievement of a goal that was not originally tied to a formal performance goal. Or, a manager may use her discretion to give a bonus at the end of the year to make up for the loss of performance-based bonuses.

Bonuses Based on a Balanced Scorecard

Bonuses may be based on goals that include many variables that are indicative of an employee's primary job responsibilities, as well as how the employee contributes to other facets of organizational performance. In this instance, the bonus grid is structured as a balanced scorecard. The balanced scorecard incorporates financial and nonfinancial goals such as customer satisfaction and learning and development. The movement toward using a balanced scorecard reflects a holistic approach to measuring the success of an organization.

Bonus Targets and Payouts as Disincentives

Annual incentive bonuses are designed to reward employees for achieving performance goals and contributing to the organization's overall results. Bonus targets and the respective payouts are intended to motivate employees to increase and maintain high levels of performance. However, the performance level required and the timing of payouts may become disincentives.

Performance targets that are set at unrealistic levels, and will not likely be met, become disincentives and frustrate employees, rather than motivate higher levels of performance. Further, if the timing is such that rewards are paid out only on a yearly basis (or more), then momentum could be lost during the year. Annual incentive programs that are supplemented with interim rewards to recognize progress toward goals are more likely to maintain momentum and drive the performance desired.

Conclusion

Effective bonus programs increase performance and reward employees. To ensure bonus programs are effective, realistic performance targets are created, employees are rewarded

on an annual basis, and their achievement of milestones is also celebrated. When designed appropriately, bonuses provide employees with incentives to continually work toward improving performance and achieving organizational goals.

Resources:

Milkovich, George, T., Jerry Newman, and Carolyn Milkovich, *Compensation* (New York: Irwin/ McGraw-Hill, 2007).

Pamela Dixon

CAFETERIA BENEFIT PLANS

In the competitive labor economy, employers are looking for the best benefit package to lure potential employees into their employment ranks. A cafeteria benefit plan is one tool that employers are turning to with greater frequency due to the flexibility it offers employees with diverse needs. Under this plan, employees select employment benefits from a "cafeteria" list of two or more benefits and cash. Allowable benefits under a cafeteria plan include disability, accident, and sickness benefits; group-term life insurance; dependent care assistance; adoption assistance; 401(k) plans; vacation pay; and health care benefits. This flexible type of benefit allocation allows an employee in need of health care insurance to allocate benefit dollars there, while another employee is able to focus on building retirement savings. The Internal Revenue Code, Section 125, enables employers to offer these plans in combination with other benefits.

Types of Plans

Cafeteria plans provide employees with the opportunity of choosing between two or more employee benefits and cash. Employers may include coverage for group-term life insurance, accident, and health insurance, dependent care assistance, adoption reimbursement, and health care costs. Major types of plans used today include the following:

1. Pretax Conversion Plans, whereby employees are covered by a contributory medical plan.
2. Multiple-Option Pretax Conversion Plans, which consist of one or more HMOs or PPOs with differing amounts of employee contributions.
3. Flexible Spending Accounts (FSA), which are set up by employers to reimburse employees for medical expenses. Employees authorize a deduction of pretax wages to fund the account. The account allows the employee to save both income tax and Social Security tax. Funds withheld for one year must be used within the year.
4. Employer Credit Cafeteria plans, which give the employee a specified number of credits that the employee can "spend" on different employee benefit plans or contribute to a flexible spending account. Usually, there are sufficient employer credits for an employee to choose a low-cost medical plan and a base amount of life insurance coverage without requiring the employee to contribute his own money. To the extent that the employee chooses a more costly benefit package, he will have to make contributions out of his own money, usually through a pretax conversion feature.

Complying with the Code

The Internal Revenue Code specifies that a cafeteria plan must be in writing. The plan can cover only current employees (rather than those who have retired) and must not

discriminate among employees.[1] Independent contractors and other agents are not covered. The employer must adopt and promulgate the plan description—so that each employee receives a copy. It is important for the employer to market the plan to employees during times of open enrollment.

There are some benefits that cannot be included in a cafeteria plan. The plan cannot provide for deferred compensation other than a 401(k) plan. Life insurance products that involve the buildup of cash values or investment accounts cannot be included in a cafeteria plan. Further, employers may not use cafeteria plans to cover scholarships or meals and lodging. The terms of a cafeteria plan do not fall under ERISA.

Advantages

Cafeteria plans are an added benefit that assist companies in retaining good employees. Employees are motivated by being able to choose among benefits. At a young age, health insurance might not be as valued to an employee as dependent care assistance. In other workplaces, health care reimbursement might be of the utmost concern. Organizations are perceived as caring about its employees, which is reflected in increased retention and recruiting power.

Cost management is another advantage. Flexible plans are used to better link benefits expenditures with an organization's profitability and true benefits cost. Organizations have the ability to better control and manage the cost of benefits because employees give up some benefits to obtain others. Furthermore, their costs are shared with employees.

The primary advantage for employees is that they have choices and can select benefits that meet their own needs, and they have the option of taking some dollars currently spent on tax-free benefits in the form of taxable cash. Further, employees are able to gain maximum tax advantages, and there is increased satisfaction on the part of employees due to their ability to make their own benefits decisions.

See also Benefits; ERISA

Resources:

"FAQs for Government Entities Regarding Cafeteria Plans," Internal Revenue Service, http://www.irs.gov/govt/fslg/article/0,,id=112720,00.html (accessed August 18, 2008).

NOTES

1. Allen Smith, "IRS Proposes Rule on Cafeteria Plans," *HR Magazine,* (2007): 24.

Laura Dendinger

CHILD AND ELDER CARE

In recent decades (since the early 1980s), child care, whether in the form of on-site care, child care vouchers, company sponsored child care, etc., has often been offered by organizations as a possible benefit for employees. Some contemporary organizations, however, are taking this concept a step further and including elder care as part of the benefits package. In the face of the Family and Medical Leave Act, companies not only are following the law regarding absenteeism to care for children and elderly family members, but they are taking a proactive stance and sending a message to employees that they care. Sometimes called "family-friendly

benefits," organizations are using child and elder care programs as part of the strategic plan to recruit and retain good employees.

Provisions for Child and Elder Care

Companies have a multitude of choices to offer employees in the way of child and elder care. Some choices include on-site child care, flexible work schedules, child care vouchers, and in-home care for elderly family members.[1] Many companies are also offering flexible spending plans to pay for child and elder care. Basically, the employer deducts a monthly amount (determined by the employee) from the employee's pay to set aside to pay child and elder care costs. This amount is deducted before taxes, so the employee enjoys significant tax savings.

For some employees, however, peace of mind is much more important than the financial burden. Knowing their children and elderly parents or family members are cared for in a safe environment is benefit above and beyond the financial issue. Today, employees are seeking information from their employers regarding elder care more frequently. Some studies show that as many as 35 percent of workers face daily elder care responsibilities at some point.[2] Used proactively, companies that offer child and elder care options up front can reap the benefits of recruiting and retaining valuable employees.

Using Benefits as a Recruiting/Retention Tool

The Family and Medical Leave Act states that employers *must* give employees (male or female) 12 weeks' unpaid leave for medical or family needs, including paternity and family member illness. This is the minimum employers have to offer, and adherence to this act will keep them out of the courtroom. These days, however, providing the minimum to avoid legal repercussions will not allow organizations to remain competitive.

Today's employees are looking for more than a just a job; they are looking for quality of work life. Companies that offer family-friendly benefits maintain a better position to recruit and retain good employees, especially women.[3] Furthermore, these benefits may improve return-to-work rates. In a one-year study of more than 7,000 employees, organizations that offered expanded dependent care found improvements in employee satisfaction, employee retention, and rate of return to work.[4]

Some companies are leading the way in leveraging child and elder care to recruit and retain the best employees. They offer benefits above and beyond traditional child care, including annual in-home or out-of-town backup care for children, spouses/partners, or parents, providing a nanny for nursing mothers while traveling on business, and extending the care of these dependents to include locations anywhere in the country.[5] These organizations are at the forefront of providing quality of work-life environments to present and future employees.

Conclusion

Traditionally, offering child care to employees emerged with the need to accommodate more women in the workforce. This benefit has transformed into a much more strategic tool to recruit and retain the best talent, male *and* female. By expanding dependent care to include elderly family members, and providing more creative ways to afford flexibility in the financial aspects (flexible spending) as well as work environment (on-site care,

flexible hours, etc.), companies may well be leveraging one of the biggest new trends in employee benefits offered today to achieve competitive advantage through one of its most valuable resources, human capital.

NOTES

1. T.S. Bateman and S.A. Snell, *Management: Leading and Collaborating in a Competitive World* (New York: McGraw-Hill Irwin, 2007).

2. "Workplace Flexibility Pivotal to Easing Employees' Elder Care Concerns," *Managing Benefits Plans* (2006), 9–10.

3. Bateman and Snell, *Management.*

4. "Workplace Flexibility Pivotal to Easing Employees' Elder Care Concerns."

5. "Back-Up Care for All: A New Benefit Trend?" *HR Focus* (2007), 12–13.

Brenda E. Ogden

COMPENSATION

Compensation is the total value of an employee's pay and benefits.[1] An organization's compensation strategy is influential in attracting and retaining qualified employees at all levels.

Methods of Pay

The primary methods of employee pay are salary, wages, commission, and incentives. A *salary* is paid regardless of the number of hours one works and is based on results and output. Salaries are typically paid weekly, biweekly, monthly, quarterly, or yearly. Salaried workers are usually considered "exempt," meaning they are exempt from overtime pay.

Wages are paid hourly, and these employees are typically considered "nonexempt," which means they are subject to overtime rules and pay (see FLSA below). Nonexempt employees who work more than 40 hours per week are entitled to overtime pay, which is usually one and one-half times (1.5x) the rate of normal pay, for each hour worked beyond 40 in a standard work week. Some companies, particularly unionized firms, pay double-time for weekends and/or triple-time overtime pay for holidays.

Commission pay is based on sales. Many sales personnel are commissioned; they receive a percentage of their sales as pay. The percentage is based on the value of the item— typically the more expensive the item, the lower the commission rate.

Incentives include pay based on performance and may be paid to hourly, salaried, and commissioned workers. Incentives are paid for production (piece-rate) and/or increases in productivity. Bonuses, a type of incentive, are often tied to objectives in productivity and profitability (profit-sharing), with the intent of rewarding employees who work smarter or harder.

Team-based Pay

Team-based pay links incentive compensation to teamwork behavior and/or team results. Individuals may be rewarded for specific behaviors that exhibit teamwork, and/or members of a team may be rewarded, collectively, for their results as a team. Team-based pay reflects the workplace trend toward teams and group accomplishments.

Pay Grades and Ranges

To determine how much to pay employees, organizations frequently group together jobs that are similar in importance, skill, or outcome, and assign corresponding pay grades. The more important the job, the higher the pay grade and the rate of pay. A pay grade of 5, for example, pays less than a 7. This is a common approach for the government and military, for example.

Another common approach is to assign pay ranges to each job. After evaluating the worth of the job, the firm commonly establishes a low-middle-high range for the job. The company hopes to bring in new hires at the low point, experienced personnel at the midpoint, and promote or transfer those who reach the high end. Employees at the high end of the range are often frustrated when they fail to receive a raise worthy of their performance due to the limitation imposed by the high end of the pay range.

To be competitive within the region or industry, firms may research the pay at other organizations for the same or similar jobs and set their pay accordingly. External resources for pay information include the Department of Labor, online salary surveys, and the many salary comparison reports produced by private/HR firms such as Mercer.

Equal Pay Act

The Equal Pay Act of 1963 requires that men and women be paid the same for equal work. However, the law does not prohibit differences in pay due to education, experience, or skill level.

Fair Labor Standards Act (FLSA) of 1938

The FLSA sets minimum wages, maximum hours, overtime pay provisions, and child labor standards. Exempt, or salaried employees, are not subject to overtime or minimum wage provisions. Nonexempt, or hourly employees, are entitled to additional pay (typically time and a half) for overtime (typically defined as hours worked in excess of 40 per week).

Benefits

Benefits are a critical component of a firm's overall compensation strategy. Traditionally, workers' benefits included health and dental insurance, disability coverage, paid vacations and holidays, paid sick days, and contributions to a pension or 401(k) plan. Although employers and employees often split the cost, the amount of employer reimbursement has been decreasing, due primarily to the rising cost of health care coverage. Benefits often comprise one-third or more of an employee's total compensation.[2]

Life insurance, tuition reimbursement, company discounts, child and elder care benefits, and flextime have been increasing, as employers attempt to meet the work-life-balance needs of employees.

An increasing number of employers are offering cafeteria-style benefit plans, which allow employees to choose the benefits they desire based on their unique needs. Individuals are often given a preset spending limit and may receive cash back if they select benefits that cost less than their allotted dollar value.

Legally Required Benefits

By law, employers are required to provide certain benefits to all employees, including

- Worker's compensation
- Unemployment compensation
- Social Security

Worker's compensation covers job-related injuries. An employee who applies for and receives worker's compensation after being injured on the job may be entitled to monetary compensation for missed work and time off to attend doctor's visits.

If an employee is laid off or terminated, he or she may be entitled to worker's compensation if sufficient days have been worked for a specified span of time (e.g., a year). Worker's compensation benefits are based on the employee's previous rate of pay and are paid for a limited time (commonly a maximum of 26 weeks).

Social Security taxes are deducted from an individual's pay and matched by the employer. Social Security is a tax that pays welfare benefits to certain classes of individuals (e.g., children who have lost one or more parents, retirees, and the disabled).

Conclusion

An organization's compensation strategy is a major determinant of its ability to attract and retain talented employees.

See also 401(k) Plans; Bonuses; Employment Law: An Overview; Pension Plans; Salary Benchmarking

NOTES

1. Robert N. Lussier, *Management Fundamentals,* 3rd ed. (Mason, OH: Thomson South-Western, 2006).

2. R. Lieber and B. Martinez, "Companies Pass the Buck on Benefits," *Wall Street Journal,* November 26, 2002, D1.

Ann Gilley

DEFERRED COMPENSATION

The compensation landscape has changed dramatically over the last 10 years. The global business environment has become increasingly competitive, requiring employer organizations to search out more creative ways to incite high performance throughout employee ranks. HR has responded to this challenge partly through modernized compensation strategies. These contemporary strategies have emphasized a movement away from fixed, entitlement-based pay systems to flexible, performance-based pay systems.[1] Concurrent with this shift has come an increased emphasis on deferred and incentive-based compensation.

Basic Definition and Typical Forms of Deferred Compensation

Employer organizations are increasingly offering compensation flexibility to their employees, including deferred compensation. A deferred compensation plan allows employees to defer some of their earned income to a later date. This, of course, allows the employee to defer tax on that income until it is actually paid out. The following are the most commonly offered forms:

• *Defined benefit pension*—a traditional pension that is typically fully funded by the employer organization and paid out as an annuity upon retirement. Through the 1970s, defined benefit pensions were normative in the United States.

- *Defined contribution pension/retirement account*—a contemporary pension/retirement account that is typically jointly funded by matching contributions from both the employer organization and the employee. These pension/retirement accounts allow for individual employee control regarding investment options and shared costs/risks between employer and employee. The most common form of defined contribution pension/retirement account is a 401(k). Defined contribution pension/retirement plans became normative in the United States in the 1980s.
- *Social Security benefits*—a government-controlled, defined benefit pension plan funded jointly by employer organizations and employee payroll taxes.
- *Employee stock option grants*—an employer-funded plan that bestows to the employee the right to buy a certain number of shares of the employer organization's common stock at a predetermined price within certain time parameters. Typically, these time parameters delineate a vesting schedule of when the options can be exercised.
- *Restricted stock grant*—an employer-funded plan that bestows to the employee a certain number of shares of the employer organization's common stock that are not transferable (e.g., cannot be liquidated) until certain vesting requirements are met. These vesting requirements typically include both performance-based and time-based parameters.

Deferred Compensation as a Long-term Performance Incentive

Employee stock option grant plans and restricted stock grant plans have emerged as the central means of affording employees significant, long-term incentive pay as deferred compensation. Thus, HR must be both knowledgeable of the mechanics of employee stock option and restricted stock plans, and savvy in employing such plans as a means of motivating and retaining high-performing employees. In this way, HR facilitates the accomplishment of strategic objectives via deferred compensation vehicles that align employee performance and retention with organizational priorities, resulting in higher productivity, profitability, and higher total employee compensation.[2]

See also Compensation: An Overview; Pay for Performance; Pension Plans; Retention; HR Strategy

NOTES

1. Edward E. Lawler, *Rewarding Excellence: Pay Strategies for the New Economy* (San Francisco: Jossey-Bass, 2000).
2. James C. Sesil, Maya K. Kroumova, Douglas L. Kruse, and Joseph R. Blasi, "Broad-Based Employee Stock Options in the United States: Company Performance and Characteristics," *Management Revue,* March 2007, 5–22.

Scott A. Quatro

DISABILITY INSURANCE

Disability-income insurance provides income benefits to those insureds who are unable to work due to sickness or injury. Disability insurance policies replace income for those insureds who become disabled from sickness or an accident. Most insurance companies limit the time and amount of benefits. Income is typically replaced for an extended period of time and typically ends after five years or when the disabled person reaches the age of

65. The amount of insurance available is usually limited to no more than 60 to 80 percent of a worker's gross earnings.

Total Disability

Total disability has been defined by insurance companies in several ways, including:
- The inability to perform all duties of one's own occupation
- The inability to perform the duties of any occupation for which the insured is reasonably qualified by experience, training, and education
- The inability to perform the duties of any gainful occupation
- The loss-of-income test

Most insurers use a combination of the first two definitions.

Partial Disability

Some disability-income policies provide for payments due to partial disability, which is the inability of the insured to perform one or more important duties of his or her occupation. Partial disability benefits are usually at a reduced rate for a shorter period of time, and in most policies must follow a period of total disability (as when one returns to work on a part-time basis to assess whether recovery is complete).

Short-term Disability

Short-term disability, often included as a component of one's employee benefits package, provides income payments for the early stage of a disability. Typically, short-term disability policies pay benefits for two weeks up to two years.

Benefit Period

Benefit period is the length of time that disability-income benefits are payable after a specified elimination period has been met. Insureds may choose their desired benefit period, typically two, five, or 10 years, or up to age 65 or 70. The longer the benefit period, the more expensive the disability-income insurance premiums.

Elimination Period

Disability-income benefits are paid after a mandatory waiting period, known as the elimination period. Insureds usually choose their desired elimination period, typically 30, 60, 90, 180, or 365 days. The shorter the elimination period, the more expensive the disability-income insurance premiums. Most employers provide sick leave or short-term disability plans that provide income during elimination periods.

Other Provisions

Most disability policies include a waiver-of-premium provision that pays the disability-income insurance premiums as long as the worker remains disabled. When the insured recovers, premium payments must be resumed. Some policies also provide additional benefits for accidental death or dismemberment, such as for loss of both hands or sight in both eyes.

Conclusion

The financial impact of a disability on one's life can be devastating. Disability-income insurance offers valuable protection to insured workers via monthly income payments after one has been disabled due to sickness or an accident.

Resources:

About-Disability-Insurance.com. http://www.about-disability-insurance.com (accessed August 18, 2008).

 Insurance Information Institute. http://www.iii.org (accessed August 18, 2008).

Ann Gilley

DOMESTIC PARTNER BENEFITS

The term "domestic partner benefits" refers to employee benefit plans that offer the same or similar benefits as those provided to married couples or nonmarried couples as well. Although the term "domestic partner" is often associated with gay or lesbian couples, it also includes unmarried couples of the same sex. Employers usually do not offer domestic partnership benefits unless employees ask for them. However, an increasing number of employers, in both the public and private sectors, are starting to offer such benefit plans.[1] Although domestic partner benefits are increasingly popular, the rules that govern the benefit plans are not uniform and vary between states as well as across companies.

The two states that recognize civil unions, Vermont and Connecticut, "require that all state government employers provide benefits to the dependents of a party to a civil union if the government provides those benefits to married couples."[2] Because Canada allows same-sex couples to marry in most provinces under the Canadian Modernization of Benefits and Obligations Act, also known as C-23, the country allows same-sex common-law couples to have the same obligations and benefits as opposite-sex common-law couples; this includes distribution of benefits in the workplace.[3] However, in the United States, private employers who have benefit plans governed under the federal Employee Retirement Income Security Act of 1974 (ERISA) are not required to offer coverage to civil union partners. Accordingly, "insurers are required to offer policies that include civil union coverage to private employers in Vermont and Connecticut, but private employers and employers in other states may decide who will be eligible to enroll in their plans."[4]

Definition of a Domestic Partner

A domestic partnership is usually understood to mean "two unrelated, unmarried adults who share the same household."[5] In order to qualify for domestic partner benefits, employees often need to demonstrate that his or her "eligible partner" meets specific criteria that is defined by the employer.

Participation in domestic partner benefit plans is often limited to those who are in a relationship that is considered to be "committed"—a term that can be defined in many different ways; other domestic partner benefit plans limit participation to same-sex partners. In states that do not recognize civil unions, domestic partners can sometimes have the option to register their partnership. Although this registration does not carry the same legal status as a marriage or a civil union, it can be made a condition of participation in a benefit plan.

Other plans require a waiting period, most often six months to one year, before a partner will be eligible to enroll in the benefits plan.[6] Accordingly, the definition used in many domestic partner benefit plans defines an "eligible partner" as someone who is:

- At least 18 years old
- Not related more closely than would be allowed for a legal marriage under state law
- Sharing a "committed relationship"
- In an exclusive relationship with his or her partner
- Financially interdependent with his or her partner[7]

Covered Benefits

Many domestic partner benefit plans do not offer full health benefits, but offer other minimal and low-cost benefits. Examples include but are not limited to sick leave, relocation expenses, access to company property, and permission to attend company functions.[8]

However, health and medical insurance is often of greater interest to those seeking domestic partner benefits than those benefits that are more commonly offered. An assumption that the cost will be too high is the main hindrance for many employers. However, studies have shown that the increased cost of adding domestic partner coverage to a health insurance plan is often less than many employers anticipate, for many reasons. This is often because participation in domestic partner benefit plans tends to be very low, and the typical employee who participates tends to be younger and healthier than the average employee.[9] Additionally, this population, due to the fact that they are often partners in same-sex relationships, has a decreased risk that a health insurance plan will have to cover the high costs of pregnancy and childbirth.

Tax Consequences

Federal income tax laws treat domestic partner benefits and benefits offered to married couples differently. Ordinarily, an employee whose spouse obtains benefits must include the cost of those benefits as taxable income. The exception to this is when the employed spouse is claiming the covered spouse as a legal dependent by the Internal Revenue Service (IRS). Accordingly, to be considered a legal dependent by the IRS, "a partner must live in the same household as the employee and must receive over half of his or her support from the employee."[10]

NOTES

1. National Gay and Lesbian Task Force, *The Domestic Partnership Organizing Manual for Employee Benefits* (1999), http://thetaskforce.org/reports_and_research/dp_manual (accessed September 20, 2007).

2. D.R. Euben, (2005, August). "Domestic Partner Benefits on Campus,"http://www.aaup.org/AAUP/protect/legal/topics/partners.htm (accessed September 24, 2007).

3. Canadian Department of Justice, *Civil Marriage Act* (February 2005), http://www.justice.gc.ca/eng/news-nouv/nr-cp/doc_31376.html (accessed September 8, 2008).

4. Euben, "Domestic Partner Benefits on Campus."

5. "Domestic Partner Benefits," FindLaw for Small Businesses, http://smallbusiness.findlaw.com/employment-employer/employment-employer-benefits/employment-employer-benefits-partner.html (accessed September 25, 2007).

6. Ibid., 4.

7. Ibid., 3.

8. Ibid.

9. Ibid.
10. Ibid., 7.

Lea Hanson

EMPLOYEE ASSISTANCE PROGRAMS

Employee assistance programs (EAP) are increasingly offered by employers to assist employees to manage life issues that could affect their work. Many times, these plans are offered in conjunction with health insurance benefits. A survey of employers in 2007 revealed that 73 percent of employers have some form of EAP.[1]

Benefits to the Employees

Employees can, confidentially, contact the EAP for assistance with workplace stress, marital and family issues, depression or other mental health issues, and substance abuse. At times, employees may need the assistance due to a major life adjustment, such as the birth of a child, an accident, or the death of a loved one. At other times, employees may need assistance due to financial or legal concerns. Usually EAP services are offered free of charge (or in coordination with health insurance benefits). Often the employee's family members are eligible to receive EAP services. Services can often be initiated with a phone call to an 800 number.

Benefits to the Employer

Most employers contract with a third party for this value-added service for employees. The cushion of having a third party offer this service reduces the issues of confidentiality associated with many of the circumstances that employees face in the areas for which they need EAP help.

Estimates in the EAP industry are that employers in the United States lose close to $200 billion per year due to loss of productivity and absenteeism without an EAP.[2] Employees who are stressed by workplace or personal situations are often absent from work and are distracted and less productive when they are present.

When employers introduce and market the availability of EAP services, they will soon see an improvement. Employees often have increased morale and focus for their work. Employers often note a decrease in absenteeism and higher production. EAP could lead to better employee retention and less turnover.

In addition, EAP firms often offer training for member firms. The training may supplement or replace the efforts of HR practitioners on safety and related issues. In addition, EAP firms may be of assistance to the employer in response to crisis situations.

See also Health Care Plans

NOTES

1. Kelley Butler, "EAP Benefits Worth More Than Their Price Tag," *Employee Benefit News,* September 1, 2007, 9.
2. Andy Cohen and John Brewer, "Getting Personal," *Sales and Marketing Management,* 1996, 24.

Laura Dendinger

EMPLOYEE STOCK OPTION PLAN (ESOP)

Employee stock option plans (ESOPs) allow organizations to contribute a limited number of company shares into a trust for the employees' benefits package.[1] The higher the percentage of one's income/salary that an employee is allowed to contribute, the more it directly affects the employee's feeling of ownership in the organization. ESOPs have been thus identified as a way for organizations to attract talented employees and to motivate and retain these employees. According to the literature, there are over 11,000 organizations with ESOPs and more than 10 million participants.[2]

How ESOPs Are Established

Once an employer has decided to establish an ESOP, a trustee or board of trustees is set up to oversee the plan. The organization borrows money to set up a trust for the purchase of stock. Rules are set up to determine how employees are vested into the program. There are also guidelines for when the employees can redeem their shares. When a vested employee leaves the organization, the vested shares are bought out at fair market value. Employees meeting the vesting requirements and reaching a certain age have disbursement options.[3] There are governmental requirements and oversight for ESOPs. "Congress has modified the laws governing ESOPs, most notably in the Tax Reform Acts of 1984 and 1986, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Economic Growth and Tax Relief Reconciliation Act of 2001."[4]

Employee ownership can be accomplished in several different ways. Workers can purchase stock directly from the company or receive shares through profit-sharing plans, or stock can be awarded to the employees as bonuses. The most common ESOP usually includes an employer's matching contribution to the employee's contribution into the plan. Contributions made by the company are tax-deductible, and employee contributions are not taxed until the time of distribution to the employee. These shares may or may not have voting rights, depending upon how the ESOP was established.[5]

Stock shares are generally contained within the organization and not sold on the common market. There are currently arguments that ESOPs should be reorganized to be more employee-friendly to assure employees of ethical governance over the management of ESOP funds. Positive correlation found between unionization and ESOP design suggests that "unionized firms tend to have ESOP structures that are more attentive to the equity possession of employee owners."[6] Accordingly, unions may have better communication lines established between the employer and the employee to explain this condition, and are set up to maximize input from employees.

Benefits

ESOPs benefit both the organization and employees, as the employer can utilize ESOP loan funds for capital expansion or to meet other needs within the organization. Employees benefit by being shareholders of the company. These benefits may show up in improved employee performance. ESOPs established by organizations lead principally to increased job satisfaction and lower absenteeism and turnover rates. However, organizations may not realize these retention benefits if the employees are not comfortable with the structure of the plan. Some organizations tailor the provisions of the ESOP to their employees' needs as a way of increasing acceptance of the ESOP and improving employee

loyalty to the organization.[7] In other words, ESOPs are used to give the employee a sense of ownership in the organization; therefore, some ESOPs are set up with "participative decision making."[8]

See also Compensation: An Overview; Motivation; Performance Management: An Overview

NOTES

1. "Employee Stock Option Plans," http://www.sec.gov/answers/esops.htm (accessed February 16, 2008).

2. The Menke Group, "ESOP Section Overview." http://www.menke.com/information/about.php (accessed February 16, 2008).

3. National Center for Employee Ownership, "A Comprehensive Overview of Employee Ownership," http://www.nceo.org/library/overview.html (accessed May 9, 2008).

4. National Center for Employee Ownership, "A Short History of the ESOP," http://www.nceo.org/library/history.html (accessed February 16, 2008).

5. National Center for Employee Ownership, "How an Employee Stock Ownership Plan (ESOP) Works." http://www.nceo.org/library/history.html (accessed February 16, 2008).

6. Patrick P. McHugh, Joel Crutcher-Gershenfeld, and Diane L. Bridge. "Examining Structure and Process in ESOP Firms." *Personnel Review* 34, no. 3 (2005): 277–93.

7. Daniel E. Hallock, Ronald J. Salazar, and Sandy Venneman, "Demographic and Attitudinal Correlates of Employee Satisfaction with an ESOP," *British Journal of Management* 15, no. 4 (2004): 321–33.

8. Robert N. Stern, "Employee Ownership Plans. Background Paper No. 34." *Department of Labor, Washington, DC, Commission on Workforce Quality and Labor Market Efficiency* (September 1989): 1777–1829.

Debora A. Montgomery-Colbert

401(K) PLANS

The 401(k) plan is a type of employer-sponsored retirement plan named after the section of the U.S. Internal Revenue (IRS) Code that defines it. It is generally classified as a type of *defined contribution pension plan.* A 401(k) allows both the employee and the employer to contribute to a retirement account held in the employee's name while deferring income taxes on the contributions and earnings until the money is withdrawn.

All 401(k) plans are strictly voluntary in nature but can be an important component of the benefit package offered to employees and can become an integral part of the recruiting process. Therefore, employers need not only understand how 401(k) plans are structured, but they must also be aware of current industry trends in order to remain competitive in the job market.

Plan Design

Employers have the flexibility to design a 401(k) plan tailored for their specific company and the needs of their employees. Within the framework provided by the government, the employer must decide:
- Who can participate in the plan
- When employees are eligible to begin contributing

- Whether the employee is responsible for investment choices
- When and how often contribution amounts and investment choices can change
- Whether a matching contribution will exist, when it will be provided, and how long employees must work to earn those monies
- Whether hardship withdrawals or loans will be permitted
- Whether to accept rollovers from other qualified plans
- Whether to allow employees to remain members of the plan if they leave the company for reasons other than retirement

Contributions

All contributions made to a 401(k) plan are voluntary in nature. Employees may save up to a maximum annual limit determined by the IRS, and increased incrementally every year for inflation. For example, in 2006, this limit was $15,000 and rose to $15,500 for 2007 and 2008.[1]

Employees may choose to contribute either a fixed dollar amount or a certain percentage of their salary, which is deducted from their paycheck each pay period and deposited by their employer into an account in their name. The deposited funds and any earnings on those funds immediately belong to the employee and are considered to be 100 percent vested.

Employers may choose to contribute to an employee's 401(k) fund in a number of ways. They may choose to match the employee's contributions based on a predetermined formula. For example, the employer may offer to match 50 percent of the employees' contributions up to a designated amount. If the employees contribute 5 percent of their salary, the employer would then match 50 percent up to a maximum of 2.5 percent of the employees' salary. This method encourages the employees to save for retirement knowing that they will receive a certain amount of "guaranteed return" on their investment. Another possible alternative is for the employer to contribute based upon a percentage of the profit of the company. The contribution amount can be based on a predetermined formula, or it may represent a lump-sum payout. This method encourages employees to work harder to earn better rewards. Regardless of the method chosen, the total amount contributed by the employee and employer is limited by the IRS. This limit is the lesser of 100 percent of the employee's annual compensation or $44,000 for 2006, $45,000 for 2007, and $46,000 for 2008.[2]

Employers may choose to have their contributions subject to a vesting schedule whereby the percentage of contributions and related earnings to which an employee is entitled is based upon the number of years of employment. Generally, the longer the employment period, the higher the vesting percentage. With cliff vesting, employees go from 0 percent to 100 percent vesting on a specified employment anniversary date. With gradual vesting, employees are entitled to a larger percentage for each year of employment until they have reached the full 100 percent. Generally, if an employee leaves employment prior to reaching full vesting, the unvested funds are distributed among the remaining participants in the plan.

Withdrawals from the Plan

Generally, withdrawals from a 401(k) plan are allowed upon reaching age 59½ but are required beginning on April 1 of the calendar year after reaching age 70½. However,

exceptions exist in which an employee may begin taking withdrawals before reaching age 59½ or defer withdrawals beyond the age of 70½. The amount of the withdrawals will be dependent upon such factors as how much money is in the account, how long the employee expects to live, and whether other retirement benefits exist.

Employers may choose to allow employees to withdraw funds for the purpose of paying expenses due to a hardship. Hardships are legally defined in the tax code and include such things as purchase of a primary residence or medical expenses not covered by insurance. Employers may also designate which specific types of hardship withdrawals will be allowed under their particular plan.

Employers may choose to allow employees to take out loans from their accounts and may also establish both minimum and maximum limits for the amount of the loans. The loans are repaid to the employee's account through payroll deduction and include interest at a predetermined rate based upon comparable loan rates in effect at the time. The interest is also paid into the account and represents earnings on the account. In essence, employees are borrowing from, and paying interest to, themselves.

Tax Considerations

Because a 401(k) plan meets certain regulatory requirements, as defined by the Internal Revenue Service, it is considered to be a "qualified" plan. This means that it provides certain tax advantages to both the employee and the employer. Contributions by the employee are deducted pretax, meaning that they are not included in the employee's taxable income for that year, and interest earned on the contribution will also be tax-free. In fact, the employees will not pay tax until they receive distributions from the plan. In addition, employers are able to deduct the 401(k) contributions from their taxable income.

If employees choose to withdraw funds from their accounts for reasons other than hardship or retirement, the funds are subject to a 10 percent penalty as well as taxation as ordinary income. This can become an issue when an employee leaves the company for another position. If the employer does not allow the employee to leave her money in the plan, the employee needs to decide whether to withdraw the funds and incur the penalty or deposit the money into another type of tax-deferred plan.

Other Considerations

All employee contributions and any employer contributions in which the employee is vested belong to the employee. This means that if employees leave the company prior to retirement, they must decide what to do with the money in their account. Employers may allow these employees to leave their money in the plan and may also choose to charge a maintenance fee to the employee for the privilege to do so. The employee also has the choice of rolling the money into another qualified plan such as an IRA or a plan provided by their new employer. Lastly, the employee may choose to withdraw the monies subject to certain tax considerations as described previously.

To help ensure that companies extend their 401(k) plans to all employees, the IRS limits the maximum deferral made by "highly compensated" employees to the average deferral made by the company's non–highly compensated employees. This rule applies even if the highly compensated employees have not deferred more than the maximum limit established by the IRS. Therefore, if low-paid employees save more for retirement, then executives are allowed to save more for retirement. This provision is enforced via

"nondiscrimination testing" performed at the end of each plan year. If the plan is found to be "discriminatory" based on this test, the employer will be required to withdraw and return the excess funds by April 15 of the next year.

NOTES

1. Internal Revenue Service, http://www.irs.gov.
2. Ibid.

Teresa K. Cook

GAINSHARING AND PROFIT SHARING

Gainsharing and profit sharing refer to any of a number of plans put into place to improve productivity by offering financial incentives to employees for gains in productivity or profit to the company they work for. Gainsharing and profit-sharing plans are also viewed as core pieces to the implementation of other modern management strategies, such as stakeholder strategies.[1]

While employers clearly benefit from increased profits through increased productivity, a less obvious benefit to employers comes from providing a level of flexibility in labor compensation. When external factors decrease profitability, bonuses automatically decrease. This lowers compensation costs without needing to renegotiate hourly wages or perform layoffs, which would decrease the internal talent pool of the organization.[2]

The most common of the gainsharing and profit-sharing plans are the Scanlon Plan, the Rucker Plan, and Improshare. Although these are the most widely used plans, the customization of gainsharing or profit-sharing plans occurs on a regular basis, and several consulting firms in business exist solely for the purpose of designing and implementing customized plans.

The Structures of the Major Gainsharing and Profit-sharing Plans

The Scanlon Plan focuses on improving company productivity, meaning an improvement in the ratio of inputs to outputs, by means of labor savings. This plan seeks to reduce the amount of time needed to produce an item without increasing the cost of production. A company implementing the Scanlon Plan undergoes a study of current standard work hours and costs. This study is carried out to develop a formula to measure employment costs as a proportion of total sales. A standard ratio of labor costs to sales is determined, and when employment costs fall below the standard ratio, the savings are distributed between the employees and the business.[3] The percentage shared with the employees is negotiated prior to implementation.

The Rucker Plan spreads its focus beyond issues of labor savings, but ties bonuses heavily to the value added by labor, as opposed to total sales. "Value added" is derived by taking the amount of sales and subtracting the cost of materials and supplies. The Rucker Plan ratio is calculated as a comparison of labor costs to value added. Allen Rucker believed the pay proportion of value added holds steady unless the organization suffers from mismanagement or a drastic change of policy.[4] The Rucker Plan focuses solely on providing a ratio for the business to follow, without searching for a means to foster future gains.

Improshare plans focus on reaching a higher number of units produced in fewer person-hours. Any improvements in this area result in a bonus to labor based on a pre-negotiated rate. No other areas of concern are taken into account with Improshare plans, making them the easiest of the major plans to implement.

History of Gainsharing and Profit Sharing

The history of gainsharing and profit sharing can be informally traced back to the development of human economic systems. Any time a business owner gives an employee a raise or bonus based on increased productivity, it is an example of gainsharing or profit sharing.

The first of the major gainsharing models to emerge in modern times was the Scanlon Plan. It was developed by Joe Scanlon in the late 1930s while working as a steelworkers' local labor union president at a small Ohio steel company. Scanlon believed workers could be a great source of ideas for improvements if given the incentive to do so. He had an opportunity to test this theory in 1938 when the aforementioned steel company's management notified him that production had to improve or they would have to halt operations.

Scanlon worked with executives to develop a union-management productivity plan designed to decrease the labor cost per unit of production. His first attempt was a success for the company, saving them $150,000 annually at a cost of only $8,000 for new equipment. Scanlon was quickly called on to work with other ailing companies through the steelworkers' union national headquarters. He worked with dozens of troubled companies and, by 1945, he had developed a program that consisted of discovering the normal labor cost per unit of production, then giving a large portion of savings back to workers for producing at less than the normal labor cost. Rucker Plans and Improshare were both developed later, adding their own twists to gainsharing and profit sharing, as outlined earlier.

Typical Criticisms of Gainsharing and Profit Sharing

Gainsharing and profit-sharing plans are often criticized due to their lack of individual rewards to those who stand out in their achievements. There is often too much room for some individuals to shirk their responsibilities while others go beyond expectations. This, of course, occurs in all other situations involving production of goods. Rewarding the team as a whole creates a scenario of internal peer pressure for all to carry the load equally, minimizing the inequity of work performed by individuals.

Some feel these plans are detrimentally focused on savings in labor. Many believe the focus on labor blinds management to other sources of savings,[5] potentially damaging the company's future.

Another criticism of these plans is they remove too much control from the hands of management. If gains are realized, management cannot simply decide how best to use these gains, as their use is already predetermined through the process of implementing a gainsharing or profit-sharing plan. Members of management must embrace participative management theories to be successful.

Keys to Success with Gainsharing and Profit-sharing Plans

Regardless of the format followed, all gainsharing and profit-sharing plans to date hold the same keys to success:[6]

1. The standard labor cost per unit must be measurable.
2. The ratio of sales value of production or units of production value to the cost of labor must be somewhat stable.
3. There must be a perception of fairness in regard to the distribution of the profits gained through increased productivity to the laborers who produced the increases. This usually means employees should receive the bulk of the increased profits, instead of management.

See also Employee Stock Option Plan (ESOP); Scanlon Plan

NOTES

1. Ann Svendsen, *The Stakeholder Strategy: Profiting from Collaborative Business Relationships* (San Francisco: Berret-Koehler Publishers, Inc., 1998).

2. Douglas Kruse, *Profit Sharing: Does It Make a Difference? The Productivity and Stability Effects of Employee Profit-sharing Plans* (Kalamazoo, MI: Upjohn Institute, 1993).

3. Michael Armstrong, *Reward Management* (London: Kogan Page, Limited, 2004).

4. Ibid.

5. Brian E. Graham-Moore and Timothy L. Ross, *Productivity Gainsharing* (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1983).

6. Ibid.

Adam VanDreumel

GARNISHMENT

The Department of Labor Field Operations Handbook defines the term "garnishment" to mean "any legal or equitable procedure through which the earnings of any individual are required to be withheld for payment of any debt."[1]

A garnishment is both a legal and an emotional issue for HR/payroll and the organization's employee. It is legal in that HR/payroll has a legal responsibility to effectively process the employee garnishment; it is emotional because the employee may believe that his or her job is in jeopardy as a result of the garnishment.

Today, many states dictate employee garnishments for a number of issues, most commonly child support payments. This entry will describe garnishments, HR/payroll's responsibilities, the need for confidentiality, and how to help an employee get back on the right track.

HR/Payroll and the Garnishment

A garnishment is a deduction from an employee's earnings to repay a debt that is court ordered. Because it is a court-ordered legal action, strict rules govern its completion dictated by the state that is issuing the action. Knowing the specifics of a garnishment based on the jurisdiction is important for HR/payroll.

Title III of the Consumer Credit Protection Act (CCPA) limits the amount of an employee's earnings that may be garnished. It also protects an employee from being fired if pay is garnished for only one debt. The amount of withholding subject to garnishment is based on an employee's "disposable earnings," the amount left after legally required deductions are made. There are a number of legally required deductions such as federal, state, and local taxes, the employee's share of state unemployment insurance, and Social

Security. Withholdings for employee retirement systems required by law would also be included in this designation. Deductions not required by law—such as voluntary wage assignments, union dues, health and life insurance, contributions to charitable causes, purchases of savings bonds, retirement plan contributions (some of these can be required by law as stated above), and payments to employers for payroll advances or purchases of merchandise—cannot be subtracted from gross earnings when calculating disposable earnings under the CCPA.

There are legal maximum limits that can be garnished from an employee's pay. For ordinary garnishments (e.g., those not for support, bankruptcy, or any state or federal tax), the weekly amount may not exceed the lesser of two figures:

- 25 percent of the employee's disposable earnings, or
- the amount by which an employee's disposable earnings are greater than 30 times the federal minimum wage.

In cases in which an employee has a garnishment for child support and alimony, the rules are more stringent, with a maximum of 50 percent of a person's disposable earnings if the employee has a spouse to support or 60 percent if the employee does not.

Importance of Confidentiality

Confidentiality is critical for HR/payroll in general; however, in the case of a garnishment, it is paramount. An employee who has a garnishment judgment against him may believe that his job is in jeopardy. Certainly, there are cases in which a garnishment in a certain area raises questions about an employee's ability to perform his job functions; however, many will be purely a function of deducting the garnishment and getting the employee focused on business.

Applying the Rules

Managing garnishments within an organization is important because there are substantial liabilities for employers who do not administer garnishments correctly. Organizations must understand "the importance of having well-trained employee specialists and procedures in place that include every person that may touch the garnishment."[2] This is particularly important under the provisions of Sarbanes-Oxley at publicly held companies. The Office of Child Support Enforcement (OCSE) has established a portal with state-specific links to information that employers can access to determine requirements for their state.[3]

Getting Back on Track

For an employee, a garnishment may represent a very difficult point in life. Some may even consider resigning from the company before having a garnishment exercised. For HR/payroll professionals, handling the garnishment process in a professional, direct manner without making judgments helps the employee traverse this troubled time and get back to the business at hand. Most employees are able to fulfill the garnishment order and continue to be effective workers.

Resources:

Department of Labor, Office of Child Support Enforcement, http://www.acf.hhs.gov/programs/cse/index.html.

NOTES

1. U.S. Department of Labor. Rev. 644 *Field Operations Handbook,* Rev. 644 (February 9, 2001), http://www.dol.gov/esa/whd/FOH/FOH_Ch16.pdf (accessed November 27, 2007).

2. Elaine Stattler, "Tips for Managing Garnishments," *Payroll Manager's Letter* 22, no. 21 (November 7, 2006): 7.

3. Office of Child Support Enforcement (OCSE), http://www.acf.hhs.gov/programs/cse/index.html (accessed February 27, 2008).

Lisa Scott Brinkman

HEALTH CARE PLANS

The 60-plus-years link between employment and health benefits is being examined with increasing skepticism by industry observers, critics, and employers alike, as the demand for and cost of care continues to inhibit profitability in a highly competitive global economy. Some assessments are blunt, such as "The linkage of employment and health-care benefits is a product of another age, when American business was dominant, when it didn't have to worry about global competition, and when unions made up a much larger portion of the work force."[1]

The vicissitudes of global competition are not a new phenomenon: national and multi-national employers have long sought incremental advantages on the cost and revenue side of their businesses. This entry examines why employment-based health insurance (EBHI) persists as a major component of U.S. employers' benefit packages and simultaneously looms larger as a disadvantage in companies' ability to compete effectively.

History

EBHI is one of the most enduring and coveted features of the American workplace. Its origins lie in a 1942 War Labor Board decision that encouraged employers to expand fringe benefits to attract and retain scarce workers. EBHI flourished when employers' health insurance benefits and employee contributions to health insurance were excluded from taxable income, as an offset to continuing post–World War II wage and price freezes.[2] In the evolution of the U.S. health care system, EBHI quickly moved from a novel incentive to an entitlement, firmly embedded by life-saving, life-extending medical technology, provider autonomy, and a willing federal and commercial reimbursement system.[3] "For decades, Americans have treated health care as if it exists in a separate economic and political world: when people need care, they should get it; costs should remain out of sight."[4] For these reasons and others, any discussion about altering this link between employment and health benefits quickly has met with resistance.

Demand and cost of care accelerated in the last two decades of the twentieth century. To avoid acrimony as well as strategic inertia, insurers and employers turned to a succession of plan forms, including variations on indemnity plans, and an alphabet soup of managed care (HMOs, PPOs, POSs, etc.). These plan forms are all attempts to manage demand for care.

Health Care Plans

Indemnity Plans: Reimburse an enrollee for all medical expenses, irrespective who the provider is (physician, hospital, etc). Most have caps on the total amount that can be reimbursed within a set time period.

Managed Care Plans: Include HMOs, PPOs, EPOs, and POS. All forms of this coverage include restrictions on providers available to enrollees and some degree of utilization management.

HMO: A health maintenance organization provides a wide range of comprehensive health care services to members who prepay a fixed periodic fee for the service. The choice of physician and hospital (providers) can be made from an "open panel" or group model, which includes providers who are contracted with the HMO, or from a "closed panel" or staff model, with tight limits of choice.

PPO: A preferred provider organization is essentially a more tightly managed version of HMOs, with fewer provider choices for enrollees and tighter utilization management. Enrollees pay a larger share of charges if they receive care from a provider that is not contracted with the PPO provider network.

EPO: An exclusive provider organization is similar to a PPO, although an enrollee's charges for care from an out-of-network provider are not covered by the EPO.

POS: A point of service plan combines characteristics of both the HMO and the PPO. Enrollees choose a primary physician (similar to group model HMOs and PPOs), but also may choose from a larger number of providers. Out-of-network charges are handled similar to PPOs. Members of a POS plan do not make a choice about which system to use until the point at which the service is being used, an arrangement that favors enrollees who travel frequently and need regular access to care.[5]

Organizational Challenges

These multiple plan forms have done little to change the general public's expectations for access to care. The problem for organizations deciding how to provide health insurance for current (and retired) employees is made more difficult by these fragmented delivery and payment mechanisms, even as it also has become a threat to organizations' ability to remain competitive in global markets.

The competitive disadvantage is rooted in a profound economic and social difference between this country and its international business competitors. "U.S. companies now compete in the world market with companies from other industrialized nations that have national health systems. Those countries treat health care as a "societal cost" borne across the economic spectrum, not imposed primarily on employers as an additional cost of their products and services."[6]

Recent declines in the rate of premium increases are good news, but they are modest and unevenly distributed; employers still struggle with the declining affordability of health insurance.[7] Employers of low- and middle-income workers face the most trying circumstances: "premium increases, high administrative costs, the likelihood of increased regulation, and as well as the pressures of increased global competition."[8] These problems loom as serious confounders for those employers who might be open to initiatives to address health care issues.

Current Conditions

Although the rate of health insurance premiums has slowed, premium prices are nevertheless continuing to rise. The share of the premium that is passed on to employees is also increasing, and studies show fewer firms offer coverage to their workers.[9] Other studies

suggest the amount of coverage offered is less of a factor than a decline in "*take-up*,"[10] or enrollment, by eligible employees. One consequence of this trend is increasing numbers of under- and uninsured people, and further strains faltering public (government) systems.

"Employers [still] tend to view health benefits as a human resources tool and part of a complex compensation package, rather than as an instrument of health policy. Consequently, they do not have a broad strategy to deal with the explosion of healthcare expenditures."[11] The earliest recognition of accelerating EBHI costs generated several initiatives designed to influence healthier behaviors and informed choice-making among health plan participants, including types of plan options offered, employer-subsidized wellness programs and centers, disease management, and financial rewards for healthy choices. The impact of these initiatives has generally leveled out; they have done little to change demand for care.

Large employers have also self-insured and tried to closely manage utilization; medium and small employers have formed coalitions to "collectively purchase health care, proactively challenge high costs and the inefficient delivery of health care, and share information on quality."[12] Union contracts are being renegotiated, insurance premiums are being linked to salary level to increase worker contributions, and the number of part-time uncovered workers is growing.[13]

The latest responses to this issue are predicated on leveraging consumer education and market forces to rein in demand and cost. They include HDHPs, HSAs, DCHPs, and CDHPs.

HDHP: High Deductible Health Plans are a health insurance plan with lower premiums and higher deductibles than a traditional health plan. They are sometimes referred to as catastrophic health insurance plans.

HSA or HRA: Health Savings Accounts or Health Reimbursement Arrangements are IRS-sanctioned plans that allow an employer, as agreed to in the plan document, allow employees to save pre-tax dollars for later reimbursement for medical expenses paid from their account through their employers. HRAs reimburse only those items (copays, coinsurance, deductibles and services) agreed to by the employer which are not covered by the company's selected standard insurance plan (any health insurance plan, not only high-deductible plans).

DCHP: A Defined Contribution Health Plan allows the employee to choose his own health plan using funds the employer has already allocated for the employee.

CDHP: Consumer-Directed Health Plans are a more precise version of HSAs that give consumers more responsibility for managing their health care spending.[14]

These options have enjoyed mixed success despite considerable attention and publicity, including the IRS's blessing, and the enthusiastic endorsement from the President at the time these options were rolled out. Critics cite several flaws, such as high deductibles, persistently high out-of-pocket costs, and a lack of accessible, transparent information to support consumer choices of quality, cost-effective care options. An October 2006 RAND Corporation study notes that CDHPs can reduce health care use and lower costs, but expresses doubt whether the plans could accomplish this without deterring consumers from seeking needed care.[15]

High-deductible plans may further segment consumer access according to their income, education, and sophistication, and thus marginalize low-deductible plans. A 2004 Commonwealth Fund study notes that, "Employer-based health insurance coverage has been held up as the one place in which risk pools tended to be unified, with costs spread

among employees (albeit paid directly in large part by employers). CDHPs have the unappealing potential to unravel this important risk-spreading role, segmenting to the advantage of healthy workers and to the disadvantage of less healthy, lower incomes workers."[16]

Conclusion

Employers have two equally uncertain choices to address health care issues: pursue conventional health insurance plan options, hoping that some other factors will stem the trend of higher premium prices and limited options; or opt for the initiatives that leverage consumerism and market forces. The latter options, however, have not been nearly as predictable factors in the health care arena as they have for employers' products and services.

The least likely option is for employers to completely sever the tie between employment and health insurance, at least for the foreseeable future. The message may be "know your employees" and decide to be part of wider solutions. Perhaps, says a Hewitt Associates report, "If we have any hope of ever truly improving costs and outcomes, we must focus on effectively influencing the interactions between patients and providers. That is where health care happens. We need to move beyond cost sharing, consumerism, and passive health risk management and focus on supporting the necessary behavior changes as people move from being consumers to becoming patients."[17]

The best and most challenging news for employers is the availability of numerous sources of information upon which to base decisions. This may awaken a new force for change, but, as with the case of any activity with which little or no immediate revenue is associated, the efforts to make informed decisions are another cost, at a time when margins for many American companies are tightened by competition and regulation.

NOTES

1. Jeanne Schulte Scott, "Big Business, Where Are You?" Health Care Is Again on the Table in Washington. And the U.S. Business Community Should Be Invited to Dinner," electronic version, *Healthcare Financial Management* 61, no. 1,(January 2007): 36(2).

2. Harry A. Sultz and Kristina M. Young, *Health Care USA* (Gaithersburg, MD: Aspen Publishers, Inc, 1999).

3. Paul Starr, *The Social Transformation of American Medicine* (New York: Basic Books, 1982).

4. Robert J. Samuelson, "Let's Not Hide Health Care Costs," *Newsweek,* February 5, 2007.

5. "Health Insurance: Indemnity vs. Managed Care," http://www.agencyinfo.net/iv/medical/types/indemnity-managed.htm (accessed May 20, 2008).

6. Scott, "Big Business, Where Are You?"

7. Rose M. Rubin, "Declining Employer Sponsored Health Insurance: Tennessee and the U.S.," electronic version, *Business Perspectives* 18, no. 1 (Fall 2006): 26(6).

8. Ibid.

9. Yu-Chu Shen and Sharon K. Long, "What's Driving the Downward Trend in Employer-sponsored Health Insurance?" electronic version, *Health Services Research* 41, no. 6 (December 2006): 2074(23).

10. Ibid.

11. Rubin, "Declining Employer Sponsored Health Insurance."

12. Knowledge Source, "Business Coalitions Market Overview—2006" (October 28, 2006), http://knowsource.ecnext.com/coms2/summary_0233-901_ITM (accessed February 10, 2007).

13. Rubin, "Declining Employer Sponsored Health Insurance."

14. U.S. Office of Personnel Management, "High Deductible Health Plans (HDHP) with Health Savings Accounts (HSA)," http://www.opm.gov/hsa/ (accessed February 2007).

15. "Study Shows Americans Still Not Enthusiastic about CDHPs," electronic version, *Healthcare Financial Management,* 61, no. 1 (January 2007): 14(2).

16. The Commonwealth Fund, "Will Consumer-Directed Health Care Improve System Performance?" (August 2004), http://www.cmwf.org/topics/topics_show.htm?doc_id=235966 (accessed February 10, 2007).

17. Hewitt and Associates, "Hewitt Associates Data Reveals Lowest U.S. Health Care Cost Increases in Eight Years," October 9, 2006, http://www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=3113 (accessed February 10, 2007).

Paul M. Rosser

HIPAA

On August 21, 1996, Congress enacted the Health Insurance Portability and Accountability Act of 1996, also known as HIPAA. Contained in this law, the Department of Health and Human Services issued the regulation Standards for Privacy of Individual Identifiable Health Information, which protects patients' privacy rights and governs privileged health information. The Office for Civil Rights is also involved in this law, taking on the role of enforcing this regulation.[1]

What Information Is Protected?

Each time an individual visits a hospital, physician, or health care provider, documentation of that visit is made. This record consists of that person's symptoms, physical examination and any test results, a diagnosis, and treatment plan. This data can be shared among health care providers who play a role in that person's specific treatment. The HIPAA Privacy Rule guards these medical records and health information and creates a national standard of protection. In fact, this law empowers individuals to manage how their records are used and disclosed.[2]

Who Must Observe the HIPAA Privacy Rule?

The Privacy Rule pertains to insurance health plans, health care clearinghouses (e.g., billing service companies) and health care providers.[3] These *covered entities* allow them to contract with their *business associates* to perform some of their essential functions.[4] Health care providers generally use a patient's health information for treatment, payment, and general health care operations (e.g., confirming an appointment). A description of privacy practices should be available from the health care provider.

What Is HR's Role in Enforcing HIPAA?

A *business associate,* as defined by the HIPAA Privacy Rule, includes a third party, such as a benefits administrator,[5] which falls under the HR umbrella. In fact, HR can play a significant role in security compliance. Below are some of the ways in which HR can participate in ensuring HIPAA security compliance:

- *Implementing policies:* It is important for HR to negotiate with their health plans at contract time to ensure that personal health information includes verbiage safeguarding against unauthorized use. Within the organization, it is important for HR to also make sure their own internal policies adhere to the HIPAA Security Rule (e.g., proper handling of terminated employees, identifying security incidents, etc.)

- *Awareness training:* Other actions HR might take are to conduct security awareness training throughout the department to ensure that there is no unauthorized access to personal health information. This can also include limiting access to any electronic records and by choosing a representative in the department as a security agent.
- *Legal help:* It is also important for HR to realize the impact that a security breach might have if personal health information was made public. This would result in costly legal fees and tarnished reputations. Communicating with the organization's legal department when policy making occurs would help guarantee the effectiveness of the internal compliance plan to avoid any security risks.[6]

Conclusion

The HR department plays a significant role in the HIPAA Privacy Rule process for an organization. In understanding not only the law itself, but also the responsibility and function of the role, HR can enhance personal health information security for their employees and protect the organization in the process.

See also Privacy Act; Privacy Rights

NOTES

1. U.S. Department of Health and Human Services, "Medical Privacy—National Standards to Protect the Privacy of Personal Health Information," U.S. Government, http://www.hhs.gov/ocr/hipaa/bkgrnd.html (accessed July 3, 2007).

2. Ibid.

3. Ibid.

4. 45 C.F.R. § 160.103 (2006).

5. U.S. Department of Health and Human Services, "Medical Privacy—National Standards to Protect the Privacy of Personal Health Information."

6. Philip L. Gordon, "HR's Role in 'HIPAA Security Compliance,'" FindLaw, http://library.findlaw.com/2005/May/19/174544.html (accessed July 3, 2007).

Nicole Brown

INSURANCE

Insurance plays a broad role in our economy. It helps to assure that both economic and noneconomic activities can proceed with peace of mind. The concept of insurance is simple. In exchange for the insured's payment of the premium, a relatively small sum of money, the insurer (insurance company) assumes the risk of financial consequences for any loss. The insurer is actually an organization that administers the "sharing" of losses among its members (the insureds), providing financial security for all participants.

Often, as much as 80 percent of a company's total insurance premiums are spent on employee life and health coverage, while a mere 15 to 20 percent is spent on all of the property and liability coverage a company needs.

Life Insurance

There are numerous forms of life insurance coverages available for specialized needs, and numerous insurers are willing to tailor a policy to meet those specific needs. Employee life

insurance and accidental death insurance coverages are commonly marketed and sold on a group basis via a master policy to a company or employer.

Insurable Interest

An insured has an insurable interest in his or her own life when the goal is to provide a source of funds and/or continuing income stream for his or her beneficiaries. Therefore, an insured may take out a life insurance policy on his or her own life for the benefit of named beneficiaries (persons or entities).

Disability Income Insurance

Disability income insurance is a type of health insurance that provides coverage to replace a percentage of the insured's income if he or she becomes temporarily or permanently disabled as a result of "nonoccupational" (nonwork-related) illness, accident, or injury. Disability coverages have many variable features:

- Waiting period—the time between the effective date of the disability and the date the insured can start to collect benefits. Common waiting periods are one week, or one, two, three, or six months. The longer the waiting periods, the lower the premiums. Employees usually use vacation time and/or sick leave to maintain a full salary during the waiting period.
- Disability policies vary in the length of time of payment according to the type of disability (e.g., illness or accident).
- Disability policies also vary in the amount payable, which is usually expressed as a percentage of the insured's income in the range of 50 to 60 percent. The intent is to replace the insured's net income loss, not gross. Disability income payments are usually not taxable; therefore, someone not receiving wages is no longer paying Social Security and Medicare taxes.
- Disability policies also vary in their definition of the employee's disability and its impact on the employee's ability to perform the duties of his or her usual occupation or another more restrictive occupation.
- Disability is defined as benefits paid based on partial or total disability.

Health Insurance Policies and Managed Care Plans

Health care coverages, in their present state, are really no longer considered insurance in the traditional sense described earlier. They were formally called hospital room and board, hospital supplies and equipment usages, surgical, physicians' coverages, drugs, and tests.

Most people are members of or subscribe to a service plan under which they receive health care services from a health maintenance organization (HMO) or some other managed care plan. Blue Cross (an association of hospitals) and Blue Shield (an association of doctors) are the backers if not the creators of managed care plans.

Managed care plans include HMOs, preferred provider organizations made up of hospital and doctor members (PPO) and point-of-service plans (POS). The purpose of managed care organizations, according to their enabling statutes, is to transfer the financial risks of health care from the patients to the managed care organizations.

The principal characteristic of managed care organizations is that the organization receives a fixed fee from each person or unit enrolled and provides specified health care if needed (e.g., medical, dental, vision, etc.).

COBRA Rights

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) established certain duties on the part of employers with respect to continuation of health care coverages under employment-sponsored plans when certain defined triggering or qualifying events occur, including.

- Termination of employment
- Reduction of employee's hours below that eligible for health plans
- Divorce resulting in the ineligibility of a previously covered spouse
- Employee eligibility for Medicare benefits
- Ineligibility of a dependent child because of age or marriage

The previously insured person may remain covered for a maximum of 36 months for all benefits, whether medical, dental, or vision, provided he or she pays the full single-person premiums.

See also Benefits; COBRA; Disability Insurance; Health Care Plans

Resources:

Zevnik, Richard W. *The Complete Book of Insurance.* Naperville, IL: Sphinx Publishing, 2004.

Title 42, *U.S. Code,* Selection 300e (42USC-Sec.300e).

Healthinsuranceinfo.net, Georgetown University Health Policy Institute, http://www.health insuranceinfo.net. Persons wishing to obtain a state-specific summary of their own state laws regulating health care policies and plans, which also includes discussions of applicable federal statutes and regulations, should visit this site.

Douglas G. Heeter

MERIT PAY

Merit pay is the process in which permanent increases in employee compensation are implemented based on the evaluation of an employee's performance. An employee's evaluation is typically conducted using criteria determined by an employer. These evaluations are usually conducted on periodically determined time intervals (e.g., quarterly, biannually, or annually) and involve a review discussion between the supervisor and employee concerning that employee's work performance over a particular period of time.[1]

A salary adjustment under merit pay is measured as a percentage increase to the current base salary, resulting in the adjusted higher salary. Ideally, the increased rate of salary should correspond proportionally with how well an employee performs on the job.[2] Merit pay systems may also have a variable salary rate change structure that rewards excellent individual performance differently, based on salary distribution. For instance, employees in a low pay range who receive an excellent performance rating would receive a higher-percentage salary increase than those employees in a higher pay range who also receive the same excellent rating.[3] In general, annual pay increases of 3 to 4 percent are considered low, while pay increases between 10 and 20 percent are viewed as high.

Merit Pay Structures

Merit pay structures deal with decisions on how to allocate an organization's compensation distribution based on performance, rather than dealing with other factors such as

the relative value of a particular position within an organization.[4] Merit pay structures operate under a merit budget, determined by the amount of overall salary spending allocated for distribution among all employees in a department or organization.[5] A credible merit pay structure assesses and measures performance, while appropriately rewarding differences in performance between individuals within a department and/or organization.

Performance Appraisal Management

Performance appraisal systems are used to determine merit pay decisions as well as to clarify job expectations for employees and establish employee objectives that correspond with overall organizational objectives and needs. Appraisals are also utilized to determine promotional, transfer, and termination decisions, while helping to identify organizational training needs.[6] There are a variety of appraisal systems, each of which evaluate a set of parameters that reflect an employee's overall job performance.

In general, appraisal systems measure how well an employee performs at meeting assigned responsibilities and objectives, as well as their quality of work, teamwork, leadership, communication skills, dependability, etc.[7] Appraisal ratings structures vary but typically use a point-scale rating system to measure whether an employee's overall work and/or components of their work are exceptional, above average, average, below average, or poor.

See also Compensation, Gainsharing and Profit Sharing

NOTES

1. U.S. Department of Labor, "Wages: Merit Pay," http://www.dol.gov/dol/topic/wages/meritpay.htm (accessed December 5, 2007).

2. Lance A. Berger and Dorothy R. Berger, ed. *The Compensation Handbook: A State-of-the-Art Guide to Compensation Strategy and Design,* 4th ed. (New York: McGraw-Hill, 1999), 510.

3. Ibid.

4. Robert L. Heneman and Jon M. Werner, *Merit Pay—Linking Pay to Performance in a Changing World,* 2nd ed. (Charlotte, NC: Information Age Publishing, 2005), 6.

5. Berger and Berger, *The Compensation Handbook,* 522.

6. Ibid., 513.

7. Ibid., 514.

Matt Neibauer

PAY FOR PERFORMANCE

Pay for performance is a generic term that encompasses any number of methods of compensation that link some or all of an employee's pay to some measure of individual or group performance. Most of these programs shift labor costs from fixed to variable, providing an automatic control on labor costs during economic downturns, and are at the heart of the trend in compensation today toward less stable and less secure compensation packages.[1]

Programs can either be "success-sharing" or "risk-sharing." Success-sharing is a generic term for programs that permit employees to share in the success of the organization based

on some measure of performance (e.g., profits, reduced costs) without penalty when performance is poor. With risk-sharing programs, employees also share in the financial risk, such that in times of poor financial performance, employees' compensation is reduced. In return for sharing the risk, employees generally receive a greater reward when there is good performance than under success-sharing programs.

Pay-for-performance plans help to motivate employees by linking the financial rewards an employee receives to organizationally desired behaviors/outcomes (e.g., production quantity, sales volume, reduced costs, higher profits). Performance targets used in these plans should be tied to the organization's strategic objectives and fit well with the HR strategy and objectives. For example, individual incentives would be inappropriate if the objective is for employees to function as a team. For these programs to be accepted and considered fair by employees, there must be a reliable way to measure performance, the goals must be attainable, the environment must be relatively stable, and the performance must be under the employee's control.

Individual Plans

Individual pay for performance plans reward employees based on their individual performance. Experts agree that individual plans have greater potential for, and better track records in, delivering increased productivity.[2] They may, however, result in competitive behavior among employees and a decrease in cooperation and teamwork.

Piece Rate

An objective method of compensating employees based on production quantity is piece rate. It may represent all of an employee's earnings or be an additional payment over and above a base wage. The most basic plan is referred to as "straight piecework," where the payment per piece is fixed regardless of quantity produced. Other plans vary the payment per piece relative to a standard rate of production. Care must be taken to ensure that the program does not create unintended consequences. For example, a piece rate plan that has no quality requirements may result in the production of a large number of substandard products.

Commission

Used for compensation of salespeople, commission is similar in concept to piece rate, although the employee's compensation is based on a percentage of sales dollar volume. The commission rate may or may not be in addition to base pay and may vary based on product or product line. Typically there is no base pay when the sales involve high priced products such as real estate, capital equipment, vehicles, insurance, or financial services. In retail sales, the commission is often in addition to a relatively small base pay. An employer may also pay a higher commission rate for high margin or new products to encourage salespeople to focus on the sales of those products. Where there are not defined sales territories (e.g., retail), it may encourage competitive behavior between coworkers that may be detrimental to the organization.

Merit Pay

Merit pay is an increase in base pay granted to an employee based on some typically subjective measure of performance, usually identified in an annual performance appraisal (see also the entry on Merit Pay).

Lump-sum Bonus

A lump-sum bonus is a onetime payment to an employee based on his or her performance. Employers are increasingly using this as a substitute for merit pay. Since it is not added into base pay, it essentially freezes employees' pay, thus controlling labor costs. It can also help diminish a sense of entitlement among employees. Lump-sum bonuses are sometimes negotiated in union contracts as a substitute for across-the-board raises that add to base pay.

Individual Spot Awards

A spot award is an add-on bonus awarded to an employee based on exceptional performance, often on a special project or in an unusually difficult situation. Programs vary from organization to organization and tend to be more formal in larger organizations and less formal in smaller organizations. In general, management is alerted to an employee's performance and makes a special onetime payment to reward the employee.

Group Plans

Group pay for performance plans link a portion of employees' compensation to some measure of group performance. They are effective in encouraging cooperation and teamwork but do not hold individuals directly accountable for their performance. Plans that have a time line of one year or less are considered short-term plans, while those over one year (e.g., ESOPs, stock options, BBOPs) are classified as long-term incentives (LTIs).

Team Incentive Plans

Team members receive periodic payments based on the team's performance against predetermined production standards.

Profit Sharing

A portion of an organization's profits over a predetermined minimum level are shared with employees. Payment may be in cash or company stock. Theoretically, it motivates employees to work hard to help the company be more profitable; realistically, most employees do not feel that their individual efforts have a significant impact on the financial success of the organization.

Gainsharing

Payments to employees based on group performance relative to some cost index (labor, scrap/rework) represent gainsharing. Employees essentially share in a portion of the financial returns for gains in productivity. These programs are typically better at motivating employees than profit sharing because employees see a closer connection between their efforts and rewards.

Balanced Scorecard

A balanced scorecard provides bonus payments to employees based on progress toward strategic objectives. A variety of weighted measures in the areas of financial results, process improvements, customer service, and innovation are used to measure performance.

Employee Stock Ownership Plans

Employees receive stock in the company as a portion of their compensation and/or are allowed to purchase shares of company stock without paying a commission to a broker, often through a payroll deduction plan. As with profit sharing, ESOPs are designed to

motivate employees to ensure the company is successful. In actuality, the link between an individual employee's performance and the price of the stock is virtually nonexistent.

Stock Option Plans

While there are a number of variations, most stock option plans offer executives the option of purchasing stock for a specified period of time at a predetermined price. Stock options often represent the largest component of executive pay, giving them a substantial financial incentive to make decisions that increase the market price of the stock (e.g., employee layoffs).

Broad-based Option Plans (BBOPs)

A relatively new trend in compensation, stock grants are extended to employees at all levels. Stock grants may be an equal percentage of each employee's earnings, linked to the individual employee's performance, or based on pay-grade level.

See also Bonuses; Compensation; Gainsharing and Profit Sharing; HR Strategy; Merit Pay; Motivation

NOTES

1. George T. Milkovich and Jerry M. Newman, *Compensation,* 9th ed. (New York: McGraw-Hill Irwin, 2008), 269.
2. Ibid., 299.

Beverly J. DeMarr

PAYROLL

A number of things are required in running payroll. These include calculating wages, deducting taxes, printing and distributing checks, and signing checks. Payroll also includes setting up direct deposits, preparing pretax deductions such as health care and 401(k) plans, and distributing W-2s in January. Finally, payroll includes communicating change in the payroll system to employees and complying with all local, state, and federal laws and procedures.

In many organizations, payroll has long been considered a less significant HR practice. However, if mistakes are made in payroll, it becomes an executive- or board-level issue and can have serious fiduciary consequences. Therefore, using payroll as a strategic initiative is becoming more and more imperative. More specifically, payroll can be used as a source of information for decision making that can help executives and managers in human resource planning and to assess the morale of employees so as to determine their levels of motivation and commitment to the firm.

When payroll is used as a strategic tool, it can help by:
• *Driving strategic decision making*—this enables HR professionals and managers to constantly look for efficiencies within the payroll function and analyze alternative strategies such as outsourcing. Activities may include regularly analyzing the in-house vs. outsourcing equation; regularly auditing cost structures; and providing incentives to payroll employees to increase efficiencies in the organization.
• *Striving for operational efficiency*—this applies both to the essential transactional work for which payroll is directly responsible as well as related activities such as time data collection.

Activities include streamlining business processes and developing techniques to improve the quality of data coming into the payroll.

- *Becoming an information provider*—this might take the form of trend analysis, in which HR professionals and managers examine overtime by comparing department to department, for example, or how much is being spent in one department compared to previous years.[1]

Payroll Management

Payroll management generally includes activities in two major areas: (1) payroll accounting, and (2) payroll administration. Payroll accounting consists of calculating the earnings of employees and the related withholding for taxes and other deductions, recording the results of payroll activities, and preparing required tax returns.[2] Payroll accounting also involves reporting the results of payroll activities to the local, state, and federal tax agencies. Payroll administration includes the managerial aspects of maintaining a payroll, which are distinct from the accounting aspects of payroll. Payroll administration includes managing employee personnel and payroll information and compliance with federal, state, and local employment laws.[3]

Outsourcing the Payroll Function

Managing the payroll function is complicated, time-consuming, and costly. For these reasons, many organizations have elected to outsource the function to specialized payroll companies. However, there are several factors to consider when deciding whether to outsource the payroll function. The following questions should help in making this decision:

1. Are wages consistent in that the organization has the same number of employees at the same wage level for a while, with no plans for change? If so, then the payroll function should be fairly automated and a good candidate for outsourcing.
2. Does the organization employ mostly full-time hourly workers rather than a mix of part-time and freelance employees? The latter would make outsourcing very complicated and susceptible to errors and mistakes.
3. Is turnover a serious problem in that the firm expects a lot of turnover? Such a condition is very time-consuming and costly, and outsourcing may be a less expensive alternative.
4. Does the organization pay local, state, and federal taxes quarterly or annually? Outsourcing may be more cost-sensitive, and the service firm may have individuals more qualified to address tax issues.[4]

There are several considerations when selecting an outsourcing organization (service firm).[5] First, select a firm that has experience with similarly sized businesses. Second, determine if the service firm has clients in the same industry and is familiar with the local tax laws that apply accordingly. Third, determine if payroll management is the service firm's primary area of business, or a secondary one. Fourth, ascertain whether the service firm is bonded and insured. Fifth, explore what other services the firm can provide. Sixth, avoid early low-fee offers, which will help avoid additional fees or aggressive sales upgrades. Seventh, examine the service firm's infrastructure to determine whether the firm has adequate human resources to properly manage the payroll function. Eighth, inquire as to possible penalties for late entries, oversights, or fees associated with writing a check as

opposed to having the payroll firm make direct deposit. These will help in the selection of an acceptable outsourcing firm.

Salary Grade and Market Range Assignment

Many organizations use salary grade and market range assignment to determine salary levels for exempt employees. The process begins when the payroll administrator assigns each exempt employee a payroll title (job code) in predetermined salary grades (for example, 5–10) to a "market range" within a salary grade. The market ranges are developed from the data gathered in the most recent salary survey provided by survey research firms, adjusted for market trends. A market range normally has a narrower span than the salary grade to which it is assigned. Most payroll systems display the market range minimum and maximum for exempt employees' job codes.[6] Further, the market range midpoint is the pay rate that is halfway between the market range minimum and the market range maximum, which is an established average rate of pay for similar jobs in the regional market.[7] Accordingly, the market range minimum and maximum represent a designated percentage below and above the market range midpoint. The amount of this percentage varies depending on the salary survey results for the targeted market position for a specific job family.[8]

See also Compensation

NOTES

1. Keith Rodgers, "Strategic Payroll" (June 2007), Webster Buchanan Research,http://www.websterb.com/articles.php?ID=ae698fc3637c366b (accessed August 18, 2008).
2. "Payroll 101 Overview," http://payroll.intuit.com/payroll_resources/payroll_101/index.jsp (accessed August 18, 2008).
3. Ibid.
4. Daniel Richards, "Payroll Management—Minding Your Employees' Money," About.com, Entrepreneurs, http://entrepreneurs.about.com/od/beyondstartup/a/payrollmgmt.htm (accessed August 18, 2008).
5. Ibid.
6. "Professional Staff Compensation: Overview," University of Washington, http://www.washington.edu/admin/hr/ocpsp/prostaff/index.html (accessed August 18, 2008).
7. Ibid.
8. Ibid.

Paul Shelton and Jerry W. Gilley

PENSION BENEFIT GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation, or PBGC, is a U.S. government–chartered corporation that was created by the Employee Retirement Income Security Act of 1974 (ERISA) to encourage the appropriate maintenance and continuation of private sector–defined benefit pension plans, to provide timely and uninterrupted payment of pension benefits, and to keep pension insurance premiums at the lowest levels possible.[1] The enactment of ERISA by the U.S. Congress was primarily to protect participants in and beneficiaries of private sector–defined benefit pension plans and to ensure that such plans

are adequately funded. The PBGC oversees only defined benefit pension plans (sometimes referred to as "traditional" pensions); it has no authority to either insure or regulate defined contribution plans (sometimes referred to as "contemporary" or "401(k)" plans).

Pension Insurance Programs

The PBGC provides a minimum level of benefits to participants in a qualified defined benefit pension plan in the event the plan is unable to pay benefits. U.S. law does not require employers to provide their employees with such pensions, but if they choose to do so, ERISA requires insurance to be purchased from the PBGC and also establishes funding standards to maintain good standing. Two pension insurance programs are overseen by the PBGC, which are single employer and multiemployer.

Single Employer

The single-employer plan, which is more common, requires a particular employer to pay annual premiums, based upon the number of plan participants, to the PBGC in accordance with federal law. Additionally, for single-employer plans with more than 100 participants, if the funding ratio (value of assets divided by current liabilities) falls below 90 percent, sponsors are required to make additional payments, or deficit contribution reductions, to remove "underfunded" status and to return to an adequate funding level.

Multiemployer

The multiemployer plan, which is less common, allows several employers who are involved in a similar line of business to collectively bargain with a union to provide pension benefits for employees. Multiemployer plans are commonly used in the construction and transportation industries, where employees frequently move from company to company. As such, multiemployer plans are often portable, allowing employees to gain pension credit from work with several different companies, a practice much less common with single-employer plans.[2]

Governance

The PBGC is headed by a director, who reports to a three-member board of directors, consisting of the secretaries of labor, commerce, and treasury. The secretary of labor currently serves as chairperson. The PBGC is further aided by a seven-member Advisory Committee, appointed by the president of the United States, to represent the interests of labor, business, and the general public. ERISA outlines certain responsibilities for the PBGC's Advisory Committee, including investment of assets, trusteeship of terminated plans, and matters as determined by the PBGC.[3]

Operations

The PBGC receives no funds from federal tax revenue, and ERISA explicitly states that obligations are not backed by the full faith and credit of the U.S. government. Operations are currently financed by flat-rate insurance premiums, adjusted each year for inflation, based on changes in the national average wage index,[4] and are paid only by sponsors of defined-benefit plans. Additionally, investment income, assets from distress or involuntarily terminated pensions the PBGC insured, and recoveries from companies formerly responsible for the plans, account for the remainder of revenues.[5] Single-employer plans

considered underfunded must also pay a variable-rate premium, which is determined by the degree to which a plan's vested liabilities exceed its assets on a net-present-value (NPV) basis. Additionally, the PBGC has the authority to invest the assets it oversees however it believes appropriate, as long as it acts in the best interests of beneficiaries.

Termination of a Pension Plan

Terminations of single-employer pension plans are categorized as standard, distress, or involuntary. Additional information regarding terminations may be found under Title IV of ERISA.

Standard Termination

Standard, or voluntary termination, is allowed as long as an employer provides 60 days' notice to participants and ensures that the plan has sufficient assets to cover all future liabilities or benefits, and that the termination does not violate any collective bargaining agreements currently in force. The PBGC is not responsible for assuming liabilities under a standard termination, as plan sponsors are required to purchase group annuity contracts for participants, or to provide lump-sum payments for all accrued benefits.

Distress Termination

A distress termination typically occurs when a company has petitioned bankruptcy court for purposes of either liquidation or reorganization. The PBGC may determine that the continuation of the plan will place an unreasonable financial burden on the company, jeopardizing its ability to pay creditors and remain in business unless such a termination takes place.

Involuntary Termination

The PBGC may conduct an involuntary termination if it is determined that, in addition to not adequately funding its pension, a lump-sum payment has occurred to a participant who is a substantial owner of the sponsoring firm, or the eventual financial loss to the PBGC is expected to be unreasonable, unless the plan is terminated.

Multiemployer plans are typically provided direct financial assistance in the form of a loan, which is typically not repaid, to continue to make payments to beneficiaries, even after the PBGC has determined that such a plan is insolvent. These loans will generally continue on an annual basis until the plan no longer needs financial assistance or has paid all promised benefits at the guaranteed level. As such, the PBGC does not become trustee of multiemployer plans.

Benefits Paid

The PBGC pays benefits in accordance with the provisions of those plans for which it has become responsible as a result of either a distress or involuntary termination. While most participants in these plans receive all benefits promised, ERISA caps how much each participant in a terminated plan can receive, unless the PBGC is able to recover sufficient assets during a termination to allow payment of benefits above the maximum guarantee. The maximum guarantee is based upon a retirement age of 65, and this amount is adjusted downward for those retiring early, upward for those retiring later.

The PBGC's Future

The PBGC faces unique risks and obligations that make its long-term financial condition uncertain. Current risks are concentrated in certain industries (such as passenger airlines and steel manufacturing), but the PBGC is not able to decline insurance coverage regardless of the potential risk of loss posed by an insured. Private insurers are capable of tailoring premiums in response to actual or expected claims exposure, but the PBGC must collect premiums according to federal statute, which contains no such provisions. Additionally, other than a $100 million line of credit with the U.S. Treasury, no source of additional funding for the PBGC exists. Should all assets be exhausted, either a drastic reduction of benefits or a bailout enacted by Congress would be necessary to restore solvency. Such variables as the performance of equities markets, long-term interest rates, general economic conditions, the ability of plan sponsors to fulfill pension obligations, and the bankruptcy rates among firms over which the PBGC exercises oversight all will have a material influence in determining its financial outlook.[6]

See also ERISA; Pension Plans

NOTES

1. Pension Benefit Guaranty Corporation, "Mission Statement," http://www.pbgc.gov/about/about.html (accessed December 14, 2007); and U.S. Department of Labor, "Retirement Plans, Benefits and Savings: Employee Retirement Income Security Act (ERISA)," http://www.dol.gov/dol/topic/retirement/erisa.htm (accessed December 14, 2007).

2. Congressional Budget Office, "A Guide to Understanding the Pension Benefit Guaranty Corporation" (September 2005); and U.S. Department of Labor, Bureau of Labor Statistics, "Single- and Multiemployer Defined Benefit Pension Plans Differ," http://www.bls.gov/opub/ted/1999/Apr/wk1/art03.htm (accessed December 15, 2007).

3. Pension Benefit Guaranty Corporation, "Governance" http://www.pbgc.gov/about/about.html (accessed December 14, 2007).

4. Pension Benefit Guaranty Corporation, "Annual Management Report, Fiscal Year 2007" (November 14, 2007).

5. Pension Benefit Guaranty Corporation, "How PBGC Operates." http://www.pbgc.gov/about/operation.html (accessed December 14, 2007), and "Welcome to PBGC." http://www.pbgc.gov/ (accessed December 13, 2007).

6. Congressional Budget Office, "A Guide to Understanding the Pension Benefit Guaranty Corporation"; and Pension Benefit Guaranty Corporation—Annual Management Report, Fiscal Year 2007; and Pension Benefit Guaranty Corporation—Annual Management Report, Fiscal Year 2007 (November 14, 2007).

Steven J. Kerno Jr.

PENSION PLANS

A pension is a fixed sum of money paid by an employer to an employee at regular intervals. The amount and timing of the payments are established by contractual agreement between the employer and the employee and are normally based upon the salary and length of employment of the employee.

Pension payments generally begin when a person retires from employment because of age, disability, or the completion of an agreed-upon length of service to the company.

In essence, they represent a means of rewarding an employee for extended years of service to the company. The payments generally continue for the recipient's natural life and can sometimes be extended to a widow or other survivor.

Pension plans are strictly voluntary in nature but are considered an important component of the benefit package offered to employees and can become an integral part of the recruiting process. Therefore, employers need to understand not only how pension plans are structured, but they must also be aware of current industry trends in order to remain competitive in the job market.

Types of Pension Plans

Pension plans can be divided into two broad categories: defined contribution and defined benefit. Before the 1990s, the defined benefit plan was the most popular and common type of pension plan in the United States. Many of these plans are still in existence and paying benefits. Since that time, the defined contribution plan has become the most common type of plan in the United States for many reasons, some of which include:

- A shift in the economy away from unionized jobs that favor defined benefit plans
- The government making defined contribution plans more available
- The government making defined benefit plans less attractive to employers by imposing stricter requirements for contributions to defined benefit plans and limiting what employers could do with excess funds
- Defined contribution plans being buoyed up by strong economic growth in the 1980s and 1990s, resulting in 401(k) assets, a form of defined contribution plan, to grow at unprecedented rates[1]

Either category of pension plan may have vesting provisions whereby the percentage of pension benefits to which an employee is entitled is based upon the number of years of employment. Generally, the longer the employment period, the higher the vesting percentage. Cliff vesting involves a single jump from 0 percent to 100 percent vesting when the employee reaches a specified employment anniversary date. Gradual vesting is vesting over a period of years; for each year of employment, employees become entitled to a larger vesting percentage until 100 percent vesting is reached.

Defined Benefit Plans

Defined benefit plans are those in which the employee upon retirement receives an annuity, a fixed stream of payments. The amount of the payments is predetermined by a payment formula specified within the plan and is generally based upon years of employment and the final salary of the employee. It may also include other factors such as age at retirement and Social Security payments to be received by the employee. An example of a typical benefit formula is:

Annual Pension = 1.5% x years of service x final salary

With this formula, the more years of service, the greater the percentage of final salary an employee will receive. This implies that benefits are "back-loaded." That is, a significant part of the benefit occurs at the end of an employee's service with the employer.

Employers need to determine the amount of the contribution that must be made today in order to meet the pension benefit commitments that will arise in the future. The calculation is complex and, at best, represents an educated guess based on economic and financial assumptions. The assumptions include, but are not limited to, average retirement age and life span of the employees, the returns earned by the pension plan's investments, and any

additional taxes or levies imposed on the pension fund. For this reason, the calculation of required plan contributions is best performed by an actuary using actuarial software. The funds are held in a trust where the primary purpose is to safeguard and invest the monies so that enough money exists to pay the employer's obligation to the employees.

Employers are at risk with defined benefit plans because the amount of current contributions needed to fund future benefits is defined in terms of uncertain future variables, not the least of which is market performance of the pension fund. In addition, because of this, the accounting for defined benefit plans is complex. The amount of the liability is controversial because it is based on uncertain variables. The expense recognized each period is not necessarily equal to the cash contribution.

Within a defined benefit plan, employers bear the risk of spending higher-than-expected amounts of money to fund higher-than-expected benefit payments. On the other hand, retirees do not bear any risk because the amount of the benefit is guaranteed.

Defined Contribution Plans

Defined contribution plans are those in which the employer agrees to contribute a sum of money, based on a formula specified within the plan, into an individual account for each participant. No promise is made regarding the ultimate benefits paid out. The resulting benefits are based solely on the amount contributed to the account, income accumulated in the account, and the treatment of forfeitures of funds caused by early terminations of other employees.

The employer's responsibility in a defined contribution plan is solely to make a contribution each year based on the formula established in the plan. An independent third-party trustee acting on behalf of the beneficiaries, the participating employees, normally handles the funds. As a result, accounting for a defined contribution plan is straightforward. The employer's annual expense is simply the amount that it is obligated to contribute to the pension trust. A liability is recorded only if the contribution has not yet been paid in full.

Generally, the employees are responsible for selecting the types of investments toward which the funds in their retirement funds are allocated. Employees may be allowed, or even required, to invest a certain amount of their fund in company stock. However, employers commonly retain financial advisors to assist the employees in making their choices. By doing so, employers can help employees make better-informed decisions toward reaching their retirement goals. Any fees due to the advisors are typically deducted from the employees' retirement funds.

Within a defined contribution plan, investment risk and reward are assumed by each participant and not by the employer. In addition, retirees bear the risk of their retirement income being limited or underfunded. Employers assume no risk because they are readily able to determine the amount of money needed to cover the benefit.

Other Considerations

If a pension plan meets certain regulatory requirements, as defined by the Internal Revenue Service, it is considered to be a "qualified" plan. This means it provides certain tax advantages to both the employer and the employee. Employers are able to deduct the pension contributions from their taxable income. The contribution is not included in the employees' taxable income for that year, and interest earned on the contribution will also be tax-free. In fact, the employees will not pay tax until they receive distributions from the plan.

Employers can use pension plans as a recruiting tool. Defined contribution plans can be structured as a 401(k) plan, in which employees can elect to take current compensation and defer it, putting it instead into tax-sheltered accounts. In addition, employers can offer to match the employees' contributions or contribute portions of company profits to the plan. Either of these options can prove to be a factor in the recruiting process. In addition, contributions that are tied to company profits can act as an incentive to increase productivity and, therefore, overall company performance.

See also 401(k) Plans; Benefits; Pension Benefit Guaranty Corporation; Simplified Employee Pension (SEP)/Simple Plans

NOTE

1. A. Baker, D. Logue, and J. Rader, *Managing Pension and Retirement Plans: A Guide for Employers, Administrators, and Other Fiduciaries* (Oxford: Oxford University Press, 2005).

Teresa K. Cook

RETIREMENT

Changing Face of Retirement

One of the definitions of retirement in the *Merriam Webster 11th Collegiate Dictionary* is "withdrawal from one's position or occupation or from active working life." This definition was accurate for much of the late twentieth century. However, defining retirement as a terminal act or end point is no longer valid, at least in the United States.

Retirees are increasingly reentering the workforce, in a full- or part-time capacity, starting their own businesses or working as volunteers for social, religious, and community organizations and activities. The traditional retirement–to–old age phase of life is now shifting to a *third age* in which "the workspace becomes a dynamic space for older workers," work "becomes a search for continued meaning and contribution as well as to satisfy a financial need," and "older workers might make the decision to remain in, retire from or return to periods of part-time, full-time or seasonal or holiday work."[1]

Drivers of Retirement Choice

In general, a worker can more easily retire if he or she believes that income in retirement will be adequate to support the lifestyle desired, and/or that working longer will provide increased income sufficient to offset additional years of deferred benefits. In recent years, income has been less and less of a factor in the retirement decision, as retirees' relative wealth has increased along with their ability to migrate to lower-cost areas upon retirement.[2]

The continued availability of health care insurance benefits is also a driver of the choice by employees to retire or stay in the workforce. The recently passed Medicare Modernization Act (2003), which added prescription drug benefits, also contains a provision that allows employers to reduce or eliminate health care coverage for retirees once they are eligible for Medicare. The impact of this change is not yet clear. However, if employers increasingly exercise this option, it could have a dampening effect on the rate of retirement of workers in the future.

Types of Retirement Plans

Social Security

The basic income security program in the United States for those workers who reach the eligible retirement age is Social Security. Social Security benefits are determined on a formula based on quarters of work and paid on a monthly basis. Since the beginning of the Social Security system, the Full Retirement Age (FRA) at which a recipient can begin to receive the maximum amount of benefits has been 65. A change in the Social Security Act in 2000 set a schedule for slowly raising this age to 67 by 2007. The age at which an eligible person can begin receiving a reduced monthly retirement benefit under Social Security remains at age 62 (60 for widows without their own eligibility). Between age 62 and 65, when the recipient reaches FRA, the amount he or she can earn from wages, salary, or income from a self-owned business without a loss of benefits is capped, and rises slowly each year. For those recipients who are at or above the FRA, there is no reduction in benefits based on annual earnings.[3]

Some see a potential for the Social Security system not being able to support a significant increase in the number of retirees drawing on the systems, while others disagree that the aging of the population will necessarily result in a crisis for Social Security.

Private and Public Organization Retirement Plans

Over half of U.S. workers have participated in some type of private- or public-sector pension plan during their working careers.[4] Also, three-fourths of workers over age 55 have some type of pension coverage beyond Social Security. These private-sector and public pension plans are generally of two broad types; "defined benefit" and "defined contribution" plans.

Defined Benefit Plans. From the perspective of the worker, defined benefit plans provide a low-risk incentive for retirement, as the amount of the annuity is fixed, depending on a combination of average pay (often over the last three to five years of employment), length of service in the organization, and age at retirement. These plans are usually set up to pay a fixed monthly amount to an eligible employee during his retirement years. Contributions by both the employee and the employer are based on actuarial projections of age at death minus age at retirement to determine the amount of the required contribution to the retirement fund during working years. Generally, there is a ceiling on the amount of contribution. Most private organizational plans of this type specify a minimum retirement age of 65 or a combination of age and years of service (e.g., total of 85) to receive a full annuity. Some plans also allow for an earlier retirement, at age 62 for example, with a reduced payout. Most plans of this type are mandatory for employees of the organization and are fully managed by the employer either directly or through an independent fund manager. These plans are usually favored more by older workers.

Defined Contribution Plans. Defined contribution plans have a potential for larger or smaller benefits than defined benefit plans, with greater risk of variability in retirement benefits falling on the worker. Because of the often-lower long-term cost and financial risk to them, U.S. employers are increasingly shifting to these types of plans. The amount the employee receives at retirement is not fixed in advance, but is based on the level of contribution by the employee (and sometimes by the employer) and the amount in the employee's account is based on how the funds in the account are invested. This investment is often in mutual funds, company stock, a profit-sharing arrangement, or other investment

combinations. Also, the employee usually has a degree of independence in the choice of the mix of investment types in his or her retirement account. For the employee, these plans have greater risk and potential reward than defined benefit plans. In addition, defined contribution plans are voluntary and provide pension portability for workers who change organizations frequently. These types of plans usually favor younger workers who have more time to plan and select investment opportunities which provide retirement benefits in the future.

Because there is more risk placed on employees in defined contribution retirement plans, there is more incentive for them to delay retirement based on growing returns or to await an increase in returns after a market downturn such as the ones experienced in 2000–2001 and 2008. Thus, organizations may also be encouraging older workers to stay in the workforce longer by accelerating the trend of shifting retirement plans from the defined benefit type to the defined contribution type. On the other hand, if returns from the stock market and other investments again accelerate as they did in the late 1990s older workers may retire in greater numbers.

Bridge Employment or Gradual Retirement

The United States leads many countries in the number of people who are involved in some form of bridge employment between their long-term careers and full retirement.[5] However, most of these arrangements seem to be self-directed by the employee and not part of a formal employer system. In addition, many of these arrangements are based on a shift in the ability of organizations to provide partial retirement or bridge retirement. Part-time work for older workers or rehired retirees is currently restricted by tax, age, and retirement laws and regulations.

See also Pension Plans

NOTES

1. Tonette Rocco, David Stein, and Chan Lee, "An Exploratory Examination of the Literature on Age and HRD Policy Development," *Human Resource Development Review,* 2 (2003): 156.

2. Dora L. Costa, "The Evolution of Retirement: Summary of a Research Project," papers of the 110th annual meeting of the American Economic Association, *Journal of Economic Review* 88 no. 2 (1998): 232–36.

3. U.S. Social Security Administration, *How Work Affects Your Benefits,* Publication 05-10069, ICN 467005 (Baltimore, MD: U.S. Social Security Administration, February 2004).

4. Satyendra K. Verma and Jules H. Lichtenstein, "Retirement Plan Coverage of Baby Boomers and Retired Workers: Analysis of 1998 SIPP Data," *AARP Public Policy Institute Paper, 2003-10* (Washington, DC: AARP, 2003).

5. Phillip Taylor, *New Policies for Older Workers* (Bristol, England: The Policy Press, University of Cambridge, 2000).

Donald L. Venneberg

SALARY BENCHMARKING

Organizations utilize many ways to benchmark their salary data, including comparing data to outside sources, internally to existing positions, or a combination of both methods. Whichever method the organization utilizes to maintain its salary structure, it is vital

to the health of its compensation system. Organizations that monitor their compensation strategies may improve employee retention, and attract and maintain a competitive workforce.[1]

The Compensation Structure

Organizations determine how to benchmark salary data depending on their compensation structures and procedures. Executives typically decide how to benchmark their data during the compensation structure creation. A job worth hierarchy is created during the compensation structure conception. A job worth hierarchy is "the perceived internal value of jobs in relationship to each other within an organization. The job worth hierarchy forms the basis for arranging similar jobs together and establishing salary ranges."[2]

Job Evaluation

Job evaluation involves building a job worth hierarchy. Two basic approaches of job evaluations and their methods include market data and job content.

Market Data
Market data collects and compares organizational benchmark jobs; job content evaluations are then conducted to place jobs in the job worth hierarchy.

Job Content
Job content evaluations occur before the data collection and analysis. Some job content methods use market data and others do not.

Nonquantitative or Whole Job. During the job content analysis, the whole job is considered via ranking or classification.
- *Ranking:* Every job is compared to another and based on internal value; jobs are placed in the job worth hierarchy from highest to lowest.
- *Classification:* Jobs are compared to the classification description of each job grade and placed in the grade that is a best fit.

Quantitative or Factor. This analysis examines job components or point factors.
- *Job Component:* Compensation analysts use multiple regression of market data plus two or more independent variables collected from a questionnaire, such as education, work experience, and duties and responsibilities, to establish a job worth hierarchy.
- *Point Factor:* Organizational and compensation leaders determine and define weighted factors that are important to the organization. Compensation analysts use the weighted factors to conduct job content analysis, and based on the analysis, points are assigned to jobs. Jobs are placed into the job worth hierarchy accordingly.[3]

Benchmark Jobs

Benchmark jobs can be used by organizations to benchmark salary data using the job evaluation methods applied to internal and external data. The jobs can be used to build or validate an organization's base pay structure. A benchmark job represents many organizational levels and numerous employees, and is important to the internal job worth hierarchy. It is recommended that 50 percent of the jobs within an organization are benchmarked.[4] Depending on the existing internal job hierarchy, benchmark jobs can be used as internal anchor points and comparative marks for non-benchmark jobs.

To determine benchmark jobs:

1. The benchmark jobs should be grouped using a standard guideline.
2. The job titles should be recognizable and found in other organizations and/or industries and classification systems.
3. The job descriptions should be created closely from a well-known classification system such as O*NET or OCSM (Occupational Classification System Manual).

O*NET is a complex online network that offers clients the opportunity to search for occupations, job families, and skills across databases. The database reports provide information on tasks, knowledge, skills, abilities, work activities, work content, work styles, work values, related occupations, and wages.[5]

The U.S Department of Labor Bureau of Labor Statistics utilizes the OCSM (Occupational Classification System Manual) to conduct the National Compensation Survey (NCS).[6] The OCSM is a classifying system that compensation employees can utilize to organize, categorize, and create job descriptions for benchmark jobs. The following are a few examples from the list of the MOGs (Major Occupational Groups).

1. Professional, Technical, and Relational Occupations
2. Executive, Administrative, and Managerial Occupations
3. Sales Occupations

Salary Surveys

Benchmark jobs are crucial for compensation employees who utilize salary surveys to benchmark their organizations' compensation data. If the benchmark jobs are used for salary data, they can help to find data for up to 70 percent of the organization's positions.[7] Once the benchmark jobs have been assigned values based on market pay, other positions can be placed in the job hierarchy around them based on their pay grades and levels.

Companies participate in salary surveys to provide compensation data on positions they match to job descriptions provided to them. Many of the descriptions are provided by the survey organization by industry and type of position. Not all of the positions that companies have are listed on the salary surveys; therefore, they are reliant on the benchmark positions for which they are able to provide and obtain data. It is important for the compensation team to understand the specific industry and geographic regions in which the company is looking for data.

Companies may purchase salary surveys or conduct their own surveys. Companies may purchase several surveys for multiple sources of data. Further, salary surveys may have data on different positions within the same industry. For example, one survey may focus on IT positions and have several positions that other surveys do not.

If the compensation team purchased several market surveys, the team must combine the data or enter it into a software system that combines and analyzes the data. The data is presented to the executive team, and a determination is made where the organization's salary baseline will fall in relation to the market. After the decision, adjustments are made to each benchmark job and non-benchmark job accordingly.

Market pay adjustments are given to individuals if necessary. For instance, if the mechanics position within the organization was 10 to 20 percent under the baseline, the compensation team might decide to increase the employees' salary within the position.

Conclusion

There is no right or wrong way to salary benchmark. The organization's needs are the deciding factors, and the decision often involves the consideration of the complete rewards package. Compensation, its structures, and its practices are reactive to the needs of the organization while complying with relevant laws such as the Fair Labor Standards Act (FLSA) and Equal Pay Act of 1963.[8]

See also Compensation

Resources:

HR-Guide.com, http://www.hr-guide.com.

 Occupational Classification System Manual (OCSM), available from the U.S. Bureau of Labor Statistics, http://www.bls.gov.

NOTES

1. G. T. Milkovich and J. Stevens, "Back to the Future: A Century of Compensation," Working Paper 99-08 (Ithaca, NY: Center for Advanced HR Studies, Cornell University, 1999).

2. World at Work, "Course C2: Job Analysis, Documentation and Evaluation, Training Series, 2003.

3. Ibid.

4. Ibid.

5. O*NET Online. Occupational Informational Network. (2003), http://www.online.onetcenter.org (accessed February 20, 2007).

6. The U.S Department of Labor, Bureau of Labor Statistics, utilizes the OCSM (Occupational Classification System Manual) to conduct the National Compensation Survey (NCS). (http://www.bls.gov).

7. World at Work, "Course C2."

8. Milkovich and Stevens, "Back to the Future."

Jen Fullerton

SCANLON PLAN

The Scanlon Plan, sometimes called the Frost-Scanlon Plan, is the oldest and most commonly used gainsharing plan. The term "gainsharing" refers to any of a number of plans put into place to improve productivity by offering financial incentives to employees for gains in productivity to the company as a whole. The Scanlon Plan focuses efforts on improvements in the ratio of total labor costs to sales or market value of production.

Other popular gainsharing plans are the Rucker Plan and Improshare.[1] The Rucker Plan spreads its focus beyond issues of labor savings, but ties bonuses heavily to the ratio of total labor cost to value added, as opposed to total sales. Improshare plans focus on reaching a higher number of units produced in less person-hours. The Scanlon Plan is the only major gainsharing plan that is not copyrighted.[2]

The Goal of the Scanlon Plan

The goal of the Scanlon Plan is to improve company productivity, meaning an improvement in the ratio of inputs to outputs, through means of labor savings. The Scanlon Plan seeks to reduce the amount of time needed to produce an item without increasing the cost of production.

History of the Scanlon Plan

The Scanlon Plan was developed by Joe Scanlon in the 1930s. Scanlon, then a steelworkers' local labor union president at a small Ohio steel company, believed that if workers were motivated financially, they could be a great source of ideas for improvements. In 1938, Scanlon was notified by the steel company's management that they would have to cease operation unless improvements were made in company production; this gave Scanlon an opportunity to test his theory.[3]

Scanlon sought to decrease the company's labor cost per unit of production. Working with company executives he developed a union-management productivity plan that proved successful; as a result, the company saved $150,000 annually, at a cost of only $8,000 for new equipment. This success led Scanlon to work with dozens of other ailing companies through the steelworkers' union national headquarters. In the process, he developed a program that determined the normal labor cost per unit of production, gave workers the opportunity to produce at less than the normal labor cost, and then gave a large portion of those savings back to the workers. Scanlon based everything around the success of the company as a whole, rather than individual units. This alleviated the sense of internal competition and increased employee participation toward the success of the company.

The successes of the Scanlon Plan soon garnered attention from a variety of industries and from companies in a wide array of financial statuses. The plan was found to be just as successful at improving production in healthy companies as it had been in failing companies.

In the late 1940s, Joe Scanlon left the manufacturing world for the Massachusetts Institute of Technology, where he stayed until his death in 1956. During this time, Scanlon worked further on developing his gainsharing concepts. While at MIT, he worked closely with Douglas McGregor, Fred Lesieur, and Carl Frost, each of whom continued development of the Scanlon Plan after Scanlon's death.

The Foundations of the Scanlon Plan

The Scanlon Plan should not be viewed as a short-term plan to help a company get through troubled times. Rather, it is to be viewed as a process through which a company transforms into an organization that accomplishes continuously improved productivity and continued development of its employees. The Scanlon Plan is based on the belief that all human beings hold untapped potential and that employees want to contribute toward the success of their employers. It is the goal of the Scanlon Plan to bring forward this untapped potential to improve productivity and reward the staff for tangible improvements made as a result of employee input.

The principles of the Scanlon Plan were developed and extensively researched at MIT and by Carl Frost at Michigan State University. The four principles consist of Identity, Participation, Equity and Competence.

- *Identity:* Employees must understand the business reality of the organization. The principle of identity covers "who we are" and "where we are going." When employees fully understand the business reality, they are likely to see themselves more as business partners than as cogs in the machine of the organization. This provides incentive for employees to help the organization compete and adapt to change. This principle ties in directly with using

open-book management, change management, cooperative labor relations, and lean manufacturing.
- *Participation:* Employees are encouraged to provide advice and recommendations regarding their own areas of competence. Through harnessing the knowledge and efforts of each employee, it is believed the organization will improve productivity.
- *Equity:* All stakeholders in the organization must share in the financial successes and failures of the organization. Gainsharing, goal-sharing, or profit-sharing systems are instituted to ensure all stakeholders gain financially from the organization's productivity improvements.
- *Competence:* Employees should continually increase their knowledge and skills. The employer should provide materials and opportunities for its employees to enhance existing skills, or to learn new ones valued by the organization.

Implementing a Scanlon Plan

Though each Scanlon Plan is customized for a specific organization, there is a general format that should be followed.

1. Meet with executives to develop a clear understanding of what the Scanlon Plan is really about. It should be made clear that its use is not meant to be a short-term fix.
2. Develop models and formulas for use in predicting financial gains and costs associated with improving productivity, as well as sharing those gains.
3. Prepare rules and presentation materials, and then develop a method to notify all employees of the new policy.
4. Retrain management to be supportive of the process.
5. Form a production committee consisting of at least one manager and one peer-elected employee from each organizational unit. This committee should meet regularly to review suggestions on how to increase productivity and implements the suggestions when appropriate.
6. Form a steering committee with a number of managers from different functional areas and an equal number of elected nonmanagerial employees. The committee should meet regularly to determine bonuses paid based on the previously decided formulas when productivity improves.[4]

Typical Criticisms of the Scanlon Plan

The Scanlon Plan is often criticized due to its lack of individual rewards to those who stand out in their achievements. Another criticism is that the plan removes too much control from the hands of management. If gains are realized, management cannot simply decide how best to use these gains, as their use is already predetermined through the process of implementing a Scanlon Plan.

See also Employee Stock Option Plan (ESOP); Gainsharing and Profit Sharing

NOTES

1. Scanlon Consulting Services, "Costs and Benefits of Scanlon," *Scanlon Leader,* http://www.scanlonleader.com/index.php?option=com_content&task=view&id=30&Itemid=51 (accessed January 20, 2008)

2. "The Scanlon Plan," *Time,* http://www.time.com/time/magazine/article/0,9171,807657-2,00.html (accessed January 20, 2008).

3. Hope College—The Frost Research Center, "About the Frost-Scanlon Plan," Hope College, http://www.hope.edu/admin/frost/frost-scanlon.html (accessed January 20, 2008).

4. Ronald J. Recardo and Diane Pricone, "Is Gainsharing for You?" *Quality Digest,* July 1996, http://www.qualitydigest.com/jul/gainshre.html (accessed August 18, 2008).

Adam VanDreumel

SIMPLIFIED EMPLOYEE PENSION (SEP)/SIMPLE PLANS

One of the disadvantages of owning a small business is that many do not have company-matching 401(k) programs in which to invest for their retirement. For this reason, many small business owners choose to open another type of individual retirement account (IRA) for themselves and their employees. Two of the most common are the Simplified Employee Pension (SEP) and the Savings Incentive Match Plan for Employees (SIMPLE).[1] Each plan has unique distinguishing characteristics.

For employees to take part in a SEP plan, they must have worked for the company for three years out of the last five, be at least 21 years of age, and made at least $450 before becoming eligible to participate.[2] Once eligible, an employer can contribute up to 25 percent of an employee's salary, not to exceed $46,000 (in 2008). The contribution rate for all employees must be uniform. Any amount that a small business owner contributes to an employee's SEP is automatically vested.

The employee can take distributions from a SEP plan when he or she reaches the age of 59½ years, and the distributions are taxed as ordinary income. However, if the recipient of the distribution is less than 59½ years old, then a 10 percent penalty is included. Unlike the 401(k)s of larger companies, an individual cannot take out a loan from a SEP. If an employee withdraws money, it will be considered a distribution and, if the person is not 59½ years old, he or she will incur a 10 percent penalty along with the regular amount of taxes.

SIMPLE programs are set up differently from SEP programs but, depending on the small business and its owner, may be just as effective. For employees to contribute to a SIMPLE plan, they must have earned at least $5,000 in the previous two years and must plan on making the same amount in the current year. Employers can contribute to a SIMPLE IRA in one of two ways. The first is a dollar-for-dollar match up to 3 percent of the employee's income, with the employee's contribution being pretax income. This reduces the amount paid in income tax.[3] The second option is for the small business owner to make a contribution of 2 percent of the employee's income whether or not employees elect to make any contributions of their own.[4] In either case, the amount that an employee can contribute to a SIMPLE plan is $10,000. The distribution rules that apply to the SEP plan also apply to the SIMPLE plan.

Depending on the small business owner's situation, both IRA plans may be good vehicles to use in a person's retirement planning. Each small business should take a look at its own situation to decide which plan works best for them. For example, if a small business generates a lot of money, the owner may want to implement a SEP plan for its higher contribution levels. If a small business is a part-time affair, the owner may elect to start a SIMPLE plan. Whatever the case may be, both plans, if managed properly, will go a long way in contributing to a person's retirement future.

NOTES

1. Jeffrey H. Rattiner, "SEPs or SIMPLEs?" *Financial Planning* (September 2002): 105–6.

2. Randy Gardner, Julie Welch, and Brooke Grechus, "Choosing the Right Retirement Plan for a Self-Employed Individual," *Journal of Financial Planning,* (February 2004): 28–32.

3. Internal Revenue Service Web site: http://www.irs.gov/publications/p560/ch02.html#d0e1093 (accessed January 21, 2008).

4. Ibid.

Ryan Skiera

SEVERANCE PAY

Severance pay is intended to bridge the gap between termination and reemployment. It is a voluntary continuation of an employee's salary after termination paid by the company, either in a lump sum or on a salary continuation basis. The amount is typically based on the employee's length of service and/or position in the company. The severance package may also include medical benefits continuation for the employee and/or dependents and outplacement services.

Rationale

Severance is typically provided by companies because it is a moral obligation and is part of their culture. They want to maintain a reputation as a good employer that does not leave former employees without any income when the reason for termination is often no fault of their own. This not only helps with future recruiting, but is important to the morale, productivity, and retention of remaining employees. It also eases the anxiety and psychological burden on the executives who have to make the difficult decisions and notify the employees. Moreover, separations (particularly large layoffs) are subject to potential legal, financial, and public relations risks if not well thought out and planned.

Legal Requirements

Providing a severance pay plan is a common business practice. However, it is not an automatic or vested job right. While many employers provide severance voluntarily, there is no federal law requiring employers to give terminated employees any pay continuation. There is a possibility that a severance plan could be an employee benefit under ERISA.[1] This could be the case if it is included in a union contract, or if it is established by the employer as a formal plan, there is a fund or account set aside, or if past practice creates a reasonable expectation among employees.

While it is beyond the scope of this entry, employers should also be familiar with the provisions of the Older Workers Benefit Protection Act (OWBPA), the Age Discrimination in Employment Act (ADEA) and the Workers Adjustment and Retraining Notification Act (WARN). It is best to consult with legal counsel to determine any requirements.

Practices

Severance policies can vary widely based on the size of the company and industry. Larger companies are more likely to have a formal policy than smaller companies, who may

negotiate severance on a case-by-case basis. A standard policy does not mean that everyone has to be treated exactly the same. Certain employees can be excluded, and different formulas can be applied to different job levels as long as employees in protected classes are not discriminated against. For example, policies typically provide greater benefits for exempt employees than for nonexempt employees. Severance for executives is frequently greater and often negotiated on a case-by-case basis.

Key Elements

Who Should Be Eligible for Severance?

Typically, employers will provide some severance payments to full-time employees, with a much smaller percentage providing payments to part-time, contract, or temporary employees.

Under What Circumstances Should Severance Be Paid?

Severance is typically paid to those who are laid off due to economic conditions, or are released for nonperformance, outdated skills, or circumstances beyond their control. Poor performers might also be given severance in lieu of notice if there is a threat to employee morale or sabotage. Few employers will provide payment for employees terminated for "cause," such as illegal or immoral behavior, insubordination, or repeated violations of policy.[2]

How Much Should Be Paid?

Severance payments are generally based on years of service and position in the company, with a typical policy being one week per year of service for nonexempt and hourly employees, one or two weeks per year for exempt salaried employees, and one month per year for executives. There is often a minimum payment of two weeks, and a maximum of 52 weeks.

How Should It Be Paid Out?

Payments are made either in a lump sum or on a salary continuation basis. While some companies might provide a choice, this could result in constructive receipt with immediate tax consequences regardless of the selection. Also, lump sums may be spent indiscriminately, leaving the employee with a financial problem. Many companies prefer salary continuation, which includes deductions for employee benefits coverage and does not require special payroll processing and tax calculations.[3] While some companies provide severance only for the period of unemployment and discontinue it when the employee becomes employed, this serves as a disincentive to seeking employment, and the employee will seldom tell the employer that she has been hired.

What Other Benefits Should Be Considered?

The most common benefits included in a separation package are medical benefits continuation, outplacement or career transition services, and accrued vacation and sick pay if permitted by policy. Employers must offer employees medical coverage for 18 months after leaving the company under COBRA, but the employee must pay the full cost plus a 2 percent administrative charge. Many employers continue coverage through the period of severance, paying the normal employer's percent of the premium. The time period and extent of outplacement services generally depends on the level of position.

Can Severance Provide Protection against Retaliation by the Employee?

Employers typically make severance contingent on the employee signing an agreement not to compete, not to recruit other remaining employees, or not to make slanderous remarks about the company. Also, employers can require the employee to sign a release agreeing not to sue the company in return for additional severance benefits.

How Should Severance Plans Be Communicated?

Large established companies typically have formal policies, while smaller, newer firms tend to handle severance on a case-by-case basis. A formal policy not only spells out to employees what they can expect if they lose their jobs, but it also prevents disparate treatment or favoritism that can create liability.[4] Companies with formal policies do not have to be locked into them in that they can provide a special "event-driven" program if unusual circumstances occur. This can include voluntary termination incentives, early retirement incentives, retention bonuses, or additional incentives to assure loyalty during major changes.

Conclusion

In general, severance policies have not seen much change or creativity over recent years. If anything, they have become less generous. Policies should be reviewed periodically to see how they align with the company's culture, financial condition, business prospects, and competitive position. If the purpose is to bridge the unemployment gap, then factors that contribute to the time required to find new positions, such as age, position level, changing skill requirements, and the job market, should be considered as part of a more practical severance package.

NOTES

1. U.S. Department of Labor, "Severance Pay," http://www.dol.gov/dol/topic/benefits-other/severancepay.htm (accessed October 23, 2007).

2. Charles J. Muhl, "The Employment-at-will Doctrine: Three Major Exceptions," *Monthly Labor Review* 124, no. 1 (January 2001): 3–11.

3. U.S. Department of Labor, "How Is Severance Pay Calculated and When Is It Due?" http://www.dol.gov.el;aws/faq/esa/flsa/oo7.htm (accessed October 23, 2007).

4. Paul R. Dorf and Diana D. Neelman. "Severance Benchmarks: Severance Polices Critical for Transition of Employees, CEOs," http://www.managedhealthcareexecutive.com/mhe/article/articleDetail.jsp?id=170528&sk=&date=&%0A%09%09%09&pageID=2 (accessed October 23, 2007).

Al O'Connor and Douglas Maxwell

SKILL-BASED PAY

Skill-based pay is a type of reward system that promotes workforce flexibility by rewarding employees based on the number, type, and depth of skills mastered.[1] Most employers are familiar with traditional job-based reward systems, which tie an individual's compensation to the job definition established by the organization; however, skill-based pay structures seek to address ones willingness or unwillingness to learn new skills by paying them to gain new skills. This focus on individual incentives for skills creates "a person-based approach that rewards employees for acquiring new skills."[2] Organizations that utilize skill-based pay plans provide pay increases for learning and demonstrating acquired new skills even if the employee does not use the skill in his current duties when the skill is acquired. An

organization almost always sees skill-based pay programs as a way to increase return on investment to the organization while gaining greater accountability.[3] Skill-based pay plans can reduce overall compensation costs by creating leaner facilities equipped with broadly skilled employees.[4] There is nothing employees hold dearer to their heart than their pay. Allowing an employee to take command of her future monetary goals through concrete action and concise direction can be very powerful in some organizations.

Types of Skill-based Pay Plans

There are five types of skill-based pay structures that can be implemented; each with a focus on the type of knowledge necessary for a particular environment. Vertical skill plans, horizontal skill plans, depth skill plans, basic skill plans, or a combination of skill plans provides a construct for an organization to define a skill-based pay plan.

Vertical skill plans, or vertical knowledge, determine the actual input/output of skills (e.g., supervisory, coordinating, training, or leading others).[5] Vertical skill plans are most commonly used within labor settings in which individuals are expected to learn from each other in self-managed work teams or self-regulating work teams.[6] Additionally, this type of plan has been traditionally used within the skilled trades areas. For example, "a drill press operator who masters preventative maintenance and in-process inspection within a single job."[7]

In horizontal skill plans, or horizontal knowledge, similar skills or knowledge are gained as employees are trained to perform several types of related tasks. For example, the accounts payable person may rotate to accounts receivable or to benefits administration. The added flexibility of having an employee who can fill multiple roles insures continuation of services. Manufacturing also uses horizontal skill-based pay systems to encourage workers to know more than one area of a plant.

In depth skill plans, or depth knowledge, an employee brings to a particular job a particular depth of understanding or aptitude. Human resource professionals may choose to specialize in one area of HR functions such as compensation, benefits, training, organizational development, or HR strategy. The more skill areas a professional has chosen to master, the greater knowledge or depth in the area of specialization. Teachers are sometimes paid on a depth skill plan based on educational area.

Basic skill systems involve building skills that are basic to functioning in an organization, such as reading, writing, and speaking English. This type of plan would be beneficial to organizations that have a high percentage of English-as-second-language employees and would like to see greater aptitude in basic skills. Basic skills plans are often effective to teach norms and practices when entering new global markets where there is limited understanding of the traditions of both the corporate and host country location.

Combination plans, the most common use of skill-based pay plans, are a combination of two or more of the above types of skill-based pay plans. The plans are always tailored to a particular organization's needs and strategic objectives. The previous example of the drill press operator who masters preventative maintenance might also have a depth of skill level in drill press operation based on the organizational needs for drill press operation.

Benefits

The benefits of skill-based pay include a win-win monetarily for the employee and the employer, greater accountability on the part of employees, management becoming a main

factor in employee development, and employees believing that management has an interest in them. Individuals in an organization with skill-based pay generally make more than similar individuals at traditional organizations. Organizationally, however, since skill-based pay organizations are generally leaner and have flatter hierarchy, the total labor costs are lower.[8] This is a win for both the employee and the employer. Employees often see skill-based pay systems as a more equitable, personally driven pay structure. Employees receive monetary and nonmonetary rewards for modeling behaviors management wants to encourage and by demonstrating skill knowledge on the job. Management becomes the facilitator of increased employee development, which leads to a direct positive relationship between management and employees. Skill-based pay leads employees to a greater understanding of the overall business because employees are rotating through job systems, thus allowing them to learn multiple functions. Management is often seen as having a greater commitment to individuals and their development, creating a high-trust environment, greater employee self-esteem, and increased loyalty to the employer.[9]

Conclusion

Skill-based pay systems are not for every organization. For some, the programs can be overwhelming in their creation and administration. However for others, they offer a unique opportunity to create an environment in which learning is encouraged and employees see themselves as vital to the organization because of the value they provide. By valuing what an individual brings initially to an organization and how they grow and develop over time, organizations are better equipped to meet the competitive challenges the future brings. Ensuring a fair and equitable compensation for performance is both people focused and organization focused; a win-win for all.

NOTES

1. R.J. Recardo and D. Pricone, "Is Skill-based Pay for You?" *SAM Advanced Management Journal (07497075)* 61, no. 4 (1996): 16.

2. J.D. Shaw, N. Gupta, A. Mitra, and G.E. Ledford Jr., "Success and Survival of Skill-based Pay Plans," *Journal of Management* 31, no. 1 (2005): 28–49.

3. Ibid., p. 29.

4. Shaw et al., "Success and Survival of Skill-based Pay Plans."

5. Recardo and Pricone, "Is Skill-based Pay for You?"

6. J.J. Martocchio, *Strategic Compensation: A Human Resource Management Approach,* 2nd ed. (Upper Saddle River, NJ: Prentice Hall, 2004).

7. Recardo and Pricone "Is Skill-based Pay for You?" 16.

8. J. McAdams, *The Reward Plan Advantage: A Manager's Guide to Improving Business Performance through People* (San Francisco: Jossey-Bass Publishers, 1996).

9. Recardo and Pricone, "Is Skill-based Pay for You?"

Lisa Scott Brinkman

UNEMPLOYMENT COMPENSATION

Federal and state unemployment compensation insurance programs provide income benefits for unemployed individuals in specific instances. Workers who are unemployed through

no fault of their own (e.g., due to layoffs, plant closures, downsizing, and so forth) must meet eligibility requirements of their state.

The Social Security Act of 1935 created the Federal-State Unemployment Compensation (UC) Program, which has two main objectives: (1) to provide temporary, partial wage replacement to involuntarily unemployed workers who were recently employed; and (2) to help stabilize the economy during recessions. Each state has its own UC program within guidelines established by Federal law.

The UC system is founded in the Federal Unemployment Tax Act (FUTA) of 1939, and Titles III, IX, and XII of the Social Security Act. All states finance their own federally approved UC programs via a tax imposed on employers, while three states also collect minimal employee contributions.

Benefits

Unemployment compensation benefits are paid for a maximum of 26 weeks in most states, and are based on a percentage of the worker's earnings over a recent 52-week period, up to the state's allowable maximum amount. Additional weeks of unemployment benefits (called extended benefits) may be available during times of high unemployment. Some states provide extended benefits for certain purposes. Benefits are taxable and must be reported on one's federal income tax return.

Qualification for Unemployment

To qualify for benefits, unemployed individuals must (1) meet their state requirements for eligibility and wages earned or time worked during an established period (typically one year) of time, called the "base period"; and (2) must be determined to be unemployed through no fault of their own (as determined by state law).

Continued eligibility requires claimants to continuously meet eligibility requirements, including filing weekly or biweekly claims for unemployment compensation and reporting any job offers, refusals of work, and earnings from work for the week. Claimants may be required to register for work with their state employment service.

Disqualification

Workers who are unemployed due to some reason other than a "lack of work" face refusal, reduction, cancellation, or postponement of benefits. Common causes for disqualification of benefits include: not being able or available to work; voluntary separation from work without good cause; discharge for work-related misconduct, refusal of suitable work without good cause; and unemployment resulting from a labor dispute. Unemployed workers who have been disqualified or denied benefits have the right to file an appeal subject to their state's appeal rights. Employers may also appeal a UC determination if they disagree with the state's determination regarding a worker's eligibility.

Resources:

U.S. Department of Labor. http://www.dol.gov.

 "Unemployment Compensation." *Almanac of Policy Issues,* http://www.policyalmanac.org/social _welfare/archive/unemployment_compensation.shtml

Ann Gilley

VACATION AND HOLIDAY POLICIES

Time off from work is an important component of any employee benefits package. Granting paid time off allows employees to conduct personal business, care for loved ones, and enjoy time to relax. A generous and flexible time-off policy acts as a recruiting tool, demonstrating to potential employees that the company cares about their welfare. It also improves employee retention, thereby reducing turnover.

Traditional vacation policies are the most common way to grant time off to employees. Holiday policies vary by employer but normally take into account many nationally observed and some personal holidays. A new trend in time off is the Paid Time Off (PTO) policy, which combines several traditional time-off policies into a single bank of time.

Traditional Vacation Policies

In a traditional vacation policy, a company grants a certain number of paid days per year to each employee. Often, these are in addition to a certain number of sick days also granted each year. The amounts granted normally increase with employee seniority associated with certain anniversary milestones.[1] For example, an employee with five years of service would be granted fewer days than an employee with 10 years of service. This can improve employee retention and encourage longevity. Certain categories of employees, like management, may be granted more vacation.

Vacation days can be granted either on a calendar-year basis or an anniversary-year basis. When using a calendar year, all of the days to be granted to that employee are typically accrued on January 1. This date could also coincide with a fiscal year, such as July 1. On an anniversary-year plan, vacation days are accrued on the service anniversary of that employee. For example, an employee who is hired on September 14 would accrue her vacation days each September 14 during continued employment.

Vacation may normally be taken at the discretion of the employee, with prior approval of his direct supervisor. This allows the supervisor to control production schedules and minimize disruption so that not everyone in their department is off at the same time. Scheduling may be done using either seniority or a first requested, first approved approach.

Holiday Policies

Most companies provide for some form of holiday pay, especially if the business is not open on that holiday. In the United States, the most common holidays to be paid are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas Day.[2] Some companies choose to add holidays for the day after Thanksgiving and Christmas Eve day. Depending on their workforce, their type of business and the states in which they operate, some companies also grant additional holidays, such as Martin Luther King's birthday and Good Friday.

To accommodate the diverse religious holidays and other special employee needs, companies may grant several personal or floating holidays to each employee. This allows for employee flexibility without having to close the business for holidays that may be observed by only a few employees. Personal holidays are typically accrued at the same time as vacation days, sometimes subject to a "use it or lose it" policy.

When an employee incurs an unapproved absence before or after a holiday, unrelated to FMLA, some policies may deny holiday pay.

Paid Time Off (PTO) Policies

PTO plans are becoming increasingly popular in today's business environment.[3] These policies combine one or more traditional time-off policies into one bank of time. Typically, PTO banks combine vacation time, sick time, and personal holidays. They often exclude corporate holidays and other time-off policies, such as jury duty or military leave of absence.

Like a traditional plan, PTO is normally accrued on a calendar-year or anniversary-year basis. It can also be accrued a little at a time, either once each month or once each pay period. This approach keeps banks smaller, since the accrual is spread out over the entire year. PTO accrual normally increases with seniority.

PTO plans can be advantageous for both the employees and the organization. For the employee, these banks provide for greater flexibility because there are no or limited restrictions on when an employee may use her time. For the organization, PTO provides for simplified attendance tracking and easier time-off administration.

Other Considerations

All time-off plans take into account the issue of carryover from one year to the next. It may not be possible for an employee to use all of his time before the next accrual. Most plans allow for two or three weeks to be carried forward into the next accrual period. This may increase with seniority. For example, employees with less than 15 years of service may be restricted to a carryover of 10 days, but employees with 15 years of service or over may carry over 15 days. Before setting any carryover policies, check with state and local laws to determine any restrictions.

Most states require that vacation days and PTO remaining in an employee's bank be paid to the employee upon her voluntary or involuntary termination.[4] There may also be restrictions regarding when the employer must make the payment, typically not less than two pay periods following the termination. Normally, these laws do not apply to sick time. Before setting any payment policy, check with state and local laws to determine any restrictions.

Many companies will institute corrective action or disciplinary policies around the use of time off. Commonly, these policies will require time off to be scheduled in advance and set a limit for the amount of acceptable unscheduled time. Once that threshold has been reached, corrective action may begin, up to and including termination of employment. These policies are often set by line management in cooperation with human resources, taking into account the scheduling needs of the line department.

Finally, unionized organizations must include time off as a mandatory subject for bargaining.[5] Time-off policies will be set forth in the bargaining agreement and are applied according to those rules. Changes cannot be made without the proper negotiations to update the contract language.

See also Absences; PTO (Paid Time Off) Bank

NOTES

1. Robert L. Mathis and John H. Jackson, *Human Resource Management,* 8th ed. (St. Paul, MN: West Publishing Company, 1997).

2. Ibid., 111.

3. Corporate Leadership Council, *Designing Paid Time Off Policies in the U.S.* (Washington, DC: Corporate Executive Board, November 2004).

4. Lewis Jackson, ed., *Managing Human Resources in the New Century: Recruiting, Retaining and Terminating Employees* (Ponte Vedra Beach, FL: American Chamber of Commerce Publishers, 2002).

5. Mathis and Jackson, *Human Resource Management,* 237.

Brad Schroeder

WELLNESS PROGRAMS

Employers are searching for innovative ways to control health care costs, reduce absenteeism, and improve worker productivity. Many are finding that voluntary workplace wellness and health promotion efforts can help accomplish those very objectives. Despite this, the EEOC and some employee advocates question whether employee wellness programs come across as mandatory, and go too far into employees' private lives. What is the right choice for your organization? What are your options for an effective program? And what are some key points to remember when implementing a wellness program at your organization?

Examples of some wellness programs include:

- On-site medical testing
- Weight-management programs
- Smoking-cessation programs
- On-site health clubs and fitness centers
- Health club memberships and/or discounts
- Spiritual and mental health programs
- On site physicians, nurses, dieticians, and physical therapists
- Ergonomic office equipment

Wellness Program Pros

There are many positive reasons to undertake an employee wellness program. One of the strongest reasons is in response to the rising costs of health care. More and more insurance providers are offering incentives such as lower health insurance premiums, lower co-pays, flex credit, cash contributions to health reimbursement arrangements (HRAs), gifts, and so forth for companies who adopt wellness programs. The rationale is that healthier employees make fewer medical claims. Many say that healthier employees are also more productive at work, and less inclined to be absent from work. With billions of dollars lost every year on employee absenteeism, and studies showing 75 percent of employee illnesses relate to lifestyle-related causes, wellness programs have become increasingly popular.[1] According to a United Benefit Advisors' survey released in May 2007, 10.5 percent of U.S. employers have a wellness program in place, with 7.6 percent likely to add in 2008.[2]

In addition to an overall improvement in individual health, effective wellness programs that produce results can boost employee morale, and even be a selling point for prospective hires. Many health insurance programs offer employees discounted premiums for participating in certain wellness programs, and others offer prizes and awards for recognition of top performers in certain programs.

Possible Drawbacks/Legal Implications

Are there any drawbacks to implementing an employee wellness program? What is being done to protect employee privacy? Some employee advocate groups agree that workplace wellness programs can violate employee rights. These advocates say that many employees do not know the programs are voluntary and may feel pressure to participate. Also, some fear that employee medical history and factors could someday affect their health care costs (e.g., charging higher premiums for those with high-risk factors such as smoking, high blood pressure, etc.), or that these programs could become a mandatory term of employment. Since there is little legal framework that exists, and laws tend to vary from state to state, employers must design and implement these wellness plans with extreme care.

Some laws that could affect a workplace wellness program are the Health Insurance Portability and Accountability Act (HIPPA), the Americans with Disabilities Act (ADA), and the Age Discrimination in Employment Act (ADEA).[3] Generally speaking, HIPPA prohibits most group health plans from discriminating based on health factors. Health factors can include things like medical conditions, medical history, prior health claims, etc. To properly consider these laws when designing your wellness program, please consult a legal expert.

Tips for Creating a Successful Wellness Program

1. *Seek senior-level support and buy-in.* Since the perception of the program and subsequent participation is vital, employees must feel that the company has an interest in their well-being. Senior managers should lead by example and create an atmosphere of interest in the program.
2. *Create a wellness team or committee.* Also important to a successful wellness program is a team to promote and administer the plan. Many times, this team is made up of all levels of employment as well as lifestyles. Successful committees meet frequently, and have specific goals to achieve.
3. *Gather data.* Research and consider data on absenteeism, medical claims, company culture, demographics, and employee and management expectations. This step will help identify where opportunities exist to meet employee needs.
4. *Set up an organized plan for implementation.* This critical step will help ensure that the wellness program is set up to meet the needs and interests of your employees and organization. This step should include a budget, a detailed timeline, and a communications strategy. At this point, it might be helpful to have the committee put together an action plan for the next 12 months, highlighting goals and objectives, as well as how you will promote the program. Your marketing strategy will differ based on which wellness activities you chose.
5. *Choose and implement a plan.* Many resources are available to find the appropriate plan for your organization. Check Web sites, articles, your insurance provider, and national forums such as the Society for Human Resource Management.
6. *Evaluate and monitor your chosen plan.* The most effective way to evaluate your program is to make it an integral part of your planning process in step 4. As you move through the launch and promotion of your wellness program, keep records that can be tied to results. These records, such as numbers on absenteeism, health care claims, and injuries, can be used to measure the overall effectiveness of the program.

See also Americans with Disabilities Act (ADA); Age Discrimination in Employment Act (ADEA); HIPAA

Resources:
Mathiason, Garry G. *Employer Mandated Wellness Initiatives: Respecting Workplace Rights While Controlling Healthcare Costs.* San Francisco: Littler Mendelson, P.C., 2007.

NOTES

1. Michael Rosenfeld, *SHRM—Online Compensation & Wellness Forum,* February 2005.
2. Stephen Miller, *SHRM—Online Compensation & Wellness Forum,* May 15, 2007.
3. Garry G. Mathiason, *Employer Mandated Wellness Initiatives: Respecting Workplace Rights While Controlling Healthcare Costs* (Littler Mendelson, P.C., 2007).

Jessica Haas

This page intentionally left blank

Chapter 5

Employment Law

Employment Law: An Overview

Organizations face many challenges in today's increasingly complex business environment. Pressure to remain competitive, satisfy shareholder expectations, meet state and federal guidelines, and serve the community combine with technology and an information-based society to blur roles and provide numerous opportunities for miscommunication and mistakes. One arena drawing intermittent attention involves various aspects of the law, from recent court decisions involving harassment and pension protection to employee privacy rights and constant tests of antidiscrimination and other employment laws. This chapter explores the relevant legal issues facing human resource management.

Sources of Employment Law

Employers are bound to abide by a host of laws, including federal, state, and local. Federal law includes the U.S. Constitution, federal statutes, and administrative law. State laws flow from states' constitutions, statutes, and administrative law.

In response to the civil rights movement and President Lyndon B. Johnson's attempt to create the Great Society in the 1960s, Congress passed a host of laws aimed at ensuring equal opportunity in the workplace. *Equal employment opportunity* laws, commonly referred to as EEO, specifically prohibited common forms of discrimination (race, color, creed, national origin, gender, religion). These *protected classifications* (e.g., gender) are further subdivided into *protected groups* (e.g. male, female). The entries in this chapter briefly discuss the EEO laws and other major employment laws.

Equal Employment Opportunity Commission (EEOC)

Congress created the Equal Employment Opportunity Commission, which now enforces numerous employment laws such as the Civil Rights Act of 1964 (Title VII), the Age Discrimination in Employment Act of 1967, the Equal Pay Act of 1963, the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990. The EEOC "provides oversight and coordination of all federal regulations, practices, and policies affecting equal employment opportunity."[1]

The EEOC receives and investigates employment discrimination charges against public and private institutions. The Commission's mission is to

ensure equality of opportunity by vigorously enforcing federal laws prohibiting employment discrimination through investigation, conciliation, litigation, coordination, education, and technical assistance.[2]

When an investigation of a claim yields reasonable cause to believe that discrimination has occurred, the Commission begins conciliation efforts. When conciliation fails, the charge is considered for litigation. The EEOC strives for remedies that correct the discrimination and prevent recurrence.

Major Employment Laws

Employment law impacts all areas of human resource management, including recruiting, selecting, promoting, and terminating employees. Table 5.1 summarizes the main employment laws.

Uniform Guidelines.   The Uniform Guidelines on Employee Selection Procedures (1978) apply to nearly all organizations with 15 or more workers. Specifically, they assist organizations in understanding Title VII of the Civil Rights Act of 1964, and help organizations develop employment practices that comply with the law.

The Uniform Guidelines indicate that if an employment decision (e.g., selection, promotion, transfer, termination) results in disparate impact to a protected group, the institution must (1) eliminate the selection device(s) causing the disparate impact, or (2) demonstration the validity of the selection device(s). The guidelines indicate that justification of validity for selection devices that measure characteristics requiring a large inferential leap are inappropriate. Thus, a thorough job analysis is crucial for proving validity.

Employment Practices

The numerous EEO laws are designed to prevent discrimination in the workplace. Nevertheless, discrimination does occur, as evidenced by thousands of court cases across the nation. In deciding whether discrimination has occurred and which remedies are appropriate, courts consider specific and general individual and organizational behaviors, intent, and impact on the plaintiff.

Disparate Treatment and Disparate Impact

Disparate treatment is *intentional* discrimination that violates the Equal Protection Clause of the Fourteenth Amendment, which specifies that no state shall "deny to any person within its jurisdiction the equal protection of the laws." Disparate treatment occurs as a result of bias or prejudice, and when individuals are treated unfairly due to their membership in a protected group. Occasionally, disparate treatment is meant to protect an individual, such as when an employer refuses to assign a task to a woman for fear that she might be hurt. Although well-meaning, the employer is still guilty of discrimination.

Unintentional discrimination constitutes disparate impact, which causes unequal consequences for individuals of different protected groups. Disparate treatment may occur, for example, when an arbitrary (irrelevant) practice (such as requiring a typing test to gauge speed) results in a disproportionately low number of males being promoted. If the practice were relevant and job-related, it would be legal. The arbitrary nature of such practices leads to discrimination claims.

Table 5.1   Major Employment Laws

Law	*Provisions*
Equal Pay Act of 1963	Prohibits discrimination in pay based on gender; requires employers to pay males and females the same pay for the same work.
Civil Rights Act of 1964 (Title VII)	Prohibits discrimination in employment based on race, color, religion, gender, and national origin for most employers with 15 or more employees.
Age Discrimination in Employment Act of 1967	Prohibits discrimination in employment on the basis of age; protects individuals age 40 or more; restricts mandatory retirement; covers most employers with 20 or more employees.
Occupational Safety and Health Act of 1970	Establishes mandatory safety and health standards in organizations.
Vocational Rehabilitation Act of 1973	Prohibits discrimination against "otherwise qualified" individuals with physical or mental disabilities.
Pregnancy Discrimination Act of 1978	An amendment to the Civil Rights Act of 1964; prohibits discrimination against women due to a pregnancy-related condition.
Immigration Reform and Control Act of 1986	Prohibits discrimination on the basis of national origin or citizenship; prohibits employers from knowingly hiring aliens not authorized to work in the United States.
Americans with Disabilities Act of 1990 (ADA)	Expands on the Vocational Rehabilitation Act of 1973; prohibits discrimination on the basis of an individual's disability; covers most employers of at least 15 workers.
Civil Rights Act of 1991	An amendment to the Civil Rights Act of 1964; permits jury trials and punitive damages; specifies evidence needed to prove a discrimination claim, shifts burden of proof to employer.
Family and Medical Leave Act of 1993	Allows eligible employees to take up to 12 weeks of unpaid leave per year for certain medical (including childbirth) and immediate/ family health care needs.

Recruiting and Selection

Organizational recruiting and selection pose many opportunities for unintentional discrimination. Knowledge of appropriate antidiscrimination law affords protection to managers, human resource professionals, and anyone involved in the recruiting and selection process.

Legally defensible, discrimination-free recruiting begins with a thorough job analysis that identifies the education, knowledge, and skills needed by candidates to successfully perform the functions of the job. Appropriate job postings and announcements are free of biased, potentially discriminatory language. Effective recruiting and selection seeks the most qualified candidate for the position and is, in essence, color blind.

Employee Screening. Common candidate-screening methods include written applications, personal interviews, preemployment examinations, and reference checks. Application forms must be carefully checked to ensure that requests for information comply with antidiscrimination laws.

Most candidates seriously considered for available positions are asked to participate in one or more face-to-face interviews. The interview process, however, is often fraught with potentially discriminatory behavior on the part of interviewers, particularly when they have limited knowledge or experience with the hiring process and antidiscrimination laws. Candidates are often asked illegal questions, usually unintentionally, by individuals or panels of interviewers seeking seemingly harmless yet valuable information. Questions that are not job related are prohibited. Table 5.2 lists a sampling of illegal questions commonly asked in interviews, along with acceptable, appropriate job-related queries. Illegal questions, which are best avoided, deal with issues such as:

- Age and gender
- Health
- Marital status
- Children and family plans
- Race or religion
- Non-job-related topics

A colleague of ours recently interviewed with the president of a medium-size organization and was asked the following questions in rapid succession: How old are you? Are you married? Do you have children? Do you plan to have any more? The human resources manager overheard this exchange, was appalled, and quickly took the president aside and informed him of the error of his ways. He was genuinely surprised that these questions were not appropriate. In his mind, they served a genuine business need (to have a stable workforce). Legal questions ask for information related to a bona fide occupational qualification (BFOQ), that is, something reasonably necessary to perform normal operations of a particular job within a firm.

Employee examinations (physical, mental, drug) are commonplace yet sometimes controversial screening instruments. Physical and mental examinations and drug tests of employees may be required as a condition of employment, and are increasingly required by institutions seeking to protect their workforce provided that the examinee's privacy is not unreasonably violated.

Performance tests (typing tests, curriculum development, and so forth) allow candidates to demonstrate sample skills required of the job. Demonstrations of teaching effectiveness, for example, allow interviewers to observe the candidate's knowledge of the topic, organization and/or facilitation skills.

Table 5.2   Illegal and Legal Questions

Law/Topic	Illegal Questions	Allowable Questions
Civil Rights Acts of 1964 and 1991	Are you married? Do you plan to marry? Do you have children? Do you plan to have children? How many? To what social or religious organizations do you belong? What is your religion? What religious holidays do you observe? What is your maiden name? What country are you from? Where are your parents from?	To which professional or job-related organizations do you belong? Are you able to travel on weekends? What is your current address? These are the normal hours and days of work required of our employees. Are you able to work these hours?
Age Discrimination in Employment Act of 1967	How old are you? In what year did you graduate from high school?	Are you over 18? Do you meet the minimum age requirements as set by law?
Vocational Rehabilitation Act of 1973 and Americans with Disabilities Act of 1990	Do you have a mental or physical disability? How many days were you absent from work due to your disability?	Are you able to perform the essential functions of the position with or without reasonable accommodations? How many days were you absent or late from your previous work for any reason?
Pregnancy Discrimination Act of 1978	Are you pregnant? Do you plan to have children?	Are you able to perform the functions of the position with or without reasonable accommodations?
Immigration Reform and Control Act of 1986	Do you plan to become a citizen of the U.S.?	Are you legally authorized to work in the United States?

Reference checks are another common and increasingly important screening device. Most institutions utilize a character reference or an employment and educational record check to confirm the validity of candidates' stated information. Organizations that fail to conduct reference checks may be held liable if their personnel behave inappropriately and a reference check would have revealed previous similar behavior. Conversely, honest reference information is becoming increasingly difficult to obtain in our litigious society. Providing "negative" information regarding employees has been deemed defamation, or worse, in some lawsuits. Defamation is the "unprivileged publication of a false oral or written statement that harms the reputation of another person." The communication of negative information about an applicant could be unlawful if untrue, malicious, or conveyed to someone who is not a party with a legitimate need to know. As a result, those

providing reference information are advised to confine their responses to verifiable facts (employment dates, positions held), and make certain the employee has provided written consent to do so.

More and more institutions run *credit checks* on potential employees, particularly for those candidates who will have access to cash, budgets, or other valuable resources. Candidates must be informed of the institution's intent to conduct a credit check and must provide written consent.

Performance Appraisals

Most institutions engage in some form of regular (e.g., annual, semiannual, quarterly) employee performance evaluation. When these performance assessments provide the basis for personnel decisions (e.g., advancement, salary adjustment, transfer, participation in training, demotion, termination), the development and use of appraisal instruments become important legal concerns. Although it is impossible to design and execute a performance appraisal system that is completely safe from litigation, steps can be taken to reduce the occurrence of discrimination:

1. Thoroughly analyze the job to determine skills and characteristics necessary to successful performance.
2. Observable, verifiable, job-related success characteristics should be incorporated into the rating instrument. These characteristics should be specific, avoiding general personality traits that are difficult to measure.
3. Performance standards and expectations should be communicated, in writing, to all employees.
4. Users of the instrument (e.g., managers, supervisors) should be trained in its proper use.
5. All evaluations, performance appraisal meetings, and reasons for follow-up personnel actions (positive or negative) should be documented.
6. The performance appraisal system should be constantly monitored, evaluated, and modified to ensure its timeliness and relevance, and that performance measures have not become outdated or irrelevant.

Termination

Nontenured employees and managers can be discharged upon expiration of their contracts via simple nonrenewal of the contract. *At will* employees can be fired for any reason, or no reason at all. An improper motive, however, one that violates federal law, state law, or public policy, may result in a finding of wrongful discharge and punishment for the employer.

Tenured employees and those subject to powerful union contracts are difficult to discharge except under extreme circumstances (e.g., violation of the law on the employee's part, elimination of his or her position), and even then are still subject to due process. In all situations, managers should keep accurate and detailed written documentation of the worker's actions.

Conclusion

The legal environment surrounding all organizations represents a complex, constantly changing maze of rules and regulations that must be understood and incorporated into daily working life. Leaders, managers, and supervisors must recognize the potential

problems, opportunities, and legal guidelines to which they are subject in the management of human resources. A host of laws, nondiscriminatory and otherwise, provide guidelines for successfully running an organization. Effective organizations and their members understand the relevant laws and demonstrate appropriate behavior.

Resources: Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621 *et seq.* Equal Employment Opportunity Commission. "Information for the Private Sector and State and Local Governments." Family and Medical Leave Act of 1993, 29 U.S.C. §§ 2601–2654. National Labor Relations Act, 29 U.S.C. §§ 151–169. Pregnancy Discrimination Act of 1979, 42 U.S.C. § 2000e(k). Sexual Harassment Charges EEOC & FEPAs Combined: FY 1992–FY 2005. http://www.eeoc.gov/types/sexual_harassment.html (accessed November 20, 2006). Uniform Guidelines on Employee Selection Procedures (1978). 29 Code of Federal Regulations, Part 1607. HRTools.com. http://www.hrtools.com. Provides online information about compliance with EEO/diversity, sexual harassment, ADA, and discipline and termination regulations.

Ann Gilley and Jerry W. Gilley

NOTES

1. U.S. Equal Employment Opportunity Commission, "Information for the Private Sector and State and Local Governments."

2. U.S. Equal Employment Opportunity Commission Web site, http://www.eeoc.gov (accessed October 2, 2007).

AFFIRMATIVE ACTION

Affirmative action is the result of executive orders signed by Presidents Kennedy, Johnson, and Nixon. These orders were intended to facilitate equal employment opportunity as mandated by Title VII of the Civil Rights Act of 1964 and the Equal Employment Opportunity Act of 1972.[1] The orders required that federal contractors take proactive (or "affirmative") action to stop unfair discrimination in hiring and employment due to race, color, religion, sex, or national origin, and as a remedy for past discrimination.[2] Although private industry was not affected by the orders, many companies voluntarily adopted affirmative action programs to ensure that they were in compliance with equal opportunity laws and therefore avoid being sued by employees who felt that they had been discriminated against.[3] Affirmative action is a very controversial topic. It is not clear whether or not affirmative action programs have been effective or efficient in terms of actually providing equal employment opportunity. As it deals with issues of racial and gender discrimination, there are heated debates over issues of fairness as well.

The Case for Affirmative Action

Proponents of affirmative action maintain that without it, discrimination against underrepresented minority groups would be rampant. Many employees who have been discriminated against would not have the resources or even knowledge of being discriminated against to be able to sue under the EEO laws. Generally, affirmative action programs have resulted in greater employment for women and minority groups in the workplace, although these programs may not necessarily have any influence on subsequent promotion or advancement of underrepresented groups.[4] In fact, despite

affirmative action, women and people of color are still paid less to the dollar than white males, indicating that affirmative action programs are still necessary.[5]

The Case against Affirmative Action

There have been some challenges lately to affirmative action, arguing that instead of equalizing opportunity, the law actually discriminates against the majority of employees (e.g., white males, known as reverse discrimination), and results in de facto quotas. Affirmative action programs can also result in backlash against employees perceived to be hired as a result of it.[6] The perception is that they have been hired regardless of qualifications and must overcome the bias by other employees that they are unqualified for the job. Simply because of race or gender, an employee's qualifications are immediately questioned because the assumption is that the hire was based solely on race or gender.

There are other problems with affirmative action programs. Potential employees in the majority can react negatively to the presence of affirmative action programs at an organization due to perceptions that the programs are unfair.[7] It has been argued that at the federal level, affirmative action has resulted in preferential hiring of African Americans over Hispanics, such that African Americans are overrepresented in the federal government workforce.[8] This argument calls into question whether or not equal employment opportunity actually exists for every underrepresented group.

Conclusion

Affirmative action is a remedy designed to redress past discrimination and to prevent further discrimination in hiring on the basis of race, color, religion, sex, or national origin. Affirmative action programs have been put in place in both federal and private organizations to ensure equal access to employment for all groups. Both the effectiveness and the efficiency of affirmative action have been called into question, and there is no definitive consensus on whether or not affirmative action programs should be continued.

NOTES

1. Carl A. Kogut and Larry Short, "Affirmative Action in Federal Employment: Good Intentions Run Amok?" *Public Personnel Management,* Fall 2007, 197–206.

2. Caitlin Knowles Myers, "A Cure for Discrimination? Affirmative Action and the Case of California's Proposition 209," *Industrial and Labor Relations Review* 60, no. 3 (April 2006): 379–96.

3. Ward Thomas and Mark Garrett, "U.S. and California Affirmative Action Policies, Laws, and Programs," In *Effects of Affirmative Action: Policies and Consequences in California,* ed. Paul Ong (Walnut Creek, CA: Alta Mira, 1999).

4. Francine D. Blau and Anne E. Winkler, "Does Affirmative Action Work?" *Regional Review* (1st Qtr., 2005): 38–40.

5. Ibid.

6. Lisa M. Zurk, Barbara Simons, Rebecca Parsons, and Dawn Cohen, "When an Advantage Is Not an Advantage," *Communications of the ACM* 38, no. 12 (December 1995): 17–18.

7. H. Jack Walker, Hubert S. Feild, William F. Giles, Jeremy B. Bernerth, and Allison Jones Farmer, "An Assessment of Attraction toward Affirmative Action Organizations: Investigating the Role of Individual Differences," *Journal of Organizational Behavior* 28, no. 4 (June, 2007): 485–507.

8. Carl A. Kogut and Larry Short, "Affirmative Action in Federal Employment: Good Intentions Run Amok?" *Public Personnel Management,* Fall 2007, 197–206.

Barbara A. W. Eversole

AGE DISCRIMINATION IN EMPLOYMENT ACT (ADEA)

In 1967, the U.S. Congress, recognizing the need to protect the employment rights of older workers, enacted the Age Discrimination in Employment Act of 1967 (ADEA). The key provision of the ADEA protects individuals, 40 years of age and older, from employment discrimination based on age. This protection is wide ranging and prohibits discrimination against an individual relative to any term, condition, or privilege of employment including hiring, firing, promotion, layoff, compensation, benefits, job assignments or training. The ADEA applies to employers, employment agencies, and labor organizations with 20 or more employees.

Background

The genesis of the ADEA is linked to the passage of Title VII of the 1964 Civil Rights Act.[1] Title VII bans workplace discrimination based on race, color, sex, national origin, and religion. What was absent, however, was a prohibition against age discrimination. Upon passage of Title VII, Congress directed the U.S. Department of Labor to study whether separate age-bias laws were needed. Three years later, a report was delivered to Congress citing clear confirmation of the pervasiveness of age discrimination. The ADEA was enacted supported by the following findings:

- Older workers were disadvantaged in their efforts to retain or regain employment once displaced from a job.
- Setting arbitrary age limits without regard for potential job performance was commonplace.
- Unemployment correlated with deteriorating skills and morale associated with older workers when compared to younger workers.[1]

Purpose

The stated purpose of the ADEA is as follows: "to promote employment of older persons based on their ability rather than age; to prohibit arbitrary age discrimination in employment; to help employers and workers find ways of meeting problems arising from the impact of age on employment."[2] To this end, the statute calls for an ongoing program of research and education to ascertain the needs and abilities of older workers, their potential for employment, and contribution to the economy. Additionally, the results of this research are provided for use to labor unions, management, and the general public to reduce employment barriers for the older worker.

Prohibitions

The statute stipulates that it is an unlawful employment practice for a covered employer "to fail or refuse to hire or to discharge any individual or otherwise to discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual's age."[3] Furthermore, it is unlawful for an employer to limit, segregate, or classify employees in ways that would adversely affect their employment because of age. Employers may not reduce the wage rate of an employee in order to comply with the act. Requirements necessary to perform the job must be job-related, and job notices or advertisements cannot indicate a preference, limitation, or specification based on age. Seniority systems and benefit plans containing involuntary requirements due to age are unlawful.

Exemptions

While it appears the ADEA provides comprehensive protection against age-based discrimination, there are some exceptions to the statute's nondiscrimination provisions. The ADEA allows employers to discharge or otherwise discipline an employee for any genuine job-related deficiency or misconduct for good cause. Additionally, it allows employers to observe the terms and conditions of a bona fide seniority system, except where such a system is used to require or permit the involuntary retirement of an employee age 40 or over. In very limited circumstances, an employer can use age-based criteria "where age is a bona fide occupational qualification reasonably necessary to the normal operation of the particular business, or where the differentiation is based on reasonable factors other than age."[4] To prevail in this defense, the employer must successfully demonstrate that the age requirement is necessary to safely and appropriately perform the functions of the position.

Enforcement and Procedural Requirements

The enforcement and administration of the ADEA was originally the province of the secretary of labor. Those responsibilities were transferred to the Equal Employment Opportunity Commission (EEOC) effective January 1, 1979, pursuant to a presidential reorganization plan. The EEOC "may issue such rules and regulations as it may consider necessary or appropriate for carrying out this chapter, and may establish such reasonable exemptions to and from any or all provisions of this chapter as it may find necessary and proper in the public interest."[5] The EEOC may also impose fines or mandate jail time to those resisting or interfering during the scope of an EEOC investigation.

The procedural requirements for an ADEA claim are complex. Simply put, a claimant must first file charges with the EEOC alleging unlawful discrimination before an individual may take civil action. The EEOC may conduct investigations on its own initiative and, even though the claimant withdraws his or her charge, the Commission may continue the investigation to the conclusion of the claim. The statute of limitation is two years from the date of an alleged non-willful violation and three years from the date of an alleged willful violation. The claimant does not need to prove age was the only motivating factor behind the employer's decision, but must make a legally sufficient case in which age was one of the determining factors leading to the adverse employer action. Having done so, the responsibility shifts to the employer to provide a legitimate, nondiscriminatory reason for the employee's demotion or termination.

Conclusion

The Age Discrimination in Employment Act of 1967 has been in existence for more than 40 years. Credit is given to the ADEA for eliminating many forms of age-based discrimination in the workplace that were commonplace before its enactment. With the passage of time, it has almost been forgotten that it was commonplace for companies, before 1967, to have mandatory retirement policies and for employment ads to freely assert age requirements as a condition for employment. Others question whether "the ADEA has done more than address age discrimination in its most blatant manifestations. The notion that older people have had their day and should make room for the next generation continues to be deeply ingrained."[6] Although this difference of opinion may never be

resolved to everyone's satisfaction, the courts continue, with each new ruling, to redefine and shape the expectations of both employees and employers alike.

See also Bona Fide Occupational Qualification (BFOQ); Older Workers Benefit Protection Act

NOTES

1. "Fighting Ageism, Through the Ages," *AARP,* July–August 2003, http://www.aarpmagazine.org/lifestyle/Articles/a2003-05-21-mag-agediscrimination.html (accessed July 26, 2007).

2. Age Discrimination in Employment Act of 1967, Pub. L. No. 90-202, § 621, 29 Stat. 1 (1967).

3. Ibid.

4. Ibid.

5. Ibid.

6. Robert Grossman, "The Under-reported Impact of Age Discrimination and Its Threat to Business Vitality," *Business Horizons,* 48, no. 1 (January–February 2005): 71–78.

Linda S. Dorré

AMERICANS WITH DISABILITIES ACT (ADA)

The Americans with Disabilities Act (ADA) of 1990 created many rights for disabled individuals and new responsibilities for employers. The ADA applies to any employer with 15 or more employees, and it prohibits any discrimination against qualified individuals with disabilities. The ADA encompasses all terms and conditions of employment, including the application process, interviewing, hiring, firing, advancement, job training, and compensation.

ADA Provisions and Key Terms

The ADA goes beyond prohibiting discrimination by also requiring employers to take actions to provide reasonable accommodations that would enable a qualified individual with a disability to be considered for the job and perform its essential functions. In order to fully understand the ADA, it is important to have a good understanding of the key terms and how the ADA defines these terms.

Disability

The term "disability" means, with respect to an individual, (1) a physical or mental impairment that substantially limits one or more of the major life activities of such individual; (2) a record of such an impairment; or (3) being regarded as having such an impairment.[1]

Qualified Individual with a Disability

The term "qualified individual with a disability" means an individual with a disability who, with or without reasonable accommodation, can perform the essential functions of the employment position that such individual holds or desires.[2]

Essential Function

The essential functions of a job are the primary job duties that an individual must be able to perform, with or without accommodation. Criteria used when determining if a

function is considered essential includes (1) if the job exists in order to perform that particular function, (2) if the function is specialized and requires special training or expertise, and (3) if there are a limited number of other employees who could perform the function.

For the purposes of the ADA, consideration shall be given to the employer's judgment as to what functions of a job are essential, and if an employer has prepared a written description before advertising or interviewing applicants for the job, this description shall be considered evidence of the essential functions of the job.[3]

Reasonable Accommodations

The term "reasonable accommodation" may include (1) making existing facilities used by employees readily accessible to and usable by individuals with disabilities; and (2) job restructuring, part-time or modified work schedules, reassignment to a vacant position, acquisition or modification of equipment or devices, appropriate adjustment or modifications of examinations, training materials or policies, the provision of qualified readers or interpreters, and other similar accommodations for individuals with disabilities.[4]

Undue Hardship

The ADA does allow exception to the reasonable accommodation requirement, if that accommodation would create an undue hardship on the employer. The term "undue hardship" is defined by the ADA as an action requiring significant difficulty or expense, when considered in light of certain factors. The ADA lists certain factors that can be considered when determining if an accommodation creates an undue hardship. These include:

1. The nature and cost of the accommodation needed under this act;
2. The overall financial resources of the facility or facilities involved in the provision of the reasonable accommodation; the number of persons employed at such facility; the effect on expenses and resources, or the impact otherwise of such accommodation upon the operation of the facility;
3. The overall financial resources of the covered entity; the overall size of the business of a covered entity with respect to the number of its employees; the number, type, and location of its facilities; and
4. The type of operation or operations of the covered entity, including the composition, structure, and functions of the workforce of such entity; the geographic separateness, administrative, or fiscal relationship of the facility or facilities in question to the covered entity.

Reasonable Accommodation Process

The process for identifying a reasonable accommodation for a qualified individual with a disability should be an interactive process between the individual and employer. The Society for Human Resource Management (SHRM) has identified a five-step process that may be used for identifying a reasonable accommodation. The steps of this process include:[5]

1. Individual asks for accommodation.
2. Identify the barriers to performance of essential job functions for each individual.
3. Identify possible accommodations that might be helpful in overcoming the barriers.
4. Assess the reasonableness of the accommodations, including whether they are the employer's responsibility and whether they impose any undue hardship.
5. Choose the appropriate accommodation for each individual.

Some reasonable accommodations may include things such as job restructuring, assigning nonessential functions to another person, providing a reader to a blind applicant, modifying a work schedule, or building ramps for wheelchair access to a building. A reasonable accommodation does not include lowering quality or performance standards, or actions that would create an undue hardship.

Enforcement and Penalties for Noncompliance

The ADA is enforced by the Equal Employment Opportunity Commission (EEOC). Individuals who feel their ADA rights have been violated can file a charge of discrimination with the EEOC within 180 days of the date of the alleged violation.

Employers who do not follow the provisions of the ADA are held to the same penalties as violations of Title VII of the Civil Rights Act. In 2006, the EEOC awarded over $48.7 million in monetary benefits to charging parties of ADA claims (this figure does not include any additional monetary awards received through litigation).[6]

See also Reasonable Accommodation; Undue Hardship

NOTES

1. U.S. Department of Labor, "The Americans with Disabilities Act of 1990" U.S. Government, http://www.dol.gov/esa/regs/statutes/ofccp/ada.htm (accessed September 18, 2007).

2. Ibid.

3. Ibid.

4. Ibid.

5. Society for Human Resource Management, *The SHRM Learning System Module 2: Workforce Planning and Employment* (Alexandria, VA: Society for Human Resource Management, 2007), 12–16.

6. U.S. Equal Employment Opportunity Commission, "ADA Charge Data—Monetary Benefits," U.S. Government, http://www.eeoc.gov/stats/ada-monetary.html (accessed September 20, 2007).

Shanan M. Mahoney

BONA FIDE OCCUPATIONAL QUALIFICATION (BFOQ)

The term bona fide occupational qualification (BFOQ) is used to describe a situation when a protected class, such as gender, religion, ethnicity, or age is deemed to be necessary to carry out a particular job function.

BFOQs under Title VII

The Civil Rights Act of 1964 provides allowances for situations when gender, religion, or ethnicity are determined to be "reasonably necessary to the normal operations of the business or enterprise," and states that in these situations, it is permissible to use these factors when making employment decisions.[1] The following are examples of allowable BFOQs:

- A clothing company may require that women be hired as the models for evening gowns.
- To be an ordained minister of a particular church, religion may be used as a qualification.
- A movie company may hire Native Americans for roles in a film documenting American Indian tribes.

Title VII does not provide any allowances for using race or color as a BFOQ.

BFOQs under the ADEA

The Age Discrimination in Employment Act (ADEA) also provides for exceptions in cases where age is determined to be a BFOQ. For example, a clothing company specializing in teenage clothing styles can hire a young person to model their clothes in a magazine. In the case of public safety officers, such as police or firefighters, the ADEA also allows for upper age limits in hiring and mandatory-retirement age BFOQs.

Conclusion

Although BFOQs are allowable exceptions to Title VII and the ADEA, the courts closely scrutinize any defense claims of BFOQ. It is important that a BFOQ be directly related to the job. Human resource professionals can best determine if a BFOQ exists by conducting a thorough job analysis for a position to not only identify the knowledge, skills, and abilities required for a position, but also if there are any BFOQs related to the position.

See also Civil Rights Act of 1964 and 1991; Age Discrimination in Employment Act (ADEA)

Resources:

Society for Human Resource Management. *The SHRM Learning System Module 2: Workforce Planning and Employment.* Alexandria, VA: Society for Human Resource Management, 2007, 26–28.

NOTE

1. David A. DeCenzo and Stephen P. Robbins, *Human Resource Management,* 6th ed. (New York: John Wiley & Sons, Inc., 1999), 77–79.

Shanan M. Mahoney

CHILD LABOR

Child labor, and the laws within the United States that govern the practice, typically apply to individuals under the age of 18. At this age, an individual is legally permitted to work a job of choice for any number of hours, as child labor laws are no longer applicable.[1] Current child labor laws are a result of the passage of the Fair Labor Standards Act of 1938 (FLSA) and the numerous amendments to its language.

Fair Labor Standards Act

The Fair Labor Standards Act, and the child labor provisions contained within it, is intended to protect the educational opportunities of persons younger than 18 years of age, and to prohibit their employment under conditions that may be detrimental or hazardous to their health.[2] The U.S. Department of Labor is the sole federal agency responsible for enforcement of the FLSA, and child labor provisions are handled by the Wage and Hour Division of the department's Employment Standards Administration.[3]

Regulations enacted by the FLSA may be broadly subdivided into agricultural and nonagricultural employment. For nonagricultural jobs, the type of work that may be performed is a function of the age of the youth. Employment permitted may be broken down as follows:

— Persons 18 or older may perform any job, whether hazardous or not.
— Persons 16 or 17 may perform any nonhazardous job (applicable laws, either state or federal, should be consulted for a determination of a hazardous occupation).

— Persons 14 or 15 may work outside of school hours in various nonmanufacturing, nonmining, and nonhazardous jobs, and only under certain conditions that may vary by state. Additional restrictions apply to the number of hours that may be worked in a given day or week, depending upon whether or not school is in session, and to the time of day, regardless of school considerations. Exceptions may apply if the youth is enrolled in an approved Work Experience and Career Exploration Program (WECEP).[4]

— Persons 13 or younger may be employed in such jobs as newspaper delivery; act in television, radio, motion picture, or theatrical productions; and perform babysitting or other such minor chores around a private home or residence. Additionally, youths may work at businesses owned by their parents, as long as such employment complies with statues regarding nonmanufacturing, nonmining, and nonhazardous conditions.[5]

Different age requirements apply to youth employed in agriculture. Consult the appropriate U.S. Department of Labor Wage and Hour Division district office or state department of labor to ensure any youth-related labor practices are in compliance.[6]

International Concerns and Related Issues

The Bureau of International Labor Affairs (ILAB) has among its responsibilities to investigate and report on potentially abusive child labor practices outside the United States.[7] The Office of Child Labor, Forced Labor, and Human Trafficking (OCFT), one of three offices reporting to the ILAB, was created in 1993 in response to a congressional request to handle such activities. In recent years, as both domestic and international concern and awareness regarding exploitive child labor, forced labor, and human trafficking have grown, the OCFT has seen a corresponding increase in matters it oversees. To fulfill its purpose, the OCFT is involved in researching and reporting on international child labor conditions and practices, overseeing cooperative agreements and contracts to groups outside of the United States who are attempting to eliminate the most egregious forms of child labor, and assisting with the development and implementation of government policies related to child labor, forced labor, and human trafficking matters.[8] Among the laws and regulations the ILAB has responsibility for enforcement is Executive Order 13126, titled "Prohibition of Acquisition of Products Produced by Forced or Indentured Child Labor." Under procurement regulations, federal contractors who supply products on a list published by the Department of Labor must provide certification that a good-faith effort has been made to determine if forced or indentured child labor was utilized in the production of such items. This list is subject to periodic updates, and can be accessed by contacting the U.S. Department of Labor.[9]

The United Nations Children's Fund, or UNICEF, uses its global authority and influence to attempt to reduce and eliminate many forms of child labor considered adverse and dangerous to the well-being of children, as well.[10] Although it operates independently of the U.S. government and does not possess any sovereign authority, it can propose economic sanctions be taken by member nations of the United Nations against certain countries, if such actions are deemed necessary and appropriate by both UNICEF and the international community.

Potential Fallout for Employers

Many instances exist of companies that have experienced adverse consequences for failing to conduct the proper due diligence of the manufacture of their products.

This includes, but is not limited to, negative press and other publicity, lawsuits, and consumer boycotts against a firm for utilizing child labor. Additionally, what is legal and customary regarding child labor standards and practices in developing nations, where a firm may contract labor services for the manufacture of its products, may be seen as abusive and exploitative in wealthier ones. Companies must be cognizant of the facilities that bear their name and the workers present within them, especially in countries outside the United States. Several have paid a steep price, financial and otherwise, for failing to do so.

NOTES

1. U.S. Department of Labor, Wage and Hour Division. "Youth Rules!—What Jobs Can Youth Do?" http://www.youthrules.dol.gov/jobs.htm (accessed December 18, 2007).

2. U.S. Department of Labor, OASP/Office of Compliance Assistance Policy. "Child Labor (Nonagricultural Work): Who is Covered," http://www.dol.gov/compliance/guide/childlbr.htm (accessed December 18, 2007).

3. U.S. Department of Labor. "Youth & Labor," http://www.dol.gov/dol/topic/youthlabor/index.htm (accessed December 19, 2007).

4. U.S. Department of Labor, OASP/Office of Compliance Assistance Policy. "Child Labor (Nonagricultural Work): Who is Covered," http://www.dol.gov/compliance/guide/childlbr.htm (accessed December 18, 2007); and U.S. Department of Labor. "Youth & Labor: Work Hours," http://www.dol.gov/dol/topic/youthlabor/workhours.htm (accessed December 19, 2007).

5. U.S. Department of Labor, elaws—Fair Labor Standards Act Advisor, "What Kinds of Work Can Youth Perform?" http://www.dol.gov/elaws/faq/esa/flsa/029.htm (accessed December 19, 2007); and U.S. Department of Labor, Wage and Hour Division. "Youth Rules!—What Jobs Can Youth Do?"

6. U.S. Department of Labor, "Youth & Labor: DOL Web Pages on This Topic," http://www.dol.gov/dol/topic/youthlabor/workhours.htm (accessed December 18, 2007).

7. U.S. Department of Labor, "Youth & Labor: International Child Labor," http://www.dol.gov/dol/topic/youthlabor/intlchildlabor.htm (accessed December 18, 2007).

8. U.S. Department of Labor, Office of Child Labor, Forced Labor, and Human Trafficking (OCFT), "About OCFT," http://www.dol.gov/ilab/programs/ocft/ (accessed December 19, 2007).

9. U.S. Department of Labor, Bureau of International Labor Affairs. "Executive Order 13126" http://www.dol.gov/ilab/regs/eo13126/main.htm (accessed December 21, 2007).

10. UNICEF. "About UNICEF: Who We Are," http://www.unicef.org/about/who/index.html (accessed December 21, 2007).

Steven J. Kerno Jr.

CIVIL RIGHTS ACTS OF 1964 AND 1991

The Civil Rights Acts of 1964 and 1991 were designed to prohibit discrimination in public places. Highlights of each will be discussed.

Civil Rights Act of 1964

The Civil Rights Act (CRA) was signed into law on July 2, 1964, by President Lyndon B. Johnson. The CRA prohibited discrimination in public places, made discrimination in employment illegal, and provided for the integration of schools and other public facilities. A public facility was any place that received any form of federal funding, which ultimately was most places. The CRA

- Prohibited unequal application of voter registration requirements, although it did not abolish literacy tests (occasionally used to disqualify poor white voters and African Americans).
- Barred discrimination in all public accommodations (e.g., hotels, motels, restaurants, theaters) engaged in interstate commerce, yet exempted private clubs.
- Made it illegal for state and municipal governments to deny access to public facilities on the basis of one's race, religion, or ethnicity.
- Prohibited discrimination by government agencies that receive federal funding; if found guilty of discrimination, the offending agency may lose its federal funding.

Title VII

One of the most well-known features of the CRA is found in Title VII, which prohibits discrimination by covered employers on the basis of race, color, religion, sex, or national origin. Covered employers are those who employ 15 or more workers for more than 19 weeks in the current or preceding calendar year. Title VII prohibits sexual harassment (including same-sex harassment), which is a form of sex discrimination, and discrimination against an individual due to his or her association with someone of a particular race, color, religion, sex, or national origin. Further, retaliation against employees who report or oppose such discrimination is unlawful.

In situations where religion, sex, or national origin is a bona fide occupational qualification (BFOQ) that is reasonably necessary to the normal operation of a particular business, covered employers are allowed to discriminate on the basis of religion, sex, or national origin. A BFOQ defense requires employers to prove (1) a direct relationship between gender and the ability to perform the duties of the job, (2) the BFOQ is directly related to the essence or "central mission" of the business, and (3) there is no less-restrictive or reasonable alternative. Exceptions to Title VII exist for Native American tribes, bona fide nonprofit private membership organizations, and certain religious group activities.

Enforcement

Title VII of the CRA is enforced by the Equal Employment Opportunity Commission (EEOC) and some state fair-employment practices agencies, which investigate, mediate, and may file lawsuits on behalf of employees. Individuals must file discrimination complaints with the EEOC within 180 days of learning of the discrimination, or they may lose the right to file a lawsuit.

Civil Rights Act of 1991

The Civil Rights Act of 1991 strengthened the CRA of 1964. Under this act, parties may now obtain jury trials and recover both compensatory and punitive damages in Title VII and ADA lawsuits involving intentional discrimination. Title VII plaintiffs may also recover damages for emotional distress, although the act imposes caps on relief for punitive and emotional distress damages based on size of the employer. Technical changes to the act concern length of time allowed to challenge seniority provisions, to bring age discrimination claims, and the ability to sue the federal government for discrimination. Successful plaintiffs may also recover expert witness fees and collect interest on judgments against the federal government.

The CRA of 1991 added a new subsection to Title VII that clarified the disparate impact theory of discrimination. It provided that an employee could prove disparate

impact by showing that an individual or group of practices resulted in "disparate impact on the basis of race, color, religion, sex, or national origin, and the respondent fails to demonstrate that such practice is required by business necessity."

Conclusion

The Civil Rights Acts of 1964 and 1991 strengthen and improve federal civil rights laws, specifically prohibiting numerous forms of discrimination in the public and private sectors.

See also Employment Law: An Overview; Bona Fide Occupational Qualification (BFOQ)

Resources:

Civil Rights Act of 1964 (42 USC 2000).

Civil Rights Act of 1991 (42 USC 1981).

Our Documents. http://www.ourdocuments.gov/..

U.S. Equal Employment Opportunity Commission. "Laws, Regulations and Policy Guidance." http://www.eeoc.gov/policy.

Ann Gilley

COBRA

The Consolidated Omnibus Budget Reconciliation Act, or COBRA, gives workers or their families who lose their health benefits the right to continue to purchase group health insurance that was lost due to certain job-related or life-related circumstances. Job-related circumstances include such things as loss of employment, either voluntary or involuntary, reduction in work hours, and transition between jobs. Life-related circumstances include such things as divorce, and death of the provider. The cost of health insurance under COBRA can be as much as 102 percent of the premium, to be paid by the individual. COBRA applies to companies that have group health insurance plans for 20 or more of their employees. COBRA authorizes only temporary extensions of health coverage.

Background

Prior to Congress passing COBRA in 1986, there was no provision for employees to maintain group health care coverage when there was a change in their employment status or when there was a change in dependant status, such as former spouses just after a divorce. Congress changed this in 1986 by passing COBRA, which allowed the employee, former employee, or family members to obtain temporary group health insurance coverage. COBRA insurance coverage is only a temporary provision, and the entire cost, plus a 2 percent administrative fee, is now payable by the employee, former employee, or dependants.

COBRA General Guidelines

Companies with group health plans for 20 or more employees on more than 50 percent of its typical business days in the previous calendar year are subject to COBRA.

To be eligible for continued health insurance coverage under COBRA, the employee must have been enrolled in the company-provided group health care plan, and that group plan must still be in effect for current employees. Employees and/or their dependants become eligible for coverage under COBRA when a "qualifying event" takes place.

Qualifying Events for the Employee
The following are some of the qualifying events for the employee/former employee:

1. Voluntary or involuntary employment termination except for reasons of gross misconduct
2. Reduction in work hours

Qualifying Events for Spouses

1. Voluntary or involuntary termination of the covered employee's employment for any reason other than gross misconduct
2. Reduction in the hours worked by the covered employee
3. Covered employees becoming entitled to Medicare
4. Divorce or legal separation of the covered employee
5. Death of the covered employee

Qualifying events for dependent children are the same as for spouses with the addition of loss of dependent child status under the plan rules.

Length of COBRA Coverage
COBRA coverage is generally guaranteed for a period of 18 months following the event that allowed for coverage under COBRA. If the employee became eligible for Medicare, then the coverage period for COBRA could be extended to 36 months.

Responsibilities under COBRA

The employer, insurance plan administrator, and individual have responsibilities under COBRA.

Employer Responsibilities
The employer has the responsibility to notify the insurance plan administer within 30 days of the employee's death, termination, eligibility for Medicare, or reduction in work hours.

Insurance Plan Administrator
The insurance plan administrator has the responsibility to send an election notice to the individual. The election notice should be sent not later than 14 days after receipt of the notice from the employer.

Individual Responsibilities
The individual affected, either the employee or his/her dependents, have 60 days to elect to continue medical insurance coverage under COBRA, and 45 days to pay the first premium after election of coverage.

What Is Covered under COBRA

COBRA is a provision to provide health insurance coverage for medical care under a group plan. Medical care covers the following:

1. Inpatient and outpatient hospital care
2. Physician care
3. Surgery and other major medical benefits
4. Prescription drugs
5. Dental and vision care

Note: Life insurance and disability coverage are *not* considered medical care and are not covered under COBRA.

Conclusion

COBRA provides continuing group health insurance coverage to employees, former employees, and their dependents. The entire cost of insurance under COBRA is paid for by the individual. The employer does not have financial responsibility for continued health care coverage under COBRA.

Resource

U.S. Department of Labor Web site. http://www.dol.gov/dol/topic/health-plans/cobra.htm.

Henry H. Luckel Jr.

DEFAMATION

According to *Black's Law Dictionary,* defamation is the act of harming the reputation of another by making a false statement to a third person.[1] It is causing harm to another's good name. Defamation is not a criminal act, but a tort, defined broadly as a civil wrong. There are two types of defamation—libel and slander. Libel is committed by the written publication of matter that tends to injure a person's reputation, while slander is spoken. As noted above, both libelous and slanderous actions "must have been published to some third person and must have been capable of defamatory meaning and understood as referring to the plaintiff in a defamatory sense."[2]

Elements

There are specific elements of a defamation claim that must be met in order for actions to be found to be defamatory. Elements for both libel and slander claims vary from state to state, but are generally as follows:[3]

1. The statement must be false. True statements may be hurtful to one's reputation, but cannot legally be defined as being defamatory. In a pending or potential lawsuit, the burden of proof lies with the defendant; this means that the defendant has the responsibility of proving the statement is true rather than the plaintiff (the alleged defamed) proving the statement to be false.
2. In cases of libel claims, written publication does not literally mean published and printed but, rather, a communication to the public at large.

3. The statement needs to clearly be of and concerning the plaintiff. For example, a statement such as "Managers at this company are embezzlers" cannot be defined as defamatory, as it does not address a specific person, but rather a group of people. In the case that the said company has only one manager, this may be considered to be defamatory.
4. With regard to damages, the person claiming to have been defamed must have been damaged in some way, such as reputation, economic, etc. "The wrongs and correlative rights recognized by the law of slander and libel are in their nature material rather than spiritual."[4] In other words, the law does not compensate for mere injury to one's feelings.

Defenses

The most important defense to an action for defamation is *truth,* which is an absolute defense to an action for defamation.[5]

Another defense to defamation is *privilege.* One example of privilege is statements made by witnesses or attorneys in courtroom proceedings. Statements made in the course of legislative proceedings or federal executive officials while exercising the functions of their office are also ordinarily privileged and cannot support a cause of action for defamation, no matter how false or outrageous.[6] Statements made between spouses are also considered to be privileged.

Another defense recognized in most jurisdictions is *opinion.* "If the person makes a statement of opinion as opposed to fact, the statement may not support a cause of action for defamation."[7] Whether a statement is viewed as fact or opinion can depend upon context; additionally, the law considers whether the person who made the statement would be perceived by an ordinary person as being in a position to know whether or not it is true. For example, if a supervisor calls an employee a thief, it is less likely to be regarded as an opinion than if the same statement were to be made by somebody the employee just met.

A defense similar to opinion is *fair comment on a matter of public interest.*[8] For example, if the CEO of a large company is involved in a corruption scandal, an employee expressing the opinion that he or she believes the allegations are true is not likely to support a cause of action for defamation. Additionally, a defendant may also attempt to show that the plaintiff had a poor reputation in the community to begin with in order to diminish any claim for damages resulting from the defamatory statements. It is very difficult to show damage to the reputation of a person who is already known to have a poor reputation.

Finally, someone who makes a defamatory statement without having awareness of its content may raise the defense of *innocent dissemination.* For example, the post office is not liable for delivering a letter that has defamatory content, as it is not aware of the contents of the letter.[9]

An uncommon defense, but sometimes used, is that the plaintiff consented to the dissemination of the statement.

Public Figures

Public figures cannot generally claim to have been defamed. The definition of a public figure is much broader than, but does include, celebrities and politicians. A person can

become an involuntary public figure as the result of publicity, even though that person did not want or invite public attention. Examples of involuntary public figures include those accused of high-profiled crimes, people who appear on television, and partners and family members of politicians and other celebrities. In a typical workplace, a large company's CEO is likely to be a public figure, while a regional supervisor or divisional manager is likely not to be. Under the First Amendment of the U.S. Constitution, as set forth by the U.S. Supreme Court in the 1964 case *New York Times v Sullivan,* where a public figure attempted to bring an action for defamation, "the public figure must prove an additional element: That the statement was made with 'actual malice' [personal ill will]."[10] In other words, if a person is a public figure, another person will not be held liable for defaming him unless the comment was made with "knowledge of its falsity or in reckless disregard of whether it was false or true."[11]

Relevance to HRD

Defamation's presence in the HRD field most often arises in the process of giving reference to former employees. Because the most important, and nonarguable defenses to an action for defamation is *truth,*[12] one must take caution to give only true, factual statements when giving references, especially if the information being shared is negative. To avoid any claim of defamation, it is wisest to operate under the guise that true statements can always be proven. Many believe that it is unlawful to share information that contributes to or causes a former employee not to be hired in a new position; negative information shared that can be proven true cannot be claimed to be defaming.

NOTES

1. Bryan A. Garner, ed., *Black's Law Dictionary,* 8th ed. (St. Paul, MN: Thomson West, 2004).
2. William A. Kaplin and Barbara A. Lee, *A Legal Guide for Student Affairs Professionals* (San Francisco: Jossey-Bass, Inc., 1997), 102.
3. Aaron Larson, "Defamation, Libel, and Slander Law, 2003,"http://www.expertlaw.com/library/personal_injury/defamation.html (accessed February 19, 2007).
4. Samuel Warren and Louis D. Brandeis, ''The Right to Privacy,'' *Harvard Law Review* 193 (1890): 7.
5. Larson, "Defamation, Libel, and Slander Law, 2003."
6. Ibid.
7. Ibid., 11.
8. Ibid.
9. Ibid.
10. Ibid., 15.
11. *Garrison v. Louisiana,* 379 U.S. 64, 71 (1964).
12. Ibid.

Lea Hanson

DISPARATE TREATMENT/DISPARATE IMPACT

Employment discrimination cases are considered either "disparate treatment" or "disparate impact" cases. Title VII of the Civil Rights Act of 1964 prohibits employers from

treating applicants or employees differently due to their membership in a protected class. Under *disparate treatment,* an employee claims that the employer treated him or her differently than other employees who were in a similar situation because of his or her membership in a protected class (e.g., due to gender, nationality, religion, etc.) In a *disparate impact* case, the employee claims that some employer practice or practices have a much greater negative impact on one group than another. For example, an employer that refuses to hire laborers who are not high school graduates might have a bigger impact on blacks or Hispanics as a whole than on whites. Practices that may be subject to disparate impact challenges include written tests, height and weight requirements, educational requirements (particularly for blue-collar jobs), and subjective procedures such as interviews.

The disparate impact theory is used when there is a large impact based on race, gender, religion, age, or other unlawful factor. Age discrimination cases are included because the Age Discrimination in Employment Act (ADEA) prohibits discrimination against individuals age 40 and over. Even when not motivated by discriminatory intent, employers are prohibited from engaging in practices that have an unjustified adverse impact on members of a protected class, which may be proven by either direct or circumstantial evidence.

Proving Disparate Treatment or Impact

Under the direct method, a plaintiff offers direct evidence that the employer was motivated by the plaintiff's membership in a protected class. Direct evidence may include the defendant's admission of its discriminatory intent, or written documents such as policy statements, e-mails, memoranda, notes, or letters. Typically, direct evidence is scarce, given that most employers do not admit their discriminatory behaviors.

Plaintiffs must often rely on circumstantial evidence to prove disparate treatment or impact. Circumstantial evidence to prove discrimination may include: statistical comparisons; suspicious timing, ambiguous oral or written statements, behavior toward or comments directed at other employees in the protected group, and other activities or behaviors from which an inference of discriminatory intent might be drawn; evidence that other similarly situated employees not in the protected class received systematically better treatment; or evidence that the plaintiff was qualified for but not given the job, someone not in the protected class was given the job, and the employer's reason for its decision is not believable.

Employers usually reply that the employee was fired for a "legitimate, nondiscriminatory reason," to which employees respond by attempting to prove that the employer's reason was simply a pretext or cover-up for an improper reason. If a plaintiff establishes disparate impact, the employer's burden is to prove that the challenged practice is job-related for the position and consistent with business necessity.

See also Civil Rights Act of 1964 and 1991; Age Discrimination in Employment Act (ADEA); Four-fifths Rule

Resources:
Civil Rights Act of 1964 (42 USC 2000).
Civil Rights Act of 1991 (42 USC 1981).
HR-Guide.com. http://www.hr-guide.com/.
Our Documents. http://www.ourdocuments.gov/.
U.S. Department of Labor Web site. http://www.dol.gov.

   U.S. Equal Employment Opportunity Commission. "Laws, Regulations and Policy Guidance." http://www.eeoc.gov/policy.

Ann Gilley

DRUG-FREE WORKPLACE ACT

Enacted in 1988, the Drug-Free Workplace Act (DFWA) mandates that companies and individuals contracting with the U.S. government abide by its terms. The threshold amount for federal contracts under this act is $100,000.[1] Contracting employers must enact and enforce policies to ensure a workplace free from controlled substances.

Requirements of the Law

   There are four requirements for companies that are covered by the DFWA.

1. Employers must maintain a policy prohibiting drug use/possession/sales in the workplace. The policy should specify a definition of the substances that the employer includes in the policy: illegal narcotics, alcohol, and prescription drugs without a prescription. Also, the policy should fully inform employees about the company's drug testing policy. Finally, the policy should specify the implications of an employee's use of drugs away from the workplace.
2. Employers must promote an educational program for employees to assist them in maintaining drug-free lives. The effort to inform employees about the Drug-Free Workplace policy must be ongoing—informing employees once, upon hire, is not sufficient. The program must inform employees about the risks of drug use while at work, the policy, any available counseling or assistance, and the sanctions that could be imposed upon a violator.
3. Employees directly working on the federal contract must inform the employer of any drug-related convictions (stemming from workplace conduct) within five days of the court action.
4. If a work-related drug offense occurs, an employer must enforce a system of disciplinary measures for violations.

What Is Not Required

   The employer is not obligated to prohibit the use of alcohol or the abuse of prescription drugs in the workplace. A contracting employer is not required to have an employee assistance program to comply with the act. Also, the covered employer need not perform drug testing to comply with the act.

Sanctions and Enforcement

   If a contracting company is found to be in violation of the DFWA, the contracting governmental agency will suspend payments under the contract. The contracting agency will investigate to determine whether the act was violated. Firms that violate the terms of the DFWA are barred from entering into further contracts with any agency of the U.S. government.
   See also Americans with Disabilities Act (ADA), Employee Assistance Programs
   Resources:
Drug-Free Workplace Kit. http://www.drugfreeworkplace.gov/WPWorkit/legal.html.

NOTE

1. 41 U.S.C. §§ 701-07.

Laura Dendinger

EMPLOYEE POLYGRAPH PROTECTION ACT (EPPA)

The Employee Polygraph Protection Act of 1988 (EPPA) prohibits employers from using lie detector tests for preemployment screening or during the course of employment, with certain exceptions. In general, employers may not require a job applicant or employee to take a lie detector test. Further, an employer may not discharge, discipline, or discriminate against a job applicant or employee for refusal to take to lie detector test.

Employers may not

- Use lie detector tests
- Inquire about the results of a lie detector test
- Discharge or discriminate against a job applicant or employee based on the results of a lie detector test
- Discharge or discriminate against a job applicant or employee for filing a complaint or participate in a proceeding under the EPPA

Employees are entitled to file a lawsuit against employers in violation of the EPPA. Complaints may be filed with the Wage and Hour Division of the Department of Labor's Employment Standards Administration. Employers who violate the law may be held liable to the employee or applicant for relief, including employment, reinstatement, promotion, and lost wages and benefits.

Polygraph Testing

A polygraph is a type of lie detector. The EPPA does permit polygraph testing, subject to restrictions, in certain situations. Polygraph testing of some job applicants of security service firms (e.g., guard, armored car, alarm, etc.), pharmaceutical manufacturers, distributors, and dispensers is permitted. Employees reasonably suspected of involvement in a workplace incident (e.g., embezzlement, theft, etc.) that resulted in specific economic loss or injury to a private firm may also be subject to polygraph testing.

Polygraph tests are subject to strict standards regarding the conduct of the test, including pretest, testing, posttesting, and disclosure of information. Polygraph examiners must be licensed and bonded, or have professional liability coverage.

See also Polygraph Test

Resource:

U.S. Department of Labor Web site. http://www.dol.gov.

Ann Gilley

EMPLOYEE RIGHT-TO-KNOW LAW

The "Access to Information about Hazardous and Toxic Substances Act" is often referred to as the Employee Right-to-Know law (ERTK). The law requires an employer to compile

and maintain a chemical information list containing the common name, chemical name, and work area for each hazardous chemical used or stored in the workplace.

Hazard Communication Standard 29 Code of Federal Regulation 1910.1200

The Employee Right-to-Know law is more commonly known as Hazard Communication, or HAZCOM. The Hazard Communication Standard (HCS) sets the guidelines for employer compliance. This standard is based on a simple concept—that employees have both a need and a right to know the identities and hazards of the chemicals they are exposed to when working. Employees also have a need to know what protective measures are available to prevent adverse effects from occurring.

Knowledge acquired under the HCS will help employers provide safer workplaces for their employees. When employers have information about the chemicals being used, they can take steps to reduce exposure, substitute with less hazardous chemicals, and ensure all employees have access to proper personal protective equipment. The Occupational Safety and Health Administration (OSHA) is an organization that falls under the Department of Labor. OSHA is the regulatory agency that oversees and enforces the Hazard Communication Standard.

Employee Training

Employers shall ensure that employees are provided with information and training in accordance with 29 Code of Federal Regulation (CFR) 1910.1200 (b)(4)(iii) to the extent necessary to protect them in the event of a spill or leak of a hazardous chemical from a sealed container. The type and amount of training depends on the type of work being conducted. For example, employers that do not produce or import chemicals need only focus on the parts of the HCS that deal with establishing a workplace program and communicating information to their employees. According to 29 CFR 1910.1200, "*employee*" means a worker who may be exposed to hazardous chemicals under normal operating conditions or in foreseeable emergencies. Workers such as office workers or bank tellers who encounter hazardous chemicals only in nonroutine, isolated instances are not covered.

Elements of a hazard communication training program include:

1. Knowing how to identify hazardous chemicals in the workplace. Employees who work with chemicals on a daily basis are often the subject matter experts regarding certain chemicals.
2. Labels and other forms of warning. Workplace containers of hazardous chemicals must be labeled, tagged or marked with the identity of the material and appropriate hazard warnings.
3. The measures employees can take to protect themselves from hazards, including specific procedures the employer has implemented to protect employees from exposure to hazardous chemicals, such as appropriate work practices, emergency procedures and personal protective equipment to be used.
4. Material Safety Data Sheets (MSDSs). MSDSs are required by OSHA to be maintained in the workplace for each hazardous chemical. The employer must ensure that MSDSs are readily accessible during each work shift to employees when they are in their work area(s).

Written Hazard Communication Plan

Part of the communication process is for employers to develop a written hazard communication plan. This written plan describes how the HCS will be implemented at the

workplace. Exemptions to the written hazard communication plan are workplaces that are laboratories and work operations where employees handle only chemicals in sealed containers. The written plan does not have to be lengthy or complicated. It is intended to be a blueprint for implementation of the employer's plan—an assurance that all aspects of the requirements have been addressed. Many trade associations and other such professional groups provide templates for developing written hazard communication plans. Using a generic plan is helpful, but an employer must remember that their written hazard communication plan must reflect what is happening at their workplace. If OSHA inspects a workplace for compliance with the Hazard Communication Standard, the OSHA compliance officer will ask to see the written hazard communication plan at the outset of the inspection.

NOTES

1. 29 Code of Federal Regulation 1910.1200, Hazard Communication, http://www.osha.gov/.
2. Elizabeth A. McCane, *Colorado Army National Guard Written Hazard Communication Program* (2002).

Elizabeth A. McCane

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (EEOC)

In 1964, Congress passed Title VII of the Civil Rights Act, which prohibited employment discrimination and created the Equal Employment Opportunity Commission (EEOC).[1] An employer cannot use race, color, religion, gender, or national origin as the basis for any decision related to any phase of employment. The EEOC creates regulations to prevent discrimination in employment in the United States. In addition, the EEOC investigates allegations of discrimination made by employees under Title VII (and other antidiscrimination laws).

The Legal Threshold

All private sector employers with 15 or more employees (full or part time) are covered by Title VII. An employer must use the "payroll method" to determine the employment relationship—if the employee appears on the payroll for that day; he or she is an "employee."[2]

EEOC Procedure

When an employee contacts the EEOC to file a complaint, an investigator is assigned to interview both sides. The investigating official may seek documentation from each side, and conduct questioning of the parties and other witnesses (both on site and by other means). The EEOC has the discretion, at every step of the investigation, to settle any case—if the parties voluntarily agree. Also, the EEOC may offer to send the matter to mediation to assist the parties in resolving the dispute.[3] Mediation that occurs as a result of such a referral is free. The EEOC moved to offer mediation at every office in April 1999. Since that time, the number of cases involved in EEOC-referred mediation doubled.[4]

The EEOC has several options at the conclusion of the evidence-gathering phase of the case: close the case, determine that a violation occurred, or bring suit in federal court.

If the case is closed the initiating party has 90 days to file suit—such a lawsuit is independent of EEOC involvement. If the EEOC determines that a violation occurred, the agency might suggest conciliation or mediation to assist the parties in resolving the dispute.

Available Remedies

Employees seeking relief in an action for employment discrimination can request pay (stemming back to the incident), a position/reinstatement with the company, promotion, or a reasonable accommodation. In some cases, the employee seeking relief in court might be awarded punitive damages for intentional discriminatory acts, attorneys' fees, and costs of the suit.

See also Employment Law: An Overview; Civil Rights Act of 1964 and 1991
Resources:
U.S. Equal Employment Opportunity Commission Web site. http://www.eeoc.gov/.

NOTES

1. Pub. L. 88-352.
2. *Walters v. Metropolitan Educ. Enters.,* 519 U. S. 202, 136 L. Ed. 644, 117 S. Ct. 660 (1997).
3. U.S. Equal Employment Opportunity Commission Web site, http://www.eeoc.gov (accessed March 1, 2008).
4. U.S. Equal Employment Opportunity Commission, ''EEOC Mediation Statistics FY 1999 through FY 2007,'' http://www.eeoc.gov/mediate/mediation_stats.html (accessed February 9, 2008).

Laura Dendinger

EQUAL PAY ACT

The Equal Pay Act of 1963 was enacted in order to lessen the pay gap between male and female pay rates. The act prohibits gender-based pay discrimination by requiring organizations to pay men and women doing the same job the same rate of pay.

Equal Pay Act Provisions

The Equal Pay Act has several key provisions that must be taken into account when looking at gender-based pay equity.

Equal Pay for Equal Work

Simply stated, the Equal Pay Act requires equal pay for equal work. The act does help to define and describe what is meant by the terms "equal pay" and "equal work."

Equal pay is more than just the wages that are paid to employees. Equal pay includes all payments as well as benefits such as life and health insurance, retirement plans, severance packages, fringe benefits, profit sharing, stock options, expense accounts, bonuses, travel accommodations, or use of a company car. Employers need to look at the full spectrum of total compensation when analyzing if their pay systems are equitable.

Equal work is determined by looking at the job content and working conditions. For purposes of the Equal Pay Act, employees perform substantially the same work when they

are performing jobs that require the same level of skill, effort, and responsibility, and are performing those jobs under similar working conditions. Skill relates to the experience, training, education, and ability required to perform a job. Effort includes consideration for the amount of mental or physical exertion expected in the performance of the job. Responsibility factors look at the degree of authority, accountability, supervisory expectations, and consequences of poor performance. Working conditions of the job are determined by the physical environment where the work is performed as well as the hazards of the job.

Neither the job title nor the job description are enough to determine differences in equal work. An employer must show differences in job content in order to justify differences in pay rates.

Covered Employers

Any employer with two or more employees and who is covered by the Fair Labor Standards Act (FLSA) is also covered by the Equal Pay Act. The act applies to all employees, including those employees who are otherwise considered ''exempt'' from the most common FLSA exemptions, such as executive, administrative, professional, and outside sales workers. This means that employers need to ensure that they have pay equity at all position levels, including white-collar positions.

Enforcement

The Equal Pay Act is part of the FLSA, and is enforced by the Equal Employment Opportunity Commission (EEOC). The act covers only pay disparities between women and men. It does not cover disparities based on race, color, age, disability, religion, or national origin, which are covered under different laws.

Either men or women can bring a suit claiming violation of the Equal Pay Act. The act allows for compensatory damages equal to two years of back pay, and three years of back pay if the violation was willful. Employers who are not following the Equal Pay Act are not able to reduce the wage rate of any employee in order to comply with the act. This means that if found in violation, the employer must raise the wages of all employees who are being paid less.

Exceptions

There are legitimate reasons where exceptions to the Equal Pay Act are allowed. These include situations where pay difference exist due to seniority or merit-based systems. Pay differences that are based on quantity or quality or production are also allowed. The Equal Pay Act also contains a provision allowing pay differentials based on any factor other than sex.

Resources:

Bland, Timothy S. "Equal Pay Act Basics." July 2002. http://www.shrm.org/rewards/library_published/compensation/IC/CMS_000058.asp (accessed September 29, 2007).

Joinson, Carla. "Equal Pay Act." *SHRM White Paper,* July 2002. http://www.shrm.org/hrresources/whitepapers_published/CMS_000057.asp (accessed September 29, 2007).

Stites, Janet. "Equal Pay for the Sexes." *HR Magazine,* May 2005. http://www.shrm.org/hrmagazine/articles/0505/0505stites.asp (accessed September 29, 2007).

Shanan M. Mahoney

ERISA

Employers are not required to provide pension and health care benefits to their employees. The Internal Revenue Service has an incentive for those employers that do offer pensions. In 1974, the Employment Retirement Income Security Act was passed to protect pension and health care benefits that employers elected to offer their employees. There is also an incentive—if an employer complies with the provisions of the Employee Retirement Income Security Act (commonly referred to as ERISA) of 1974, the benefits provided are deductible as a business expense.[1] ERISA added protection for employees (and beneficiaries) covered by employer retirement plans.

Who Is Covered?

Most employers providing pension plans are covered by ERISA. The act covers retirement plans offered by companies engaged in commerce or affecting commerce. Exceptions to coverage exist for church pension plans and government plans.

Types of Plans

There are two general types of benefit plans: defined-benefit plans and defined-contribution plans. An employer's obligation under the ERISA depends on the type of plan. A defined-benefit plan specifies the benefit that the employee will receive upon retirement, but not the contribution. Defined-contribution plans do not specify the benefit, as employees may be allowed to make contributions to increase the benefit at the time of retirement.

Requirements of the Act

Under the ERISA, each employer sponsoring a pension plan must appoint a plan administrator. Employers (or plan administrators in the case of outsourcing) must provide information to participating employees, as follows:

1. The employer should send the participating employee a summary of the plan within 90 days of enrollment. The synopsis should include a thorough description of how the plan works (including the formula for contributions and vesting).
2. A description of any change in the pension plan must be sent to participants within 210 days after the end of plan year.
3. If there are changes to the plan, each participant should receive an updated summary description of the plan every five years. If a pension plan is not changed, each participant should receive a summary plan description every 10 years.
4. Each participant should receive a report of the vested portion of accrued plan benefits as of the date of termination of employment.
5. Each plan administrator must file IRS Form 5500 to document the employee census, plan participants, and summary financial data.

Further, employees are protected by ERISA from mismanagement of plan assets. In addition, ERISA provides protection for defined-benefit plans that are underfunded. Employers cannot retaliate against employees who pursue their rights under ERISA.[2]

Duties upon Termination of a Plan

Employers who terminate pension plans must provide 60 days' notice prior to the termination. Employers can terminate a defined-benefit plan.

See also Pension Plans

Resources:

Business.gov Web site. http://www.business.gov/guides/industries/financial_services/.

NOTES

1. 29 U. S. C. §§ 1001–1453.
2. 29 U. S. C. §§ 1056.

Laura Dendinger

FAIR CREDIT REPORTING ACT

The Fair Credit Reporting Act (FCRA) became effective on April 25, 1971.[1] The FCRA is a major federal law that regulates the "gathering, sharing, and use of information by employers and consumer reporting agencies." In addition, it "distinguishes two types of credit report: consumer reports and investigative reports."[2] The FCRA defines a consumer credit report as:

> [A]ny written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for credit or insurance to be used primarily for personal, family, or household purposes; employment purposes; or any other purpose authorized under section § 1681b.[3]

The term consumer is used because the law applies to information used in making loan decisions and matters that are not employee-related. The following illustrates the purpose of the FCRA, important provisions, and the information contained therein.

Purpose of the FCRA

The purpose of the FCRA is a response to the problem of inaccurate information being gathered and sold about people. This false information could damage a person's career and/or his financial standings. By having consumer reporting agencies collect and disseminate information about consumers according to FCRA guidelines, the information will have a better chance of being valid.

Important Provisions

The provisions included with the FCRA are beneficial to consumers. Once a year, a consumer can inquire and receive a free copy of his or her credit report (via AnnualCreditReport.com). By allowing the consumer to do so, the consumer reporting agencies allow a consumer to view his or her credit report and, if discrepancies exist, she is able to perform the appropriate process to correct the erroneous entry/entries.

This allows consumers one method of knowing if their credit has been compromised. The importance of this is shown in a study done by the U.S. Public Interest Research Group that found that "79% of the credit reports surveyed contained either serious errors or other mistakes of some kind."[4] This means that there could more than likely be an error on one's credit report. Another provision that will prevent identity theft is the National Fraud Alert System. Any consumer who suspects that he has been victimized by identity theft can contact and alert credit lines, thus forcing creditors to proceed with caution when granting credit. Measures have also been enacted to allow consumers to recover their credit if they have been victims of identity theft.[5]

Information Contained

The information contained in a consumer's credit report can include bankruptcy filings, repayment of loans, background checks, references, lawsuits, and conviction records. While a consumer credit report contains the data, investigative reports are based on personal interviews with friends, neighbors, or other associates, thus the inclusion of references.

Implications for Managers

As the use of credit reports becomes more commonplace in business, managers throughout an organization must be aware of the benefits and consequences. While a credit report or other background check may provide information valuable to a hiring decision, it must be understood that no system is flawless. A large percentage of credit reports contain errors or mistakes.[6] Managers involved in hiring must be cognizant of this fact and be prepared to respond to allegations of incorrect information contained in a credit report. An appropriate response might include collection of additional information or allowing the candidate time to correct errors on the report.

When the information contained within a credit report leads to denial of an applicant, the candidate has certain rights under the FCRA. For example, the candidate must be told which credit reporting agency provided the report, and she is entitled to a free copy of the credit report from the reporting agency.

Conclusion

Under the FCRA, consumers are able to keep better track of their credit history, contact credit companies should they suspect identity theft, and have established procedures by which to restore their credit. The information contained within a credit report consists of repayment of loans and bankruptcy filings, references, and other pertinent credit information. With proper knowledge and application of the provisions, consumers can keep their credit histories free from discrepancies, and managers responsible for hiring have access to a valuable tool.

Resources:
AnnualCreditReport.com. http://www.annualcreditreport.com.

NOTES

1. Federal Deposit Insurance Corporation, "FDIC Compliance Handbook" (June 2006), http://www.fdic.gov/regulations/compliance/handbook/manual (accessed April 9, 2008).

2. David Walsh, *Employment Law For Human Resource Practice* (Mason, OH: Thompson Higher Education, 2007).

3. Federal Trade Commission, "The Fair Credit Reporting Act" (July 30, 2004), http://www.ftc.gov/os/statutes (accessed April 9, 2008).

4. U.S. PIRG, "Mistakes Do Happen: A Look at Errors in Consumer Credit Reports" (June 2004), http://www.uspirg.org/home/reports/report-archives/financial-privacy–security/financial-privacy–security/mistakes-do-happen-a-look-at-errors-in-consumer-credit-reports (accessed April 9, 2008).

5. Federal Trade Commission, "Provisions of New Fair and Accurate Credit Transactions Act Will Help Reduce Identity Theft and Help Victims Recover: FTC" (June 15, 2004), http://www.ftc.gov/opa/2004/06/factaidt.shtm (accessed April 9, 2008).

6. Ibid.

Chris Armstrong

FAIR LABOR STANDARDS ACT

The Fair Labor Standards Act (FLSA), originally passed in 1938, established guidelines for employers and employees engaged in interstate commerce regarding minimum wage, overtime for certain jobs, child labor, and record keeping. The FLSA is administered by the Wage and Hour Division of the United States Department of Labor (DOL), which is responsible for conducting audits and workplace inspections.

Interstate commerce is a broad term that effectively allows almost all businesses to be covered. Ordering supplies from out of state or processing credit cards, for example, satisfy the provisions of the FLSA. Further, in order for the FLSA to apply, there must be an "employment relationship" between the employer and employee. Independent contractors and volunteers are not covered because they are not considered employees.

The law originally contained many special industry exemptions, most of which were subsequently repealed, designed to protect traditional pay practices in small, rural businesses. Current important issues and litigation pertain to "white collar" exemptions for professional, administrative, and executive employees.

"Exempt" employees are those who are not subject to overtime provisions as established by the FLSA. Those employees with job descriptions that include managerial functions are typically classified as "exempt" (from overtime). The 2004 amendment to the FLSA requires that an exemption must be based on actual job function, not title.

The FLSA provides that workers who are underpaid may seek remedy in the courts and recover the wages, including overtime, due them along with liquidated damages and reasonable attorney fees.

Minimum Wage

Individuals covered by the FLSA are entitled to receive at least a minimum wage for their work. The federal minimum wage is $6.55 per hour as of July 24, 2008, and will rise to $7.25 per hour effective July 24, 2009. State laws that require higher minimum wages, however, take precedent. Some states and cities require wages higher than the federal minimum, including, for example, Michigan and New York.

Various minimum wage exceptions apply under specific circumstances to workers with disabilities, tipped employees, student-learners, full-time students, and youth under age 20 in their first 90 days of employment.

The FLSA requires that wages be paid on regular paydays for the pay periods covered. The Portal-to-Portal Act of 1947 amended the FSLA and further defined compensable work time. In general, as long as an employee is engaged in activities that benefit the employer, regardless of when performed, the employer is obligated to pay the employee for his or her time. Travel to and from the work place, however, is not considered paid working time.

Overtime Pay

The FLSA mandates that, unless they are "exempt," individuals who work more than 40 hours in a workweek be paid at a rate of not less than one and one-half times their regular rate of pay for the hours worked in excess of 40. Special rules apply to state and local government employment, volunteer services, compensatory time off (instead of cash overtime pay), and so-called "white-collar" jobs.

Whether paid by the hour or piece rate, overtime pay is required for those employees who work more than 40 hours in a week. Work time includes time spent traveling between job sites, engaging in activities before and after their shift starts, or performing activities to prepare for work that are central to work activities. A workweek is a period of 168 hours during seven 24-hour periods, and may begin on any day of the week established by the employer. If a salary is paid on other than a weekly basis, the rate of pay must be converted to a weekly rate in order to determine overtime compensation.

Child Labor

Child labor provisions of the FLSA are designed to protect the educational opportunities of youth and prohibit their employment in potentially dangerous conditions. The provisions restrict the number of hours of work for youth under 16 years of age and list the prohibited hazardous occupations. The law specifies hours that youth may work in farm and nonfarm jobs, by age.

Fourteen is the minimum age for most nonfarm work. Young people may, however, deliver newspapers, perform in radio, television, and theatrical productions, and work for parents in their businesses (except in manufacturing or hazardous jobs). See FSLA regulations for age-range specifics.

Record Keeping

Employers are required to keep certain records for each employee, including identifying information and wage/hour data such as the employee's:
- Personal information, including full name and complete address (including zip code)
- Social Security number
- Birth date, if younger than 19
- Gender and occupation
- Additions to or deductions from wages
- Total wages paid each pay period
- Date of payment and the pay period covered
  Further, additional data required for nonexempt employees includes:
- Time and day of week when the workweek begins
- Hours worked each day
- Total hours worked each workday and workweek

- Basis on which wages are paid (e.g., hourly rate, weekly rate, or piecework)
- Regular hourly pay rate
- Total daily or weekly straight-time earnings
- Total overtime earnings for the workweek

Payroll records, collective bargaining agreements, sales, and purchase records must be kept for at least three years. Records on wage calculations and additions to or deductions from wages must be retained for at least two years. The FLSA does not mandate any particular record-keeping format, or the use of time clocks.

See also Child Labor Law; Employment Law; Exempt/Nonexempt Employee; Age Discrimination in Employment Act (ADEA); Equal Pay Act; Family and Medical Leave Act (FMLA)

Resources:

Fair Labor Standards Act of 1938 (29 U.S.C. ch. 8).
 U.S. Department of Labor Web site. http://www.dol.gov.

Jennifer A. Majkowski and Ann Gilley

FAMILY AND MEDICAL LEAVE ACT (FMLA)

The Family and Medical Leave Act of 1993 (FMLA) grants family and temporary medical leave under certain conditions for workers of employers with 50 or more employees within 75 miles of the work site. Covered employers must provide eligible employees with up to 12 workweeks of unpaid leave during any 12-month period for certain medical conditions, and must protect the employee's position and benefits. Covered medical conditions include one or more of the following:

- Birth and care of the newborn child of the employee;
- Adoption or foster care of a son or daughter;
- Care for an immediate family member (spouse, child, or parent) with a serious health condition; or
- Medical leave when the employee is unable to work due to a serious health condition.

An employer may require that a request for medical leave be supported by documentation issued by the health care provider of the employee in a timely fashion. A serious health condition means an illness, injury, impairment, or physical or mental condition that involves inpatient care in a hospital, hospice, or residential medical care facility, or continuing treatment by a health care provider.

An employer may require, at its own expense, that the employee obtain the opinion of a second health care provider designated or approved by the employer. This provider may not be employed on a regular basis by the employer. If the original and second opinions differ, the employer may require, at its expense, the opinion of a third health care provider jointly approved by the employer and employee. The third health care provider opinion shall be considered final and binding on the employer and employee.

Eligible Employee

An "eligible employee" is one who has been employed (1) for at least 12 months by the employer from whom leave is requested, and (2) for at least 1,250 hours of service with

said employer during the previous 12-month period. Certain industries and employees, such as education, civil service, and congressional employees, are subject to different rules.

Expansion to Include Leave to Family Members of Military Personnel

H. R. 4986, the National Defense Authorization Act for FY 2008 (NDAA) was signed into law on January 28, 2008 and includes provisions that expand the FMLA to cover family members of military service personnel. The law provides for new or expanded FMLA leave under two circumstances. First, employers must now provide up to 26 weeks of leave in any 12-month period to an employee who is a spouse, parent, child, or next of kin (nearest blood relative) of an injured or ill service member to care for that person while he or she is undergoing medical treatment, recuperation, or therapy, is in outpatient status, or is otherwise on the temporary disability retired list. A recovering service member is defined as a member of the armed forces who suffered an injury or illness while on active duty that rendered him or her unable to perform the duties of his or her office, grade, rank, or rating.

Second, the NDAA also requires that employers with 50 or more employees must provide up to 12 weeks of unpaid leave during any 12-month period for any "qualifying exigency" arising out of active military duty (or notice of impending call or order to active duty) of an employee's spouse, parent, or child.

Medical Leave Requirement

The entitlement to medical leave for the birth or adoption of a child expires 12 months from the date of the birth or adoption. Medical leave may be taken intermittently or on a reduced leave schedule when medically necessary, or if and when the employer and employee mutually agree. The provisions of the FMLA do not prevent employers from offering paid leave.

Employment and Benefits Protection

Upon return from covered medical leave, an eligible employee shall be entitled to resume the position of employment held when the leave commenced, or a position that is equivalent with equivalent benefits, pay, and other terms and conditions. An employee who takes medical leave does not lose or gain any employment benefits accrued prior to the leave, nor does he accrue seniority or benefits. Employers are required to maintain group health plan coverage for employees on leave under the FMLA. Certain highly paid, salaried employees are exempt from restoration requirements if necessary to prevent substantial economic injury to the employer.

Failure to Return from Leave

If an employee fails to return from medical leave for a reason other than the continuation, recurrence, or onset of a serious health condition, or other circumstances beyond the employee's control, the employer may charge the employee the premium paid for group health insurance during the period of unpaid leave under certain circumstances.

An employer may require that employees submit certification by a health care provider that the employee is unable to perform the functions of his or her position due the continuance, recurrence, or onset of serious health conditions of the employee, or the employee's

son, daughter, spouse, or parent for whom the employee must provide care on the date that the medical leave expired.

See also Employment Law; Vocational Rehabilitation Act; Americans with Disabilities Act (ADA)

Resources:

Family and Medical Leave Act of 1993. U.S. Department of Labor Web site, http://www.dol.gov.

Form WH-380. An optional form used to obtain medical certification from a health care provider. U.S. Department of Labor Web site, http://www.dol.gov.

Form WH-381. An optional form for use by an employer to respond to an employee's request for leave. U.S. Department of Labor Web site, http://www.dol.gov.

National Defense Authorization Act for FY 2008 (H.R. 4986).

U.S. Department of Labor, Employment Standards Administration. http://www.dol.gov/esa/regs/statutes/whd/fmla.htm.

Jennifer A. Majkowski and Ann Gilley

FIFTH AMENDMENT

The Fifth Amendment to the U.S. Constitution states that "No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation."[1]

The Fifth Amendment is commonly thought of as the amendment that protects against self-incrimination. For example, "I plead the fifth" is a commonly heard phrase. This relates directly to the Fifth Amendment protections. However, the Fifth Amendment contains much more than the protection of self-incrimination. This amendment contains the grand jury requirement, prohibits forcing a person to be a witness against himself or herself, forbids double jeopardy, protects against the deprivation of life, liberty, or property without due process, and requires appropriate compensation be provided when private property is taken for public use.[2]

Double Jeopardy

While the Fifth Amendment discusses being put in jeopardy of life and limb twice, the interpretation of the amendment is to retry a person on a previously acquitted case. *Ball v. U.S.* specifically states that an acquittal prevents any subsequent prosecution for the same offense.[3] Mistrials do not fall under this double jeopardy protection. In essence, there must be a decision on the case (acquittal, conviction, etc.). A mistrial is not a decision based upon the facts of the case.

Self-incrimination

The Fifth Amendment also protects against self-incrimination or being forced to testify against oneself. To "plead the fifth" is enacting the right to not self-incriminate.

This protection is a personal right that can be exercised only by individuals and is not available to an organization or corporation. Additionally, this protection is only for self-incrimination. For example, if the answers to questions only hurt a reputation or position, the Fifth Amendment does not apply.[4]

Due Process

Both the Fifth and Fourteenth amendments describe and protect due process. The Due Process Clause ensures that no one shall be deprived of "life liberty and/or property" without following the process as outlined in the law. There are two types of due process. Substantive due process refers to due process with regard to laws, ordinances or other regulations as they are written. These types of legal codes must be written in specificity and not in general terms. The second type of due process relates to procedural process. Procedural process is the requirements of notice and proper steps being followed.[5]

Appropriate Compensation for Property Taken for Public Use

The Fifth Amendment guarantees that fair compensation is afforded if property is taken by the government for public use. Another term for this is "National Eminent Domain." When the Bill of Rights was produced, the British took property without appropriate or sufficient remuneration to the property owner. In response to these actions, the Fifth Amendment attempts to limit federal government authority by ensuring that eminent domain is only exercised with fair compensation.

Additionally, the eminent domain or taking of property must be for public use and cannot be exercised if the use of the property will be for private use. Additionally, fair compensation has been defined by the courts as, "a full and perfect equivalent for the property taken."[6]

HR Practitioner

What does any of this have to do with HR? Most references to the Fifth Amendment refer to self-incrimination. However, there is more depth and applicability to human resources in the Fifth Amendment than simply this. Employer drug testing can also fall under this amendment. For example, termination or failure to hire based on a positive drug test result could create issues with "due process" (also discussed under the Fourteenth Amendment definition). The Fifth Amendment Due Process Clause could permit the employee to challenge the process of testing, including test reliability, and allow the employee to refute the test findings, etc.[7]

Conclusion

The Fifth Amendment is one of the most widely known amendments due to the protection of self-incrimination. This aspect of the Fifth Amendment is very important. However, the Fifth Amendment holds many more protections, such as it includes grand jury requirements, prohibits forcing a person to be a witness against himself or herself, forbids double jeopardy, protects against the deprivation of life, liberty, or property without due process, and requires appropriate compensation be provided when private property is taken for public use.[8] These protections are extremely important to the citizens, residents, and workers of the United States. While some of these protections are reiterated

in the Fourteenth Amendment, the causation for each amendment is different. Therefore, the scope of each amendment and importance to human resource management differs.

See also Fourteenth Amendment; Privacy Rights

NOTES

1. FindLaw, "Fourteenth Amendment," http://caselaw.lp.findlaw.com/data/constitution/amendment05/ (accessed January 15, 2008).

2. Constance E. Bagley, *Managers and the Legal Environment,* 4th ed. (Mason, OH: Thomson South-Western, 2006).

3. Henry Cheeseman, *Business Law: Legal Environment, Online Commerce, Business Ethics, and International Issues,* 6th ed. (Upper Saddle River, NJ, Pearson Prentice Hall, 2006); and Bagley, *Managers and the Legal Environment.*

4. FindLaw, "Fourteenth Amendment."

5. Cheeseman, *Business Law,* 2006.

6. Findlaw, "Fourteenth Amendment."

7. "Drug Testing," in *Encyclopedia of Everyday Law,* ed. Shirelle Phelps (Gale Group, Inc., 2003), *eNotes.com.* 2006. May 8, 2008, http://www.enotes.com/everyday-law-encyclopedia/drug-testing (accessed August 18, 2008).

8. Bagley, *Managers and the Legal Environment.*

Paul M. Shelton

FOUR-FIFTHS RULE

The four-fifths rule is a measure to determine whether adverse impact for employees is present. Generally, employment laws, regulations, and guidelines are put into place to prohibit and possibly deflect any and all acts of discrimination, perpetrated either as overt or covert, within the employment arena. Discrimination may occur when decisions are made by employers or hiring agencies concerning employment based upon race, sex, age, religion, or any other class. Fair and equitable employment selection must be made based upon job-specific knowledge, potential, or skill set talent and ability held by the prospective employee. Employment selection practices that unfairly discriminate against any specific category of employee are termed *unlawful* or *discriminatory.* Unlawful or discriminatory hiring practices cause adverse impact to a specific class or group of people.

The Civil Rights Act of 1964 disallows overt acts of discrimination and any practice that is "fair in form, but discriminatory in operation." Basically, the Civil Rights Act of 1964 makes discriminatory any employment or preemployment method and any practice not justifiable as related to the job performance or the job position. Cognitive ability testing, for example, stands out as a popular yet sometimes controversial method used to predict performance.

In 1978, four federal agencies issued the *Uniform Guidelines on Employee Selection Procedures,* which embodied guiding principles outlining the use of methods when selecting employees. The *Uniform Guidelines on Employee Selection Procedures* are legally binding and must satisfy two conditions to be considered legal and legitimate when balanced against the guidelines:
• Must be job-related and valid for the purpose used
• A business necessity must be present for use

It is unlawful to use a test or other selection procedure that will cause negative impact on employees when considering hiring, promotion, and other employment, and cannot work to the disadvantage of individuals or groups based on:
- Race
- Sex
- Ethnic base

Further, the guidelines and procedures also cover all matters concerning:
- Referral
- Disciplinary actions
- Employment termination
- Licensing
- Certification
- Training if tied to an employment decision

Four-fifths Rule Calculations

Several approaches are used to determine if an adverse impact has occurred within the employee group. An adverse impact is generally indicated when a selection rate for one group, such as men or women, is less than 80 percent, or 4/5, of the other. This criteria or measure is commonly called the "four-fifths" rule.

> A selection rate for any race, sex, or ethnic group which is less than four-fifths (4/5) (or eighty percent) of the rate for the group with the highest rate will generally be regarded by the Federal enforcement agencies as evidence of adverse impact.[1]

Calculations using the four-fifths rule constitute evidence of discrimination, but not proof of discrimination. Targeted groups, such as minorities and females, should be balanced with the labor market.

To calculate adverse impact:
- Determine the number of prospects tested and the number of prospects who passed the test by group (e.g., men, women, etc.)
- Divide the number who passed by the total number tested
- Divide the lower pass rate by the higher pass rate

Example of an adverse impact calculation:

Male
- 85 tested; 51 passed
- 51/85 = .60

Female
- 135 tested; 108 passed
- 108/135 = .80

Adverse impact calculation
- .60/.80 = .75

The question is whether the 5 percent difference is important enough to cause an adverse impact in the workplace. The answer is yes, according to the four-fifths rule, because the adverse impact percentage is only three-quarters and less than the 80 percent threshold.

The U.S. Department of Labor (USDOL), Bureau of Labor Statistics, showed the workforce, as of May 2006, for all workers 16 years old and older as:[2]

Available labor market:
• Male = 81.2
• Female = 69.8
• or, 86 percent male

Example of a "No Adverse Impact" calculation:

African American
  • 100 tested; 75 passed
  • 75/100 = .75
White
  • 100 tested; 80 passed
  • 80/100 = .80
Adverse impact calculation
  • .75/.80 = .94

USDOL, Bureau of Labor statistics:
• African American = .57
• White = .43
• or, 75 percent African American

    Three points to consider when using the four-fifths rule to evaluate whether an adverse impact situation exists:
• Applying the four-fifths rule may prove to be inaccurate and misrepresent the rates of selections when sample populations are very small or extremely large.
• When no contention of adverse impact is made, the *Guidelines* do not require the employer to reveal the method or style of the assessment procedure(s) used.
• If a situation of adverse impact is found during the assessment process, the employer is required to eliminate the disparity or justify why the adverse impact cannot be eliminated.
    See also Civil Rights Act of 1964 and 1991; Disparate Treatment/Disparate Impact; Employment Testing; Harassment
    Resources:
Edison Electric Institute, Adverse Impact, Dr. Robert Ramos, and Dr. Wanda Campbell.
 HR-Guide.com. http://www.hr-guide.com.
 U.S. Department of Labor, Bureau of Labor Statistics.http://www.bls.gov.

NOTES

  1. Uniform Guidelines on Employee Selection Procedures, Sec 1607.3D
  2. U.S. Department of Labor, Bureau of Labor Statistics, 41 CFR 60-3.3, February 2, 2007.

Dean Nelson

FOURTEENTH AMENDMENT

The Fourteenth Amendment was added to the U.S. Constitution in 1868. The initial intent of this amendment was to establish and guarantee equal rights after the Civil War. The Fourteenth Amendment prohibits discriminatory and unfair actions by the

government. Three specific areas of the Fourteenth Amendment are applicable to organizations today—the Privileges and Immunities Clause, the Equal Protection Clause, and the Due Process Clause.[1]

Privileges and Immunities Clause

The Privileges and Immunities Clause prohibits individual states from establishing laws that discriminate against citizens of other states. For example, it is unconstitutional for one state to establish a law that would prevent a citizen of another state to establish a business in the state. The purpose of this clause was to promote a national allegiance rather than solely a state allegiance.[2]

Equal Protection Clause

The Equal Protection Clause focuses on equal legal protection of persons within a state. A state cannot discriminate or "deny to any person within its jurisdiction equal protection of the laws." It should be noted that this clause protects against states establishing different laws for "similarly situated" persons. The term similarly situated means people in like situations.[3]

Due Process Clause

Both the Fifth and Fourteenth amendments describe and protect due process. The Due Process Clause ensures that no one shall be deprived of "life, liberty, and/or property" without following the process as outlined in the law. There are two types of due process. Substantive due process refers to due process with regard to laws, ordinances or other regulations as they are written. These types of legal codes must be written in specific, not general, terms. The second type of due process relates to procedural process. Procedural process requires notice and proper steps being followed.[4]

Section 1 of the Fourteenth Amendment

"Section. 1. All persons born or naturalized in the United States and subject to the jurisdiction thereof are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."[5]

Applicability to the Workplace

Section 1 above most directly relates to the workplace and human resources today. The Fourteenth Amendment made it a requirement that states could not deprive any person of "life, liberty, or property without due process of law;" or, deny any person equal protection. While this amendment was initially written as a response to the abolition of slavery, it has come to be a founding principle of many work practices. Under the Liberty of Contract tenet, labor laws were founded and supported with precedent-setting cases. Such laws regulate hours of labor, labor in mines, payment of wages, minimum wage, workers' compensation, and collective bargaining, each of which has its basis in the due process

clause of the Fourteenth Amendment.[6] While due process has its origins in the Fifth Amendment, the Fourteenth Amendment actually requires the states to ensure due process.

Conclusion

The Fourteenth Amendment contains multiple foci, as it outlines certain freedoms and restrictions. Specifically, the Fourteenth Amendment was established to protect freedom of individuals after the Civil War. It has been applied, over time, to represent and protect individual freedoms relating to due process, equal protection, and privileges and immunities in the workplace.

See also Fifth Amendment; Privacy Rights

NOTES

1. FindLaw, "Fourteenth Amendment," http://caselaw.lp.findlaw.com/data/constitution/amendment14/ (accessed January 15, 2008).

2. Constance E. Bagley, *Managers and the Legal Environment,* 4th ed. (Mason, OH: Thomson South-Western, 2006).

3. Henry Cheeseman, *Business Law: Legal Environment, Online Commerce, Business Ethics, and International Issues,* 6th ed.; Bagley, *Managers and the Legal Environment.*

4. Ibid.

5. Findlaw, "Fourteenth Amendment."

6. Ibid.

Paul M. Shelton

FOURTH AMENDMENT

The Fourth Amendment guarantees "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized."[1]

The Fourth Amendment is part of the Bill of Rights. It was originally established as a result of colonial Americans being searched and property seized by the British. The Fourth Amendment focuses on reasonable expectations of privacy, searches and seizures, and searches incidental to arrest. It should be noted that searches and seizures relate to government officials, usually peace officers, and are not binding upon other organizations or citizens.

Reasonable Searches and Seizures, and Expectations of Privacy

The Fourth Amendment only applies to criminal law. Civil law is excluded under this amendment (*Murray v. Hoboken Land,* 1855). Reasonable expectation of privacy relates to "what a reasonable person would expect to be kept private." This previous phrase is the litmus test for establishing privacy. For example, would it be reasonable for a person to expect privacy sitting in an open park? Would this person's expectation of privacy be

different if he was sitting within his own home? The courts have ruled that a person sitting in an open park would not "reasonably" have an expectation of privacy, while a person sitting in her own home could "reasonably" expect privacy.

Peace officers can and do engage in warrantless searches. The Fourth Amendment requires peace officers to establish probable cause before the warrantless search. The cause to search must be sufficient legally in order for the officer to believe that a search is necessary. The courts have taken a strong stance against officers who conduct warrantless searches without probable cause. The exclusionary rule was the outcome of this judicial emphasis. This rule states that any evidence obtained from an illegal search cannot be used in a court of law. Law enforcement uses the term "fruit of the poisonous tree." An officer cannot "eat" (use the evidence) of the poisonous tree (an illegal search).

Searches Incidental to Arrest

Two particular areas of search are legal without probable cause or warrant. These two areas are a "Terry Frisk" and a "search incidental to arrest." The Terry Frisk was established in *Terry v. Ohio.* The court decided that if a police officer witnesses something "unusual" and it would reasonably lead him to believe that criminal activity is occurring and the person might have a dangerous weapon, the police officer may conduct a pat down. Additionally, a search incidental to arrest can occur without probable cause. If a police officer is affecting an arrest, she can search the detained person prior to the arrest without warrant.[2]

Another warrantless search allowed under the Fourth Amendment is the plain view doctrine. The courts have ruled that an officer who is lawfully present may seize and search any object that is in plain view. For example, if an officer responds to a home and is allowed access, then he is allowed to search and seize anything within plain view. The officer may not open drawers to search, but may look in rooms, on top of furniture, etc.

Employers and Computers

The Fourth Amendment impacts human resource management and organizations, specifically with regard to technology. Within the last 15 years, technology, primarily in the form of computers and other information devices (cell phones, Blackberries, iPhones, etc.), has become ever invasive. The laws as written have been stretched to attempt to work with new and ever changing environments. One such area is related to the Internet and privacy expectations. Most cases in the courts today have ruled that an employee does not have a reasonable expectation of privacy regarding any incriminating evidence stored on a work computer. Additionally, in a recent decision, an employer can consent to a search of an employee's computer without employee consent.[3]

Implications for Managers and HRM Practitioners

How does the Fourth Amendment affect managers and HRM practitioners? The reasonable person can expect privacy, but can privacy be expected in the workplace? The courts have ruled very leniently with employers. The Fourth Amendment only regulates government officials and does not affect private companies. For example, surveillance of computers, Internet viewing, and phone calls by the employer do not constitute a breach of a Fourth Amendment right. It should be noted that the Fourth Amendment is the controlling principle, and individual state laws also regulate privacy issues. An example of a

state regulation is the California Public Utilities Commission's General Order 107-B, which states that if two parties on a telephone call are in California, they must be notified they are being monitored. However, if the call is between states, the federal regulation Electronic Communications Privacy Act, 18 USC 2510, *et. seq.,* does allow for monitoring the phone calls without notification. This can be important to HRM professionals in the work place.

HRM policies should clearly explain an organization's approach to and employee responsibility for behaviors and actions that occur in the workplace and/or on company time. Employees should be aware that usage of company computers, the Internet, any Intranet, email, or other company owned technology is not private, nor should there be an expectation of privacy. HRM practitioners add value to their organizations by guiding the formulation and dissemination of policies that protect the company, employees, customers, and other stakeholders.

Conclusion

The Fourth Amendment ensures that our privacy and reasonable expectations of being safe and secure in our homes and possessions is protected. People within the United States can have a reasonable expectation of privacy. With some exceptions, warrants are needed to search and seize property. The "Terry Frisk" and search incidental to arrest are two exceptions.

Within private organizations, however, courts have ruled that employees do not have a reasonable expectation of privacy in their work space, on their work computers, or in work-related e-mails or Internet usage.

See also E-mail/Internet Policy; Fifth Amendment; Fourteenth Amendment; Privacy Rights

NOTES

1. FindLaw, "Fourteenth Amendment," http://caselaw.lp.findlaw.com/data/constitution/amendment04/ (accessed January 15, 2008).

2. Henry Cheeseman, *Business Law: Legal Environment, Online Commerce, Business Ethics, and International Issues,* 6th ed.; Constance E. Bagley, *Managers and the Legal Environment,* 4th ed. (Mason, OH: Thomson South-Western, 2006).

3. Bagley, *Managers and the Legal Environment.*

Paul M. Shelton

FREEDOM OF INFORMATION ACT

The Freedom of Information Act (FOIA) was enacted in 1966 (Title 5 U.S. Code, section 552) and generally provides that any person has the right to request access to federal agency records or information. All agencies of the executive branch of the U.S. government are required to disclose documents upon receiving a written request for them.

A Resource for Organizations

Information available through the FIOA touches virtually every aspect of life in the United States. Journalists, researchers, managers, and HR personnel use government

data to enhance their knowledge and understanding of government policies and actions that impact public and private concerns. The wealth of data available is nearly endless and includes, but is not limited to, salary information, environmental reports, worker exposure to disease, violence, and accidents, healthy/dangerous workplaces in the country, safety problems in specific industries or organizations, compliance with antidiscrimination laws in certain industries, and government subsidies to firms and industries.[1]

Through the FOIA, managers and HR personnel have access to an exhaustive list of information with nearly endless possibilities. However, government agencies may withhold information that is protected from disclosure due to nine exemptions and three exclusions.

FOIA Exemptions

Information that is exempt from mandatory disclosure of the FOIA is categorized as follows:
- Federal agency records that are properly classified as secret in the interest of national defense or foreign policy.
- Federal agency records that are related to internal personnel rules and practices.
- Federal agency records specifically exempted by other statutes.
- Information concerning trade secrets and commercial or financial data obtained from a person that is privileged or confidential.
- Privileged interagency or intra-agency memoranda or letters, except under certain circumstances.
- Personnel, medical, and similar files, when the disclosure would constitute a clear invasion of personal privacy.
- Investigatory records compiled for law enforcement purposes.
- Records contained in or related to certain examination, operating, or condition reports concerning financial institutions.
- Geological and geophysical information and data, including maps and concerning wells.[2]

FOIA Exclusions

The three exclusions of the FOIA pertain to federal law enforcement agencies:
- Federal law enforcement agencies are authorized under specified circumstances to shield the very existence of records of ongoing investigations or proceedings by excluding them entirely from the FOIA's reach.
- Informant records maintained by a criminal law enforcement agency that are requested by a third party are not subject to the FOIA unless the informant's status is officially confirmed.
- The exclusion pertains only to certain law enforcement records that are maintained by the Federal Bureau of Investigation.[3]

The FOIA does not provide a right of access to records held by Congress, state, or local government agencies, or private businesses or individuals. Each state has its own public access laws that pertain to state and local records.

There is no central office in the federal government that processes FOIA requests for all the federal agencies; each federal agency determines the process for handling FOIA requests that pertain specifically to them. In some instances (e.g., Department of Defense), all major agency components directly receive and individually handle FOIA requests that pertain to their component (e.g., Army, Navy, Air Force etc.). In other

instances (e.g., Department of Education), the agency prefers that all FOIA requests be centrally routed through the agency's main FOIA office.

It is quite possible that the FOIA office (or the FOIA official) may fall under the office of human resource management within either federal or state government. Certain employment information, such as names, sex, race, title, and dates of employment of all employees and officers of public bodies are generally made public information under FOIA. The FOIA allows, but does not require, a public body to exempt from disclosure the following employment information:

- Information of a personal nature that would constitute unreasonable invasion of personal property.
- All compensation, with certain exemptions.
- Information discussed in a public meeting during an executive session.
- Certain materials on not fewer than the final three applicants under consideration for a position (the exceptions being income tax returns, medical records, Social Security numbers, and information otherwise exempt from disclosure).

An employee's salary can be disclosed under the FOIA; however, there are certain categorizations that determine if the exact salary or a salary range can be disclosed. Exact compensation can be disclosed for employees earning $50,000 or more annually; part-time employees; persons paid an honoraria or other compensation for special appearances, performances or the like; and employees at the level of agency/department head. For classified/unclassified employees (not subject to the above) earning $30,001 to $49,000, a compensation level within a range of $4,000 can be disclosed. For classified employees (not subject to the above) earning $30,000 or less annually, the position's salary range can be disclosed. For unclassified employees (not subject to the above) earning $30,000 or less, the compensation level within a range of $4,000 beginning at $2,000 and increasing in increments of $4,000 can be disclosed.[4]

Requesting Information

Under the FOIA, anyone can request an agency record. When making a request about oneself, a person must provide a notarized statement or a statement signed under penalty of perjury stating the person is the person she claims to be. Certain types of records created by federal agencies on or after November 1, 1996, are available electronically via the Internet and do not require a FOIA request. When a written FOIA request is received, federal agencies are required to respond within 20 business days. However, an agency may extend the response time an additional 10 business days when records must be collected from various field offices, when an agency must consult with another agency that has substantial interest in the request, or when the request involves a "voluminous" amount of records that must be located, compiled, or reviewed. Requests are normally expedited only when there is a threat to someone's life or physical safety, when there is substantial loss of due process at stake, or when there is an urgent need to inform the public over actual or alleged government activity.

NOTES

1. Guide to the FOIA, http://www.rcfp.org/foiact/guide_a.html (accessed May 19, 2008).
2. U.S. Department of Defense, Office of Inspector General, "Guide to FOIA Exemptions," http://www.dodig.osd.mil/foia/guide.htm (accessed February 1, 2008).

3. Ibid.

4. South Carolina Budget and Control Board, Office of Human Resources, FOIA, http://www.jobs.sc.gov/OHR/employer/OHR-foia-faqs.htm (accessed May 7, 2008).

Victoria T. Dieringer

GAY PARTNER RIGHTS

Rights for gay, lesbian, bisexual, and transgendered (GLBT) individuals are in heated debate currently in the United States. Due to several factors, including a notable shift in the public's attitude toward sexualities that are different from heterosexuality, more and more Americans are openly gay, lesbian, bisexual, or transgendered. Although many issues are currently in debate regarding the GLBT community, in terms of employment, GLBT workers are most likely to request benefits that are similar to benefits that are offered to same-sex domestic partners (see the entry on Domestic Partner Benefits). In the United States, Massachusetts is the only state that recognizes same-sex marriages; Vermont recognizes civil unions. Outside of these places, currently, the law does not require that employers provide GLBT employees with benefits for their partners, but it is becoming more and more common, especially within the field of higher education.

Although Vermont and Massachusetts recognize formal unions between same-sex couples, these unions are not legally binding in other states.[1] Therefore a couple who is married in Massachusetts may not qualify for domestic partner benefits, or similar, in another state.

See also Domestic Partner Benefits

NOTE

1. Public Agenda, *Gay Rights: Overview* (n.d.), http://www.publicagenda.org/issues/overview.cfm?issue_type=gay_rights (accessed October 3, 2007).

Lea Hanson

GOOD FAITH

Effective interaction of human resources within an organization is a determining factor in the strength and success of the organization. Providing a solid platform for that interaction requires the existence of guiding principles that facilitate good business practice and communication. The doctrine of good faith is no stranger to the business community and seeks to establish a starting point from which effective business practices emerge.

A Brief History

The concept of good faith can be found in writings of law and business that date back to the 1800s. A literal translation from the Latin *"bona fides,"* the words embody the idea of a faith-based approach to honoring the conscience and doing what is "right" by all parties. The doctrine of good faith has been traced back to the Romans, who summarized the principle with the expression *"pacta sunt servanda,"* or, "what is so suitable to the good of mankind as to observe those things that parties have agreed upon." The rise of both

Christianity and the merchant class in the eleventh and twelfth centuries became a determining factor in the evolution of good faith as a practice. Increased commercial trade necessitated a "platform" from which fair and honest business could be conducted. The emerging concept of good faith assumed the premise that man inherently desires to do what is right by others. A long-standing component of business practice in European countries like France, Germany, and Italy, good faith has only recently (in the twentieth century) been defined in the United States and Canada.

Good Faith Defined

As the Romans attempted to place a definition on good faith, it was perceived in part as simply an appeal to common sense. A motive to define the doctrine arose from a common concern for the need for fairness in dealing with others, and protection of the reasonable expectations of all parties. From a modern perspective, the Uniform Commercial Code sets forth the following definition:

> "Honesty in fact and the observance of reasonable commercial standards of fair dealing"— Uniform Commercial Code § 1-201(20), UCC § 2-103(j).

West's Encyclopedia of American Law defines good faith as follows:

> Honesty; a sincere intention to deal fairly with others. Good faith is an abstract and comprehensive term that encompasses a sincere belief or motive without any malice or the desire to defraud others. It derives from the translation of the Latin term *bona fide,* and courts use the two terms interchangeably.

Good faith requires that people operate in what could easily be accepted as an honest and upright manner that involves the exercising of a clear conscience, producing a fair and reasonable outcome.

Good Faith Applied

Equally important to the understanding of the doctrine of good faith is the ability to apply it effectively. In the legal environment of business, there are commonly two contexts in which the doctrine of good faith is applied. To understand the broader scope of how good faith can be enacted, these two facets will be explored.

Good Faith in Bargaining/Contracting

As two or more parties enter into the process of negotiation, the strength of the contractual relationship is dependant upon the exercising of good faith with respect to both intentions and expected outcomes. Referred to as "good faith purchase," the doctrine asserts that all parties involved in negotiation enter into the process with pure hearts and open minds. This assumption—allowed by the exercising of good faith—establishes the premise that future dealings during this negotiation will be committed in the best interest of all parties (collectively). Consequently, outcomes will be fair and equitable— in spite of the fact that *individuals* may not achieve their desired goals.

Good Faith in Performance/Execution

Once the contract—formal or informal—is in place, the parties involved now assume responsibility for execution of the negotiated agreement. As this process unfolds, diligence

is required to maintain the standard and spirit of the contracting phase. This action is referred to as "good faith performance." Good faith performance requires the standard of reasonableness as a guide to attain desired outcomes and enact expected performance requirements. The terms "fair and reasonable" are underlying guides that assist parties in managing the way in which an agreement comes to fruition.

Conclusion

Many writings on the subject of good faith incorporate the idea that it is one's "basic duty" to "act in good faith" in the best interest of "the company" and "for a proper purpose." Whether it is action between individuals, or an individual and an organization, the doctrine of good faith seeks to fill an important gap—that of the understanding of one's "intentions." Interestingly, where most phases of business activity can be influenced by the rule of law, one's intentions are left largely unchecked. The exercising of good faith closes that gap and establishes a foundation of strength upon which business can be executed efficiently.

Resources:

The American Law Institute. *Uniform Commercial Code,* 2001.

Farnsworth, Edward Allan. "Good Faith Performance and Commercial Reasonableness under the Uniform Commercial Code. *University of Chicago Law Review* 30, no. 4 (1963): 666–79.

Farrar, John. *Corporate Governance.* Melbourne: Oxford University Press, 2005.

West's Encyclopedia of American Law, at http://www.enotes.com/wests-law-encyclopedia.

Scott McDonald

HARASSMENT

Harassment is defined as any act or acts done without legitimate purpose and with the intent to intimidate, annoy, or alarm. The cost of workplace harassment to individuals and employers includes:

- Loss of physical health and emotional well-being
- Loss of productivity
- Job and career loss
- Financial losses and legal claims
- Loss of trained personnel
- Increased absenteeism and resignations
- Violence in the workplace
- A poor image for employers

Workplace harassment is extremely disruptive and unpleasant. Everyone in the work environment feels the negative effects.

Hostile Work Environment Harassment

Hostile work environment harassment is a specific form of non-consenting conduct that occurs in the workplace and has the purpose or effect of substantially interfering with an individual's professional performance or creating an intimidating, hostile or offensive employment environment. Hostile work environment harassment is subjectively perceived as abusive by the recipient, but must also be perceived as hostile or abusive by

a reasonable person. Additionally, such conduct would have to be sufficiently severe, persistent, or pervasive to meet the legal threshold for hostile work environment harassment.

Severe Conduct

Severe conduct is conduct that inflicts physical discomfort, hardship, pain, or distress, or that carries with it the threat or promise of a tangible employment action. Examples of behaviors that would be considered severe include, but are not limited to, the following:
- Aversive, aggressive and/or unwelcome physical contact
- Abrupt, physically confrontational behavior that implies imminent danger
- Overtly hostile, injurious, or destructive behavior
- Verbal threats of physical harm
- Acts of retaliation against a staff member for filing a complaint or offering testimony during an investigative process
    Harassing conduct would also be considered severe in either of the following:
- When submission to such conduct is made directly or indirectly a term or condition of an individual's employment.
- When submission or rejection of such conduct by an individual is used as a basis for employment decisions affecting that individual.

This is often called "quid pro quo" (this for that) harassment. Tangible employment actions include:
- Firing
- Demotion
- Denial of promotion
- Poor/good evaluation
- Hiring
- Promotion
- Special treatment
- Reassignment with significantly different responsibilities
- Significant change in benefits

If the allegation of hostile work environment harassment refers to conduct that does not inflict physical discomfort, pose a safety concern, or threaten an individual's employment, the question becomes whether or not the behavior is either persistent or pervasive in nature.

Persistent Conduct

Persistent conduct is conduct that is continuous or has existed for a long or longer-than-usual period of time. The following conduct, if persistent, could constitute hostile work environment harassment:
- Raising one's voice above conversational tones in anger, frustration, rage or with the intent of intimidating the listener.
- Directing profane, abusive and/or derogatory language at others, including name-calling and personal, direct, and intentional insults.
- Mocking, taunting, or ridiculing others, including the use of offensive remarks.

If the allegation of hostile work environment harassment involves a single instance of conduct or conduct with limited duration that would not be considered sufficiently severe, the question then becomes if the conduct is pervasive.

Pervasive Conduct

Pervasive conduct is conduct that occurs frequently and without sanction in the work environment. Pervasive conduct is diffused throughout the working environment or becomes an accepted part of the culture of the environment.

The following conduct refers to a level of intolerant behavior that has the quality or tendency to be spread throughout the work environment. This conduct could constitute hostile work environment harassment because of its discriminatory impact:

- Comments or actions that humiliate, intimidate, exclude, frighten, and/or isolate another on the basis of sexual orientation.
- Comments or actions that humiliate, intimidate, exclude, frighten, and/or isolate another on the basis of race, ethnicity, color, gender, religion or creed (a system of beliefs or principals), age, disability, or marital status.
- Comments or actions that humiliate, intimidate, exclude, frighten, and/or isolate another on the basis of one's employment status.

If the allegation is neither severe nor persistent, and it involves an isolated incident that does not rise to the level of a pervasively discriminatory work environment, it is unlikely the behaviors would be deemed hostile work environment harassment.

Employer Liability

It is an employer's responsibility to maintain a harassment-free environment. Employers are legally liable for discriminatory harassment. Employers may prevent and eliminate workplace harassment as well as limit their liability in cases in which there are founded complaints of discriminatory harassment by:

- Disseminating the organization's antiharassment and nondiscrimination policies and procedures
- Supporting the policies
- Reviewing the policies annually
- Maintaining an internal complaint process, which promptly investigates complaints brought to the employer's attention
- Addressing substantiated complaints brought to the employer's attention by taking appropriate disciplinary and/or preventive action (conciliation, mediation, instruction, termination, etc.) to eliminate the conduct
- Preventing retaliation against staff members who have filed a complaint or offered testimony during an investigative process
- Providing information to help employees recognize, prevent, and respond effectively to hostile work environment harassment

  Resources:
Civil Rights Act of 1964, Title VII. http://www.eeoc.gov.

Amanda Easton

H1B VISAS

Definition: Nonimmigrant versus Immigrant

There are two types of visas. An immigrant visa (IV) is given to those aliens seeking to immigrate or reside permanently within the United States. Examples of immigrant visa

classifications are IR1(immediate relative) and EB1 (employment-based worker). Nonim-migrant visas (NIV), on the other hand, are obtained by people choosing to enter the United States for a prescribed period of time and who do not intend to permanently reside within the United States. The H1B classification is considered a nonimmigrant classification.

Description of H1B Nonimmigrant Classification

The H1B nonimmigrant visa is meant for temporary workers who will eventually return to their home country. The length of stay of an H1B is three years and is eligible for one three-year extension. After the six years is complete, the alien must return to his home country or change status to another category. This category is subject to numerical limitations and needs to be closely monitored in order to keep the employer and visa holder in status and compliant with U.S. immigration law.

The H1B classification is an employment-based nonimmigrant visa. The Immigration and Nationality Act (INA) places numerical limitations on some visa classifications. The numbers in parentheses represent the annual limit on H1B visas in each category. Institutions of higher education are exempt from the numerical limitations and can apply for H1B classifications for employees at any time. The category is defined as a "specialty occupation which requires the theoretical and practical application of a body of highly specialized knowledge requiring completion of a specific course of higher educa-tion. This classification requires a labor attestation issued by the Secretary of Labor. This classification also applies to government-to-government research and development, or coproduction projects administered by the Department of Defense."[1]

Application Process for H1B

What Forms Are Required?

A form I-129 must be submitted to the U.S. Citizenship and Immigration Service (CIS). This form is completed by the employer to request a specific employee to enter on an H1B visa. This I-129 must be approved prior to the alien's application at a U.S. embassy or consulate. In support of the I-129 petition, the employer must show evidence that a labor condition application was filed with the Department of Labor, that the employment qualifies, and that the alien has a bachelor's degree or higher, an equivalent foreign degree, or evidence of education and experience equivalent to the required degree. The employer must pay at least the prevailing wage for the required skills and experience.[2] The prevailing wage regulation is in effect so the employer does not attempt to hire non-immigrants at a lower rate than the U.S. labor wage.

Once the I-129 has been approved, persons who reside outside of the United States must complete a form DS-156 and DS-157. An interview will take place at the U.S. embassy or consulate in the country of origin.

Time Line for Application

Due to the numerical limitations, all I-129 petitions can be submitted to the CIS on April 1, but prior to October 1 (the beginning date of the federal fiscal year). The CIS will adjudicate the petitions until the numerical limitations have been reached. Historically, those petitions filed closest to April 1 have the greatest likelihood of being approved prior to reaching the numerical limitation.

"Within the U.S. Applicants" vs. "Abroad" Applicants?

In some cases, aliens who may already reside in the United States are required to apply in a different visa category. F-1 students, F-1 students on optional practical training, J-1 exchange students, or J-1 exchange scholars are examples of individuals who typically change their visa status. They are also examples of other nonimmigrant categories that change status.

Visas are issued only outside of the United States. Therefore, if a beneficiary of an I-129 petition already resides in the United States, the beneficiary changes status rather than obtains a visa. When the person leaves the United States, she will need to obtain a visa from the U.S. embassy or consulate abroad. However, if she does not leave the United States, the change of status is sufficient. Once the petition has been approved, the beneficiary receives a receipt (I-797 form) with a new I-94 (Record of Admission) stating their H1B status. The I-94 form and a passport is sufficient to prove the legal right to remain and work within the United States. It will be important for the H1B holder to obtain a Social Security card or a taxpayer ID in order to pay taxes.

Maintaining Status of H1B

A person who holds an H1B nonimmigrant visa must work for the employer that petitioned for the H1B Visa. The Visa holder is able to attend school and, in some cases, is eligible to petition for in-state tuition at institutions of higher education. The dependent of an H1B (i.e., spouse or child) is classified as H-4 nonimmigrants. The spouse and/or child are not able to work within the United States, but can attend school.

NOTES

1. U.S. Department of State, "Temporary Workers," U.S. Government, http://travel.state.gov/visa/temp/types/types_1271.html (accessed October 16, 2007).

2. U.S. Citizenship and Immigration Service, "I-129 Instructions," U.S. Government, http://www.uscis.gov/files/form/i-129instr.pdf (accessed October 16, 2007).

Paul M. Shelton

I-9 FORMS

The I-9, Employment Eligibility Verification, is a form required by the U.S. government, which the employer must keep on file for all employees. Citizens as well as noncitizens must provide the required information to their employer, who is required to keep the I-9 form on file for a minimum of three years beyond the date of hire or one year after employment termination, whichever comes first.

General Information

The purpose of the I-9 form is to have a record on file of the employee's eligibility to work in the United States. The form is kept with other human resource–related documents on file in the hiring company. The form is required by the Department of Homeland Security, U.S. Citizenship and Immigration Services (USCIS). However, the current version of the form, OMB number 1615-0047, expired in March 2007. USCIS

guidelines tell us to continue to use this form, even though it is expired, until the new one is published. There is no set date for publication of the new I-9 form.

I-9 Form

The I-9 form contains three sections, one for the employee, one for the employer, and one for any changes that may occur during the period of employment, such as name change, documentation change, and status change.

Section 1: Employee Information and Verification

Section 1 asks for basic employee information such as name, address, date of birth, maiden name, Social Security number, and status. There is space to provide documentation numbers should the employee not be a U.S. citizen. USCIS provides a space for personal information of a translator if one was used.

Section 2: Employee Review and Verification

This portion of the form is crucial for employers. The review of appropriate documentation must take place prior to the hire date. Section 2 is where the employer must record the information gathered from the respective employee (Section 1). There are three lists referenced in Section 2: List A, List B, and List C. These lists show which documents are acceptable as proof that the prospective employee is authorized to work in the United States. All three lists are available for review on the last page of the I-9 form.

List A.   List A contains documents that can be used as proof of eligibility to work in the United States. If the employee produces a valid document from List A, the employer does not need to see any other documentation because it confirms the perspective employee's identity and their employment eligibility. Some of the documents on List A are:
• U.S. passport
• Unexpired Employment Authorization card
• Permanent Resident card or Alien Registration card with Photograph
See the last page of the I-9 form for a complete list of acceptable documents.

Lists B and C.   Lists B and C work in tandem to provide acceptable forms of identification and forms of employment eligibility. The prospective employee must produce a valid form from both List B and List C. One document from each list is enough to establish legal authorization to work in the United States. Some of the documents from List B are:
• State-issued driver's license or ID card
• U.S. military ID card or draft record
• U.S. military dependant ID card
• Native American tribal document
Some of the documents from List C are:
• Social Security card
• Original or certified copy of a U.S. birth certificate
• Unexpired employment authorization document from the Department of Homeland Security
See the last page of the I-9 form for a complete list of acceptable documents.

If the employee has lost the required documentation or the documentation is damaged, he can request a replacement. Regardless, the receipt showing that replacement documentation is being requested can be utilized; however, the replacement documentation must be produced within 90 days of hire. Receipts can not be used to show the request of initial documentation; they can be used only to show the request for replacement

documentation. Receipts can not be utilized for temporary employment lasting less than three days.

Section 3: Updating and Reverification

This section is to be filled out by the employer. It is used to document changes in the employee's status. Employers are required to record name changes, documentation changes, and the date of rehire if applicable. This is also the section that will be used if the employee's "employment authorization" or "employment authorization documentation" expires and new authorization documentation is issued. In this case, a new I-9 form should be filled out and attached to the previous I-9 form. If the employment authorization or appropriate documentation expires, then the employment must end because the employee is no longer authorized to work in the United States.

Penalties for Noncompliance

Employers who do not comply with the requirement to complete, retain, or present the I-9 form for inspection are subject to fines ranging from $110 to $1,100 per employee. Employers who knowingly hire, recruit, or refer for employment unauthorized aliens are subject to fines ranging from $250 to $2,000 per unauthorized alien (first offense). Second and third offenses are fined beginning at $2,200 and $3,000, respectively.

Conclusion

The I-9 form is a federal requirement designed to protect the employer from penalties resulting from hiring unauthorized or undocumented aliens, and to protect the U.S. workforce from those who would illegally seek employment. Take careful and exact steps when reviewing and documenting the required documentation presented by the perspective employee, or upon receiving updated documentation from current employees.

See also Immigration Reform and Control Act (IRCA)

Resources:

Department of Homeland Security. U.S. Citizenship and Immigration Services Web site. http://www.uscis.gov.

Henry H. Luckel Jr.

IMMIGRATION REFORM AND CONTROL ACT (IRCA)

The Immigration Reform and Control Act of 1986 (IRCA), also called the Simpson-Mazzoli Act, was signed into law by President Ronald Regan on November 6, 1986. The IRCA was passed to control unauthorized immigration to the United States. Employers are required to verify that all employees hired after December 1, 1988, are legally eligible to work in the United States.

The IRCA has three provisions; it (1) made it illegal to knowingly hire or recruit undocumented workers (immigrants who do not possess lawful work authorization), (2) required employers to attest to their employees' immigration status, and (3) granted amnesty to undocumented workers who entered the United States prior to January 1, 1982, and had resided there continuously.

Under the IRCA, employers may hire only individuals who are legally authorized to work in the United States, such as citizens, U.S. nationals, and aliens with legal work authorization. The employer must verify the identity and employment eligibility of any person to be hired. This requires completion of the Employment Eligibility Verification form (INS Form I-9), which employers must keep on file for at least three years or one year after employment ends, whichever is longer.

A prospective employee may establish identity and legal employment eligibility by providing certain documents, often called List A, List B, or List C documents. Documents that are acceptable for establishing both identity and employment eligibility, called List A documents, include a (1) U. S. passport, (2) an unexpired foreign passport with attached employment authorization, (3) an Alien Registration Receipt card or Permanent Resident card, (4) an unexpired Temporary Resident Ccard, (5) an unexpired Employment Authorization card, or (6) an unexpired Employment Authorization document issued by the INS that contains a photograph.

List B documents that are acceptable for establishing one's identity include a (1) federal, state, or local government agency or entity identification card containing a photograph or information such as name, date of birth, gender, height, eye color, and address; (2) a driver's license issued by a state or a U.S. possession containing a photograph or information such as name, date of birth, gender, height, eye color, and address; (3) a school identification card with a photograph; (4) a voter registration card; (5) a U.S. military card or draft record; (6) a military dependent identification; (7) a U.S. Coast Guard Merchant Mariner card; 8) Native American tribal documents; or 9) a driver's license issued by a Canadian government authority. Individuals under 18 years of age may establish their identity by producing (1) a school record or report card; (2) a clinic, doctor, or hospital record; or (3) a day care or nursery school record.

List C documents acceptable for establishing employment eligibility include (1) a non-laminated Social Security number card other than one that has printed on its face "not valid for employment purposes in the United States"; (2) an original or certified copy of a birth certificate bearing an official seal issued by a state, county, municipal authority, or possession of the United States; (3) a certification of birth abroad issued by the U.S. Department of State; (4) a Native American tribal document; (5) a U. S. citizen identification card; (6) an identification card for use of a resident citizen of the United States; or (7) an unexpired employment authorization issued by the INS (other than these for identity and employment eligibility.

Section H-2A

Section H-2A of the IRCA authorizes lawful admission of temporary, nonimmigrant workers (H-2A workers) to perform agricultural labor or services of a temporary or seasonal nature. Employers are certified for a certain number of H-2A jobs, yet must initially and continuously engage in recruitment of U.S. workers to fill the positions. Certified employers must agree to accept U.S. workers until half (50 percent) of the contract period has been completed, and may not pay less than the federal minimum wage.

Certified H-2A employers must keep records of actual hours worked by employees, "offered" hours, and "refused" hours and provide wage statements that reveal hours worked and refused, basis of pay, total earnings, and all wage deductions for the period.

Enforcement

The Immigration and Naturalization Service enforces the IRCA, which seeks to preserve jobs for those who are legally entitled to work in the United States. Failure to comply by employers who knowingly hire aliens not authorized to work in the United States may result in both civil and criminal liability, with fines ranging from $250 to $10,000 for each unauthorized alien employee, along with possible imprisonment when a pattern or practice of noncompliance is present.

See also: I-9 Forms; H1B Visas

Resources:

Immigration Reform and Control Act of 1986. U.S. Social Security Administration Web site, https://secure.ssa.gov/apps10/poms.nsf/lnx/0500501440; and Wikipedia, http://en.wikipedia.org/wiki/immigration_reform_and_control_act_of_1986.

 U.S. Department of Labor. Employment Standards Association.http://www.dol.gov/esa.

 U.S. Department of Labor. Wage and Hour Division.http://www.wagehour.dol.gov.

 U.S. Social Security Administration. http://www.ssa.gov.

Ann Gilley and Jennifer A. Majkowski

JURY DUTY LEAVE

Jury duty leave is time, sometimes paid for by the employer, to allow an employee to serve on a jury or grand jury. The Jury Systems Improvement Act, 28 USC 1875, is the federal law that deals with employees serving on a federal jury. States and some localities have their own laws concerning jury duty requirements. A company does not, by federal law, have to provide for paid jury duty leave for their employees who are called to serve on a jury or a grand jury. However, companies must allow their employees to serve on federal, state, or local juries. Employees may take leaves of absence to serve on a jury, without fear of disciplinary action by the employer. Employees who take a leave of absence to serve on a federal jury must be returned to their previous jobs, with the same pay. Employers who violate the Jury Systems Improvement Act are subject to fines of up to $1,000.

Some states require companies to provide for paid jury duty leave. Many companies, in addition, provide for paid jury duty leave regardless of state or local law. The following lists provide an overview of state law.

States Requiring Full Payment DURING Jury Duty
- *Alabama*—The employer is liable for usual pay, minus any compensation the employee received for serving on a jury.
- *Delaware*—Requires companies to pay the employee their normal pay. They are not allowed to deduct any per diem payments.
- *Georgia*—Employees will receive their normal pay while serving.
- *Nebraska*—The employer is liable for usual pay, minus any compensation the employee received for serving on a jury. Expenses are not to be deducted from the pay.
- *Tennessee*—The employer is liable for usual pay, minus any compensation the employee received for serving on a jury. Expenses are not to be deducted from the pay.

States Requiring Partial Payment DURING Jury Duty

— *Connecticut*—Full-time employees, those working 30 hours or more per week, must be compensated their normal pay for the first five days of jury duty.
— *Colorado*—Employers are liable to pay employees serving on jury duty up to $50 per day for the first three days or any part of those first three days.
— *Louisiana*—State law requires employers to pay for one full day of jury duty.
— *Massachusetts*—Employers are liable to pay employees serving on jury duty, up to $50 per day for the first three days or any part of those first three days.
— *New York*—Companies with more than 10 employees are required to pay $40 of the employee's wages per day for the first three days of jury duty.

States That Do Not Require Payment for Jury Duty

Alaska	Arizona	Arkansas
California	District of Columbia	Florida
Hawaii	Idaho	Illinois
Indiana	Iowa	Kansas
Kentucky	Maine	Maryland
Michigan	Minnesota	Mississippi
Missouri	New Hampshire	New Jersey
New Mexico	Nevada	North Carolina
North Dakota	Oklahoma	Ohio
Oregon	Pennsylvania	Puerto Rico
Rhode Island	South Carolina	South Dakota
Texas	Utah	Vermont
Virginia	Washington	West Virginia
Wisconsin	Wyoming	

Resources:

Matthies Law Firm, P.C. "Summary of Employment Laws of the U.S. Federal Government." http://members.aol.com/mattlawfrm/fedlaw.htm.

U.S. Chamber of Commerce. "Jury Duty Leave."http://www.uschamber.com/sb/business/P05/P05_4340.asp.

Henry H. Luckel Jr.

LABOR-MANAGEMENT RELATIONS (TAFT-HARTLEY) ACT

The Labor-Management Relations Act of 1947[1] (also known as the Taft-Hartley Act) is a U.S. federal law regarding the activities and power of labor unions. The act set limits on

allowable union activities through amending the National Labor Relations Act of 1935[2] (also known as the Wagner Act, or NLRA). The NLRA set guidelines for fair labor practices, but only addressed the acts of employers. Taft-Hartley addresses fair labor practices primarily through setting guidelines for employees, unions, and collective bargaining.

The Labor-Management Relations Act came about as the culmination of 12 years of battles over fair labor practices, starting immediately after passage of the National Labor Relations Act on July 5, 1935. The purpose of the NLRA was "to protect the rights of employees and employers, to encourage collective bargaining, and to curtail certain private sector labor and management practices, which can harm the general welfare of workers, businesses and the U.S. economy."[3] The NLRA also created the National Labor Relations Board (NLRB) to oversee all issues related to the NLRA.

Employers, with great influence from the National Association of Manufacturers, immediately began pressuring lawmakers to repeal or amend the NLRA, citing increases in union striking activities harming the economy in general. Lawmakers reacted energetically, proposing 232 bills to address this issue between 1935 and 1947 before passing Taft-Hartley.[4]

Unfair Labor Practices by Organized Labor Unions

The amendments in Taft-Hartley detail a list of unfair labor practices, many of which were in use by the unions at the time. The act outlaws the following activities:
- Monetary donations by unions to federal political campaigns
- Forcing an employer to bargain collectively with any representative from any other labor union, other than that which is certified as the representative of their employees
- Closed shops—binding agreements disallowing the employer(s) from hiring individuals who were not already members of a labor union
- Expelling union members from their union for any reason other than nonpayment of dues
- Jurisdictional strikes—a picketing tactic used to pressure employers to assign specific duties to union members
- Causing or attempting to cause an employer to compensate employees or affiliates for services which were not performed
- Secondary boycotts and "common situs" picketing—picketing, striking, or the refusal to handle goods of a business with which the union is trying to gain entry

Strikes

Taft-Hartley requires unions and employers to provide written notice to each other 60 days prior to any striking or other forms of action designed to influence collective bargaining. They are furthermore required to provide notice to the Federal Mediation and Conciliation Service within 30 days after notice of the existence of a dispute. They must also notify any state or territorial agency established to mediate and conciliate disputes within the state or territory where the dispute occurred, provided no agreement has been reached by that time.[5]

If a union is found to participate in a secondary boycott, Taft-Hartley mandates that the General Council of the NLRB seek injunctions against the offending union. The General Council of the NLRB has discretionary rights over the pursuit of injunctions against either unions or employers believed to be in violation of the act in other cases.

Members of Management

Taft-Hartley excludes members of management and other supervisors from coverage under the act. The act states that people in such roles must represent and support their employer's stance in regard to union activity. Failure to do so provides the employer with legal grounds to terminate employment of the manager in question. The act allows union representation for many professional employees, but these professionals are subject to special procedures before being allowed to join a bargaining unit with nonprofessional employees.

Rights of Employers

Taft-Hartley allows employers to express opposition to unionization. However, employers may not make threats to the safety or well-being of employees, nor may they make promises or bribes of any kind to employees in order to persuade them away from organizing. Employers were also given the right to file civil suits against unions to recoup losses due to damages suffered from secondary boycotts.

Union shops, shops where new employees are required to join the union within 30 days of accepting employment (as opposed to joining prior to employment), are still allowed, but they are heavily restricted. Furthermore, states were given the right to pass "right-to-work" laws outlawing union shops. The president of the United States was also given the authority to end striking activities through strikebreaking injunctions in cases in which striking had a significant impact on national health or safety.

Opposition and Criticism

President Harry S. Truman was not in favor of this act. He argued that Taft-Hartley would increase the number of strikes, would deprive workers of vital protection under the law, and would put the general public at risk during major strikes due to ineffective and discriminatory emergency procedures in the act. Truman vetoed the act, but the Senate was able to gather enough votes to overturn the veto, voting 68–25 in favor of passing the act into law on June 23, 1947.[6]

The American Civil Liberties Union pushed Congress to develop a union democracy bill throughout the debates between 1935 and 1947. The goals of the bill were to prohibit union discrimination on the basis of race, sex, opinion, and other factors; require regular and fair union elections; offer NLRB protection to union members criticizing union leadership; and require accounting of funds. None of these issues were addressed by Taft-Hartley.[7]

See also National Labor Relations Acts (NLRA); Labor Unions

NOTES

1. Labor-Management Relations Act of 1947, Public Law 101, 80th Cong., 1st sess. (June 23, 1947).
2. National Labor Relations Act of 1935, Public Law 101, 74th Cong., 1st sess. (July 5, 1935).
3. National Labor Relations Board, "National Labor Relations Act," National Labor Relations Board, http://www.nlrb.gov/about_us/overview/national_labor_relations_act.aspx (accessed October 15, 2007).
4. Ibid.
5. Labor-Management Relations Act of 1947.
6. Harry A. Millis and Emily Clark Brown, *From the Wagner Act to Taft-Hartley* (Chicago: University of Chicago Press, 1950).

7. Michael J. Goldberg, "An Overview and Assessment of the Law Regulating Internal Union Affairs," *Journal of Labor Research* 21, no. 1 (2000): 15–36.

Adam VanDreumel

MILITARY LEAVE

Military leave is a right, not a privilege, granted by Congress to all members of the armed forces under federal law. Leave is paid vacation from active duty for recreation and relief from the pressures of job-related duties; it is also taken for personal reasons and emergency situations. Department of Defense (DoD) Directive 1327.5, *Leave and Liberty,* is the overriding directive that governs all military personnel; however, each of the services (Army, Air Force, Navy, Marines, and Coast Guard) has its own service-specific regulations that detail the authorities, processes, and procedures for military leave.

Generally speaking, military leave accrues at the rate of 2.5 calendar days per month for service members on active duty. However, Congress recognizes that military requirements may prevent members from using their planned leave, so the law permits service members to accrue a maximum of 60 days carried over into the next fiscal year. The expression "use or lose" means that any leave in excess of 60 days is lost if not used by the end of the fiscal year (September 30).

Military leave laws are pretty straightforward with regard to service members on active duty. The complexity usually occurs with National Guard members and reservists who are entitled to military leave due to time spent away from their civilian employers while on active duty. Within the past couple of decades, there has been an increasingly greater reliance on using the Reserve Component to augment a smaller active duty force in support of worldwide contingency operations (e.g., Gulf War I and II) and the Global War on Terror. More and more civilian employers are seeing their employees undergo military training or being recalled to active duty on either a voluntary or an involuntary basis.

The major federal law protecting reservists and Guardsman is the Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994. USERRA protects the jobs, employment rights, military leave, and benefits of Reserve Component service members who are serving on active duty. Also known as the "military leave law," USERRA covers "absences to perform military duty in a uniformed service" and includes training and weekend drills as well as both voluntary and involuntary recall to active duty.[1] In addition, the law gives employees on military leave the option of using paid vacation time while on leave, but the employer is not allowed to require that they do so. The Veterans' Benefits Improvement act of 2004 requires all employers, regardless of size—public and private—to notify all employees annually of their legal rights under USERRA. Although most states have a military leave law, the federal statute provided under USERRA supersedes state legislation, except in cases when the state statute is more generous to the employee.

USERRA does not require an employer to pay an employee on military leave for the time off; however, federal employees who are members of the National Guard or Reserves are entitled to 15 days (120 hours) of paid military leave each fiscal year for active duty, active duty training, and inactive duty training according to law. 5 US Code 6323 also

outlines certain conditions in which workdays of military leave for federal employees may be increased for either "emergency duty" or "contingency operation."[2]

The 2008 National Defense Authorization Act, signed by the president on January 28, 2008, includes the first significant expansion of the Family and Medical Leave Act (FMLA) since it became law in 1993. The most notable changes in the newly revised FMLA are the provisions to assist military service members—active duty, National Guard, and Reserves—and their families:

— *FMLA leave for call to active duty of a service member.* Employees are entitled to 12 weeks of FMLA leave due to a spouse, son, daughter, or parent being on active duty or having been recalled to active duty in the armed forces. Leave may be used for "any qualifying exigency" arising out of the family member's active duty or call to duty.

— *FMLA caregiver leave for injured service members.* Employees are entitled to up to 26 weeks of total FMLA leave in a 12-month period to care for an injured or seriously ill service member who suffered the injury or illness while on active duty. In addition to spouses, children, and parents (already covered under the FMLA), a service member's "nearest blood relative" or "next of kin" is also eligible for this type of leave.

The new FMLA provisions are both confusing and complex, since many provisions are currently unclear. For example, "any qualifying exigency" has yet to be defined by the Department of Labor. Potential situations could include overseas assignments, recalls to active duty, and troop mobilizations. Until then, employers are required to act in good faith in attempting to comply with the law, since some portions take effect immediately.

See also Family Medical Leave Act (FMLA); Uniformed Services Employment and Reemployment Act

NOTES

1. U.S. Department of Labor, Veterans' Employment and Training Service, "A Non-Technical Resource Guide to the Uniformed Employment and Reemployment Rights Act—USERRA" (U.S. Government, April 2005), 1–18.

2. U.S. Office of Personnel Management, "Military Leave," http://www.opm.gov/oca/leave/html/military.asp (accessed February 1, 2008).

Victoria T. Dieringer

MINIMUM WAGE

Minimum wage provisions are outlined as part of the Fair Labor Standards Act and are enforced by the Wage and Hour Division of the Department of Labor. The purpose of minimum wage is to provide an income floor for low-wage earning workers so they may maintain a minimum standard of living that keeps them from poverty.[1] The majority of workers earning minimum wage are in the service industry, where tips are meant to supplement regular pay.[2]

Today, legislation has been enacted at the federal and state levels that works to continuously drive pay rate increases. Congress has the authority to change minimum wage at any time. As of July 24, 2008, the federal minimum wage was $6.55 per hour and will increase to $7.25 on July 24, 2009.[3] Most states and some cities have passed minimum wage laws that exceed federal mandates. For example, as of July 2008, the state of Michigan's minimum wage was $7.40 per hour, $8.00 for California residents, $8.07 for

Washington, and $9.36 in the city of San Francisco.[4] Increases in state minimum wage rates are often tied to inflation or the Consumer Price Index.

The goal of minimum wage legislation is to assist the working poor; however, it has been evidenced that it is has had a detrimental effect on poverty in certain sectors of the workforce, particularly unskilled minority youth. Minimum wage does not impact only the workers earning the wage. It has a direct impact on employers and their costs. As wages at the low end of the range continue to rise, so do wages at the midpoint and higher end.

In some cases, there are exemptions to minimum wage regulations.[5] Some examples include vocational students working in retail; agriculture; higher education institutions; and individuals whose earning capacity is impaired by a disability. In all of these cases, employers must receive a certificate from the Wage and Hour Division of the Department of Labor.

See also Exempt and Nonexempt Employees; Fair Labor Standards Act; Overtime

NOTES

1. George, T. Milkovich, Jerry Newman, and Carolyn Milkovich, *Compensation* (New York: Irwin/ McGraw-Hill, 2007).

2. Ibid.

3. U.S. Department of Labor, Wage and Hour Division, http://www.dol.gov/esa/whd (accessed March 29, 2008).

4. Ibid.

5. Ibid.

Pamela Dixon

NATIONAL LABOR RELATIONS ACT (NLRA)

The National Labor Relations Act was created by the National Labor Relations Board (NLRB) in 1935. The *NLRB* is an independent federal agency that was created by Congress to administer the National Labor Relations Act (NLRA), which is the primary law governing relations between unions and employers in the private sector; the main purpose of the act is to encourage healthy relationships between workers and employers. Overall, the NLRA "guarantees the right of employees to organize and to bargain collectively with their employers, and to engage in other protected concerted activity with or without a union, or to refrain from all such activity."[1]

The NLRA was designed to decrease and manage work stoppages, strikes, and general labor strife, which, at the time of conception, were viewed as being harmful to the U.S. economy and to the nation's general well-being. The NLRA extends many rights to workers who wish to form, join, or support unions, also known as labor organizations; to workers who are already represented by unions; and to another group of workers (a group being defined as two or more employees) who collaborate without a union and are seeking to modify their wages or working conditions. This third described group of workers' efforts is often referred to as protected concerted activities, which is further described below.

The NLRA extends rights to employers as well as employees, most often protecting commercial interests against unfair actions committed by labor organizations. It also extends rights to labor organizations; this often comes in the form of "protecting

organizational and collective-bargaining representative interests against unfair actions committed by employers."[2]

The National Labor Relations Act outlines basic rights of employees as follows:
- The right to self-organization.
- The right to form, join, or assist labor organizations.
- The right to bargain collectively for wages and working conditions through representatives of their own choosing.
- The right to engage in other protected concerted activities with or without a union, which are usually group activities (two or more employees acting together) attempting to improve working conditions, such as wages and benefits.
- The right to refrain from any of these activities. (However, a union and employer may, in a state where such agreements are permitted, enter into a lawful union-security clause).[3]

Protected Concerted Activities

Protected concerted activities is loosely defined as a group of employees that consists of two or more people who are acting together to improve their wages or working conditions. Protected concerted activities are protected under the NLRA whether or not they are acting with in alliance with a union. Some examples of protected concerted activities include:
- Two or more employees addressing their employer about improving their working conditions and pay.
- One employee speaking to his/her employer on behalf of him/herself and one or more coworkers about improving workplace conditions.
- Two or more employees discussing pay or other work-related issues with each other. The NLRA also protects any individual employee's right to engage in union support, membership, and activities.[4]

Conversely, the NLRA protects an individual employee's right not to engage in union activities or in other protected, concerted activities.[5]

Unions and Labor Organizations

The NRLA addresses employees' rights regarding unions and other labor organizations in Section 7. It advises that employees have the right to self-organization.[6] According to the National Labor Relations Act, they have the right to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.[7] Additionally, employees also have the right to refrain from any or all noted activities except to the extent that their right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section.[8]

The following are examples of Section 7 rights with regard to unions:
- Forming or attempting to form a union among the employees of a company
- Joining a union whether the union is recognized by the employer or not
- Assisting a union to organize the employees of an employer
- Going on strike to secure better working conditions
- Refraining from activity on behalf of a union[9]

See also Labor-Management Relations (Taft-Hartley) Act; Labor Unions

NOTES

1. National Labor Relations Board, "What We Do," http://www.nlrb.gov/ (accessed September 26, 2007).

2. Ibid.National Labor Relations Board. (n.d.a). *Homepage: What we do.* Retrieved on September 26, 2007 from: http://www.nlrb.gov/.

3. National Labor Relations Board, ''What Is the National Labor Relations Act?'' http://www.nlrb.gov/Workplace_Rights/i_am_new_to_this_website/what_is_the_national_labor_relations_act.aspx (accessed September 26, 2007).

4. National Labor Relations Board, "What Are Protected Concerted Activities?" http://www.nlrb.gov/Workplace_Rights/i_am_new_to_this_website/what_are_protected_concerted_activities.aspx (accessed September 26, 2007).

5. Ibid.

6. National Labor Relations Board, "Basic Guide to the National Labor Relations Act: General Principles of Law under the Statute and Procedures of the National Labor Relations Board" (1997), http://www.nlrb.gov/nlrb/shared_files/brochures/basicguide.pdf (accessed September 26, 2007).

7. Ibid.

8. Ibid.

9. Ibid.

Lea Hanson

NORRIS-LAGUARDIA ACT

The Norris-LaGuardia Act, 1932 was cosponsored by Nebraska Republican Senator George Norris and Republican Representative Fiorello LaGuardia of New York. The Norris-LaGuardia Act made it illegal for an employer to require a prospective employee to avoid union membership as a condition of employment. Norris-LaGuardia also removed the authority of federal courts to issue injunctions to stop non- violent pickets and other activities of those on strike.

Background

Prior to the passing of the Norris-LaGuardia Act in 1932, employers had the advantage in most labor disputes. Between 1880 and 1930, courts issued approximately 4,300 antistrike decrees. Employees were at the mercy of their employers, who made it difficult for labor unions to be effective. Employers could simply fire employees for activities such as striking. Employees could also be required to agree to not join a labor union as a condition of employment, or to remove their membership in a union in order to keep their jobs. These were known as "yellow dog" contracts or agreements. All of that changed with the passing of the Norris-LaGuardia Act. The law also barred federal courts from issuing restraining orders or injunctions against activities by labor unions and individuals, including the following:
- joining or organizing a union, or assembling for union purposes;
- striking or refusing to work, or advising others to strike or organize;
- Publicizing acts of a Labor dispute; and
- providing lawful legal aid to persons participating in a labor dispute

Conclusion

The Norris-LaGuardia Act of 1932 ushered in a new era in labor relations, moving the advantages of labor disputes from the employer to the employee, and removing the courts' authority to issue injunctions against those engaged in legal union activities. It also ensured the right of one union to support another union in their labor dispute. Now, only the highest courts can issue injunctions against those engaged in legal union activities, and then only under very specific rules, generally to prevent bodily harm or property damage from occurring.

Resources:

Ewonaitis, Katie. "The Norris-LaGuardia Act."http://www.stfrancis.edu/ba/ghkickul/stuwebs/btopics/works/norrislaguardia.htm.

"Federal Labor Laws." http://history.eserver.org/us-labor-law.txt.

Henry H. Luckel Jr.

OCCUPATIONAL SAFETY AND HEALTH ACT

The Occupational Safety and Health Administration (OSHA), instituted in 1971, is a federal regulatory agency within the U.S. Department of Labor designed to protect the safety and health rights of all employees in the work environment. It sets and enforces standards such as the Bloodborne Pathogen Standard, which requires employers to adopt practices and procedures reasonably necessary and appropriate to protect workers against occupational exposure to blood or other potentially infectious materials,[1] and performs investigations and inspections. OSHA's purpose is to provide guidelines and support for employers as they develop, implement, and continuously endeavor to improve effective safety and health programs in the workplace. Workplace fatalities have decreased by 60 percent, and occupational injury and illness rates are down by 40 percent, since the emergence of OSHA.[2]

Compliance with OSHA

The human resources manager is responsible for becoming completely informed of and familiar with all Occupational Safety and Health Act (OSH Act, also known as OSHA) requirements that apply to the organization and working with the employer to keep up to code with current OSHA standards. This involves employee training and education; posting OSHA standards, notices, and obligations; documentation; providing each employee with personal protective equipment (PPE); and maintaining a safe work environment.

In general, an employer is responsible for providing a place of employment that is free from recognized hazards that may cause serious injury or death to employees. Employees, in turn, are responsible for complying with occupational safety and health standards and all rules, regulations, and orders that apply to their own actions and conduct.

An important part of OSHA compliance is posting of a comprehensive safety plan along with compilation of Material Safety Data Sheets (MSDS). Safety plans convey the organization's commitment to safety before, during, and after an injury or accident by

detailing expectations of all employees' on-the-job safety-related behaviors, procedures, authority and responsibility, contact information, and the like. An MSDS lists the composition of the materials used in the workplace, health risks involved with use of these materials, safe handling practices, personal protective equipment needed for use, first aid in case of contact, and information identifying the manufacturer. The MSDS needs to be readily and easily available to employees, and a notice of their location has to be visibly posted in the workplace.

Documentation

Documentation/recordkeeping is essential in observing OSHA guidelines. Employee injuries and training, conducted prior to task assignments in which occupational exposure may occur and be updated periodically, must be documented. OSHA provides recording forms, which are available at http://www.osha.gov/recordkeeping/OSHArecordkeeping forms.pdf. In the event of a work-related injury or illness, OSHA Form 301, the Injury and Illness Incident Report, must be completed. This form requires information on the employee, physician or health care provider, and details about the case. OSHA Form 300 is a log used to record all incidents for the year, including case number, employee name and title, date of the injury, description of the injury, classification (death, days away from work, job transfer or restriction, or other), the number of days the worker was transferred, restricted, or away from work, and the type of injury or illness. An annual summary of work-related injuries and illnesses is to be submitted on OSHA Form 300A.

Current OSHA standards need to be posted, as well as citations and appeal decisions. These records verify OSHA compliance in case of inspection.

Training will help to keep employees up to date on safety measures, thus hopefully ensuring a safer work environment. Personal protective equipment (PPE) that is required by OSHA in a given workplace is to be provided, free of charge, by the employer; another defense against injury or exposure to the worker. Depending on the work environment, PPE may include latex or vinyl gloves, utility gloves, fluid-resistant lab coats, surgical gowns, face shields and/or protective eyewear with solid side shields, shoe covers, steel-toed boots, hard helmets, respirator face masks, and high-visibility clothing. The human resources manager will need to make sure that each employee who is required to use PPE is aware of why it is needed, how to properly use it, and the importance of always using it.[3]

Inspections, Penalties, and Further Information

If necessary, OSHA will conduct scheduled or surprise workplace inspections to determine whether safety violations have occurred. The OSHA area director issues citations and determines appropriate penalties, if any. "Serious" violations of OSHA carry a mandatory $7,000 penalty, while "other than serious" violations may be fined up to $7,000. "Willful" violations carry a minimum penalty of $5,000 up to a maximum of $70,000, "repeat" offenses may be fined up to $70,000, and employers whose "failure to correct" previous violations may be fined up to $70,000 per day for each day the condition is uncorrected.[4]

Employees have the right to file a complaint and remain anonymous if they choose. The employer has the right to receive an employee complaint before it goes to OSHA, see identification of and accompany an inspector on an inspection tour, have an inspector

return for inspection if in the middle of something work-related, have a conference after the investigation, and appeal the investigation, penalty, fine, or other finding. For further information, log in at the OSHA Web site—http://www.osha.gov—or call 1-800-321-OSHA (6742). For an official agency response, one may write to:

Domestic Only:
U.S. Department of Labor
Occupational Safety and Health Administration
200 Constitution Avenue
Washington, DC 20210
International
U.S. Department of Labor
OSHA Coordinator for International Affairs
Occupational Safety and Health Administration—Room N3641
200 Constitution Avenue
Washington, DC 20210

NOTES

1. Sharon K. Dickinson, Richard D. Bebermeyer, and Karen Ortolano, "Guidelines for Infection Control in Dental Health-Care Settings," http://www.dentalcare.com/soap/ce_prot/ce90/pg04.htm (accessed August 25, 2007).

2. "OSHA Facts," http://www.osha.gov/as/opa/oshafacts.html (accessed October 27, 2007).

3. "A Short Guide to the Personal Protective Equipment at Work Regulations 1992," http://www.hse.gov.uk/pubns/indg174.pdf (accessed January 13, 2008).

4. Ibid.

Julianne Daniels

OLDER WORKERS BENEFIT PROTECTION ACT

The demographics of the workforce in the United States are changing. The number of older workers is growing. According to the U.S. Census Bureau, 35 million Americans were 65 years of age and older in 2000, and the number of older Americans is expected to reach 66 million by 2025. In recognition of this trend, employers should be aware of the Older Worker Benefit Protection Act (OWBPA) signed into law in 1990 by President George H. W. Bush.[2] The act amends the Age Discrimination in Employment Act of 1967. The OWBPA has two major provisions: (1) protection of benefits, and (2) strict requirements for any waiver of age discrimination law protection.

Protection of Benefits

It is against the OWBPA to use an employee's age to differentiate in benefits or target older workers for layoffs. The protection of the OWBPA begins for employees at age 40.[3] For example, an employer cannot cut health insurance benefits for those employees who become eligible for Medicare. Employers must continue to provide benefits, equal to younger employees, as long as the eligible worker continues his employment.

Releases under the OWBPA

Employers who reduce their workforces or terminate employees for legitimate reasons often seek to prevent liability under the OWBPA by asking older employees to sign a waiver of the act's benefits at the time of the severance of their employment.

The act provides the following requirements for such a waiver:

- The waiver must be written in simple terms in plain English (without legal wording).
- The waiver covers only the rights of the employee at the time of discharge, not future rights with the company.
- The waiver must specifically refer to the Age Discrimination in Employment Act.
- The employee must receive something of value—beyond what is owed to her by virtue of the existing employment.
- The employee must be instructed, in writing, to review the waiver with her attorney.
- The employee must be allowed at least 21 days to decide whether to sign the waiver.
- If the waiver is presented to a group of employees, the length of time to consider the agreement must be lengthened to 45 days. Also, each member of the group (of any size) must be informed of the job titles and ages of employees included in the group.[3]
- If an employee signs a waiver under this act, she has seven days to revoke the decision.
- An employer cannot ask an employee to waive her right to pursue a discrimination claim against the company.

Failure to comply with any of the provisions of this act will invalidate the release and may subject the employer to age discrimination claims.

See also Age Discrimination in Employment Act (ADEA); Pension Plans

NOTES

1. United States Census Bureau, http://www.census.gov/ (accessed March 1, 2008).
2. Public Law 101-433.
3. 29 U.S.C. Section 623 *et. seq.*
4. Mary Swanton, "Layoff Liabilities," *Inside Counsel* 17, no. 190 (2007): 28–31.

Laura Dendinger

PENSION PROTECTION ACT OF 2006

The Pension Protection Act of 2006 (PPA) was signed into law by President Bush on August 17, 2006. This sweeping legislation includes a number of significant provisions designed to strengthen the pension insurance system, force employers to shore up their pension plans, and protect workers' retirement savings.

Highlights of the Act

The new law addresses a host of issues related to pensions, savings, and retirement, focusing heavily on defined benefit plan reform. The key provisions will be discussed here; however, please see the law for further details.

EGTRRA Permanence

The PPA repealed the "sunset provision" of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and made permanent many retirement and savings incentives. The EGTRRA, for example, raised contribution limits for defined

contribution plans and IRAs, allowed rollovers among qualified plans, permitted 403(b) and 401(k) plans to accept Roth IRA–style contributions, allowed individuals age 50 and over to make additional "catch-up" contributions to their retirement plans and IRAs, and allowed tax-free withdrawals from Section 529 plans for qualified expenses.

IRA Changes

Adjusted gross income (AGI) limits are subject to cost-of-living adjustments for deductible traditional and Roth IRAs (as of 2007). Taxpayers who meet income eligibility limits are permitted to direct all or a portion of their federal tax refund to an IRA (up to the legal limit) since 2007.

Roth Contributions

The PPA permanently extends the Roth 401(k) and 403(b) features introduced in 2006 that were scheduled to expire in 2010. Employees may now make Roth-style after-tax contributions to employer-sponsored retirement plans, with potentially tax-free earnings and contributions withdrawals if the account has been open for five years and the employee is at least 59½ years old.

Rollover Rules

The act extends and enhances many of the rollover provisions of the EGTRRA. For example, beginning in 2008, workers may convert retirement plan funds directly into a Roth IRA without first rolling the funds into a traditional IRA. Ordinary after-tax balances in any qualified retirement plan may be rolled over to any 403(b) or qualified plan that agrees to accept the funds and track them separately. As of 2007, nonspouse beneficiaries have more retirement and estate planning flexibility as they can roll over inherited 403(b), qualified, or public 457(b) funds into their own IRAs.

New Vesting Schedule

The new law requires employers to vest matching *and* nonmatching employer contributions at 100 percent after completion of three years of service, beginning in plan years after December 31, 2006. Previously, employers were allowed to apply slower vesting schedules to both matching and nonmatching funds.

Benefit Statements

For plan years beginning after December 31, 2006, administrators of defined contribution plans are now required to provide at least quarterly statements to participants and beneficiaries. Benefit statements must include account balances, current vesting balances, investment allocation restrictions, and a cautionary statement with regard to the need to maintain a portfolio that is diversified and well balanced.

In-service Distributions

In-service distributions are withdrawals from retirement plans by active employees. As of 2007, 401(k) and other profit-sharing plans can allow in-service distributions (normally prohibited under federal law) by participants who are at least 62 years of age.

Defined Benefit Plans

The PPA modifies the rules for funding defined benefit plans and, in general, requires employers to increase contributions to their pension plans in order to strengthen them. Employers must fully fund their plans over a seven-year period and ensure sufficient plan

assets to satisfy future obligations. The 2006 act also identifies "at risk" plans and requires stricter funding to provide stability and avoid asset shortfalls should the plan terminate. The PPA establishes benchmarks to identify at-risk plans and specifies steps to be taken to enhance stability.

Section 529 College Savings Plans

The PPA eliminates the sunset provision of the Section 529 College Savings Plans and makes the tax advantages permanent. Specifically, the PPA allows tax-free withdrawals for qualified expenses and authorizes the creation of prepaid tuition programs and rollovers from one account to another every 12 months.

Investment Advice

With respect to their own (or an affiliate's) contracts or funds, companies will be allowed to offer investment advice to participants in individually directed defined contribution plans or IRAs, subject to certain conditions.

Charitable/Tax-exempt Organizations

The 2006 act increases penalties on charitable organizations that fail to distribute income, have excess business holdings or investments that jeopardize their charitable purposes, and have certain taxable expenditures. The PPA establishes numerous and significant guidelines regarding charitable donations. It defines household items, disallows tax deductions for clothing or household items that are not in good used condition or better, increases penalties for gross overstatements of valuations of charitable deduction property, establishes definitions relating to appraisers and appraisals, and modifies recordkeeping requirements of monetary gifts, to name a few.

Conclusion

The Pension Protection Act of 2006 is a complex piece of legislation with widespread implications. The above highlights offer a glimpse of the act's provisions; please consult the act itself or your legal advisor for more information.

See also Pension Plans

Resources:
U.S. Department of Labor, http://www.dol.gov

Ann Gilley

PREFERENTIAL TREATMENT

Preferential treatment is a controversial term that is often used by individuals or groups concerned with the outcomes of affirmative action policies. Affirmative action commonly refers to policies undertaken by either private-sector businesses or public-sector governmental agencies to redress past grievances against certain racial and ethnic minorities[1] as well as women, individuals who are handicapped or physically challenged, and veterans. The usage of affirmative action (and, hence, the increased likelihood of preferential treatment being extended to certain individuals) is common within admissions to postsecondary educational institutions, hiring and promotion decisions, and the awarding of

contracts for various goods and services. Preferential treatment is often used interchangeably with the term "reverse discrimination."

Civil Rights Act of 1964

Preferential treatment is included within Title VII, Section 703, of the 1964 Civil Rights Act. Title VII provides definitions for equal employment opportunity and explicitly prohibits discrimination against individuals because of "race, color, religion, sex, or national origin."[2] In fact, the text string "race, color, religion, sex, or national origin," and the conditions prohibiting it as a factor in employment decisions, is mentioned 13 times within the body of the 1964 Civil Rights Act. The term "preferential treatment" is mentioned twice within the act, although the context and definition is such that it conflicts with the context and definition of "affirmative action," and the conditions under which such affirmative actions may be offered, which is mentioned once (in Section 706 of Title VII, "Prevention of Unlawful Employment Practices"). Although the terms "preferential treatment" and "reverse discrimination" are often used synonymously in casual speech and other correspondence, the 1964 Civil Rights Act does not define, describe, or otherwise codify the latter term. As such, a person must be very careful when using either of these terms, as only "preferential treatment" receives formal definition within this document.

Landmark Legal Precedents

Even though a distinction between these two terms does exist, employers need to be cognizant of the various legal precedents that have been set, regardless of how the subject is couched. The U.S. Department of Veterans Affairs, within the division of Diversity Management and Equal Employment Opportunity (DM&EEO),[3] maintains lists of cases that have been pivotal in establishing the current legal environment with "reverse" discrimination, as well as other areas. Employers should also be aware of any state, county, and city or municipality laws that, while intended to redress past grievances through affirmative action programs and the like, may have the net effect of providing preferential treatment to certain individuals.

Laws outside the United States

Preferential treatment (or a variation of how it has come to be understood, interpreted, and implemented within the United States) does exist in other nations, as well. In Canada, the Employment Equity Act requires employers to submit annual reports to the federal government that detail representation of women, aboriginal citizens, persons with disabilities, and visible minorities within both federally regulated establishments and private businesses with 100 or more employees.[4] The Canadian Human Rights Commission is responsible for tracking the compliance of employers with the act, and conducts programs designed to reduce or minimize the likelihood of workplace discrimination.[5] Many other nations have similar laws to reduce perceived barriers to individuals who may have been discriminated against in the past, while others have ruled that affirmative action and preferential treatment are illegal or unconstitutional. In these latter instances, equal treatment is often seen as necessary to produce a "color blind" citizenry, where individual merit, ability, and achievement are paramount considerations in employment-related decisions.

Given the current state of preferential treatment (how it has been defined within the United States, U.S. court precedents, and the evolving legal and social environment that exist both within the United States and abroad), employers are advised to involve the appropriate personnel from human resources, legal, and government when considering the potential impact of training, record keeping, and correspondence with others regarding this matter. Otherwise, the possibility exists that even well-intentioned actions may have adverse consequences.

See also Affirmative Action; Civil Rights Acts of 1964 and 1991

NOTES

1. Law.com Law Dictionary, "Affirmative Action," http://dictionary.law.com/ (accessed February 11, 2008).

2. Our Documents, "Transcript of Civil Rights Act (1964)," http://www.ourdocuments.gov/ (accessed February 8, 2008).

3. U.S. Department of Veterans Affairs, Diversity Management and Equal Employment Opportunity, "EEO Cases," http://www.va.gov/dmeeo/eeocases/ (accessed February 11, 2008).

4. Department of Justice—Canada, "Employment Equity Act (1995, c.44)," http://laws.justice.gc.ca/en/ (accessed February 11, 2008).

5. Government of Canada, Canadian Human Rights Commission, "Resources" http://www.chrc-ccdp.ca/ (accessed February 11, 2008).

Steven J. Kerno Jr.

PREGNANCY DISCRIMINATION ACT (PDA)

The Pregnancy Discrimination Act is an amendment to Title VII of the Civil Rights Act of 1964. According to the U.S. Equal Employment Opportunity Commission, discrimination on the basis of pregnancy, childbirth, or any pregnancy related medical conditions "constitutes unlawful sex discrimination under Title VII. Women affected by pregnancy or related conditions must be treated in the same manner as other applicants or employees with similar abilities or limitations."[1]

Pregnancy-related protections include five areas: hiring, pregnancy and maternity leave, health insurance, fringe benefits, and disability due to a pregnancy.

Hiring

It is against the law to refuse to hire a woman because she is pregnant. According to Title VII (1964), "An employer cannot refuse to hire a pregnant woman because of her pregnancy, because of a pregnancy-related condition or because of the prejudices of co-workers, clients, or customers."[2]

Pregnancy and Maternity Related Leave

In determining a pregnant employee's eligibility to use sick leave or benefits, pregnancy related leave must be allowed under the same conditions that any other sick leave or benefits are used. Title VII (1964) states, "an employer may not single out pregnancy-related conditions for special procedures to determine an employee's ability to work."[3] However, if an employer requires its employees to submit a doctor's statement concerning their

inability to work before granting leave or paying sick benefits, the employer may require employees affected by pregnancy-related conditions to submit such statements.

Additionally, if an employee is unable to perform her job for a brief amount of time due to pregnancy, the employer must treat her the same that other temporarily disabled employees are treated. For example, if the employer allows for temporarily disabled employees to modify work tasks or roles or take disability leave or leave without pay, that employer also must allow an employee who is temporarily disabled due to pregnancy to do those same options.

Pregnant employees must be permitted to work as long as they are able to perform their jobs. According to Title VII (1964), "if an employee has been absent from work as a result of a pregnancy-related condition and recovers, her employer may not require her to remain on leave until the baby's birth."[4] An employer also may not have a rule that prohibits an employee from returning to work for a predetermined length of time after childbirth.

Finally, Title VII (1964) deems that "employers must hold open a job for a pregnancy-related absence the same length of time jobs are held open for employees on sick or disability leave."[5]

Health Insurance

Any health insurance provided by an employer must cover expenses for pregnancy-related conditions on the same basis as costs for other medical conditions. "Pregnancy-related expenses should be reimbursed exactly as those incurred for other medical conditions, whether payment is on a fixed basis or a percentage of reasonable-and-customary-charge basis."[6] No additional, increased, or larger deductible can ever be imposed on a pregnant employee; the amounts payable by the insurance provider can only be limited to the same extent as amounts payable for any other medical condition.

Medical expenses for abortion, "except where the life of the mother would be endangered if the fetus were carried to term or where medical complications have arisen from an abortion, are not required to be paid by an employer; nothing herein, however, precludes an employer from providing abortion benefits or otherwise affects bargaining agreements in regard to abortion."[7]

Fringe Benefits

Pregnancy-related benefits cannot be limited to married or partnered employees. "Even in an all-female workforce or job classification, benefits must be provided for pregnancy-related conditions if benefits are provided for other medical conditions."[8]

Disability Due to Pregnancy

If employees acquire a short-term disability that is a result or is contributed to by pregnancy, childbirth, or related medical conditions, they must be treated the same as other temporarily disabled employees.[9] These benefits include written and unwritten employment policies and examples include but are not limited to vacation accrual, matters such as the commencement and duration of leave, the availability of extensions, the accrual of seniority and other benefits and privileges, reinstatement, and payment under any health or disability insurance or sick leave plan, formal or informal.[10]

Termination or Retaliation

Employees cannot be terminated due to a pregnancy, even if they do not have leave available. According to Title 29, "such a termination violates the Act if it has a disparate impact on employees of one sex and is not justified by business necessity."[11] It is also unlawful to "retaliate against an individual for opposing employment practices that discriminate based on pregnancy or for filing a discrimination charge, testifying, or participating in any way in an investigation, proceeding, or litigation" under Title VII.[12]

Resources:

Civil Rights Act of 1964, Title VII. *Pregnancy Discrimination.* http://www.eeoc.gov/types/pregnancy.html (accessed July 15, 2007).

Title 29—Labor. Chapter XIV—Equal Employment Opportunity Commission. *Guidelines on Discrimination because of Sex.* July 2006. http://a257.g.akamaitech.net/7/257/2422/01jul20061500/edocket.access.gpo.gov/cfr_2006/julqtr/29cfr1604.10.htm (accessed July 15, 2007).

Lea Hanson

NOTES

1. Civil Rights Act of 1964, Title VII, para. 1.
2. Ibid., para. 3.
3. Ibid., para. 4.
4. Ibid.
5. Ibid., para. 7.
6. Ibid., para. 9.
7. Title 29, para. 2.
8. Title VII, para. 12.
9. Title VII; Title 29.
10. Ibid.
11. Title 29, para. 3.
12. Title VII, para. 15.

PRIMA FACIE

HRM professionals must be knowledgeable about employment-related statutes, and view compliance as both legal mandate and good business. That said, it is important for HRM professionals to understand the complexity and tenuous nature of this component of their mandate as it relates to stakeholder management. In short, HRM professionals involved with championing proactive employment law compliance will often need to strike a delicate balance between protecting the interests and rights of employees versus the interests and rights of the corporation.[1] This balance becomes increasingly delicate as an HRM professional advances to more senior-level leadership roles, particularly as a proxy-named executive. And the tenuous nature of this balance is particularly evident when an HRM professional is facing a *prima facie,* or "at first glance," case of employment discrimination.

EEOC and Prima Facie

Perhaps the most critical and central piece of employment-related federal legislation is the Civil Rights Act of 1964. It is designed to protect employees against unlawful

employment discrimination in the workplace. It is important to note here that the courts have long interpreted the designation of "employee" to also include applicants, current employees, and previous employees. Title VII also established the Equal Employment Opportunity Commission (EEOC), which is charged with overseeing Title VII. Essentially, any employer organization with more than 15 employees is beholden to Title VII.

Title VII is rightly regarded as the "cornerstone" of employment law. It specifically identifies the following as "protected classes," thereby forbidding illegal employment-related practices (e.g., selection, promotion, training, termination) based upon:

• Race
• Color
• Religion
• Sex (Gender)
• National origin

Subsequent EEO-related federal statutes have added the following to the original list of protected classes:

• Age
• Disability
• Pregnancy
• Marital status
• Military status

Thus, according to Title VII and the interpretive precedents established by court judgments, if an employer organization (for example, the Hooters restaurant chain) either *intentionally* through disparate treatment (e.g., establishing as a de facto requirement that Hooters waitstaff applicants be female) or *unintentionally* via adverse impact (e.g., the hiring rate for male waitstaff applicants at Hooters is not at least 80 percent of the hiring rate for female waitstaff applicants at Hooters) discriminates against employees relative to their membership in one of the protected classes listed above (in terms of Hooters, obviously gender is the primary protected class of concern), that employer organization is potentially guilty of *illegal discrimination.* In both of these situations, a *prima facie* case of employment discrimination has been established.

However, this does not mean that employer organizations cannot be discriminate in their employment practices.[2] In fact, EEO related statutes are in place to not only protect the rights of employees relative to *illegal discrimination,* but also the rights of employer organizations to *legally discriminate* in their employment practices. The Hooters restaurant chain has successfully done exactly this, on multiple occasions. To be specific, Title VII and the interpretive precedents established by court judgments allow an employer to rebut a *prima facie* case of employment discrimination in the following four ways:

• *Job relatedness*—For example, an organization can demonstrate that an employee must be able to repeatedly lift 75 pounds in order to perform the tasks associated with a position in the firm's distribution center, and justify the use of a physical strength test as part of the selection and screening process. Of course, this necessarily results in legal discrimination in regard to disabled employees, as well as many older or female employees.
• *Bona fide occupational qualification (BFOQ)*—For example, a university with an intentionally religious mission, such as Brigham Young University, can require that all tenure-track, full-time faculty be professing and practicing Mormons on that grounds that such a

requirement is essential to successfully performing the occupation of professor at such an institution, given its unique mission. In this case, applicants for faculty positions that are practicing Buddhists or even atheists would necessarily be subject to legal discrimination and denied tenure-track full-time faculty employment solely on the basis of their religious beliefs. This is the primary defense that the Hooters restaurant chain has successfully employed to demonstrate the legality of their discriminatory employment practices relative to gender. In short, Hooters has successfully demonstrated that it is a legitimate BFOQ for all waitstaff in their restaurants to be female, given the unique business purpose/mission and related business model of the firm.

- *Bona fide seniority system*—In essence, if an organization can demonstrate that an impartial seniority system has long been employed in making employment-related decisions then it may continue to do so, even if such systems unfairly impact members of protected classes. In such a case, it is an unfortunate truth that recent efforts to diversify the employee base of an organization may be "undone" if employee layoffs are necessary, as many recently hired employees may be members of traditionally underrepresented groups (for example, female firefighters).
- *Business necessity*—Lastly, consider the case of commercial airline pilots. The airline transportation industry has successfully demonstrated that a mandatory retirement age of 60 for commercial airline pilots is a business necessity to ensure the efficient and safe operation of the enterprise.

In short, it is the responsibility of the aggrieved employee(s) to demonstrate a *prima facie* case of employment discrimination. Once such a case is established, the burden of proof then shifts to the employer organization to demonstrate a justifiable reason for the discrimination based upon one or more of the four defenses outlined above.

See also Bona Fide Occupational Qualification; Equal Employment Opportunity Commission; Staffing: An Overview; Selection; Four-fifths Rule; Disparate Treatment/Disparate Impact

NOTES

1. Jeffrey A. Mello, "The Dual Loyalty Dilemma for HR Managers Under Title VII Compliance," *SAM Advanced Management Journal,* Winter 2000, 10–15.

2. J.D. Thorne, *A Concise Guide to Successful Employment Practices* (Chicago: CCH Incorporated, 2000).

Scott A. Quatro

PRIVACY ACT

The Privacy Act of 1974 prevents invasion of privacy through the misuse of records by federal agencies and grants people the right to access information the government maintains on itself. The Privacy Act states, in part, "No agency shall disclose any record which is contained in a system of records by any means of communication to any person, or to another agency, except pursuant to a written request by, or with the prior written consent of, the individual to whom the record pertains."[1]

The Privacy Act allows an individual access to how the federal government uses, collects, maintains, and disseminates government records, as well as how it grants access to personal information maintained by federal agencies. Furthermore, the Privacy Act

allows people to amend any incomplete, inaccurate, or irrelevant information, and provides access to information recorded by the executive branch of the federal government.[2] The executive branch includes "cabinet departments, military departments, government corporations, government controlled corporations, independent regulatory agencies, and other establishments in the executive branch."[3] Federal agencies that are subject to the Freedom of Information Act are also subject to the Privacy Act, and each agency administers requests for its records, whereby an individual may:

1. "Request notification of whether the Commission maintains a record pertaining to him or her in any system of records,
2. Request access to such a record or to an accounting of its disclosure,
3. Request that the record be amended or corrected, and
4. Appeal an initial adverse determination of any request."[4]

The Privacy Act grants rights to U.S. citizens and aliens admitted lawfully for permanent residence. Nonresident foreign nationals are not able to access records, except those records pertaining to that specific individual.[5] The Federal Trade Commission (FTC) handles individual record requests by searching a "systems for records," organized by seven categories, which include FTC personnel, FTC financial, law enforcement, mailing lists, correspondence, access requests, and miscellaneous systems.[6] A "system of records" is a group of records an agency identifies by an individual's name, social security number, or other form or identification. The Privacy Act does not typically apply to records kept by local and/or state governments or private organizations.[7]

Computer Matching and Privacy Protection Act of 1988

The Computer Matching and Privacy Protection Act of 1988 amended the Privacy Act of 1974. This amendment includes new provisions that regulate the use of computer matching. Computer matching is an electronic comparison of information about individuals to determine federal benefit program eligibility.[8] Matching programs involving federal records generally fall under a matching agreement between the recipient agency and individual source. Matching programs must outline the procedures and purpose of the matching records, as well as establish protections for matching records.[9]

The Computer Matching and Privacy Protection Act of 1988 requires notification of agency findings must be given to an individual before any adverse action is taken as a result of a computer-matching program. Moreover, opportunities must be granted to an individual to contest and/or independently verify any adverse findings/actions. While state and local agencies generally do not offer access to matching records, individuals must be granted the opportunity to contest any matching records, irregardless if they were performed by a federal, state, or local government.[10] Again, HR departments must account for such guidelines when establishing, managing, and maintaining employee records.

General Implications of the Privacy Act on Organizations

The Privacy Act establishes five basic requirements regarding an individual's access to personal information from a government agency, which organizations and their HR departments must consider when requesting information regarding potential or current employees. These requirements state that an agency must:

1. Allow individuals to view and copy records about themselves
2. Publish notices defining all systems of records
3. Make reasonable efforts to maintain relevant, accurate, complete and timely records about individuals
4. Establish rules governing the disclosure and use of personal information
5. Permit individuals to legally enforce their rights allowed under the act[11]

Many organizations have modeled their internal privacy policies after the Privacy Act, thereby creating rules for disclosure and use of employee information, allowing employees access to their own records, and having procedures for correcting inaccurate information. HR is responsible for disseminating information about internal privacy policies and federal and state privacy laws throughout all levels of the organization to ensure that all supervisors, managers, and leaders understand and support privacy rights.

Current innovations and trends pose challenges for companies and their duties to respect employees' privacy, maintain confidentiality, and provide employees and relevant stakeholders with work-related information. Computers, e-mail, telecommuting, and flexible work arrangements often blur the lines of personal and work-related time, resources, and responsibilities. As a result, public- and private-sector firms must develop security strategies and mechanisms to address the privacy concerns associated with providing personal information to employees, external customers, and other stakeholders.[12] Supervisors, managers, and HR personnel add value to their organizations by understanding and complying with privacy rules and laws, including the Privacy Act.

See also Privacy Rights; Workplace Privacy

NOTES

1. U.S. House of Representatives, *A Citizen's Guide on Using The Freedom of Information Act and The Privacy Act of 1974 to Request Government Records—Second Report by the Committee on Government Reform,* 109th Cong. 1st sess., Union Calendar No. 127, Report 109–226 (Washington, DC: U.S. Government Printing Office, 2005), 65.

2. Ibid., 22–23.

3. Ibid., 65.

4. U.S. Federal Trade Commission, "Freedom of Information Act and Privacy Act Handbook," http://www.ftc.gov/foia/foiahandbook.pdf (accessed December 7, 2007), 14.

5. U.S. House of Representatives, *A Citizen's Guide on Using The Freedom of Information Act,* 22–23.

6. U.S. Federal Trade Commission, "Freedom of Information Act and Privacy Act Handbook," 14.

7. U.S. House of Representatives, *A Citizen's Guide on Using The Freedom of Information Act,* 22–23.

8. Ibid., 23–24.

9. Ibid., 23–24.

10. Ibid., 23–24.

11. Ibid.

12. George R. Milne and Mary E. Gordon, "Direct Mail Privacy-Efficiency Trade-offs within an Implied Social Contract Framework," *Journal of Public Policy and Marketing* 12, no. 2 (Fall 1993): 206–15.

Matt Neibauer

PROTECTED CLASSIFICATION

Equal employment opportunity (EEO) laws prohibit discrimination in recruiting, hiring, or other terms or conditions of employment due to one's race, color, gender, religion, age,

disability, or veteran's status. EEO laws provide protection for individuals of these classifications, thus the term *protected classification.* Subcategories of people within each protected classification are *protected groups.* Men and women, for example, are protected groups within the protected classification of gender. Discrimination against anyone within the protected group or all protected groups is prohibited, not just the minority group. As a result, discrimination in employment against a man is equally unlawful as employment discrimination against a woman. Further, harassment of applicants or employees due to their membership in a protected class is unlawful, as it is considered a violation of Title VII of the Civil Rights Act (CRA) of 1964.

Title VII offered the first effective federal legislation banning employment-related discrimination. The CRA of 1964 covers employers of 15 or more workers for at least 20 weeks during the year. Since the passage of the CRA, additional federal and state laws banning employment discrimination have passed. Most state laws extend and strengthen the protections offered by federal law. Some states cover employers that are exempt from federal statutes, while others have expanded the number of groups of individuals deserving protection. For example, some states prohibit employment discrimination based on sexual orientation.

The CRA of 1991 strengthened the CRA of 1964 by expanding the remedies that may be awarded in discrimination cases. The 1991 amendment allows for both punitive and compensatory damages when discrimination has been found, and has identified the evidence necessary to prove discrimination claims, thereby making them easier to prove.

Protected Classes and Corresponding Legislation

The *protected classification/groups* as defined by the various EEO, federal, and state laws include race, color, religion, national origin, gender, age, disability, and veteran status.

Discrimination because of one's race, color, religion, gender, or national origin is prohibited by the Civil Rights Act of 1964, Title VII. Federal law does not currently recognize sexual orientation as a protected classification/group, although some states have enacted legislation affording such protections.

The Age Discrimination in Employment Act (ADEA) applies to nearly all companies with 20 or more employees and prohibits discrimination on the basis of age by protecting individuals who are age 40 and older.

The Americans with Disabilities Act (ADA) of 1990 prohibits discrimination against qualified individuals with disabilities. To prove discrimination, an individual must establish that he or she was denied employment due to a disability that could have been accommodated (Vocational Rehabilitation Act of 1973 requirement) and for which he or she was otherwise qualified to perform in terms of essential functions. Employer defenses include the individual's inability to perform essential job functions even with reasonable accommodation or the undue hardship that accommodation would impose on the employer.

Veterans are former members of the armed forces, including disabled veterans, recently separated veterans, Vietnam War veterans, or other protected veterans entitled to Veterans Administration disability compensation. The Vietnam Veterans' Readjustment Assistant Act of 1974 also requires government contractors to proactively hire veterans of the Vietnam era.

Compliance

Employers are encouraged to proactively comply with EEO antidiscrimination laws by using a multifaceted approach, including
- Engage in ongoing analysis of organizational human resource practices in light of EEO requirements
- Establish appropriate antidiscrimination policies and action plans
- Clearly articulate policies (including complaint filing and dispute resolution) to all employees, including supervisors, managers, and leaders
- Provide regular training on EEO law and requirements and encourage dialogue
- Encourage open communication and feedback
- Document, document, document all HR decisions, policies, and procedures

See also Age Discrimination in Employment Act (ADEA), Americans with Disabilities Act (ADA); Civil Rights Acts of 1964 and 1991

Resources:
Civil Rights Act of 1964, Title VII. http://www.eeoc.gov.

Ann Gilley

RAILWAY LABOR ACT

The Railway Labor Act (RLA) is a U.S. federal law that governs labor relations in the railway and airline industries. The act, passed in 1926 and amended in 1936 to apply to the airline industry, seeks to substitute bargaining, arbitration, and mediation for strikes as a means of resolving labor disputes.[1]

When people think of the Railway Labor Act, they think of railroads. However, the act is one of the most crucial laws passed in our nation's economic history. The RLA was enacted in 1926 as a means to keeping the American economy flowing without the disruption of railway labor disputes. While the act was passed to avoid any interruptions to commerce and operations, it also was a means of protecting employees' rights to join a union. The unionization of the railway workers really was the key factor of creating the act so that there would be minimal shutdowns of business railways.[2]

Antecedents to the Railway Labor Act

After the national railroad strike of 1877, which was put down with the intervention of federal troops, the U.S. Congress passed the Arbitration Act of 1888. This authorized the creation of arbitration panels with the power to investigate the causes of labor disputes and to issue nonbinding arbitration awards. This act was a complete failure. For example, only one panel was ever convened under this act, which was during the Pullman strike, and the government issued its report only after the strike had been obverted via a federal court injunction backed by federal troops.

Congress attempted to correct these shortcomings in the Erdman Act, passed in 1898. This act likewise provided for voluntary arbitration, but made any award issued by the panel binding and enforceable in federal court. It also outlawed discrimination against employees for union activities and prohibited "yellow dog" contracts whereby employees agree not to join a union while employed. It also required both sides to maintain the

status quo during any arbitration proceedings and for three months after an award was issued. The arbitration procedures were rarely used. A successor statute, the Newlands Act, passed in 1913, proved more effective, but was largely superseded when the federal government nationalized the railroads in 1917.

The Adamson Act (1916) provided workers with an eight-hour day and gave them the same compensation as they previously received for a ten-hour work day. This act also required time and a half for overtime. Another law passed in the same year gave President Woodrow Wilson the power to take possession and assume control of any system of transportation for transporting troops and war materiel. Accordingly, Wilson exercised that authority on December 26, 1917, when he ordered federal administrators to protect railroad workers' right to organize, which established a number of adjustment boards to settle employment disputes.

While Congress considered nationalizing the railroads on a permanent basis after World War I, the Wilson administration announced that it was returning the railroad system to its original owners. However, the Transportation Act of 1920 did preserve the adjustment boards used in the Adamson Act. This legislation created the Railroad Labor Board (RLB) with the power to issue nonbinding proposals for the resolution of labor disputes.

Unfortunately, the RLB soon destroyed its moral authority when in 1921 it ordered a 12 percent reduction in employees' wages, which the railroads were quick to implement. The following year, the RLB issued a declaration that outlawed a national strike organized by shop employees of the railroads. Accordingly, the Department of Justice obtained an injunction that carried out that declaration. From that point forward, railway unions refused to utilize the RLB.[3]

Overview

The Railway Labor Act has four separate purposes:
- Avoidance of interruptions to commerce and operations
- Protection of employees' rights to join a union
- Providing independence of carriers and employees to self-organization unions
- Settlement of grievances[4]

The RLA imposes a duty on carriers and employees to obtain and maintain collective bargaining agreements, and to settle all disputes. The RLA also provides mandatory procedures to regulate disputes regarding union representation and grievances. The RLA also postpones the ability of the parties to take action in bargaining disputes until they have completed an elaborate, time-consuming process involving negotiation. These negotiations are mediated by the National Mediation Board (NMB), which is an independent agency in the executive branch headed by a three-member board appointed by the president with the advice and consent of the Senate.[5]

See also Labor-Management Relations (Taft-Hartley) Act; National Labor Relations Act

Resources:

"About the Railway Labor Act." http://www.ourworld.compuserve.com.

"Highlights of the Railway Labor Act." http://www.fra.dot.gov.

Leslie, Douglas, ed. *The Railway Labor Act* (Washington, DC: BNA Books 1995).

"Railway Labor Act Outline." http://www.nmbfacts.com.

Wilner, Frank N. "Should the Railway Labor Act Be updated?" 2001, http://www.railwayage.com.

NOTES

1. Wikimedia Foundation, Inc., "Railway Labor Act,"http://en.wikipedia.org/wiki/Railway_Labor_Act

2. Brendan Bank, *Railway Labor Act,* University of St. Francis, http://www.stfrancis.edu/ba/ghkickul/stuwebs/btopics/works/railwaylaboract.htm (accessed August 20, 2008).

3. Air Line Pilots Association, Int'l, "Railway Labor Act," https://www.alpa.org/Default.aspx?tabid=242 (accessed August 20, 2008).

4. "Highlights of the Railway Labor Act," http://www.fra.dot.gov/us/content/955 (accessed August 20, 2008).

5. "The Railway Labor Act," Delta Pilots Web site, http://www.dalpa.com (accessed August 20, 2008).

Roger Odegard

REASONABLE ACCOMMODATION

The term "reasonable accommodation" has become a common word in many businesses with the enactment of the Americans with Disabilities Act (ADA) of 1990. The ADA was enacted to eliminate discrimination against persons with disabilities so that they can enjoy the same privileges and opportunities as those persons without disabilities. Under the act, it is the employer's responsibility to provide a reasonable accommodation for a person with a qualified disability. Since this law was put into place, there have been many questions about when it is necessary to provide a reasonable accommodation. In addition, there has been a lot of controversy about what constitutes a reasonable accommodation.

In 1992, the Rehabilitation Act of 1973 was amended to extend the reasonable accommodation privileges to federal agencies. In addition, Executive Order 13164, issued in 2000, furthered the protection for persons with disabilities by requiring that federal agencies develop written procedures for providing reasonable accommodations.

What is a Reasonable Accommodation?

A "reasonable accommodation" is adapting the job site or job requirements for a qualified person with a disability to enable that individual to enjoy equal employment opportunities. There are three categories of reasonable accommodations:

- *Application process modification or adjustments:* ensuring that the application process allows a person with a disability the same access as a person without a disability (an example would be to have job application forms available in Braille, or using very large print).
- *Essential functions:* making reasonable adjustments to allow a qualified person with disabilities to perform the essential functions of a job (examples may be purchasing particular equipment, or providing a sign language interpreter).
- *Employment benefits:* modification or adjustments ensuring that persons with disabilities can enjoy the same privileges of employment (an example would be facilitating a staff meeting in a location of the building that is accessible to a person in a wheelchair).

When using the term reasonable accommodation, the Americans with Disabilities Act provides several examples in which to accommodate a person with disabilities. These examples include:

- Making existing facilities used by employees readily accessible to and usable by individuals with disabilities
- Job restructuring
- Part-time or modified work schedules
- Reassignment to a vacant position; acquisition or modification of equipment or devices
- Appropriate adjustment or modifications of examinations, training materials or policies

- The provision of qualified readers or interpreters
- Other similar accommodations for individuals with disabilities

For example, if an employee, due to a disability, is required to attend doctor's appointments during regular business hours, it would be a reasonable accommodation to allow him flexible hours or to find another position that has hours that are not affected by these appointments.

Another example would be an employee who has a mental disability that affects the ability to retain information or causes social anxiety. In this case, some examples of reasonable accommodation would include giving all requests in writing, having daily planning meetings, or giving considerate and constant positive feedback.

When Is an Employer Required to Provide a Reasonable Accommodation?

An employer is required to provide a reasonable accommodation to persons with qualified disabilities. A disability, as defined by the ADA is:

- A physical or mental impairment that substantially limits one or more of the major life activities of the individual. A major life activity is a function that the average person can perform with little or no difficulty. Examples would include seeing, hearing, breathing, walking, speaking, sitting, and lifting;
- A record of such an impairment; or
- Being regarded as having such an impairment.

An employer is not required to reasonably accommodate a person who does not disclose a disability to his/her employer if it is not a visible disability. An employer may legally require documented proof, if the disability is not visible, before providing an accommodation.

Limitations to a Reasonable Accommodation

There is a distinction between a reasonable accommodation and an undue hardship. It is not a reasonable accommodation if it imposes an undue hardship. An undue hardship is an action that requires significant difficulty or expense to an employer. The burden of proof is on the employer to show that a specific accommodation causes an undue hardship. Typically, the larger the organization, the more ability the employer has to make a reasonable accommodation in terms of accessibility and cost, so it may be more difficult to prove an undue hardship. Factors to be considered in determining whether an accommodation is an undue hardship include:

- The nature and cost of the accommodation
- The overall financial resources of the facility or covered entity; the number of persons employed; and the effect on expenses and resources
- The type of operation or operations of the covered entity

Requesting a Reasonable Accommodation

A request for a reasonable accommodation must be made only for a reason related to a medical condition. An individual may request an accommodation either verbally or in writing. It is not necessary that the individual sites an "act" or uses the term "reasonable accommodation" in a request. A request can also be made for an individual by a family member, friend, health care provider or other representative.

Alternative Accommodations

If an individual has a qualified disability, the employer has some flexibility in granting an accommodation. The employer has the discretion to identify reasonable and appropriate alternatives. For example, if an employee with a qualified disability requires an ergonomically correct chair and requests a particular brand, the employer may decide if it will provide that particular brand or an alternative brand that is also ergonomically correct.

See also Americans with Disabilities Act (ADA); Undue Hardship

Resources:

The Americans with Disabilities Act of 1990. http://www.ada.gov.

 U.S. Office of Personnel Management.http://www.opm.gov.

Elizabeth Wheeler

RECORD RETENTION LAWS

Record retention requirements are unclear at best, and a legal quagmire at worst. Not only do federal and state laws apply, but organization size and federal contractor status also affect retention requirements. Three main categories of employment records exist: general employment files (e.g., applications, employment records, and advertisements); payroll files (e.g., time sheets, tax forms, and withholdings); and medical records (e.g., benefits, Family Medical Leave [FMLA] and workers' compensation information).

Due to the variations in state laws, this entry focuses on federal requirements for organizations covered by each specific employment law, with specifics for government contractors noted. Employers are advised to check applicable state statutes (including common law statutes) for information specific to their state.

General Employment Records

General employment records include employee-specific documentation related to basic demographical information (e.g., name, address, Social Security number, date of birth, and gender), application or resume, position information (e.g., job descriptions and classifications), INS Form I-9, employee mobility (e.g., promotion, demotion, transfer, and termination), training (e.g., selection criteria, training attended, and test results) and performance records. Additionally, general employment records include nonemployee-specific data, including job postings (e.g., internal and external advertisements), applicant records (e.g., nonhired applicant resumes and interview records), applicant demographics, seniority, and merit systems.

Employee-Specific Records

The general rule of thumb is that employee-specific records should be maintained for four years from the date of termination, unless a charge or lawsuit has been filed; then, relevant records should be kept until final disposition of the case.[1] Although some legislation actually requires a shorter time frame for retention due to the overlap of required information between statutes, this four-year blanket covers the requirements for any organization with greater than 15 employees imposed by Title VII of the Civil Rights

Act of 1964, the Age Discrimination in Employment Act (ADEA), the Americans with Disabilities Act (ADA), the Fair Labor Standards Act (FLSA), the Federal Insurance Contribution Act (FICA), the Federal Unemployment Tax Act (FUTA), the Federal Income Tax Withholding Act, the Employee Polygraph Act, and the Immigration Reform and Control Act. Additionally, this time period covers federal-contractor regulations covered by the Davis-Bacon Act, the Service Contract Act, the Walsh-Healy Public Contracts Act, and the Rehabilitation Act of 1973. The only exception to the four-year retention blanket is for organizations that use credit reports in employment decisions. As of June 1, 2005, revisions to the Fair and Accurate Credit Transactions Act require that any information derived from a credit report be shred immediately after use.

Nonemployee-specific Records

Title VII, ADEA, and ADA require that applicant information, including internal and external advertising, applications/resumes received, demographic information of applicants and interview notes for nonhired individuals be retained for one year from submission. Additionally, these statutes maintain that policies and procedures on seniority and merit systems should also be maintained for a minimum of one year. Federal contractors or organizations under legal order are required to maintain affirmative action plans and are required to maintain this data, in addition to the yearly action plan, for two years due to requirements in the Vietnam Era Veterans' Readjustment Assistance Act, Executive Order 11246, Rehabilitation Act of 1973, and Uniform Guidelines on Employee Selection Procedures. It may be advisable for all organizations to keep applicant records for two years to provide evidence of hiring practices in the event of a discrimination suit.[2]

Payroll Records

Payroll records include basic employee demographic data, payroll amounts and dates, time sheets, overtime worked and paid, deductions and federal withholdings, tips, annuities and/or pension payments, and tax withholding forms.

Similar to the requirements for employee-specific records, payroll records should also be subject to a four-year rule of thumb. However, unlike general records that should be maintained from the date of termination, payroll records should be retained on a rolling year based on the record date. Although some statutes require less time, a four-year retention policy will cover all the legal requirements from the Equal Pay Act, FLSA, FICA, FUTA, and Federal Income Tax Withholding Act.

Medical Records

Concern over the use and the privacy of medical records in employment began with the Americans with Disabilities Act, but the implementation of the Health Insurance Portability and Accountability Act made this an even greater concern for employers due to the staggering penalties for violating an employee's medical privacy. All medical records should be maintained separately from general employment records, a process that actually makes retention easier. To be compliant under ADA and FMLA, medical excuses, requests for accommodations, FMLA applications, and FMLA leave records should be maintained for three years after termination of employment. The Occupational Safety and Health Act (OSHA) requires that records relating to on-the-job injury be maintained for a minimum of five years for first-aid injuries, and a maximum of 30 years for

any injuries requiring major medical care or exposure to blood-borne pathogens or other toxins.

Finally, the Employee Retirement Income Security Act (ERISA) requires that all medical and retirement summary plan documents, pension reports, and any other insurance-related documentation (employee-specific of not) be retained for a minimum six years from the date of implementation (longer if the plan is still in effect).

Conclusion

After legal compliance, the most critical thing to remember regarding record retention is to follow the policies that your organization has implemented. This should include auditing the process and having a record of when files are scheduled to be destroyed, as well as their destruction date. Early destruction of documents may suggest that there is a desire to eliminate something incriminating, while late destruction, or nondestruction, of documents may increase the organization's liability in the event of legal or government investigation.

See also Affirmative Action

NOTES

1. Wallace Bonapart and Cornelia Gamlem, "Federal Record Retention Requirements for Employers," in *SHRM White Papers* (December, 2002), http://www.shrm.org/hrresources/whitepapers_published/CMS_000270.asp (accessed March 5, 2008).

2. Jonathan A. Segal, "Is It Shredding Time Yet?" *HR Magazine,* February 2003, 109–13.

Heather S. McMillan

RETALIATION

Retaliation is defined as "action taken in return for an injury or offense."[1] In the workplace, retaliation has occurred in the form of (adverse) changes in job duties, harassment, reduction in resources or support, demotion, and firing, to name a few. For example, the Supreme Court has stated that a change in job duties after an employee filed a harassment claim might be retaliation if it is "materially adverse" to a reasonable employee. This interpretation upholds the law "to prevent employers from interfering with employees' efforts to assert their rights under the laws that prohibit discrimination and harassment."[2]

While disciplinary action should be taken if an employee deserves it, retaliation against an employee is illegal and is an offense for which the employee can seek legal remedies in court. Retaliation against an employee has been known to occur when one "blows the whistle" against an employer and highlights wrongdoing or illegal activity, files a complaint (commonly discrimination) against an organization or one of its members, or otherwise engages in behavior or actions that somehow threaten another party.

Retaliation is considered illegal by numerous EEO laws, including Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, and the Age Discrimination in Employment Act. Therefore, it is important to understand the causes of retaliation, including reasons why an employee would feel that he or she is being retaliated against and the elements of a potential retaliation claim.

Reasons for a Retaliation Claim

Employees commonly cite two main forms of retaliation; denial of promotion and termination of employment. First, an employee may not have received a desired promotion in spite of his or her qualifications for the position (such as tenure, education, or productivity). Second, retaliation claims sometimes surface after an employee has been fired. Absent clear documentation of a history of performance issues, employees occasionally challenge a termination with claims of unlawful treatment due to their justifiable actions (such as complaints about workplace safety, harassment, or product defects).

Elements of a Retaliation Claim

Should a retaliation case be pursued by an employee, the employee as plaintiff must prove the following to establish a *prima facie* case. The plaintiff must prove that he or she engaged in a protected activity, suffered a loss or limitation of employment opportunity, and that there is a link between engaging in the protected activity and the loss or limitation of employment.

Should the plaintiff establish a *prima facie* case, the employer can still provide evidence that a lawful, non-retaliatory motive (such as poor individual performance, an overall reduction in workforce, etc.) was the reason for the employment decision. Thus, if the employee does build a case, the burden of proof shifts to the employer. Should the employer assert a lawful, non-retaliatory motive, the plaintiff must rebut the employer's claim by (1) providing evidence that sheds doubt on the credibility of the claim, and/or (2) providing other evidence supporting the claim of retaliation as being the most likely motive behind the decision.[3] Therefore, it is important for managers and HR personnel to guarantee that the motive for any disciplinary action against an employee does not adversely impact his or her employment opportunities to an unfair extent.

Implications for Managers

It is important to be aware of retaliation and its consequences, as well as its implications regarding dysfunctional organizational norms and culture. In 2004, the Equal Employment Opportunity Commission received 22,740 charges of retaliation based on all statutes enforced by EEOC, and resolved 24,571 claims.[4] Notably, retaliation cases are frequent—and carry associated fines, penalties, and legal costs. As a result, organizations, HR, and managers must be well schooled in EEO law and ways to prevent retaliation. Training, education, documentation, and continuous review of ever-changing laws are necessary to fully inform all organizational employees of the specifics and nuances of retaliation. Organizations should have well-defined and clearly communicated procedures for filing of complaints by employees, and prevention of retaliation by employers.

Conclusion

Retaliation cases are common. It is important to understand the precursors of a retaliation claim, the elements that constitute a claim, how retaliation cases can be prevented, and the legal and financial consequences to an organization of a retaliation claim. Employees who feel wronged by an employer may seek legal remedies that damage a firm's reputation or impose painful monetary penalties. HR and managers serve their employers

well by taking all necessary precautions to ensure that all organizational members comply with the law.

See also Americans with Disabilities Act (ADA); Civil Rights Act of 1964 and 1991; Documentation, Harassment

NOTES

1. Title VII of the Civil Rights Act of 1964, U.S. Equal Employment Opportunity Commission (EEOC) Web site, http://www.eeoc.gov/policy/vii.html (accessed December 1, 2007).

2. "Change in Job Duties Might Be Retaliation, Says Supreme Court," Nolo: Law Books, Legal Forms and Legal Software Web site: http://www.nolo.com/support/detail.cfm/ObjectID/0DA3665D-9424-4CEC-9ED3423E29029AAB (accessed August 20, 2008).

3. David Walsh, *Employment Law For Human Resource Practice* (Mason, OH: Thompson Higher Education, 2007).

4. EEOC, "Retaliation" (May 17, 2007), U.S. Equal Employment Opportunity Commission (EEOC) Web site: http://www.eeoc.gov/types/retaliation.html (accessed August 20, 2008).

Chris Armstrong

SOCIAL SECURITY ACT

The Old Age, Survivors,' Disability, and Health Insurance Program (OASDHI), better known as Social Security, was established by the Social Security Act of 1935. The four major categories of Social Security benefits are retirement, disability income, survivors' income, and Medicare.

Social Security is a type of social insurance funded by tax dollars, not a pension plan. Benefits are financed through a tax on employees and employers. Originally, an employee paid a 1 percent tax on the first $3,000 of annual income earned in covered employment; however, this base has increased gradually (e.g., to 6.2 percent of covered earnings up to $102,000 for 2008). The wage base increases automatically each year as earnings levels rise. The base tax covers all but the Medicare element of Social Security, which is financed by an additional 1.45 percent tax on all earned income. The employee's contribution is matched by an identical contribution from his or her employer. The Medicare tax applies to all earned income; no taxable wage base exists.

Worker Eligibility

Workers may receive Social Security benefits only if they have met certain tests based on the length of service for which OASDHI taxes have been paid. A worker earns a credit for each quarter worked, up to a maximum of four quarters per year. A person is fully insured after having worked in covered employment for 40 quarters (10 years). For individuals born prior to 1929, however, fewer credits are required.

Retirement Benefits

Workers born in 1937 or earlier reach their full retirement age at 65; however, they may receive reduced benefits as early as age 62. To enhance Social Security's financial solvency and account for the increase in life expectancy, the full retirement age will gradually

increase to age 67. An eligible worker may receive reduced benefits at age 62 regardless of the worker's required full retirement age.

A worker's monthly retirement benefit is based on his or her average indexed monthly earnings (AIME). The indexing year is the second year before the worker reaches age 62, becomes disabled, or dies, whichever comes first. Social Security benefits will automatically adjust each year for changes in the cost of living (e.g., 2.3 percent in 2008).

Earnings Test. Individuals may lose monthly benefits if their earned income rises above certain limits. Beneficiaries under the full retirement age will lose $1 in benefits for each $2 in earnings above the annual limit (which was $13,560 in 2008). In the calendar year in which the beneficiary attains full retirement age, $1 in benefits will be deducted for each $3 in earnings above the limit (which was $36,120 in 2008). The earnings test is eliminated in and after the month that the beneficiary attains full retirement age. As a result, those who have attained full retirement age or beyond can earn any amount and receive full benefits. The earnings test does not apply to certain non-earned income, such as investment income, interest, dividends, rents or leases, or annuity payments.

Disability Income Benefits

Social Security provides payment of disability benefits to workers who have met minimum work criteria. The benefit amount depends on the disabled person's earnings history and is increased if the worker has dependents. Each eligible dependent may receive one-half of the benefit payable to the disabled worker, subject to a family maximum.

Workers seeking disability benefits must provide proof of the disability, specifically in the form of medical evidence that the insured is unable to engage in gainful work activity. The disability must be expected to last at least 12 months, and is subject to a five-month waiting period.

Survivors' Benefits

Dependents of covered workers who die may receive Social Security survivors' benefits, payable monthly as long as the survivors meet specific eligibility requirements. Widows and widowers are entitled to receive Social Security benefits as long as they have dependent children under the age of 16, and again upon reaching age 60. Surviving spousal benefits may be reduced, however, if he or she earns more than a specified amount ($13,560 in 2008, for those below the normal retirement age). Children of deceased eligible workers may also receive survivors' benefits until they reach age 18 (22 if disabled). The monthly benefit amount depends on the earnings of the deceased worker, subject to specific minimum and maximum levels.

Medicare

Medicare was created by Congress in 1965 to provide health insurance for individuals age 65 or older. Initially, Medicare was comprised of two components: a compulsory hospital plan (Part A) and a voluntary medical insurance plan (Part B). A third part, an optional prescription drug benefit (Part D), became effective in 2006. Medicare's hospital insurance, referred to as Part A, covers inpatient hospital care, skilled nursing home care, home health services, and hospice care. Medicare's supplemental medical insurance, called

Part B, provides coverage for medically necessary doctor bills and related expenses (e.g., diagnostic X-ray and laboratory tests, physical and occupational therapy, medical equipment and supplies, ambulance services, organ replacements, and artificial limbs, to name a few). A monthly premium is charge for each part of Medicare. Persons who are covered under Part A are automatically covered under Part B unless they voluntarily decline the coverage. Individuals and their employers pay a tax of 1.45 percent on unlimited wages (unlimited) to fund Medicare.

See also Payroll

Resources:
Social Security Act of 1935.
 Social Security Administration Web site: http://www.ssa.gov.

Jennifer A. Majkowski and Ann Gilley

TRADE ADJUSTMENT ASSISTANCE ACT OF 2002

President George W. Bush signed the Trade Adjustment Assistance Reform Act of 2002 (TAA) into law on August 6, 2002. The TAA is a federally funded employment program that assists workers whose jobs have been lost (or whose hours of work and wages have been reduced) due to foreign imports. Workers may be eligible to receive one or more of the following services: training services, reemployment services, job search allowances, relocation allowances, and a health coverage tax credit (HCTC). Additional weekly trade readjustment allowances (TRA) may be available to eligible workers whose unemployment benefits are exhausted, although benefits are typically paid only if a person is enrolled in or has completed an approved training program. Workers not qualified for TRA may still be eligible for training, job search and relocation allowances, and reemployment services.

Eligibility for TAA

The TAA is funded by the Employment and Training Administration (ETA) of the U.S. Department of Labor (DOL) and administered by each state's employment security agency (or any agency designated by the governor to provide reemployment services under the TAA program). Upon a layoff or work reduction, a petition for TAA must be filed with the DOL and the state TAA coordinator by one of the following: (1) a group of three or more workers, (2) a certified union official or representative, (3) an official of the employer/firm, (4) a one-stop agency or partner agency, or (5) a state dislocated worker unit staff person. A community-based organization may not petition. The DOL has 40 calendar days to complete its investigation and decide on eligibility. The two types of eligibility are group and individual, with a different process applying to each.

Group Eligibility
The DOL reviews a petition on behalf of a group of workers in a particular company and determines whether they are eligible to apply for TAA benefits. If so, the group is "certified."

Individual Eligibility

The local state employment security agency or workforce center reviews applications from individual workers whose group petition has already been certified and determines which TAA program benefits the worker is eligible to receive. Applicants must meet three eligibility requirements; they must (1) have lost their job or been "partially separated" (average weekly work hours and pay reduced by at least 20 percent), (2) belong to a group of employees certified by the DOL as qualifying for TAA benefits, and (3) have been laid off or partially separated on or after the impact date and before the termination or expiration date of the certification.

Resources:

U.S. Department of Labor
Employment and Training Administration
Division of Trade Adjustment Assistance, Room C-5311
200 Constitution Avenue, NW
Washington, DC 20210
1-866-4-USA-DOL
http://www.dol.gov
http://www.doleta.gov/tradeact/2002
http://www.fortress.wa.gov/esd/portal/training/laidoff/taa_html

Ann Gilley

UNDUE HARDSHIP

In 1990, President George H. W. Bush signed the Americans with Disabilities Act (ADA).[1] The law was enacted as a measure to prevent discrimination against individuals with real or perceived disabilities. The law applies to employers with 15 or more employees and covers every aspect of the employment relationship from the advertisement of a position through hiring, training, discharge and discipline. Under the ADA, a disabled employee may request a reasonable accommodation to assist in his/her ability to perform essential job functions. However, employers are not required to supply a reasonable accommodation if it would cause *undue hardship* to the employer.

Undue Hardship—Defined

Under the ADA, an accommodation could cause undue hardship depending on:

- The cost of the requested accommodation
- The potential interference with the functioning of the business
- Whether the accommodation is substantial for the operation

As part of this analysis, one must examine the size, structure, and resources of the company. Also, the employer must carefully document all efforts to make the accommodation, including efforts to seek funding for the measure through an external source, such as a vocational rehabilitation organization. In some situations, one might find a federal or state tax credit to minimize the financial implications of the accommodation. Finally, the employer should consider allowing the employee the opportunity to make the accommodation through an alternative idea or his/her own financial resources.

Practical Implications

An employer's responsibility for the ADA begins at the time of recruiting for a position. Therefore, human resource practitioners must review recruitment procedures to guarantee conformity with the ADA guidelines.

Further, human resources departments must take care to educate employees about their rights under the ADA. Once an accommodation has been requested, one must make a good faith effort to accommodate in the company's best interests.

Whether an accommodation is reasonable or causes an undue hardship for a business is a matter for case-by-case analysis. The employer is well advised to open a dialogue about the accommodation with the requesting employee or applicant. In many situations the employee will have an idea for a reasonable accommodation that will meet the standards of the act.

See also Americans with Disabilities Act (ADA); Reasonable Accommodation

Resources:

Internal Revenue Service (tax credit information), (202) 622-6060. Job Accommodation Network provides technical assistance on making Accommodations. 1-800-526-7234.

 U.S. Department of Labor, ADA Disability and Business Technical Assistance, 1-800-949-4232, http://www.dol.gov/dol/welcome.htm.

 U.S. Equal Employment Opportunity Commission, 1-800-669-3362 (voice) 1-800-800-3302 (TT).

NOTES

1. U.S. Equal Employment Opportunity Commission, "Undue Hardship," http://www.eeoc.gov/policy/docs/accommodation.html#undue (accessed February 14, 2007).

Laura Dendinger

UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT ACT

The Uniformed Services Employment and Reemployment Act (USERRA) is a federal law that provides reemployment rights for veterans and members of the National Guard and Reserve Component following qualifying military service. Enacted in 1994, USERRA prohibits employer discrimination against any person on the basis of that person's past military service, current military status, or obligations or future intent to join one of the country's uniformed services. Although the roots of USERRA can be traced back to World War II, there has been a recent resurgence of USERRA-related activity given the increasing dependence on Reserve and Guard forces in the Global War on Terror, other military operations, and noncombat disaster relief.

USERRA significantly strengthened and expanded protection regarding civilian job rights and benefits for veterans and members of the Reserve Component (to include the National Guard). The law covers all employers, regardless of size. A civilian employer, with few exceptions, is legally required to place the employee in a military leave status and extend reemployment rights upon return. USERRA protects service members' rights and benefits by clarifying the law, improving the enforcement mechanisms, and provides eligibility to receive Department of Labor assistance in processing claims.

As defined in Title 38 U.S. Code, Chapter 43, Sections 4301–4334, Public Law 103-353, those protected under USERRA are employees "in service of the uniformed services"

either in a voluntary or involuntary status and include the following:

- Active duty
- Active duty for training
- Initial active duty for training
- Inactive duty training
- Full-time National Guard or Reserve duty
- Absence from work for an examination to determine a person's fitness for any of the above types of duty
- Funeral honors duty performed by National Guard or Reservists
- Duty performed by intermittent employees of the National Disaster Medical System, which is part of the Department of Homeland Security—Emergency Preparedness and Response Directorate (FEMA), when activated for a public health emergency and approved training to prepare for such service[1]

The "uniformed services" consist of the following:

- Army, Air Force, Navy, Marine Corps, or Coast Guard
- Army Reserve, Air Force Reserve, Naval Reserve, Marine Corps Reserve, or Coast Guard Reserve
- Army National Guard or Air National Guard
- Commissioned Corps of the Public Health Service
- Any other category of persons designated by the president of the United States in times of war or emergency[2]

USERRA expands the cumulative length of time that an individual may be from work for military duty and retain reemployment rights to five years (previously, it was four years). However, there are important exceptions that may lengthen the period of protection, such as initial enlistments lasting more than five years and involuntary active duty extensions, recalls, and mobilizations—especially during a time of national emergency. Reemployment protection does not depend on the timing, frequency, duration, or nature of an individual's service. The law also provides enhanced protection for disabled veterans, requiring employers to make reasonable efforts to accommodate the injury. Service members convalescing from injuries sustained while in military uniform now have two years to return to their job.

USERRA also provides that returning service members are reemployed in the job that they would have attained had they not been absent for military duty (the long-standing "escalator" principle), with the same seniority, status, and pay, as well as other rights and benefits determined by seniority. It also provides that reasonable efforts (e.g., training) be made to returning service members to refresh or upgrade skills to help them qualify for reemployment. The law clearly provides for alternative reemployment positions if the service member cannot qualify for the "escalator" position.

Health and pension plan coverage for service members is also covered by USERRA. For military service of less than 31 days, health care coverage continues as if there was no break in employment. For military service over 30 days, the service member may elect to continue employer sponsored health care for up to 24 months; however, they may be required to pay 102 percent of the required premium. All pension plans are protected under USERRA, and military service must be considered service with an employer for vesting and benefit accrual purposes.

USERRA also requires service members to provide advance written or verbal notice to their employers for all military duty unless giving notice is impossible, unreasonable, or

precluded by military necessity. An employee should provide notice as far in advance as is reasonable under the circumstances. Time limits for returning to work depend on the duration of a person's military service. For military service 30 days or under, an employee must report back to work on the first regularly scheduled work period following completion of service. For military service between 31 and 180 days, an employee has 14 days to submit an application for reemployment. For service of 181 or more days, an employee must submit the application for reemployment within 90 days.

See also Military Leave

NOTES

1. U.S. Department of Labor, Veterans' Employment and Training Service, "A Non-Technical Resource Guide to the Uniformed Employment and Reemployment Rights Act—USERRA," (U.S. Government, April 2005), 1–18.

2. Ibid.

Victoria T. Dieringer

VOCATIONAL REHABILITATION ACT

The Vocational Rehabilitation Act is federal legislation that authorizes the "formula grant programs" of vocational rehabilitation, supported employment, independent living, and client assistance, that further authorizes a variety of training and service discretionary grants that are administered by the Rehabilitation Services Administration. Additionally, the act authorizes research activities administered by the National Institute on Disability and Rehabilitation Research along with the work of the National Council on Disability. The act also includes a variety of provisions focused on the rights, advocacy, and protections for individuals with disabilities.[1]

The Vocational Rehabilitation Act of 1973

In 1973, the federal government enacted the Vocational Rehabilitation Act, which required all executive agencies and both contractors and subcontractors who receive more than $2,500 annually from the federal government to engage in affirmative action for individuals with disabilities. The government designed this act to encourage employers to actively recruit qualified individuals with disabilities and to make reasonable accommodation to assist them in becoming active members of the labor market. The Employment Standards Administration of the Department of Labor enforces this act.[2]

Section 503 of the Rehabilitation Act requires that all federal contractors take affirmative action to employ and advance qualified people with disabilities. Under Executive Order 11246, contractors and subcontractors to the federal government are required to develop a written affirmative action plan designed to ensure equal employment opportunities to any qualified person with a disability. These plans are monitored by the Office of Contract Compliance Programs (OFCCP) within the U.S. Department of Labor.

Americans with Disabilities Act (ADA) of 1990

In 1990, Congress passed the Americans with Disabilities Act, which extended the rights and privileges of disabled employees of federal contractors under the Rehabilitation Act of 1973.[3] The ADA stipulates that qualified individuals with disabilities may not be

discriminated against by a private-sector organization or a department or agency of a state or local government employing 15 or more employees in terms: *"if the individual can perform the essential functions of the job with or without reasonable accommodation."*

The Equal Employment Opportunity Commission (EEOC) Policy, *Guidance on Reasonable Accommodation Under ADA,* suggests the following process for assessing reasonable accommodations:[4]

1. Look at the particular job involved; determine its purpose and its essential functions.
2. Consult with the individual with the disability to identify potential accommodations.
3. If several accommodations are available, preference should be given to the individual's preferences.

Further clarification stated that public facilities such as restaurants, grocery stores, doctor's offices, shopping centers, hotels, and the like must be made accessible to the disabled unless undue hardship would occur for the business. There have been numerous lawsuits and Supreme Court deliberation on what is and what is not considered "undue hardship" for a business to make the adjustment as ordered. With the addition of the ADA, the Rehabilitation Act now prohibits discrimination based on disability in all employment practices to include job application procedures, hiring, terminating, compensation, training, and promotion. The new ADA defines disability as a physical or mental impairment that substantially limits one or more major life activities, to include having a record of such impairment, or being regarded as having such an impairment to exist.[5]

Therefore, the addition of the ADA covers physiological disabilities such as cosmetic disfigurement and anatomical loss affecting the neurological, musculoskeletal, sensory, respiratory, cardiovascular, reproductive, digestive, hemic, genitourinary, or lymphatic systems. Additionally, it also covers mental and psychological disorders such as mental retardation, organic brain syndrome, emotional or mental illness, and learning disabilities. Situations that are not included are obesity, substance abuse, eye and hair color, and those who are predominately left-handed.

See also Americans with Disabilities Act (ADA); Reasonable Accommodation; Undue Hardship

NOTES

1. Ed.gov, "The Rehabilitation Act," review of Reviewed Item., no. (n.d.), http://www.ed.gov/policy/speced/reg/narrative.html (accessed August 20, 2008).
2. Ibid.
3. Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright, *Human Resource Management: Gaining a Competitive Advantage,* 4th ed. (Boston: McGraw-Hill Irwin, 2003).
4. H. John Bernardin, *Human Resource Management: An Experiential Approach,* 4th ed. (Boston: McGraw-Hill, Irwin, 2007).
5. The Americans with Disabilities Act of 1990, http://www.ada.gov.

Frank E. Armstrong

WARN ACT

The Worker Adjustment and Retraining Notification (WARN) Act of 1988 created specific requirements for employers who are facing significant organizational downsizing.

This law provides employees with advance time to prepare for the transition between jobs, search for a new job, or seek training opportunities, and it reduces the impact of the layoff or plant closing.

Employers are covered by WARN if they have 100 or more full-time employees, or if they have 100 or more full-time and part-time employees who combined work at least 4,000 hours per week at all employment sites. Part-time employees include those employees who work less than 20 hours per week, or employees who have been employed with the company for less than six months. Employers who are private for-profit, private nonprofit, or quasi-public entities are covered by the WARN guidelines. Federal, state, and local government employers that provide public services are not covered by WARN.

WARN Notice Triggers

The WARN Act requires covered employers to provide written notice at least 60 calendar days prior to an employment loss due to a plant closing or mass layoff. The plant closing or mass layoff may be either permanent or temporary to trigger WARN.

Employment Loss

An employment loss is the involuntary termination of employment, a layoff for more than six months, or a reduction in an employee's hours of more than 50 percent for each month of a six-month period.

Plant Closing

A plant closing occurs when there are at least 50 or more employment losses for full-time employees. Plant closing employment losses may be a result of either a temporary or permanent shutdown of an entire single site, or one or more facilities or operating units within a single employment site.

Mass Layoff

A mass layoff triggering the WARN Act can occur in two possible situations: (1) when there are 50–499 employment losses during any 30-day period for full-time employees, and those employees make up at least 33 percent of the workforce at a single site, or (2) when there is an employment loss of 500 or more full-time workers during any 30-day period at a single employment site.

Exceptions to the Act

The law does acknowledge that there may be instances in which advance notice may not be possible. In the event of unforeseeable business circumstances, natural disasters, or a faltering company, WARN does allow exceptions to the 60-day notice rule. The exception does not remove the employers' obligation to provide notice. The employer is still obligated to give notice as soon as possible and also must provide a statement as to why the notice period was reduced.

Unforeseeable Business Circumstances

WARN defines an unforeseeable business circumstance as a sudden, dramatic, and unexpected action or condition outside the employer's control. Examples include the sudden cancellation of a major contract or a strike at a key materials supplier.

Natural Disasters

When a plant closing or mass layoff is due to a force of nature, such as an earthquake, flood, tornado, or similar event, the natural disaster exception to the 60-day notice may apply.

Faltering Company

The faltering company exception to WARN will apply in circumstances in which the company is actively seeking funding or business capital that would enable the employer to avoid a layoff or shutdown. If these efforts fail and result in a mass layoff or plant shutdown, they may have protection from the 60-day notice period due to the faltering company exception.

Contents of the WARN Notice

Employers impacted by WARN must provide notice to affected nonunion employees, union representatives of affected unionized employees, the appropriate state dislocated worker unit, and the chief elected officer of the local government where the employment site is located.

The WARN notice must be in writing and must contain specific information about the upcoming mass layoff or plant closing. Elements that should be included in the WARN notice are:[1]

1. The name and address of the site where the plant closing or mass layoff will occur.
2. The name, address, title, and phone number of the company official to contact for further information.
3. Information as to whether the planned action is expected to be permanent or temporary, and if the entire facility is to be closed.
4. Information of whether bumping rights, the right to displace other workers, will exist.
5. The date when the plant closing or mass layoff is expected to take place.
6. The number of affected employees.
7. Information about which employees will be affected and the schedule for employment losses.
8. Identification of any union representatives or the affected employees.

Penalties

Employers who fail to give appropriate notice may be subject to a penalty equal to the back pay and benefits to each employee for the length of the violation, up to 60 days. The liability can be reduced for wages paid over the notice period or any voluntary payments the employer made to its employees that was not required by law.

Employers may also be liable for civil penalties of up to $500 per day, when the employer has not provided proper notice to the unit of local government.

Conclusion

The WARN Act is an important law affecting employee rights. Employers who are faced with downsizing are not restricted from taking necessary action needed for the economic stability of their business, but they do need to ensure that any action taken follows the guidelines established by the WARN Act.

Resources:

Ditelberg, Joshua L. *A Practical Guide to Workforce Reductions.* http://www.shrm.org/hrresources/lrpt_published/CMS_000974.asp (accessed July 24, 2007).

Society for Human Resource Management, *The SHRM Learning System Module 2: Workforce Planning and Employment.* Alexandria, VA: Society for Human Resource Management, 2007, 26–28.

U.S. Department of Labor, Employment and Training Administration, *Worker Adjustment and Retraining Notification (WARN) Act: Employer's Guide to Advance Notice of Closings and Layoffs* (Washington DC, 2003).

NOTES

1. U.S. Department of Labor, Employment and Training Administration, *Worker Adjustment and Retraining Notification (WARN) Act: Employer's Guide to Advance Notice of Closings and Layoffs* (Washington DC, 2003).

Shanan M. Mahoney

WHISTLE-BLOWING

Whistle-blowing is defined in its simplest form as the process of telling others, inside or outside the organization, of illegal or unethical behavior. For decades, public, private, and nonprofit organizations have been faced with the dilemma of dealing with whistle-blowers. For those "blowing the whistle," the road is paved with bitterness and possible retaliation from other employees or principals. For the organization, the results may be legal action or major damage to image and reputation. Therefore, it comes as no surprise that whistle-blowing has developed a predominately negative connotation.

There are several internal repercussions from whistle-blowing, and depending on how organizations respond to the employee who divulged the information, there may be external repercussions. Companies can, however, use whistle-blowing as a preventative measure to prevent illegal or unethical behavior that could have even bigger consequences.

Internal Repercussions

The most prevalent point of contention for managers surrounding whistle-blowing is that employees frequently break the chain of command. Many managers believe that by going either to the principals of the organization or to outsiders (the media, special interest groups, authorities, etc.), the employee is undermining their authority.[1] Employees who blow the whistle believe they are acting in good faith in most cases. The challenge here is that "illegal" and "unethical" is sometimes left up to individual perceptions.[2] The final determination must be made upon further investigation. Fortunately, however, under public policy exception to the employment-at-will doctrine, they cannot be fired for the practice.[3]

External Repercussions

Aside from the obvious legal action, organizations can experience great damage to their reputation resulting from allegations of illegal or unethical behavior. To complicate matters further, whistle-blowing is not limited to legal and ethical issues. Contemporary society also views wasting or inappropriate use of resources to be worthy of note to various

stakeholders. Nonprofit organizations are accountable to the public, while for-profit organizations are accountable to shareholders first, then other stakeholders (employees, community, etc.)[4] Ironically, Enron could have been saved if they had listened and taken action when a key employee blew the whistle. The conclusion is, therefore, that if companies form a clear policy for whistle-blowing and protect employees from termination and retaliation, they can benefit from this practice.

Whistle-blowing as a Preventative Measure

Organizations can proactively put steps in place to protect whistle-blowers, thereby discovering illegal or unethical behavior before it gets to the point of legal action or becomes damaging to the company's image. Most sources agree on the following steps to develop an effective whistle-blowing policy:[5]

1. Clear definition of individuals to be covered in the policy
2. Nonretaliation provisions for individuals who blow the whistle
3. Confidentiality
4. Clear process for reporting illegal or unethical acts
5. Communication of the policy to all stakeholders

Since today's organizations must put ethics at the forefront of strategic planning and operation, giving employees the courage to report illegal or unethical acts by creating a clear whistle-blowing policy is critical.

NOTES

1. R. Kreitner, *Foundations of Management: Basics and Best Practices* (Boston: Houghton Mifflin, 2005).

2. Thomas S. Bateman and Scott A. Snell, *Management: Leading and Collaborating in a Competitive World* (Boston: McGraw-Hill Irwin, 2007).

3. Ibid.

4. Tim V. Eaton and Michael D. Akers, "Whistleblowing and Good Governance." *CPA Journal,* June 2007, 66–71.

5. Ibid.

Brenda E. Ogden

WORKERS' COMPENSATION

Whether worker, manager, or business owner, worker's compensation is an important topic. Workers' or workmen's compensation can be defined as the system in which employers compensate employees either for duties performed or an injury sustained during the course of employment. Throughout history, employers and employees have been concerned about this topic.

History

Records show workers' compensation systems in ancient civilizations written in the code of Hammurabi around 1800 BC.[1] A few thousand years later, in the late 1800s, the

dawning of the Industrial Revolution brought the issue of workers' compensation to the foreground of American life. Workers crowded into factories and toiled long hours in less than ideal conditions. Industrialization and economic growth came at the price of injuries among the workforce. Injured employees lost jobs, incurred medical bills, and, in severe cases, lost the ability to earn a livelihood. Responding to these conditions, workers began suing employers to recover costs and sustain a living.[2] Courts were overrun, resulting in costly and time-consuming trials. Business owners and employees pushed for new laws specifically governing workers' compensation.

State and federal statues followed the public demand. In the early 1900s, most states developed their own workers' compensation laws; however, it was not until 1948 that all states had laws in place.[3] Since 1906, federal statutes oversee government employees, the District of Columbia, and longshoremen. In 1970, the Occupational Health and Safety Act (OSHA) enacted national regulations controlled by each state. While similarities exist in workers' compensation laws and in OSHA standards, each state has unique regulations.

The Basics

Federal and state laws cover major topics, including who is the employee and who is the employer, what constitutes a work-related injury, who will diagnose or treat the injury, in what time frame the injury must be reported, who will pay for work-related injuries, and the rights of the individuals involved.

Terms such as employee and employer must be defined so rights can be assigned. "Employee" is a technical term excluding independent contractors retained by companies. Typically, employees are hired and paid to perform specific supervised job duties, whereas independent contractors work on an informal basis.[4] Usually, an easy distinction is whether the individual is eligible to receive a 1099 form (independent contractor) or a W-2 form (employee) based on federal tax laws. Defining an employer varies by state laws. Generally, an employer is a business that "pays for services rendered"; in other words, one that has supervised employees.[5] Employers can range from a private, family-run business to a multibillion-dollar corporation.

Large and small employers deal with work-related injuries. To be considered work related, the injury must result from or be "in the course of employment."[6] Work-related injuries include lacerations, contusions, amputations, or other major physical trauma, along with repetitive motion injuries (tennis elbow), or injuries relating to ergonomics (improper body positioning). Work-related injuries may occur obviously or subtly over the course of many years.

The Process

Generally, an employee must report a work-related injury immediately after it occurs, or as soon after he knows it has occurred. If an employee fails to report an injury once it is known within the specified time frame, he may not be eligible for compensation.[7] Reporting time frames vary greatly by state. If the injury is not sudden, employees may not know if the injury is work related or not. If it is unclear if the injury is work related, it is important to seek a diagnosis from an occupational health professional.

Occupational health specialists are doctors or other medical professionals who are trained in recognizing and treating work-related injuries. Most have either studied or have experience within a particular industry or range of injuries.[8] Occupational specialists

focus on treating employees so they can return to work while avoiding reinjury. These professionals are skilled in treatment options and legal language, making them preferred by employers to diagnose and treat work related injuries. Usually, within the first 10 to 30 days, the employer can choose the provider, although an employee is always free to seek a second medical opinion.[9] Due to the experience and knowledge of an occupational health specialist, fewer questions are left unanswered, which speeds up the compensation process.

Compensation for injuries begins after the employee is diagnosed with a work related injury. Compensation may occur in the form of medical expenses being covered or through lost time earnings. Medical expenses are paid by the employer or the employer's insurance company.[10] Until an employee is able to return to work, he or she is compensated for lost wages due to the injury. Inability to work is defined as not being able to work until fully recovered, hours decreased during recovery, or disability resulting from the injury. Most states require a waiting period before lost wages will be compensated. In Michigan, for example the employee must be off seven consecutive days before wage loss compensation can begin.[11] Lost wages are not paid at 100 percent. The percentage or reimbursement varies by state and typically ranges between 60–80 percent.[12]

Employees are either directly compensated by employers (private funding) or employers' insurance companies. Not all states allow private funding. Those that do allow private funding require companies to prove they can meet financial obligations relating to injuries.[13] Insurance companies, or in some cases state-run insurance programs, have built a safety net into the system. Premiums are driven by how many claims a company makes based on the overall industry.[14] Consequently, companies with above-average injuries pay higher premiums. Unfortunately, this safety net can backfire. Employers that are unsafe do not always report injuries to their insurance providers; instead, they pay out of pocket. While this keeps company premiums low, it does not benefit employees or industries in which injuries are preventable with property safety techniques. Insurance providers have encouraged safety standards across the nation to lower compensation costs.

Rights and Responsibilities

With regards to workers' compensation, employees and employers have rights and responsibilities. When the injury is reported, employers are responsible to fill out an accident or injury report and submit the information to insurance or pay for treatment themselves. Further, an employee is entitled to all medically available and necessary treatment.[15] Under the workers' compensation system, the employee no longer has the right to sue the employer unless he or she can prove the employer willfully caused the injury.[16] If the insurance company denies the claim, or the worker is discriminated against by the employer, the employee may file a claim with her state's office for workers' compensation. A judge usually hears a case and makes a decision.[17] When evidence supports the injury, it is more than likely (above a 51 percent chance) that the judge will find for the employee.[18] Protecting the rights of all parties increases the fairness and accessibility of the system.

In summary, if an employee is injured, he should seek medical treatment and inform his supervisor or employer. The supervisor should submit an accident report, which human resources can provide to the insurance provider and medical professional. The insurance company, if the claim is approved, should begin paying medical bills and, when appropriate, begin compensating employees. In coordination with the medical

professional, preferably an occupational health specialist, the employee should continue treatment until returned to work or declared medically disabled. If a claim is denied, or the employee is discriminated against, counsel should be sought from the state's office for workers' compensation and, if necessary, an attorney. If the employer has concerns regarding the claim, it should do the same.

Importance

The process of workers' compensation is both proactive and reactive. Insurance companies encourage preventative programs and safety standards to prevent injuries. Cooperating at all levels in the organization to make these programs successful increases job satisfaction and the bottom line by decreasing risk factors among the workforce. When injuries do occur, prompt reaction by employers and employees helps prevent further injury and allows the workers' compensation process to begin. Employers should document every injury carefully. Someone from human resources should be assigned to gather information on what happened, who witnessed it, and how the injury took place. These investigations should happen immediately and privately, so no witnesses or information are compromised.

Finally, to be successful, the workers' compensation process requires legal cooperation and ethical involvement. Dishonest or unethical behavior is costly and time consuming, and breaks down the compensation process. Ethical responsibilities include providing accurate information, reasonable care, and the Golden Rule. Employers should, to the best of their ability, prevent injuries by providing job and emergency training. In return, if an employee is injured, he or she should provide accurate information to employers, physicians, and legal authorities in a timely manner. Next, employers should take reasonable care to ensure more employees are not injured in the same manner. Similarly, employees should perform job duties carefully to prevent injuring themselves or others. Lastly, both employers and employees should treat each other honestly. Workers' compensation has been and will continue to be an important reality of working life.

Resources:

National Academy of Social Insurance Web site: http://www.nasi.org/.

 U.S. Department of Labor, OSHA Web site: http://www.osha.gov/.

 Power, Robert D., and Fredrick Y. Fung. *Workers' Compensation Handbook.* San Diego, CA: KW Publications, 1994.

NOTES

1. Robert D. Power and Frederick Y. Fung, *Workers' Compensation Handbook* (San Diego, CA: KWP Publications, 1994).

2. Lewin G. Joel III, *Every Employee's Guide to the Law* (New York: Pantheon Books, 1996).

3. Price Fishback, "Workers' Compensation." *EH.Net Encyclopedia,* ed. Robert Whaples (August 15, 2001), http://eh.net/encyclopedia/article/fishback.workers.compensation (accessed August 20, 2008).

4. Joel, *Every Employee's Guide to the Law.*

5. Power and Fung, *Workers' Compensation Handbook.*

6. Barbara Repa, *Your Rights in the Workplace,* 5th ed. (Berkeley, CA: Nolo.com, 2000).

7. Power and Fung, *Workers' Compensation Handbook.*

8. Ibid.

9. Repa, *Your Rights in the Workplace.*

10. Power and Fung, *Workers' Compensation Handbook.*

11. Ibid.
12. Ibid.
13. Fred S. Steingold, *The Employer's Legal Handbook* (Berkeley, CA: Nolo.com, 2004).
14. Ibid.
15. Power and Fung, *Workers' Compensation Handbook.*
16. Joel, *Every Employee's Guide to the Law.*
17. Power, and Fung, *Workers' Compensation Handbook,* 37.
18. Ibid.

Betsy Nolan

WORKPLACE PRIVACY

Workplace privacy is much more a part of today's work environment than ever before. A number of issues contribute to the definition of workplace privacy. In the course of doing business in today's environment, a prudent company needs to become expert in all facets of workplace privacy. Consequently, organizations are under pressure to draft privacy policies as part of their employee handbooks. Some companies are taking a more proactive stance and dedicating specialized personnel to interpret laws and monitor employee actions related to privacy.

Workplace privacy is an issue related to the rights and reputation of organizations as well as to the rights and privileges of the employee, while at the same time examining where one's rights begin and end in relation to the organization. In a legal context, the courts are coming down on the side of employers. At the same time, organizations are feeling the need to formalize their positions in an effort to protect all concerned parties. This entry will examine key issues that must be spelled out in any privacy policy to protect all affected parties. It is critical to start from the premise that all employees should have an expectation of privacy, but not an explicit guarantee of privacy.

Privacy Expectations

The employee clearly has some expectations related to privacy. An employee must have an office or a safe place to carry out work-related tasks. This might be a place to store and protect files or related work from public view. An employee's access to the company network or Internet is password-protected. Not only does this protect the employee, but it protects the files of clients under the jurisdiction of the employee. It is important to note that the company and its representatives still have access to files even in a password-protected environment. Other exceptions to the employee's right to privacy follow.

Record Keeping/Personal Files

An organization can release confidential information about the employee without expressed permission of the employee to:
- Administration
- Supervisors
- Government entities
- As a support of a legal action

However, the employee has the right to expect confidentiality in a workplace investigation.

Prospective Employees

An integral part of some organizations' hiring processes is to obtain information from the state or federal bureaus of investigation. Even though this information is part of the public record, an employee has the right to expect that this information will be treated in a confidential manner. Information is also gathered through the reference-checking process for the prospective hire, which should remain confidential. The newly obtained information should remain confidential, especially when the employer elects not to make an offer based on the content of the reference check.

Employee Termination

In an effort to protect the organization, a number of employers err on the side of caution when sharing information with a perspective employer—electing to provide information only on dates of employment and title at the time employment was terminated. However, there may be risk to the company if the employee in question has committed an egregious act. If the details of that act remain confidential, is there any legal liability if a similar act is perpetrated in the subsequent work environment? Can the new employer or those parties on the receiving end of an adverse action file a successful suit against the original company if indeed the company fails to reveal aspects of the infraction?

Physical Privacy

An employee should have reasonable expectations of privacy when he or she has to change clothing in the workplace for work. This includes situations when employees would need to shower or other activities of a personal nature while in the workplace.

Employee Monitoring: What to expect?

With the increasing use of the Internet in the workplace, organizations' concern over employee e-mail as well as web browser activities is under scrutiny. The employee's general perception is that a private e-mail is private; another popular belief is that some Internet browsing is okay if it does not interfere with the employee's work. Nothing could be further from the truth. The computer, and all activities carried out on the computer, is under the jurisdiction of the company. A number of employers are monitoring their employees. The American Management Association confirms that workplace monitoring is not only happening, but is quickly becoming the norm. Monitoring is indeed ongoing, in most cases reflecting concerns of litigation or government agency investigations as well as productivity-related issues. This monitoring can take a number of forms:

- Videotaping employees
- Reviewing voice mail
- Listening to telephone conversations
- Checking computer files
- Reviewing e-mail
- Monitoring browser activity

Organizations should establish clear guidelines for monitoring employees. Employee monitoring is also at the discretion of the organization. The policy statement serves as official notification to employees; monitoring will take place as the company deems appropriate.

Privacy Policy and Guidelines

Guidelines for the use of technology (e-mail and Internet) in the workplace are critical. Technology is controlled by the organization, and its proper use and instruction must be

communicated by the organization. The organization is obligated to spell out clear expectations and guidelines to promote good practice.

Resources:

Electronic Communications Privacy Act of 1986. 18 U.S.C. 2510, or http://en.wikipedia.org/wiki/Electronic_communications_privacy_act.

"Perspectives on Privacy Law and Enforcement Activity in the United States" (revised August 15, 2002). http://www.ftc.gov/speeches/swindle/perspectivesonprivacy.htm.

Privacy for Consumers and Workers Act. http://www.loc.gov/law/find/headings/pdf/00161201005.pdf.

"Workplace Privacy and Employee Monitoring" (revised February 2006). http://www.privacyrights.org/fs/fs7-work.htm.

Carol Miller

WRONGFUL TERMINATION/DISCHARGE

Wrongful termination, also known as wrongful discharge, is a legal doctrine that emerged from the principle of "employment at will." Employment at will states that employers can discharge (fire) an employee for a good reason, a bad reason, or no reason at all. Additionally, employees may *quit* for a good reason, a bad reason, or no reason at all. On the surface, this principle seems like a win-win situation for both parties. Over the years, however, employees began contesting their discharge in court, and the wrongful discharge doctrine was the result. The doctrine requires that employers have a job-related reason to terminate employees.[1] The good news for employees is that organizations can no longer fire them arbitrarily. The implications for organizations are also clear; they must be accountable for keeping accurate employment records, providing job-related performance appraisals, and monitoring employee performance if they have any hopes of making a case against wrongful termination claims. Employers' first defense against these claims is knowledge of basic employment law.

Knowing the Law

Before deciding if an employee can be fired for certain reasons, employers must first know the reasons why he *cannot* be fired. The Civil Rights Act, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the National Labor Relations Act prohibit employers from firing employees for multiple reasons. A basic listing of these reasons, although not an exhaustive list, includes race, sex, age, religion, physical or mental disability, participation in organized unions, and whistle-blowing.[2] Employers are charged with making a case for legal termination that is so solid, employees cannot claim any of the aforementioned reasons as basis for the firing. For many organizations, especially smaller ones that do not have developed or formal human resources departments, this is not an easy task. Therefore, employers need to be vigilant regarding documentation and employee feedback to stay one step ahead of the legal system.

Avoiding Wrongful Termination Suits

The key to avoiding lawsuits for wrongful termination lies in clear policy communication and documentation. While some policies may present gray areas, most are written to

protect both the employer *and* employee, and when they are clearly communicated so everyone has clear expectations, they will go a long way to keep companies out of the courtroom. For example, policies are normally written to address absenteeism, tardiness, fraternizing with other employees or clients and customers, accepting gifts from inside or outside customers, vacation, personal time, sick time, etc. While this is not a comprehensive list of policies typically held by companies, it represents the most common.

Once these policies are clearly communicated to employees, the employer is responsible for (1) holding the employee accountable to the policies, and (2) documenting each violation and keeping accurate records. Most policies are easily documented; it is not complicated to keep track of absenteeism, tardiness, personal time, etc. Beyond keeping good records, employers need to communicate violations, large or small, to employees and remind them of company policy. Performance appraisals provide a prime opportunity to communicate this information. Making sure that (1) feedback is linked directly with performance and (2) communicated violations are linked with clear company policy is critical.

Conclusion

No one can prevent employees from retaliating against organizations by filing legal action out of anger for being discharged. However, with clear policy and documentation, organizations can avoid long court battles and bad press that could have unfavorable results.

While many of today's companies face valid legal claims surrounding wrongful discharge, one recent case involved a high-level marketing employee that Wal-Mart claims fraternized with a subordinate and accepted gifts from a potential business partner; both actions violated Wal-Mart company policy.[3] They may face a minor blow to their reputation when instances like this reach the public, but holding fast to their position based on a clear violation of policy will provide procedural justice in the eyes of employees.

See also Disciplinary Procedures; Documentation; Termination

NOTES

1. C. Williams, *MGMT* (Mason, OH: Thomson South-Western, 2008).

2. R.S. Schuler and S.E. Jackson, *Human Resource Management: Positioning for the 21st Century* (New York: West Publishing Co., 2003).

3. M. Conlin and R. Berner, "Out For Blood? Who You Gonna Call?" *Business Week,* June 25, 2007, 39.

Brenda E. Ogden

THE PRAEGER HANDBOOK
OF HUMAN RESOURCE
MANAGEMENT

This page intentionally left blank

The Praeger Handbook of Human Resource Management

Volume 2

Ann Gilley
Jerry W. Gilley
Scott A. Quatro
Pamela Dixon

For my family and friends, who inspire me daily—especially my husband, Jerry and my mother, Connie. And for those who guide me in spirit—Ann, Richard, Sig, and Bert.

   Ann Gilley

For my best friend, Ann, and for our girls—Lakota Sioux, Pepper Lee, and Abby Rose. You are the sweetness in my life.

   Jerry W. Gilley

First, I must acknowledge my colleagues and co-editors Jerry Gilley, Pam Dixon, and especially Ann Gilley. Ann, you took on an incredibly complex project and brought it to a successful completion, and managed to remain gracious in the heat of the battle. Thanks for the opportunity to contribute to the project.

I also wish to acknowledge the academic leadership at Covenant College, specifically my Department Chair Chris Dodson, for ensuring that I had adequate course release time to take on this project.

Lastly, I dedicate my efforts on this book to my wife Jamie, and to the "Quattro, Quatro" kids—McKenna, Keaton, Hallie-Blair, and Hudson. You are the "face of God" to me.

   Scott A. Quatro

For my mother, Mary, who taught me the meaning of perseverance, sacrifice, creativity, and generosity.

   Pamela Dixon

This page intentionally left blank

Contents

VOLUME TWO

This page intentionally left blank

Part II
Organizational Issues

This page intentionally left blank

Chapter 6

Leadership and Strategy

Leadership—An Overview[1]

The Contemporary State of Leadership and Leadership Development

The recent rash of high-profile corporate failures has raised a great deal of concern regarding the soundness of leadership philosophies and practices. The contemporary climate demands an investigation of these concerns. Consequently, there is a renewed focus on the means through which effective leaders are developed. Many thought leaders are calling for such investigation, soundly criticizing management education and leadership development mechanisms, be they corporate or business school-based, as conduits through which fragmented and misguided leaders are often produced.[2] Clearly, there is a call for radical reform of leadership development.

Concurrent with this is the very real need for HR to act as a driver of this reform, and as a catalyst and means through which outstanding, holistic corporate leaders are developed. Well-rounded leaders that are adept at leading in an increasingly complex business environment are sorely needed, and HR practices need to be employed to systemically develop such holistic leaders.

ACES—A Model for Holistic Leadership Development and Practice

First, while there continues to be a critical role for seminal leadership theories to play as informants of leadership practice and development (as delineated in the Leadership Theories entry of this handbook), it can be argued that leadership development programs and initiatives need to be holistic in their scope, explicitly addressing the **A**nalytical, **C**onceptual, **E**motional, and **S**piritual (ACES) domains of leadership practice and development. Such leadership development programs may ultimately help ensure that corporate leaders return to their rightful image and role as stewards of scarce societal resources and architects of business organizations that undergird a secure civil society.

These four distinct, yet interrelated, domains of holistic leadership development and practice are further delineated below:

- *Analytical*—developing leaders who are adept at understanding and managing discrete complexity. Traditionally, this has indeed been the primary focus of both corporate HR-driven leadership development initiatives and business school education programs. Analytically skilled leaders understand and manage the individual "trees" in the "forest" quite well. For example, developing a cost-benefit analysis for a new product development project requires strong analytical abilities.

- *Conceptual*—developing leaders who are adept at both understanding and managing inter-related complexity and fostering creativity. Traditionally, this has been at most a tangential focus of both corporate HR-driven leadership development initiatives and business school education programs. Leaders with strong conceptual skills understand and manage the "forest" within which the individual "trees" are growing. As an example, designing and managing a project plan for a new product development project requires advanced conceptual skills.
- *Emotional*—developing leaders who are attuned to emotional issues. Traditionally, this has not been a strong focus of either corporate HR-driven leadership development initiatives or business school education programs. Highly attuned emotional leaders are skilled at understanding and managing human emotion as an inevitable phenomenon in a corporate setting, and leveraging it as a source of energy and shaping influence on follower behavior. For example, alignment of employees around the vision for a new product development project team requires well-developed emotional skills.
- *Spiritual*—developing enlightened leaders who recognize the value and role of spirituality in the workplace. This last domain has also traditionally not been a focus of either corporate HR-driven leadership development initiatives or business school education programs. Spiritually enlightened leaders enable their followers to connect both individual tasks and the mission of the larger firm to deeply held moral, ethical, and spiritual values. As an example, leaders with advanced spiritual leadership skills openly discuss and affirm the normative spiritual beliefs and values of the employees assigned to a new product development project team.

Each of these domains of leadership development and practice are uniquely different and independently critical to leadership effectiveness. As illustrated in Figure 6.1, leaders who are practicing leadership in the analytical and conceptual domains are primarily focused on process- or product-related challenges (i.e., developing business process maps or reviewing product design concepts), whereas leaders who are focused on the emotional and spiritual domains of leadership practice are primarily concerned with people-related challenges (i.e., providing behavioral performance assessment to employees or defusing employee conflict). Further, leaders practicing leadership in the analytical and emotional domains are dealing with concrete issues (i.e., budgets, inventory levels, and market share), while leaders practicing leadership in the conceptual and spiritual domains are grappling with abstract issues (i.e., organizational mission and vision statements, organizational culture, and stakeholder analyses).

The most effective leaders recognize the unique challenges associated with leadership practice in each of the four domains, yet also the critical interdependencies that exist among each of the four domains, and demonstrate leadership practices that reflect this recognition. Thus, the most effective leaders intentionally strive to integrate all four domains into a truly holistic approach.

As a prime example, consider the development and championing of corporate mission or vision statements, a task that has been solidly established as a mandate for contemporary corporate leaders. Such statements clearly delineate both the industry and customer segments to be served by the firm, as well as the core competencies to be leveraged in so doing. Accordingly, they will reflect both the analytical and conceptual domains of leadership practice. Yet, this is where many corporate mission or vision statements appear to stop short. Holistic leaders strive to ensure that such statements engage employees at an emotional and spiritual level as well, either explicitly or implicitly.
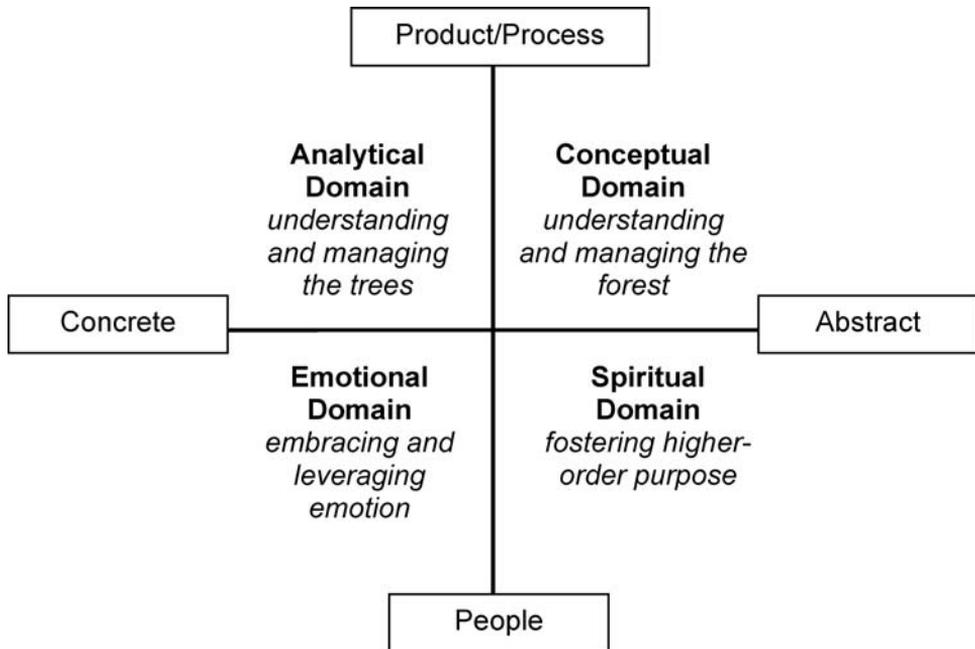
Figure 6.1   The Domains of Holistic Leadership Development and Practice

Employing Systemic Strategic HR Practices as Holistic Leadership Development Mechanisms

Secondly, a broad classification scheme of leadership development that provides a comprehensive, holistic view that includes the critical role of overarching HR practices has yet to be established. To date, the leadership development literature primarily uses formal/classroom and informal/job development classifications.[3] Formal development activities are limited to the classroom, while informal activities include development while on the job. Classifying leadership developmental mechanisms into the formal/classroom and informal/job categories works well with most activities, but these classifications do not readily accommodate the organizational mechanisms that can have an important impact, especially on the emotional and spiritual domains of leadership. There are developmental mechanisms that do not fit into the existing models. Thus, a third category, the organizational context, can be added to the leadership development categories of the classroom and job context to formulate a classification scheme that enables a more holistic view of leadership development. Adding the organizational context results in a classification scheme that enables a more systemic view of leadership development via strategic HR practices.

The addition of this third category allows us to take into account important organizational mechanisms that are often left out of existing leader development schemes. Leadership development mechanisms such as organizational culture and related core values, as well as macro HR strategies and policies that exist at the organizational level, fit neatly into this third category. Further, it can be argued that strategic HR practices are differentially efficacious for leader development across the four ACES domains, as well as fundamentally different in terms of both pedagogical design and breadth of developmental impact (as indicated in Figure 6.2), further underscoring the need for the addition of the organizational context leadership development category.
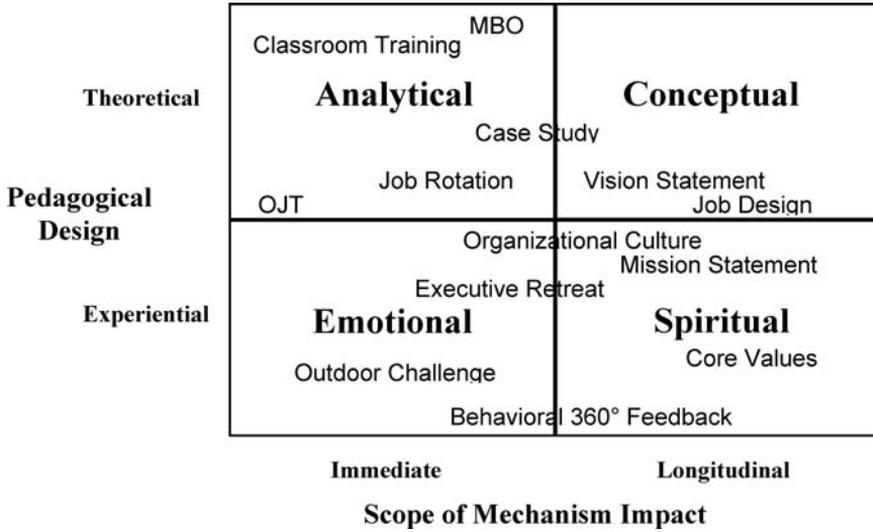
Figure 6.2   The Efficacy of Various Strategic HR Practices for Leadership Development Across the ACES Domains

For example, while classroom leadership training may be particularly effective for the immediate development of analytical abilities in leaders via theoretical exercises, organizational core values contrastingly act as long-term, experiential shapers of a leader's spiritual abilities. Moreover, organizational culture can be viewed as both an immediate and longitudinal leadership development mechanism across both the emotional and spiritual domains of ledaership practice.

Leadership Development and Contemporary HR

We must be wary of HR strategies and practices that create fragmented, narrowly focused leaders, such as performance appraisal processes that are focused primarily on meeting quantitative objectives with little or no regard for broad-based leadership development. In contrast, HR must strive to develop people in leadership positions consistent with the ACES model, thereby reinforcing leadership effectiveness in not just the analytical domain, but the conceptual, emotional, and spiritual domains as well. Such leaders are holistic in their leadership approach, and better suited to the leadership demands of today's evolving business environment.

HR must also redefine the general construct of leadership development as being larger than discrete formal training programs or on-the-job informal development, thereby championing the organizational context category for leadership development discussed herein. Related to this, HR must increasingly recognize the relevance of the spiritual domain of leadership, and foster its development via macro-level, firm infrastructure (including culture, mission, and core values) and related HR strategies or practices (e.g., performance appraisal and multisource feedback).

This last point may be particularly salient given the continuing evolution of HR as a corporate function. Traditionally, the HR function of a firm has conducted leadership training and development as an area that has been inconsistently reinforced via other HR practices. Progressively, the HR function in many firms has evolved into a more far-reaching driver of corporate direction and behavior. As the HR function takes on this broader role as a

strategic partner, it becomes an asset that offers a source of hard-to-imitate, competitive advantage. As such, traditionally isolated HR practices such as leadership training and development, compensation administration, job analysis and design, and performance management, have become more tightly integrated into a coherent force that collectively can shape employee behavior in conjunction with clearly articulated statements of organizational core values, vision, and mission. In the end, those firms that have adopted this strategic view of the role of HR, and a correspondingly systemic approach to leadership development, are more capable of developing holistic leadership ACES as described here.

NOTES

1. The majority of this overview was adapted, with permission, from Scott A. Quatro, David A. Waldman, and Benjamin A. Galvin, "Leadership Development and Strategic HR at a Crossroads," in *Human Resource Management: Contemporary Issues, Challenges, and Opportunities,* ed. Ronald R. Sims (Charlotte, NC: Information Age Publishing, 2007), 349–76.

2. Warren G. Bennis, "How Business Schools Lost Their Way," *Harvard Business Review,* May 2005, 96–104; Sumantra Ghoshal, "Bad Management Theories are Destroying Good Management Practices," *Academy of Management Learning and Education* 4, no. 1 (March 2005): 75–91; Henry Mintzberg, "The MBA Menace," *Fast Company,* June 2004, 31–32.

3. Nicolas Clarke, "HRD and the Challenges of Assessing Learning in the Workplace," *International Journal of Training and Development* 8, no. 2 (June 2004): 140–56; Michael D. Enos, Marijke Thanun Kehrhahn, and Alexandra Bell, "Informal Learning and the Transfer of Learning: How Managers Develop Proficiency," *Human Resource Development Quarterly* 14, no. 4 (Winter 2003): 369–87.

Scott A. Quatro

COMPETITIVE ADVANTAGE

Competition has become more intense and widespread in recent years. No organization can ignore competition if it expects to survive. "The structure and evolution of industries, and the ways in which companies gain and sustain competitive advantage in them, lie at the core of competition."[1] Competitive advantage considers the profitability of an organization compared to its competitors in an industry. Porter identifies three types of competitive advantage: cost leadership, differentiation, and focus.[2] The latter is a niche strategy wherein a subsegment of a larger market is intentionally targeted, leveraging either a cost-based or differentiation-based competitive advantage.

Process

From a systems theory perspective, basic components of all systems include input, process, and output. Input consists of the raw materials transformed by the system. A process is "one or more tasks that add value by transforming a set of inputs into a specified set of outputs (goods or services) for another person [customer] by a combination of people, methods, and tools."[3] Output is the end product that results from a completed process.

The process level is often thought of as the pivotal link between organizational and individual performance. An organization's people, or human resources, are ultimately responsible for performing the tasks, or activities, and obtaining the expected business results. "If you want to understand the way work gets done, to improve the way work gets

done, and to manage the way work gets done, processes should be the focus of your attention and actions."[4]

Value Chain

Profits are the difference between value and the cost of carrying out the activities that produce the products and services. Value is relative worth, or the amount a customer is willing to pay for a particular product or service. The value chain is a framework for examining activities and their connection to competitive advantage; that is, it provides a way to identify and assess the sources of customer value that enable a firm to sell a product or service for a premium price,[5] or the sources of efficiency that enable a firm to sell a product or service at a low cost while still realizing a healthy margin.

Cost Leadership

Cost leadership is created when an organization is able to lower its costs by carrying out its value-chain activities more efficiently than its competitors.[6] Operational effectiveness encompasses efficiency and is at the core of achieving a cost-based competitive advantage. However, competitive strategy involves either performing different activities or configuring activities differently to deliver a unique mix of value.[7] For example, Southwest Airlines has built a value-chain that overwhelmingly focuses on efficiency (e.g., flying only 737s and selling tickets only through Southwest agents or the Southwest Web site), and thereby enables the firm to achieve industry-leading profitability while still charging the lowest average ticket price in virtually every market that the firm serves. However, Southwest does not depend solely on the efficiency of their value-chain activities (i.e., operational effectiveness) for this competitive advantage. The firm also intentionally chooses to fly the shortest average routes of all major carriers, and utilizes secondary airports (where overhead costs are considerably lower) in doing so. This combination of efficiency and strategic configuration of activities enables Southwest to achieve a sustainable cost-based competitive advantage.

Differentiation

Differentiation involves creating unique, or differentiated, products and services. Uniqueness alone, however, does not equate to differentiation unless the customer perceives it as valuable.[8] Potential sources of differentiation include any value activity along the value chain and breadth of activity, or competitive scope.[9] Branding and gaining customer loyalty are also emphasized. For example, Nordstrom has achieved a differentiation-based competitive advantage by emphasizing customer service. Nordstrom associates are acculturated to see themselves as "servants" to their customers, doing everything possible to meet their wants, needs, and desires. As with cost-based competitive advantage, differentiation requires that the value-chain activities of the firm compliment and reinforce one another. To that end, Nordstrom's customer service–focused value-chain activities are reinforced by human resource management–related value-chain activities that are remarkably empowering and organic in nature. For example, historically, the Nordstrom Employee Handbook consisted of only a single 5 x 8 card including only 75 words. The few words that were included on the card essentially said two things: (1) the customer is king, and (2) do everything within your power, and within the bounds of good judgment, to satisfy the customer king. Such a customer-centric ethos and related value chain has

enabled Nordstrom to command a premium price for its retail services, and has resulted in a sustainable, differentiation-based competitive advantage for the firm.

See also Strategic Planning; SWOT Analysis

NOTES

1. Michael E. Porter, *On Competition* (Boston: Harvard Business School Publishing, 1998), 2.

2. Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: The Free Press, 1985).

3. Arthur R. Tenner and Irving J. DeToro, *Process Redesign: The Implementation Guide for Managers* (Reading, MA: Addison-Wesley Publishing Company, 1997), 58.

4. Geary A. Rummler and Alan P. Brache, *Improving Performance: How to Manage the White Space on the Organizational Chart* (San Francisco: Jossey-Bass Publishers, 1990), 62.

5. Porter, *Competitive Advantage.*

6. Ibid.

7. Michael E. Porter, "What Is Strategy," *Harvard Business Review,* November 1996.

8. Ibid.

9. Porter, *Competitive Advantage.*

Alina M. Waite

EXECUTIVE COACHING

Executive coaching is a one-on-one, data-driven collaborative process that builds upon a relationship between an external or internal consultant and an executive client. This process relies upon mutually agreed ground rules, expectations, hoped-for results, and a definitive endpoint. Executive coaching comprises feedback, in-depth development, or specific content or skill building. Executive behavioral change must be sustainable and measureable within an organizational context. While personal growth and change may be a desirable outcome, effectiveness of executive coaching is demonstrated by attainment of organizational results, since the organization that pays the bills is also a client of the executive coaching process.[1]

The Process of Executive Coaching

Executive coaching can be used to enhance skills, to increase levels of performance, or to develop the potential of the executive.[2] Skills coaching is also known as content coaching,[3] where the coach is a content expert in a management field and can teach the executive a certain skill, such as in finance or marketing. Most coaching, however, involves some sort of personal behavioral change on the part of the executive.

Executive coaching generally starts with an assessment or data-gathering phase. Some sort of 360-degree-feedback instrument is usually used. This instrument evaluates the executive's behavior from the perspective of direct reports, coworkers, and supervisors. The executive coach also gathers data by observing the interaction of the executive with others. This information is then relayed to the client in a feedback session, and areas of improvement are determined.

Awareness of their behavior and acceptance of the need to change that behavior is the beginning of the change process. Behavioral change is accomplished through

experimentation with the coach, copying the coach's behavior, and/or through personal reflection.[4] There is some overlap between coaching and counseling, but coaches do not provide therapy, however. If therapy is required for behavioral change, clients should be referred to a therapist.[5]

The relationship between the coach and client is extremely important.[6] Personal change can take place only when trust has been established and the client feels safe enough to be reflective and to try out new behaviors. The executive coach should be skilled in human relations as well as in organizational dynamics.[7]

Coaching Outcomes

There is no consensus on how effective executive coaching is in terms of the benefit to the organization.[8] Although behavioral change on the part of the executive can and must be measured, a direct link must also be made to organizational outcomes in order to determine how effective the executive coaching has been. Since executive coaching is so costly, organizations have begun to ask for more evidence that an intervention has been effective and has improved organizational outcomes.[9] Executive coaching should also be thought of as a way to maintain organizational health, as opposed to a last resort when there is a behavioral or skill problem.

Conclusion

Executive coaching is a process whereby executives change their behavior and/or acquire new skills to benefit both their careers and their organizations. Areas where executives need to change their behavior are identified through assessment tools and observations by the coach. Executive coaches should be able to create a safe and trusting environment for personal change to occur. Effectiveness of executive coaching is measured not only by behavioral changes in the executive, but by improved organizational metrics.

See also Coaching; Performance Coaching

NOTES

1. Barbara A. W. Eversole and Gary W. Craig, "Seeing the Elephant: Linking Theory and Practice to Integrate the Parts of Executive Coaching and Propose a Definition," *Proceedings of the International Conference of the Academy of Human Resource Development* (February 2006).

2. Robert Witherspoon and Randall P. White, "Executive Coaching: A Continuum of Roles," *Consulting Psychology Journal: Practice and Research* 48, no. 2 (Spring 1996): 87–95.

3. Liz Thach and Tom Heinselman, "Executive Coaching Defined," *Training and Development Journal* 53, no. 3 (March 1999): 34–40.

4. Donald A. Schon, *Educating the Reflective Practitioner: Toward a New Design for Teaching and Learning in the Professions* (San Francisco: Jossey-Bass, 1987).

5. Richard R. Kilburg, "When Shadows Fall: Using Psychodynamic Approaches in Executive Coaching," *Consulting Psychology Journal: Practice and Research* 56, no. 4 (Fall 2004): 246–68.

6. Jonathan Passmore, "An Integrative Model of Executive Coaching," *Consulting Psychology Journal: Practice and Research* 59, no. 1 (March 2007): 68–78.

7. Ruth L. Orenstein, "Executive Coaching: It's Not Just about the Executive," *Journal of Applied Behavioral Science* 38, no. 3 (September 2002): 355–75.

8. Terrence Maltbia, "Diversity's Impact on the Executive Coaching Process," *Proceedings of the Academy of Human Resource Development* (February 2005): 221–28.

9. David L. Dotlich and Peter C. Cairo, *Action Coaching: How to Leverage Individual Performance for Company Success.* (San Francisco: Jossey-Bass, 1999).

Barbara A. W. Eversole

LEADERSHIP DEVELOPMENT

Leadership development is an important human resources (HR) activity. Traditionally, leadership development has been concerned with providing current and future leaders with opportunities to learn, grow, change, experience, and to develop attitudes, knowledge, skills, abilities, and other characteristics necessary to function effectively in the organization. Leadership development is an aspect of organizational development that covers recruitment and assessment of executive-level employees and training them in leadership to equip them for higher positions. This process generally includes development of cognitive (thinking, idea generation, and decision making), behavioral (choosing appropriate attitudes and values), and environmental (suiting leadership style to the situation) skills.

Modern-day View of Leadership Development

The modern-day view of leadership development[1] is one that enhances an organization's effectiveness while simultaneously maintaining a competitive advantage. Underlying this view of leadership development is the assimilation of leadership development efforts with strategic planning, along with efforts to teach the more intangible aspects of leadership, market/client thinking (which is often cross-cultural), adaptability, implementation strategies, and change management. Strategically linked leadership development activities include specific on- and off-the-job assignments along with education and training. The goal is to obtain the fullest use of human resource capabilities by developing leaders to assume positions of greater responsibility. Recurring leadership development objectives for performance improvement and effectiveness include leadership of organizational change and adaptation to unique situations; reducing cycle time for virtually every major process and activity; promoting continuous learning and improvement; introducing and extending quality management principles and practices; managing cultural diversity and also cross cultural communications; and building leadership and relational skills.

Techniques and Approaches to Leadership Development

There are many on- and off-the job techniques and approaches for developing leaders. Some organizations use a narrow, limited approach. Others, such as General Electric (GE) and Hoechst Marion Roussel, Inc., have a broad, multifaceted approach to leadership development. GE has one of the oldest and most widely known leadership development centers in the world located at the John F. Welch Leadership Development Center at Crotonville, New York. GE uses a combination of course work and job experiences to develop its executives. Other programs, such as the Business Manager Course and the Executive Development Course, utilize action learning. Program participants are assigned a real problem that GE is facing and must present their recommendations to the company's CEO.

Leadership, entrepreneurship, and e-business are important topics in leadership development programs. Programs directed at developing leaders' understanding of global business

issues and leading change are also parts of leadership development. Distance learning is used by many companies and universities to develop leaders. Using personal computers, leaders "attend" CD-ROM video lectures, download study aids and additional videos and audio programs and audio programs, discuss lectures, and work on team projects using computer bulletin boards, e-mail, and live chat rooms. The Internet is used to research specific companies and topics. Besides the e-learning environment, leaders spend time in traditional face-to-face instruction for several weeks at their home. Leadership development also includes traveling to attend courses or programs held in foreign or host countries.

Organizations and leadership development providers (business school or other educational institution) work together to create short, custom leadership development efforts with content designed specifically to meet the needs of the organization. MetLife and Babson College worked together to develop a course that included faculty and corporate executive participation and company project work.[2] Duke Corporate Education, a for-profit spin-off of Duke University's executive education, develops custom programs that specifically address company needs.

Formal leadership development efforts from consultants or university faculty are also supplemented with other types of training and development activities. Avon Products uses action learning for leadership development.[3] The program brings a team of employees together for six-week periods spread over 18 months. Then teams work with senior executives on a country project, such as how to penetrate a new market. The team projects are presented to Avon's top managers. Leaders who attend the Center for Creative Leadership development program in Greensboro, North Carolina, take psychological tests; receive feedback from their managers, peers, and direct reports; participate in group building activities (like adventure learning); receive counseling; set improvement goals; and write development plans.[4]

Individual Leadership Development Process

Individual leadership development plans (ILDPs) are used to improve the effectiveness and success of leadership development efforts. The overall ILDP process (1) develops an ILDP oversight committee to interpret the organization's strategic agenda into management development terms and manage the overall ILDP process (design, implementation, and evaluation); (2) develops ILDPs for all current and future leaders; (3) develops realistic job previews for all leadership jobs in the organization and make this information available to all relevant employees; (4) ensures completion of 360-degree evaluations of all leaders based on key performance dimensions linked to the strategic imperatives of the organization, with this information being used to formulate an ILDP; 5) assigns to each leader an ILDP coach and develops an individualized ILDP plan; 6) the ILDP oversight committee reviews each ILDP plan and makes recommendations and suggestions for improvement; 7) ensures ILDP coaches and leaders meet to review final ILDP plan before implementation; 8) ensures ILDP implementation begins with specific learning, growth and development activities, completion dates, and meeting dates between coaches and leaders to discuss progress (and the need to revise plans depending on organizational changes—for example, in strategic direction); 9) ensures the ILDP oversight committee meets to review progress towards achievement of each ILDP's goals (i.e., at least every six months) and assess the overall program based on established evaluation criteria; and 10) generates regular reports for senior leadership by the ILDP oversight

committee on the ILDP program to keep them up to date and to identify needed changes in the program.

NOTES

1. Robert M. Fulmer and Marshall Goldsmith, *The Leadership Investment: How the World's Best Organizations Gain Strategic Advantage through Leadership Development* (Washington, DC: AMACOM, 2000); Albert A. Vicere and Robert M. Fulmer, *Leadership by Design* (Boston: Harvard Business School Press, 1998).

2. Irwin Speizer, "Custom Fit," *Workforce Management,* March 2005, 57–63.

3. Jennifer Reingold, "Corporate America Goes to School," *BusinessWeek,* October 20, 1997, 66–72.

4. Lindsey Gerdes, "Programs: Picking Up the Pace," *BusinessWeek Online,* October 24, 2005, special report on executive education, http://www.businessweek.com (accessed March 1, 2008).

Ronald R. Sims

LEADERSHIP THEORIES

There are many ways to finish the sentence "Leadership is..."[1] There are almost as many different definitions of leadership as there are people who have tried to define it. Leadership is a process that involves influence that occurs within a group, and it involves attainment of a goal. The noted leadership author Peter Northouse stresses the difference between management and leadership. Whereas the former exists to provide order, the latter serves to produce movement and change.

It can also be said that there are as many theories of leadership as there are those who write about it.[2] However, the major codified leadership theories include trait-factor theory, leadership style theory, leadership skills theory, situational leadership theory, contingency theory, path-goal theory, leader-member exchange theory, and transformational leadership theory. These major leadership theories are defined below and the characteristics of each are identified.

Trait-factor Theory

The first systematic attempt to study leadership was based on trait-factor theory. This research focused on "great men" and their inborn qualities that set them apart from others. Stogdill's 1948 research claimed that leadership was not a quality that individuals possessed, but a social relationship between people. Despite this, traits reappear in modern research and certain academic circles.

The strengths of the trait-factor theory include over 100 years of research. It is consistent with our perception of what leaders are, and it focuses on the leader in a leadership context. Trait-factor theory also gives us benchmarks to evaluate ourselves as leaders.

Leadership research identifies weaknesses of the trait-factor theory, such as no definitive list of traits having been published. It ignores the situational context of leadership, and researchers subjectively decide which traits are most important. Traits have not been shown to produce desired outcomes for organizations, and traits do not help us to train future leaders because we are accepting the belief that ability is bestowed upon some at birth and therefore cannot be learned.

Leadership Style Theory

The style approach examines the behavior of the leader—what they do and how they act. Leadership research notes that the style approach does not tell leaders how to behave, it merely classifies their behavior. It also reminds leaders that their actions towards others occur on a "task" and a "relationship" level. In any given situation, and with any given subordinate, one will take precedence over another.

The strengths of the style approach are that it stops us from thinking of leadership as merely an issue of personality traits, and it is supported by a wide range of studies. On a conceptual level, the style approach focuses on tasks and relationships, and it can be used to see if we are task-centered or people-centered leaders. The style approach is easy to apply, helps practicing leaders to judge themselves, and is useful for training and development workshops.

Weaknesses identified with the style approach are the lack of clarity between style and performance outcomes. Research on the style approach has failed to find a universal style suitable for all situations, and the implication that a high-task, high-relationship style is most effective has not been proven.

Leadership Skills Theory

The skills approach takes a leader-centered perspective on leadership. The skills approach differs from the previous theories as it shifts the focus away from personality characteristics, which usually are viewed as innate and largely fixed, to a focus on skills and abilities that can be learned and developed. Although personality does play an integral role in leadership, the skills approach indicates that certain knowledge and skills are needed for effective leadership.

Strengths of the skills theory include a leader-centered model that stresses the importance of developing particular leadership skills that make leadership available to everyone. The leadership skills theory approach provides a structure that is most consistent with the curricula of most leadership education programs.

However, the skills theory approach includes a breadth of skills that seems to extend beyond the boundaries of leadership. By including so many components, this theory becomes more general and less precise in explaining leadership performance. The skills approach may also be weak in predictive value, as it does not explain how variations in social judgment skills or problem-solving skills affect performance. The skills model was constructed using a large sample of military personnel and their performance in the armed services. This raises the question of the whether it can be generalized to other populations in other settings.

Situational Leadership Theory

Hersey and Blanchard developed an approach to leadership stressing that a leader must have an adaptive leadership style that mixes delegating, supporting, coaching, and directing as appropriate. The balance of these four will reflect the amount of competence and commitment subordinates have towards organizational goals (also given four classifications). The effectiveness of leaders depends on successfully diagnosing where subordinates are on the development continuum and adapting their leadership style as necessary. Because subordinates move back and forth along this continuum, leaders have to be able to move along it as well.[3]

Strengths identified with the situational approach are that it is easily understood and therefore practical, and that it is prescriptive, telling the leader what to do once he or she has classified subordinates' behaviors. The situational approach emphasizes leadership flexibility (and therefore movement), and it reminds the leader to treat subordinates as individuals.

However, research has shown certain leaders work more or less effectively with certain subordinates. Research also indicates that issues of one-to-one and group leadership are problematic; for example, how should leaders pitch their approach to an entire group?

Contingency Theory

Leadership literature describes this theory as leader-match. This means matching leaders to appropriate situations. The term "contingency" is used to reflect how well the leader's style fits the context, and effective leadership is therefore contingent on matching the leader's style to the setting. Showing similarities to style leadership theory, contingency theory describes situations as demanding either task-motivated or relationship-motivated leadership. Contingency theory argues that situations can be assessed using three factors: leader-member relations, the degree of task structure, and position power. Having assessed these three, contingency theory states certain styles will be effective in certain situations. Task-oriented leaders will do well when things are going well or there is a crisis, while relationship-orientated leaders will do well in moderate situations.

Path-goal Theory

Path-goal theory uses research on motivation to get organizational goals accomplished. The intention of path-goal theory is to enhance employee performance and satisfaction by focusing on employee motivation. While the situational approach emphasizes adaptation, and the contingency approach stresses matching the leader's style to the situation, path-goal emphasizes the relationship between the leader's style and the characteristics of the subordinates and the setting. The assumption comes from expectancy theory; subordinates will be motivated if they think they can do their work and get a favorable outcome for doing so. The leader has to use a style that best matches the subordinates' motivational needs.

Leader Member Exchange (LMX) Theory

LMX theory states that leadership is a process centered in the interaction between leaders and followers. The dyadic relationship between the two is at the center of leadership. LMX is a descriptive theory that highlights a sociological truth: we all know that our organizations have "in" and "out" groups. It is a unique theory that gives the subordinate as much importance as the leader. The importance of communication in leadership is stressed. Research supports the claim that a positive LMX equals a positive outcome for the organization. However, LMX discriminates against the out-group, and promotes the advancement of privileged individuals. LMX also fails to explain how high-quality dyads are made. Research indicates that LMX is very difficult to measure.

Transformational Leadership Theory

Transformational leadership involves values, ethics, and long-term goals. It also involves treating subordinates as "full human beings" and subsumes charismatic and visionary

leadership. It can be used to describe a wide range of leadership, from specific attempts to influence followers to broad attempts to influence organizations and even cultures. While transactional leadership focuses on routine and formalized exchanges, transformational and charismatic leadership involve tapping the motives of followers in order to better reach the leader's goals. The strengths of transformational leadership are that it has been widely researched from many perspectives. The image of a transformational leader out front has popular appeal. People are attracted to transformational leadership because it makes sense to them. Transformational leaders deeply involve subordinates, as the needs of the followers are central to the theory.

However, leadership researchers believe that transformational leadership is not conceptually clear and that it has unclear perimeters. It is also viewed as one or another (transactional or transformational) rather than a point on a continuous scale. Transformational leadership is seen as a personality trait rather than behavior that people can learn, and is difficult to apply at all managerial levels. It is also open to abuse, as history shows many charismatic people who have abused leadership positions.[4]

NOTES

1. Peter G. Northouse, *Leadership Theory and Practice* (Thousand Oaks, CA: Sage Publications, 2007).
2. Bernard Bass, *Bass and Stogdill's Handbook of Leadership* (New York: Free Press, 1990).
3. Northouse, *Leadership Theory and Practice.*
4. National College for School Leadership, "What Leaders Read," United Kingdom, http://www.ncsl.org.uk/media/761/9A/randd-what-leaders-read-business-summary.pdf (accessed March 1, 2008).

Merwyn L. Strate

MANAGERIAL MALPRACTICE

Why do organizations fail to achieve or sustain high performance? The responsibility, or failure, lies within the management team. A manager is responsible for "achieving organizational objectives through the efficient and effective utilization of resources."[1] We prefer defining management as *getting results through people;* after all, the people within an organization are responsible for its success—they make things happen.

Managers, therefore, are critical members of the organizational team, coordinating the efforts of their players to achieve results. Organizational success (or lack thereof), then, is the direct result of management's talents and skills. Companies that employ managers who lack the talents and skills necessary to achieve success are guilty of managerial malpractice.

Managerial malpractice is "encouraging and supporting practices that produce unprofessional, unproductive, and incompetent managers."[2] These managers are poorly trained, misguided, or inadequately prepared for the challenges they face on a daily basis—in a word, they are unqualified. Quite simply, they lack the interpersonal skills necessary to interact appropriately with their employees and help them (and, ultimately, the firm) improve performance.

Symptoms of Managerial Malpractice

Managerial malpractice manifests itself at every echelon of the organization. People, policies, processes, and systems within firms encourage managerial malpractice at organizational and individual levels.

Organizational Symptoms

Symptoms of managerial malpractice within organizations include, but are not limited to:

- Hiring or promoting managers who lack the understanding and skills necessary to effectively manage others
- Hiring or promoting managers because they are the "best performers" or "highest producers" and without regard for their interpersonal skills
- Wasting valuable time and resources attempting to "fix" ineffective or incompetent managers
- Failing to reprimand, demote, or fire managers who are ineffective or incompetent

Individual Symptoms

Most employees have worked for an incompetent manager at one point or another. Some have worked for a multitude of poor or ineffective managers. People exhibit symptoms of managerial malpractice in a host of ways. An ineffective or incompetent manager may display any one or a combination of the following destructive behaviors:

- A superior attitude
- Indifference toward employees
- Inability to make positive change happen
- Poor communication/interpersonal skills
- Refusal to delegate
- Inability to resolve conflict
- Failure to provide feedback or evaluate employee performance in a timely, appropriate manner
- Anger, fear, or resentment of employees, colleagues, superiors, or the organization
- Displays of favoritism
- Lack of involvement in employee development
- Lack of patience
- Inability or refusal to recognize or reward others for their achievements
- Creation of a fearful or paranoid work environment
- Abusive, bullying, or harassing

Consequences of Managerial Malpractice

Managerial malpractice has been allowed to flourish within organizations since the beginning of time. Ancient battles have been lost, societies have fallen, and companies large and small have failed due to lack of managerial competence. This form of malpractice frustrates employees, negatively impacts organizational effectiveness, and creates opportunities for competitors to capitalize on the weaknesses of their foes.

The consequences to individuals and organizations of managerial malpractice are numerous and disturbing. Employees develop a distrust of management and an "us vs. them" attitude, feel little or no commitment or loyalty to the firm, and have no motivation or reason to excel, "go the extra mile," or "give 110 percent" to a manager for whom they have no respect or from whom they will receive no recognition. Incompetent

managers raise levels of employee stress, fear, anger, hostility, disillusionment, paranoia, conflict, apathy, and depression while lessening their willingness to engage in personal or professional development, deliver superior customer service, work collaboratively with peers, or maximize their creativity.

Managerial malpractice causes individuals and groups to deliver lackluster performance, prevents groups from achieving "team" status and synergy, and destroys morale. Organizations guilty of managerial malpractice report greater instances of management team dysfunction and conflict, employee sabotage, resistance to change, absenteeism and turnover, litigation (employee grievances and complaints) and customer service complaints. These lead to mediocre or falling quality, efficiency, and productivity, lessened creativity, lack of competitiveness, a poor reputation as an employer, loss of goodwill, higher costs, and lower profitability. The impact on the bottom line is clear.

Eliminating Managerial Malpractice

In general, the solution to managerial malpractice is simple. "Select managers for their interpersonal skills and hold them accountable for securing results through people."[3] Strategies for reducing or eliminating managerial malpractice include:

Create a New Management Development Philosophy and Culture
Policies and procedures exist within an overriding culture and philosophical framework. In order to successfully alter current methods of practice, the underlying philosophical foundation must support the change. Leadership, which drives culture, must embrace, model, and demand adherence to a new, successful model of managerial effectiveness.

Modify the Hiring and Promotion Practices for Managers
Select new and promote existing managers for their ability to secure results through others, demonstrated specifically via exceptional interpersonal skills. Look for candidates who communicate effectively with individuals at all levels, collaborate, listen well, are able to motivate others, provide positive and developmental feedback, resolve conflict, and reward others' success.

Build Management Development Programs To Cultivate Management Talent
Create formal and informal programs to build management capacity and talent. Formal programs include training and education for aspiring or current managers regarding topics such as change management, conflict resolution, and coaching. Informal programs include activities such as mentoring and job shadowing to enhance managers' knowledge, skills, and abilities.

Coach New and Existing Managers
Life is a journey of learning and change, and who better to guide us than a coach? Successful managers understand that continuous improvement and skill enhancement is the result of repeated trial and effort, feedback, accomplishment, failure, and reflection. Star athletes do not achieve and sustain success by accident—they regularly seek the advice of a coach.

Require Managers to Function as Performance Coaches For Their Employees
Everyone needs a coach, and anyone can be a coach. Just as managers benefit from the advice and guidance of talent coaches, so too can and should managers coach their employees via training, mentoring, and development activities.

Reward Managers for Effective Behaviors

Rewards are designed to reinforce desired behavior and encourage its repetition. Rewarding effective managerial practices (e.g., coaching, growth and development, giving feedback, and so on) powerfully strengthens and communicates the values of the organization—that people are essential to the firm's success, and this success is due to the manager's skill.

Conclusion

Although managerial malpractice thrives within most organizations, it can be reduced or eliminated. Changing the way organizations choose and develop their managers is the first step toward greater effectiveness and profitability.

See also Coaching; Executive Coaching; Performance Coaching

NOTES

1. Robert N. Lussier, *Management Fundamentals* (Mason, OH: Thomson South-Western, 2006), 6.

2. Jerry W. Gilley and Nathaniel W. Boughton, *Stop Managing, Start Coaching* (New York: McGraw-Hill, 1996), 1.

3. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset* (Cambridge, MA: Perseus Books, 1999), 9.

Ann Gilley and Jerry W. Gilley

SCENARIO PLANNING

Scenario planning is receiving increased attention as a strategic management tool. While the limits of traditional strategic planning have revealed themselves in uncertain and rapidly changing conditions, scenario planning has begun to shine because of its ability to integrate uncertainty and continuous change into the planning process. Scenario planning has been described as the most important tool for managers and HRD professionals in the coming decade because it capitalizes on learning as the key to organization strategy.[1] Longtime HR professionals know that when it comes to understanding how adults learn and reshape their thinking in organizations, they have the tools to efficiently and effectively harness that learning as a driver of organization strategy. The purpose of this entry is to provide a succinct overview of scenario planning and to describe why it is the most important emerging tool for managers and HR professionals.

Scenario planning is an iterative and continuous approach to planning that is first focused on revealing and changing the assumptions about the organization and its internal and external environments. Many organizations have had success using scenario planning as a precursor to strategic planning—using the scenario process to open up thinking, and then more traditional strategic planning tools to make decisions and implement organizational activities.

Background and Evolution of Scenario Planning

Scenario planning is about *seeing*. Pierre Wack, the undisputed "father" of modern scenario planning, along with Ted Newland and Napier Collyns, developed the technique at Royal

Dutch/Shell Oil in the 1960s and 1970s. Pierre was something of a mystic, with roots in India and Japan, where he studied extensively. Pierre was a visual thinker, and referred to his scenario efforts as the "eyes of the pack, running ahead and reporting back to Shell what he had seen."[2] In addition, Pierre recounted stories such as one about a gardener he met in Japan. "The gardener pointed to a smooth bamboo trunk as thick as a person's arm. He explained that if a small pebble was thrown at it and hit the trunk even slightly off-center, it would glance off, making hardly any sound. If, on the other hand, the pebble hit the trunk dead center, it would make a very distinctive 'clonk.'"[3] Pierre used such stories to emphasize that his goal was to strike the mental models of managers dead-center, like the bamboo stalk. If he could achieve this, he could change the basic assumptions that framed their decision-making processes. His goal was to help them *see* the world differently. In order to help them *see,* they needed to be able to learn.

Scenario planning has been defined as "a process of positing several informed, plausible and imagined alternative future environments in which decisions may be played out for the purpose of changing current thinking, improving decision-making, enhancing human and organization learning and improving performance."[4] In addition, "Scenario analysis is a disciplined way to think about the future. It demands above all an understanding of the forces that drive the system rather than reliance on forecasts."[5] Scenario planning is designed to support exploration of a constantly changing environment and uses multiple narrative stories about the past, the present, and the future to stretch the thinking inside the organization.[6] Scenarios are not about getting the future "right," nor are they tools for probabilistic prediction.

A Scenario-planning Process

There are numerous models and processes for guiding the scenario-planning effort. However, all draw on common elements. These elements include (1) a primary business issue that needs exploration, (2) assembling a team to lead the scenario project, (3) internal interviews, (4) external trends, (5) developing scenarios via several workshops with key organizational stakeholders, and (6) using the scenarios to make strategic decisions around the primary business issue.

Essentially, each scenario project is a custom one. One a project is initiated, a team is formed and that team carries out internal interviews, analyzes external trends, and leads the organization through several workshops designed to elicit the forces with the greatest potential impact on the organization and that are of the greatest uncertainty. These are obviously very subjective judgments, so the group dialogue that happens during workshops is critical. This is how mental models and assumptions are made clear and shared. Once these workshops are complete and the forces of greatest potential impact and uncertainty (key uncertainties) are identified, the team constructs four scenarios that are used to examine decisions and consider their possible outcomes. Two other key factors are that (1) scenario planning has seen its greatest success when used on an ongoing, iterative basis, and (2) scenario planning works best when there are varying points of view and should enroll members of the organization from all levels.

First- and Second-generation Scenarios

Initial scenarios rarely have an impact on managers' mental maps because they do not provide a basis on which managers can use their judgment.[7] When Pierre Wack first began using scenarios at Shell, he repeatedly had a response of "so what" from managers after

they would participate in one of his scenario presentations. "What, in time, we came to learn was that these first-generation scenarios are always learning scenarios; their purpose is not action, but to gain understanding and insight."[8] Pierre therefore called these first-generation scenarios "learning scenarios." The solution was eventually found in a second round of scenario development called "second-generation scenarios," which became the "decision scenarios." Wack's insights developed when he realized that in order to affect the managers' microcosms, he needed "to make the scenarios relevant to the deepest concerns of the decision-maker in the circumstances he was facing,"[9] and that in order to accomplish this, he needed to understand the decision makers and tailor-fit the scenarios to challenge the mental models of the managers who would use them.

Conclusion

As managers and HR professionals are increasingly involved in organizational strategy, they can further leverage their roles by developing expertise in scenario planning. Because learning is increasingly valued as a driver of organizational innovation, change, and dynamic moves in competitive markets, successful organizations will be those that can outthink others. Scenario planning promotes strategic learning based on its demands that decision makers understand the forces driving the internal and external environments. Scenario planning might be thought of as an ongoing game of organizational chess—the goal being to *see* several moves ahead at any point in time. Managers and HR professionals are in a key position to promote this kind of foresight and help decision makers with the ability to consistently look "around the corner" when faced with difficult and strategic decisions.

See also Strategic Planning; SWOT Analysis

NOTES

1. Thomas J. Chermack and Richard A. Swanson, "Scenario Planning: HRD's Strategic Learning Tool," *Advances in Developing Human Resources* 10, no. 2 (2008): 129–46.

2. Hardin Tibbs, "Pierre Wack: A Remarkable Source of Insight," *Global Business Network News* 9, no. 1 (1998): 6.

3. Ibid., 8.

4. Thomas J. Chermack and Susan A. Lynham, "Definitions and Outcome Variables of Scenario Planning," *Human Resource Development Review* 1, no. 3 (2002): 376.

5. Pierre Wack, "Scenarios: Shooting the Rapids," *Harvard Business Review* 63, no. 6 (1985): 89.

6. Ron Bradfield, George Wright, George Burt, George Cairns, and Kees van derHeijden, "The Origin and Evolution of Scenario Techniques in Long Range Business Planning," *Futures* 37, no. 2 (2005): 795–812.

7. Wack, "Scenarios: Shooting the Rapids."

8. Ibid., 39.

9. Ibid., 62.

Thomas J. Chermack

SHORT-TERM EXECUTIVE

A short-term executive is a member of organizational management hired for a predefined period of time, as opposed to the standard open-ended terms of employment found with

most permanent-hire positions. The roles filled by short-term executives most often consist of the upper level, or "C-suite level" of management. It is not uncommon for businesses to bring in short-term executives to fill in as the chief executive officer, chief operating officer, or chief financial officer. This type of arrangement also goes by many other names, the most common of which are interim management, interim executive, temporary management, and temporary executive.

The use of short-term executives dates back to the 1970s, when the oil-shortage crisis triggered a wave of mergers, closings, and layoffs affecting the upper-management ranks of businesses. This created an abundance of experienced executives available in the job market. This abundance of supply allowed for companies to pull in previously unavailable talent to handle specialized projects and provide leadership during periods of organizational change.[1] Thus, the short-term executive became an option available to resolve human resources needs.

From the 1970s through the 1990s, the typical short-term executive was a white male, over 55 years old, and financially secure due to early retirement or golden parachute packages from previous employers.[2] This has been changing since the 1990s, as more and more young professional men and women of all races have decided to work independently and offer their talents as short-term executives in all industries. The trend of industries has been to look for individuals they believe will produce the best results for the organization, with less emphasis being placed on years of experience.

The use of short-term executives has been increasing since the 1970s, with the most notable jump in popularity occurring in the early 2000s. According to the U.S. Bureau of Labor Statistics, temporary workers at the executive or professional levels accounted for 7 percent of the workforce in 1998. In 2004, that percentage had climbed to 11 percent.[3] The specialized field of interim management has become a $750 million-per-year industry in the United States.[4]

Reasons Companies Use Short-term Executives

Companies hire short-term executives for a variety of reasons, though the recurring theme for them is to be agents of change. The most common scenarios short-term executives are brought in to handle include:

- Restructuring an organization after catastrophic actions or behaviors of previous leaders
- Guiding a company through a period of major transition due to changing market forces
- Ushering in major changes to an organization at the request of an organization's board of directors, shareholders, or owners
- Handling restructuring of departments due to changes in governmental regulations and requirements
- Providing a placeholder of sorts while an organization searches for a permanent replacement for the position
- Providing specialized talent for a short-term need of the organization, much like a business consultant

Distinctions between Short-term Executives and Consultants

Consultants are often brought in to handle the same sort of "change agent" activities sought from short-term executives. A consultant, though, does not become a true member of the organization they work for, as a short-term executive does. The primary distinction

between a consultant and a short-term executive is the level of ownership a short-term executive takes in their role within the organization to which they are hired.[5]

Consultants often cannot provide the same level of dedication to their clients that a short-term executive can provide. This is because consultants generally have to balance their efforts between several different clients, while a short-term executive works exclusively for the organization they were hired by for the duration of the contract.

Hiring a Short-term Executive

Making the decision to hire a short-term executive is quite similar to the process of hiring a permanent executive. Many of the same skill sets are needed to fulfill the position, regardless of the length of commitment. Human resource professionals need to evaluate their organization's needs and existing resources, as well as the cost to the operation of not filling the perceived need, prior to deciding to go the short-term executive route.[6] As with most C-suite hiring processes, the human resources department is most involved in the initial phases, leaving orientation and training up to the existing executives to handle.

Short-term executives can be found through word of mouth, through professional networking, or by contacting a firm specializing in the placement of short-term executives. Every major metropolitan area in the United States has at least one of these firms serving regional needs of this sort. Payment to the individual depends upon the agreement and methodology of hire. There are no firm rules to follow with this type of employment, short of following federal, state, and local regulations.

One of the biggest advantages for the company and the individual pursuing the short-term executive methodology is that they both get a chance to learn more about each other. If the organization and the individual find a perfect match in philosophy, process, and culture, it is likely they will decide to make the employment arrangement permanent. This perhaps explains why over one-third of those hired on as short-term executives transition into being permanent members of management by the end of their contract.[7]

See also Employment Agencies, Search Firms, and Headhunters; Recruiting

NOTES

1. Dennis Russell and Ian Daniell, *The Interim Management: The New Career Choice for Senior Managers,* 2nd ed. (Salcombe, England: Aveton Books, 2005).

2. Ibid.

3. Martha Frase-Blunt, "Short-term Executives: Companies That Need an Executive for a Special Purpose—to Launch a Project, to Fill In during an Absence—Are Hiring Temps for the Job," *HRMagazine,* June 2004, 6.

4. Dale Buss, "More Companies Hire Temporary Executives," *Wall Street Journal: Executive Career Site,* http://www.careerjournal.com/jobhunting/strategies/20041014-buss.html (accessed October 20, 2007).

5. Marilyn Dickey, "Interim Leaders Bring Skills but No Personal Agendas to Their Tasks," *Chronicle of Philanthropy,* March 22, 2007, 11.

6. Frase-Blunt, "Short-term Executives," 6.

7. Ibid.

Adam VanDreumel

STRATEGIC COMMUNICATION

A strategy is a "long-term plan for achieving goals and objectives; specifically, it represents agreement between external opportunity and internal capability."[1] Communication is the process of transmitting information and meaning.[2] Strategic communication, therefore, is long-term, planned communication processes and tactics that enable an organization to achieve its vision, mission, goals, and objectives. These processes encompass every functional area internal to the organization as well as address all foreseeable external constituencies.

Miscommunications are commonplace in business. Frequent target issues for miscommunication at the organizational level include mergers/acquisitions, vision, mission, goals and objectives, layoffs, location closings, poor performance/financials, and any major organizational change. At the functional departmental level, miscommunications surround mission, goals, objectives, direction, new initiatives, expectations of supervisors, managers, and employees, division/department performance, team expectations, and any change. Interpersonally, common miscommunications occur with regard to goals, standards, and expectations, poor performance, terminations and demotions, changes in job responsibilities, conflict, and any change.

Just as organizations include product development, marketing, engineering, sales, and human resources in their strategic plans, so too should they include effective communication. Communication permeates all organizational levels and often determines the success of individuals, units, or initiatives. Consequently, improving communication enhances individual and organizational performance.

Costs of Miscommunication

An insurance carrier introduced a new homeowner's product, yet failed to notify its internal customer service department with predictable results. A large meat processor neglected to notify its customers that it had shipped beef contaminated with E.coli; they were later accused of a cover-up. A manufacturer attempted to conceal a warehouse fire from the public, only to be embarrassed when the story made the evening news. A small firm notified its workforce of the names of 20 employees to be laid off via company-wide e-mail on the Friday before Christmas, resulting in devastated company morale and productivity. Each of these real-world scenarios could have been avoided with effective strategic communication.

Organizational miscommunication directly, and negatively, impacts the bottom line. Costs of poor communication include (but are certainly not limited to) lower morale, lack of commitment and employee loyalty, decreases in productivity, inefficiency of processes, loss of goodwill and reputation, shareholder mistrust, and lost business opportunities.

Components of Effective Communication Plans

Communicating strategically requires systematically planning all messages to be shared in coordination with their associated events. Whether delivering information related to a company expansion, change in direction, acquisition, new product launch, lay-offs, or modification of benefits, the message must be carefully crafted. Organizations can begin by answering the following questions:

What? What (message) is to be communicated?
To whom? Which stakeholders will be affected? Employees, vendors, shareholders, the community? Which stakeholders take priority, if any?

By whom? Who is responsible for sending the message and possesses the necessary communication talent? The public relations (PR) department, president/CEO, a vice president, human resources, a department or unit manager? Who is most credible based on the message?

How? Which channel (or medium) is appropriate? Face-to-face (press conference, group meetings, one-on-one), e-mail, voice mail, memorandum, letter, fax?

When? Is the time line appropriate? How much advance notice do stakeholders require?

Resource needs? If the message or situation is complex, what resources are needed to ensure effective communication? Large meeting rooms, quiet office, technology?

Answers to these questions provide essential information for organizations to develop an effective strategic communication plan, regardless of the message to be delivered.

Process of Communication

The process of communication begins with a sender who has an idea, encodes a message, and transmits it through a channel to a receiver, who then decodes the message. Encoding puts the message into a form that the receiver will understand. The communication channel—the media that carries messages to receivers—may be verbal, nonverbal, or written. Decoding occurs when the receiver interprets the meaning of the message *as intended by the sender.*[3] Miscommunication typically occurs when barriers are encountered during the encoding or decoding phases.

Effectiveness of Communication Methods

Carefully selecting your channel enhances the effectiveness of the communication process. Communication channels can be verbal, nonverbal, and written. The most effective communication channel is face to face, followed by other formal channels including telephone conversations, letters and memos, and e-mail/text messages.

Verbal Communication

Verbal communication channels include face-to-face interactions (one-on-one conversations or group meetings) and telephone conversations (including voice-mail messages). Face-to-face conversations and meetings are considered the richest communication channels, as they allow participants to secure immediate feedback. By observing nonverbal cues (body language, facial expressions, eye contact) and assessing tone and inflection, the sender can immediately clarify or modify the message if necessary. Face-to-face communication is necessary when sharing information that is critical, complex, or private, and for developing and maintaining good interpersonal relations. One-on-one and group communication can be time-consuming, however, and in most cases leave no written record of the interaction.

Phone conversations allow participants to engage in personal, meaningful discussions and quick exchanges. The drawbacks, however, are that they lack the benefit of immediate feedback afforded by observation of nonverbal cues and, like some face-to-face channels, there is no documentation of the communication.

Written Communication

Letters, memoranda, reports, and newsletters represent effective means to convey general, detailed, or abundant information to a large audience. The greatest advantage to written

communication is the record it provides. To the contrary, one inherent disadvantage to written communication is that it often reveals the sender's poor writing ability, which may distort the content of the message, thereby affecting the meaning. Contrary to face-to-face communication, the senders and receivers are "blind" to the other's nonverbal cues, making it difficult to provide immediate feedback. There is little opportunity here for clarification until *after* a miscommunication occurs.

E-mail and text messaging are considered poor forms of communication, despite their wide use. E-mail is a convenient, quick, low-cost, acceptable method for conveying routine information. Unfortunately, most e-mail users write too quickly, fail to proofread or review the message, and send messages that are riddled with errors and/or misconvey the sender's tone and attitude. Speed potential is a serious consideration; many an e-mail sender has regretted the inability to retrieve a poorly written message.

Communication Barriers

The relatively simple process of communication, when combined with the complexity of individuals and organizations, often yields disappointing results. Numerous barriers impede communication at the individual (personal) level as well as the organizational level.

Interpersonal Barriers

Human beings are complex creatures whose behaviors manifest the sum of their varied experiences (or commonly referred to as life experience). This life experience includes our education, work life, family history, and so on. Thus, the barriers that inhibit our communication occur when there are discrepancies, or differences, in our life experience surrounding education, family, gender, perceptions, history, age, etc. These differences may result in biases, stereotypes, distrust, negative emotions, poor listening skills, misuse of slang, personal filters, information overload, or omission, all of which leads to interference with message transmission or interpretation.

Organizational Barriers

Within organizations, we compound our personal barriers with those encountered in a group or work setting. In addition to our own self-imposed obstacles, on the job we encounter additional barriers, including information overload or omission, lack of communication skills among supervisors, peers, and subordinates, poor group dynamics, dysfunctional organizational culture, diversity challenges, approximation and ambiguity, power and status constraints, peer pressure, and industrial or organizational slang. With these barriers in mind, organizations would be well served to take a proactive approach and develop a clear, strategic communication plan.

Strategically Planned Communication

Failure to plan results in planned failure. Communication is no exception. Approaching communication strategically, like any other business function, improves the degree of success and, ultimately, organizational results. By ignoring the importance of communication in the strategic planning process, organizations will find that more often than not, miscommunication will be the rule when it should be the exception.

See also HR Strategy; Managerial Communications

NOTES

1. Robert Kreitner, *Foundations of Management: Basics and Best Practices* (Boston: Houghton Mifflin, 2005).

2. Robert N. Lussier, *Management Fundamentals: Concepts, Applications, Skill Development,* 3rd ed. (Mason, OH: Thomson South-Western, 2006).

3. Dan O'Hair, Gustav W. Friedrich, and Lynda Dee Dixon, *Strategic Communication in Business and the Professions,* 5th ed. (Boston: Houghton Mifflin, 2005).

Ann Gilley, Brenda E. Ogden, and Jerry W. Gilley

STRATEGIC PLANNING

Strategic planning is the process of developing long-term (greater than one year) goals, objectives, and tactics. Organizational leaders, primarily top-level executives, are responsible for strategic planning, which includes crafting an organization's vision and mission.

Operational planning, in contrast, is the process of developing short-term (one year or less) goals, objectives, and procedures. Middle and frontline managers typically create and/or implement operational plans that govern day-to-day business activities.

Strategic Levels

Strategic planning occurs at three strategic levels—corporate, business, and functional. Corporate-level strategy sets the direction for the entire firm and its multiple lines of business. Top-level executives at organizations such as General Motors, 3M, Starbucks, and Hewlett-Packard determine the overall strategic directions for their firms. Business-level strategy involves planning for one particular line or product of the firm. The Saturn division of General Motors is an example, as is the Homeowner's Insurance division of State Farm. Functional-level strategy focuses on one area of business, such as design, marketing, operations, human resources, or customer service.

Competitive Strategies

Approaches to strategic planning focus heavily on competitiveness and dominance in the marketplace. Three effective corporate-level competitive strategies are operational efficiency, product leadership, and customer intimacy.[1] Once a company has determined its strategy, the firm should devote its resources to excelling in that area in order to be successful, even world class.

Operationally efficient companies offer lower prices to attract customers. These firms maximize the efficiency of their operations via technology and economies of scale. They then pass their cost savings on to their customers. Wal-Mart and Dell Computers are examples.

With a product leadership strategy, a company focuses its resources on delivering the best products in terms of quality, innovation, and technology. These firms invest heavily in quality initiatives, research and development, and technological advances to provide clients with products that are considered state-of-the-art or of superior quality or prestige. Sony and Rolls Royce are examples.

Customer-intimate firms develop relationships with their clients to uncover their unique wants and needs. These companies then develop customized solutions for their customers. Consulting firms, custom home builders, and physicians are examples.

SWOT Analysis

One of the first steps in strategic planning entails determining the capabilities of the firm given the constraints of its internal and external environments. SWOT analysis provides a tool by which firms assess their environments in terms of strengths, weaknesses, opportunities, and threats (SWOT).

Strengths and weaknesses are components of the internal environment and those factors over which the organization has control. Examples include workforce talent, technology, well-known brands, the firm's reputation, quality of leadership/management, availability of resources, manufacturing processes and patents, and so forth. Identification of strengths and weaknesses enables a company to focus its resources on maximizing its capabilities and minimizing or overcoming its limitations.

Opportunities and threats are posed by the external environment, yet influence the company and its operations. Opportunities and threats include the economy, competitors, legislative environment, societal trends, changing technology, industry forces, and more. Although a firm has no control over the external environment, it must be keenly aware of potential opportunities to be exploited or threats to be avoided.

Vision, Mission, Goals, and Objectives

Strategic planning entails crafting an organization's vision, mission, goals, and objectives. The *vision* represents the ideal, the epitome of what the firm desires to become (often the "best," or "world class"). The *mission* reveals what the company will do to achieve its vision—who it will serve, what it will produce, and so forth. Goals and objectives support the broader vision and mission by specifying how an organization will accomplish its tasks via quantity and quality measures. Effective goals and objectives are SMART—that is, specific, measurable, agreed upon, realistic, and time bound.[2]

See also Competitive Advantage; SWOT Analysis

NOTES

1. Michael Treacy and Fred Wiersema, *The Discipline of Market Leaders* (New York: Basic Books, 2005).

2. Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD: Six Transformational Roles in Creating Results Driven Programs* (Cambridge, MA: Perseus Publishing, 2003).

Ann Gilley and Jerry W. Gilley

SUCCESSION PLANNING

Succession planning is a talent management process that enables an organization to ensure its future prosperity. The process is used to identify, assess, and develop employees who are viewed as having potential to succeed in management positions. The outcome is a plan that identifies employees who have the potential to be developed and groomed to someday manage a department, manage a division, or become CEO of an organization. Why the need for succession planning? There is a demographic shift in the workforce that is primarily driving the need for succession planning; the exodus of baby boomers from the workforce. Leaders, specifically those in the C suite (e.g., CEO, CFO, CIO) in

organizations are becoming eligible for retirement within the next decade. The decisions regarding succession planning have a direct impact on long-term organizational profitability and sustainability.

The succession planning process can be used for all levels of management in the organization, but it is more typically applied to upper-level management positions. While there is no one right way to design a succession plan, there are generally five steps involved:[1]

1. Identify potential successors
2. Develop a formal development plan for the successor
3. Determine a timetable
4. Create a transition plan for the incumbent
5. Transfer the successor into the role (prior to the incumbent's departure so that coaching and mentoring can be incorporated into the development plan)

Candidates and the respective development plans should be reviewed semiannually. Developmental progress, outcomes achieved, and observation of day-to-day performance should be discussed with regard to readiness for expanded developmental projects or responsibilities.

Other Types of Succession Strategies

Given that many industries are faced with rapidly and continuously changing markets, organizations may choose to use "succession management,"[2] which is geared toward developing a group of employees who have demonstrated the competencies required for management through on-the-job-experiences in the organization.

Fast-track programs, or replacement planning, are also used in organizations. These succession strategies are used to prepare for circumstances where there is an immediate need for a qualified backup in key management positions. The emphasis is placed on identifying a qualified candidate vs. employees with development potential, which is the focus of succession planning. Further, the time frame for replacement planning tends to be less than one year, whereas succession planning typically lasts between one and three years.

Regardless of the succession strategy used, it is imperative that an organization have preestablished criteria in place for selection of high-potential or qualified candidates. Further, the process used should not exclude employees based on protected characteristics such as age or gender. Caution should also be taken with regard to reactions from employees who are not selected as "high potential." There can be resentment or a feeling of favoritism if the plan is not communicated and implemented with careful thought.

Conclusion

Change is a constant for organizations today. A change that is driving the need for succession planning is the mass departure of baby boomers within the next decade. Retirement of senior managers and the C suite (e.g., CEO, CFO, CIO) in organizations will create a large gap in leadership talent. Succession planning is about sustaining the organization throughout constant change.

See also Recruiting

NOTES

1. Jon M. Werner and Randy L. DeSimone, *Human Resource Development* (Mason, OH: Cengage Learning, 2009).
2. Ibid.

Pamela Dixon

SWOT ANALYSIS

One of the best ways to prepare for a human resource planning activity or talent inventory is to conduct an internal and external environmental analysis. Upon completion, HR professionals and managers have identified the strengths and weaknesses of employees (internal environment) and the opportunities and threats (external environment) facing the firm, which determine the future human capital required to remain competitive in the marketplace. This analysis is often referred to as a SWOT analysis. SWOT stands for strengths, weaknesses, opportunities, and threats.

Strengths and weaknesses (SW), which are internal, are completely under the company's control. For example, a firm's strengths or weaknesses may be due to its leadership, policies, procedures, strategy, assets, employee talent, product mix, reputation, and so forth. Opportunities and threats (OT), in contrast, are external to the firm and *beyond its control,* yet may influence the firm's business. Opportunities and threats may be posed by competitors, laws and regulations, the economy, weather and natural disasters, changing consumer preferences, trends, and the like.

SWOT analysis information is useful in making adjustments in human resource forecasts and utilization, and taking corrective actions necessary to overcome weakness and address threats. This information also helps organizations build on strengths and capitalize on opportunities.

Internal Environmental Analysis

Several questions and statements are useful when conducting an internal environmental analysis:

1. What is the financial condition of the organization?
2. What are the aptitudes and abilities of managers and employees?
3. What is the current condition of facilities?
4. What is the current state and quality of technology?
5. What is the quality and quantity of internal human and material resources?
6. How is the organization structured?
7. Describe the organizational culture.
8. Describe the work climate within the organization.
9. Describe the managerial practices within the organization.
10. Identify the policies and procedures that enhance or impede organizational performance, effectiveness, and development.
11. Describe organizational leadership
12. Identify the organization's mission and strategy.
13. Describe the organizational learning system.
14. Describe the compensation and reward system.

15. Describe the performance appraisal and coaching process.
16. Does the organization advocate employee growth and development?
17. Is organizational renewal and competitive readiness important to the organization?
18. What performance gaps exist within the organization?
19. What organizational effectiveness gaps exist?
20. What is the current state of human resource practice within the organization?[1]

Once these questions are addressed, HR professionals and managers are able to describe each in relationship to its strengths, weaknesses, and impact on long-term human resource planning

External Environmental Analysis

External environmental analysis reveals the health of an organization, its values, political climate, use of technology and resources, competitive rank within its industry, overall image, and areas requiring improvement.[2] Such information will be invaluable to HR professionals and developmental organization leaders when making decisions regarding the allocation and utilization of human resources.

Several questions that will assist in examination of the external environment include:

1. What are the economic conditions of the nation, region, and local community?
2. What social and cultural values predominate within the industry and its geographic region?
3. What quantity and quality of technology does the organization employ to achieve business results?
4. What external human resources are available?
5. What is the quantity and quality of external human resources?
6. What is the organization's image in the marketplace?
7. What is the company's competitive rank within the industry?[3]

Identifying the opportunities and threats facing an organization allows HR professionals, managers, and organizational leaders to avoid costly mistakes common when conducting human resource planning activities and talent inventories. Both are extremely important to the long-term competitiveness of an organization and, ultimately, their success.

See also Competitive Advantage; Strategic Planning

NOTES

1. Jerry W. Gilley and Ann Maycunich Gilley, *Strategically Integrated HRD: Six Transformational Roles in Creating Results Driven Programs* (Cambridge, MA: Perseus Publishing, 2003).
2. Ibid.
3. Ibid, 100.

Jerry W. Gilley and Ann Gilley

VISION, MISSION, GOALS, AND OBJECTIVES

A vision statement conveys the purpose and value of an organization. A vision statement reveals a company's reason for existence and should drive its performance. It provides

insight on where the company is headed and what it wishes to become. A firm's vision drives its mission and goals.

Mission statements explain who a company serves in terms of stakeholders—customers, shareholders, employees, and the community. A mission statement supports the vision. Goals further define how a company will achieve its vision and mission. A vision statement describes "what" the firm hopes to become, the mission describes "who" it will serve, and goals/objectives explain "how." The vision drives a firm's mission and goals, while goals and mission support the vision.

Purpose

Vision statements are sometimes confused with mission statements, although each has a distinct purpose. An organization's vision and mission statements together reveal its overall strategy. The *vision* statement represents what the firm strives to eventually become and how it wants to be perceived by others. The vision is the ideal that guides the firm's long- and short-term actions. Vision statements often assert the firm's desire to be "number one," "the leader," or "world class." The vision should powerfully rally the organization and its members around a common cause. Top-level executives envision the firm's future and must empower their followers to achieve it. The vision, therefore, must be clearly articulated to, understood, and embraced by all individuals within company.

The vision drives the *mission* statement, which identifies what the company will do, what it will produce, and who it will serve (customers, employees, shareholders, society, the community, and other stakeholders) in its quest to achieve the vision. For example, mission statements commonly report that the firm will provide (1) quality, innovative products to its customers, (2) a healthy, safe working environment for employees, (3) a fair rate of return for shareholders, and (4) support or service to the community. Mission statements support the vision and are the basis for goals and objectives.

Vision

Creating the vision is the first step in strategic planning. A vision is a broad yet succinct statement that describes the direction of the company, and reveals what the company aims for in the long term, which is typically to be the best in what it does. This is often stated in the desire to be "#1" or "world class." The vision draws upon the desire of an organization to be the best, and drives the mission, goals, and objectives of a company. An appropriate vision is not generic to an industry; it is specific to the organization. The company's values and priorities are an important consideration when developing its vision.

When writing a vision, companies want to make sure that it is future-oriented, focuses on one purpose, is specific to the company, and that it is no more than one or two sentences. Effective visions capture the spirit of the organization's desire to be the best and guide employee behavior at all levels. It becomes a source of pride as well as an important goal.

Although the executive leadership team often develops the vision, input from employees increases their understanding of and commitment to it. Organizational leaders are responsible for communicating the firm's vision to all employees and rallying their support. A vision ceases to be effective when organizational employees are unaware of it.

Mission

A firm's mission describes who it will serve in its quest to be the best. Creating the mission is the second step in strategic planning. The mission should support the vision.

Effective mission statements clearly and concisely explain who the firm serves and how. The stakeholders of a company include any individual or firm that has an interest in its success. These constituent groups may include employees, customers, vendors, shareholders, the community, and others.

An effective mission statement addresses the following concepts:
— Ethical position of the company
— Description of target market and desired public image
— Product/service description
— Geographic domain[1]

An example of typical wording of a mission statement is: "We will provide our employees with a healthy, motivating work environment; our customers with high-quality products and services; and our shareholders with a competitive rate of return; while being enthusiastic supporters of the community." Again, a firm's mission supports its vision to be the best.

Goals and Objectives

Goals and objectives are specific statements of results a company wishes to achieve in both the short term and long term. Goals are built upon what is stated in the vision and mission, and provide details as to "how" it will achieve short- and long-term success. Short-term goals are those which can be achieved in a year or less. Long-term goals are those that exceed a year; these typically promote a firm's lengthy viability. Preoccupation with profits can lead to short-term thinking at the expense of long-term success. Broader goals that support the mission include market standing, productivity, management and worker performance, innovation, and public responsibility. Objectives indicate specifically what is to be accomplished and the level of performance to be achieved.[2] For example, an organizational goal might be to increase sales this year; the objective might be by 8 percent.

When writing goals the SMART criteria should be kept in mind:

Specific—goals should be clear and precise, not broad
Measurable—quantifiable, not vague
Achievable—realistic and attainable, while still challenging
Results-oriented—productive, must support meeting of goals
Time-based—a specific time period must be given in which to meet goal[3]

Within organizations, each person, unit, department, and division often has its own specific goals. These should, ultimately, support the mission and vision of the organization at large. Individual performance evaluations, for example, over time are often altered to the point that they fail to support the broader goals of the firm and cease to be truly effective in helping it achieve its mission and vision. Care must be taken, then, to ensure continuous alignment of individual, group, departmental, and divisional objectives with organizational focuses.

Ambiguous, open-ended goals serve little purpose and often go unmet. Motivating, successful objectives clearly specify what is to be accomplished, the measurement criterion, are agreed upon by those responsible for achievement, are attainable, and subject

to a time frame. "Be friendlier" is a broad goal. "Receive three satisfactory to exemplary customer evaluation cards each month" represents a realistic objective when established collaboratively with the person who will be held responsible for its achievement.

Conclusion

A visions reveals what a company wants to be, a mission states who the company serves, and goals explain how a company will achieve success. Each step builds upon the other.

NOTES

1. "Mission Statement," Business Resource Software, Inc., November 30, 2006. http://businessplans.org/Mission.html (accessed August 18, 2008).

2. Robert N. Lussier, *Management Fundamentals,* 3rd ed. (Mason, OH: Thomson South-Western, 2006).

3. Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD: Six Transformational Roles in Creating Results Driven Programs* (Cambridge, MA: Perseus Publishing, 2003).

Maria Valladares

Chapter 7

Organizational Development and Change

Organizational Development and Change: An Overview

Centuries ago Plato said, "Change takes place no matter what deters it." This statement still rings true. The dynamic world in which we live forces individuals and organizations to routinely engage in change. A firm's long-term viability depends more and more on its ability to change and continuously grow, develop, and reinvent or renew itself. Many companies report that they undergo moderate organizational change at least once a year, and major changes every four to five years.[1] And yet, fewer than 40 percent of change efforts produce positive change, while nearly one-third of major change efforts do not work or actually make the situation worse.[2] What can be done to improve the rate of successful change within firms? Organizational development is one approach.

Organizational Development

Organizational development (OD) is planned, continuous, incremental change intended to improve a firm's performance. When regular, incremental change occurs over time, OD becomes a way of life.[3]

Organizational development is both a philosophy and a process of organizational improvement. Developing innovative approaches to problem solving and establishing a "survivalist attitude" in a continuously evolving environment of cultural change and technological advancement improves overall organizational effectiveness. OD encompasses a systemwide process of data collection, diagnosis, action planning, intervention, and evaluation. The result is enhanced alignment between organizational structure, processes, strategy, people, culture, development of new and creative organizational solutions, and increased organizational self-renewing capacity.[4]

Organizational development draws from many different fields and types of initiatives to achieve its goals. Organizational design/redesign, leadership/management development, strategic planning, change management, team building, internal training/coaching, and performance management systems are among a few. OD practitioners, whether members of the management team or housed in HR, constantly seek new ways to improve the human part of the system and, thus, focus on humanistic rather than behaviorist strategies. Although the field relies on theory from psychology and organizational behavior, the results are practical, relevant, and critical to business success.

Benefits of Organizational Development

Organizational development and change yield a wealth of benefits to all levels and for all members of a firm. Benefits to the organization include improved culture, communications, teamwork, quality, creativity and innovation, loyalty, decision making, and goal achievement. Individuals note improved work climate, morale, support from management, involvement, creativity, respect, communications, and job security, to name a few.

Organizational development provides opportunities for employees to develop to their fullest potential while helping the firm achieve its strategic goals and objectives. An exciting, challenging work environment nurtures creativity while tapping the complex set of skills, values, and needs held by each contributor, regardless of title or level within the firm. Creativity and informed risk-taking combine with effective information gathering to produce new solutions or solve problems in innovative ways. As individuals are empowered to influence their work via involvement and support, valuable contributions are made to organizational performance and long-term viability.

Principles of Organizational Development and Change

The heart of organizational development is change; thus OD and change are often combined into ODC (organizational development and change). To understand the complexity of organizational development, one must understand change.

Types of Change. At the corporate or macro level, common organizational development and changes enhance strategy, structure, and culture, often involving different leadership or reporting lines, acquisitions, expansion or downsizing, or incorporation of new technologies.

Change is often defined as transitional, transformational, or developmental. *Transitional* change, the most common and basic, represents continuous management-driven efforts to enhance the current state by modifying structure, policies, or procedures, utilizing technology, or increasing staffing levels. *Transformational* change radically shifts from the current state, involving personal behaviors and mind-sets. Transformational changes alter the culture, formulate new, drastically different strategy, or involve being acquired by another firm and being forced to conform to its ways.

Developmental change, the foundation of organizational development, is an overall philosophy of continuous growth and development for individuals and organizations. Developmental organizations continually scan their internal and external environments for opportunities, making regular, incremental changes along the way. Motivating, healthy work environments encourage innovation, personal growth and development, renewal, involvement, partnering, and a sense of ownership and commitment among organizational members by incorporating manageable changes gradually, and avoiding large-scale, radical change.

Change Audits. The first step in approaching change is to complete a change audit, which assesses a firm's past experiences with and present approach to change, along with future capabilities.[5] Change audits examine the firm's culture with respect to change, types of changes that occurred in the past (e.g., small, moderate, large-scale), who was responsible, when change efforts occurred, how changes were implemented, barriers at the time (e.g., culture, poor management or communications, insufficient resources), and success or failure rates (results).

Evaluating the current state of readiness for change reveals attitudes toward change (e.g., resistance, fear, etc.), status of current change efforts, types of change in progress, implementation techniques, willingness and ability of participants, barriers, and conditions that will be necessary for successful change. A thorough internal analysis assesses company strengths and weaknesses including leadership talent, level of cultural dysfunction, effectiveness of structure, policies and procedures, resource availability, and so forth.

A change audit concludes with an action plan that specifies what must happen for change to successfully occur. How can gaps in ability be lessened, barriers be reduced or eliminated, and willingness enhanced? An action plan details how success will be measured (e.g., based on impact on people or processes, profitability, congruence with organizational mission and goals, etc.), who should lead future changes and why, how change should be implemented, resource needs, how to overcome obstacles, and how success should be celebrated.

Change Implementation

Implementing change requires understanding the impact of change on people and their organizations, as well as skill in change techniques. Continuous ODC demands expertise on the part of individuals throughout the firm. A culture of change exists when all organizational members understand, appreciate, and are involved in current and future change efforts.

HR plays a critical role in change by educating and training managers in the fundamentals of change. Mentoring, observations, workshops, seminars, and collaborative teaming sessions allow HRM professionals to assess individual talents and capabilities with respect to change, and create appropriate change expertise growth and development plans.

Change Management.   Change management models attempt to guide organizations and their people through change. Early change models offered a simple three-step process that evaluated and prepared a firm for change, engaged in the change, and solidified the change into the daily operations of the firm. Lewin's classic model, for example, consists of *unfreezing, movement,* and *refreezing*.[6] Unfreezing assesses and readies individuals and organizations for change; movement occurs when individuals engage in the change process; and refreezing anchors the new way into the daily routine, behaviors, and culture of the organization.

More extensive, multistep change frameworks include components of leadership, employee involvement, rewards, and communication, to name a few. Kotter and Ulrich for example, each developed models that include vision, empowerment, guiding coalitions, commitment, "selling" the change, and more.[7] Although these models provide valuable guidelines for planning and implementing change, they assume that change will occur successfully if all of the steps are followed in sequence. This assumption fails to understand and accommodate natural human resistance, or overcome obstacles to change. A more realistic, in-depth, comprehensive guideline for change implementation suggests that change leaders:

1. Understand that change is immensely complex.
2. Understand individual and organizational responses (resistance) to change, and how to deal with these responses.
3. Create a culture that supports change.
4. Establish a vision for ongoing change.
5. Build a guiding coalition for the change.

6. "Sell" the need for continuous change to individuals at all levels of the organization; help people understand that the change is necessary, urgent; teach that change is good, desirable.
7. Remove barriers to action.
8. Involve employees at all levels of the organization in change processes (including initial decision making, planning, implementation, monitoring, and rewarding).
9. Communicate proficiently; solicit input and share information with those impacted by the change; lack of information breeds fear.
10. Prepare for and plan responses to resistance; treat resistance to change as an opportunity; understand that resistance is a symptom of a deeper problem (e.g., poor management or strategy, ineffective communication, etc.).
11. Deal with employees and their reactions individually, not as a group.
12. Execute ongoing changes in small increments.
13. Constantly monitor progress of change initiatives and refine/adjust as needed.
14. Reward individuals and groups for engaging in change.
15. Celebrate short- and long-term wins.
16. Solidify changes in the newly emerged culture.[8]

People and Change. Individuals approach, react to, and accept change in different ways and at varying rates. Predisposition toward change is a component of ones personality. *Acceptance Rates of Change:* According to Rogers, individual acceptance rates of change vary greatly and depend on the degree of newness as perceived by the individual.[9] Acceptance of change is described in stages such as *awareness* of the change, *interest* in the change, the *decision* to quit or continue, and *adoption* of the change into one's life. Five categories of individuals have been identified based on their general acceptance of change as innovators, early adopters, early majority, late majority, and laggards.

Innovators: 2.5 percent of population; thrive on change and take pride in being the first to accept change.
Early adopters: 13.5 percent of population; like challenges and are supportive of change.
Early majority: 34 percent of population; prefer to observe the impact of change on innovators and early adopters; are deliberate accepters of change.
Late majority: 34 percent of population; skeptical of change, often succumb to peer pressure or change only as a last resort.
Laggards: 16 percent of population; resist change and attempt to hold on to the past, often reject change completely.

Rogers' research implies that approximately half of employees are more accepting of change, while half are more resistant. Those who accept change more readily exhibit certain personality characteristics, such as a more favorable attitude toward change, a more rational approach, have higher aspirations, are better able to cope with ambiguity and risk, are more knowledgeable of change, and have more contact with change agents. Nearly half of the population is predisposed against change, which will present a challenge to those responsible for ODC. Additional personal attention, communication, or meetings to uncover fear or explore opportunities may be necessary to increase their comfort levels with impending change.
Phases of Response to Change: Individuals respond to change in one of four ways: denial, resistance, exploration, or commitment.[10] Each phase represents unique and specific perceptions, emotions, and reactions of those facing change. Helping people work through the phases of change and to commitment is a critical role of leaders, managers, and anyone responsible for organizational development and change.

Denial, a common initial reaction to change, surfaces when people are naïve in the belief that the change will have little, if any, impact on them personally. Symptoms of denial include lack of engagement in the change, an unrealistic enthusiasm relative to the change, and statements such as, "This won't involve me," or "No big deal." Moving past denial and facing change more honestly involves increasing their understanding of their role in change and how it will impact them personally, involving them in the change process, providing adequate information relative to the change, and encouraging feedback.

Resistance occurs when the proposed change has become personal and is perceived as negative. People doubt the change or its benefits to them as a result of receiving additional information—accurate or not—regarding the looming change. In this phase, individuals realize the difficulty, inconvenience, or personal hardship they will face, and some begin to actively resist. Symptoms of resistance include withdrawal, blaming, arguing, negativism, gossip, refusal to attempt change, slowdown of work, sabotage, and increased absenteeism, to name a few. Commonly heard statements include, "They can't make me change," "It won't work," or "The old way is better."

Exploration, which is phase three, reflects progress in acceptance of the proposed change. In this phase, people are hopeful and seek positive outcomes of the change. Although cynicism and fear do not completely disappear, individuals recognize the eventuality of or necessity for change on a personal level. Symptoms of exploration consist of questions pertaining to potential benefits, a greater willingness for personal involvement, and employees helping each other with specific tasks or change related issues. Employee statements include, "This might work," "How can I...," and "Show me..."

Commitment is characterized by acceptance of the change as positive and incorporation of changed behaviors into daily organizational life. Symptoms of the fourth phase include employee support of the change and involvement in managing its implementation. Commonly heard statements include, "It's working," and "Let me help with that."

Some people navigate quickly through the change process, while others need more time, stall, or vacillate between phases. Understanding human reactions to change and responding appropriately are the keys to leading people through the change process and to acceptance. Providing information, soliciting feedback, and encouraging involvement help individuals overcome their natural resistance and work through change. People desire information, being involved, making a difference, conquering a challenge, and being rewarded for their efforts.

Organizations and Change. Organizations are simply collections of people. Therefore, as individuals change or resist, so do their organizations. "Individual and organizational behaviors and reactions are remarkably similar...individual behaviors manifest themselves as organizational actions—the two cannot be separated."[11]

People resist change physically as well as cognitively. The human body's immune system is a complex network that protects the body by: (1) identifying and destroying infectious agents (such as bacteria and viruses) that cause disease, (2) recognizing and fighting its own cells growing out of control (e.g., cancer cells), and (3) detecting and attacking non-biological intruders (e.g., slivers).[12] A key immune system cell, the macrophage, monitors every portal of entry to the body—including eyes, nose, and lungs—and thus is known as the *sentinel of the immune system.*[13] This gatekeeping cell, which is constantly on the move, searches for and destroys or engulfs invading or foreign entities such as bacteria, viruses, cancer cells, or nonbiological materials (e.g., slivers).

On occasion, the body's immune system misjudges a threat, works too well, or misidentifies a cell and overreacts (with occasionally disastrous results). The nonselective nature of the immune system ignores the source or purpose of the intrusion and simply responds in survival mode, seeking to destroy any intruding cells. Rejections of organ implants or tissue grafts are common examples, as is the body's response to AIDS.

Organizations, similarly, have their own immune systems with parallel aims—to protect the status quo and thwart change. Informally and often not consciously, employees at all levels (including executive) act as gatekeepers who routinely monitor organizational conditions, sometimes overreacting to proposed change, failing to recognize impending threats posed by competitors or market conditions, or refusing to embrace technological advances. The individual's response is often a self-protective, defensive move that fails to consider the overall well-being of the organization.

People in organizations are similar to the immune system's macrophage cells in that both are gatekeepers positioned at every portal of entry to the system, ready to attack any perceived threat (change). Just as macrophages engulf or destroy objects in the body, people reject or attack new ideas or change initiatives. The body responds to situations in which a threat may be real or perceived. Likewise, organizational change may be viewed by employees as a real threat, even when the change is potentially positive. The challenge lies in overcoming this inherent response and encouraging people to realize the positive consequences of change. The organization's immune system reflects attitudes and actions held by people throughout the firm; thus, strategies for reducing resistance and encouraging change must focus on all levels of the organization, from executive to front-line. Effective organization-wide ODC interventions include management/leadership training and development (with emphasis on change skills), communication, employee involvement, stress management techniques, conflict resolution, and negotiation.

Resistance to change must be understood and managed on a personal level in order to be implemented organization-wide. ODC agents are responsible for understanding individual and organizational responses to change (particularly resistance), identifying organizational resisters, preparing for inevitable resistance, addressing each individual's specific reasons for resisting change, harnessing the strengths of group/team dynamics, seeking employee input, involving individuals in the change process, and helping all organizational members work through change toward a successful end.

Barriers to Change

"Change is inherently messy and always complicated."[14] Change, by definition, disrupts the balance with which we are familiar. Common barriers to change are rooted in the organizational system, leadership/management, and people in general.

System barriers include a dysfunctional culture, the immune system, ineffective policies or procedures, insufficient resources or support, and internal conflicts. *Leadership/management* barriers are due to their inability to deal with resistance to change, lack of change management skills, lack of trust between management and employees, faulty assumptions regarding change (e.g., change is easy), refusal to involve employees in change decision-making, insufficient communications, and lack of rewards for change, to name a few.

Individual barriers are varied. The most daunting obstacle is our inherent resistance to change. People often fear change and the resulting disruption to our comfortable routines. Change may be perceived as threatening to our security, identity, sense of control, or need

for clarity or order. Negative individual reactions to change manifest themselves in lack of engagement in discussions or actions that involve risk or the unknown, longing for the "good old days," desire to protect the status quo, and negative comments relative to the change or those pursuing it.

Overcoming Barriers to Change

Barriers to change are as personal as the individual and as complex as the organization. Overcoming obstacles to change, as a result, requires deep understanding of individuals and their organizations. Individual personalities, talents, weaknesses, and predisposition to change to change combine with thorough knowledge of organizational culture, leadership skills, procedures, capabilities, and history of change to frame strategies for successful change implementation and long-term organizational development. Strategies for leaders, managers, and HRM professionals in overcoming obstacles to change are:

- Enhance your change skills.
- Determine what should be changed.
- Know your people and their predispositions toward change.
- Model the change.
- Remove obstacles in the system.
- Understand and plan for resistance.
- Involve people at all levels in all stages of the change.
- Communicate, communicate, communicate.
- Provide resources and support.
- Reward change efforts and celebrate successes.
- Create a culture of organizational development and change.

Conclusion

Organizational development and change efforts equip firms in their fight for survival. A planned, ongoing process of change, ODC provides a framework through which individuals and their organizations engage in well-planned change initiatives that have a greater chance of success. Organizations do not change—their people do. Yet ODC yields a host of personal and company-wide benefits including improved work culture and conditions, growth and development opportunities, innovation, quality, communication, and efficiency.

NOTES

1. Steve A. Allen, "Organizational Choice and General Influence Networks for Diversified Companies. *Academy of Management Journal,* September 1978, 341.

2. J.J. Porras and P.J. Robertson, "Organization Development: Theory, Practice, and Research," in *The Handbook of Industrial and Organizational Psychology,* vol. 3, ed. M.D. Dunnette and L.M. Hough (Palo Alto, CA: Consulting Psychologists Press, 1983); R.S. Bibler, *The Arthur Young Management Guide to Mergers and Acquisitions* New York: J. Wiley, 1989); and Michael Beer, R.A. Eisenstat, and B. Spector, "Why Change Programs Don't Produce Change," *Harvard Business Review* 68, no. 6 (1990): 158–66.

3. Jerry W. Gilley, Steven A. Eggland, and Ann Maycunich Gilley, *Principles of Human Resource Development.* 2nd ed. (Cambridge, MA: Perseus, 2002).

4. Michael Beer, "What Is Organizational Development," in *Training and Development Sourcebook,* ed. L.S. Baird, C.E. Schneiner, and D. Laird (Amherst, MA: HRD Press, 1983).

5. Ann Gilley, *The Manager as Change Leader* (Westport, CT: Praeger, 2005), 98–99.

6. Kurt Lewin, *Field Theory in Social Science* (New York: Harper, 1950).

7. John P. Kotter, *Leading Change* (Cambridge, MA: Harvard Business School Press, 1996); and David A. Nadler, *Champions of Change: How CEOs and Their Companies are Mastering the Skills of Radical Change* (San Francisco: Jossey-Bass Publishers, 1998).

8. Gilley, *The Manager as Change Leader,* 36.

9. Everett M. Rogers, *Diffusion of Innovations,* 5th ed. (New York: The Free Press, 2003).

10. C.D. Scott and D.T. Jaffe, "Survive and thrive in times of change," *Training and Development Journal,* April 1988, 25–27.

11. Gilley, *The Manager as Change Leader,* 29.

12. Ann Gilley, Marisha L. Godek, and Jerry W. Gilley, "The Organizational Immune System: Individual and Organizational Responses to Change" (2004), unpublished mss.

13. M.J. Auger and J.A. Ross, "The Biology of the Macrophage," in *The Macrophage,* ed. C.E. Lewis and J.O'D. McGee (Oxford: Oxford University Press, 1992), 1–12.

14. Nadler, *Champions of Change,* 3.

Ann Gilley and Jerry W. Gilley

CHANGE MANAGEMENT

Organisms that do not evolve or change eventually die. The same holds true for organizations. Thus, knowledge of change and change management are critical in today's hypercompetitive, rapidly evolving world. As a result, managers have found that their primary job is to make change happen through their people, and expertise in change management is a necessary skill.

Change, according to the *American Heritage Dictionary,* is defined as "to cause to be different; alter; a transition from one state, condition, or phase to another." Change management, therefore, we will define as "planned facilitation of change," which requires knowledge and understanding of the forces of change, obstacles and human reactions to change, and ways to overcome barriers and desired make change happen.

Forces of Change

What causes change to occur? In many cases, change occurs slowly and incrementally as individuals and organizations respond to gradual modifications of their internal and external environments. Changes in internal policies and personnel or shifting societal trends and legislation, while occasionally unpleasant, are often foreseen and may be planned for.

Conversely, certain incidents occur quickly and without warning. Natural disasters, death of a leader, war, and some technological advances can act as catalysts of rapid, even radical change.

Obstacles to Change

Individual and organizational barriers inhibit or entirely prevent desired change. Individual obstacles to change include our inherent resistance, personality (including predisposition toward or against change), fear, intolerance of ambiguity and/or risk, and lack of coping skills.

Fear is a natural and predictable response to change. People fear change and its consequences, real or perceived. Other reasons why individuals resist change include:
— Fear of the unknown
— Fear of failure

- Intolerance of conflict
- Perceived lost of security, power, status, or control
- No incentive to change
- Peer pressure
- Lack of input into the change
- Mistrust of management
- Lack of guidance or clarity[1]
  Organizational obstacles to change are even greater in number, including:
- Poor leadership/management
- Lack of management support for change
- Insufficient resources allocated for change
- Internal conflict for resources
- Dysfunctional culture
- Lack of trust between managers and employees
- Lack of commitment to change
- Lack of benefits or rewards for change
- Lack of consequences for refusal or failure to change
- Poor policies and procedures
- Intolerance of conflict
- Punishment of risk-takers
- Poor communications[2]

Consequences

Organizations whose people or systems erect multiple barriers to change report numerous negative symptoms such as lower morale, frustration/anger among employees, lost productivity, cost overruns, increased stress, poorer customer service, lessened commitment, and failure to meet goals (individual and organizational).

Overcoming Resistance and Managing Change

Successfully implementing change requires that impacted parties understand the processes of change along with human reactions (e.g., resistance). The four phases of response to change are denial, resistance, exploration, and commitment.[3]

Denial, often one's initial response to an impending change, occurs when an individual believes that the change will not affect him or her. Denial typically surfaces when information about the change is lacking. *Resistance,* the second phase, arises when people receive some information that leads them to perceive that the change will impact them negatively (e.g., they may lose their jobs or may be forced to take on additional work responsibilities, etc.). The third phase, *exploration,* reflects some progress in the change effort as individuals begin to seek or recognize personal benefits associated with the change. *Commitment,* the last phase, is manifested in ones acceptance of and support for the change.

Helping others through the process of change and managing its outcome proves more successful when: (1) those impacted by the change are involved in its conceptualization, design, and implementation, (2) open, honest communications and feedback occur at each phase, (3) management visibly and substantially supports the change and provides the resources necessary to be successful, (4) individuals are rewarded for engaging in change, and (5) problems are anticipated and planned for.

Change Models

Numerous models address the complexities of managing change, from Lewin's classic yet simplistic *unfreeze-move-refreeze*[4] to multistep approaches that address resistance, culture, and rewards such as the following change model:[5]

Acknowledge that change is immensely complex.

Understand individual and organizational responses (resistance) to change, and how to deal with these responses.

Create a culture that supports change.

Establish a vision for change.

Build a guiding coalition for the change.

Sell the benefits of change to individuals at all levels of the organization.

Remove barriers.

Involve employees at all levels of the organization in the change process.

Communicate, communicate, communicate.

Prepare for and plan responses to resistance.

Deal with employees and their reactions individually, not as a group.

Execute the change in small increments.

Constantly monitor progress of the change and refine/adjust accordingly.

Reward individuals and groups for engaging in change.

Celebrate short- and long-term wins.

Solidify the change in the newly emerged culture.

Conclusion

Change is inevitable. Understanding its complexities and change management techniques enables individuals and organizations to face the challenges posed by an uncertain future.

See also Organizational Development and Change: An Overview

NOTES

1. Ann Gilley, *The Manager as Change Leader* (Westport, CT: Praeger, 2005).

2. Ibid.

3. C.D. Scott and D.T. Jaffe, "Survive and Thrive in Times of Change," *Training and Development Journal,* April 1988, 25–27.

4. Kurt Lewin, *Field Theory in Social Science* (New York: Harper, 1951).

5. Gilley, *The Manager as Change Leader,* 35.

Ann Gilley

INNOVATION

Given the extraordinary changes occurring today with regard to economics, technology, and demographics, organizations are attempting to remain competitive through continuous and transformational change. Transformational change requires innovation.[1] Innovation is applied to products and services, as well as technology, organizational structure and processes, and an organization's business model.[2] From this perspective, innovation can be viewed as the engine that drives transformational change.

Regardless of where efforts are focused, innovation requires disruptive growth; not just getting better at what they do, but changing to the extent that an organization differentiates itself. However, even though the importance of being innovative is clear, only a few organizations achieve transformational change. A primary reason is that innovation requires a culture and work environment conducive to the application of creativity, which is lacking in many organizations. Creativity has been described as the emergence of novel ideas, and innovation has been described as the implementation of these ideas.[3]

Multiple elements within an organization's culture serve to enhance or inhibit innovation. Poor managerial support and work climate limit the impact of creativity in terms of influencing idea implementation, leading to innovation.[4] Leaders can influence the culture and climate by focusing on cognitive, as well as behavioral, approaches.

As complex adaptive systems, organizations' ability to generate new ideas, grow, renew, and change requires the capacity to quickly respond to novel problems or situations in the external market.[5] In order to support adaptability and capacity building, organizations rely on initiatives that support continuous learning and performance improvement. Further, organizations demonstrate agility by changing the structure and/or processes. In turn, structures and processes are manifested by underlying patterns of thinking regarding relationships, information sharing, and behaviors. Therefore, it can be inferred that both cognitive and behavioral approaches are critical to ensuring innovation. The cognitive approach manifests itself as "intellectual capital."

Cognitive Approaches

Creativity must be viewed in the context of the organization. It is driven by intellectual capital, "which is the knowledge that people have and that will increase in worth."[6] It has been suggested that noticing generic structures (e.g., mental models, scripts, and cultural norms) is important to enabling intellectual capital.[7] Being aware of generic structures enables invention, through seeing relationships or connections between seemingly disparate concepts. Essentially, remaining unaware of generic structures becomes an obstacle for innovation. In order to create or invent, an individual must have the ability to look beyond the generic structures that are their current frame of reference. This requires time and reflection, which, in the normal course of the day in most organizations, is not embraced.

Behavioral Approaches

In terms of behavioral approaches, innovation requires leadership to move beyond the command-and-control mode of managing, which supports maintenance of the status quo. Rather, innovation requires the use of an array of communication techniques. Specifically, communicating to the organization the risks in clinging to the status quo and the potential rewards of embracing a radically different future. Also, enabling the flow of ideas is critical. This is done by allowing time for reflection and creative thought. Leaders must work purposefully to convert creative, yet impractical and wild ideas, into innovations. Leaders should approach innovation knowing that new ideas will seem impractical and that there is no way of telling the silly ideas from the stroke of genius— both look equally impossible at first glance. Further, innovations that arise from genius, rather than from purposeful and organized work, cannot be replicated and simply remain brilliant ideas—they are rarely acted upon. Therefore, cultivating a work environment conducive to creativity is imperative.

Conclusion

Organizations can remain competitive through continuous and transformational change, which requires innovation. Innovation is the result of the creative thought of employees, and action on the part of leaders. Without a culture and work climate that enables creative thought, innovation will not occur. Therefore, it is imperative for organizations to place emphasis on both cognitive approaches and behavioral approaches in order to cultivate creativity and achieve innovation.

NOTES

1. Steve Denning, "Transformational Innovation," *Strategy & Leadership* 33 (2005): 11–16.
2. International Business Machines, *Expanding the Innovation Horizon: The Global CEO Study* (Somers, NY: IBM Global Business Services, 2006).
3. Max Zornada, "Stroke of Genious?" *Manager,* June–July 2006, 28–29.
4. Kamal Birdi, "No Idea? Evaluating the Effectiveness of Creativity Training," *Journal of European Industrial Training* 29 (2004): 102–11.
5. Fikret Berkes, Johan Colding, and Carl Folke, "Rediscovery of Traditional Ecological Knowledge as Adaptive Management," *Ecological Applications* 10 (2000): 1251–62.
6. Robert Haskell, *Reengineering Corporate Training: Intellectual Capital and Transfer of Learning.* (Westport, CT: Quorum Books, 1998)
7. Ibid., 285.

Pamela Dixon

INTERNAL/EXTERNAL CONSULTING

The term "consultant" describes a myriad of services provided by a myriad of providers. Consulting, in the business context, means the giving of advice for pay. Consulting is an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify organizational problems (and opportunities), analyze such problems (and opportunities), recommend solutions to these problems, and help, when requested, in the implementation of solutions. Such a definition helps an internal consultant to be engaged in the management process (not simply in problem definitions) with a client system.

Management consulting (which comprises strategy consulting and operations consulting) refers to both the practice of helping organizations to improve performance through analysis of existing business problems and the development of future plans or opportunities. Management consulting may involve the identification and cross-fertilization of best practices, analytical or diagnostic techniques, change management and coaching skills, technology implementations, strategy development, or operational improvement.

Internal Consulting

Internal consulting is frequently used to develop and implement corporate strategies, propagate new management practices across divisions, train managers and staff, perform management audits, assist in the correction of the problems discovered, and, in general, to improve performance of the organization. Internal consultants are already members

of the organization (e.g., a top executive; a manager of human resources or organization development; or simply an organization member who initiates change) who perform tasks that are similar to those performed by external consultants, except that they generally do this within the boundaries of their host organization.

Internal management consultants, like their external counterparts, are also considered as change agents with a role to influence and advise people, and to persuade them and help them to do things differently. Internal consulting makes available to the manager a specialist resource with deep knowledge of the organization to assist in identifying and studying problems and opportunities; preparing recommendations; and assisting in the implementation of these recommendations, if requested.

Internal consulting is a particularly apt solution when the special skills are needed only periodically, or when problems cut across divisional boundaries within an organization. The function is of particular importance to small- and medium-sized organizations that cannot afford to keep a large staff of specialists, as well as to large organizations to assist them in improving organizational objectives, structures, operations and processes, productivity and quality.

The distinctive advantage internal consultants have over their external counterparts is their familiarity with the internal cultures and political systems of the organization, and thus the relative ease with which they can help an organization change.[1] Because internal consultants are often considered "overhead," many value-driven companies such as Anheuser-Busch, American Express, General Electric, Sara Lee, Pepsico, and Sony compel their internal consultants to market their services both internally and externally.

External Consulting

External consultants are not members of the organization (e.g., not on the company's payroll) and work on specific projects for limited periods because of a particular expertise that is unavailable internally, to bring a different viewpoint and, potentially, a more objective perspective. Using external consultants is necessary under the following circumstances: the organization needs specialized help not available on staff; the company faces time pressure to find a solution and the staff is already under stress; the nature of the problem or the company's political atmosphere means that solutions presented by an unbiased, apolitical outsider will have greater credibility and acceptance; and the organization requires a fresh perspective on a problem.

There are certain kinds of assignments for which the external consultant is uniquely qualified. The benefits of external consulting include their objectivity about the organization's problems (and opportunities) and their independence from the organization's power structure. An external consultant is also not dependent on a single client for his or her livelihood and not afraid to criticize the client company politics, approaches, and processes. The external consultant is free to leave the company and/or reject the assignment. External consultants as outside specialists may have more influence with the client-organization, which could consider him or her as an "expert" who has more varied experiences and a broader perspective from working in many companies. Among thousands of external consultants, it is always possible to find unique expertise, and the best expertise, to solve the client's problems. Certain jobs could be done better by outside consultants such as executive recruiting, market studies, intercompanies' experience transfer, etc.

The Internal and External Consulting Team

Both internal and external consultants are helpers. In this sense, they have similar roles. They must get their job done through others who do not report to them organizationally. They do not have "power" as line managers. They work with and through client-organization members using forms of influence other than formal authority. They can both play multiple consulting roles.

There are certain advantages and disadvantages of internal and external consulting. The best potential lies in forming a powerful combination in undertaking the joint work of internal and external consultants. The external-internal consulting team is the most effective consulting approach. Effective organizational executives use internal and external consultants in a complementary manner. The organization can also call for an outside opinion on a major decision in addition to the internal consultant's recommendations.

The internal and external consultant brings to the consulting team complementary resources—that is, advantages and strengths that offset the disadvantages and weaknesses of the other. The external consultant brings expertise, objectivity, and new insights to organization problems and opportunities. The internal consultant, on the other hand, brings detailed knowledge of organization issues and norms, a longtime acquaintance with members, and an awareness of strengths and weaknesses.[2] External consultants are preferred in situations in which an internal consultant does not meet the criteria of impartiality and confidentiality, or lacks expertise. Joint teams of external and internal consultants can use complementary consulting skills while sharing the workload and possibly accomplishing more than either would be operating alone.

NOTES

1. Charles J. Fombrun and Mark D. Nevins, *The Advice Business: Essential Tools and Models for Management Consulting* (Upper Saddle River, NJ: Pearson Prentice Hall, 2003).

2. Philip Hunsaker, "Strategies for Organizational Change: The Role of the Inside Change Agent," *Personnel,* September–October 1982, 10–28.

Ronald R. Sims

ORGANIZATIONAL DEVELOPMENT

Organizational development (OD) is a comprehensive or systematic approach to planned change that is designed to improve the overall effectiveness of organizations, including improved quality of work life and increased productivity, and is designed to work on issues of both external adaptation and internal integration. HR professionals and others use OD to successfully respond to and manage change to improve performance in organizations of many types, sizes, and settings. It includes a set of tools with which any HR professional who is concerned about achieving and maintaining high levels of productivity needs to be familiar. Because of its comprehensive nature and scientific foundations, OD is frequently implemented with the aid of an external consultant.

Action-research Foundations of OD

Action research is the process used by HR professionals and others to systematically collect data on an organization, feed it back to the members for action planning, and

evaluate results by collecting and reflecting on more data after the planned actions have been taken. Action research is a data-based and collaborative approach to problem solving and organizational assessment. When used in the OD process, action research helps identify action directions that may enhance an organization's effectiveness. In a typical action-research sequence, the sequence is initiated when someone senses a performance gap and decides to analyze the situation systematically for the problems and opportunities it represents. The process continues through the following steps: data gathering, data feedback, data analysis, and action planning. It continues to the point at which action is taken and results are evaluated. The evaluation or reassessment stage may or may not generate another performance gap. If it does, the action-research cycle begins anew.

Open Systems Framework

The open systems framework assists HR professionals in accomplishing the required diagnoses. At the organizational level, effectiveness must be understood with respect to forces in the external environment and major organizational aspects, such as strategy, technology, structure, culture, and management systems. At the group level, effectiveness is viewed in a context of forces in the internal environment of the organization and major group aspects, such as tasks, membership, norms, cohesiveness, and group processes. At the individual level, effectiveness is considered in relationship to the internal environment of the workgroup and individual aspects, such as tasks, goals, and interpersonal relationships.

The action-research process engages members of an organization in activities designed to accomplish the required diagnoses and to develop and implement plans for constructive change. Action research, data collection, and the diagnostic foundations come together through the choice and use of OD interventions. An intervention is a specific action that HR professionals and others who are responsible for change take to focus the change process. With less formality, many of these techniques are used by HR professionals to help them understand and improve their own operations.

Organizational Development Interventions

Although intervention has a generally used meaning, it has a specific meaning in the context of OD, where it refers to a formal activity. Choice of a particular intervention depends on the nature of the problem that the organization's leadership and HR professionals have diagnosed. As change agents, HR professionals along with other organizational members determine which alternative is most likely to produce the desired outcome, whether it is improvement in skills, attitudes, behavior, or structure. OD interventions have different effects on organizations, groups, and individuals. OD interventions include: human process, technostructural, human resource management, and strategic interventions.

Human Process Interventions

Human process interventions (individual and group relations) focus on people within organizations and the processes through which they accomplish organizational goals in order to enhance their overall organization. These interventions help people gain individual skills and knowledge, interpersonal competence, work through interpersonal conflicts, develop effective groups or teams or departments, as well as on relations between groups,

teams, or departments. Human process interventions include coaching, training and development, process consultation, third-party intervention, team building, organization confrontation meeting, intergroup relations, and large-group interventions.[1]

Technostructural Interventions

Technostructural interventions (structures and technologies) focus on improving the performance of organizations (productivity and organizational effectiveness) primarily by modifying structures, technologies, operations, procedures and roles/positions in the organization. These interventions include approaches to employee involvement, as well as methods for designing organizations, groups, and jobs. An intervention involving work-technology might be the introduction of e-mail to improve employee communication. An intervention involving an organization-design change might be making an organization less centralized in its decision making. Technostructural interventions include total quality management/employee involvement, reengineering, downsizing, and structural design.[2]

Human Resource Management Interventions

Human resource management interventions (individual and group performance management) focus on enhancing overall organizational performance by improving the performance of individuals and groups within the organization. These interventions concern performance management and developing and assisting employees and include goal setting, performance appraisal, reward systems, career planning and development, managing workforce diversity, employee stress, and wellness.[3]

Strategic Interventions

Strategic interventions (organization and its external environment) focus especially on the organization and its interactions with its external environment, and often involve changes to many aspects of the organization, including employees, groups, technologies, products and services, etc. These interventions are organization-wide and bring about a better fit between an organization's strategy, structure, culture, and the larger environment. Strategic interventions include mergers and acquisitions, culture change, organizational learning, and knowledge management.

See also Organizational Development and Change: An Overview

NOTES

1. T.G. Cummings and C.G. Worley, *Organization Development and Change,* 8th ed. (Cincinnati, OH: South-Western College Publishing, 2005); and A. Kinicki and B. Williams, *Management: A Practical Introduction,* 3rd ed. (Burr Ridge, IL: McGraw-Hill/Irwin, 2006), 329.

2. J.M. Werner and R.L. DeSimone. *Human Resource Development,* 4th ed.). (Mason, OH: Thomson-SouthWestern).

3. Cummings and Worley, *Organization Development and Change,* and Kinicki and Williams, *Management: A Practical Introduction.*

Ronald R. Sims

ORGANIZATIONAL IMMUNE SYSTEM

Change, although constant in organizations, often proves a painful process. One major deterrent to a firm's ability to change lies in its immune system, which mirrors the human

body's immune system. An immune system is designed to protect the body against harmful intrusions (foreign entities). An organization's immune system is the collection of people, policies, procedures, and processes that prevent change without regard for its consequences, positive or negative.

Organizations, like the human body, are systems.[1] The body consists of many interrelated subsystems just as organizations are comprised of multiple departments and functions. Healthy, dynamic systems respond to change positively. Dysfunctional systems—those whose immune systems are out of control—react negatively to change and reject it without consideration.

The immune system protects the body by identifying and subsequently removing or isolating any foreign entity (e.g., a sliver, a cell growing out of control). A misjudged threat, however, can be catastrophic. Failure to identify viruses or disease may result in infection, illness, or death. Or, the immune system may reject healthy tissues or organs when the body mistakenly perceives that they are foreign and proceeds to destroy them.[2]

Similarities between the Human Body and Organizations

In the body, one key immune system player is a cell called the macrophage. Macrophages reside at every portal of entry to the body, such as the eyes, nose, and mouth, and thus are known as the *sentinels of the immune system*.[3] The circulating form of the macrophage continually moves throughout the body in search of invading or foreign entities (e.g., bacteria, tumor cells, surgical implants).[4] Within organizations, sentinels attempting to preserve the status quo exist at all levels. They may be in the executive suite, among seasoned staff members, embedded within policies, procedures, and processes, or dispersed within the framework of a dysfunctional culture.

Upon encountering a foreign entity, the macrophage attempts to separate it from the body by engulfing or attaching to it, part of the body's natural response. In the case of surgical implants designed to augment or replace a host function, and thus a beneficial addition to the body, macrophage cells may still react in a negative fashion, a process called the "foreign body response." In essence, the body responds in survival mode—similar to the rejection of new ideas in an organizational setting. The individual's response (like the cell's response) is often a knee-jerk reaction to an intrusion or change without consideration of the overall well-being of the system (the organization).

The body's macrophages are similar to many organizational members. Macrophages are gatekeepers, positioned at every portal of entry to the system, ready to attack any invaders of the body. Organizations, too, have their own watchful gatekeepers, skeptics, and defenders. Just as macrophages surround or engulf (ingest) objects, people encounter new ideas that they then attack or suppress. Just as the body responds based on the initial response of the macrophage to a real or perceived threat, so too, do organizational members perceive change as a real threat, even when the outcome is potentially positive.

Policies, procedures, and processes prevent change and contribute to the immune system by encouraging or requiring control, continuity, and standardization measures that inhibit creativity and innovation while providing temporary security for organizational members. This temporary security fuels a dysfunctional culture and immune system that lead to organizational inertia at the expense of needed change that supports long-term firm viability.

Overriding the Immune System

Organizations continually search for viable means through which to tolerate, even embrace change. Preventing rejection and encouraging people to accept desired change requires overriding the immune system and enabling change to occur. Strategies for enabling change include (1) altering cellular (human) behaviors so that the change can be tolerated, (2) concealing the change from the immune system, and (3) disarming the immune system.

Alter Behavior

Means by which to help individuals cope with change include creating a culture of change, promoting win-win change situations, communicating that the change is beneficial, providing training, involving employees in decision making regarding changes, and rewarding change efforts.

Conceal Change from the Immune System

Changes that occur gradually, incrementally, even imperceptibly will be better tolerated by people.

Disarm the Immune System

The immune system may be mitigated by reducing or eliminating barriers to change (poor leadership, lack of support, etc.), maximizing the influence of organizational change agents, identifying and neutralizing the effects of greatest resisters, and through appropriate communications.

Conclusion

Organizations, like the human body, possess immune systems that shield the entity from harm by resisting change. Understanding the human body's immune system enables us to better understand and manage the organizational immune system.

See also: Change Management; Culture; Organizational Behavior: An Overview

NOTES

1. Jerry W. Gilley and Ann Maycunich Gilley, *Strategically Integrated HRD: Six Transformational Roles in Creating Results-driven Programs,* 2nd ed. (Cambridge, MA: Perseus Publishing, 2003).

2. Janis Kuby, "Transplantion immunology," in *Immunology,* ed. Richard A. Goldsby, Thomas J. Kindt, and Barbara A. Osborne, 4th ed. (New York: W.H. Freeman and Co, 2000), 517–38.

3. M.J. Auger and J.A. Ross, "The Biology of the Macrophage," in *The Macrophage,* ed. Claire E. Lewis and Bernard Burke, 2nd ed. (Oxford: Oxford University Press, 1992), 1–72.

4. Janis Kuby, "Cells and Organs of the Immune System," in *Immunology,* ed. Richard A. Goldsby, Thomas J. Kindt, and Barbara A. Osborne, 4th ed. (New York: W.H. Freeman and Co, 2000), 27–60.

Ann Gilley, Marisha L. Godek, and Jerry W. Gilley

Chapter 8
Organizational Behavior

Organizational Behavior: An Overview

Organizational behavior can be defined as the study of how individuals and groups act in organizations.[1] The study of organizational behavior is multidisciplinary and focuses on individual behavior, interpersonal behavior, group behavior, and the behavior of "whole systems" within organizations.[2] Organizational behavior encompasses a wide range of topics, including:

- Social systems
- Motivation
- Leadership
- Employee participation
- Interpersonal communication
- Teams
- Conflict management

Management practices utilized today are driven by six major forces that have had a great impact on organizations:[3]

- *Human resources*—The projected shortage of skilled workers and the increasing importance placed on human capital.
- *Globalization*—Increased growth in world trading for goods and services.
- *Diversity*—The U.S. workforce is becoming more culturally diverse.
- *Change*—Increased rate of change requires managers to adapt quickly and to be skilled at managing multiple changes at once.
- *Psychological contract*—The expectation of lifetime employment in one organization no longer exists. Today, the new unspoken contract consists of employees who expect opportunities for development (employability); flexibility in terms of balancing all aspects of life, including family; and having employers place greater emphasis on employee well-being, both physical and mental health.
- *Technology*—Organizations use technology to get work done. Information and communication technology have provided options for working across the globe in a synchronous or asynchronous manner. Work can be completed by virtual teams from different countries, all communicating and transferring information via networks at increasing speeds.

The results obtained from employee performance are the building blocks to organizational performance. Leaders in organizations must manage in a way that addresses the forces noted above. Failure to do so could result in costly increased turnover, lack of commitment, poor quality, lower productivity, and worker dissatisfaction.[4]

At its foundation, an organization consists of its leadership's values, vision, and objectives, which in turn influence the organizational culture. An organization's culture establishes the communication, group dynamics, and the degree to which individuals are integrated within the organization. Employees perceive this as the quality of work life, which influences their motivation and level of commitment. Managers can design jobs, develop working conditions, and create working relationships with employees that enhance quality of work life. This results in the degree to which superior performance (output) is achieved at the individual, group, and organizational levels.

Conclusion

Elements of organizational behavior address the needs of employees and the employer in the work relationship. An organization's leaders, utilizing interpersonal skills and other management practices highlighted in studies of organizational behavior, have the power to drive performance and influence the achievement of individual, group, and organizational goals.

NOTES

1. John W. Newstrom, *Organizational Behavior: Human Behavior at Work* (Boston: McGraw-Hill, 2007).
2. Ibid, 9.
3. John M. Ivancevich, Robert Konopaske, and Michael T. Matteson, *Organizational Behavior and Management* (Boston: McGraw-Hill, 2008).
4. Ibid.

Pamela Dixon

AGILE ORGANIZATION

An agile organization is one that can change rapidly to remain competitive in today's fast-paced world of business. Accordingly, organizational leaders trust the talent of the group to make decisions and adjustments to continuously improve processes. This allows the organization to remain competitive and achieve goals quickly in the changing market.[1]

Organizational Structure in an Agile Organization

Traditional organizations are bureaucratic and very rigid, with specified and prescribed work rules. This bureaucracy creates an environment that is slower to change than the marketplace demands. The recent emphases on "sustainable competitive advantage"[2] and the shortages of talent in the market have put pressures on organizations to restructure. Often, these become agile organizations, which are structured to provide opportunities for improved information sharing with employees. This creates avenues of communication that encourage shared decision making. Additionally, the new structure increases the flow of information and promotes peer-to-peer sharing of ideas to achieve organizational goals.

Organizations that demonstrate these kinds of self-organizing, complex, and emergent performance effects are of particular scientific interest. Agile organizations do not have

any characteristic scale and can thus exhibit the full range of behavioral options within the system restraints, giving them a position of optimal flexibility. This allows employees to unite to perform a particular task. Employees are not directed by anyone outside the group. This is not the same as "self-management," as no manager outside the group dictates that employees should belong to a specific group and do not dictate what they should do or how it should be done. Group members choose to come together, and they decide what they will do and how it will be done. Another feature of such groups is that they are informal and often temporary. Enabling agile organizations can often be a source of innovation.[3]

Employees in an agile organization are more like networks designed to get the current job completed and have the ability to shift team members with each new objective.[4] Therefore, communication is key so that everyone knows the status of each project and employees are interchangeable resources. Agile organizations broaden roles and responsibilities, which can improve the effectiveness of the entire organization. Employees report that they enjoy their work more if they are fully engaged and part of the process.[5]

Communication

Communication is crucial in an agile organization to keep a constant flow of information throughout the corporation. Telecommunications, including e-commerce, e-mail, and the Internet, are tools that allow structural changes and efficiencies for team members to remain in contact with achievement of goals to sustain market flexibility. Virtual communication structures need to be a significant administrative focus as a competitive strategy to support the flexibility of the agile organization.[6]

Leadership

The leader in an agile organization must be able to establish the vision and an atmosphere of trust in which the team members have the opportunity to achieve that vision.[7] Trust is crucial in the development of an agile organization, as each individual has to be trusted to know what is required, and to be rewarded accordingly.[8] Agile organizational leaders will require skills in envisioning, enabling, and energizing employees to create a flexible team environment. Leaders are responsible for creating a clear vision of the future with challenging, plausible, and meaningful goals and outcomes for the organization. The picture needs to be one in which employees can see themselves as an integral part of reaching the destination and are excited at the prospects of the journey. Facilitation and empowerment are also necessary to support individuals so that they are able to accomplish goals effectively and meet the challenges of the rapidly changing marketplace. Empowerment allows employees to identify changes within the organization, team, or external environment and allows them to make those changes quickly in order to remain competitive in the market. Leaders no longer dictate actions of the group but, rather, have the opportunity to energize the organization through enthusiasm and vision to achieve a competitive edge.[9]

The world of business has become more competitive and moves more quickly because of technologies than ever before in history. In order to remain competitive in this global market, organizations must have the ability to change rapidly throughout every level of the organizational structure. "While not all change will be successful, inertia or incremental change in the face of altered competitive arenas is a recipe for failure."[10] The agile organization has the potential to create a sustainable and innovative position in the ever-changing world of business.

See also Culture; Developmental Organizations

NOTES

1. ''The HR Mandate: Creating an Agile Organization,'' in *HR Spectrum, CAHRS Center for Advanced Human Resource Studies,* May–June 2000, http://www.ilr.cornell.edu/depts/cahrs/downloads/PDFs/hrSpectrum/HRSpec06-00.pdf (accessed February 15, 2008).

2. Simon Reay Atkinson, "The Agile Organization: From Informal Networks to Complex Effects and Agility," in *Department of Defense Command and Control Research Program* (Washington, DC: U.S. Department of Defense, July 2005), 32–33.

3. Juhary Ali, Chew Thong Giap, and Tang Tuck Cheong, "Knowledge Management in Agile Organizations," *Sunway College Journal* 1 (2004): 13–20.

4. Steven E. Prokesch, "Mastering Chaos at the High-Tech Frontier: An Interview with Silicon Graphic's Ed McCracken," *Harvard Business Review,* November–December 1993, 134–44.

5. Atkinson, "The Agile Organization," 37.

6. Steven A. Morris and Denise Johnson McManus, "Information Infrastructure Centrality in the Agile Organization," *Information Systems Management,* Fall 2002, 8–12.

7. Wendell L French, and Cecil H. Bell Jr., *Organizational Development: Behavioral Science Interventions for Organization Improvement,* 5th ed. (Englewood Cliffs, NJ: Prentice Hall, 1995).

8. Atkinson, "The Agile Organization," 83.

9. David A. Nadler and Michael L. Tushman, "Beyond the Charismatic Leader: Leadership and Organizational Change," *California Management Review,* Winter 1990, 77–97.

10. Ibid.

Debora A. Montgomery-Colbert

COMMUNITY OF PRACTICE

A community of practice is a group of individuals who share a common interest, passion, or curiosity for an activity or endeavor, and, through regular interaction, improve their knowledge, skills, and abilities related to it.[1] A community of practice may be distinguished from other organizational structures on the basis of membership (typically voluntary, and may incorporate people external to the organization) and purpose (to create, expand, and exchange knowledge, and to develop individual competencies and capabilities).[2]

Common Characteristics

A community of practice will typically have members who acquire knowledge, skills, and abilities within a participational framework, not an individual mind. A community of practice will typically contain both novice, or "apprentice" members and more senior, experienced, or "master" members, but with a modern twist. Although apprentices may acquire more knowledge relative to more experienced or senior members, masters also continue to learn as a direct result and consequence of their participation within the community. Since membership within a community of practice is usually voluntary, it is the ability and desire to continue to learn, to share experiences, and to engage in the activities and endeavors of interest that maintain solidarity, continuity, and a sense of *esprit de corps* among participants.

A community of practice (and the corresponding "master-apprentice" relationships) can be very beneficial for those activities and occupations demanding high levels of skill, knowledge, and expertise, and include a wide, diverse array of disciplines (medicine, law, teaching, professional sports, the arts, industrial trades). Occupations that are staffed by "professionals," allowing for the management of greater task complexity with more highly skilled workers (rather than through the division of tasks among skill-differentiated workers with a more limited repertoire and range), capable of deploying their knowledge, skills, and abilities with a high degree of flexibility, independence, and discretion under uncertain or ambiguous circumstances,[3] are prime candidates for capitalizing upon a community of practice.

A community of practice is usually (but not always) an informal, natural, or organic[4] structure that coexists within the formal, rational structure of an organization. As such, they frequently reflect the "fault lines" along which an organization naturally (as opposed to rationally) operates.[5]

Role within an Organization

A community of practice is a very specific type of social structure with an equally specific purpose.[6] By linking those with a common interest, passion, or curiosity within an organization, individuals with functionally similar or equivalent responsibilities and duties are better able to interact, to capitalize on the learnings of others, even if they report to different managers, units, or divisions within an organization. As such, a community of practice is capable of providing horizontal linkages between employees, and better facilitates the flow of information in such a manner. A community of practice also plays an important role within the domain of a firm's knowledge management strategy, or those practices used to identify, create, harvest, and distribute knowledge as necessary both within and external to the organization.

The activities occurring within a community of practice can also enable improved organizational performance when the knowledge they create is translated into codified, repeatable, and refined procedures that others can use when carrying out their work. This often occurs through formal "lessons learned" or "best practice" documents, allowing for permanence within the organization. Communities of practice also may facilitate companies when linking together in value chains or networks.[7] A naturally occurring value chain in business involves an organization's suppliers at one end and distributors and retailers at the other. Similarly, an organization choosing to participate in (or abstain from) a merger, joint venture, or alliance is likely to confront opportunities and challenges requiring the processing of unique, complex, and nuanced information.[8] The upside potential of such relatively recent organizational forms may be increased by having communities of practice in critical areas, as knowledge present in the separate organizations may be more readily accessed and exploited by the new entity.

Challenges Confronting Communities of Practice

A community of practice, typically being an informal, natural, or organic structure, may have difficulty gaining legitimacy, recognition, and permanence within an established organization. Despite the advantages that can develop through communities or practice, they are also somewhat resistant to supervision and cooptation by an organization.[9] A community of practice may be most vulnerable to the "poverty of time" that many

individuals in organizations increasingly experience. As an organization increasingly constrains an individual's time, an activity that does not receive organizational legitimacy, or one in which the role, purpose, and deliverables are somewhat abstract and ambiguous, is more likely to be "crowded out" and not attended to. The internal relationships existing within a community of practice are not immune to various organizational pathologies, including imperialism, narcissism and factionalism.[10,] Additionally, a community of practice is most likely to thrive in an organizational climate that promotes trust, and in which the culture is oriented towards the work and tasks at hand. However, the conditions necessary to facilitate the successful utilization of communities of practice, and the climate and culture present within an organization, are often not the same. Unless such issues are properly addressed, communities of practice are not likely to produce any substantive progress or benefits, and will likely not realize their potential.

NOTES

1. Etienne Wenger, "Communities of Practice—A Brief Introduction," http://www.ewenger.com/theory/index.htm (accessed October 22, 2007).
2. Etienne Wenger, Richard McDermott, and William Snyder, *Cultivating Communities of Practice* (Boston: Harvard Business School Press, 2002).
3. W. Richard Scott, *Organizations: Rational, Natural, and Open Systems* (Upper Saddle River, NJ: Prentice Hall, 2003).
4. Etienne C. Wenger and William M. Snyder, "Communities of Practice: The Organizational Frontier," *Harvard Business Review,* January–February 2000, 139–45.
5. Scott, *Organizations;* Paul Wright, "Emerging Trends in New Product Development and R&D," *Knowledge Management Review,* July–August 1998, 12–15.
6. Wenger, McDermott, and Snyder, *Cultivating Communities of Practice.*
7. Rein Juriado and Niklas Gustafsson, "Emergent Communities of Practice in Temporary Inter-Organisational Partnerships," *The Learning Organization,* January 2007, 50–61.
8. Wenger, McDermott, and Snyder, *Cultivating Communities of Practice.*
9. Wenger and Snyder, "Communities of Practice."
10. Wenger, McDermott, and Snyder, *Cultivating Communities of Practice;* Jon Pemberton, Sharon Mavin, and Brenda Stalker, "Scratching Beneath the Surface of Communities of (Mal)practice," *The Learning Organization,* January 2007, 62–73.

Steven J. Kerno Jr.

CONFLICT RESOLUTION

Conflict exists everywhere—personal relationships, work relationships, and everywhere in between. It is unavoidable. Conflict can be defined as "a situation in which interdependent people express (manifest or latent) differences in satisfying their individual needs and interests, and they experience interference from each other in accomplishing their goals."[1] Another definition states that "conflict arises when a difference between two (or more) people necessitates change in at least one person in order for their engagement to continue and develop. The differences cannot coexist without some adjustment."[2] This adjustment necessitates resolution. People can resolve conflict in a variety of ways, including avoidance, violence, or legal processes. Conflict resolution or management, however, has become a field of study and practice unto itself, and in this realm, it involves problem solving in order to attempt to achieve a win-win solution.

Conflict resolution can be handled by those who are in conflict or with the help of a third party, such as in mediation. In any instance of conflict resolution, insight as to why the conflict exists, an individual's conflict style, and the utilization of skills that promote dialogue are important.

Causes of Conflict

A variety of theories and models exist that provides frameworks for understanding the causes of conflict. The Circle of Conflict model[3] provides six categories of conflict:
- Value conflicts: different ideologies, different criteria for evaluating
- Relationship conflicts: misperceptions, repetitive negative interactions
- Data conflicts: lack of information, different interpretations
- Structural conflicts: unequal power, environmental barriers, time constraints
- Interest conflicts: competing emotional, procedural, or substantive needs.

Value and structural conflicts are typically the most difficult to resolve, as these deal with either an individual's core beliefs or constraints that the parties in conflict are not able to change or alter.[4] Determining which of these causes exist in a conflict assists in determining appropriate interventions.

Attribution theory provides a useful lens for interpreting conflict and its roots. This theory purports that when we are involved in a negative event or harm is done to us, we attribute the cause to the situation, circumstances beyond our control, or to the other people involved.[5] When other people are involved in negative events, however, we then attribute the cause directly to them, such as their bad character or inappropriate actions, rather than to external circumstances or simply the situation.[6] This bias toward the other has a large effect on trust and, in turn, could cause one person to exaggerate or make assumptions about another's behavior,[7] and hence further affect their relationship and their ability to interact effectively.

A third model, the Triangle of Satisfaction, is related to the Circle of Conflict and the category-of-interest conflicts. Essentially, people in conflict have wants and needs and according to this model, those "interests" can be categorized as:
- Result/substantive interests: the outcome, the final decision, the "what."
- Process/procedural interests: the process by which an outcome is achieved, the "how."
- Emotion/psychological interests: emotional needs such as wanting to be heard, to save face, wanting an apology.[8]

This model can be used to determine what is most important to someone at any given time during a conflict as people's interests change.[9] Additionally, it can be used as a three-way test once it appears that a conflict has been solved. Conflict participants have to feel as if all three of these interests were met or feel fair in order for the conflict to be truly resolved. Otherwise, conflict may resurface, for example, due to someone not feeling as if the process was fair or if they did not feel heard and validated during the resolution process.

These theories and models represent just a few of the many frameworks that exist for analyzing conflicts, assessing causes, and determining appropriate interventions. They can be used by conflict intervenors, such as mediators, informal third parties, or anyone who attempts to help others in conflict. These models can also be utilized by those in conflict. Being personally involved in conflict can be emotional and causes people to see things subjectively and according to their biases. If a person was able to analyze his own conflict using these models, he would gain a more objective view, be able to

understand that another side/perspective exists, and hence damper his own emotions and be more likely to achieve a win-win solution.

Conflict Styles

An individual's ability to utilize these models in her own conflict could be influenced by her conflict style. The five conflict styles are:[10]
- Avoidance: denial of or ignoring the conflict, changing topics, joking, being noncommittal
- Competition: "power over" style, uncooperative or aggressive, trying to "win"
- Compromise: moderately assertive, gives us some to get some
- Accommodation: passive, gives in
- Collaboration: assertive, balances own needs with those of others.

A collaborative style is the most conducive for conflict resolution, as it demonstrates a concern for self and a concern for the other.[11] This style strives to have the needs of all involved be met as much as possible and to preserve relationships. A competition style helps one to achieve one's goal, but relationships may be ruined in the process and hence further conflict will result. Avoidance and accommodation styles result in one's goals not being met as well as relationships not necessarily being strengthened. A compromise style is a healthy style, as it helps to meet the goals of all those involved and preserve relationships; however, a collaborative style uses more creativity and problem solving to attempt to meet people's needs without having to sacrifice some of what they want. Moreover, an individual with a collaborative style would be more likely to be introspective and analyze her part in the conflict and objectively analyze the other person's actions and needs.

Skills for Resolution

Dialogue skills are an essential part of the collaborative style and hence successful conflict resolution. Isaacs promotes four skills or practices for dialogue:[12]
- Listening: really listening and hearing the other person as well as listening to yourself and your own reactions
- Respecting: seeing the other person as a whole being, honoring them
- Suspending: giving up having to be right, suspending your opinion, attempting to gain a larger perspective
- Voicing: finding the right words, voicing your opinion assertively and with care.

These skills enable those in conflict to hear the places where they agree versus the places where they disagree. Debate is concerned with the latter; whereas dialogue encourages the finding of common ground.

Conflict Management

One of the previous conflict definitions stated, "differences cannot coexist without some adjustment."[13] Conflict theories, a collaborative conflict style, and dialogue skills are crucial aspects of conflict resolution. They are tools, or adjustments, that assist people in coexisting with their differences and managing their conflicts.

NOTES

1. William W. Wilmot and Joyce L. Hocker, *Interpersonal Conflict* (Boston: McGraw Hill, 1998), 33.
2. Ibid.

3. Christopher W. Moore, *The Mediation Process: Practical Strategies for Resolving Conflicts* (San Francisco: Jossey-Bass, 1996).

4. Ibid.

5. Gary T. Furlong, *The Conflict Resolution Toolbox: Models and Maps for Analyzing, Diagnosing, and Resolving Conflict* (Mississauga, Ontario: John Wiley & Sons Canada, Ltd., 2005).

6. Ibid.

7. Ibid.

8. Ibid.

9. Ibid.

10. Wilmot and Hocker, *Interpersonal Conflict.*

11. Ibid.

12. William Isaacs, *Dialogue and the Art of Thinking Together: A Pioneering Approach to Communicating in Business and in Life* (New York: Doubleday, 1999).

13. Wilmot and Hocker, *Interpersonal Conflict,* 33.

Shay Bright

CRISIS MANAGEMENT

A crisis may be any situation that causes a significant disruption of business, and may impact revenue and income sources, operations, competitiveness, safety and security, or any value creation process within the firm. A crisis (1) poses a threat to the organization and its stakeholders, (2) has the element of surprise, and (3) allows for only a short decision time.[1] Crises are inevitable and force managers at all organizational levels to plan or react to them on a daily basis.

Types of Crises

The four types of organizational crises are sudden, smoldering, bizarre, and perceptual. Sudden crises include natural disasters, incidents of workplace violence, death of the leader, and so forth. Smoldering crises are problems that start small and gradually build, typically because no one recognized or paid attention to the problem. Bizarre crises represent unique occurrences that occasionally defy even the most stringent planning, such as when someone tampered with Johnson and Johnson's Tylenol by adding cyanide, resulting in the deaths of seven people in 1982. Perceptual crises may be long-term issues, such as the image problems Exxon continues to face due to its *Valdez* oil spill off the Alaskan coast in 1989.[2]

Crisis Management Planning

Crisis management is the systematic attempt to avoid organizational crises or manage those crises that occur.[3] The first step in crisis management is planning, for although crises may be unexpected, they will happen. The questions are how, when, where, and why.

Models of crises management offer guidelines for effective planning and response, stressing the need to:
- Define scenarios that constitute a crisis.
- Develop plans that will best manage a crisis.
- Trigger crisis management response mechanisms.
- Create communications to deal with reality and perceptions during and after the crisis.[4]

A crisis management framework begins with identification of the possible crises that may impact a firm, internally or externally. While identification of all potential crises is unrealistic, common themes can be isolated (e.g., likely disasters or safety events, product or service issues, competitive changes, etc.) and planned for.

Contingency plans, drafted in advance, help an organization appropriately prepare for a crisis by identifying people, responsibilities, and actions necessary during the event. Any plan must clearly stipulate chain of command, roles and responsibilities, order of functions, backup in case of failure of a function or process, and communications and information flow. Rehearsals and drills help crisis management teams perfect their responses with speed and efficiency.

Resources:

Dictionary.com. "Documentation." *WordNet® 3.0.* Princeton University. http://dictionary .reference.com/browse/documentation (accessed November 28, 2007).

NOTES

1. M.W. Seeger, T.L. Sellnow, and R.R. Ulmer, "Communication, Organization, and Crisis," *Communication Yearbook* (1998): 21, 231–275.

2. Larry Smith and Dan Millar, *Before Crisis Hits: Building a Strategic Crisis Plan* (Washington, DC: AACC Community College Press, 2002).

3. C.M. Pearson and J.A. Clair, "Reframing Crisis Management," *Academy of Management Review* 23 (1998): 59–76.

4. A. Gonzalez-Herrero and C.B. Pratt, "How to Manage a Crisis Before or Whenever It Hits," *Public Relations Quarterly* 40 (1995): 25–30.

Ann Gilley

CULTURE

When asked about the culture of their organizations, most people respond with a list of adjectives such as laid back, easy going, supportive or structured, rigid, or formal. However, when asked what culture is, specifically, responses typically include "the atmosphere in the company" or "just how things are done." Culture, and changing the culture within organizations, have been hot topics in business since the early 1980s.

Culture is very easy to formally define, yet less easy to explain. Culture, as defined in Webster's Dictionary, is the customary beliefs, social forms, and material traits of a racial, religious, or social group.

Basis of Organizational Culture

The basis of organizational culture flows from its vision and values; what it does and what it aspires to be. These attributes lay a foundation, so to speak, for culture.

Ultimately, culture is the personality of an organization, including how it is viewed by its employees as well as the outside world. Just as people's personalities vary, so too do cultures vary between organizations. For example, the culture in nonprofit organizations is much different than that of for-profit firms. The organizational culture of a hospital may differ greatly from that of a law firm. Corporate cultures also vary greatly based on the culture in the country where they are based. Organizational culture directly affects

how employees deal with stakeholders, including other employees, customers, suppliers, and the community. When an organization's culture is clearly defined, employees know what to expect and what is, in turn, expected of them.

Influencers of Culture

Organizational culture is shaped by both internal and external forces. Internally, the hierarchical structure, different personalities, attitudes of leaders, and even organizational history influence culture. When leaders and managers make decisions with regard to the culture and what will mesh with it, success comes more easily. When decisions are made without consideration for the culture, success is more difficult to achieve. Different personalities in people inherently make up any workforce. Those differences also shape and reshape culture. History, myths, and legends within an organization that are passed down through generations of employees or espoused also by executives influence culture.

Externally, societal norms, laws, and even competition have influence. If competition is fierce, an organization's culture may represent high pressure to perform or focus more on producing a quality product. The global society and global competition are placing more demands on corporate culture to be flexible, to bend and change more frequently than ever before.

Role of Culture

Culture plays a strong role in organizations. The culture of an organization dictates how it operates, innovates, and welcomes change. It influences a company's strategic plan, employee relations, and corporate image. In an open culture, employees may be encouraged to express new ideas for improvement. In a closed culture, it may be more difficult for a subordinate employee to introduce new ideas. Most organizations that are based in technology or research and development are very open and adaptable to change. It is in their nature to embrace the opportunity to try new things and become more efficient. Manufacturing and financial institutions are usually less ready to accept change because of the basis of the business they conduct, which is inherently procedural. Rituals and routines, like weekly meetings or certain reports (even those that are nonproductive), often become habitual and more difficult to change or eliminate because organizational culture sometimes dictates "the way things are done around here."

Culture influences dress code, the chain of command, even how the furniture is arranged or what office one occupies. Culture shapes symbols such as logos, letterhead, and even less traditional symbols like parking spaces. In turn, symbols are shaped by the culture.

Organizational subcultures evolve in different divisions, departments, and work teams. For instance, the engineering department may have a more open and innovative culture, while the accounting department's culture may be more closed and rigid.

The presence of a strong culture provides guidance to employees, often unifying their work toward achieving the same goal. Strong cultures are often present in older, larger organizations. It is more difficult to initiate and complete change when strong cultures exist because culture is ingrained. Weaker cultures, often found in companies that are smaller with less history, are much easier to change and are better able to adapt.

Implications for Managers

As a decision maker or manager, having a clear understanding of the culture of one's organization is paramount to success. Initiating change that goes against the grain of the

current culture could be disastrous. Success is easier found when employees have an incentive to change the culture. When interviewing potential new employees, hiring managers should evaluate the fit between a candidate's personality and the organizational culture. Ensuring this compatibility will ultimately make the transition into the new job easier and create the likelihood of a longer-lasting employee. New employees make an effort to fit in and acclimate to a firm's culture. They also try to change it to suit them.

Care must be taken in mergers and acquisitions to lessen the clash of corporate cultures. It is often perceived that the acquiring company's culture will override that of the acquired company, creating the necessity for change and often a greater deal of stress for the acquired company. Clear communication of the combined cultural objective in this new union is necessary to create highly functioning work teams.

Culture changes slowly over time. Corporate cultures are cultivated and must be actively developed, monitored, and maintained. Recognizing the importance of culture is a requirement of effective leadership to allow the company to change and progress. The culture in an organization enables or hinders, stifles or inspires, and affects how employees feel about going to work. Culturally savvy executives understand the importance of culture and use it to their advantage to motivate, increase productivity, and effectively manage their workforce.

The importance of a healthy corporate culture is apparent—it promotes more effective employee interaction, celebrates tradition, allows the organization to adapt, and creates unity throughout.

See also Agile Organizations; Developmental Organizations; Leadership: An Overview

Resources:

Hofstede, Gerte. *Cultures and Organizations: Software of the Mind.* London: McGraw-Hill, 1991.

Schein, Edgar. "Organizational Culture." *American Psychologist* 45, no. 2 (February 1990): 109–19.

Kerry Schut

DEVELOPMENTAL ORGANIZATIONS

"An organization is a coordinated unit consisting of at least two people who function to achieve a common goal or set of goals."[1] Three types of organizations are identified in the literature: traditional, learning, and developmental. The distinguishing characteristics are described according to the emphasis on employee growth and development and an organization's capacity for renewal and desire to improve competitive readiness.[2] A developmental organization consistently performs at a high level in all areas, whereas a traditional organization places less emphasis on such practices.

Types of Organizations

Traditional Organization

A traditional organization is generally characterized by a hierarchical structure and autocratic leadership. Although the organization often achieves satisfactory business results, its full potential is never realized. A traditional organization could stand to gain increased effectiveness, but it fails to recognize the need to evolve to a higher order. Effectiveness describes the ability to deliver products and services to customers in relation to their needs

or expectations.[3] Effectiveness is increased by improving the products and services so they offer greater value to customers. A traditional organization (1) does not place the same importance on its people, or human resources, as it does on financial and physical resources, (2) typically assumes training alone will enhance the organization, (3) focuses developmental activities on knowledge acquisition resulting in comprehension, (4) looks short-term at quarterly profits and losses and consequently has a low capacity for organizational renewal, and (5) lacks the ability to respond to environmental forces to remain competitive in periods of economic decline.[4]

Learning Organization

In contrast with a traditional organization, a learning organization holds a long-term shared vision and "is continually expanding its capacity to create its future. For such an organization, it is not enough merely to survive."[5] A learning organization is oriented toward learning and is structured accordingly to promote individual and group or team learning. Learning communities are offered as an alternative to the "expert" model.[6] The expert model represents experts, or people who purportedly have all the answers, and learners. The model implies a unidirectional flow of information, which limits the opportunity for experts to learn from learners and learners to learn on their own. Conversely, experts and learners in learning communities further their curiosity and learning together.

Transactional and transformation leaders acknowledge the importance of developing human resources.[7] Employee growth and development are fostered in a nurturing environment whereby mistakes are thought of as learning opportunities. A learning organization focuses developmental activities on application and reflection, leading to both personal mastery and self-awareness, respectively.[8] A learning organization considers continuous lifelong learning critical to increasing organizational effectiveness and adapts to environment forces to remain competitive through feedback employed by systems thinking. Senge (1990) identified five learning disciplines needed to successfully transition from a traditional organization to one that embraces learning; they are personal mastery, mental models, building shared vision, team learning, and systems thinking.[9]

Developmental Organization

As important as learning is to transition a traditional organization to a learning organization, it has been suggested that learning itself does not guarantee employee or business growth and development.[10] Moreover, they state this approach neither directly links to organizational performance nor provides a framework for improving performance. What is beyond the learning organization lies a developmental organization, which represents the evolutionary pinnacle of organizational transformation, and offers an approach to integrate organizational performance with organizational learning and change.[11] Development is defined as "the gradual advancement through progressive stages."[12] In the context of human resource development, the idea is to bring individuals and the organization up to another threshold of performance. "Development of people refers to the advancement of knowledge, skills, and competencies for the purpose of improving performance within an organization."[13] Its longer-term aim is to provide individuals with avenues for professional advancement, or career development. A comprehensive career-development process can help create a development culture that encourages employees to advance their development options.[14] Development of people within an organization is self-directed by the organization. The short-term goal for organizations is to achieve increased efficiency, effectiveness, and ultimately profitability to remain competitive (performance

management); the longer-term goal is to reinvent itself as needed by continually enhancing the culture.[15]

Developmental champions and transactional and transformation leaders share similar qualities, but in addition, a developmental organization needs a leader "who realizes that organizational renewal and competitive readiness are totally dependent on employees prepared for future challenges, new work assignments, ever-increasing competition, continuous lifelong learning and change, and continuous growth and development."[16] Ten principles of leadership are required to successfully transform a learning organization into a developmental organization.[17] In addition to the new type of leader, a paradigm shift also necessitates employees to transition from being self-directed learners to enhancers of development, and human resources professionals to shift their roles from program provider to change agent. A distinguishing characteristic of a developmental organization is a genuine concern for employee growth and development. As employees improve their personal renewal and performance capacity, the organization benefits by increasing its aggregate renewal and performance capacity.[18]

See also Change Management; Community of Practice; Leadership: An Overview; Learning Organizations; Quality Circles

NOTES

1. James L. Gibson, John M. Ivancevich, James H. Donnelly Jr., and Robert Konopaske, *Organizations: Behavior, Structure, Processes,* 12th ed. (New York, NY: McGraw-Hill/Irwin, 2006), 5.

2. Peter M. Senge, *The Fifth Discipline: The Art and Practice of the Learning Organization* (New York: Doubleday, 1990), 14.

3. Jerry W. Gilley and Ann Maycunich, *Beyond the Learning Organization: Creating a Culture of Continuous Growth and Development through State-of-the-Art Human Resource Practices* (Cambridge, MA: Perseus Books, 2000), 62.

4. Ibid.

5. Arthur R. Tenner and Irving J. DeToro, *Process Redesign: The Implementation Guide for Managers* (Reading, MA: Addison-Wesley Publishing Company, 1997).

6. Ibid.

7. Gilley and Maycunich, *Beyond the Learning Organization,* 62.

8. Ibid.

9. Tenner and DeToro, *Process Redesign: The Implementation Guide for Managers.*

10. Gilley and Maycunich, *Beyond the Learning Organization,* 62.

11. Ibid.

12. Senge, *The Fifth Discipline,* 14.

13. Stephanie Ryan, "Learning Communities: An Alternative to the "Expert" Model," in *Learning Organizations,* ed. Sarita Chawla and John Renesch (Portland, OR: Productivity Press, 1995), 278–91.

14. Jerry W. Gilley and Ann Maycunich, *Organizational Learning Performance and Change: An Introduction to Strategic Human Resource Development* (Cambridge, MA: Perseus Publishing, 2000).

15. Oxford English Dictionary Online, "Development" (New York: Oxford University Press), http://lib.colostate.edu/databases/permlink.php?id=601 (accessed November 30, 2007).

16. Jerry W. Gilley, Steven A. Eggland, and Ann Maycunich Gilley, *Principles of Human Resource Development,* 2nd ed. (Cambridge, MA: Perseus Publishing, 2002), 5.

17. Gilley and Maycunich, *Beyond the Learning Organization,* 62.

18. Peggy Simonsen, *Promoting a Development Culture in Your Organization: Using Career Development as a Change Agent* (Palo Alto, CA: Davies-Black Publishing, 1997).

Alina M. Waite

DIVERSITY

The definition of diversity has traditionally focused on the areas of race and gender. In fact, governmental standards such as the Affirmative Action Program require certain employers to monitor employee demographic information and to demonstrate efforts to maintain acceptable levels of races and genders. Several companies, however, see benefits in all areas of diversity. Dick Kovacevich, president and CEO of Wells Fargo, states, "Diversity is an important business strategy. Life in the business world is about people —caring, committed, diverse, people who reflect the diversity of our markets."[1]

In this vein, the Society of Human Resource Management[1] provides a list of opportunities for recognizing and embracing diversity (Table 8.1):

Business Case

Hewitt and Associates[2] point out how increasing diversity is expected to make an impact on the workplace:
- *Greater diversity in the workplace*—by 2008, women and minorities will represent 70 percent of the new labor force entrants, and by 2010, 34 percent of the workforce will be non-Caucasian
- *An aging workforce*—by 2010, the U.S. workforce will have an increase of 29 percent in the 45–64 age group, a 14 percent increase in the 65+ age group, and a 1 percent decline in the 18–44 age group.
- *Globalization*—in the next decade, 75 percent of new workers will likely be from Asia, while North America and Europe will have 3 percent of the world's new labor force.

Thus, organizations must become increasingly equipped to embrace this increasingly diverse workforce. It is simply a fact-based imperative.

Related to this, the marketplace is experiencing a similar transformation. Thus, it is fast becoming a market-dictated mandate for organizations to become better equipped to serve an increasingly diverse customer/client base. To that end, the SHRM Diversity Forum provides the following examples of how embracing diversity supports business objectives:
- Diversity initiatives can improve the quality of an organization's workforce and can be the catalyst for a better ROI in human capital.
- Businesses can capitalize on new markets; customer bases are becoming even more diverse than the workforce.

Table 8.1 Opportunities for Recognizing and Embracing Diversity

Internal	*External*	*Organizational*
Age	Geographic location	Functional level
Gender	Income	Work content/field
Sexual orientation	Personal habits	Division/department/unit
Physical ability	Religion	Seniority
Ethnicity	Education	Work location
Race	Work experience	Union affiliation
	Parental status	Management status
	Marital status	

- Recognized diversity initiatives and diversity results will attract the best and brightest employees to the company.
- Diversity encourages creativity.
- Flexibility ensures survival.

Attracting and Retaining Diverse Candidates

Attracting diverse candidates is the initial step in many diversity initiatives. However, it is not the only step, nor is it typically the most difficult. Once candidates have been sourced, interviewed, and hired, the organization must ensure that the infrastructure (e.g., corporate climate, rewards system, etc.) is set to welcome and integrate diversity candidates.

Sourcing

Each organization will differ in budgetary allowances and overall strategy as it pertains to diversity sourcing and recruiting. SHRM research indicates that the most effective programs for diversity recruiting are college/university internships, targeted college/university recruiting, leadership development programs, mentoring programs, scholarship programs, and high school work-study programs. An organization's strategy should also consider how its partnership with staffing agencies and internal referral bonuses can be enhanced to encourage diverse candidates. Lastly, new partnerships with diverse professional organizations should be considered and evaluated.

Retaining

To ensure effective and efficient integration of diverse candidates, steps should be taken to prepare the organization's infrastructure to welcome and appreciate such integration. The following areas of opportunity are of paramount importance in such integration:

- *Leadership Support*—a unified sense of commitment and a shared vision across all levels of the organization especially at the top levels of the organization must be in place for the integrations to take roots.
- *Goals and Objectives*—in additional to traditional business goals such as increased sales, decreased costs, etc., a company that is serious about incorporating diverse candidates will need to examine it's reward systems to ensure it is rewarding the correct behavior (diversifying it's workforce). If the organization, a division, or an employee's goals do not take into account its diversity efforts, the initiative has little opportunity for success.
- *Training and Education*—the company must carefully consider all the stakeholders and draft a communication plan that educates and prepares such stakeholders for the diversification process. Often such an initiative can impact the way an employee does their job. The company must consider how it addresses the "why are we doing this" questions as well as manage issues that may arise from stereotyping. Such educational processes must begin at the front end of the initiative as well as during the actual integration. Often a company may find that they did not anticipate all the issues that could come up and find themselves reworking their training and education efforts.

See also Affirmative Action; Employment Law: An Overview

NOTES

1. G. Pascal Zachary, "Why Wells Fargo Bank Is Different" (June 2006), http://money.cnn.com/2006/06/09/magazines/business2/bankdifferent/ (accessed September 7, 2008).

2. Joseph P. Johnson III, PHR, Creating a Diverse Workforce (*SHRM Information Center, August 2003*)

3. Hewitt Associates, "Preparing the Workforce of Tomorrow" (February 2004), http://www.hewittassociates.com/Intl/NA/en-US/KnowledgeCenter/ArticlesReports/ArticleDetail.aspx?cid=1734 (accessed August 20, 2008).

Pat Schneider

EMPLOYEE EMPOWERMENT PROGRAM

Your employees will treat your customers the same way you treat your employees. If ever there was a rationale for looking very hard at the concept of employee empowerment, it is this "golden rule" of employee engagement. It is a truism that has been proven in many organizations and has been part of their success or an element of their downfall.

Employee Empowerment Defined

Employee empowerment can be defined as the enlargement of employees' spheres of influence, giving them greater responsibility and "authority to make decisions about their work without supervisory approval," thereby creating value for the ultimate customer.[1]

Employee empowerment has been linked to total quality management (TQM), which can be defined as the "never-ending process of continuous improvement that covers people, equipment, suppliers, materials and procedures...so that every aspect of an operation can be improved...and the end goal is perfection, which is never achieved but always sought."[2]

In the empowerment methodology, people are considered the primary resource for furthering productivity. Employees are encouraged to take the initiative in identifying problems and proposing solutions. Through participation in teams, people at all levels offer their unique expertise in a cooperative, problem-solving process.

Employee Empowerment Process

While the title of this entry is "Employee Empowerment Program," it may be more accurate to call this effort of empowerment a *process* rather than a *program.* Employee empowerment is an effort that includes creating a culture of trust within the organization, and building trust is always a process. We will use the term *program,* however, because this empowerment process includes specific and intentional steps, which must be implemented as if they were part of a program.

Strategies and Examples

Employee empowerment programs are as varied as the organizations that implement them, and there are specific nuances to any shared strategy. The following are just a few examples of strategies used by organizations to empower their employees:

- Flattening organizational pyramids
- Using team management and self-conducted teams
- Profit sharing
- Employee stock option plans (ESOPs)
- Helping employees set up their own freestanding companies within the corporation (e.g., Chicago-based Hyatt Hotels Corporation)

- Allowing employees to spend a certain percentage of their time working on any new idea they want
- Ongoing career counseling for employees
- Employee-directed benefit packages
- Training employees with problem-solving tools

Benefits of Employee Empowerment

Employee empowerment can be a powerful tool to increase the effectiveness of any organization. Some of the benefits include:
- Increased efficiency
- Reduction in overhead
- More time for leadership to dedicate to overall directional issues
- The shared knowledge of a greater number of employees
- Greater customer service
- Greater level of employee job satisfaction
- Employee personal growth

When employee empowerment is implemented correctly, it is a "win-win-win" situation: customers benefit from authorized and responsible employees; organizations benefit from satisfied customers and employees; and employees benefit from improving their confidence and self-esteems.[3]

A Key to Effective Employee Empowerment

As stated earlier, trust is foundational for effective employee empowerment, and trust is built on communication. For an organization to practice and foster employee empowerment, the management must trust and communicate with employees. Employee communication is one of the strongest signs of employee empowerment; honest and repeated communication, from elements of the strategic plan, key performance indicators, and financial performance, down to daily decision making. Because clear communication is so important, it must be an intentional part of implementing an effective employee empowerment program.

Dangers of Poorly Implemented Employee Empowerment

When carefully implemented, employee empowerment can produce significant results, but there are some pitfalls to avoid in the process, for example:
- Poorly defined power and authority structures.
- Poorly defined expectations and responsibilities.
- Managers unwilling to give up necessary power.
- New employee responsibility seen as a threat by the employee.
- Poorly trained employees given responsibility and authority too quickly.
- Lack of trust in the organization.
- Impatience when the process seems to be taking a long time.
- Resorting to former hierarchal structure in a pinch.
- Managers abdicating all responsibility and accountability for decision making.
- Lack of understanding of what employee empowerment means.

Employee Empowerment Begins at the Top

Employee empowerment begins with an organization's senior-level executives, because it must be owned at all levels, with a consistent philosophy and approach backed up with

observable behaviors. Through clear and consistent communication, the employee empowerment program can be implemented and sustained, resulting in the above benefits, and will raise the employee commitment level. If an organization wants a greater level of commitment to the organization from the employee, then the organization must take the first step in demonstrating a greater level of commitment to the employee. Therefore, any employee empowerment program must begin with the leadership of the organization.

NOTES

1. Louis E. Boone and David Kurtz, *Contemporary Marketing* (Fort Worth, TX: The Dryden Press, 1998).

2. Jay Heizer and Barry Render, *Principles of Operations Management* (Upper Saddle River, NJ: Prentice-Hall, 1999).

3. Connie Sitterly, "Empowering Others Improves Workplace Quality," *Business Press* 11, no. 22 (1998).

Brad M. Jensen

EMPLOYEE RELATIONS

Employee relations are the steps an organization takes to ensure day-to-day business practices consider the welfare of employees when making decisions. As defined in the Society for Human Resource Management's (SHRM) online glossary of HR terms, employee relations is "a broad term used to refer to the general management and planning of activities related to developing, maintaining and improving employee relationships by communicating with employees, processing grievances/disputes, etc."[1]

Employee relations is a traditional human resources role, but has developed depth to cover many areas over the years. It encompasses the life cycle of an employee upon entry into an organization through end of employment. This includes the on-boarding process, HR policies, performance management, corrective action, recognition, employee feedback systems, retention, relationship with managers, and the exiting process.

On-boarding Process

The on-boarding process includes orientation, on-the-job training, and assimilation. The on-boarding process starts as soon a candidate accepts an offer of employment and becomes an employee. Many companies provide information about the organization, company polices and the employee handbook to new employees before they start their first day. Typically, an employee's first day includes an orientation lasting a few hours to a full day, depending on the company's resources and structure. Orientation should include three main areas:

1. Things that affect an employee personally—e.g., attendance policy, where to park, job expectations
2. Things that affect an employee as a member of a department—e.g., team goals, team meetings, department organization chart
3. Things that affect an employee of an organization—e.g., culture, diversity, strategic goals, vision

After orientation, an employee may receive formal training or move right into on-the-job training. On-the-job training is provided to employees by their managers and/or experienced peers; it is conducted by actual performance of the job tasks, and the supervisor or peer observes the task and provides feedback to the employee. The assimilation process may be covered by the supervisor, or an employee may receive a buddy (mentor). During the assimilation process, an employee observes company culture, communication, decision making, employee involvement, and recognition. It is important for a new employee to review these areas with her supervisor or mentor.

Human Resources Policies

The human resources policies are provided to employees through the employee handbook. The employee handbook is a written or electronic document containing summaries of the employer's policies and benefits, designed to familiarize employees with various matters affecting the employment relationship. The employee handbook is provided on or before the employee's first day and is reviewed in orientation or with the employee's manager. The employee handbook may not cover all of the human resources polices. It typically covers the company's policies on discrimination, sexual harassment, time and attendance, corrective action, standards of conduct, business attire, dispute resolution and the performance review process.

Performance Management

The performance management process includes goal setting, continuous feedback on performance, formal reviews, and recognition. Goal setting is established annually or within 30 days of a new employee's first day. Continuous feedback enables the employee to know how she is progressing against her goals and make adjustments if needed. Managers may provide ongoing feedback on progress against goals weekly, monthly, or quarterly; if an employee is working on a long-term project, the feedback may be on an as-needed basis. The formal performance review process should accomplish five objectives:

1. Provide feedback to employees on their performance
2. Discuss goals that may need to be changed or adjusted
3. Discuss areas in need of improvement
4. Discuss new, more challenging goals
5. Provide key areas of focus for the remanding review period

The formal review may be conducted annually or semiannually and is scheduled on a common review date or from hire date. As an employee progresses against her goals, it is important for the manager to recognize the employees' achievements and provide monetary rewards, if applicable. The human resources department is generally very involved in the process and provides direction and support.

Corrective Action

There are many different processes for corrective action based on the culture of an organization. The piece that is similar is the result of performance improvement or a change in behavior or conduct. Corrective action is successful when the manager addresses the issue with the employee in a timely manner, asks the employee how he would like to resolve the

issue, agrees on a time line, follows up with the employee, and provides recognition on improvements. Conversations are documented by recapping a summary of the conversation or providing a formal warning. If the employee does not improve his performance or change his behavior or conduct, the last step is termination. By the time a manager is ready to meet with an employee to terminate, the employee should not be surprised by the termination.

Recognition

The purpose of an employee recognition program is to say "thank you," "well done," "we value you as an employee." Employee recognition can be classified as formal or informal. For either form of recognition to be effective, the manager needs to be specific about the reason why the employee is receiving the recognition. Examples of formal recognition are company stock, bonuses, or gift certificates. Informal recognition is low cost or no cost. Examples include acknowledging an employee in a meeting in front of peers, saying thank you for a job well done, or acknowledging a specific trait or quality that stands out. Other examples are sending an employee to a meeting in your place, which shows you trust him or her; inviting an employee to be on a task force or committee; or sending the person to a special training class. Even small gestures can make an impression—for example, treating the employee to lunch or awarding a certificate of accomplishment. It is also important for managers to recognize employees when they improve their performance. The amount of employee recognition a manager can give is unlimited, and it does not have to be time or resource consuming.

Employee Feedback Systems

Understanding how employees feel every day when they walk through the door is understood through employee feedback systems. Employee feedback can lead to improvements in workplace practices, employee engagement, and retention. Many employers hold annual satisfaction surveys to gauge the climate of the organization. Other forms of feedback systems are new hire surveys, on-boarding (60–90 days) surveys, change management surveys, career development surveys, manager effectiveness surveys, exit surveys, and suggestion systems. There are many ways to learn what employees are thinking. To develop an effective system, employers need to gather results, determine the gaps, develop an action plan, communicate the plan to employees, execute action items and follow-up, and make adjustments as needed.

Retention

One of the top reasons retention is tracked by business leaders is the cost. The Saratoga Institute estimates the average cost of losing an employee to be equivalent to that employee's annual salary. This means that a company with 300 employees, an average salary of $35,000, and a voluntary turnover rate of 15 percent per year is losing $1,575,000 per year in turnover costs alone.[2]

Other reasons to look at retention is the effect it has on attracting talent and employee engagement. If an organization is known for employee turnover, talent may be hesitant to pursue opportunities there until things change. Managers tend to think employees leave or stay mostly for money. A Saratoga Institute survey revealed that 80–90 percent of

employees leave for reasons not related to money but to the job, the manager, the culture, or the work environment.[3] If employees are struggling with their manager, job, or work environment, they may become disengaged. Disengaged employees are uncommitted, marginally productive, and frequently absent.[4] The cost of absenteeism alone, a signal of disengagement, is estimated to be $40 billion per year.[5] It is imperative that organizations see the cost factor of turnover and the need to train their managers to understand the importance of improving the culture and keeping their employees engaged.

Relationship with Manager

Frontline managers have a critical impact on employee relations in any organization. Too frequently, managers lack the experience, skills, or information they need to succeed in this area. It is the organization's responsibility to take the appropriate steps. The first step is to place the right manager in the role for the right reasons. Secondly, train managers on policies, practices, and leadership. Next, clearly define the expectations of their role, commit to providing them ongoing feedback, continuous training, and development, and utilize a 360-degree survey for leadership development. Lastly, help them become a career coach and developer of talent. Managers should be trained to assess talent and recognize everything.

Exiting Process

Having an exit interview process is a way to learn important aspects about your culture. When an employee leaves your organization, you have an opportunity to gain insight about that employee's experience with you from a variety of perspectives. It is important to inform all managers that your organization has an exit interview process and to convey the value the organization places on the feedback received during this process. In addition, make sure that employees know that their feedback is valued at any time during their tenure. The exit interview should come to be viewed as just another stage in the "life cycle" of employment. By managing employees' expectations about the process, they will be less likely to be taken by surprise by the request for an exit interview and, hopefully, more thoughtful about their responses. Develop a method for compiling the information you receive to identify trends that may be leading to turnover and communicate the results with senior management.

See also Disciplinary Procedures; Employee Attitude Survey; Employee Handbook; HR Policy: An Overview; Performance Management: An Overview; Retention; Staffing: An Overview

NOTES

1. "Online Glossary of HR Terms," Society of Human Resource Management, http://www.shrm.com (accessed August 20, 2008).

2. Leigh Branham, *The Seven Hidden Reasons Employees Leave* (New York: American Management Association, 2005).

3. Ibid.

4. Ibid.

5. Ibid.

Cyndi Stewart

ETHICS

In the broadest definition, ethics focuses on the branch of philosophy concerned with intent, means, and consequences of moral behavior. Derived from the Greek word "ethos," ethics refers to a person's fundamental orientation toward life or inner character. Ethics and morals are respectively akin to theory and practice. Moral behavior refers to what is right and wrong, good and bad, with emphasis on overt behavior-acts, habits, and customs. Levels of moral reasoning include preconventional morality, based on avoiding punishment and striving for pleasure; conventional morality, based on pleasing others and doing one's duty as prescribed by authorities; and postconventional morality, based on mutual consent and personal convention.[1]

Defining what ethics is *not* adds to the bounding of the definition. Ethics are not doing what feels right. Ethics and law are not always the same. Ethics are not necessarily doing whatever society finds acceptable. Many people believe that if you do not break the law, then you are behaving in an ethical manner, but ethics goes far beyond the law. Ethical standards for the most part apply to behavior not covered by law. Although current laws often reflect minimum moral standards, not all moral standards are codified into law. The morality of aiding a drowning person, for example, is not definitively specified by law.

Business Ethics

Business ethics focus on the area of *applied* ethics as organizations examine moral and ethical issues in their (business) environments and develop applicable ethical principles and standards. High ethical standards require both businesses and individuals to conform to sound moral principles. However, some special aspects must first be considered when applying ethics to business.

First, to survive, a business must earn a profit. If profits are realized through misconduct, however, the life of the organization may be shortened. Many firms, including Arthur Anderson and Enron, ultimately went bankrupt or failed because of the legal and financial repercussions related to their ethical misconduct. Businesses must balance their desires for profits against the needs and desires of society. Maintaining this balance often requires compromises and trade-offs. To address these unique aspects of the business world, society has developed rules, both legal and implicit, to guide businesses in their efforts to earn profits in ways that do not harm individuals or society as a whole. Whether a specific action is right or wrong, ethical or unethical, is often determined by investors, employees, customers, interest groups, the legal system, and the community. Although these groups are not necessarily "right," their judgments influence society's acceptance or rejection of a business and its activities.

Research demonstrates that building an ethical reputation among employees, customers, and the general public provides benefits that include increased efficiency in daily operations, greater employee commitment, increased investor willingness to entrust funds, improved customer trust and satisfaction, and better financial performance. The reputation of a company has a major effect on its relationships with employees, investors, customers, and many other parties, and thus has the potential to affect its bottom line.[2]

Leadership and Ethics

Ethical behaviors in organizations are developed and strengthened primarily through leadership behavior. Leaders influence ethical behavior through their personal ethical

values and the connection of those deeply held values to organizational goals. Employees learn about the ethical values of the organization from watching the leaders. Leaders generate a high level of trust and respect from employees, based not just on stated values, but on the courage, determination, and self-sacrifice they demonstrate in upholding those values. When leaders are willing to make personal sacrifices for the sake of values, employees become more willing to do so as well.

For organizations to be ethical, leaders need to be openly and strongly committed to ethical conduct. In addition, ethical leaders uphold their commitment to values during difficult times or crises. Leaders have to discover their own personal ethical values and actively communicate values to others through both words and actions. When faced with difficult decisions, values-based leaders know what they stand for, and they have the courage to act on their principles. In addition, by clearly communicating the ethical standards they expect others to live by, leaders can empower people throughout the organization to make decisions within that framework.[3]

Conclusion

Internationally recognized leadership expert, speaker, and author John Maxwell responded very clearly to a question about business ethics. He stated, "There's no such thing as business ethics—there's only ethics. People try to use one set of ethics for their professional life, another for their spiritual life, and still another at home with their family. That gets them into trouble. Ethics is ethics. If you desire to be ethical, you live it by one standard across the board." Living an ethical life may not always be easy, but it need not be complicated.[4]

NOTES

1. George Manning and Kent Curtis, *The Art of Leadership* (Boston: McGraw-Hill, 2007).
2. O.C. Ferrell, John Fraedrich, and Linda Ferrell, *Business Ethics: Ethical Decision Making and Cases* (Boston: Houghton Mifflin, 2005).
3. Richard L. Daft, *The Leadership Experience* (Mason, OH: Thompson, 2008).
4. John C. Maxwell, *There's No Such Thing as Business Ethics* (New York: Warner Books, 2003).

Merwyn L. Strate

JOB SATISFACTION

Job satisfaction is defined as one's feelings or state of mind regarding the nature of one's work. The level of job satisfaction can be linked to an outcome of an increase or decrease in employee engagement, production, absenteeism, and turnover.

According to the SHRM 2007 Job Satisfaction Survey Report,[1] compensation and benefits continue to be the top contributors to employee satisfaction. After those two requirements are met, employees are seeking job security, work/life balance, communication between employees and their manager, recognition of job performance, opportunities to use skills/ability, and autonomy. Managers have the choice to create an environment in which employees feel satisfied.

Job Security

Job security will probably continue to be high on the satisfaction scale as off-shoring, restructuring, mergers, and layoffs increase, and as workplace skills change. Employers cannot guarantee jobs, but they can create of culture of continuous learning so employees can obtain the skills to move into new and different positions and adapt to changes in their current positions. Counter to this, it is becoming more common to hold positions with many companies, and job security tends to be less important for younger generations.

Work/Life Balance

As businesses become more global, work hours are varying and commutes are becoming longer. With the improvement in workplace technology, employees are looking for ways to sustain their performance while concurrently increasing job flexibility. Studies have shown an increase in job satisfaction, productivity, and retention from employees who telecommute. Relatively few companies offer telecommuting, yet the need is rising.

Communication

Employees seek two-way communication with their managers. Employees feel like their opinions do not matter when there is limited communication, or they hear an update from a peer who works for a different manager. Lack of communication can also be viewed as a lack of respect. In addition, without regular communication, employees tend to fill in their own blanks, and then rumors are created. Creating a culture of holding regular manager/employee meetings, company-wide employee meetings, e-mails, and maintaining a company Web page will improve communication and reduce workplace rumors.

Recognition

Recognition ranks among the top five indicators of employee satisfaction. It is cost-effective and informal, yet few managers practice it regularly. Recognition can be as simple as providing praise for a job well done, saying "thank you," offering an award, or buying a latte. If a manager is unsure what kind of recognition would be effective, he can solicit ideas from his employees through a survey or in individual meetings.

Opportunities to Use Skills/Having Autonomy

Employees feel good about their work when they have opportunities to use their unique skills, when they believe they are contributing to the organization, and when they have a sense of autonomy. Unique skills can be used and improved by cross-training, covering a meeting for the manager, or assigning an employee to lead a task force or outreach project.

Assessing Job Satisfaction

Employee surveys and exit interviews are the most common methods used by organizations to assess job satisfaction. Other common practices include holding focus groups, speaking with employees one on one, implementing suggestions systems, ask-the-president e-mails, addressing and tracking employee complaints, attendance, turnover, and performance for trends. Keep in mind that employee feedback loses its value if you do not report back the results and work on improving areas of concerns.

See also Compensation: An Overview; Employee Attitude Surveys; Employee Relations; Managerial Communications; Retention; Turnover; Work-Life Balance

NOTE

1. SHRMs 2007 annual employee satisfaction survey, http://www.shrm.org/hrresources/surveys _published/2007 Job Satisfaction Survey Report.pdf.

Cyndi Stewart

KNOWLEDGE TRANSFER

Knowledge transfer is a process whereby one individual or team conveys information accumulated over time to another individual or team who will then internalize and apply the information to their current work. Successful transfer of knowledge relies on many factors. Whether the knowledge is formal or informal, tacit or explicit, the extent to which an individual can internalize information and transform it into knowledge can be influenced by learning style, motivation, practice, reflection, and experience. Because of the growing importance of knowledge as a driver for innovation and competitive advantage in modern organizations as well as the continuously changing dynamics of the workforce, organizations are integrating knowledge transfer practices into their knowledge management strategies to speed innovation, mitigate risk, improve performance, and preserve wisdom.

Defining Knowledge Is Difficult

Knowledge transfer may be better understood by first discussing the complexity of knowledge itself. Knowledge has many definitions and interpretations. While Plato believed that the key requirements for knowledge was that it must be "justified, true, and believed,"[1] the Oxford English Dictionary defines it simply as "expertise, and skills acquired by a person through experience or education."[2] Knowledge can be represented formally as that which is documented in books, manuals, documents, and training courses. But what may be more important to the knowledge transfer process is informal knowledge, such as ideas, facts, assumptions, meanings, questions, decisions, guesses, stories, and points of view. This knowledge is more ephemeral and thus is more difficult to capture and keep.

Knowledge Work and Knowledge Transfer

In a modern organization, knowledge is now perceived as the new currency of the workforce. Management theorist and consultant Peter Drucker initiated many of the current ideas about the growing value of knowledge in organizations. He coined the term "knowledge work," and named those who perform a large part of this work as "knowledge workers."[3] Unlike the blue-collar or even the traditional white-collar worker, the knowledge worker is an expert or specialist who in contemporary organizations routinely comes together with other knowledge workers to solve complex problems in teams. Thus, such workers must also have strong collaboration skills. The productivity of a knowledge team depends on its ability to efficiently and effectively communicate and learn from one another. To this end, knowledge workers must also be able to incorporate new information into knowledge and be able to apply it quickly.

Factors Influencing Knowledge Transfer

An individual's learning style can influence the process of knowledge transfer. For example, hands-on learning has been found to be especially effective. Motivation is also an important factor and has not only been linked to the likelihood of transfer but also to the success of the organization (through mastery and performance). Through the process of reflection and interpretation, the factors of experience and success also influence the effectiveness of knowledge transfer.

But effective knowledge transfer is also an interactive process. Research has shown that managers learn most of their skills informally. Of these informal skills, interaction was cited as the activity used most frequently to develop both core leadership skills and the proficiency needed to complete their work tasks. Peer support through social networking is also important and has the highest correlation with knowledge transfer. Within an organization, knowledge transfer occurs from implicit sharing in such informal activities as mentoring or storytelling, internal and external blogs, and the collaborative efforts of wikis, as well as more formal efforts such as action learning projects.

Considering the individual components of the process, knowledge is effectively transferred through both implicit and explicit exchanges with the organization and social networks, resulting in the development of deeper knowledge, which is then transferred back to the organization and social networks. As the cycle continues and collective understanding and competency further develop, creative ideas and insights are shared, and innovative ideas emerge. As knowledge grows, wisdom can develop, and that collective wisdom is the key to the sort of continuous innovation that can sustain organizational growth.

Conclusion

Despite every effort to establish effective knowledge transfer strategies, organizational knowledge is fragile. Competencies can shift due to transition of resources (inbound and outbound mobility, downsizing, retirement), shifting investments by the organization, or just become stale or lost due to lack of use. Recently, a new term called "knowledge continuity management" has emerged, which is defined by Hamilton Beazley (chairman of the Strategic Leadership Group in Arlington, Virginia) as "effective methods for transferring employee know-how." It involves establishing communication practices to methodically pass on knowledge to peers. Fundamental to its success is an organizational environment and culture which is deeply committed to supporting the interactions of knowledge transfer.

See also Knowledge Management

Resources:

Anis, Mahmud, Steven Armstrong, and Zhichang Zhu. "The Influence of Learning Styles on Knowledge Acquisition in Public Sector Management." *Educational Psychology* 24, no. 4 (August 2004).

Burrow, Jim, and Paula Berardinelli. "Systematic Performance Improvement—Refining the Space between Learning and Results." *Journal of Workplace Learning* 15, no. 1 (2003).

Cross, Rob, Wayne Baker, and Andrew Parker. "What Creates Energy in Organizations?" *MIT Sloan Management Review,* Summer 2003.

Enos, Michael D., Marijke Kehrhahn, and Alexandra Bell. "Informal Learning and the Transfer of Learning: How Managers Develop Proficiency." *Human Resource Development Quarterly* 14, no. 4 (Winter 2003).

Holton, E.F., III. "The Flawed Four-level Evaluation Model." *Human Resource Development Quarterly* 7, no. 1 (1996): 5–25.

Kinman, Gail, and Russell Kinman. "The Role of Motivation to Learn in Management Education." *Journal of Workplace Learning* 13, no. 4 (2001).

NOTES

1. Wikimedia Foundation, Inc., "Knowledge,"http://en.wikipedia.org/wiki/Knowledge (accessed August 20, 2008).

2. Catherine Soanes and Angus Stevenson, eds., *Oxford English Dictionary* (Oxford: Oxford Dictionaries, 2005).

3. Ikujiro Nonaka, *The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation* (New York: Oxford University Press, 1995).

Pamela Dixon and Alison Thero

LEARNING ORGANIZATIONS

A learning organization is a broad term used to describe organizations that emphasize the expansion of learning capacity, at all organizational levels, in order to generate results, creativity, patterns of thinking, and an environment in which all employees of the organization aspire to learn.[1] Learning organizations are further defined by their drive to implement initiatives and strategies designed to improve the effectiveness of the organization through the development of employee qualities, capabilities, and expertise.[2] A learning organization is constantly recreating itself by encouraging the interrelationship between organizational learning and the processes of organizational change. This type of adaptability is created by the organization's ability to build capacity by motivating individuals to want to learn and develop professionally.

Learning organizations foster transformational learning and typically encourage a culture based on human values, a set of practices that generate coordinated action, and the capacity to work with the dynamic interrelations of systems.[3] In order to develop these practices and systems, learning organizations often employ a common language to communicate the terminology, categories, and concepts necessary to define the strategies the organization plans to utilize in order to build upon its organizational learning capacity. A learning organization's longevity depends upon an organization's adaptability and commitment to continually research and act upon opportunities that build learning capacity and produce results for the organization.[4]

Disciplines of Learning Organizations

Arguably, Peter Senge has had the most profound influence on the contemporary business world relative to the concept of organizational learning. In his seminal work Senge outlines the following core disciplines of learning organizations:[5]

- *Mental models*—learning organizations encourage open dialogue as a means of surfacing the individual and shared presuppositions that shape individual and corporate behavior.
- *Shared vision*—learning organizations employ open dialogue regarding shared mental models to develop a shared vision of the desired future state of the organization.

- *Personal mastery*—learning organizations reinforce individual employee excellence and accountability without fear of failure.
- *Team learning*—learning organizations leverage shared vision and individual excellence to achieve synergy via team structures.
- *Systems thinking*—learning organizations constantly reinforce the big picture and getting to the root cause of all things.

Conclusion

As the world's most developed nation-states move toward more services-based economies (65 percent of the GDP of the United States is now accounted for by services-based industries and organizations), organizational learning will become a more important source of competitive advantage. In services-based organizations, the employees are essentially the "product," and their individual and aggregate learning greatly influences organizational performance and ongoing vitality.

See also Developmental Organizations; Knowledge Management

NOTES

1. Peter M. Senge, *The Fifth Discipline: The Art and Practice of the Learning Organization* (New York: Currency Doubleday, 1990), 371.

2. Richard Pettinger, *The Learning Organization* (Oxford: Capstone Publishing, 2002), 2.

3. Fred Kofman and Peter M. Senge, "Communities of Commitment: The Heart of Learning Organizations," in *Learning Organizations: Developing Cultures for Tomorrow's Workplace,* ed. Sarita Chawla and John Renesch (Portland, OR: Productivity Press, 1995), 14–43.

4. Peter M. Senge, "The Leader's New Work: Building Learning Organizations," in *Sloan Management Review,* Fall 1990, 7–23.

5. Senge, *The Fifth Discipline,* 371.

Matt Neibauer

MANAGERIAL COMMUNICATION

Managerial communication is the verbal and nonverbal/written methods of exchange of information between management and employees, and the effectiveness with which it is transmitted, integrated, and perceived. It may be used to build partnerships and intellectual resources, or to promote an idea, product, or service in order to create value for the organization.[1]

Communication within the management arena may include one-on-one interaction with an employee or another management member, an oral presentation given to a group, correspondence via letter or e-mail, or written instructions and policies. Since all organizations consist of people, effective interpersonal communication skills, including listening, speaking, and writing, are vital for success.

Elements of Communication

Communication is comprised of a sender, a message, a receiver, and an interpretation. The sender is the person who has a message to convey. The message is the information the sender delivers either verbally, via nonverbal cues, or in writing. The receiver is the

person to whom the message is directed. The interpretation is how the receiver evaluates the message according to his/her standpoint, life experiences, frame of reference, and personal assumptions. Individual differences in the levels of communication development and competence can affect information exchanges.[2]

Elements of Managerial Communication

The diversity of today's workforce—more elderly, a growing foreign population with language barriers, the handicapped, and so forth—requires a manager to communicate with an awareness of the variety of components unique to each employee.

Communication in a business organization provides the critical link between core functions.[3] Management should aim to develop communication patterns between individuals and groups that are meaningful, direct, open, and honest.[4] Many factors are involved in this process, one of the most important of which is listening. Managers who listen to their employees, considering their views and concerns, are in a better position to receive positive responses, cooperation, and work effort. Communication in any environment, especially a professional one, should function with the idea that one "speaks in a way that makes it possible for others to listen, and listens in a way that makes it possible for others to speak."[5]

Effective managerial communication involves considering the perspective and communication skills of the receiver and constructing competent messages. Benefits of good communication skills can include anticipation of problems within the workplace; coordination of workflow; management of employee knowledge, ideas, and creativity; creation of a clear organizational vision; and energizing employees.[6]

In recent studies of characteristics of effective managers, employees list "communications" as one of the most important skills a manager can possess.[7] The communication climate that management models and embraces affects an organization's function and success. For example, the manner in which a manager portrays his/her status or authority and/or the manner in which the employee interprets that portrayal can potentially affect communication and, thus, productivity.[8] Consequently, perfecting one's communication skills and practices will be essential for managers and their organizations.

NOTES

1. Vadim Kotelnikov, "Effective Business Communication," http://www.1000ventures.com/business_guide/crosscuttings/biz-communication (accessed September 7, 2007).

2. John F. Cragan, David W. Wright, and Chris R. Kasch, *Communication in Small Groups: Theory, Process, Skills* (Belmont, CA: Thomson-Wadsworth, 2004), 177.

3. Marty Blalok, "Listen Up: Why Good Communication is Good Business," http://www.bus.wisc.edu/update/winter05/business_communication.asp (accessed July 23, 2007).

4. "Communication Skills: Conceptual Model," http://www.accel-team.com/communications/busComms_00.html (accessed July 23, 2007).

5. Em Griffin, *A First Look at Communication Theory,* 5th ed. (New York: McGraw-Hill, 2003), 77.

6. Ibid.

7. Ann Gilley, Pamela Dixon, and Jerry W. Gilley, "Characteristics of Leadership Effectiveness," paper presented at the Midwest Academy of Management Conference, Kansas City, MO, 2007.

8. Charles E. Beck, "Review of *Managerial Communication: Bridging Theory and Practice,* by Zhu Yunxia," *Business Communication Quarterly* 66, no. 4 (2003): 125–28.

Julianne Daniels

NEEDS ANALYSIS

A needs analysis process involves a series of activities conducted to identify problems or other issues in the workplace, and to determine root causes and opportunities. This information is then used to determine possible solutions. The needs analysis is necessary as a first step in the change process, as it aids in the identification of gaps that exist between the current state and the desired state. For example, internal or external consultants can conduct needs analyses as part of a larger training and development initiative, with the ultimate objective being the identification of knowledge, skills, and attitudes in which employees are currently deficient.[1]

Rationale

Several circumstances warrant a needs analysis, each of which has variable benefits and risks to the organization. Such scenarios include:
- An annual assessment.
- The introduction of a new leader to a department, division, or company.
- Addressing performance problems.
- The potential addition of a new system, task, or technology.
- The potential to benefit from a new opportunity.

Benefits

Conducting a needs analysis prior to making organizational plans is helpful for a number of reasons. It allows the organization to:
- Identify training needs.
- Identify developmental needs for individuals and groups.
- Prioritize training needs.
- Recognize areas of strength.
- Set clear objectives.[2]

Consequences of Not Conducting a Needs Analysis

The consequences of not performing a needs analysis, or performing the needs analysis incorrectly, include:
- Training is misapplied.
- Missed opportunities.
- Poor performance continues.

Performing the Needs Analysis

The steps in a needs analysis are sequential in nature, as one step builds on the previous step and provides the organization with valuable insight necessary in determining the next logical step. During this process, it is imperative that the needs analysis consultants remain objective, not allowing their perceptions to influence the direction of the analysis.

Steps in the Needs Analysis

The classic action research model focuses on planned change as a cyclical process in which initial research about the organization provides information to guide subsequent action.[3] Each step in the process requires collaboration and discussion to ensure the process fits the

needs of the organization, as well as to ensure there is common agreement on the meaning behind the data collected. Specific steps of the action research model include:
- Problem identification
- Consultation with a behavioral science expert
- Data gathering and preliminary diagnosis
- Feedback to the key client or group
- Joint diagnosis of the problem
- Joint action planning
- Action
- Data gathering after action

Data Collection

Consultants have numerous options to choose from to aid in the gathering of data during the needs analysis. These data collection options include:
- *Surveys*—a series of verbal questions or a questionnaire used to gather data about employee attitudes, behaviors, skills, etc.
- *Interviews*—an interview is a conversation between two or more people where questions are asked to obtain information about the interviewee.
- *Unobtrusive data analysis*—data not obtained from subjects but from available sources, such as company records and reports.
- *Observations*—obtaining data from simply observing subjects or tracking the occurrences of specific behaviors.
- *Focus groups*—a qualitative research technique in which 8 to 12 subject participants are gathered in one room for a discussion under the leadership of a trained moderator. Discussion focuses on a problem, product, or potential solution to a problem.

Often it is prudent to utilize a sequential combination of two more of these techniques, and it is common to consider all of the techniques if they are available.

See also Training; Training Evaluation; Employee Development: An Overview; Performance Management: An Overview

NOTES

1. Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD* (Cambridge, MA: Perseus Publishing, 2003).

2. Malcolm Carlaw, Peggy Carla, Vasudha K. Deming, and Kurt Friedmann, *Managing and Motivating Contact Center Employees* (New York: McGraw-Hill Companies, 2003).

3. Thomas G. Cummings and Christopher G. Worley, *Organization Development and Change* (Mason, OH: Thomson South-Western, 2005).

Pat Schneider

QUALITY CIRCLES

Quality circles are groups of volunteer employees who work together to solve productivity problems. It is a technique whereby employees participate in how their work is performed by discussing, analyzing, and solving work issues.[1] Very popular in Japan, quality circles were first used by Lockheed Missile and Space Company in the 1970s.[2] Since then, quality circles became very popular in the United States as well, with one estimate that by the

1980s, 90 percent of Fortune 500 companies had quality circles.[3] Quality circles were a component of Deming's quality program, and later became part of total quality management (as quality improvement teams), and later evolved into self-managed work teams.[4] Although the use of the term is in decline in the United States, these programs are based on the same participative group problem-solving techniques. Quality circles are one of the first manifestations of employee empowerment in the United States.

How Quality Circles Work

Quality circles are formed by employees who volunteer to meet in a group for the purpose of making suggestions to improve the quality of the company's products and increasing the productivity of work processes by studying problems. But they are generally not given any information about the overall strategy or performance of the organization.[5] Quality circles meet on company time to discuss ways to improve production processes, generally using statistical quality control methods.[6] Occasionally, quality circles are allowed to also implement their recommendations, but generally they are formed primarily to make suggestions or recommendations for improvement.

Quality circles may or may not be effective. The effectiveness of quality circles depends on many factors: individual (skills, knowledge, self-esteem, feelings of accomplishment) differences, group (cohesion, dynamics, rewards) differences, and/or organizational (type, jobs, quality program existence, organizational, and management support and recognition) differences.[7]

Advantages and Disadvantages of Quality Circles

Quality circles have advantages and disadvantages. Most advantages are the result of employee involvement in problem solving and cost reductions, while disadvantages have to do with the way the quality circles are managed in the organization.

Advantages of Quality Circles

The main advantage of quality circles is that they can help an organization to reduce costs by improving work processes and productivity, while increasing or maintaining product quality.[8] A secondary benefit may be that employees' job satisfaction is enhanced due to their having an opportunity to participate in decisions involving their work. There is no general consensus, though, as to whether or not participation in a quality circle increases an employee's job satisfaction, morale, or attitude.

Disadvantages of Quality Circles

One disadvantage of quality circles is that they were sometimes not focused on particular problems and/or did not understand their goals.[9] Management failed to communicate important information, plan appropriately, and provide training for the circles. Another disadvantage of quality circles was that they sometimes targeted unimportant objectives and ran of steam.[10] One solution of this problem is to have managers decide what projects should be improved. In any case, by 1988, quality circles no longer existed at 80 percent of the Fortune 500 companies that had adopted them earlier.[11]

Conclusion

Quality circles were developed as a way to increase employee participation by allowing them to form groups to solve work problems. Product quality was increased, costs

reduced, and work processes improved as a result of quality circles. However, problems such as a lack of management communication, commitment, and planning, and/or a lack of training of quality circle members, often resulted in poor outcomes. Nevertheless, the principles of worker participation in solving production process problems and increasing product quality has endured in the form of total quality management, self-directed work teams, and employee empowerment programs.

See also Continuous Improvement Plan; Self-directed Work Teams; Teams and Teamwork

NOTES

1. Paul E. Spector, *Industrial and Organizational Psychology: Research and Practice* (Hoboken, NJ: John Wiley, 2006).

2. George R. Gray, "Quality Circles: An Update," *S.A.M. Advanced Management Journal,* Spring 1993, 41–48.

3. Thomas Li-Ping Tang and Edie Aguilar Butler. "Attributions of Quality Circles' Problem Solving Failure: Differences Among Management, Supporting Staff, and Quality Circle Members," *Public Personnel Management,* Summer 1997. 203–25.

4. Jane Whitney Gibson, Dana V. Tesone, and Charles W. Blackwell, "Management Fads: Here Yesterday, Gone Today?" *S.A.M. Advance Management Journal,* Autumn 2003, 12–59.

5. Richard A. Harman, Damodar Y. Golhar, and Satish P. Deshpande, "Lessons Learnt in Work Teams," *Production Planning and Control,* June 2002, 362–69.

6. Gloria M. Pereira and H.G. Osburn, "Effects of Participation in Decision Making on Performance and Employee Attitudes: A Quality Circles Meta-Analysis," *Journal of Business Psychology,* July 2007, 145–53.

7. Ibid.

8. J.M. Juran and F.M. Gryna, *Quality Planning and Analysis: From Product Development through Use,* 3rd ed. (New York: McGraw-Hill, 1993).

9. Jane Whitney Gibson and Dana V. Tesone, "Management Fads: Emergence, Evolution, and Implications for Managers," *Academy of Management Executives,* November 2001, 122–33.

10. Arthur R. Tenner and Irving J. DeToro, *Process ReDesign, The Implementation Guide for Managers* (Reading, MA: Addison-Wesley, 1997).

11. E. Abrahamson, "Management Fashion, Academic Fashion, and Enduring Truths," *Academy of Management Review,* January 1996, 616–19.

Barbara A. W. Eversole

RELIGION AND SPIRITUALITY IN THE WORKPLACE

The topic of spirituality in the workplace has exploded onto the contemporary business scene and related literature over the last 12 years. It is perhaps one of the most compelling and least understood forces driving organizational theory and practice today. Much has been written about the increasingly spiritual nature of work.[1] However, HR professionals have been largely resistant to embracing the phenomenon. The obvious plurality of perspectives represented by the religion/spirituality movement has restricted the comfort with which HR practitioners have championed the phenomenon, for fear of becoming entangled in a web of philosophical and religious differences and legal complexities. However, the movement has gained such momentum that it has been suggested that HR

practitioners can no longer avoid recognizing it as a legitimate influence on employee behavior and HR practice.[2]

Catalysts of the Religion/Spirituality in the Workplace Movement

The last two decades have witnessed a tremendous advancement in the fundamental nature of the world economy. In short, globalization is increasingly driven by services-based and technology-based industries and firms that require a more highly educated and evolved workforce than at any other point in history. Concurrent with this pattern has been a significant increase in the relative affluence of the citizens and employees in the world's most developed nations. As a result, many employees are no longer motivated by lower-order needs, but rather operate as a workforce in search of aggregate self-actualization.[3] As such, they are increasingly desirous of reconciling their daily work-lives with their spiritual or religious beliefs.

The Harmony and ''Doctrine'' of the Religion/Spirituality in the Workplace Movement

Despite concerns regarding irreconcilable differences, there is, in reality, a great deal of philosophical and even doctrinal harmony among the varied spiritual and religious traditions. This is especially true as those doctrinal elements relate to management and leadership practice, as delineated in Table 8.2. The normativity of belief and morality expressed by the passages shown in Table 8.2, each attributed to either a major world religion or spiritual philosophy, is clear. It is also clearly applicable to embrace these spiritual and religious beliefs in conjunction with HR practice, as employees increasingly strive to connect their individual and corporate work lives to such religious/spiritual imperatives.

Table 8.2   The Normativity of the Golden Rule

Good people proceed while considering what is best for others is best for themselves. (*Hitopadesa,* Hinduism).
Thou shalt love thy neighbor as thyself. (*Leviticus* 19:18, Judaism).
By embracing spiritual transformation and kindness, we wind up in a personal universe of Blessed. As this spiritual revolution of Kabbalah increases in the world, a critical mass will be achieved, and the chaos of life will vanish forever like a long-forgotten dream. Therefore, love thy neighbor as thyself. All the rest is mere commentary. Now go and learn. (*Yehuda Berg,* Kabbalah).
Therefore all things whatsoever ye would that men should do to you, do ye even so to them. (*Matthew* 7:12, Christianity).
When you become detached mentally from yourself and concentrate on helping other people with their difficulties, you will be able to cope with your own more effectively. Somehow, the act of self-giving is a personal power-releasing factor. (*Norman Vincent Peale,* Humanism).
Hurt not others with that which pains yourself. (*Udanavarga* 5:18, Buddhism).
No one of you is a believer until he loves for his brother what he loves for himself. (*Traditions,* Islam).

Table 8.3 The Practices, Values, Beliefs, and Norms that Comprise the Doctrine of the Contemporary Organizational Spirituality Movement

Shared and intentional mission/vision/values—the formal articulation and integration of mission, vision, and core values into every aspect of the organizational system is of the utmost importance.
Individual and group transparency—open, honest, and non-defensive communication is valued and expected at all levels of the organization, and is not limited to work matters.
Equity and justice—fairness, particularly surrounding performance management, compensation, and employee discipline, is of critical importance.
Personal consciousness and accountability—awareness of individual and aggregate group/corporate behavior and related consequences (both positive and negative) is continually reinforced throughout the organization.
Ethical clarity and soundness—the ethical code of the organization is unequivocally clear and consistent with natural and moral law (i.e., the "golden rule").
Task significance—the organization constantly reinforces the "higher-order" purpose of the organization, and the individual and corporate tasks completed therein.
Individual/organizational/societal interconnectedness—the belief that organizational life is not a "zero-sum" game is widely propagated throughout the organization, reinforcing the symbiotic nature of open organizational systems.
Inclusiveness—the organization intentionally embraces and leverages people from all walks of life, without unnecessary regard for individual personal differences surrounding race, national origin, gender, age, or spirituality/religion.
Servanthood—the ideal of leadership as servantship is widely embraced and embodied by the senior management of the organization.
Empowerment and shared governance—employees at all levels of the organization are engaged in the planning, conceptualization, and design activities traditionally performed only by management.
Active individual and organizational religious/spiritual practice and expression—the organization fosters and welcomes individual, group, and even corporate practice and expression of religion/spirituality in the regular course of daily organizational life.

Moreover, the codified practices, values, beliefs, and norms associated with the movement are widely embraceable, and even normative in terms of contemporary HR practice. That is, many HR practitioners are already proponents of the movement without recognizing as such. Collectively, these practices, values, beliefs, and norms (delineated in Table 8.3) can be viewed as representing the "doctrine" of the religion/spirituality in the workplace movement.[4]

Compelling Statistics Related to Employee Religious/Spiritual Background and Motivations

Lastly, from a pragmatic standpoint, it may be sobering for HR practitioners that continue to resist the religion/spirituality in the workplace movement to reflect on the fact that fully 78 percent of the world's population claim to be adherents of the five world religions referenced in Table 8.2, 95 percent of Americans consider themselves to be spiritual, and

80 percent of Americans desire to experience spiritual integration and growth in conjunction with their daily work lives.[5] Thus, continued resistance to the phenomenon may be unfounded inasmuch as this resistance may be based upon the assumption that most employees are not religious/spiritual, or the further assumption that employees do not view the corporate workplace as an appropriate setting for living out their religious/spiritual beliefs. Clearly these demographics and descriptive statistics squarely challenge such assumptions.

See also Motivation; Maslow's Hierarchy of Needs; Job Satisfaction; HR Strategy

NOTES

1. Robert A. Giaclone and Carole L. Jurkiewicz, ed., *Handbook of Workplace Spirituality and Organizational Performance* (Armonk, NY: M.E. Sharpe, 2003).

2. Scott A. Quatro, "HR-Minded Leadership: Five Critical Areas of Focus for Contemporary Organizational Leaders," in *Leadership: Succeeding in the Private, Public, and Not-for-Profit Sectors,* ed. Ronald R. Sims and Scott A. Quatro (Armonk, NY: M.E. Sharpe, 2005): 280–96; and Scott A. Quatro, David A. Waldman, and Benjamin M. Galvin, "Developing Holistic Leaders: Four Domains for Leadership Practice and Development," *Human Resource Management Review,* December 2007, 427–41.

3. Paul R. Abramson and Ronald Inglehart, *Value Change in Global Perspective* (Ann Arbor, MI: University of Michigan Press, 1995).

4. Scott A. Quatro, "New Age or Age Old: Classical Management Theory and Traditional Organized Religion as Underpinnings of the Contemporary Organizational Spirituality Movement," *Human Resource Development Review,* September 2004, 228–49.

5. These statistics were derived from several sources, including the International Database (IDB) developed by the U.S. Census Bureau, the Universal Almanac, and the Gallup Organization.

Scott A. Quatro

SELF-DIRECTED WORK TEAMS

Self-directed work teams (SDWTs), also known as self-managed teams, self-designing teams, and autonomous work teams, are teams that work together to achieve a common purpose but with the additional responsibility and authority to make decisions and manage themselves. In the best-case scenario, the SDWT "owns the task" or project at hand.[1] If companies think that teams, in general, create challenges for management, SDWTs create a whole new set of challenges. With contemporary organizations becoming increasingly more global and collapsing the traditional hierarchical structure to achieve efficiency across internal and external boundaries, SDWTs provide several advantages. They do not, however, come without costs. Therefore, organizations must take appropriate measures to ensure the success of SDWTs.

Advantages for Organizations

While benefits of SDWTs can vary between organizations, most agree on a few fundamental advantages. The ability to make quick decisions without outside approval, ability to set team policies within organizational limits to leverage member efficiency (vacation, work hours, etc.), and increased buy-in to team goals are inherent in SDWTs. Additionally, some have identified a much more specific set of advantages, including increased commitment among members, increased morale and productivity, increased potential for innovation, and increased opportunity for organizational learning and change.[2]

To make an informed decision, organizations need to weigh these benefits against the costs associated with using these autonomous teams.

Disadvantages Inherent in SDWT

Again, there are some obvious disadvantages to using SDWTs, one of which is the perception that these teams are "leaderless."[3] While the leadership role may change depending on the project, these teams are far from leaderless. They are, however, time-consuming, have great potential for conflict, and can be very expensive to develop.[4] In fact, many SDWTs fail because members did not have the necessary knowledge, skills, or abilities to ensure success.[5] Fortunately for organizations, there are precautionary measures they can take to leverage advantages of these teams and ensure a better chance for success.

Leveraging the Benefits of SDWTs

Implementing the concept of the SDWT should be a well-thought-out decision for organizations that have much to gain by innovation, quick decision making, and flexibility in the face of globalization and change. Keys to successful implementation are centered around the top management team and organizational culture. If SDWTs are not supported from the top, and the culture fails to lend credence to their autonomy and resulting decisions, the concept is doomed for failure. Organizations, at the very least, need to make a commitment to provide clear vision for these teams and how they "fit" with strategic goals, provide resources necessary for training and development for skills as well as internal team issues (conflict management, communication, etc.), and provide clear expectations and constructive feedback to these teams. While this is not an exhaustive list of measures, and organizations can take many short-term actions to help SDWTs in day-to-day operation, these are the most critical to ensure their success in the long term.

Conclusion

The concept of SDWTs is becoming more popular as organizations erase internal and external borders. There are no guarantees as to the success of these teams, but making the organizational commitment to support SDWTs in theory and practice goes a long way towards ensuring increased productivity, innovation, and lower costs in the long run. These teams can present the greatest challenges; they can also produce the greatest results.

NOTES

1. H. van Mierlo, C.G. Rutte, J.K. Vermunt, M.A.J. Kompier, and J.A.M.C. Doorewaard, "Individual Autonomy in Work Teams: The Role of Team Autonomy, Self-Efficacy, and Social Support," *European Journal of Work and Organizational Psychology* 15, no. 3 (September 2006): 282–99.

2. Leigh L. Thompson, *Making the Team: A Guide for Managers* (Upper Saddle River, NJ: Pearson Prentice Hall, 2004).

3. Thomas Capozzoli, "How to Succeed with Self-Directed Work Teams." *Supervision,* February 2006, 25–26.

4. Thompson, *Making the Team: A Guide for Managers.*

5. Capozzoli, "How to Succeed with Self-Directed Work Teams."

Brenda E. Ogden

SEXUAL HARASSMENT

Sexual harassment is a form of discrimination prohibited by Title VII of the Civil Rights Act, which prohibits discrimination due to one's gender. Sexual harassment is any attempt to coerce a person into a sexual relationship, subject a person to unwanted sexual attention, or punish a refusal to comply with sexual demands. Sexual harassment may include unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature. Sexual harassment manifests itself in two ways, in quid pro quo and/or a hostile work environment.

Quid Pro Quo

Quid pro quo literally means "this for that." This type of harassment occurs when there is the threat or promise of an employment action, such as hiring, promotion, demotion, or firing, in exchange for sexual favors. Ultimately, one's employment security is contingent upon exchange of sexual favors, thus one may be subject to economic injury.

Hostile Work Environment

A hostile work environment occurs when unwelcome sexually related behavior creates an intimidating, demeaning, hostile, or offensive work setting. Objectionable behaviors that contribute to a sexually hostile work environment include visual or written materials with vulgar, lewd, or graphic content (e.g., posters, magazines, handouts, e-mails, etc.), inappropriate verbal comments (e.g., lewd comments, dirty/sexual jokes, whistling, intrusive questions about personal life, etc.), and unwanted physical conduct (e.g., patting, grabbing, hugging, pinching, staring, caressing, etc.). Although the recipient suffers no economic harm, the behavior interferes with the work environment and can lead to psychological injury from a stressful work setting.

Consensual Relationships

Consensual relationships may give rise to claims of sexual harassment when third parties are adversely affected due to perceptions of favoritism, the relationship creates a hostile or intimidating work environment for others (particularly when the relationship sours), or the relationship ends, and one person continues behavior that the other has made clear is now unwelcome. Supervisors should advise those involved in a workplace consensual relationship of potential repercussions should the relationship begin to negatively impact the workplace, and intervene if the relationship does create problems.

Responsibilities of Supervisors

To ensure compliance with the law, supervisors and their organizations should (1) clearly articulate the firm's sexual harassment policy, federal, state, and local related laws, and reporting procedures, (2) maintain a harassment-free environment, (3) immediately address complaints brought to their attention, (4) engage in timely, fair investigations of allegations that protect the privacy of the accused and accuser, and (5) prevent retaliation. To limit their liability, supervisors are advised to notify their human resources department and/or their immediate superior when allegations of sexual harassment occur.

Filing Complaints

Formal complaints of sexual harassment may be filed with the employer's internal HR department or with an external agency. Managers and HR professionals should encourage employees to utilize their company's harassment reporting procedures, which should include a means by which to bypass an immediate supervisor and procedures for dealing with victims and alleged perpetrators. It is in the company's best interest to create an environment in which employees feel comfortable and trusting of those to whom they report harassment, and confident that the harassment will be stopped. Further, the HR department should be informed of any allegations of harassment so that they may intervene or deal with the harasser, or refine/develop appropriate training and development programs that deal with harassment.

In spite of an organization's internal harassment policies, employees may still feel compelled to contact the EEOC, the U.S. Department of Education's Office of Civil Rights, a state or local civil rights office, or an attorney with complaints of harassment. This is particularly the case when management or the HR department is perceived as part of the problem of harassment and not the solution. Employees may file external complaints with the EEOC at 800-669-4000, the U.S. Department of Education's Office for Civil Rights at 816-880-4200, and/or their state civil rights office.

See also Civil Rights Acts of 1964 and 1991; Harassment

Resources:

Civil Rights Act of 1964, Title VII (42 USC 2000) http://www.eeoc.gov/policy/vii.html.

Amanda Easton and Ann Gilley

TALENT MANAGEMENT

Talent management is a concept and strategy that integrates human resources and systems to improve processes for developing and managing human resources. It aligns talent with business strategy and includes participation across all departments and levels of an organization.

Contrary to some perceptions, talent management does not just focus on specific positions or on recruiting and retaining employees. Putting the right people at the right time in the right job is a critical component of managing talent, but it also involves managing employees at all levels to their highest potential, as demographics and business trends have proven that talent can be a critical advantage.

History of Talent Management

The term "talent management" first emerged in the late 1990s and was popularized when a study completed by researchers within McKinsey & Company revealed that it was not the "best HR practices" that distinguished high performing companies but it was a pervasive talent management mind-set.[1] The research found that on average, companies that did a better job of attracting, developing, and retaining talented employees earned 22 percentage points higher return to shareholders. But there is nothing new about companies wanting to secure the best talent. The East India Company, founded in 1600, used competitive

examinations to recruit the best and the brightest. GE, Capital One, IBM, and American Express are examples of companies that have developed successful talent management strategies for developing their people. What is new is that organizations are now ready to embrace the whole concept and not just pieces of it. Technology has contributed to the success of talent management strategies with the automation of processes, but it is the strategic component that allows successful organizations to gain the advantage.

Talent Management as a Strategic Approach

Talent management is a strategic approach for both human resources and business planning with the goal of improving organizational effectiveness. As human resources (HR) has gained credibility and partnered with the operational management of organizations, the talent management strategy is no longer considered just an "HR initiative." It is the potential of the people who can make a measurable difference to the organization. As most organizations claim that people are their most valuable asset, it is the actions developed and taken within a talent management strategy that proves the difference. Talent management aims to produce enhanced performance at all levels of the workforce and to allow all individuals to reach their potential.

When talent is aligned with the business strategy, it is a fluid process so that as the business drivers change within an organization, so will the definitions of talent.[2] It is important for systems to be designed and implemented that improve the processes for attracting, developing and retaining employees. Succession planning is also a component of talent management strategy. In order to drive performance and create sustainable success, organizations must have the appropriate talent in place and be ready to deploy and change it at any time. Talent management must be built into and integrated within the overall business strategy.

Talent Management and the Role of Human Resources

Since talent is the key asset of an organization, HR has a tremendous role within an organization to ensure that talent management is always well positioned and considered by the top decision-makers. HR is the strategy architect that needs to be able to identify business trends, roadblocks, and opportunities.[3] It is the ability to locate the differentiator on the people side. It includes attracting, developing, and retaining employees as well as implementing performance and workforce management systems. But organizational culture, engagement, and leadership must also be integrated into the talent management strategy.[4] These other factors also impact how a business can achieve success.

Companies such as IBM are restructuring HR so that talent management is part of the core business.[5] Companies are building talent factories where the talent processes support the strategic and cultural initiatives.[6] HR must be the business partner with all management levels to infuse the culture with the strategy, or it will fail. Companies such as Proctor & Gamble and HSBC Group have created talent factories for current and future needs.

Conclusion

Talent management is a strategy that encompasses not only recruitment, development, and retention, but focuses on maximizing human capital so organizations can achieve growth and sustain success. Change will continuously occur, but developing people at all levels

to react to this type of dynamic environment can result in increased organizational performance. The culture, engagement, and leadership must be integrated with the strategy; for without talented human resources, the success and performance of a firm remains at risk.

See also Human Capital; Career Planning and Development; Performance Management: An Overview; Recruiting; Retention

Resources:

Boudreau, John W., and Peter M. Ramstad. "Talentship and the New Paradigm for Human Resource Management: From Professional Practices to Strategic Talent Decision Science." *Human Resource Planning,* no. 2 (2005): 17–26.

Lewis, Robert E., and Robert J. Heckman. "Talent Management: A Critical Review." *Human Resource Management Review,* June 2006, 139–54.

NOTES

1. Ed Michaels, Helen Handfield-Jones, and Beth Axelrod, *The War for Talent* (Boston: Harvard Business School Press, 2001).

2. Chris Ashton and Lynne Morton, "Managing Talent for Competitive Advantage," *Strategic Human Resources Review,* July–August 2005, 28–31.

3. Robert J. Grossman, "New Competencies for HR," *HR Magazine,* June 2007, 58–62.

4. Nancy R. Lockwood, "Talent Management Driver for Organizational Success," *HR Magazine,* June 2006, 1–11.

5. Robert J. Grossman, "IBM's HR Takes a Risk," *HR Magazine,* April 2007, 54–59.

6. Douglas A. Ready and Jay A. Conger, "Make Your Company a Talent Factory," *Harvard Business Review,* June 2007, 68–77.

Susan Sweem

TEAMS AND TEAMWORK

The use of teams is fairly well established, and using a team-based structure can help organizations improve quality and productivity, enhance customer service, provide for increased flexibility and adaptability needed in the global marketplace, and enrich the quality of work life for employees. A "team" can be defined as a collection of individuals who share responsibility for completion of specific organizational goals. One of the hallmarks of teamwork is interdependence, whereby members must share their knowledge, resources, and expertise to successfully accomplish the task at hand. Teams typically have the ability to manage their own work and internal processes.[1]

Teams may be structured with varying degrees of freedom and authority, ranging from being predominantly manager-led to self-managing or completely autonomous. Using teams, however, is not a panacea, and organizations need to consider if interdependence is truly required for goal attainment. If work is accomplished by individual efforts with little need for collaboration, working in teams may not be necessary.

Traditional studies in group dynamics have shown that all teams progress through various stages of development. Early on in the life of a group, little "real work" gets done as members get to know each other (*form*), resolve conflict and address leadership issues (*storm*), and decide how they want to work together (*norm*). Once issues are resolved, the group can then begin to make real progress on the task at hand (*perform*).[2] Simply putting individuals into teams and expecting them to work effectively does not ensure that they will do so.

To be successful, teams need ongoing support and coaching. Knowing that difficulties can be expected can help the manager prepare for them, and plan for intervening when needed. There are three distinct opportunities for coaching: at the beginning, to effectively "launch" the project, establish expectations, and set direction; during the middle, when significant conflict or storming arises and the need for behavioral readjustment becomes evident; and upon project completion, to celebrate accomplishments and cement "lessons learned."[3]

Some practical ways to enhance teamwork include:[4]

- *Limit the number of members.* The larger the team, the more difficult it is to communicate, schedule meetings, and come to a consensus on issues. As a rule of thumb, membership should be limited to 10 individuals or fewer.
- *Have an agenda.* Members need a clear sense of where they are going. An agenda helps keep the group on track and provides a way to structure their time together.
- *Train members together.* This provides an opportunity for members to coordinate their efforts, get to know each other better, and build trust. Members may need training on effective communication, conflict resolution, group problem solving, and decision making.
- *Practice.* If teamwork is a fairly new concept and members have been accustomed to working independently, it will take practice for them to work collaboratively. After every encounter, members should reflect together on the quality of their process so that they can learn from each other and continuously improve their collective experience over time.
- *Minimize links in communication.* It is better for members to directly communicate with each other rather than communicating indirectly through others.
- *Set clear performance standards.* Clear objective goals at the individual level as well as the team level are imperative for effective performance. In addition, members should receive feedback on their contribution to minimize ineffective behavior, social loafing and free riding. Both individual as well as collective rewards should be a part of the performance management process.

Virtual Teams

As technology plays an increasingly larger role in shaping the character of the workplace, it is no longer necessary for all workers to collaborate in the same place at the same time in order to complete a project. Trends such as virtual teaming are becoming more commonplace. In the virtual team, members primarily use technology such as e-mail, the Internet or an intranet, virtual conferences, or discussion forums to accomplish their task.

Although the use of technology increases efficiency, virtual team members may have more difficulty with human interaction and group process issues than those teams that meet in one place. It is suggested that members destined to be part of virtual teams spend some time together early on to get to know each other first, create a sense of connection, clarify roles, build relationships, develop norms, and establish a group identity. It is imperative that the virtual team have a clear purpose from the beginning. Members must also be aware that using electronic communication may create misunderstanding because verbal and nonverbal cues normally used to clarify meaning in normal face-to-face interactions are lost.[5]

See also Self-directed Work Teams; Quality Circles

NOTES

1. Leigh Thompson, *Making the Team: A Guide for Managers* (Upper Saddle River, NJ: Pearson Prentice Hall, 2004).

2. Bruce Tuckman, "Developmental Sequence in Small Groups," *Psychological Bulletin* 63 (1965): 384–89.

3. J. Richard Hackman and Ruth Wageman, "A Theory of Team Coaching," *Academy of Management Review* 30 (2005): 269–87.

4. Thompson, *Making the Team.*

5. Wally Bock, "Some Rules for Virtual Teams." *Journal for Quality and Participation,* Fall 2003, 43.

Cynthia Roberts

TURNOVER

Turnover is the measurement of how many employees leave an organization. The opposite of turnover is retention. A high turnover rate means that the organization has to replace its employees frequently, whereas a lower turnover rate means that an organization retains, or keeps, most of its employees. An acceptable rate of turnover can be a factor of the industry in which an organization exists. Service organizations tend to have very high turnover (56.4 percent per year), while the average turnover rate is around 23 percent.[1] When assessing an organization's turnover compared to other organizations, care must be taken to look at what is the average for the industry. There are many causes of high turnover, and turnover tends to be costly, as it is expensive to replace employees.[2]

Causes of High Turnover

Turnover can be due to a variety of factors. Employees leave for a variety of reasons, such as retirement, resignation, or termination. Generally, a company would prefer to keep high-performing, talented employees while only losing employees that are underperforming. One estimate of an appropriate turnover rate is 10–12 percent,[3] depending on the industry. Unfortunately, often when a company experiences difficulties leading to high turnover, the best employees are often the first to go, because they have plenty of opportunities to move on.

Factors Leading to High Turnover

It has often been stated that employees do not leave companies, they leave their managers. Employees these days are also less loyal, due to an erosion of the employment contract. Due to demographics, many baby boomers are retiring. Organizations with an aging workforce will find their turnover high due to retirement. Alternately, those with a large percentage of younger workers may find their turnover higher because younger workers have less loyalty and are more likely to change jobs to further their careers.

Factors Leading to Low Turnover

Organizations with highly engaged employees tend to invest in training and development and have effective succession planning. Ways to keep your talented employees include finding out why they leave (exit interviews); offering financial incentives to stay (performance management or pay-for-performance); offering more challenging work; and showing you value your employees by providing support for sabbaticals, flexible work arrangements, and/or developmental experiences.[4]

Measuring Turnover and Its Costs

Turnover is usually measured as the ratio of employees who have left the company (for any reason) to the number of employees returning in a year, expressed as a percentage. Estimates of turnover costs range from 150 to 250 percent of the annual compensation of

the employee who has left.[5] These costs include recruiting costs, retraining costs, and loss of productivity. This productivity cost includes the lower productivity of the unhappy employee who intends to leave, which can also affect the productivity of other employees.

Conclusion

Turnover is the number of employees who have left the company divided by the employees who remain, expressed in a percentage. It can be very costly, almost double the leaving employee's annual salary, due to recruiting, retraining, and lost productivity. Causes of high turnover include job dissatisfaction, often caused by a poor supervisor. It is worthwhile for an organization to carefully manage its turnover, and be able retain talented workers while losing only underperforming workers.

See also Compensation: An Overview; Employee Development: An Overview; Employee Relations; Job Satisfaction; Managerial Malpractice; Performance Management: An Overview; Retention

NOTES

1. Rudy Karsen, "Calculating the Cost of Turnover," *Employment Relations Today,* Spring 2007, 33–36.
2. Ibid.
3. "Take Talent Management to the Next Level," *HR Focus,* November 2007, 13–15.
4. Dave Ulrich and Wayne Brockbank, *The HR Value Proposition* (Boston: Harvard Business School Press, 2005).
5. "Take Talent Management to the Next Level."

Barbara A. W. Eversole

This page intentionally left blank

Part III
General HR Issues

This page intentionally left blank

General HR: An Overview

The challenges facing organizations and their members are many, often defying attempts to categorize their effect or impact via simple themes. The topics addressed in this section represent a broad range of subjects concerning employers and workers, from documentation to HR competencies to workplace violence.

Each topic in this section helps frame human resource management, while each in turn is also shaped by emerging trends in society and the competitive business environment. Recent and evolving "hot" HRM issues include subjects such as homeland security, HR metrics, innovation in HR, knowledge management, work-life balance, and workplace justice. These are increasingly important areas of concern to managers at all organizational levels and to the HR professionals with whom they partner to enhance results.

DOCUMENTATION

Documentation is defined as "confirmation that some fact or statement is true through the use of documentary evidence."[1] It is imperative that facts are documented because it protects a business and its employees from legal issues, disputes of fact, or interruptions to its operations.

Required Employment Documentation

Employers are required to keep numerous records on their employees, including federal, state, and employer-specific information. For example, the Immigration Reform and Control Act of 1986 requires that employers verify a candidate's legal ability to work in the United States. Necessary employment information records to be kept include an Employment Eligibility Verification form (I-9), along with a copy of the worker's passport or driver's license, Social Security card, birth certificate, or other approved identification listed on the I-9; and federal and state income tax withholding forms (W-4).

Companies typically keep a copy of the worker's employment application and/or resume, results of employment tests (e.g., health screening, skills and abilities inventories), and verification of educational degrees. Company-specific records may also include, but are not limited to:
• Employment contracts
• Conflict of interest forms

- Noncompete agreements
- Direct deposit forms
- Benefits choices
- Emergency contact information
- Loyalty form
- Alcohol/substance abuse form
- Performance evaluations and employment actions

Performance Appraisals and Employment Actions

It is of the utmost importance to document evaluations and employment actions to protect the firm against frivolous lawsuits or allegations of discrimination or illegal activity. In particular, firms involved in legal cases will be compelled to present evidence that an adverse decision (e.g., termination, denial of promotion, etc.) made regarding an employee was made legally (e.g., not based on discrimination). Proper documentation and notification to the employee of performance problems protects the organization.

Regular performance appraisals provide organizations with a legal defense for employment-related decisions. Although courts decide each case based on its own merits, legally defensible performance evaluations tend to exhibit certain characteristics.

- Employees were involved in establishing criteria and standards for their positions.
- Position requirements and standards are relevant to the essentials of the job.
- Requirements and standards are documented in writing and provided to the employee.
- Employees are informed of and understand the critical requirements and expectations of the job, and verify their understanding (by signing off).
- The evaluation system should not be based on comparisons between employees.
- The performance evaluation occurs regularly (e.g., at least annually) and performance discussions are properly documented.
- Employees are allowed and encouraged to include comments and responses in performance appraisal documentation.
- Managers who conduct performance appraisals have been trained in evaluation.
- Employees are informed of performance problems or issues in advance of the formal review and are given the opportunity to correct any problems.[2]

These documented evaluations should be as objective as possible and quantify both the strengths and weaknesses of an employee. Performance problems must be clearly explained by the evaluator and understood by the employee. Further, a plan of action to remedy the unacceptable performance should be created that thoroughly explains the expectations of performance, support to be provided by the evaluator, and time frame for follow-up and desired results. Between formal evaluations, documentation in the form of e-mails or memoranda between the evaluator and employee may prove valuable. Written documentation such as this will help ensure the company's integrity, verify the facts and clarify confusion, and deter a lawsuit.

Daily Operations

The importance of documenting daily operations is evident to the well-being of any business. Records such as hours worked, supplies used, injuries, turnover rates, and customer feedback enables companies, divisions, and even HR departments to determine their efficiency, fees to be charged, supplies to be ordered, new products to be developed, and so forth. Information supports knowledge and greater understanding of one's internal and

external environments, enabling improvement of people, policies, and processes. In addition, it will allow employers to reward or discipline employees in accordance to their performance, maintain stability in operations, and allow materials, costs, and manpower to be properly allocated.

Conclusion

Managers and HR professionals are responsible for documenting all aspects of their business and its employment of personnel, including selection decisions, performance, adverse actions, and daily operations. Record keeping and documentation confirm facts and protect both an organization and its employees from misunderstandings and subsequent legal actions. Facts and events that are not properly documented may be subject to varied interpretations.

See also Employment Law: An Overview; I-9; Immigration Reform and Control Act of 1986; Performance Appraisals; Record Retention Laws

NOTES

1. "Documentation," Dictionary.com, *WordNet® 3.0,* Princeton University, http://dictionary .reference.com/browse/documentation (accessed November 28, 2007).

2. "What Factors Make Performance Appraisals Legally Defensible?" http://performance -appraisals.org/faq/reviewlegal.htm (accessed May 13, 2008).

Chris Armstrong

EMPLOYMENT AGENCIES, SEARCH FIRMS, AND HEADHUNTERS

The terms "employment agency," "search firm," and "headhunters" are used to refer to distinct types of personnel and staffing services. Each is considered separately below.

Employment Agencies

Employment agencies may work on behalf of either job seekers or employers, may be private or public, and may specialize in service to specific or target groups of people, and thus have eligibility requirements.[1] Employment agencies may also offer services to job seekers, including placement assistance, job search assistance, and career planning assistance. An employment agency may have a list of open positions for an employer and thus have the responsibility of recruiting, screening, and referring qualified applicants for further consideration. Employment agencies may concentrate or specialize in temporary, permanent, contract, or temp-to-hire, or be sufficiently large and diversified to include staffing abilities in several categories. Their size may range from providing staffing services to a relatively small geographic location, all the way to a national network of offices. Alternately, employment agencies may specialize in specific trades, skills, or occupations, including finance, accounting, information technology, human resource management, and sales. An increasingly important consideration for employment agencies (particularly for those specializing in permanent or long-term positions) is whether or not a prospective hire will fit a certain corporate culture. Employment agencies may also keep employees on shorter-term work assignments on their payrolls and provide such benefits as health and disability insurance,

vacation time, holiday pay, and other benefits. Employment agencies can be particularly useful for companies that have a longer-term employment need, leading to the deployment of "permanent temporaries," or for those desiring to "try before they buy" the services of someone.[2] Employment agencies typically receive payment for finding a suitable employee to hire only when a company selects a candidate. This payment may, depending upon the position, be either a fixed amount or a percentage of the first year's salary.

Employment agencies provide many companies with a higher degree of flexibility regarding their staffing, and give temporary workers the opportunity to tailor specific knowledge or skills to the work arrangement they find most satisfying, whether for personal or professional reasons. However, it is advisable to consult the various local, state, and federal laws governing the employment of temporary workers before committing to such a work arrangement.

Search Firms or Headhunters

Headhunters, or executive search firms, derive their name from the fact that they typically attempt to place people who are currently employed, and who may, in fact, not even be searching for another position.[3] Headhunters are often hired by companies to fill critical-need vacancies, such as middle management positions up to the CEO's office. Most positions headhunters are seeking to fill are not advertised or widely known, and the prospects or candidates who are qualified may be equally invisible or inaccessible to employers.[4] As such, headhunters serve as a very important "confidentiality buffer" between companies and potential candidates.[5] Headhunters also are more personally involved in the matching of candidates with companies, as the positions for which they recruit tend to be both higher paying and longer term, with the potential for significant impact (financially and otherwise) not only upon employees but upon other firm stakeholders as well, such as customers, shareholders, and suppliers.

Headhunters not only keep an extensive proprietary database of information related to a candidate's relevant knowledge, skills, and abilities, but also attempt to discern fit between a prospect and the culture of the hiring company. They will often go beyond the accomplishments and previous positions listed on a resume to determine the personal drivers, lifestyle expectations, and geographic proximities that can often differentiate equally qualified and competent individuals.[8] Accordingly, headhunters will be equally honest and forthright with candidates in describing the culture of the hiring company— good, bad, and otherwise.[9] Additionally, headhunters will usually take an active role in such activities as preparing candidates for interviews, and salary and bonus negotiations once a suitable person has been determined.

Depending upon the position in question and the professional standing of the headhunter (individual or company), payment for services may be either on a retainer or a contingency basis. Top-tier headhunters will often receive one-third of their fee up front as a retainer, the second third after a predetermined amount of time once the search commences (typically 30 or 60 days), and the remainder after a candidate is hired. If a candidate does not work out, headhunters will typically conduct a free replacement search. The duration of such guarantees may range from 90 days to one year after placement.[10] Headhunters also work on a contingency basis, receiving payment only after someone is successfully placed.[11] For both retained and contingent searches, the fees are typically a percentage of the hired candidate's first-year salary and bonus, and this percentage will correspondingly rise with

the importance of the duties and title conferred (with a normative range being from 25 percent for middle management roles to 50 percent for senior executive roles).

To be of optimal value to a company wanting to use the services of a headhunter, it is necessary to conduct proactive due diligence. Reputable headhunters will welcome the opportunity to provide references, will want to know as much as possible about the company and its culture, the position for which the search will be conducted, and may even meet with the CEO and relevant members of the board of directors, as well as functional department heads. Although using a headhunter can be a relatively expensive proposition initially, the services of one capable of matching the "right person for the right seat on the right bus"[10] can pay for itself within a matter of months.

See also: Employee Referral Programs; Job Posting; Recruiting

NOTES

1. Idaho Department of Labor, "Creative Job Search: Employment Agencies." http://cl.idaho.gov/cjs/cjsbook/process6.htm (accessed November 24, 2007).

2. Staff Report, "Employment Agencies vs. Executive Search Firms," *Atlanta Business Chronicle,* March 29, 1999, http://atlanta.bizjournals.com/atlanta/stories/1999/03/29/smallb11.html (accessed November 24, 2007).

3. Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright, *Human Resource Management* (New York: McGraw-Hill, 2003).

4. Steve Brooks, "Getting a Hand Hiring Top Talent," *Restaurant Business,* October 2007, 22–26; and Claire Gagne, "Search & Employ," *Canadian Business,* January 16, 2006, 62–63.

5. Beverly Nazmi, "How to Get the Best from a Headhunter," *Management Services,* Spring 2006, 42–43; and Noe, Hollenbeck, Gerhart, and Wright, *Human Resource Management.*

6. Nazmi, "How to Get the Best from a Headhunter."

7. Gagne, "Search & Employ."

8. Brooks, "Getting a Hand Hiring Top Talent."

9. Gagne, "Search & Employ."

10. Brooks, "Getting a Hand Hiring Top Talent."

Steven J. Kerno Jr.

FIELD VS. CORPORATE HR

Many organizations have both a corporate and a field component to their human resource (HR) capacity. There are inherently different functions that these positions serve. Whether you call a satellite organization a field office, a research and development center, a manufacturing location, or a distribution site, the differences between the two competing needs are often not acknowledged or properly understood.

Corporate Strategy vs. Field Needs

Field HR organizations are more tactical in delivery. Often the HR professional at a field office deals with a myriad of topics, issues, and levels of individuals ranging from executives to line workers needing advice. Although many of the people in these roles may not start out as HR generalists, they ultimately assume the role and responsibilities. There is an emphasis on "problem solving, high visibility and day-to-day operations."[1] In the field, doing whatever is needed to make the business run efficiently is the order of

business. Inherent in this type of work is the ability to "thrive on hands-on work, enjoy new challenges every day and have a knack for reading situations and resolving problems, influencing people, building consensus and finding solutions quickly.[2] Two major traits are the ability to build relationships with workers and share data.

Corporate HR is more strategic. A corporate HR group is focused on anticipating the future. What will need to be in place two to five years out? Critical to this orientation is the need to focus on the business almost obsessively, identifying implications for the business.[3] Corporate HR tends to have more specialized functions, such as compensation, benefits, or learning.

Working Together

Conflict occurs when corporate HR has certain objectives that they need to implement and field HR must take on the responsibility to carry out those objectives. Neither side generally has anything against pitching in; it is often how objectives are communicated that serves as a sore point for one or the other. Without effective communication, field locations often will "fill in the blanks." Watson Wyatt recommends developing a constant communication channel complete with face-to-face meetings as much as possible.[4] The exact amount of communication needed between field and corporate HR depends on the size of the organization, type of business, culture, and budget. During an interview for a recent organizational study, a field HR representative described corporate as operating like a "Sea-gull." "They often swoop in and leave us with some unpleasant things then they go back to corporate."[5] Their corporate counterparts were actually trying to create a corporate reporting system in which they could gain an accurate head count globally without having to request it each month from the field. There clearly was a good reason to be the "Sea-gull," but the field offices only saw what they were leaving and that they incurred additional costs as a result. Clear communication with detailed benefits would have solved this misunderstanding on both sides.

Technology has made HR communications much easier and faster to communicate with employees, management and other HR professionals. Online tools such as e-mail provide an obvious advantage to relaying information; however, be wary of utilizing e-mail as the only means of information. Employees and other HR professionals can be left feeling the distance between locations. Personal interaction, whether by phone or face to face, is critical to a successful partnership between corporate and the field.

Conclusion

The HR professional supports the goals and objectives of an organization and advances the strategic business plan. The field HR representative is an expert on the design of work systems in which people contribute. The corporate HR representative is a strategic partner who works with the management team to influence the organization's direction. Communication between field HR and corporate HR is essential to manage any overlapping responsibilities and coordinate activities.

NOTES

1. Carolyn Hirschman, "Out of Sight, Not Out of Mind," *HR Magazine* 45, no. 2 (February 2000): 72–77.

2. Ibid.

3. Ibid.
4. Susan Wells, "The Path Taken," *HR Magazine* 48, no. 6 (June 2003): 50–55.
5. Confidential source, interview by Lisa Brinkman, June 20, 2005.

Lisa Scott Brinkman and Alina M. Waite

FORECASTING

Managing Operations

Organizations have many tools available to them to use in managing their operations. The basic financial tool that is most often used to plan operations is the budget. Budgets are great guides that cover various periods of time. Typically this is for a year, but may be incorporated into a strategic plan that extends five years or more.

The big downfall of a budget is that no one has a crystal ball to predict the future. Thus, budgets are not always accurate. No one wants to plan for, predict, or expect poor performance. Although a financial executive can prepare an accurate budget, it requires a lot of insight into everything that can affect the operations over the budget period, plus a degree of luck. Budgets crafted too conservatively can make an organization appear as if it had a great year by "meeting and exceeding" budget when, in fact, it may have had only mediocre performance and could have done better.

In the governmental segment, budgets drive the administrative function. Unfortunately, this leads to much planned and excessive, or even unnecessary, spending. In simple terms, governmental budgeting encourages operational inefficiency due to the mind-set that prevails—if it is budgeted and not spent, we will lose the money for next year; hence the process is inefficient and leads to uncontrolled spending.

Forecasting Defined

What, then, is a better tool to use in the financial and operational management of an organization? Forecasting is a much more accurate and efficient method of predicting and planning for an organization's performance.

What is a forecast? In comparing a forecast to a budget, a budget is typically a short- or long-term financial plan, based on history, with an idea or hope as to what will happen in the future. A budget is usually developed significantly before the budgeted period begins (e.g., this calendar year's budget may have been developed and approved last July). In contrast, a forecast is a financial and operational plan rooted in the present that uses current market information to predict what is expected to happen in the future from both a financial and operational standpoint. This is where the benefit of a forecast is best utilized. A forecast is a "living document" as opposed to a basic plan because it is designed and expected to change and adapt to actual occurrences and events; it is not "set in stone" as a budget tends to be.

Developing Forecasts

The first step in developing a forecast is to determine how often you want to revise the forecast and how far out from the present you want to predict. A three- or four-month forecast is the most reasonable and accurate time period. A four-month forecast, for example, allows you to work in the present month and plan for the next three. The "rolling method" enables you to update the forecast monthly and show the current month plus

the next three. Continually revising forecasts each month increases accuracy of predicted performance. For example, in February, you may forecast operations for the next three months, March, April, and May. When March arrives, the February forecast is dropped, while June is added after updating predictions for April and May.

Once the desired forecasting time periods are determined, data is gathered. In a manufacturing organization, for example, actual trends for the past three to six months are examined and critical questions asked. If trends have been steady or constant, is it reasonable to expect these trends to continue? Have there been fluctuations—minor or severe—that must be accounted for? What has happened in the marketplace? Have there been any events that would impact the organization either positively or negatively? Have there been events that will affect the needs of customers?

The next step is to discuss the data with relevant contacts, such as your field sales force, production staff, or customer service, to name a few. These individuals have the best "feel" as to what will happen over the coming months and will help develop an accurate picture of what sales, revenues, or other key factors will be. When examining expenses, you are then faced with determining the other operational costs incurred. The fixed costs, monetary and nonmonetary, are easy to identify and plan for. Included among these categories are salaries, insurance, and depreciation, for example. The variable costs should be somewhat predictable based on historical data. You may also have to account for cyclical cost fluctuations such as heating, cooling, or water usage; these bills may be higher during certain times of the year. After compiling the financial data, then you can determine the bottom-line performance.

Another component to consider is staffing. Of all of the expenses an operation incurs, staffing seems to be the easiest to control because it stems totally from the election of management as opposed to an external source. Although compensation is directly affected by external forces, it is not the same as purchasing external supplies or services. An organization's staffing is totally at the discretion of its management and should be based on what is required to operate efficiently. A store manager, for example, will have history and corporate information for similar stores. The challenge usually comes seasonally, with the need to staff the store with temporary personnel at Christmas. Forecasting for this need allows the manager to plan for the changes, staff increases, and planned release of temporary employees.

Planning or forecasting the needs of full-time or part-time staff can be crucial to an organization. It is critical to have adequate staff to handle job functions. From a financial standpoint, however, there are distinct differences between full-time and part-time employees. In any organization, staffing of full-time employees typically means extra costs in the form of benefits and taxes of as much as 100 percent of the compensation paid. Accurate forecasting based on known needs and external observations and analysis will allow any organization to properly staff for their specific operation. Doing so enables firms to avoid the severe fluctuations in staffing and layoffs.

Conclusion

Forecasting is an invaluable tool for an organization's management team. While a budget can be a good guide, a living document such as a forecast constantly takes into account all of the internal and external factors that affect an organization's performance over a given time, and is a much more valuable tool in guiding the outcomes of that organization.

James Steven Beck

HOMELAND SECURITY

The words *Homeland Security* conjure up images of armed military and law enforcement personnel manning checkpoints with bomb-sniffing dogs and high-tech scanning devices. In a post-9/11 world, homeland security has taken on far greater connotations, and the ramifications for businesses and organizations can be significant. The fact that the economy itself is a target for terrorism is no longer refuted by experts. Add natural disasters such as Hurricane Katrina and concerns about issues such as flu pandemics, and it is easy to see that homeland security is not just about terrorism.

To the general public, and most likely the average business owner or manager, homeland security is an issue for the government to handle. Issues such as border security, transportation security, intelligence gathering, and other such issues for the most part do fall to government agencies. From a business or corporate perspective, the issues surrounding homeland security can cross lines with other already familiar issues such as workplace violence, employee safety and training, OSHA regulations, federal and state employment guidelines, and other issues that the average business owner/manager would not necessarily consider homeland security issues. Businesses are strongly encouraged to examine what role and responsibility they may have in dealing with homeland security issues. There is potential for significant liability, both in real costs and from litigation, for businesses and corporations that choose to ignore this issue.

Potential Impact on Organizations

Regular examples in the media demonstrate the changes that have come about as a result of homeland security–related issues. Large corporations have been raided during the workday by federal law enforcement and have had hundreds of employees arrested for being in the country illegally. The losses to corporations in terms of productivity and revenue have the potential to be staggering. Corporations and managers also face the potential of criminal prosecution for failing to comply with federal guidelines pertaining to employing undocumented workers.

New regulations driven by a concern for homeland security also have the potential to impact the bottom line of businesses both large and small. Federally mandated security measures in industries such as chemical research and production, privately owned transportation companies, and import and export businesses, to name just a few, will have an impact on operating expenses. Banking and information industries have had unprecedented layers of regulation and demands from the government as it pertains to not only security, but also the sharing of customer information, data, financial transactions, and other such issues. The burden to these industries in real costs is significant.

There is also a potential for new liability issues. For instance, the same banking and information industries have been in court for both complying and failing to comply with new government regulations and demands. Privacy issues in an Internet age have created an ever-changing minefield for businesses to navigate. Other industries, such as construction and manufacturing, are now trying to anticipate the potential liabilities as a result of terrorism and natural disasters. Prior to 9/11, the thought of constructing a building that would be able to withstand the impact of a commercial airliner was not a very realistic consideration. Developers now have to consider such scenarios. The bombing of the Alfred P. Murrah Building in Oklahoma City was accomplished by detonating, among other things, a fertilizer commonly used and widely available to farmers. The impact

was immediate, as government regulation made the fertilizer harder to purchase and more expensive.

Natural disasters have impacted many industries and how they do business. Accordingly, the insurance industry is attempting to limit its business in the Gulf region as a result of losses incurred by Hurricane Katrina. Lawsuits because of coverage disputes between property owners and insurance companies could result in significant government regulation. State governments are threatening legislation to force insurance companies to sell policies in areas where the insurance companies no longer want to do business. Hospitals, nursing homes, and other private entities were held liable for not being prepared to deal with a natural disaster that most could not have foreseen. There were serious ramifications, both civilly and criminally, specifically because of a lack of emergency preparedness planning by organizations and companies. The resulting litigation, government regulation, and changes in industry practices will impact businesses and their customer bases for decades to come.

Organizational Response

What does all of this mean to the private sector manager? It means that concerns and issues that were previously the purview of government managers now fall on the private sector. In dealing with homeland security issues, the federal government has identified what it calls "Critical Infrastructure and Key Assets."[1] These are areas, both private and public, that the government deems absolutely critical to the stabilization and recovery of the country and/or a geographic area in the event of a significant disaster, whether man-made or natural. The Homeland Security Act of 2002 defines critical infrastructure as

> [S]ystems in assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters.

These areas will include, but are not necessarily limited to, the following:
- Agriculture
- Food
- Water
- Public health
- Emergency services
- Government
- Defense industrial base
- Information and telecommunications
- Energy
- Transportation
- Banking and finance
- Chemical industry
- Postal and shipping

These areas cover almost every aspect of daily life. Government mandates are not just targeting the public sector, but are also meant to target the private sector. The majority of these categories are foundationally supported by private entities. The government

regulates many industries, although the ability to actually perform most functions under the above headings falls to the private sector. This makes homeland security in the private sector critical.

To that end, governments on federal, state, and local levels are actively encouraging businesses to prepare plans for dealing with homeland security issues. Businesses need to be able to get back up and running as soon as possible after an emergency. The Department of Homeland Security has links on its main Web page that direct private-sector managers to informational sites designed to help them formulate response plans to disasters, both natural and man-made. The sites give step-by-step recommendations as to how businesses should prepare. The issues dealt with include, but are not limited to, the following:

Continuity Planning—What are the essential resources and assets needed to get a business up and functioning as soon as possible after the disaster, and how does a business protect those resources and assets?

Emergency Planning/Supplies—Information is given as to what is necessary for a successful emergency plan and how such a plan is formulated. Outlines are available on how to identify critical issues such as emergency communications, evacuation, and protection of life. Suggestions are made as to how to identify what types of resources and supplies should be kept on site.

Employee Preparedness/Education—Highlights the importance of employee education in planning and supporting emergency response plan. These plans include preparing for and dealing with the disaster as it occurs as well as the aftermath, including employee health issues and dealing with employees' personal lives after such an event.

Every state has its own department of homeland security, and most of these organizations also have resources for the private sector. Some resources are actually more practical in scope because they look at emergency preparedness from a private-sector perspective. For instance, the state of Utah has a "12 Point Program to Business Continuity Planning." This guide is a practical overview that addresses most aspects of emergency preparedness from any business point of view. This comprehensive overview covers topics ranging from assessing risks and hazards to having proper insurance coverage and protecting vital records. It also helps the business assist employees in creating individual preparedness plans. It builds on the federal plan mentioned above but in some ways is more practical and detailed.

As in every other area, there are paid consultants who will develop emergency response plans and train organizations to deal with such plans. Many industries are also creating resources for their members to address industry-specific plans. Trade associations and professional organizations should be contacted as probable resources for emergency preparedness plans.

Organizations and businesses should not panic at the thought of creating emergency response plans. Like business plans for growth or market change, emergency preparedness plans are simply another one of those changes that the private sector has to adapt to if it wants to survive in a world economy that is impacted by many things other than normal market forces.

See also Emergency Preparedness; Occupational Safety and Health Administration; Safety; Security

NOTE

1. John Moteff and Paul Parfomak, "Critical Infrastructure and Key Assets: Definition and Identification," CRS Report for Congress (Washington, DC: Congressional Research Service, 2004), http://www.fas.org/sgp/crs/RL32631.pdf.

Jim Byrne

HR COMPETENCIES

Human resource (HR) management is a fast-changing discipline whose strategic importance for impacting bottom-line organizational profitability has grown over the last 20 years. HR has become more important to business leaders as they have seen the tangible, sustained competitive advantage that the intangibles of human capital (talent and capability) can deliver. Given this robust dynamic, the HR function must continue its maturation to providing solutions to one of the most critical issues facing modern business; namely, building sustained organizational capability.

While HR's role in building organizational capability is not new, changes in workplace demographics, technology, globalization, legislation, employee expectations, customer demands, and access to information, among other things, have had dramatic implications on human resource practices and strategies. An organization's competitive capability has been described as a combination of the collective learning of its employees and their ability to apply that knowledge to business.[1] HR can and must greatly influence this body of strategic work.

Unfortunately, most HR functions are not rising to the challenges of being the strategic partner HR should be. According to a Corporate Leadership Council study, fewer than one in six CEOs assign strategic importance to HR, and only one in four rate HR's performance favorably. Therefore, it is critical to build the competencies of HR practitioners in order to live up to their potential as value-added business partners.

HR Competencies Identified

Competencies have been defined as the characteristics—knowledge, skills, mind-sets, thought patterns, and the like—that, when used either singularly or in various combinations, result in successful performance.[2] But on which competencies should HR focus? There is not one standard HR competency model that is universally accepted. However, there are several leading authorities in the field of HR competency research and several common themes among most HR competency models.

Two leaders in HR competency model research are the RBL Group and the Ross School of Business at the University of Michigan. They have jointly conducted the *Human Resource Competency Study* five times over the last 20 years. The global study has surveyed more then 40,000 HR leaders and their business partners in determining what knowledge, skills, and abilities are most valued and required of HR professionals. The fifth round of the *Human Resources Competency Study* identified six HR competencies:

1. *Talent manager/organization designer:* Focuses on attracting, developing, retaining, and upgrading the talent in an organization, while ensuring the organization can perform at high levels because appropriate organizational structure, processes, and policies exist.
2. *Strategy architect:* Focuses on HR's role in establishing organizational strategy.

3. *Operational executor:* Focuses on the flawless delivery of HR platform activities and administrative operations.

4. *Business ally:* Focuses on business acumen and understanding to be able to contribute to driving high levels of business performance.

5. *Culture and change steward:* Focuses on shaping the organization's culture and developing disciplines to shape individual employee and organizational behaviors in a way that is aligned with the organization's goals.

6. *Credible activist:* Focuses on the leadership attributes required of HR professionals to be both respected and fully engaged in the business.

Common Themes of Other HR Competency Models

A review of various other HR competency models reveals additional common themes of competencies. Competencies that were commonly identified included:

- *Talent*—including workforce planning, talent attraction and selection, turnover management, employee development, and succession planning.
- *Performance*—including change management, employee engagement, project management, and performance management.
- *Organizational capability*—including organizational design, organizational effectiveness, and organizational development.
- *Platform*—including compensation, benefits, policy management, compliance, HR systems, and vendor management.
- *Credibility*—including business acumen, influence, and initiative.

What to do Next: The Three Rs

More important than creating the "ideal" competency model is creating a framework for your HR organization to own and develop its capability to best meet the needs of business leaders. The key principles to consider in any basic competency framework are:

Relevant—addressing pertinent issues of concern to the business.
Rigorously implemented—embedded into the business as sustainable business processes.
Results-oriented—delivering value and positively impacting the performance of the business.

Building a solid framework with the right HR competencies enables organizational capability for truly impacting business performance. Through the creation of sustained competitive advantage, the HR organization will be recognized as a true, value-added business partner.

See also Forecasting; HR Metrics; HR Strategy

Resources:

Corporate Leadership Council. *Defining Critical Skills of Human Resources Staff, Chief Human Resources Officer View of HR Function and Staff Effectiveness.* Ann Arbor, MI, 2006.

Ulrich, David, and Dani Johnson. *Human Resources Competency Conference.* Ann Arbor, MI, 2007.

NOTES

1. C.K. Prahalad and G. Hamel, "The Core Competencies of the Corporation," *Harvard Business Review* 90, no. 3 (1990): 79–91.

2. D.D. Dubois, *The Competency Case Book* (Amherst, MA: HRD Press Inc., 1998).

Robert Paxton and Tim Reynolds

HR COMPLIANCE

Human resources (HR) compliance is a necessity for every business regardless of the number of employees. HR compliance refers to adhering to all state and federal employment laws, including Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, antidiscrimination laws, and the federal Fair Labor and Standards Act (FLSA). Therefore, business owners have to know the state and federal laws and apply all of the laws that affect all employees.

Employee Handbook

An employee handbook, which includes policies on military leave, sexual harassment, breaks, appropriate behavior, Internet use, whistle-blowing, preemployment and drug testing, smoking, and any other policy items, is recommended for all organizations.[1] The handbook needs to be carefully written to include applicable federal laws as well as state laws in which the organization will be doing business. Some organizations may have several versions of the employee handbook, depending upon their location(s).[2] Accordingly, policies need to be communicated and integrated into the culture of the organization.[3]

Managers need to be educated on the complex HR laws or have appropriate good legal representation, since such laws are constantly changing. The handbook needs to be regularly updated and should be reviewed by legal counsel. Managers and employees need to understand the policies contained in the handbook in order to comply. Communication is the key to instituting policies in the handbook, which include any consequences for noncompliance.[4]

Equal Employment Opportunity Regulations

Business owners, regardless of the size of the organization, need to be in compliance with all equal employment opportunity laws (EEO). There are four major EEO laws, which employers need to understand. The four major EEO laws are:

- *Title VII of the Civil Rights Act of 1964* prohibits employment discrimination based on race, color, religion, sex, and national origin. This act applies specifically to those businesses that have 15 or more employees on the payroll at any given time.
- The *Age Discrimination in Employment Act of 1967 (ADEA)* prohibits age discrimination against individuals who are 40 years of age or older. This act applies specifically to businesses with a minimum of 20 employees on the payroll at any given time.
- *Title I of the Americans with Disabilities Act of 1990 (ADA)* prohibits employment discrimination against qualified individuals with disabilities. This act applies to employers with a minimum of 15 employees.
- The *Equal Pay Act of 1963 (EPA)* prohibits wage discrimination between men and women in substantially equal jobs within the same establishment. All employers should take special note of this act, as it applies to any business with a minimum of one employee.[5]

State and federal equal opportunity Laws need to be posted within the organization for employees' access.

See also Age Discrimination in Employment Act; American Disabilities Act; Civil Rights Acts of 1964 and 1991; Employee Handbook; Equal Pay Act; Harassment

NOTES

1. Sally Anne Morris, "Human Resource Compliance is for Every Business" (Blethen Maine Newspapers Inc., 2004), http://www.hrtutor.com/en/news_rss/articles/2004/Human_Resource_Compliance_for_Business.aspx (accessed February 16, 2008).

2. Barry Gross, "Determining Which Federal, State, and Local Employment Laws Are Applicable to Your Business," http://www.allbusiness.com/governemnts/emloyment-regulations/11996-1.html (accessed February 17, 2008).

3. "Developing an Effective HR Compliance Program," http://www.allbusiness.com/human-resources/wrokplace-health-safety/979-1.html (accessed February 11, 2008).

4. Ibid.

5. "The EEOC and Small Business: Complying with Equal Opportunity Regulations," http://www.allbusiness.com/government/employment-regulations-u-s-equal-employment/11896-1.html (accessed February 17, 2008).

Debora A. Montgomery-Colbert

HRIS

Human resource information systems (HRIS) are organized systems for collecting, storing, maintaining, retrieving, and validating data needed by an organization about its current or potential future employees. A typical HRIS system can range from a small informal payroll application to a larger all-inclusive package that integrates the information technology (IT) department with the human resources (HR) department. Larger applications tend to coordinate strategic management with employee data collection, providing an enterprise-wide solution that may contain advanced reporting and forecasting capabilities.[1]

Human Resource Management Challenge

As global marketing challenges expand, human resource managers are asked to play a more strategic role in the success of an organization. Managing the duty of maximizing return on investment on human capital is an overwhelming task. These challenging responsibilities may force HR professionals to seek out additional tools that help save funds, manage resources, and provide organizational charting.

HRIS can provide HR professionals with a decision support tool that can present data in a format that is easy to understand and can assist in the identification of specific patterns, bottlenecks, or lags in a company's workflow. A typical HRIS is specialized software for implementing, monitoring, and benchmarking these HR processes. A business may acquire an HRIS software application, or it may work with IT technicians to develop a proprietary system that fits their corporate or governmental reporting requirements.

Importance of HRIS

The importance of the HR department is sometimes underestimated. With corporations merging and acquiring new subsidiaries, the HR department is forced to manage a signification amount of data. Management of this data is not a fixed process, as employees may transfer between divisions or other entities owned by the corporation. Employees may also change job titles or be terminated, forcing managers to shift duties to other

individuals. The HRIS can manage this data, providing HR professionals and other administrative leaders with the reports required to maintain a productive environment. Effective communication of departmental resources to all entities involved can facilitate an efficient workflow and improve company performance.

The HRIS may manage these significant tasks:

1. Floating charges—phones, computers, wireless handheld devices, vehicles.
2. Extra pay, insurance, and benefits.
3. Termination time—charges, salary, and benefits cease.
4. New employees.
5. Management and control of payroll errors.
6. Staffing—predicting busy or down times.
7. Contractors and outsourcing.

Develop an ''In-house'' HRIS or Purchase One?

Many different vendors market proprietary HRIS applications. Many of these vendors develop applications specific to a company's or industry's needs—for example, Spectrum Human Resource Systems Corporation develops HRIS applications for the health care industry.[2] This system has been developed to manage HR processes for health care organizations, providing them with detailed reporting or specialized formatting required by their organizational standards.

When choosing an HRIS for an organization, HR professionals will want to examine organizational needs before choosing between vendors or before building an "in-house" application. Getting an HRIS approved through budgetary procedures is a challenge. HR professionals will need to convince the administration that an HRIS will contribute to the management of human resources and may save the company money in the long term.

To accomplish this task, HR professionals should start by analyzing organizational needs. A good place to start would be to outline current HR activities within the business. Hagel & Company provides a listing of questions that might start this process:[3]
• What information are people requesting?
• How do you, line managers, the chief executive officer, and the chief financial officer obtain needed personnel information?
• How long does it take you to respond to a new request for information?
• What HR management needs are not being addressed and handled properly?
• How effective is your support to the budgeting and planning processes?
• Where do you stand in complying with COBRA, ERISA, FLSA, OSHA, and other statutes and regulations?
• What tasks are you being asked to do today? How well are you performing these tasks?
• What programs, services, and management support must you provide to help your organization meet its goals?
• What are the major tasks that you intend to accomplish and the results you plan to achieve in order to have a successful HR operation?

Once HR professionals have established organizational needs, they should work toward justifying the development or purchase of the appropriate system. By aligning their requirements with those for meeting corporate goals, HR professionals will have a better chance of convincing management of an HRIS's importance to the company.

See also HR Strategy; Human Capital; Payroll

NOTES

1. William Jones and Robert C. Hoell, "Human Resource Information System Courses: An Examination of Instructional Methods," *Journal of Information Systems Education,* Fall 2005.

2. Spectrum, "Healthy HRIS," Spectrum Human Resource Systems Corporation, http://www.healthyhris.com/ (accessed October 23, 2007).

3. Hagel & Company, "Choosing an HRIS," Hagel & Company Software for HR Professionals, http://www.hagel.net/pdf_files/HRIS_checklist.pdf (accessed October 31, 2007).

Lori Nicholson

HR METRICS

HR and its place within organizations is changing. Organizations rely more heavily on knowledge workers today than ever before and, as a result, HR's ability to measure aspects of the organization is at a higher profile. No longer are metrics such as time to fill and benefits cost per employee[1] enough to provide management with data about talent as a competitive advantage.[2]

What Are HR Metrics?

HR metrics have historically been measures that speak to satisfying business goals: a benchmark that delineates a path, and the organization's progression along it. Metrics are the compilation of data that measure any number of areas, such as employee satisfaction, voluntary turnover, training spending per employee, and recruiting cycle time in days. HR metrics provide organizations with a window into the people side of the business. A metric at its simplest level is a calculation, not a cause. It is a numerical representation of a number of activities and events, some occurring externally, that have occurred previous to collecting and calculating the metric.[3] Table 9.1 provides a representative sample of the kinds of key HR metrics that are increasingly driving HR-related strategic decision making in contemporary organizations.

HR Metrics and a Wider Financial Picture

Critical to HR's future is its ability to transform into the strategic partner that business needs to compete in the marketplace today. Metrics are no longer about only telling what happened last month, last quarter, or last year, but about providing the business with optimization and predictive models and forecasts to prepare the business for the future, such as those metrics delineated in Table 9.1.[4] Talent is at the top of the agenda for many executives, and HR must lead the organization's drive to maximize competitive advantage through its human capital.[5] Impact in the area of a financial picture means "demonstrating a link between what HR does and tangible effects on the organization's ability to gain and sustain competitive advantage."[6]

Creating HR Metrics

Conceptually, the process for developing HR metrics is not dissimilar to the development of other business metrics, and includes traditional accounting categories (e.g., cost, time, volume, income, quality, and stakeholder reaction), computational methods (e.g., rate,

Table 9.1   Representative Strategic HR Metrics

Metric	Definition	Usage
Cost per hire	Reflects average investment for one hire. Equal to total staffing costs divided by the number of hires.	Plan and manage staffing initiatives.
Yield ratio	Reflects number of original applicants required to yield one hire. Equal to the number of candidates from a given source divided by the number hired from that source.	Evaluate the productivity of various candidate sources.
Training ROI	Reflects direct return on investment for a training initiative. Equal to the direct economic outcome of a training initiative divided by the total cost of that training initiative.	Prioritize training investment based upon economic value-added.
Market value per employee	Reflects the market-value generation capacity of a publicly traded firm's human capital. Equal to the result of the number of shares outstanding multiplied by the price per share, then divided by the total number of employees.	Assess equity-market value generation of human capital vis-à-vis peer organizations.

ratio, composition, and indices), and a variety of possibilities for cutting or cross-sectioning the data.

In terms of accounting categories, *cost* is formally defined as a sacrifice (in terms of time or money) incurred to obtain a benefit or service. Cost is a direct measure guaranteed to get the attention of an organization's management team. *Time* is considered a resource under individual control that is sufficient enough to accomplish a given task. With the abundance of technology available, work is expected to be performed faster, and organizations are expected to have quicker response times. Organizations that efficiently perform faster than their competition achieve a differentiating competitive advantage. *Volume* is a measure of output, tangible or intangible. Volume is traditionally measured in units produced, in the number of customers served, or in the frequency of events. *Income* is a measure of the money that is received as the result of normal business activity. It encompasses the revenues and profits of the organization. *Quality* is a measurement of people, processes, and systems to ensure that predetermined standards are met. Quality measurements are often manifested in product returns and customer satisfaction reports, in addition to the traditional scrap and rework measures. Finally, *stakeholder reaction* is the response of the organization's constituent groups. Measures of stakeholder reaction are found internally (e.g., satisfaction, engagement) and externally (e.g., market-share price).[7]

In terms of computation methods, *rate* is the proportion of one or more parts to the whole. Rate is traditionally expressed as a percentage or frequency. *Ratio* is the proportion of one number to the other, and is often expressed as a fraction. *Composition* is the classification of the whole into its parts, with a percentage of the whole allocated to each part.

An *index* is the weighted combination of distinct data into one number relative to a scale or defined anchor. These four basic methods or formulas can be used by organizations to calculate and compare measures across human resource processes.

Finally, metrics are subject to an almost infinite number of cross-sectional analysis possibilities. Such possibilities provide organizations with additional data manageability. The data can be sectioned in any number of combinations, depending upon the constituent group that the organization wishes to analyze. Some options for cross-sectional analysis are (1) by organization division, (e.g., department, location, product line); (2) sociodemographics (e.g., age, gender, marital status, parental status); (3) employment status (e.g., full time, part time, per diem); (4) job type (e.g., exempt or nonexempt, management or line staff); and (5) longevity or tenure (e.g., time in position, time with organization).

Conclusion

HR metrics are utilized to create accountability tools (e.g., scorecards, dashboards), as well as for decision making, problem solving, mapping business strategies, and determining the alignment of organization processes to achieve efficiency, effectiveness, and maximum firm performance.

See also HR Competencies; Human Capital

Resources:

Fitz-enz, Jac. *How to Measure Human Resources Management.* New York: McGraw-Hill, 1984.

Phillips, Jack J. *Investing in Your Company's Human Capital.* New York: AMACOM, 2005.

Phillips, Jack J. and Patricia P. Phillips. *Proving the Value of HR.* Alexandria, VA: Society for Human Resource Management, 2005.

Phillips, Jack J., Ron D. Stone, and Patricia P. Phillips. *The Human Resources Scorecard: Measuring the Return on Investment.* Boston: Butterworth Heinemann, 2001.

Sullivan, John. *HR Metrics the World Class Way* Peterborough, NH: Kennedy Information, 2003.

NOTES

1. "What Is the 'Most Important' Metric? (Cover Story)," *HR Focus* 85, no. 2 (2008): 1–15.

2. Richard W. Beatty, Mark A. Huselid, and Craig Eric Schneier, "New HR Metrics: Scoring on the Business Scorecard." *Organizational Dynamics* 32, no. 2 (2003): 1007–21.

3. Jac Fitz-enz, *The ROI of Human Capital: Measuring the Economic Value of Employee Performance* (New York: AMACOM, 2000.

4. "How to 'Make over' Your Hr Metrics," *HR Focus* 84, no. 9 (2007): 3–4.

5. "Top Trends for 2008: Leadership, Talent, & Metrics Will Be Key," *HR Focus* 85, no. 1 (2008): 8.

6. Edward E. Lawler III, Alec Levenson, and John W. Boudreau. "HR Metrics and Analytics: Use and Impact." *Human Resource Planning* 27, no. 4 (2004): 27–35.

7. Eric G. Flamholtz, *Human Resource Accounting: Advances in Concepts, Methods and Applications* (Boston: Kluwer Academic Publishers, 1999).

Lisa Scott Brinkman, Heather S. McMillan, and Michael Lane Morris

HR STRATEGY

HR professionals are challenged to develop strategies to improve their organizations. Nine strategies are available to HR professionals to improve their effectiveness in organizations.

Strategy 1: Establish Credibility

Some HR programs falter because they are not based on the needs of the organization or are not results-oriented, while others fail because HR professionals do not properly communicate the value and benefits of their programs, interventions, and initiatives to decision makers within the organization. Although all of these are contributing factors, most HR programs fail because clients' business and performance needs are not satisfied; thus, HR is not perceived as important. When clients believe that HR is unable to help improve their performance, quality, efficiency, or productivity, they view HR as nonessential in accomplishing the strategic business goals and objectives of the organization. In other words, HR professionals lack credibility within the organization, and their programs are destined to fail.

Improved credibility results from HR professionals' ability to demonstrate professional expertise as well as their understanding of organizational operations and culture. In this way, HRD professionals provide real value to the organization.

HR professionals need to demonstrate several behaviors in order to enhance credibility. Accordingly HR professionals need to:

1. Be accurate in all HRD practices.
2. Be predictable and consistent—dependable and reliable so that decision makers have confidence in their actions and recommendations.
3. Meet their commitments in a timely and efficient manner.
4. Establish collaborative client relationships built on trust and honesty.
5. Express their opinions, ideas, strategies, and activities in an understandable and clear manner, and at the most appropriate times.
6. Behave in an ethical manner that demonstrates integrity.
7. Demonstrate creativity and innovation.
8. Maintain confidentiality.
9. Listen to and focus on executive problems in a manner that brings about mutual respect.[1]

Others believe that HR professionals establish credibility within their organizations by demonstrating the ability to solve complex problems that satisfy client needs and expectations; exhibiting professional expertise combined with understanding of organizational operations and culture; demonstrating integrity by delivering results; and networking with organizational decision makers. In essence, credibility must be earned.[2]

Strategy 2: Understand Business Principles and Practices

An awareness of how business principles and practices are executed is essential for HR professionals, and enables them to think like their clients. This includes knowledge of business fundamentals, systems theory, organizational culture, and the organization's philosophy, mission, and goals. HR professionals also demonstrate business understanding via knowledge of stockholder needs and expectations. This knowledge enables them to adapt their practices, procedures, products, innovations, and services, which allows them to better serve their clients. Further, business understanding also requires knowledge of how things get done and how decisions are made inside an organization. HR professionals who have an understanding of such principles and practices are better able to facilitate change without disrupting the organization's operations. Consequently, HR professionals need to gain experience in functional areas such as marketing, finance, operations, or sales to generate pertinent, practical solutions for their clients.

Strategy 3: Reengineer the HR Function

Beyond business understanding, the HR function must to be reengineered to become a business partner in the organization. The following are some major characteristics that the HR function must have in order to perform accordingly. To be specific, the human resource function needs to:

- Be staffed by individuals who understand the business as well as change strategy.
- Be a valued member of management teams by contributing to business strategy and operations decision making.
- Effectively use outsourcers as a way to reduce the cost of the human resource development function and to draw on expertise that is not easily built into the organization.
- Retain control over setting the strategic direction for the organization's human resource systems, while using outsourcers when appropriate.
- Have high levels of competency in designing human resource systems and in managing their implementation.
- Effectively utilize information technology to support the development of organizational capabilities and competencies and of individuals' careers.
- Develop computer-based human resource management systems that free the human resource organization from the day-to-day management and administration of the human resources in the organization.[3]

Strategy 4: Establish Priorities

Research has shown that there are seven priorities of HR. Each must be addressed in order to identify appropriate HR strategies. They include helping their organization reinvent/redesign itself to compete more effectively; reinventing the HR function to be a more customer-focused, cost-effective organization; and attracting and developing the next-generation/twenty-first-century leaders and executive. Additionally, HR professionals should be contributing to the continuing cost containment/management effort; continuing to work on becoming a more effective business partner with their customers; rejecting fads, quick fixes, and other HR, fads; sticking to the basics that work; and addressing the diversity challenge.[4]

Strategy 5: Create Value by Achieving Results

HR professionals can choose between two strategies: activity or results. These strategies differ in their focus and in their contribution to the organization.

Many HR strategies do not focus on deliverables. Rather, they focus on function or process. Far too many HR functions provide programs that are not based on employees' needs. Little attention is paid to employees' needs as long as HR professionals are staying active. This can referred to as the activity strategy of HR. HR professionals who embrace the activity approach report the number of programs offered, transactions completed, or training classes offered to justify their value. Activity-based HR professionals believe that the more activity that occurs, the better the organization will perform.[5]

What is value? Value is that measure by which stakeholders within an organization perceive worth. HR processes should begin to focus on delivering valuables (as deemed worthy by the stakeholders) rather than focusing on transactions. "Everyone knows what HR does, but what does it deliver?" is a great question.[6] HR professionals can begin to mold their strategies to focus on deliverables, thus becoming part of the strategic process within the

organization. Known as a results strategy,[7] it is an approach HR professionals use to improve organization performance through performance improvement interventions and change initiatives. The focus is not on many programs, transaction, or training classes but on the results obtained through their performance and change efforts. HR professionals who use this approach report on outcomes as a means of validating the HR function.

Six principles have been identified to help HR professionals in creating value through HRM. They are as follows:

- Human resource strategy must be anchored to the business strategy.
- Human resource management is not about programs; it is about relationships.
- The human resource department must be known as an organization that embraces change and understands what is necessary to implement it.
- HR should be an outspoken advocate of employee interest, yet it must understand that business decisions have to balance a range of factors that often conflict with one another.
- The effectiveness of HR depends on its staying focused on issues rather than on personalities.
- Human resource executives must accept that constant learning and skill enhancement are essential to their being a contributor to the business.[8]

Strategy 6: Facilitate and Manage Change

HR professionals, acting as change agents, must turn knowledge about change into know-how for accomplishing change, and success factors for change into action plans for accomplishing change.

The first step is to have a clearly defined change model. Such a model identifies the key factors for a successful change as well as the essential questions that must be answered to put the model into action. Specific questions determine the extent to which key success factors exist within an organization. The seven key success factors are:

- *Leading change:* Having a sponsor of change who owns and leads the change initiative.
- *Creating a shared need:* Ensuring that individuals know why they should change and that the need for change is greater than the resistance to change.
- *Shaping a vision:* Articulating the desired outcome from the change.
- *Mobilizing commitment:* Identifying, involving, and pledging the key stakeholders who must be involved to accomplish the change.
- *Changing systems and structures:* Using HRD and management tools (staffing, development, appraisal, rewards, organization design, communication, systems, and so on) to ensure that the change is built into the organization's infrastructure.
- *Monitoring progress:* Defining benchmarks, milestones, and experiments with which to measure and demonstrate progress.
- *Making change last:* Ensuring that change happens through implementation plans, follow-through, and ongoing commitment.[9]

Facilitating and managing change means transforming the seven key success factors from a theoretical exercise into a managerial process. Using the following questions, the seven factors' capacity for change in a given organization can be profiled. Thus, HR professionals assigned to integrate change should answer these questions to ensure that the resources needed for making change happen will be available.

- To what extent does the change have a champion, sponsor, or other leader who will support the change? (Leading change)
- To what extent do the people essential to the success of the change feel a need for change that exceeds the resistance to the change? (Creating a need)

- To what extent do we know the desired outcomes for change? (Shaping a vision)
- To what extent are key stakeholders committed to the change outcomes? (Mobilizing commitment)
- To what extent have we institutionalized the change through systems and structures? (Changing systems and structures)
- To what extent are indicators in place to track our progress on the change effort? (Monitoring progress)
- To what extent do we have an action plan for getting change to happen? (Making change last).[10]

HR professionals as change agents do not implement change, but they must be able to *get the change done.*[11] By identifying and profiling key factors for change, they lead teams through the steps necessary for increasing change capacity.

Strategy 7: Define the Impact of HR Investments

Defining and creating the scope of how investing in HR practices can help the organization to improve or become more effective requires HR professionals to:
- Define the impact of investments in HR practices and business performance
- Present a capability-based view of the organization that shows the "why" and the "how" of the bridge connecting investment in HR and business performance
- Review critical capabilities that may link HR and performance
- Suggest implications of these capabilities for HR functions and professionals.[12]

Strategy 8: Become an Employee Champion

HR professionals are in a unique position to serve as employee champions because they help employees identify legitimate work demands and thus help workers set priorities.[13] By doing so, they help employees balance work demands through the proper allocation of resources. Accordingly, HR professionals identify creative ways of leveraging resources so employees do not feel overwhelmed by what is expected of them.

There are 10 questions that help HR professionals determine whether employees and organizations are responding appropriately to demand situations:

1. Do employees control key decision-making processes that determine how work is done?
2. Do employees have a vision and direction that commits them to working hard?
3. Are employees given challenging work assignments that provide opportunities to learn new skills?
4. Do employees work in teams to accomplish goals?
5. Does the work environment provide opportunities for celebration, fun, excitement, and openness?
6. Are employees compensated and rewarded for work accomplishments?
7. Do employees enjoy open, candid, and frequent information sharing with management?
8. Are employees treated with dignity while differences are openly shared and respected?
9. Do employees have access to and use of technology that makes their work easier?
10. Do employees have the skills necessary to do their work well?[14]

Positive responses to these questions enable an organization to determine the adequacy of employee control, commitment to the organization, the type of challenging work provided to employees, the degree to which collaboration and teamwork are employed, the adequacy of organizational culture, quality of the compensation and reward system used,

quality and quantity of organizational communications, concern for due process, adequacy of technology, and employee competence.[15] When serving as employee champions, HR professionals devote a majority of their time helping their organization positively answer each of the above 10 questions. Doing so enables them to increase their influence within the organization, which positively impacts its business results.[16]

Strategy 9: Adopt the Outcomes of a Strategically Integrated HR Function

By applying the principles, techniques, and strategies of the strategically integrated HR approach, HR professionals should be able to:

1. Develop a philosophy of HR that will help organizations achieve their business results.
2. Adopt a strategic approach to improving organizational performance and development.
3. Think responsively but responsibly about client requests.
4. Develop an understanding of an organization and its business.
5. Design, develop, and implement organizational transformation tools and techniques.
6. Develop a systems approach to organizational change and development.
7. Develop performance management systems.
8. Develop strategic business partnerships.
9. Link HR interventions and initiatives to an organization's strategic business goals and objectives.
10. Adopt a customer service approach with internal clients.
11. Help managers develop their employees.
12. Cultivate management development partnerships.
13. Help managers link performance appraisals to performance *improvement.*
14. Help managers develop performance coaching skills.
15. Implement organizational development partnerships.
16. Make the transition from trainer to organizational development consultant.
17. Identify organizational and performance needs.
18. Use organizational and performance needs as the foundation of all HR interventions and initiatives
19. Design and develop performance improvement and change interventions.
20. Create a learning acquisition strategy.
21. Eliminate barriers to learning transfer.
22. Implement learning transfer strategies.
23. Measure the impact of HR intervention.
24. Improve the image and credibility of HRD within organizations.
25. Develop a promotional strategy for an organization's HRD program.[17]

See also HR Competencies; HR Metrics

NOTES

1. David Ulrich and Wayne Brockbank, *The HR Values Propositions* (Cambridge, MA: Harvard Business Press, 2005).
2. Jerry W. Gilley and Ann Maycunich Gilley, *Strategically Integrated HRD: Six Transformational Roles in Creating Results Driven Programs* (Cambridge, MA: Perseus Publishing, 2003).
3. Ibid.
4. C.J. Ehrlich, "Human Resource Management: A Changing Script for a Changing World," in *Tomorrow's HR Management: 48 Thought Leaders Call for Change,* ed. David. Ulrich, M.R. Losey, and G. Lake (New York: Wiley & Sons, 1997), 163–70.

5. R. Eichinger and David Ulrich, *Human Resource Challenges* (New York: The Human Resource Planning Society, 1995).

6. Dave Ulrich and Wayne Brockbank, "HR's New Mandate: Be a Strategic Player" (June 20, 2005), http://hbswk.hbs.edu/archive/4861.html (accessed August 20, 2008).

7. Ulrich and Wayne Brockbank, *The HR Values Propositions.*

8. Gilley and Gilley, *Strategically Integrated HRD.*

9. Ulrich and Brockbank, *The HR Values Propositions.*

10. Ibid.

11. Ibid.

12. Jerry W. Gilley and Ann Maycunich, *Organizational Learning, Performance, and Change: An Introduction to Strategic HRD* (Cambridge, MA: Perseus Publishing, 2000).

13. Randall S. Schuler and Susan E. Jackson, *Strategic Human Resource Management,* 2nd ed. (San Francisco: Blackwell Publishing, 2007).

14. David Ulrich, *Human Resource Champions* (Boston: Harvard Business School Press, 1997), 135.

15. Ibid., 136.

16. Gilley and Gilley, *Strategically Integrated HRD.*

17. Ibid.

Jerry W. Gilley and Paul Shelton

HR TRENDS

In a Society of Human Resource Management executive survey, executives were asked, "Which of the following trends do you think will most significantly alter the workforce in the next decade?" Their responses:

- Baby boomer retirements—47 percent
- Global business interactions—31 percent
- Outsourcing—11 percent
- Remote work arrangements—5 percent
- Other—6 percent[1]

Top 10 Trends in Human Resource Management for 2007

The Society of Human Resource Management recently surveyed top executives who identified the following as the most critical trends facing human resource management:

1. *Rising health care costs.* Health care costs to employers are rising dramatically. In a recent study conducted by the National Coalition on Health Care, health care costs rose 6.9 percent during 2007. This rate is twice the current rate of inflation.[2] This rising cost is dramatically affecting the organization's ability to pay for its employees' health care coverage. Many organizations have moved to a cost-share method of health care, which has the employee paying for a portion of the health care costs.

2. *Increased use of outsourcing (off-shoring) of jobs.* Outsourcing, also known as off-shoring, is becoming more and more prevalent. In a recent survey of 500 senior executives, cost was identified as the biggest factor when deciding to go offshore with job tasks (92 percent).[3]

3. *Increased health care/medical costs.* The rising costs of health care are having a negative effect on the profitability of most organizations.[4] While health care costs are increasing, organizations must begin to look elsewhere to limit costs to increase a competitive margin. Leveraged costs such as health care premiums increase the necessary profit margin.

4. *Increased demand for work/life balance.* Organizations are now focusing not only on an employee's work, but the employee's off-work time as well. A recent study showed that work/life balance is a major factor in employment decisions from businessmen and women.[5] Even the federal government has stepped in to address the issue of work/life balance by instituting the Family Medical Leave Act, which mandates employers to allow employees up to 12 weeks of leave for certain reasons, such as the birth of a child, ill relative, adoption, or sickness.[6]

5. *Retirement of large numbers of "baby boomers" (those born between 1945 and 1964).* There are likely to be a number of issues shaping the future of HR and the workforce, but for today's organizations, one stands out above the rest. Nearly half of the senior executives (47 percent) surveyed said baby-boomer retirements will have the greatest impact on the workforce over the next decade.[7] Between 2000 and 2010, the number of U.S. workers ages 45–54 is projected to grow by just over 20 percent, while the number of those ages 55–64 is projected to grow more than 50 percent. In contrast, the number of workers ages 35–44 is projected to decrease by 10 percent.[8] Further, the annual growth rate of the traditional working-age U.S. population (ages 15–64), is projected at 0.3 percent. The comparable rate for ages 65 and over is projected at 3.1 percent. Almost 90 percent of the net increase in the traditional working age population is projected to occur in the age 55–64 group.[9]

6. *New attitudes toward aging and retirement as baby boomers reach retirement age.* Baby boomers have a different attitude towards retirement than did prior generations. Two perspectives on the upcoming retirement age seem to permeate the literature. First, employers may see an "exodus" of baby boomers moving to retirement. Over 50 percent of baby boomers will be able to retire "comfortably" financially.[10] Second, baby boomers also have a greater need financially than previous generations. Coupled with a longer lifespan (expected to be 83), baby boomers could outlive their financial resources.[11]

7. *Rise in the number of individuals and families without health insurance.* More and more people are becoming uninsured. In 2004, uninsured Americans totaled 45.8 million. This is an 800,000-person increase.[12] Employers are increasingly finding the costs of health care to be prohibitive. With baby boomers retiring, companies are decreasing the availability or coverage of postretirement coverage.[13]

8. *Increased identity theft.* Identity theft is increasing as technology is increasing. Additional policies and procedures have been enacted by many employers to help prevent identity theft. HR.com suggests the following for companies:
   - Make certain to mark confidential information with a "confidential" stamp and keep it locked under secure access available only on a need-to-know basis.
   - Use a crisscross shredder to shred all personnel documents.
   - Be careful about giving out information to third parties, including anybody who claims that they are investigating a credit card application, home loan mortgage, financial aid obligations, etc.
   - If an employee raises a concern, conduct a prompt and thorough investigation to protect not only that employee, but perhaps others as well.[14]

9. *Work intensification as employers try to increase productivity with fewer employees.* In a recent study by Accenture, some employees experience a higher level of stress as workload increases, while others have decreased stress or actually claim to have no stress.[15] Upon further investigation, this stress seemed to be correlated to income rather than to other demographic information.[16]

10. *Vulnerability of technology to attack or disaster.* Many organizations are relying on electronic communications, computers, and other technology as a way of doing business. If attacked, some businesses would not be able to operate. For example, if the computer systems were to stop working, could the company still function? Is there an alternate work plan, which would allow the continuation of operations given such a disaster? A prepared organization would

have responses to the above questions. Recently, the U.S. Department of Commerce addressed this issue by implementing a program known as Continuity of Operations (COOP). It is a plan and a program that ensures that the essential functions will continue in the event of any disruptive activity focused on the Department, its personnel, or its facilities that is generated by man or by natural causes.[17]

See also Homeland Security; HR Strategy; Human Capital; Work-Life Balance

NOTES

1. Society of Human Resource Management, http://ezinearticles.com/What-You-Need-To-Know-About-Human-Resource-Trends-For-2007 (accessed April 3, 2008).

2. Ibid.

3. Information found at http://www.nchc.org/facts/cost.shtml (accessed August 20, 2008).

4. Karyn-Siobhan Robinson, "HR Needs Larger Role in Off Shoring," *HR Magazine,* May 2004.

5. Christan M. Thomas, "Achieving Balance Important for Individuals and Businesses," *Johnson City Press,* July 13, 2006.

6. Information found at http://www.dol.gov/esa/whd/fmla/ (accessed August 20, 2008).

7. Information found at http://hr.cch.com/news/hrm/012808a.asp (accessed August 20, 2008).

8. *The Aging of the U.S. Workforce: Employer Challenges and Responses* (New York: Ernst & Young, January 2006).

9. Ibid.

10. Information found at http://www.aarp.org/research/work/retirement/inb154_income.html (accessed August 20, 2008).

11. Ibid.

12. Information found at http://www.cbpp.org/8-30-05health.htm (accessed August 20, 2008).

13. Information found at http://www.hreonline.com/HRE/story.jsp?storyId=8401540 (accessed August 20, 2008).

14. Information found at http://www.hr.com (accessed August 20, 2008).

15. Information found at http://www.digitalforum.accenture.com/DigitalForum/Global/ViewByTopic/TechnologyCareers/0612_harried_employees.htm (accessed August 20, 2008).

16. Ibid.

17. Information found at http://dms.osec.doc.gov/cgi-bin/doit.cgi?204:112:f83a25ec27d4064b2c4952b4a50f32ed83828f0a9288fb7d328906e343eddc87:155 (accessed August 20, 2008).

Paul Shelton and Jerry W. Gilley

HUMAN CAPITAL

To most people, capital means money in the bank, a hundred shares of Berkshire Hathaway stock, oil refineries in Texas, or steel plants in the Great Lakes region. These are all forms of capital in the sense that they are tangible assets that yield income and other useful outputs over long periods of time. But these tangible forms of capital are not the only ones. The term "human capital" refers to the inventory of productive skills and technical knowledge embodied in labor. Many early economists, such as Adam Smith, refer to it simply as labor. Smith initially defined capital to include (1) useful machines, instruments of the trade; (2) buildings as the means of procuring revenue; (3) improvements of land; and (4) human capital. Smith saw human capital as skills, dexterity (physical, intellectual, psychological, etc.) and judgment.

Human experience over time also has an impact on human capital. Furthermore, human capital can be acquired through formal schooling and on-the-job training. Formal education, a computer training course, leadership development initiatives, expenditures for medical care, and lessons on the virtues of ethics and honesty also are capital because they increase earnings, maintain and improve health, or add to a person's productive abilities over much of his lifetime. Therefore, economists regard expenditures on education, training, medical care, and so on as investments in human capital. These expenditures affect human capital because people cannot be separated from their knowledge, skills, health, or values in the way that they can be separated from their financial and physical assets. Investments in education and training may be the most important contributions to maintaining and/or increasing the value of human capital. Simply stated, human capital means people.[1]

Human Capital Management

Organizations employ a diverse, knowledge-based workforce composed of individuals with a broad spectrum of technical and process skills and institutional memory. They are the organization's human capital, its greatest asset. To attain the highest level of performance and accountability, organizations depend on three enablers: people, processes, and technology. The most important of these is people, because an organization's people determine its character and its ability to perform.

Social, economic, and technological changes have become a constant in our global society. These changes impact the ways in which organizations approach their work. Leaders' awareness of how much they rely on their human capital to achieve results is paramount to their survival. To meet the changing environment, organizations need to elevate human capital to a much higher priority than ever before and modernize their human capital policies and practices. In a tight labor market, they must become more competitive in attracting and retaining new employees with critical skills; create the kinds of performance incentives and training programs that motivate and empower employees; and build management-labor relationships that are based on common interests. Modern human capital policies and practices offer organizations a means to improve their economy, efficiency, and effectiveness to better serve their customers, both internal and external.

There are, however, two key principles that are central to the human capital idea. First, people are assets whose value can be enhanced through investment. As with any investment, the goal is to maximize value while managing risk. As the value of people increases, so does the performance capacity of the organization, and therefore its value to clients and other stakeholders. Second, an organization's human capital policies must be aligned to support the organization's "shared vision"—that is, the mission, vision for the future, core values, goals and objectives, and strategies by which the organization has defined its direction and its expectations for itself and its people. All human capital policies and practices should be designed, implemented, and assessed by the standard of how well they help the organization pursue its shared vision. In most organizations, the lion's share of operating costs is devoted to the workforce. For this reason, employees traditionally have been viewed through the budgetary lens, and therefore they have often been viewed as costs to be cut rather than as assets to be valued and enhanced. However, high-performance organizations in both the private and public sectors recognize that an organization's

people largely determine its capacity to perform. These organizations understand that the value of the organization is dependent on the value of its people.

Enhancing the value of employees is a win-win goal for employers and employees alike. The more an organization recognizes the intrinsic value of each employee, the more it recognizes that this value can be enhanced with nurturing and investment. The more an organization recognizes that employees vary in their talents and motivations, and that a variety of incentive strategies and working arrangements can be created to enhance each employee's contributions to organizational performance, the more likely the organization will be to appreciate the variety of employee needs and circumstances and to act in ways that will make sense in both business and human terms.

One of the emerging challenges for leaders and managers will be to add to their traditional policy portfolios an understanding of the importance of performance management issues—including human capital issues—to the accomplishment of their agencies' policy and programmatic goals. If high performance and accountability depend on the three enablers—people, process, and technology—then it is useful, first and foremost, for any organization to have a clear and fact-based understanding of its human capital situation. There is no single recipe for successful human capital management. However, there are basic human capital elements and underlying values that are common to most high-performance organizations.[2]

See also HRIS; Performance Management: An Overview; Training

NOTES

1. Gary S. Becker, *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education* (Chicago: University of Chicago Press, 1993).

2. David M. Walker, *Human Capital: A Self Assessment Checklist for Leaders* (Washington, DC: GAO, 2000).

Merwyn L. Strate

INNOVATION IN HUMAN RESOURCES

Competition is a primary driving force behind organizational change and innovation. In order to ensure continued success, organizations emphasize human resource development and apply progressive, or innovative, human resource management practices. No longer is innovation the sole domain of the research and development department. Innovation is driven by the creative ideas and actions of all employees. Innovation is cultivated in work environments that encourage and provide opportunities that generate creativity. Further, innovation requires a focus on attracting, retaining, and developing talent in organizations. This is the role of HR. More and more, there are examples of the drive for innovative HR practices in organizations, both in the private sector and in government.

Recently, the Office of Personnel Management (OPM) issued new regulations and processes for staffing, compensation, and performance management. Federal government agencies have been able to achieve their goals through flexible practices.[1] Agencies have begun to call some of their more innovative programs "reinvention labs."[2] The primary change has been to create more flexible rules and procedures as it pertains to employment

practices. Further, the OPM has sponsored "demonstration projects,"[3] which provide a structure for testing and introducing ideas and interventions for the purpose of transformation change.

In general, HR has an opportunity to promote innovative practices through five areas: (1) recruitment and selection, (2) the design of flexible work arrangements, (3) employee development, (4) culture, and (5) partnering with line managers to influence culture and management practices. While all of the practices have the potential to have a positive impact on the organization's they serve, it should be noted that they must be implemented in conjunction with each other. Integration of all HR practices is critical. None can have a significant impact as a stand-alone practice.

Recruitment and Selection

Recruitment and selection efforts place emphasis on identifying potential employees who can "think outside the box." In other words, selection assessments should include an examination of people's creative capacity. Interviews that incorporate role play exercises and other cognitive-based tests that assess an individual's capacity to challenge the status quo, degree of inquisitiveness, and ability to influence change have been exemplified as innovative HR practices.

Employee Development

Employee development programs that teach creative problem-solving skills and teamwork are primary vehicles to innovation. Further, mentoring has been identified as having a significant impact on cultivating creativity.[4] Partnering a seasoned employee who has exemplified creative thought and action with newly hired employees is seen as a viable mentoring practice that can drive innovative results.

Flexible Work Arrangements

Organizations that are able to change quickly in response to the external market do so through flexibility. Flexibility is becoming the key ingredient with regard to human resource practices; specifically, flexibility in terms of where and how work is completed. Telecommuting, job sharing, and flexible schedules are becoming increasingly popular. More and more, organizations are creating policies and providing resources for flexible work arrangements. As a result, many have found productivity increases, as well as increased retention.

Culture

Culture is a set of beliefs and practices that guide the actions and behaviors of people in an organization. Such beliefs and traditions accumulate over time and become norms. Fostering a culture that is conducive to creativity is imperative to an organization's ability to remain competitive. HR, in partnership with line management, has an influence creating a culture that promotes, acts on, and rewards creativity. This is done through creating a space that is conducive to creativity and allowing the time necessary for creative thought and experimentation. Setting up facilities or meeting rooms dedicated as "creative spaces" and creating policies that enable a percentage of time to be dedicated to creative efforts are practices that, over time, become cultural norms.

Management Practices

Innovation requires the dedication of resources, including human, to an uncertain future. In general, employees prefer certainty and the status quo. They are not automatically willing to take risks without the assurance that the organization supports such efforts. Employees need to be assured that if they try new things and make mistakes, they will not be punished.

HR can work with managers on communication strategies that assure employees that failure is anticipated as part of the process. More importantly, managers can take actions that suggest the same. Both are critical to creating and sustaining creativity. Further, HR can work with line managers to create practices that reward and recognize employee behaviors such as questioning the status quo and purposively testing out new work process and procedures.

Conclusion

Employees have a significant role in contributing to organizational innovation. HR supports employees in this endeavor by establishing innovative HR practices that encourage employee creativity. Specifically, HR practices consist of using progressive techniques to hire creative talent; creating flexible work arrangements that assist with the retention of talent; providing developmental opportunities focused on creativity and teamwork; and implementing policies, and partnering with management to implement practices, that create a culture supportive of creative thought and action.

See also Culture; Employee Development: An Overview; Job Design; Job Sharing; Staffing: An Overview

NOTES

1. Office of Personnel Management, "HR Toolkit," U.S. Government, http://www.opm.gov/ (accessed April 15, 2008).

2. Ibid.

3. Ibid.

4. C. Brooke Orr and Nancy R. Lockwood, "Innovative Mentoring Programs in the Global Marketplace," Society for Human Resource Management, (2007). http://www.shrm.org (accessed April 1, 2008).

Pamela Dixon

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

International human resource (IHR) management has become one of the most dynamic organizational capabilities needed for competing in a global marketplace. Business today has been dramatically changed by globalization, and so has the job of managers in multinational organizations. Corporate strategies must be set at the global enterprise level, coordinated into regional operations plans and executed at a market level in a way that serves a broad array of customer needs. Thus, human capital must be built, sustained and deployed within an evolving global context—creating the next frontier for human resource management.

Human resource management has been defined as the policies and practices needed to carry out the "people" or human resource aspects of managing a business, including recruiting, screening, training, rewarding, and appraising.[1] International (or global, in this entry) is described in this context as commerce between countries. Together, IHR is about supporting commerce between countries using the activities within the realm of the HR discipline.

While the above definition is important, it is essential that the human resource function contribute at the highest strategic level to ensure business success in a global economy. What appears to be the challenge is that domestic businesses are getting used to HR having good traditional processes, policies, and structures that are well institutionalized and are now beginning to focus time on strategic work. However, when moving to international locations, the IHR professional in some regard has to step back to foundational elements and ensure the basics are implemented before moving to strategic issues. The following perspective considers the level of contribution delivered by an HR function to the business:

- Level One: Transactions and information
- Level Two: Functional services (recruit, develop, compensate, etc.)
- Level Three: Workforce productivity
- Level Four: Competitive advantage via people, practices, and management
- Level Five: Strategic HR applied to business problems and opportunities[2]

A common challenge that IHR practitioners face is managing the wide variation in capability and contribution levels of HR in different geographies around the world. For example, while HR policies and practices in established markets might allow the HR function to contribute at a strategic level, in emerging markets the IHR practitioner may be required to step back and address foundational elements to ensure HR basics are implemented prior to moving into strategic issues.

The above model has relevance for the human resource discipline, especially for the IHR professional considering where to start as his company expands beyond its domestic framework.[3] Ensuring Levels One through Four are essential, although they must be grounded in Level Five, strategic planning, which takes into account the complexity and variation of global business. The IHR professional will be asked to craft strategies that utilize global talent, maximize knowledge transfer, minimize labor cost, and optimize cultural diversity. These are not capabilities commonly found or easily developed in traditional HR functions.

What Factors Have Accelerated The Global Business Landscape?

The speed of internationalization has accelerated dramatically in the last decade. The impact of such rapid and dramatic change has been met as an opportunity to some organizations and considered a threat by others. Following are some insights to the factors that have flattened the global business landscape so quickly:

1. Open borders as the walls came down between countries.
2. The new age of connectivity with a Web-enabled globe.
3. Workflow software providing standardized ways to connect and work.
4. Power of communities for natural subject matter idea generation.
5. Outsourcing of standardized work content.
6. Off-shoring of specific work content now that talent is available everywhere.
7. Supply-chaining that can deliver to any location.

8. Insourcing of work never dreamed possible before.
9. In-forming through various search engines (Google, Yahoo, etc.).
10. Digital, mobile, and virtual devises that move information to the individual.[4]

These factors have created a world in which work content can be done 24 hours a day, seven days a week, from anywhere. IHR professionals must understand these key themes when considering human capital strategies to drive business performance and global competitiveness for their organizations.

Strategic Work Streams for Next Level Contributions

Based on benchmark data from organizations that have expanded outside their domestic markets and drawing upon our own experience, six key elements are necessary in a successful people agenda for international business expansion.

1. *Human capital strategy:* A defined three- to five-year plan to deliver organizational excellence through leadership, talent, structure, competency, and capability.
2. *Talent generation:* Business-based workforce planning that delivers talent that provides sustained competitive advantage in innovation, quality and cost. In short, knowing the business imperatives and finding the best people in the world to execute them.
3. *Talent mobility:* System capability to know, grow, connect, and deploy a global workforce. This is a critical dimension to the organization's ability to attract and retain top international talent. Employer branding is critical to attract talent, while internal engagement activities are central to keeping attrition rates below local labor market norms.
4. *Performance management:* Establishing clear reporting relationships with focused priorities aligned to the business strategy, while implementing complimenting reward structures that reward and reinforce accountability for execution.
5. *Organizational capability:* Well-defined competency models combined with standardized processes and systems to ensure work is accomplished while reducing cycle time, confusion, and redundancy.
6. *Company values:* A global culture indicative of what the organization is or wants to become. Communicating values and a code of conduct is paramount as the organization expands into new regions.

Conclusion

The IHR professional has a significant strategic contribution to offer, no matter the global maturation of the organization. The world has changed, and with it the opportunity for the people component to have a profound impact on the success or failure of global organizations. For the IHR professional, the consideration is not *if* one's work will eventually include international elements or accountability, it is about *when.* Some are already on the way to experiencing the challenges and rewards of operating in an international business. For those still waiting to do so, we offer some closing ideas:
• Consider the needs of your business and look for solutions outside of your domestic location.
• Join an IHR organization
• Consider IHR education/certification.
• Seek global learning opportunities; become part of a global project team, if possible.
• Read international publications to build your global business acumen.
• Explore the globe via personal travel, the Internet, or by developing relationships locally with people from other cultures.

Sustained competitive advantage is the quest for the modern global business. Reaching this outcome can come only through outstanding people. Active IHR professionals leadership can expand business possibilities by accessing a broader, global pool of talent. You can literally make a world of difference.

NOTES

1. G. Dessler, *Human Resource Management,* 8th ed. (Upper Saddle River, NJ: Prentice-Hall, Inc, 2000).
2. J. Sullivan, *Rethinking Strategic HR* (Chicago: CCH Incorporated, 2004).
3. Ibid.
4. T.L. Friedman, *The World Is Flat* (New York: Farrar, Straus and Giroux, 2006).

Tim Reynolds and Robert Paxton

INTERNS

An intern is one who works in a temporary position with an emphasis on on-the-job training rather than merely employment, making it similar to an apprenticeship. Interns are usually college or university students but can also be other adults seeking skills for a new career. Student internships provide opportunities for students to gain experience in their field, determine if they have an interest in a particular career, create a network of contacts, and possibly gain school credit.

An internship may be paid, unpaid, or partially paid. The issue regarding pay must be carefully considered based upon the type of organization (for profit or not for profit), the type of work the intern is performing, whether school credit is being earned, and Department of Labor regulations. Internships can be full time or part time and are typically performed over a predetermined and agreed-upon period of time, such as summer breaks for college students.

Benefits of an Internship Program

An internship can provide benefits to the company as well as the intern. In a sense, they form a type of partnership based upon a mutually beneficial scenario, and each agrees to give and to take from this relationship.

Benefits to the Organization

Improving the talent pool is one of the top three priorities of a high-performing company.[1] The war for talent has forced companies to seek opportunities to source and identify upcoming talent as well as ways to engage its current employees. Interns can support this objective and provide companies with the following benefits:

- A pipeline of talent to the organization
- A "flex staff" to utilize at points of heightened business needs (e.g., seasonal variations)
- Proved job enrichment to traditionally medial or repetitive tasks
- Valuable "on campus" exposure and endorsements from current and previous interns
- Positioning of the company in a positive light within its community.

Benefit to the Intern

Internships also provide interns with valuable benefits that will pay dividends once they enter the business world. Such benefits include:

- Insight and direction into their career interests and abilities
- A real perspective of the working world
- Marketable work experience
- Valuable business contacts
- Income and possible school credit.

Successful Internship Programs

Interns come to an organization with a different set of expectations and knowledge/skills/ abilities (KSAs) than a non-intern would. Therefore, special attention must be paid to them. The following rules for successful internship program are as follows:

- Consider carefully what qualifications you want your interns to have. To entrust an intern with meaningful work, you need to consider what kind of credentials the intern will need to perform. Specify whether an intern should have completed specific course work or a certain number of years of college.
- Keep an eye on expenses. Although interns are not usually as costly as regular employees, there are expenses involved. Recruiting can be costly, especially if you need to attend job fairs at various colleges.
- Be aware of the legalities. Most interns qualify as employees under various employment laws and are subject to minimum wage and overtime laws, worker's compensation coverage, and possibly unemployment compensation. You may want to consult your human resources staff to structure or revise benefit plans to exclude interns from benefits that are not mandatory.
- Ensure ahead of time that office supplies, computer access, and work spaces are available.
- Plan for time to supervise your interns. An intern is not a solution to your work overload if you do not have the time and energy to oversee the work that a successful internship requires.
- Set aside time to provide ongoing feedback and to conduct a formal performance review.
- Ask your human resources department for ongoing support. It is important that the human resources department be available for interns who have encountered problems and for managers who are handling issues with interns.[2]
  Additional consideration should be given to:
- Preparing to manage the unique attributes of the interns. Attention should be paid to potential generational and diversity differences that exist between the intern and her manager as well as the additional time and attention that come with the internship.
- Formulating a communication plan to address key stakeholders and peers of the interns.
- Deciding whether you will offer the intern a full-time/permanent position at the end of the internship.
- Having a clear purpose and goal for the program.
- Matching the right person to the job.
- Monitoring the intern's progress and engagement.
- Providing the intern with meaningful work.
- Providing the intern with a learning experience.

Conclusion

 The numerous benefits to the company and to the intern provide a great deal of motivation to formulate a program. To ensure these benefits come to fruition, careful attention must be given to the planning and preparation stages, as companies can be blindsided and/or disillusioned by the variety of issues that may arise when attempting an intern program.

See also Recruiting and Selection; Employee Development; Compensation, Benefits, and Insurance; Employment Law

Resources:

Society for Human Resource Management. http://www.shrm.org.

 Wikimedia Foundation. "Intern." http://en.wikipedia.org/wiki/Intern.

NOTES

1. Ed Michaels, Helen Handfield-Jones, and Beth Axelrod, *The War for Talent* (Boston: Harvard Business School Press, 2001).

2. Amy Maingault, "A Few Rules for Successful Internships," Society for Human Resource Management, http://www.shrm.org (accessed March 8, 2008).

Pat Schneider

JOB ANALYSIS

Job analysis is a human resource (HR) practice that serves as a fundamental component of most HR-related decisions. Through the collection of job data regarding the nature of the work, worker requirements (e.g., level of skills and behaviors), and work environment, job analysis informs the complex decision making for HR practices.[1] A variety of methods are used to conduct a job analysis, which can be categorized as work-oriented, worker-oriented, multi-methods approach, and job analysis for managerial jobs.

Uses of Job Analysis

While not exhaustive, what follows is a comprehensive list of organizational purposes that are served by job analysis. Purposes covered in this entry include:

- The creation of job descriptions
- Human resource requirements
- Legal requirements
- Job classification
- Performance appraisals
- Job evaluation
- Job design
- Workforce planning
- Career development
- Selection exams
- Training and development

Job Descriptions

Jobs consist of a group of related duties and are typically performed by more than one person (e.g., nurse). A job description includes the title and other classifying information. Also, a job description typically provides a role summary, the essential duties and tasks, and minimum education and experience required. Further, it may contain other pertinent information such as reporting relationships, and equipment used on the job.

Human Resource Requirements

HR requirements consist of criteria and standards that job applicants must meet in order to qualify for or successfully perform a job. Minimum and preferred requirements to

perform a given job include knowledge, skills, and abilities, as well as other specifications such as level of education and type and length of job-related experience.

Legal Requirements

Employment-related laws apply to decisions with regard to selection and hiring, pay, promotions, training, termination, and others. Federal and state agencies (e.g., Equal Employment Opportunity Commission [EEOC]) have established guidelines for which employers must comply. Job analysis is used to ensure employment decisions do not result in unlawful discrimination.

Job Classification

Job classification is a process whereby like-jobs are grouped together into job families (e.g., Helpdesk Analyst I, II, and III). Job families are typically based on duties and responsibilities of the jobs. Classification of the job will also determine a pay range and criteria for selection.

Performance Appraisals

The purpose of conducting performance appraisals is to provide feedback to an employee regarding his performance. Also, the appraisal process is used to make decisions on salary increases. Job analysis serves as a mechanism to link the criteria and standards established in the appraisal to the performance on the job.

Job Evaluation

The purpose of job evaluation is to ensure fair and competitive pay for a given job and to establish the value of one job compared to another within the company. Typically, job evaluation results in a job being placed in a pay grade based on organization-specific, compensable factors (e.g., level of complexity, decision-making authority, supervision).

Job Design

Job design is a function of creating a new job or redesigning a job. Job design entails identifying the collective tasks necessary to produce specific outcomes for a job. Redesign parses tasks in order to create a new job. Job redesign is done for a variety of reasons; to increase efficiency or worker motivation, or to achieve different job outcomes due to a change within the organization's business strategy.

Workforce Planning

Workforce planning consists of decisions made based on an organization's future needs for jobs as well as qualified people to fill those jobs.

Career Development

Career development focuses on designing a career ladder that promotes skill development and progressive job movement (either promotional or lateral). For example, companies may establish a career ladder for leadership careers and a ladder for technical careers. Another analogy frequently used in organizations that tend to have a flattened structure is the career "lattice," which suggests that careers can progress both vertically and laterally.

Selection Exams

Selection exams are utilized to assess the fit between a job and applicants for that job. Examples of selection exams include formal review of applications and resumes, performance assessments, cognitive assessments, and behavioral interviews. Job analysis plays a

key role in establishing and validating the criteria that links job-related tasks to the above mentioned selection exams.

Training and Development

While people are hired because of the knowledge, skills and abilities they bring to the job, ongoing training and development are also needed. Job analysis illuminates the KSAs required for developmental assignments, or changes that occur in the job over time.

Job Analysis Methods

There are a multitude of job analysis methods. The list below is not exhaustive, but will provide an overview of the more prominent methods traditionally used in organizations. The methods can be categorized as work-oriented, worker-oriented, multi-methods approach, and job analysis for managerial jobs.

Work-oriented Methods

Methods used to describe the tasks and outcomes of worker actions are considered to be work-oriented methods of job analysis. There are four primary types of work-oriented methods: time and motion studies, functional job analysis, task inventories, and the critical incident technique.[2]

Worker-oriented Methods

Worker-oriented methods emphasize the attributes that people must possess in order to successfully perform a given job. Methods used within this category include the job element method (JEM), the position analysis questionnaire (PAQ), cognitive task analysis, and a variety of trait-based Methods.

Multi-methods Approach

The multi-methods approach incorporates multiple types of data, and is designed by combining various features of different job analysis methods. Examples include the combination job analysis method (CJAM), the multi-method job design questionnaire, and the use of O*Net (Occupational Information Network). The content found on O*Net consists of a wide-ranging set of job descriptors that include requirements for work and experience as well as worker characteristics and a variety of other occupational specific descriptors.

Job Analysis for Managerial Jobs

Managerial jobs differ from other types of jobs in terms of behavior and task content. Responsibilities and tasks that make up the managerial job include planning, coordinating work, and supervising others. Job analysis methods that are typically used for managerial jobs include functional-oriented analyses and other trait-based approaches such as assessment centers. One of the foremost used instruments is the Management Position Description Questionnaire (MPDQ), a self-report instrument that focuses on cognitive, technical, and people-related tasks. The MPDQ also has a section for knowledge, skills, and abilities (KSAs) associated with the job.

Conclusion

Job analysis consists of a rigorous and quantifiable process that informs HR-related decisions through the collection of job data regarding the work, worker requirements, and

work environment. This entry described uses for job analysis and some of the more well-known methods used to conduct a job analysis. These methods are categorized as work-oriented, worker-oriented, multi-methods approach, and job analysis for managerial jobs.

See also Job Description; Job Design

NOTES

1. George Bohlander, Scott Snell, and Arthur Sherman, *Managing Human Resources* (Cincinnati, OH: South-Western, 2001).

2. Michael T. Brannick and Edward L. Levine, *Job Analysis: Methods, Research, and Applications for Human Resource Management in the New Millennium* (Thousand Oaks, CA: Sage Publications, 2002).

Pamela M. Dixon

JOB DESIGN

Job design is the fundamental design activity that maximizes performance. At the heart of job design are the organization's strategic business goals and objectives, which focus on performers' activities. Jobs that do not help an organization achieve its strategic business goals and objectives cease to be of value. It is extremely important, therefore, to link all job design activities to these goals and objectives.

Each job within an organization is housed within a business process, which is a subpart of an organizational function. In an organizational context, these are commonly referred to as departments or business units within organizations. Job design examines the smallest component parts of the component chain. Therefore, breakdowns or improvements in the interface between business processes will ultimately impact organizational performance capacity. Thus, job design activities should uncover opportunities for performance improvement. Once business process interfaces have been identified, four interrelated components require examination. They are performance outputs, performance activities, performance standards, and competency maps.[1]

Performance Outputs

Performance outputs are the tangibles and intangibles employees are paid to produce. As such, these outputs define an employee's job. Performance outputs can be the number of successful sales calls made by telemarketing representatives, the number of sales made per month by sales personnel, the service claims satisfied by customer service representatives, the number of proposals written each month, the number of packages delivered per day by postal workers, and so on. Outputs represent the hourly, daily, weekly, monthly, quarterly, and/or yearly expectation of employees in a specific job classification.[2]

Performance Activities

Performance activities are the steps in which employees engage to create performance outputs. Each performance activity consists of micro tasks, which collectively form the steps of an employee's job.[3] Once completed, these micro tasks become a way of describing the way a job is performed, commonly known as a *job description*.

Job descriptions demonstrate the relationship between performance outputs and activities. Therefore, they should be written to clearly identify performance outputs for each job, performance activities required by employees to produce these deliverables, and the relationship between activities and outputs. Moreover, each performance action or collection of activities produces one or more performance outputs. Consequently, a job description is simply a written document that describes an employee's performance activities and deliverables.[4]

Performance Standards

Performance standards represent excellence criteria used to measure product and service quality and worker efficiency.[5] Performance standards provide measures against which employees compare their actions and output to determine whether they are performing at acceptable levels. Performance standards represent the targets used to measure the quality of employee outputs and the efficiency of their performance activities.[6]

Identifying performance standards permits employees to regulate the quality of their productivity, which helps them to avoid needless mistakes, and maintains consistency. This ultimately leads to better organizational results. Performance standards also help managers determine acceptable performance levels and help them determine when performance outputs are at acceptable levels. Without performance standards, managers and employees lack the ability to ascertain whether they have created performance outputs or executed performance activities acceptable to internal and external stakeholders.[7]

Performance standards are based on performance outputs rather than on the way employees do their jobs, are achievable, easily understood by managers and employees, and specific and measurable. They are also time-based, written, and subject to change.[8]

Performance standards encourage employees to continue to produce at an acceptable level. Consequently, they will do their jobs and know when they are doing them well.[9]

Competency Maps

Once performance outputs, activities, and standards are identified, HR professionals and managers isolate the competencies (e.g., skills, knowledge, and attitudes) employees need to accomplish them. Competency maps can be very complex and detailed, since they represent the culmination of the knowledge, skills, behaviors, and attitudes an employee must possess to complete job tasks that comprise performance activities. They are also useful in:

1. Recruiting and selecting employees for given job classifications.
2. Determining the growth and development activities in which employees must participate to master performance.
3. Revealing employee strengths and weaknesses, thereby guiding formulation of career development activities as well as performance growth and development plans.[10]

See also Job Analysis; Job Descriptions

NOTES

1. Jerry W. Gilley, *Improving HRD Practice* (Malabar, FL: Krieger Publishing Co., 1998), 91.
2. Ibid., 97–98.

3. Jerry W. Gilley, Nathaniel W. Boughton, and Ann Maycunich, *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset* (Cambridge, MA: Perseus Publishing, 1999).

4. Gilley, *Improving HRD Practice.*

5. Gary Rummler and Alan Brache, *Improving Performance: How to Manage the White Spaces and the Organizational Chart* (San Francisco: Jossey-Bass, 1995).

6. Jerry W. Gilley and Steve A. Eggland, *Marketing HRD within Organizations: Improving the Visibility, Credibility, and Image of Programs* (San Francisco: Jossey-Bass Inc., 1992).

7. Ibid.

8. George B. Berke, *How to Conduct a Performance Appraisal* (Alexandria, VA: ASTD Press, 1990).

9. Gilley, *Improving HRD Practice.*

10. Gilley, Boughton, and Maycunich, *The Performance Challenge.*

Jerry W. Gilley

KNOWLEDGE MANAGEMENT

Knowledge management (KM) is a relatively new term used to define the process of gathering, organizing, analyzing, and sharing organizational knowledge.[1] Knowledge management focuses on a firm's knowledge assets and capabilities, along with the development and cultivation of channels through which knowledge flows. Critics argue that knowledge management is simply information management.[2] Proponents claim that the challenge is to translate knowledge into meaningful, usable information.

Technically, knowledge management as a practice has always existed. For example, knowledge has been shared via organizational training and development programs, through apprenticeships, during on-the-job instruction, and in employee orientations, to name a few. The impact of technology, specifically computers, however, has hastened and refined the process of and need for knowledge management.

Why Manage Knowledge?

Organizations create knowledge management programs to enhance efficiency and effectiveness, capitalize on market opportunities, and gain competitive advantage through learning and knowledge creation systems. KM adds value to an organization by
- Contributing to the firm's intellectual capital
- Enabling more informed decisions
- Encouraging the free flow of ideas and information
- Improving customer service and efficiency
- Enhancing productivity

A knowledge management plan involves an examination of corporate goals in light of the tools necessary to fulfill the organization's knowledge-sharing needs. The challenge is to convert knowledge into explicit, meaningful information for organizational members.

Phases of Knowledge Management

The four phases of knowledge management are gathering, organizing, refining, and disseminating.[3]

1. *Gathering*—includes data entry, OCR and scanning, voice input, pulling information from multiple sources, and searching for appropriate information to include.
2. *Organizing*—involves cataloging, indexing, filtering, and linking information.
3. *Refining*—entails contextualizing, collaborating, compacting, and mining data.
4. *Disseminating*—concerns flow, sharing, alert, and push.

Knowledge management occurs before, during, and after knowledge-related actions, with varying degrees of success. Given the relative newness of the concept, the complexity of business, and the challenges of communicating, many organizations struggle with adequately managing knowledge in any phase.

How to Manage Knowledge

Organizational knowledge management responsibilities may be housed in a centralized KM office or may be the domain of existing departments, usually human resources or IT. Knowledge management may be facilitated via KM of information management software, knowledge bases, document management systems, the Internet, Web conferencing, e-mail lists, blogs, and more. People are active participants in knowledge management through their participation in coaching and mentoring, job shadowing, groups, teams, communities of practice, and so forth.

See also Communities of Practice; HRIS; Knowledge Transfer; Learning Organizations

NOTES

1. Michael Stankosky, *Creating the Discipline of Knowledge Management: The Latest in University Research* (Burlington, MA: Elsevier Butterworth-Heinemann, 2004).
2. T.D. Wilson, "The Nonsense of Knowledge Management," *Information Research* 8, no. 1 (2002), http://informationr.net/ir/8-1/paper144.html (accessed August 20, 2008).
3. Jeff Angus, Jeetu Patel, and Jennifer Harty, "Knowledge Management: Great Concept...But What Is It?" *Information Week Online,*March 16, 1998. http://informationweek.com.

Ann Gilley

MERGERS AND ACQUISITIONS

With the advent of international competition in the marketplace, an increasing number of organizations are merging or being acquired by domestic and international corporations. A merger is the combining of two organizations, whereas an acquisition involves the purchase of one organization by another.[1] Before execution, mergers and acquisitions proceed through an extensive "due diligence" in which financial, product-line, business-strategy, and operational decisions are copiously evaluated. However, the people side of the business is often only a footnote, at least until real issues arise after the merger or acquisition. This phenomenon can be partly explained by the complexity and unpredictability of people issues. Studies suggest that two-thirds of mergers fail to achieve their objectives due largely to cultural impacts and other human factors.[2]

In a joint study by the Society of Human Resource Management and Towers Perrin Inc., executives were surveyed about their organizational expectations of merger or acquisition synergies. The survey revealed that the primary reason for entering into a merger or

acquisition was to grow market share and profitability.[3] This study also detailed the gaps between expectations and ultimate results. The gaps were defined as the inability to overcome predetermined objectives. Schmidt suggests that three of the five areas of ultimate concern in the SHRM/Towers Perrin study were vested in the human resources arena, and the inadequate preparation for "the back end of the deal."[4]

Understanding Culture and Change

Change within organizational operations is an inevitable force in today's marketplace in order to survive. Change is implemented to gain operational efficiencies, to increase market share, to adjust sales to customer demands, to adapt to new technology, to introduce new products, to engage new competitors, and a host of other reasons. However, despite the legitimacy of the need for dynamic change, the impact on people within an organization is often a source of stress, disruption, and uncertainty.[5]

Understanding how individuals within the organization will react and adapt to change is something executives need to critically assess in mergers or acquisitions. Evaluating the likely cultural acceptance of the change enables careful formulation of communication strategies that will favorably impact organizational acceptance. Therefore, first auditing the leadership style and culture within the existing separate organizations provides a working framework necessary to evaluate compatibilities.[6] Notifying executives of a critical culture mismatch prior to the merger or acquisition could avert a disaster. In many cases, the retention of outside experts (consultants) in organizational behavioral would be prudent.

Engaging Stakeholders

Engaging stakeholders is pivotal to the success of a merger or acquisition. Employees, distributors, vendors, and customers all have a perspective and a vested interest in the change that a merger or acquisition may bring. Stakeholders may have valuable information about alternative procedures, systems, and operational factors essential to the success of the merger or acquisition.[7] Therefore, stakeholders should be included, as appropriate, in certain decisions in which their input would have a genuine bearing on the merger or acquisition. There is much to be gained by the inclusion of stakeholders as partners rather than bystanders. Solicitous and patronizing inquiries should be avoided because they are not authentic, and will only breed distrust and resentment. However, utilizing a full breadth of information that includes key stakeholders may positively impact the success of a merger or acquisition.

Communication

The communication plan regarding the merger or acquisition needs to be developed specifically for each stakeholder group, such as employees, customers, suppliers, and the media.[8] Although the substantive nature of the merger or acquisition announcement will be consistent for each stakeholder group, the communication approach may vary based on the needs and interests of each. Certainly, the informal employee grapevine will impact change communication. Therefore, is it critical that the organization send a clear, consistent message regarding upcoming changes.[9]

The initial concern for employees is likely to be job security. Understanding the obvious employee concerns in the context of a merger or acquisition requires managers and human resource professionals to accept strong leadership roles in framing the content, method, and

timing of announcements. Timing of communication is often the most sensitive topic.[10] Furthermore, organizational leaders should wait to communicate plant closings and layoffs to stakeholders until definitive plans are in place to avoid confusion about impending changes.[11]

Leaders, managers, and human resource professionals should consider how to respond to the following questions.

- What is going to take place, and who will be affected by the changes? [12]
- Why are the changes taking place?
- What methods should be used to communicate change and to respond to stakeholder questions, such as e-mails, intranet postings, presentations, and one-on-one communication?[13]
- What are the advantages of mergers and acquisitions to stakeholder groups and to the organization?[14]

An authentic concern for employee welfare must be an integral part of the communication process. Honest, straightforward communication about the needs of the business and the competitive environment is an essential part of the communication strategy. Additionally, when lost jobs are likely going to be an outcome, the human resources department should define appropriate severance package or buyout strategies and actively assist employees with outplacement assistance.

Roles in Mergers and Acquisitions

Management and HR can have a significant, ongoing role as strategic business partner within the merger or acquisition process, as outlined in Figure 9.1.[15] Integral functions often associated with classic human resources responsibilities have a substantial impact on the ultimate success or failure of merger or acquisition activity. Leaders, managers, and human resource professionals should collaboratively formulate a comprehensive merger/acquisition integration plan for each factor shown in the table based on each of the issues and resistance factors.[16] Together, the merger or acquisition management team must act proactively by anticipating and articulating the issues most likely to arise, which include:

**Stages of Merger / Acquisition
With HR Role definition**

Pre-Deal Assessment
- Identifies people-related needs
- Determine individual fit with new needs
- Evaluate "cultural fit" between organizations
- Educating top management on HR aspects of transaction

Due Diligence
- Estimate employee-related costs and value realization plan
- Develop value measurement plan
- Define and assess cultural issues as potential challenges

Plan Integration Journey
- Developing communication strategies
- Designing talent retention programs
- Overcoming resistance planning

Implementation
- Indentify change levers and integrated into employee communications
- Aligning rewards with organizational needs
- Monitoring the new culture and employee dynamics

Figure 9.1   Adapted from Roles and Stages of Mergers/Acquisitions. Source: Jeffrey A. Mello, *Strategic Human Resource Management,* 2nd ed. (Mason, OH: Thomson South-Western, 2006), 262.

- Incompatible cultures
- Lower morale and productivity
- Union and nonunion workforces
- Layoffs
- Reward and compensation issues
- Performance management
- Incompatible corporate policies
- Seniority considerations
- Benefit differentials
- Workplace safety
- Affirmative action
- Employee discrimination issues

Conclusion

Mergers and acquisitions force organizations to thoroughly embrace the change process, identify and engage stakeholders, drive a well-defined communication strategy, and identify value areas where success is dependent on effective leadership and management. Further, constituent groups must be empowered to accept the necessity for change for the organization to survive and prosper. Cultural integration issues inherent in mergers and acquisitions pose the greatest threat to their success. Predictable employee resistance to change during the merger of conflicting styles from distinct employee cultures calls for action throughout the process.

NOTES

1. Thomas G. Cummings and Christopher G. Worley, *Essentials of Organization Development and Change,* 8th ed. (Cincinnati, OH: South-Western, 2005).

2. Jeffrey A. Mello, *Strategic Human Resource Management,* 2nd ed. (Mason, OH: Thomson South-Western, 2006).

3. Jeffrey A. Schmidt, "The Correct Spelling of M&A Begins with HR," *HR Magazine* 46, no. 6 (June 2001): 102–8.

4. Ibid.

5. Mello, *Strategic Human Resource Management.*
Schmidt, "The Correct Spelling of M&A Begins with HR," 102.

6. Margareta Barchan, "Humanity in a Merger," *Training & Development* 60, no. 2: 16.

7. Ibid.

8. Cummings and Worley, *Essentials of Organization Development and Change.*

9. William Bridges, *Managing Transitions: Making the Most of Change* (Cambridge: MA: Perseus Publishing, 2003).

10. Barchan, "Humanity in a Merger."

11. Bridges, *Managing Transitions: Making the Most of Change.*

12. Cummings and Worley, *Essentials of Organization Development and Change;* and Bridges, *Managing Transitions: Making the Most of Change.*

13. Cummings and Worley, *Essentials of Organization Development and Change.*

14. Ibid.

15. Ibid.

16. Ibid.

Lisa Scott Brinkman and Everon Christina Chenhall

ORGANIZATIONAL DESIGN

Organizational design is the creative process for designing and aligning elements of an organization to efficiently and effectively deliver the purpose of an organization. At its most basic, organizational design is concerned with accomplishing the work to implement the strategy. This involves alignment and integration of people, processes, structures, systems, and culture. Leadership in an organization should be as concerned about organizational design as they are about strategy, since the best strategy without implementation does not deliver business results.

Form Follows Function

Organizations deliver exactly what they are designed to deliver. If there is a lack of understanding or intentionality in the design, what is delivered may not be what is desired. Organizational design is not a simple task, since an organization is an open system and must respond to the environment, internal realities, and change while maintaining balance and a sense of stability. Foundational elements of the design may be stable, but other elements should be redesigned continuously to respond to the dynamics of the environment and strategy.

Design Elements

Many theorists have proposed methods to design organizations (see Table 9.2 and the Resources section of this entry). Although most theories focus on a different aspect of the design problem, there is a great deal of overlap of key elements and choices. Most of the approaches acknowledge that strategy drives the design. The elements that need to be considered and integrated are:

- *People:* The members of the organization, their capabilities, attraction, development, and retention.
- *Processes:* The information and workflows that deliver value to the customer, maintain the business, or enable other processes.
- *Systems:* Information/knowledge, communication, and measurement systems.
- *Structures:* Configurations and connections of roles, responsibilities, accountabilities, and relationships to share knowledge, make decisions, take action, and learn.
- *Culture:* Shared values, assumptions, and approaches to cope with external adaptation and internal integration that are reinforced through norms, artifacts, stories, and rewards.

Design Choices

There are many points of tension in designing an organization. Finding the balance that optimizes the integrated performance of the above elements is the goal. Key design choices involve:

- Location of power and authority for decision making and resource allocation (e.g., centralized vs. decentralized)
- Task differentiation vs. coordination
- Departmentalization—unit form and alignment (e.g., functional, product/service, geographic, matrix, networked, self-managing teams, cellular)
- Responsiveness vs. stability/consistency
- Perspective and optimization of the whole vs. the parts

Design Approaches

Table 9.2 contains a comparison chart of some of the organizational design theorists:

Table 9.2   Comparison of Organizational Design Theories

Approach/Theorist	# Design Elements	Design Elements	Focus/Point	Key Points or Differentiator
Five Star, Galbraith	Five categories of decision	• Strategy • Structure • People • Rewards • Processes	Strategy	Organization is an information processing entity dealing with uncertainty as it achieves its strategy. Organization's design is a critical leadership role. Matching, linking, coordinating all the categories.
McKinsey 7-S, Waterman and Peters	Seven connected circles	• Strategy • Structure • Systems • Skills • Staff • Style • Shared values	Strategy	Most strategic. Looking for sustainable competitive advantage. Most traditional, top down.
Strategic Management, Tichy	Six elements 3 x 2	3 System aspects • Technical • Political • Cultural Aligned to management tools • Mission/strategy • Organization Structure • HR management	Alignment of systems and tools	Multi-perspective look at change and response needed. Fit of technical, political, and cultural systems to management tools.
Congruence Model, Nadler et al.	Four organizational components	• Informal Organization • Formal Organization • Work • People	Fit	Organization as an effective system that transforms an input to an output through four components that fit.

Collaborative Organizational Design, Gelinas and James	Seven integrated circles	• Core goals and values • Strategy • Work processes • Structure • Systems • People • Culture	Core goals of future at design team level	Design teams use this model to both create their vision and design their organization. Goals are measurable, while values are the "how." It is used for unit level design.
Six Box Model, Weisbord	Six boxes	• Purpose • Structure • Relationships • Helpful mechanisms • Rewards • Leadership	Purpose and leadership	Clarity and balance are important. The model helps the client to visualize his organization as a systemic whole without the use of strange terminology.
Chaordic Design, Hock and Getzendanner	Six lenses	Purpose Principles Participants Organization concept Constitution Practices	Purpose and principles	High commitment, whole-system, boundaryless organizations. Iterative so all elements inform, support, and balance each other. Departure from rationalist tradition results focus.

See also Culture; HR Competencies

Resources:

Ashkenas, Robert, David Ulrich, Tom Jick, and Steve Kerr. *The Boundaryless Organization: Breaking the Chains of Organizational Structure.* San Francisco: Jossey-Bass Publishers, 1995.

Galbraith, Jay. *Designing Complex Organizations.* Reading, MA:Addison-Wesley Publishing Co., 1973.

Galbraith, Jay. "Designing the Innovating Organization." http://www.jaygalbraith.com/resources/designing_innovating_org.pdf.

Gelinas, Mary, and Roger James. "Collaborative Organizational Design." http://www.gelinasjames.com/what.html.

Hock, Dee. "Birth of the Chaordic Age." *Executive Excellence* 17, no. 6 (2000): 6–7.

Miles, Raymond, Charles Snow, John Mathews. Grant Miles, and Henry Coleman. "Organizing in the Knowledge Age: Anticipating the Cellular Form." *Academy of Management Executive,* 1997, 7–19.

Nadler, David, Marc Gerstein, and Robert Shaw. *Organizational Architecture: Designs for Changing Organizations.* San Francisco: Jossey-Bass Publishers, 1992.

Nadler, David, and Michael Tushman.. *Competing by Design: The Power of Organizational Architecture.* New York, Oxford University Press, 1997.

Pasmore, William A. *Designing Effective Organizations: The Socio-technical Systems Perspective.* New York: John Wiley & Sons, 1988.

Simons, Robert. *Levers of Organizational Design.* Boston: Harvard Business School Press, 2005.

Schein, Edgar. "Organizational Culture." *American Psychologist,* 1990, 109–19.

Waterman, Robert H., Jr., Thomas J. Peters, and Julien R. Phillips. "Structure Is Not Organization." *Business Horizons* 23, no. 3 (1980): 14–27.

Gina Hinrichs

PHR/SPHR DESIGNATIONS

Professional certifications are one way in which professionals in a field are able to assess and promote their level of qualification. The Human Resource Certification Institute (HRCI) is an affiliate of the Society for Human Resource Management (SHRM). HRCI is the organization that develops and delivers the human resources–credentialing programs that validate an individual's expertise in the HR field.

The Professional in Human Resources (PHR) and Senior Professional in Human Resources (SPHR) designations are professionally recognized and respected certifications that experienced HR professionals can attain through the HRCI certification testing process. Although some employers may require certification for their human resources staff, testing for the PHR or SPHR is a voluntary certification. One must meet certain work experience requirements and demonstrate knowledge of the human resources body of knowledge in order to achieve the certification. Once certified, an individual is issued a certificate confirming that he has met the standards and is entitled to use the initials PHR or SPHR after his name.

Professional in Human Resources

In order to sit for the PHR certification exam, an individual is required to have a minimum of two years of exempt-level professional HR experience. However, it is recommended that she have between two and four years of experience.

HRCI describes the recommended profile of a PHR candidate with the following characteristics:[1]

- Focuses on program implementation.
- Has tactical/logistical orientation.
- Has accountability to another HR professional within the organization.
- Has two to four years of exempt-level generalist HR work experience, but because of career length, may lack the breadth and depth of a more senior-level generalist.
- Has not had progressive HR work experience by virtue of career length.
- Focuses his or her impact on the organization within the HR department rather than organization wide.
- Commands respect through the credibility of knowledge and the use of policies and guidelines to make decisions.

Senior Professional in Human Resources

In order to sit for the SPHR certification exam, an individual is required to have a minimum of two years of exempt-level professional HR experience. However, it is recommended that she have between six and eight years of progressive HR experience.

HRCI describes the recommended profile of a SPHR candidate with the following characteristics:[2]

- Designs and plans rather than implements.
- Focuses on the "big picture."
- Has ultimate accountability in the HR department.
- Has breadth and depth of HR generalist knowledge.
- Uses judgment obtained with time and application of knowledge.
- Has a generalist role within organization.
- Understands the effect of decisions made within and outside of the organization.
- Understands the business, not just the HR function.
- Manages relationships; has influence within overall organization.
- Commands credibility within organization, community and field by experience.
- Possesses excellent negotiation skills.

Exam Overview

The PHR and SPHR exams are administered by computer and consist of 200 scored questions plus 25 unscored pretest questions, for a total of 225 questions. The test format is multiple choice, where four possible answers are provided for each question. One answer is the best-choice answer. Individuals are required to complete the exam in four hours.

HR Body of Knowledge

Both the PHR and SPHR certifications use the same HR body of knowledge focus areas in the examination test. These areas include strategic management, workforce planning and employment, human resource development, total rewards, employee and labor relations, and risk management. The percentage of questions from each focus area does differ between the PHR and SPHR exams. The PHR has a strong focus on the workforce planning and employment, where as the SPHR has its strongest focus on strategic management. Table 9.3 shows the percentage of questions taken from each area.

Exam Results

Both the PHR and SPHR tests are based on a scaled score. The highest possible score is 700; the minimum passing score is 500. When taking the exam, individuals will receive

Table 9.3 PHR and SPHR Exam, Percentage from Each Focus Area[3]

Focus Area	PHR	SPHR
Strategic Management	12%	29%
Workforce Planning and Employment	26%	17%
Human Resource Development	17%	17%
Total Rewards	16%	12%
Employee and Labor Relations	22%	18%
Risk Management	7%	7%

a preliminary pass/fail notice at the end of the exam. However, official results will take two to three weeks and will arrive by mail.

Conclusion

The PHR and SPHR certifications are professional designations that validate an individual's experience level and mastery of the HR body of knowledge. Professional achievement, public recognition, personal goal accomplishment, and career advancement are some of the many reasons why individuals become certified.

See also HR Competencies

NOTES

1. Human Resource Certification Institute, *2007 PHR-SPHR-GPHR Certification Handbook,* (Alexandria, VA: Human Resource Certification Institute, 2007).

2. Ibid.

3. Ibid.

Shanan M. Mahoney

PROJECT MANAGEMENT

Project management is a method and set of techniques based on the accepted management principles of planning, organizing, directing, and controlling. Each of these principles is used in combination to reach a desired end result, on time, within budget, and according to established specifications.[1] Further, project management is a way of thinking that keeps desired results in focus. Effective project managers achieve specific objectives using proven tools and techniques such as critical paths (charts), scheduling technologies (Gantt charts), goal and risk analysis, stakeholder analysis, controlling techniques, and project diagrams. Employees are organized and their efforts directed toward achievement of desired results. Finally, project management requires evaluation of project objectives against measurable criteria useful in determining the quality of the outcomes produced via the project.

What Is a Project?

One of the best ways to understand project management is to identify the characteristics of a project. Project management involves planning objectives and activities for successful results; organizing people to get things done; directing people to keep them focused on achieving desired results; and measuring progress to provide useful feedback.

Let us consider a common example: building a home. Home construction comprises literally thousands of activities and steps, each of which can be assigned to individual workers such as carpenters, bricklayers, electricians, plumbers, roofers, drywallers, painters, and finish carpenters. Each of these individuals is responsible for activities in his area of expertise. The building contractor (project manager) schedules and coordinates work activities in what is deemed a logical, efficient manner. In this way, a large, nearly unmanageable project (building a home) can be broken down into manageable subprojects assigned to specialized workers (subcontractors). If managed correctly, the project should be completed by the

deadline, under or at budget, and at quality specifications. Simply put, work packages are groups of activities or tasks that, when linked together, produce a projected outcome.

In HRM, projects vary in size and scope, from a simple one-day training activity to a comprehensive organizational development redesign. A project is an organized effort with planned activities and schedules; it has specific time-bound results, multiple tasks and roles, a series of specific yet interdependent tasks, and it is a onetime effort that involves many people, usually across functional areas in the organization.[2]

The first task facing a project manager is to separate the project into parts and subparts that form sets of interrelated "work packages." A work package is a group of tasks that are continuous activities, each of which is assignable to a single individual.[3] Deliverables for each work package are clearly defined and measurable according to established standards and project controls. Each work package has a scheduled start date and end date for each task included. Finally, work packages are designed in such a way that preceding and succeeding work packages are identified. In other words, a logical flow exists for completing activities.[4]

Successful projects exhibit eight characteristics. Accordingly, successful projects:

1. Consist of a solid, conceptual plan leading toward the production of desired results.
2. Contain goal and objective statements that should be specific, measurable, agreed upon, realistic, and timely (SMART).
3. Are broken down, measurable, and clear, which helps reduce large projects to micro projects that are much easier to manage and control.
4. Consist of discrete steps, with observable results.
5. Maintain sufficient resources (material, financial, and human) needed to accomplish the desired objectives.
6. Assemble project team members who are focused on the desired outcomes.
7. Assemble competent, qualified, and cooperative team members.
8. Require constant monitoring of outcomes, with proper feedback given to project team members.[5]

Project Constraints

Projects are often constrained by the organization's need to maintain service, quality, and positive human relations within the firm. Obviously, constraints can hinder progress and/ or achievement of desired outcomes. Consequently, effective project managers must guard against overzealousness, always realizing that internal political pressure and politics must be understood and managed.

On the surface, project management seems relatively simple. Unfortunately, some constraints make the process difficult and often lead to less-than-ideal project outcomes. Accordingly, scheduling constraints include:

• Unavailability of a particular resource during a project
• Demands on resource needs for other, present, or future projects
• Different or conflicting demands by project managers for other resources
• Desire to avoid extensive work overloads for a particular individual
• Lack of resource availability to complete a particular task
• Budgetary constraints
• Desire to lessen write-offs or budget overruns
• Integration and use of other projects using the same resources
• Not enough time for doing activities that are uncertain

- Technical constraints that may need extra time
- Difficulties inherent in scheduling far in advance[6]

Any or all of these constraints can prevent project managers from producing projects on time, within budget, and up to quality standards. Consequently, these constraints should be taken into consideration prior to beginning any project.

Project Managers' Characteristics

Selecting a project manager requires consideration of an individual's experience, capabilities, qualifications, and competence in achieving project results in a timely fashion, within budget, and according to quality specifications.[7] Therefore, effective project managers motivate, inspire, and coach their team members. Active listening skills, as well as the ability to provide meaningful performance feedback, help ensure successful project completion. Such managers are assertive, not aggressive or submissive, in their interactions with team members and project support groups. Quite simply, they confront poor performance while maintaining the self-esteem of team members or support personnel. Interpersonal conflicts over financial and material resources waste precious time and thus should be minimized.

Effective project managers have the leadership and strategic expertise to design, coordinate, control, and implement plans. Such individuals have the ability to create a vision of the project and communicate it to all members of the project team. They have the ability to ask thought-provoking questions that help team members understand their roles and responsibilities. Thus, they delegate the appropriate responsibility and authority to team members to ensure successful project completion and create reporting and control systems that will alert team members to potential problems. Finally, effective project managers remain flexible while performing their multiple roles.

See also Goal Setting; HR Strategy

NOTES

1. Jerry W. Gilley and Ann Maycunich Gilley, *Strategically Integrated HRD: Six Transformational Roles in Creating Results Driven Programs* (Cambridge, MA: Perseus Publishing, 2003).

2. Ibid.

3. Jerry W. Gilley and Amy J. Coffern, *Internal Consulting for HRD Professionals: Tools, Techniques, and Strategies for Improving Organizational Performance* (New York: McGraw-Hill Professional Publishing, 1994).

4. Gilley and Gilley, *Strategically Integrated HRD.*

5. Gilley and Coffern, *Internal Consulting for HRD Professionals.*

6. Gilley and Coffern, *Internal Consulting for HRD Professionals;* and Gilley and Gilley, *Strategically Integrated HRD.*

7. Gilley and Gilley, *Strategically Integrated HRD.*

Jerry W. Gilley and Ann Gilley

SAFETY

Safety is one of the most important aspects of any business and thus a focus of governmental regulatory agencies. Workplace safety and health are overseen by three

Department of Labor (DOL) agencies: the Occupational Safety and Health Administration (OSHA); the Mine Safety and Health Administration (MHSA); and the Employment Standards Administration's Wage and Hour Division.[1] OSHA is responsible for the administration and enforcement of safety and health laws in most private industries subject to the Occupational Safety and Health Act. The MHSA administers and enforces the Mine Safety and Health Act of 1977, which applies to all mining and mineral processing operations in the United States. The DOL's Employment Standards Administration's Wage and Hour Division enforces the Fair Labor Standards Act (FLSA). The FLSA protects youth via its restrictions on minimum age, times of day during which young people may work, and the jobs they are legally able to perform.

Workplace safety programs are designed to prevent employee injury and illness on the job. A safe workplace:
- Reduces employee accidents, injuries, and illnesses
- Reduces expenditures for health insurance claims and benefits
- Reduces workers' compensation claims and payments
- Reduces the need for temporary help or overtime for existing employees
- Reduces employee stress
- Increases morale
- Reduces potential fines for noncompliance with safety laws.

Safety Programs

Workplace safety programs are as varied as the organizations that create them. In spite of the vast array of manufacturing and service firms that exist, workplace safety programs have common goals—to promote and reward safe practices in the workplace, and to reduce work-related illnesses, injuries, and fatalities.[2] Safety programs establish safe work practices, procedures, and guidelines, mandate training, assess job hazards and risks, detail responsibilities of managers and employees in the event of an occurrence, and provide guidelines for documentation.

Ways to Increase Safety

Workplace safety initiatives begin with communication of information about safety and specific ways to create and maintain a safe working environment, including
- Closing and locking doors, file cabinets, desks, and vehicles.
- Replacing burned-out interior and exterior lights.
- Teaching all employees the use of proper lifting techniques.
- Providing adjustable workstations.
- Redesigning work to eliminate repetitive motions.
- Creating a buddy system for workers.
- Installing alarms, signs, and warning signals.
- Limiting exposure to hazards.
- Using the proper tools for the job.[3]
- Seeking continual feedback from employees regarding workplace safety.
- Making safety part of the culture of the firm.
- Involving employees in design and implementation of safety programs.
- Rewarding safe practices.

- Mandating wearing of safety clothing such as boots, gloves, eye and ear protection, harnesses, and so forth.
- Maintaining clean work areas.
- Measuring and reporting company safety statistics.

Implications for Managers and HR

Safety in the workplace is everyone's responsibility, from the frontline manager to the HR professional who designs safety training programs. Creating and maintaining a safe work environment benefits employees, management, and the organization by preventing costly, dangerous illness and accidents.

See also Fair Labor Standards Act; Occupational Safety and Health Administration

NOTES

1. http://www.dol.gov..
2. http://nonprofitrisk.org/tools/workplace-safety/tutorials.shtml (Accessed May 13, 2008).
3. Ibid.

Ryan Skiera and Ann Gilley

WORK-LIFE BALANCE

The attainment of work-life balance continues to be the mythical quality standard for individuals in the workforce and the organizations that employ them. In the 2007 Society for Human Resource Management's (SHRM) Job Satisfaction Survey Report, "flexibility to balance life and work issues" ranks as "very important" for 52 percent of all respondents and 48 percent of HR professionals. For individual workers, work-life balance ranked fourth in importance, behind compensation, benefits, and job security, each of which can be argued as a contributor to achieving work-life balance. Despite ranking as "important" or "very important" in each satisfaction survey since 2002, SHRM reports that the responsiveness of organizations to these issues has only increased slightly from 2006.[1]

Traditionally considered a "mommy issue," work-life balance is now considered a standard for any individual desiring to be successful at work while also maintaining a personal life separate from it, despite marital or parental status. The terms work-life conflict (negative interactions between roles) and work-life enrichment are often used interchangeably with work-life balance, but are actually subsets of it.

Work-life Balance

Work-life balance has traditionally been defined in terms of equilibrium. A person achieved balance when equal time, energy, and enjoyment was expended and/or gained from both the work and family roles.[2] Recently, however, this definition has been expanded to move beyond "equality" as the determinant of balance. In this updated definition, balance occurs when an individual is actively engaged in both roles, without sacrificing one for the benefit of the other. Balance becomes a true interaction between roles, rather than a battle between them.[3]

Work-life Conflict

Work-life conflict occurs when the demands in one role interfere with an individual's effectiveness in the other role. Bidirectional in nature, work can interfere with life and life can interfere with work.[4] The three types of conflict that have been identified are time-based, strain-based, and behavioral-based. Time-based conflict is considered the most prevalent type of conflict and occurs when the amount of time spent in one role takes away from the amount of time available for the other role, or when preoccupation with one role impairs the ability to function in the other role. This phenomenon is also commonly referred to as "presenteeism."

Strain-based conflict occurs when the strain (or stressors) felt in one role make it difficult to perform in the other role and is based on the idea of fatigue and irritability created from one role affecting the activities in the other role. Work-related strain has been related to stressful events at work or job burnout that result in fatigue or depression in the family role. Life-based strain conflict primarily occurs when spousal career and family expectations are not in congruence.

Behavioral-based conflict occurs when the behaviors required in one role are incompatible with the behaviors required in the other role. For example, behaviors that are expected in the family role, like nurturing or emotional sensitivity, are viewed as inappropriate at work, or aggressive behaviors that may be required at work are considered inappropriate at home.

Work-life Enrichment

Known by a variety of terms (e.g., facilitation, enhancement, integration or positive spillover) work-life enrichment is considered the positive side of the work-life interface, and occurs when the experiences in one role improve an individual's functioning in the other role.[5] Increases in function occur (1) when gains (e.g., monetary, knowledge, skills, or abilities) in one role directly improve the functioning in the other role, or (2) when gains in one role indirectly increase functioning in the other role due to overall improvements in behavior or attitudes.[6]

HR's Opportunities: Work-life Initiatives

In an environment characterized by a scarcity of resources, work-life issues can be a deciding factor in an employee's employment choices, and an opportunity for HR to make a contribution to the bottom line. Work-life initiatives have become part of the corporate response to provide work-life balance for employees. Work-life initiatives generally fall into one of the following categories: (1) health and wellness programs, (2) flexible work arrangements, (3) paid/unpaid time off, (4) child/elder care assistance, and (5) financial support assistance.

Implementing work-life initiatives is not as simple as it may seem. Key to the adoption of a successful set of work-life initiatives is a clear understanding of what is important to employees, as well as an analysis of organizational culture. A well-crafted set of work-life initiatives must be adequate, available, accessible, and affordable in terms of financial and personal costs. Work-life balance can have a strategic impact on organizational outcomes, including job satisfaction, organizational reputation, employee commitment, recruitment and retention, productivity, and organizational efficiency and profitability.

See also Benefits; Flex-Time; HR Metrics; Job Sharing; PTO (Paid Time Off) Bank

NOTES

1. Stephen Miller, "Job Satisfaction: Workers, HR Pros Have Varying Views," Society for Human Resource Management, http://www.shrm.org/rewards/library_published/benefits/nonIC/CMS_022089.asp (accessed November 12, 2007).

2. Jeffrey H. Greenhaus, Karen M. Collins, and Jason D. Shaw, "The Relation Between Work-Family Balance and Quality of Life," *Journal of Vocational Behavior,* December 2003, 510–31.

3. Joseph G. Grzywacz and Dawn S. Carlson, "Conceptualizing Work-Family Balance: Implications for Practice and Research," *Advances in Developing Human Resources,* November 2007, 455–71.

4. Jeffrey H. Greenhaus and Nicholas J. Beutell, "Sources of Conflict Between Work and Family Roles," *Academy of Management Review* (January 1985): 76–88

5. Jeffrey H. Greenhaus and Gary N. Powell, "When Work and Family are Allies: A Theory of Work-Family Enrichment," *Academy of Management Review,* January 2006, 72–92.

6. Dawn S. Carlson, K. Michelle Kacmar, Julie H. Wayne, and Joseph G. Grzywacz, "Measuring the Positive Side of the Work Family Interface: Development and Validation of a Work-Family Enrichment Scale," *Journal of Vocational Behavior,* January 2006, 131–64.

Heather S. McMillan and Lisa Scott Brinkman

WORKPLACE JUSTICE

Workplace justice can be viewed from the perspective of the perceived fairness of management decisions and treatment of employees. Employees may confront unjust situations such as pay inequities, unsafe working conditions, or discrimination based on race or sex. These unjust situations have a negative impact on employees' ability to perform and, ultimately, their commitment to the organization. In practice, workplace justice emphasizes a just outcome, as well as a fair procedure for realizing that outcome. In order to ensure workplace justice, organizations must take steps that ensure pay equity and establish policies and management practices that do not, either intentionally or unintentionally, result in discrimination and that maintain a safe work environment. Further, organizations must put in place a process by which employees can bring forward complaints and resolve issues.

Workplace Justice Strategies

In order to ensure workplace justice, organizations develop and implement formal strategies that include policies and procedures to resolve employees' work-related complaints. Strategies can be implemented at the organizational level (e.g., policies and procedures) as well as the management level (e.g., management practices and interactions with employees).

Organizational Strategies

At an organizational level, strategies used to ensure workplace justice include employee grievance processes, which are designed to provide employees procedural due process or procedural fairness.[1] Employee grievance processes ensure employees receive procedural due process in the resolution of complaints by (1) identifying workplace issues that can be grieved, (2) providing appeal steps, (3) providing a process to expedite serious cases, and (4) including a final review step by a neutral third-party arbiter.[2] Effective employee

grievance processes depend on the degree to which they are accepted as reasonable by employees. Also, perceptions of fairness of the grievance process relate to the degree of reprisal against employees who initiate a grievance. Negative consequences associated with bringing forward a complaint will ultimately reduce the legitimacy of the process. Employees who fear reprisal from management will not utilize the process.

Management Strategies

Strategies focused on management practices include open communication, positive interpersonal relationships between employees and management, conflict management, and alternative dispute resolution (ADR), a form of cooperative problem-solving. These strategies focus on social process and encourage management and employees to work in a collaborative manner to solve problems and resolve disputes.

Effective management practices result in trust—employees trust that management decisions are just and fair. Mistrust occurs when management sends mixed signals; when words and actions are not consistent. ADR is increasingly being implemented in organizations. ADR is a cooperative problem-solving approach and is viewed as a viable alternative to the more adversarial grievance process.[3] ADR emphasizes employee involvement and requires empowerment on the part of managers. ADR has also resulted in higher grievance resolution and a reduction in the amount of time it takes to resolve complaints, and positive residual effects in the overall employee-employer relationship.[4]

Conclusion

Managers at all levels in an organization play a critical role in ensuring workplace justice. They do so by creating trusting working relationships with employees. Strategies used include establishing employee grievance processes that allow for procedural due process; and ensuring open communication, positive interpersonal relationships between employees and management, conflict management, and cooperative problem-solving approaches, such as ADR.

NOTES

1. Hoyt N. Wheeler and Jacques Rojot, eds., *Workplace Justice: Employment Obligations in International Perspective* (Columbia: University of South Carolina Press, 1992).
2. Ibid.
3. Dawn D. Bennett-Alexander and Laura P. Hartman, *Employment Law* (Boston: McGraw-Hill Irwin, 2007).
4. Ibid.

Pamela Dixon

WORKPLACE VIOLENCE

The issue of workplace violence is an emerging safety issue for many human resource professionals and organizations. Workplace violence can be defined as acts of harmful behavior to an employee occurring within a place of employment providing a service or product. Between 1993 and 1999, an average of 1.7 million violent assaults per year were committed in the U.S. against persons who were at work or on duty.[1] The Bureau of

Labor Statistics revealed in the *Census of Fatal Occupational Injuries* that 564 workplace homicides and 177 self-inflicted injuries occurred in 2005, accounting for 14 percent of the total 5,702 fatal work injuries in the United States.[2]

Types of Workplace Violence

Workplace acts of violence often include simple battery, aggravated assaults, sexual assaults, rapes, and homicides. More broadly defined, workplace violence can also include nonphysical actions such as aggression, harassment, and hostility. There are several categories for the types of workplace violence that can occur, including:

- Crime-motivated
- Personal relationships
- Customers or clients
- Coworkers

Many workplace violence acts occur during the commission of a crime such as robbery and theft. Additionally, employees' outside relationships are not isolated from their employment environment. Occurrences of domestic violence and stalking may also occur within the place of work. Customer violence could be the result of a client already prone to violence or someone who becomes volatile when triggered by a frustrating situation. Lastly, acts of violence and aggression can occur among coworkers on a peer-to-peer level, or employee to employer and vice versa.

Instances of workplace aggression and violence can have major economic costs to organizations, including loss of human life, decrease in performance and productivity, psychological distress, employee turnover, decline in attendance, fines, and negligence lawsuits. Thus, it is important for employers to create a proactive model to reduce the likelihood of workplace acts of violence. Following are several recommended areas for employers to develop prevention strategies:

1. Establishing a climate of respect
2. Reporting procedures and records
3. Evaluating security and work environments
4. Providing training and intervention resources
5. Employment screening
6. Crisis response planning

Establishing a Climate of Respect

Employers can establish a respectful and inclusive environment by developing a statement that embodies their desire for diversity and establishes their stances on elements of workplace acts of aggression. This includes posting the policy, identifying key individuals who will analyze the information, and creating a response strategy. These efforts can send a message to employees and customers that the organization is committed and intends to allocate resources to support these operational norms.

Initially, creating this supportive climate begins with employers providing just treatment of all employees through their fair employment policies, assessment of environmental conditions and stressors, and implementation of dispute resolution mechanisms. This includes being proactive rather than reactive when an act of aggression occurs at the

employment site. An organization's commitment can be displayed by identifying a team of personnel to work on workplace violence procedures from senior management, legal counsel, security division, employee representatives, and human resource staffs. Furthermore, once the policies are developed, it is essential they be implemented in a timely, confidential, and fair manner.

Reporting Procedures and Records

Employees must be informed of the organization's procedures for reporting acts of aggression, hostility, and violence. It is crucial to know how to confidentially document instances and to whom to submit the reports. Organizations also must identify key personnel who will review the information and develop appropriate policies. In addition to developing reporting mechanisms, organizations need to identify what types of records are essential to review, such as:
- OSHA records
- Police reports, including crimes or disputes
- Worker compensation issues
- Attendance records
- Equal employment and opportunity investigations
- Accident reports
- Human resource reports of aggression complaints
- Grievance claims
- State and local laws/ordinances

Evaluating Security and Work Environments

Since many of the workplace acts of violence involve persons outside of the organization's employees, it is important for employers to assess their security practices. This includes examining safety measures like cameras monitoring the external and internal facilities, convenient locations of telephones for assistance calls, security alarms, landscaping, locked doors, and partition windows for customer service desks. It can also include providing after-business-hours precautions, security personnel, and plans for monitoring daily workplace safety. An additional strategy component is for employers to assess the workplace environmental conditions to specifically identify stress-inducing factors in order to reduce internal issues attributing to aggression.

Providing Training and Intervention Resources

A vital strategy component is employee training and the dissemination of information. In order to provide adequate employee support, an organization must effectively educate its workforce on the policies and available resources while documenting efforts and training attendance. Potential workshops could consist of these topics:
- New employee training on resources and statement
- Diversity and inclusiveness policies
- Substance abuse identification and resources
- Crime prevention strategies
- Self-defense tactics
- Sexual harassment training
- Dealing with interpersonal conflict

- Handling aggressive customers
- Emergency evacuation and crisis protocols
- Policies for reporting

Training also needs to be coupled with providing appropriate resources for staff personnel. At the core of this initiative is maintaining an employee assistance program (EAP) that provides support on emotional, health-related, legal, and financial matters. This venue will assist employees in dealing with external life stresses and issues such as domestic violence and substance abuse. Additionally, organizations can develop clearly defined and impartial employee grievance and dispute resolution processes.

Employment Screening

Nonphysical violence can be a warning sign for potential acts of future violence. Employers can review applicant materials for indicators of past history of violence. Evidence of an applicant's lack of control, resistance to authority, or failure to take responsibility may indicate potential future employment issues. Screening processes can include the following elements:

- Conduct thorough reference checks
- Structure situational interview questions
- Process background checks
- Provide drug testing

Lack of intervention for initial aggressive acts can lead to escalation. There is less likelihood for physical aggression among coworkers when an organization has set standards for appropriate behaviors and provides a consistent and fair process for aggressive behavior infractions.

Crisis Response Planning

The final point in an organization's workplace violence plan consists of developing an emergency response plan. In the unfortunate event of a violent act, employees must be versed in evacuation routes and safe locations for regrouping. Incorporated into this crisis protocol is employee-debriefing assistance, public relations procedures, emergency contact information for all staff, and available emotional/physical health resources.

See also Background Investigation; Emergency Preparedness; Employment Testing; Harassment; Safety

NOTES

1. Bureau of Justice Statistics, *Violence in the Workplace, 1993–99* (Washington, DC: U.S. Department of Justice, 2001).

2. Bureau of Labor Statistics, *National Census of Fatal Occupational Injuries in 2005* (Washington, DC: U.S. Department of Labor, 2006).

Lory-Ann Varela

This page intentionally left blank

Part IV

HR Policy

This page intentionally left blank

ARBITRATION

Arbitration is a method of alternative dispute resolution in which a neutral third party, the arbitrator, hears the dispute and makes a binding ruling that in most circumstances cannot be appealed. The parties control the process in that they agree to arbitration yet give control over the outcome to the arbitrator. Compared to litigation, arbitration is faster, simpler, cheaper, and allows for greater confidentiality. While it is a substitute for litigation, generally speaking it is still an adversarial process. There are, however, many variations, and some are more facilitative than others.

Arbitration can be either executory or ad hoc. In most cases it is *executory,* which means that an agreement to arbitrate any disputes is in place before the dispute occurs. This is typically the case in employment and various types of consumer arbitration. Arbitration is considered *ad hoc* when the parties agree to arbitrate after a dispute occurs. An example is when the parties involved in a car accident agree to arbitration.

Arbitration in Employment

In employment settings, arbitration is used in both union and non-union environments to settle a wide variety of employment disputes. It is a mainstay in unionized settings where it is commonly referred to as labor arbitration.

Grievance or ''Rights'' Arbitration

Grievance or "rights" arbitration is used to resolve disputes involving the interpretation and application of the terms of the contract that arise during the life of a collective bargaining agreement. It is the last step in the grievance procedure and virtually all collective bargaining contracts today contain an arbitration clause.

Interest Arbitration

Arbitration used to create a new employment agreement where the arbitrator determines the terms of the contract is called interest arbitration. Because the parties are essentially giving control over the terms and conditions of the contract to an arbitrator, it is not widely used in the private sector. One notable exception is professional sports, where it is used to set the compensation and benefits of athletes.

Employment Arbitration

Although arbitration has long been a mainstay in unionized settings, it is a relatively new phenomenon with non-union employers, where it is often referred to as employment

arbitration. Increasingly, as a condition of employment employers are requiring employees to agree to arbitrate any disputes arising out of the employment relationship (e.g., sexual harassment, wrongful termination, discrimination) instead of filing a lawsuit. Such agreements to arbitrate are typically included in individual employment agreements, employee handbooks, and application forms. Initially there was some concern that courts would not enforce mandatory agreements to arbitrate, especially when there were alleged violations of equal employment opportunity laws. Subsequent court cases have, however, upheld their legality.

Arbitration Process

While there are different types of arbitration the process is fairly standard. The eight steps in the arbitration process are as follows.[1]

1. *Creating the arbitration contract*
   The arbitration contract spells out the subjects of arbitration, selection of an arbitrator, payment of the arbitration expenses, confidentiality, the procedures to be used, and the scope of the arbitrator's powers. This is often an executory agreement.
2. *Demanding/requesting arbitration*
   When there is an executory agreement to arbitrate, the party wishing to arbitrate typically makes a written demand for arbitration. If the other party does not contest whether the dispute is appropriate for arbitration, the process continues. For ad hoc arbitration this is done in conjunction with creating the arbitration contract.
3. *Selecting the arbitrator or arbitrator panel*
   The process for selecting an arbitrator is usually spelled out in executory agreements. Parties may request an arbitrator from the American Arbitration Association,[2] a private, nonprofit organization, or another professional association.
4. *Selecting a set of procedural rules*
   Parties may opt to abide by the rules of a professional association. For example, the AAA has rules and procedures that cover a variety of disputes including employment, healthcare, real estate, and commercial disputes. Parties may waive specific rules by mutual agreement.
5. *Preparing for arbitration*
   The process is similar to preparing for a court case, but less formal. It involves gathering evidence and witnesses and preparing to present the case
6. *Participating in the arbitration hearing*
   This is generally less formal than litigation, although the parties often have legal representation. There may be opening and closing statements and direct- and cross-examination. The arbitrator may ask questions and accept/reject evidence. The parties may also make comments on the case.
7. *Issuing the arbitration award*
   When the hearing is complete the arbitrator decides the outcome of the case, usually within 30 days. The decision is typically put in writing and an explanation of the arbitrator's award may be included if required by the procedural rules adopted.
8. *Enforcing the award*
   Unlike courts, arbitrators do not have enforcement powers. If one of the parties refuses to comply with an arbitrator's award, the other party must petition the court for enforcement. Refusal to comply could be considered a breach of the contract to arbitrate.

See also Collective Bargaining; Conflict Resolution; Grievance; Mediation

NOTES

1. Laurie S. Coltri, *Conflict Diagnosis and Alternative Dispute Resolution* (Upper Saddle River, NJ: Pearson Prentice Hall, 2004).
2. American Arbitration Association (2008), www.adr.org.

Beverly J. DeMarr

BARGAINING UNIT

Through collective bargaining, a group of employees (commonly referred to as a "bargaining unit") can elect a representative (e.g., a union) to negotiate on their behalf. In the United States there is tremendous diversity in the types of bargaining units that have evolved.[1] A bargaining unit may consist of workers of a particular department, several departments, an entire facility, several facilities, several companies, or the entire industry.

Determination of the Bargaining Unit

The composition of the bargaining unit is usually determined during the organizing process. A bargaining unit is an area in which the employer and the union make joint decisions concerning wages, hours, and working conditions.[2] Simply, it is the group of employees that will be represented collectively by a union. Through a union election, the employees of a bargaining unit grant the union the right to negotiate collectively on their behalf. The union becomes the exclusive representative for all members of the bargaining unit. The Labor-Management Relations Act (LMRA) explains:

> Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be the exclusive representatives of all employees in such a unit for the purposes of collective bargaining in respect to rates of pay, hours of employment, or other conditions of employment.[3]

Typically, a union proposes the makeup of the bargaining unit. The makeup of an appropriate bargaining unit is frequently contested by the employer, requiring the National Labor Relations Board (NLRB) to decide who should be included.[4] This critical determination can decide the outcome of the representation election. The employer and union will argue for the bargaining unit to be defined in the most favorable manner for their individual position. When determining the appropriate bargaining unit, the NLRB considers the following factors:

- *Community of interests:* The mutuality of interests among employees in bargaining for wages, hours, and working conditions is frequently applied. These criteria are difficult to interpret because there is no benchmark used to define the degree of similarity necessary between employee groups. The NLRB considers whether the employees have sufficient common issues, or community of interest, so as not to create substantial conflicts in bargaining. Examples include whether employees with special craft skills and training should be separate from semiskilled workers in an industrial unit or whether production and maintenance workers should be grouped in a single unit with white-collar employees performing technical or clerical functions.

- *Geographical and physical proximity:* The more separate in distance two or more locations are, the more difficult it is for a single union to represent the employees. This factor may be given considerable weight when the employer's policies differ substantially across locations. An example might be a group of machinists working for a company with locations in Hawaii and Texas.
- *Employers' administrative or territorial divisions:* If labor relations or personnel management within a company is over a given territory, this unit rather than a single store or subset may be most appropriate. An example of this might be a group of eight hospitals located in close proximity, all sharing the same policies and practices.
- *Functional integration:* This factor relates to the degree that all potentially includable employees are required to maintain the company's major production processes. For example, in a clothing assembly process, it would make the most sense to keep all the people who make the pieces of a given article in one unit rather than break them apart into separate units (such as separating employees who sew trims and buttons and employees who sew zippers).
- *Interchange of employees:* If employees are frequently transferred across plants or offices, their community of interest may be more similar, leading the NLRB to designate a multiplant unit.
- *Bargaining history:* In applying this factor, the NLRB may take into account the past practices of the union and the employer (if it is a decertification or unit clarification election) or typical industry practices in bargaining.
- *Employee desires:* When the bargaining history involving several units exists, the NLRB may allow employees to vote for or against the units' inclusion in a more comprehensive unit. This is a function of how employees see themselves in an organization and with whom they want to be aligned.
- *Extent of organization:* The NLRB may consider, after the foregoing factors are analyzed, the degree of organization that has taken place in a given proposed unit (although this is not to be considered the prime factor). In this situation, the NLRB would evaluate how far along the process is and whether or not to cancel negotiations.[5]

See also: Collective Bargaining; Labor Unions; National Labor Relations Act

Resources:

Fossum, John A. *Labor Relations: Development, Structure, Process,* 6th ed. Chicago: Irwin, 1995.

Labor-Management Relations Act (Taft-Hartley Act). United States of America, 1947.

National Labor Relations Act (Wagner Act). United States of America, 1935.

Society for Human Resource Management. *The SHRM Learning System, Module 5* (2007).

Wortman, Max S., Jr., and George C. Witteried. *Labor Relations and Collective Bargaining.* Boston: Allyn and Bacon, 1969.

NOTES

1. Max S. Wortman, Jr., and George C. Witteried, *Labor Relations and Collective Bargaining* (Boston: Allyn and Bacon, 1969).
2. Ibid.
3. Labor-Management Relations Act, United States of America, 1947.
4. John A. Fossum, *Labor Relations: Development, Structure, Process* (Chicago: Irwin, 1995), 6.
5. *The SHRM Learning System, Module 5* (Society For Human Resource Management, 2007), 139–40.

Robert M. Sloyan

COLLECTIVE BARGAINING

Employees organize into unions to increase their bargaining power. Through collective bargaining, employees believe that they can obtain outcomes that are unavailable to them as individuals. Collective bargaining is the process by which management and union representatives negotiate employment conditions for a particular bargaining unit.[1] At the heart of collective bargaining is the collective bargaining agreement (CBA) or "contract." The CBA governs the day-to-day relationship of the employer and the employees in the bargaining unit for the period of time it specifies.[2] The CBA is a legal agreement regulating certain work-related issues.

Legal Issues (United States)

Since the Railway Labor Act became law in 1926, the federal government has consistently reiterated its support of free collective bargaining.[3] In the United States, the Wagner Act, also known as the National Labor Relations Act (1935), covers most collective bargaining agreements in the private sector. It was passed to protect and encourage the growth of the union movement. It guaranteed workers the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection.[4] It broadly forbade interference with employees' rights to be represented and to bargain, and allowed employees to have their labor organizations free from employer dominance, to be protected from employment discrimination for union activity, and to be free from retaliation for accusing the employer of an unlawful (unfair) labor practice.[5] The act requires employers to bargain with a union selected by a majority of the employees in an appropriate "unit" regarding wages, hours, and conditions of work. The Wagner Act also established the National Labor Relations Board to determine which, if any, union was the employees' choice to represent them and to hear and rule on alleged unfair labor practices.[6] In 1947, the Labor-Management Relations Act (LMRA), also known as the Taft-Hartley Act, amended the Wagner Act, further defining the collective bargaining process. The LMRA also established some union practices as unfair labor practices including intimidation, coercion, and physical violence.

Collective Bargaining Subjects

Bargaining subjects can be divided into three categories: mandatory, permissive, and prohibited. Mandatory subjects are required by law and must be negotiated at the request of either party. Mandatory subjects fall within the definition of wages, hours, and other terms and conditions of employment.[7] These include overtime, discharges, demotion, discipline, layoff, recall, seniority, promotion, transfer, safety, vacation, holiday, leave of absence, sick leave, grievances, and contracting out work. Permissive subjects are subjects that may be bargained but are not mandatory. These might include settlement of grievances, settlement of unfair labor practice charges, and neutrality agreements. Finally, prohibited subjects are those that are statutorily outlawed, such as discriminatory hiring and a union demand that the employer use only union-produced goods.

Good-Faith Bargaining

The NLRB and the courts ensure that collective bargaining proceeds with "good faith." Good-faith bargaining broadly means that both parties enter into negotiations with fair

and open minds and a sincere desire to arrive at an agreement. As interpreted by the NLRB and the courts, the following may be considered in deciding if a violation of the good-faith bargaining requirement has occurred:

- *Surface bargaining*
  This involves merely going through the motions of bargaining with no real intention of completing a formal agreement.
- *Lack of concession*
  Although no one is required to make a concession, the courts' and the NLRB's definitions of good faith suggest that a willingness to compromise is an essential ingredient in good-faith bargaining.
- *Refusal to advance proposals and demands*
  The NLRB considers the advancement of proposals as a positive factor in determining overall good faith.
- *Dilatory tactics*
  The law requires that the parties meet and "confer at reasonable times and intervals." Obviously, refusal to meet at all with the union does not satisfy the positive duty imposed upon the employer.
- *Imposing conditions*
  Attempts to impose conditions that are so burdensome or unreasonable as to indicate bad faith will be scrutinized by the NLRB.
- *Bypassing the representative*
  An employer violates his duty to bargain when he refuses to negotiate with the union representative. The employer must deal with the statutory representative in conducting bargaining negotiations.
- *Commission of unfair labor practices during negotiations*
  Such practices may reflect poorly upon the good faith of the guilty party.
- *Not providing information*
  Upon request, information must be supplied to the union to enable it to understand and intelligently discuss the issues raised in bargaining.
- *Refusal to bargain*
  Refusal to bargain on a mandatory item (one *must* bargain over these) or insistence on a permissive item (one *may* bargain over these) is usually viewed as bad-faith bargaining.[8]

  See also: Bargaining Unit; Labor Unions; Labor-Management Relations (Taft-Hartley) Act; National Labor Relations Act

Resources:

Fossum, John A. *Labor Management: Development, Structure, Process,* 6th ed. Chicago: Irwin, 1995.
Labor-Management Relations Act (Taft-Hartley Act) United States of America, 1947.
National Labor Relations Act. United States of America, 1935.
Wortman, Max S., Jr., and George C. Witteried. *Labor Relations and Collective Bargaining.* Boston: Allyn and Bacon, 1969.

NOTES

1. *The SHRM Learning System, Module 5* (Society for Human Resource Management).
2. Ibid.
3. Max S. Wortman, Jr., and George C. Witteried, *Labor Relations and Collective Bargaining* (Boston: Allyn and Bacon, 1969).
4. Wagner Act, United States of America, 1935.
5. John A. Fossum, *Labor Relations: Development, Structure, Process* (Chicago: Irwin, 1995), 6.

6. Ibid.
7. *The SHRM Learning System,* 186–87.
8. Fossum, *Labor Relations: Development, Structure, Process.*

Robert M. Sloyan

COMPARABLE WORTH

Passed in the early 1960s, the Equal Pay Act and Title VII of the Civil Rights Act prohibited pay discrimination on the basis of gender by mandating the idea of "equal pay for equal work." Jobs with the same duties, similar working conditions, and requiring essentially similar knowledge, skills, and abilities must be paid the same wage.

Based on existing law, it is illegal for employers to mandate gender requirements in jobs (unless the employer can prove that gender is a bona fide occupational qualification) and pay men and women differently for performing the same job.

Despite four decades of legislative history, the gender wage gap still exists. Controlling for differences in working patterns, education, and so on, average wages for women are approximately 80 percent of the average wage for men across age groups.[1] This disparity drives the call for comparable worth: proponents maintain that any wage disparity is the result of gender-based discrimination. The doctrine of comparable worth extends the idea of equal pay presented in the Equal Pay Act and Title VII, but it maintains that jobs do not have to be equal in duties, only equal in "value" to the organization or society at large. Despite this call, Congress and the courts have been firm in their opposition to the comparable worth doctrine, primarily because of the practice of paying the same wages for completely different jobs.[2]

Implementing a Comparable Worth Pay Plan

Advocates of comparable worth maintain that jobs should be evaluated against a set of specific criteria, and all jobs with the same rating should be paid the same wages. In this system, completely different jobs would be required to pay the same if their ratings were the same. Implementing a comparable worth pay system typically involves four steps:

1. Adopt a job evaluation system for all jobs within the organization. Often a points system, it must be able to be used for every job in the organization, despite the specific duties of each job.
2. All jobs with the same evaluation score must be paid the same. Individual factors of each job can (and probably will) be different, but if the overall points are equal, pay must be equal.
3. Determine the gender representation within each job group. A job group is defined as all positions in the organization with similar duties and responsibilities, paid under the same schedule, and having similar preemployment qualifications and recruiting practices. Jobs are considered predominantly female if over 60 percent of the workers are female; male-dominated jobs occur when greater than 70 percent of workers are male.
4. Calculate a wage-to-job point ratio on all male-dominated jobs as they are assumed to be free of pay discrimination. All jobs within the group should be paid as if they were male-dominated jobs, as it is illegal under the Equal Pay Act and Title VII to lower wages to achieve equality.[3]

Criticisms to Comparable Worth Pay Systems

Opponents to the doctrine of comparable worth maintain that closing the wage gap through government mandates is not the answer. Wages are driven by market forces, primarily the idea of supply and demand. Those individuals with unique skills that are in high demand (for example, registered nurses) can demand higher wages than those with general skills sets suitable for a wide range of jobs (such as retail store clerks). Therefore, the answer to the wage gap is not to "penalize" organizations by forcing increased labor costs, but to encourage females to seek employment in traditionally "male-dominated" jobs through increased support for continuing education and training.

Additionally, opponents contend that the implementation of comparative worth systems could result in lower employee morale and productivity, violations of collective bargaining agreements, affirmative action plans, and state-mandated living wage laws.

Current Status of Comparable Worth Legislation

As previously noted, Congress and the courts have refused to mandate any sort of comparative worth legislation as they maintain it would be in violation of existing equal pay laws. However, numerous states are examining different forms of comparative worth legislation. Employers are advised to check the status of legislation in their state.

See also: Employment Law: An Overview; Equal Pay Act; Civil Rights Act of 1964 and 1991; Compensation: An Overview; Evaluation

NOTES

1. United States General Accounting Office, *Women's Earnings: Work Patterns Partially Explain Difference Between Men's and Women's Earnings* (Washington, DC: United States Government, October 2003).

2. SHRM Governmental Affairs Department, *Equal Pay/Comparable Worth* (Alexandria, VA: Society for Human Resource Management, July 2002).

3. George T. Milkovich and Jerry M. Newman, *Compensation* (Chicago: Irwin, 1996).

Heather S. McMillan

DISASTER RECOVERY PLAN

Disaster recovery is associated with the process of sufficiently restoring one's business or agency functions after a natural or human produced disaster. Natural disasters can include tornadoes, earthquakes, floods, and hurricanes. Human produced disasters can include terrorist attacks, industrial explosions, and computer viruses. Incorporated in disaster recovery is restoration of not only computer related software and hardware devices, but also the loss of key business or agency personnel to injury or death. Any good disaster recovery plan would allow one's business or agency, after a disaster, to continue operation without major interruptions through establishing a command center; implementing a comprehensive communication plan, including sources for employee assistance programs (EAPs) and information regarding alternate work arrangements; and ensuring computer system security.

Command Center

A command center which serves as the central source for decision-making and communication should be established. It is critical to establish a chain of command and enlist company-wide, top-down support whereby guidelines are established and used by people charged with the authority to make and act on decisions.

In many organizations the leadership responsible for decision making falls on the security and/or safety departments in conjunction with senior managers across the organization. Regardless of where the task falls, all departments and locations of an organization need to be involved.

Communication Plan

It is important to communicate early, often, and through numerous communication mediums in order to keep employees and others informed of operational plans, as well as plans for keeping employees healthy and safe. A comprehensive communication plan also takes into consideration multiple audiences, which may consist not only of active employees, but also include retirees, employees on leaves of absence, vendors, and benefits plan providers.

A company with an operating Web site can create an online space for employee communications. Information would include the company's expected hours of operation, temporary alternative work arrangements, and information on the status of pay, unemployment, and other benefits. Also, general notice should be provided regarding benefits through the posting of "legal notices" with newspapers of general circulation in the disaster area and in areas where employees may have relocated, including areas where government-sponsored shelters are being maintained.

Managers should be cognizant of the well-being of their current employees and communicate accordingly. Organizational staff can be frightened, overwhelmed, confused, or in great distress. Communication should include post-event notification of relatives regarding injuries and deaths, maintaining contact with displaced employees, and immediate post disaster summits, as well as crisis counseling for employees and options for alternate work arrangements.

Employee Assistance Programs

A catastrophic event might lead to injuries or loss of life within an organization. While the recovery effort for hardware, software, and data can be tenuous, the recovery from the loss of employees due to injury or death can be even more heart wrenching. Many employers have EAPs which provide counseling and support. These programs can be very effective when employees in a workplace have experienced a traumatic event.

Alternative Work Arrangements

Part of the disaster recovery plan must include alternative work schedules and suitable alternative work sites, including telecommuting arrangements. In certain cases, employers must give the workers advanced notice of plant closure. Applicable state laws should be consulted prior to the implementation of such measures.

Computer System Security

Computer technology is one of the most functionally important elements for any agency or business. If an organization loses hardware, software, and/or data due to disaster, the ability

of that organization to function can be compromised to the point that its operations have to completely cease. The result can be not only loss of revenue, but also can harm the company's ability to maintain any semblance of reliability in the eyes of their clients and customers.

If an organization experiences a catastrophe, the statistics on recovery without a comprehensive plan are bleak. Of those suffering catastrophic data loss, only 6 percent survive and continue to operate, 43 percent never reopen, and 51 percent close their doors within two years.[1]

One of the keys to post-disaster organizational survival is the restoration of access to necessary data. This is often referred to as "time to data" (TTD) or "time to recovery" (TTR). The most efficient disaster recovery provides rapid time to recovery, assured continuous operations, and a minimization of data loss.[2]

Off-site Data Storage

Depending on the size of the organization and the monetary resources available, one can purchase a more expensive reliable system which can be cost prohibitive, or an inexpensive system which can give an organization security, but not infallible security. Reliable and often more expensive systems use remote mirroring of data to an alternate off-site storage facility. This allows the copied data to quickly be retrieved to replace lost data due to disaster.[3] A more cost effective option for some organizations is the regular data backup process wherein data is backed up to magnetic tape and stored at an off-site storage facility. However, magnetic tape backup, while more cost effective, lacks the real-time updating of more expensive systems.[4]

Conclusion

The key to disaster recovery involves preparedness. Organizations and agencies must be prepared to reduce agency interruption of normal operations during and after a catastrophic event. The ability to efficiently and effectively recover key hardware, software, and/or data in a timely manner is associated with whether one has invested in a remote mirroring or standard data backup system. While computer recovery strategies are very important, one must not lose sight of the human factor in disaster recovery efforts. Key personnel must be cognizant of vulnerable employees during times of tragedy and handle the temporary or long-term replacement of the injured and/or deceased employees with professionalism and dignity.

See also: Emergency Preparedness Plan; Safety

NOTES

1. Jim Hoffer, "Backing Up Business: Industry Trend or Event," *Health Management Technology,* January 2001, 1–2.

2. Ravi Chalaka, "Simplifying Disaster Recovery Solutions to Protect Your Data: Disaster Recovery," *Computer Technology Review,* December 2003, 1–3.

3. Ron Levine, "So-Called 'Small Disasters' Can Equal Big Trouble," *Disaster Recovery Journal,* Fall 2002, 76–77.

4. Rob Peglar, "Hurricane Preparedness: The Business Impact of Data Storage in Disaster Recovery," *Oil and Gas Financial Journal,* June 2007, 1–3.

Jason Karsky

DISCIPLINARY PROCEDURES

Regardless of the effort applied to recruit, select, train, and motivate employees, occasionally an employee will fail to meet performance expectations or will violate a company policy during his employment. When this occurs, the organization will need to have some method of disciplinary action, or a methodology that may lead to the individual's termination. Despite the best efforts of an organization to prevent a loss, terminating an employee can be a very difficult endeavor that requires careful planning, attention to detail, and often a paper trail to verify methods have been employed to positively prevent a wrongful termination.

The purpose of discipline is to point the way to more positive and productive behavior rather than to penalize the person for his mistakes.[1] Prior to any actual disciplinary action, organizational members should attempt to diagnose the problem to ensure that the employee is to blame for the incident and no other circumstances exist. While disciplinary procedures may be needed to facilitate termination, the real intent is to counsel and try to correct an employee's improper conduct. Initially, it should be determined if the misconduct resulted from a lack of understanding, lack of knowledge, or lack of motivation. Perhaps an employee does not understand why his or her behavior was inappropriate, or perhaps the employee is not aware of how to perform properly. Thus, counseling or training may be the remedy.[2]

While establishing a disciplinary policy is extremely important, the enforcement of this policy, across the organization, is even more paramount. By not following the established policy, some employees are failing to meet requirements established, while management will also lose credibility. Additionally, morale may suffer because of unfairly implemented policies or from the lack of upholding company policies and procedures. Therefore, a well-designed and well-communicated program that is applied fairly and equally throughout the organization and implemented with the intent of improving employee performance is the key to having a satisfied and motivated work force.

Employment-at-will Contract

In recent years, many organizations have implemented an "employment-at-will" contract or doctrine that states either an employee or employer could sever the employment relationship at any time. The release from employment could be for what has been termed "good cause," "no cause," or "bad cause."[3] Regardless of this signed agreement on the date of hire, and despite the fact that the employee handbook specifies there is an employment-at-will relationship, some employees that are fired sometimes will still sue their employers for wrongful discharge.

A wrongful discharge suit by an employee attempts to state that the discharge resulted in either a violation in an implied contract (the employer acted unfairly), or a violation of public policy (the employee refused to do something illegal, unethical, or unsafe). Courts holding the hearings have often been receptive to these cases, and employees have won settlements 70 percent of the time.[4] Thus, an unprepared organization that lacks the proper documentation displaying an effort to get the employee on the right path or lacks sufficient documentation and procedure to properly terminate an employee has often faced financial risk associated with a termination decision. Additionally, in recent years some employers have been faced with violence in the workplace as a result of a improperly handled

termination. Therefore, it is necessary for organizations to develop a standardized, systematic approach to discipline and discharge of any employee, should it become necessary.

Procedural Justice

One of the key factors in any employee counseling process is fair and equal treatment to all. Employees are more likely to respond positively to any negative feedback given if they perceive that the counseling or appraisal process is fair and just. There are six determinants of procedural justice that every organization should follow in employee counseling and disciplinary actions:[5]

1. *Consistency*—the procedures are applied consistently across time and all personnel.
2. *Bias suppression*—the procedures are applied by a person who has a real vested interest in the outcome and no prior prejudices regarding the individual employee.
3. *Information accuracy*—the procedure is based on information that is perceived to be true.
4. *Correctability*—the procedure has built-in safeguards that allow one to appeal mistakes or bad decisions.
5. *Representativeness*—the procedure is informed by the concerns of all groups or stakeholders affected by the decision, including the individual being dismissed.
6. *Ethicality*—the procedure is consistent with prevailing moral standards as they pertain to issues like invasion of privacy or deception.

When a decision to terminate an employee is made, if the decision is explained well and implemented in a fashion that is "socially sensitive, considerate, and empathetic" it will help defuse some potential resentment that may result from an employee being discharged.[6] The organization that has a system which promotes procedural and interactive justice across the organization in an equal and fair manner will have more satisfied employees. There are four main elements to the process:[7]

1. *Explanation*—emphasize aspects of procedural fairness that justify the decision to discharge.
2. *Social sensitivity*—treat the individual with dignity and respect.
3. *Consideration*—listen to the individual's concerns.
4. *Empathy*—identify with the individual's feelings.

Progressive Discipline

Unless the violation is extreme, such as theft or violence for example, employees should not be terminated for a first offense. Should termination become necessary, it should be the result of a systematic discipline program. This systematic discipline program should consist of two primary components:

1. *Documentation*—specific publication of all work rules, procedures, and job descriptions in place prior to administering any discipline, and a detailed explanation of the violation thereof.
2. *Policy*—a progressive set of punitive measures that are clearly stated and established in an employee handbook. This policy should be fairly and equally practiced throughout the organization.

A progressive system may start with an unofficial warning (verbal) or a formal written warning, followed by a more stern written warning in conjunction with a suspension from

work without pay. In fairness to the individuals with a suspension, the employer should also indicate that further violation may result in termination so that the individual is advised that further action should be avoided. In the end, should a problem employee require termination, the chance that he can prove wrongful discharge is minimized if the proper policy was followed and documentation exists that can demonstrate such action.

See also: Documentation; Performance Coaching; Performance Management: An Overview; Termination; Training

NOTES

1. H . John Bernardin, *Human Resource Management: An Experiential Approach, 4th ed.* (Boston: McGraw-Hill Irwin, 2007).

2. Steven E. Bers, "Defensive Discipline, Documentation, and Discharge," (2002), http://www.hr.com/servlets/sfs?t=/contentManager/onStory&e=UTF-8&i=1116423256281&l=0&ParentID=1119887457168&StoryID=1119650466890&highlight=1&keys=Disciplinary+%2Bprocedures&lang=0&active=no.

3. Raymond A. Noe, John R. Hollenbeck, Barry Gerhart, and Patrick M. Wright, *Human Resource Management: Gaining a Competitive Advantage,* 4th ed. (Boston: McGraw-Hill Irwin, 2003).

4. Ibid.

5. Ibid.

6. Ibid.

7. Ibid.

Frank E. Armstrong

DRESS CODE

Dress code is highly variable and entirely dependent upon each individual organization. The organization's product and type of labor will determine what type of dress code is appropriate. Getting employees to acquiesce with the dress code is important for the organization's representation as well as the individual employee's image and often, safety. Thus, a company's values may be seen in the dress of employees.[1]

Protective Attire Dress Code

Careers that involve occupational hazards require safety attire as part of the dress code. Some examples of protective attire that might be required in a position with occupational hazards are safety goggles to protect the eyes in a factory, plastic gloves in a laboratory, and nose and mouth masks in a medical facility.

Many hospitals in Florida are recreating dress codes.[2] The General Hospital in Tampa is adding color coordination to the dress code within different departments so that employees are easily distinguished to patients. Some hospitals are now even banning the use of perfumes, jewelry, and manicures as some patients may be sensitive to these products.

Casual Dress Code

Throughout the 1990s, the dress code trend in organizations shifted toward more casual attire. Many businesses adopted "casual Fridays" where employees dress down and often even wear jeans on Fridays. Results from casual dress codes often show improved communication.[3] In *Start Dressing Like a Pro,* Rocha states, "it started when many Silicon Valley firms found that their employees worked better in relaxed clothing than in stiffer, more

traditional work wear, so they adopted this casual look as their daily attire. This slowly trickled down to other companies as they believed casual clothing would make employees more comfortable, and thus boost productivity."[4]

Current Dress Code Trend

While some research has suggested that a relaxed dress code makes for a more comfortable and therefore more productive staff, others argue the opposite. Some companies have observed a correlation between a more casual dress code and ''increased tardiness, decreased productivity, and lack of focus and discipline."[5] Thus, a shift back towards more professional attire is the current trend. "According to the American Industry Dress Code Survey, in a national poll of 201 senior executives at companies with over $500 million in annual revenue, more than half of large businesses maintain a business attire policy —that means suit and tie for the gents and a suit or dress for the ladies."[6]

A survey created by Yahoo!, HotJobs, and Banana Republic in June 2006 found that less than half of men and women are employed at an organization where casual attire is an option. Moreover, 26 percent of employees reported that their organization has never had a "casual Friday."[7] One company, Computer Technology Solutions, has taken the dress code initiative even farther by recently sending out a memo to all employees advising them on the color of socks that are appropriate for their workplace.[8]

Generational Differences in Dress Code

Another important concern encompassing dress code is generational differences. The values and norms among the Baby Boomer generation (born between 1946 and 1964) are much different than those of the millennial generation (born 1980–2000). "Millenials" have grown up in an environment where tattoos and piercing have become socially acceptable. On the contrary, baby boomers first entered a work force in which sporting a suit to the office each day was customary. Approximately 77.5 million Americans make up the baby boomer population and currently hold more leadership positions than any other cohort.[9] Because baby boomers are essentially managing most millenials in the work force, it is crucial for the two groups to understand each other's motivations behind their wants and needs regarding dress code.[10]

Conclusion

Dress code is exceptionally important in the professional representation of organizations. Keeping abreast of current dress code trends as well as understanding generational differences will help organizations and their employees maintain a professional image.

NOTES

1. Jennifer Burkhart, *Understanding Organizational Culture* (State Library and Adult Education Office: Colorado State Department of Education, Denver, 1995).

2. Ibid.

3. Nicole Benkert, "Dress Code Trends," *Advance for Health Care,* July 1, 2004.

4. Ardella Ramey, *A Company Policy and Personnel Workbook,* 4th ed. (Central Point, OR: Oasis Press, 1999).

5. Roberto Rocha, "Start Dressing Like a Pro," *AskMen.com* http://www.askmen.com/money/successful_100/105_success.html.

6. Benkert, "Dress Code Trends."

7. Raymond W. Neal, "Dealing with Dress Codes," *Looksmart FindArticles* (Media Central Inc., April 25, 2000), http://www.libsci.sc.edu/bob/class/clis724/SpecialLibrariesHandbook/neal.htm.

8. Kathy Gurchiek, "Comfort is the Main Criterion for Dress Attire" (Society for Human Resource Management, November 2, 2006), http://www.shrm.org.

9. Cindy F. Crawford, "Breaking the Dress Code," *Birmingham Business Journal,* April 16, 2007.

10. Deborah Gilberg, "Generation X: Stepping Up to the Leadership Plate," *CIO,* April 11, 2007, http://www.cio.com/article/103503/ (accessed June 1, 2007).

Meghan Clarisse Cave

E-MAIL/INTERNET POLICY

The Internet and e-mail have revolutionized the world's communication. They have allowed individuals and organizations alike to communicate more easily and efficiently, while crossing geographic and cultural obstacles.

Organizations should create and use Internet/e-mail policies to strategically outline proper use of employees' work time with the computer and to facilitate an efficient work environment.

Reasons for Email/Internet Policies

The government of the United Kingdom developed Internet and e-mail laws in their Data Protection Act in 1998. They list two major reasons to introduce policies for Internet and email use within an organization:

• To ensure that communications resources are not wasted and productivity does not suffer.
• To help protect the business from potentially damaging material being sent or received via the Internet or email and any possible resulting legal action.[2]

Suggestions for Creating E-mail/Internet Policies

When considering what policies should be created and implemented, organizations should customize policies and procedures that best fit with their goals and objectives. It does not hurt to get advice or view other organization's Internet policies for helpful ideas, but it is important for employers to know what will help their own organizations, and of course, have policies that are purposeful and pragmatic. A few suggestions to consider when creating Internet/e-mail policies are:

• Review your potential liabilities from Internet and e-mail misuse by writing policies that promote company privacy and productivity.
• Consider how you can maintain and police your policies.
• Think about how you can handle overuse of the phone, voicemail, email, or paging.
• Encourage employees to communicate their thoughts and ideas on Internet and e-mail policies to their managers, sponsors, and other stakeholders.
• Remember: policies should reflect the organization's culture relating to privacy.[1]

Understanding the Risks

Organizations want to be effective and successful. They will use any resources that will help them accomplish their mission and goals. Often they will obtain outside resources to

keep their competitive "edge" in the market. The Internet is probably the most widely used resource, and it allows everyone to virtually communicate with almost anyone without wasting time, energies, or money. But as with any good commodity, one must understand the risks and safeguard oneself from liabilities and abuse. The most common risks include the following:

- Downloading files that contain viruses
- Obtaining copyrighted material such as music or films
- Transmitting valuable or sensitive business information without encryption
- Distributing or relaying offensive or abusive material via e-mail
- Generating junk email, or spam, via mass mailings
- Accepting files from people in online chat rooms which could bypass firewalls or e-mail filters

Further, organizations must avoid being overly dogmatic when executing guidelines. Applying a proper balance of common sense and thinking through potential risks will give employers the ability to have policies and procedures that work for instead of against their organizations. Trivial abuses of the system include transferring large file attachments or wasting work time on Internet surfing, personal e-mail or online chat rooms. More serious misconduct may result in disciplinary or even legal proceedings. This includes accessing or downloading pornography or other offensive material, libeling or defaming colleagues or even external business contacts via email, and using the Internet to commit fraud or other illegal acts.[2]

The Internet and e-mail are great tools that can help any organization to be productive and stay connected to employees and clients alike. But these tools can also be misused and become a hindrance. Organizations must be wise and accurately communicate their expectations and limitations of e-mail and the Internet. Then organizations should and must consistently monitor Internet and e-mail usage in order to maintain integrity and organizational standards.

NOTES

1. Darrel Raynor, *Internet & Email Policy Discussion,* Data Analysis & Results, Inc. 1999, http://www.dataanalysis.com.

2. *Introduce an Internet and Email Policy.* Guide developed with The National Centre, http://www.businesslink.gov.uk.

Roger Odegard

EMERGENCY PREPAREDNESS

Emergency preparedness plans and/or preparedness procedures are important to a business. Having plans or procedures in place will allow a company to be ready for the worst should an emergency occur. While it may not be often that an emergency arises, having a plan or procedure in place assists in the safety of the employees, safety of the customers, and the safety of vital assets or information of the business. Depending on the size of the business and the size of the emergency, the fate of the business can be sealed by how the employees react in an emergency. Emergencies can occur in different forms; therefore, it is important to have different plans and procedures in place for the different types of

emergencies. Emergencies fit into the following categories: accidents, crime, natural hazards, and technological hazards.

Accidents

The best way to brace for an accident is to have plans or a set of procedures for employees to abide by. An accident can range anywhere from an employee injuring himself on company grounds, to a structural weakness of the building resulting in damage, to a process going wrong at the workplace causing damage. Enforcing proper OSHA (Occupational Safety and Health Administration) standards—many of which require an emergency action plan—and following the proper rules and guidelines will reduce the risk of an accident occurring. However, should an accident occur, following proper procedures and regulations should help reduce the amount of resulting damage.

Crime

Organizations must also be prepared for crime. While minor office theft is not an emergency, employees being held at gunpoint obviously is. Some companies will need emergency plans in place to prepare themselves for such acts. The company should also be braced to handle situations where data integrity is compromised and to respond to such violations.

Natural Hazards

Natural hazards that can occur include earthquakes, fire, floods, hurricanes, high winds, landslides, mudslides, sinkholes, thunderstorms, tornados, tsunamis, volcano eruptions, extreme cold, extreme heat, and winter storms/blizzards. Nature is unpredictable; having emergency plans or procedures in the event of severe weather will help prevent harm or the loss of employees' and customers' lives. Furthermore, having separate emergency plans to accommodate specific hazards is imperative. For example, an emergency plan to go underground for a tornado would not work in the event of a flood.

Technological Hazards

According to the Federal Emergency Management Agency (FEMA), "The number of technological incidents is escalating, mainly as a result of the increased number of new substances and the opportunities for human error inherent in the use of these materials." Depending upon the severity of the technological hazard occurring, employees might have to perform actions such as evacuating a small area of the business or a lockdown of the premises.

Conclusion

The four main types of hazards—accidents, crime, natural hazards, and technological hazards—can happen at any time. Organizations should be able to respond to these quickly and effectively with emergency preparedness plans and/or procedures in place detailing how to deal with each specific situation accordingly.

See also Disaster Recover Plan; Occupational Health and Safety Administration (OSHA); Safety

Resources:

Federal Emergency Management Agency (FEMA). "Are You Ready? An In-depth Guide to Citizen Preparedness," July 3, 2006. http://www.fema.gov/areyouready/ (accessed January 21, 2008).

FEMA. "Are You Ready? Technological Hazards," May 2, 2007. http://www.fema.gov/areyou-ready/technological_hazards.shtm (accessed February 8, 2008).

Occupational Safety and Health Administration (OSHA). "OSHA's Mission." http://www.osha.gov/oshinfo/mission.html (accessed February 8, 2008).

U.S. Department of Health and Human Services (HHS). "Disasters and Emergencies." http://www.hhs.gov/disasters/ (accessed January 21, 2008).

Chris Armstrong

EMPLOYEE ATTITUDE SURVEY

Also known as a climate survey or an employee engagement survey, an employee attitude survey (EAS) is a measurement of the attitudes, satisfaction, and commitment level of an organization's employees, as well as the effectiveness of managers, as seen by employees. It is generally administered by a neutral party, which could be either internal or external to the organization, and responses are kept confidential so that honest feedback can be obtained. Employee attitude surveys are used to find out whether action needs to be taken to make employees more satisfied. Although sometimes a one-time event, an EAS should be done regularly for maximum benefit.[1]

Typical EAS Questions

Employee attitude surveys typically consist of two types of questions: What parts of the jobs or rewards are motivating to the employee, and are employee needs being met?[2] Organizations like Wild Oats use employee attitude surveys as an indicator of how happy their employees are.[3] Typical questions include, "How happy are you with your job?" and "How do you feel about benefits, pay, and morale at your job?" Questions may also deal with management, for example, "Does your immediate manager involve you in planning the work of your team?" "Do you have sufficient authority to do your job well?" or "Does your manager provide a clear vision for your team?"[4] Questions can either use a rating scale or be open-ended to get more qualitative information. Comments by employees may be even more useful than rankings in some instances.

Administering and Giving Feedback on an EAS

Care should be exercised when administering an EAS, as merely conducting one raises employee's expectations that something will be done with the data.[5] Although it seems that asking employees what they think shows that the company cares about them, asking employees about their opinions and then not acting on those opinions may result in cynical employees and lower morale.

Data collected from the employee attitude survey should be shared with the company's employees, along with an action plan for dealing with any issues that arise from the analysis. Employees should also be given an opportunity to respond to both the data and the issues brought up by the survey and to have a role in addressing those issues.

From these surveys, employers can find out what is important to their employees, thus motivating them, and what needs to be done differently to avoid dissatisfaction.[6] As a result of concerns raised by its employees in their EAS, the Wild Oats company offered stock options, a wellness allowance, and retroactive raises to its employees.[7]

Conclusion

An EAS is a method used to find out what employee thoughts and attitudes are about an organization. It is administered confidentially to ensure honest responses. Once conducted, the data and analysis should be shared with employees, along with an action plan designed to address the issues brought up by the survey. If feedback does not occur, for example, when leaders do not like the results, employees often feel ignored, leading to lower morale. Surveys should be done regularly to assess progress and to keep the company informed of employee satisfaction.

See also Motivation; Retention

NOTES

1. Liz Simpson, "What's Going On in Your Company?" *Training,* June 2002: 30–35.
2. Sarah Coles, "Satisfying Basic Needs," *Employee Benefits,* October 2001: 3–7.
3. "Employee Surveys Get Results," *Leadership for the Front Lines,* December 2000: 7.
4. Mats Sundgren, Marcus Selart, Anders Ingergard, and Curt Bengston, "Dialogue-based Evaluation as a Creative Climate Indicator: Evidence from the Pharmaceutical Industry," *Creativity and Innovation Management,* March 2005: 91–92.
5. Simpson, "What's Going On in Your Company?" 30–35.
6. Coles, "Satisfying Basic Needs," 3–7.
7. "Employee Surveys Get Results," *Leadership for the Front Lines,* 7.

Barbara A. W. Eversole

EMPLOYEE HANDBOOK

Employee handbooks are guidelines for the relationship between employee and employer. Policy manuals, by contrast, are procedural, operations-focused, and typically are directed at supervisory and managerial staff.[1] Employee handbooks began as general statements on policies and procedures but now often include more general content such as organizational mission and vision.[1] Additionally, since the 1980s there has been a significant amount of litigation surrounding employee handbooks as guarantors of continuous employment and as contracts for continuing benefits. Human resource departments charged with creating employee handbooks would be wise to consult with an attorney to understand the complexity of the laws and precedents in their state prior to publishing a handbook or revisions to a handbook.[2]

Employee Handbook Contents

The contents included in employee handbooks can vary depending on the industry, size of the company, and number of employees.[3] Content will vary even more widely if the handbook must cover international issues.[4] It is strongly recommended that all

handbooks be reviewed by an attorney and benchmarked against peer organizations. The language used must be carefully constructed to ensure that no employment contract is formed by developing the handbook or its policies.

A general framework for content includes the following sections: a welcome, employee expectations, workplace rules, compensation and benefits, professional development, expenses, emergencies, disclaimers, and acknowledgements.

A Welcome

A welcoming statement to new employees should be provided along with an explanation of the purpose of the handbook. A brief history of the company and the evolution of its products and services, as well as the organizational mission statement and vision statement could be included in this section.

Employee Expectations

Expectations of employees regarding a drug-free workplace, business ethics, Internet, computer use, and e-mail use, as well as statements of the organization's policies on equal opportunity employment, harassment, and affirmative action need to be given.

Workplace Rules

A list of conduct rules for employees should be presented in the employee handbook, including tardiness, absenteeism, lunch breaks, short breaks, smoking, dress code, use of company vehicles or property, anti-harassment rules, and consequences for rule infractions, including any progressive disciplinary procedure. An explanation of how complaints are handled, methods of resolving disputes, and other disciplinary issues should be addressed.

Compensation and Benefits

Payroll procedures, pay grades, rules and approvals governing overtime pay, work week hours, and time reporting procedures should be covered in the employee handbook. A summary of benefits including health insurance, life insurance, workman's compensation benefits, and retirement plans should also be included. Information on paid time off, holidays, vacation and/or sick leave, funeral leave, jury duty, military deployment, maternity leave, short term disability, and other leaves of absence, as well as who is eligible for leaves, how time may accrue, when vacation time must be taken, and the amount of time that may be carried forward from year to year, if any, should be included. Programs such as the Employee Assistance Program (EAP) and tuition reimbursement also should be outlined.

Professional Development

A description of the opportunities available for professional development and training and whether there are resources available internally for such development should be provided. Procedures for performance evaluation, transfer, and/or promotion within the organization should be offered. If the organization offers internal postings for jobs, those procedures should be presented as well.

Expenses

An explanation of the procedures surrounding reimbursement of expenses, travel arrangements, organizational credit card use, and petty cash should be outlined, including pre-approvals that may be required and customary time frames for reimbursement.

Emergencies

An explanation of the organization's crisis plan, media contacts, and employee procedures during internal emergencies should be outlined. Contact information for the families/partners of employees should be obtained, and employees should be provided with a person to contact in the organization in the case of a personal emergency. Safety and accident reporting rules also should be addressed.

Disclaimers

Disclaimers are a feature of employee handbooks that allow organizations to reserve certain rights, indicate that the handbook can be amended, and explain that the handbook is for informational purposes only and does not create a binding contract. Disclaimers may also include a statement about the handbook not overriding the at-will employee relationship. There should be a direct correlation between the disclaimers in the handbook and the acknowledgement of receipt of the handbook that employees sign.

Acknowledgments

Acknowledgments are signed by employees upon receipt of their employee handbook. The acknowledgment document is kept in the human resources office. Acknowledgments indicate that the employee has received the employee handbook and stipulates that the employee is required to read and understand the handbook. The acknowledgement should indicate that the handbook is not a contract or guarantee of continued employment and that the organization can change, eliminate, or supplement any provisions in the handbook, including benefits, workplace rules, organizational policies, and compensation and benefits. Procedures for how notification of these changes will be made should be included in the acknowledgement form. Acknowledgements may also indicate to whom employees should direct questions regarding the contents of the handbook.

See also Employment-at-Will; Employment Law: An Overview

Resources:

AELE Library of Case Summaries of Employment and Labor Law for Public and Safety Agents. http://www.aele.org/law/Digests/emplmenu.html.

 AHI Employment Law Resource Center.: http://www.ahipubs.com/.

 Society for Human Resource Management. www.shrm.org.

NOTES

1. "Do's and Don'ts for a Highly Effective Employee Handbook," *Compensation and Benefits for Law Offices,* September 2006: 2–5.

2. Kenneth A. Jennero, "Employers Beware: You May Be Bound by the Terms of Your Old Employee Handbooks," *Employee Relations L.J.* 20, no. 4 (Autumn 1994): 299–314.

3. "Employee Handbooks: Have You Updated Yours Lately?" *HR Focus,* July 2007: 5–6.

4. Dennis A. Briscoe, *International Human Resource Management* (Englewood Cliffs, NJ: Prentice Hall, 1995).

Debra Orr

EMPLOYMENT-AT-WILL

Employment-at-will is a common law doctrine that gives employers the right to hire, fire, demote, and promote whomever they choose, at any time, with or without prior notice,

and for any reason unless there is a law or contract to the contrary.[1] It also gives employees similar rights—to quit a job at any time, with or without notice, for any reason. Employment-at-will is the general rule of employment in the United States, unless a formal agreement or contract stipulates a different relationship, such as a union labor contract.

Interpretation of the employment-at-will doctrine varies from state to state, and there are state and federal laws that may limit the employment-at-will relationship between employees and employers. Human resources professionals must be aware of the most common exceptions to the employment-at-will doctrine, and what guidelines employers should follow in order to protect their employment-at-will rights.

Exceptions to Employment-at-Will

The most common exceptions to employment-at-will include exceptions based on public policy, implied contract, or covenant of good faith and fair dealing.

Public Policy

The focus of all the public policy exceptions is the understanding that an employer cannot take negative action against an employee for fulfilling legal obligations or for exercising her legal rights. Public policy generally includes four main categories of conduct: (1) refusing to commit illegal or unethical acts, (2) performing a legal duty, (3) exercising legal rights, and (4) whistle-blowing.[2]

Public policy violations are the most widely recognized exceptions to the employment-at-will doctrine. Some examples of public policy exceptions include serving on military duty or jury service, reporting a workers' compensation claim, refusing to falsify company documents or commit perjury, reporting an employer's illegal actions, or filing a complaint of discrimination with the Equal Employment Opportunity Commission (EEOC).

Implied Contract

An implied contract exists when an agreement is implied from circumstances, even when there has been no formal written contract between the employee and employer. These implied contracts can prevent employers from treating their employees as at-will, because the implied contract has created obligations that the employer must follow. Some examples of implied contracts may include the following:
- An employee handbook that indicates employees will only be terminated for "just cause";
- Disciplinary action policies that promise a specific number of written warnings before termination; or
- A verbal promise made to an employee regarding job security.

Covenant of Good Faith and Fair Dealing

Some courts have held employers to an implied covenant of good faith and fair dealing. This means that a termination may not be justified if the employer did not act with honesty or has inflicted harm without justification.[3] The covenant of good faith and fair dealing assumes that there is an implied contract for every employment situation, which prevents an employer from terminating employment based on a decision made in bad faith. An example of this may be an employee who is fired shortly before becoming vested in the employer's retirement plan.

This is the least used exception to the employment-at-will doctrine because many courts are not willing to attempt to determine an employer's motive, and do not wish to circumvent the long-standing at-will employment standard.

Guidelines for Employers

Although the employment-at-will doctrine is well established in the United States, the majority of states have found circumstances that erode employers' rights to take action under an employment-at-will law. Because of this, it is important for companies to understand the employment-at-will doctrine and take action to protect its rights. The Society for Human Resource Management (SHRM) provides several suggestions for employers to follow:[4]

• Avoid representing the job as "permanent";
• List in job applications, offer-or-employment letters, and employee handbooks that employment is at-will;
• Require employees to sign an acknowledgement that they have received the employee handbook, that the handbook is not a contract, and that employment is at-will;
• Accurately and factually document performance appraisals, warnings, disciplinary actions, and discharge;
• Establish an internal conflict-resolution procedure; and
• Follow the organization's disciplinary process.
  See also Disciplinary Procedures; Employee Handbook

NOTES

1. Society for Human Resource Management, *The SHRM Learning System Module 5: Employee and Labor Relations* (2007), 21–23.
2. Ibid.
3. Ibid.
4. Robert J. Lanza and Martin Warren, "United States: Employment at Will Prevails Despite Exceptions to the Rule," *SHRM Legal Report,* October-November 2005, http://www.shrm.org/hrresources/lrpt_published/CMS_014415.asp#P-10_0 (accessed October 5, 2007).

Shanan M. Mahoney

EXEMPT-NONEXEMPT EMPLOYEE

In most situations, the Fair Labor Standards Act (FLSA) requires employers to pay employees at least the federal minimum wage for each hour worked, and it also requires overtime pay for any hours worked in excess of 40 hours per workweek. However, there are exemptions to these rules. The term "exempt" refers to employees who may be excluded from FLSA minimum wage and overtime requirements; "nonexempt" employees are covered by those requirements.

FLSA Exemption Requirements

The FLSA has identified three requirements, all of which must exist in order for an employee to be classified as exempt. The employee must earn a minimum salary level, must be paid on a salary basis, and must perform exempt duties.

Minimum Salary Level

The first requirement is that the employee must be paid a certain weekly minimum salary of $455 per week, or $23,660 per year; computer-related employees have a salary level requirement of $455 per week, or $18.20 per hour.[1] These amounts cannot be subject to reductions due to changes in the quantity or quality of work performed.

In most cases, if an employee does not earn the minimum of $455 per week, she cannot be considered exempt, even if she does meet the other requirements. However, outside sales employees are not subject to this salary level requirement.

Paid on a Salary Basis

The second requirement is that the employee must be paid on a salaried basis. This means that the employee is paid a predetermined set salary amount for each week of work, regardless of the number of hours worked. The employer cannot take improper deductions from the employee's pay. For example, the employer cannot take deductions from an employee's pay because the employee came to work late or left work early.

Perform Exempt Duties

The third requirement is that the employee must perform exempt duties. These duties can include executive, administrative, professional, computer, or outside sales duties. The FLSA has criteria to help define what types of duties are included under each category, and these are discussed below.

Exempt Duties Test

Executives, administrative, professional, computer, and outside sales employees are often referred to as "white-collar" employees and may be exempt from FLSA overtime and minimum wage regulations. It is important for employers to correctly identify employees who perform exempt duties. Job title alone is not sufficient to justify exempt duties. FLSA provides specific guidelines and criteria that must be met in order to meet the exempt duties requirements.

Executive Employees

In order to be considered an executive employee, an employee must
- have a primary duty involving management of an enterprise or a customarily recognized department or subdivision of the enterprise;
- customarily and regularly direct the work of two or more other full-time employees or their equivalent; and
- have the authority to hire or fire other employees; or the employee's suggestions and recommendations as to the hiring, firing, advancement, promotion, or any other change of status of other employees must be given particular weight.[1]

Administrative Employees

In order to be considered an administrative employee, an employee must have a primary duty of performing office or nonmanual work directly related to the management or general business operations of the employer. These duties must include the exercise of discretion and independent judgment with respect to matters of significance.

Professional Employees

Professional employees can be classified into two categories: learned professionals and creative professionals. The learned professional exemption is for employees who perform duties requiring advanced knowledge. The advanced knowledge must be in a field of science or learning and is generally acquired by a course of specialized intellectual instruction. Examples include lawyers, doctors, teachers, engineers, and pharmacists.

Creative professionals perform duties that require invention, imagination, originality, or talent in a recognized field of artistic or creative endeavor. Examples include actors, writers, musicians, and graphic artists.

Computer Employees

To qualify for the computer employee exemption, an employee's primary duties must fall into one of four categories:

- Application of systems analysis techniques and procedures
- Design, development, analysis, creation, testing or modification of computer systems or programs
- Design, documentation, testing, creation, or modification of computer systems related to machine operating systems
- A combination of these duties[2]

The computer employee exemption criteria do not require that the employee consistently exercise discretion and judgment and is not limited to computer employees who work in software functions.

Outside Sales Employees

As mentioned earlier, outside sales employees do not need to meet the minimum salary requirement in order to qualify for FLSA exemption. They do, however, need to meet certain criteria related to the job duties. Outside sales employees must have a primary duty of making sales or obtaining orders for contracts or services or for the use of facilities for which a consideration will be paid by the client or customer. They also must be customarily and regularly engaged away from the employer's place or places of business.

Safe Harbor

In 2004, the U.S. Department of Labor issued several revisions to the FLSA regulations that helped to define and clarify exempt status employees. One of these revisions was an update, referred to as the "safe harbor" regulation, which describes what could happen when an employer makes improper deductions from an exempt employee's pay. Under these new regulations, if an employer is shown to have an actual practice of making improper deductions, it could lose the exempt status for all employees in the same job classification.

The safe harbor provisions can also protect an employer from losing the exempt status for making improper deductions, regardless of the reason for the improper deduction, when the employer[3]

- has a clearly communicated policy that prohibits improper pay deductions and includes a complaint mechanism;
- reimburses employees for any improper deductions; and
- makes a good-faith commitment to comply in the future.

Because of the safe harbor provisions, employers should take action to ensure their employees are classified correctly, correct any past improper pay deductions, and review pay policies to ensure that they meet all FLSA exemption guidelines.

See also Fair Labor Standards Act (FLSA); Minimum Wage

NOTES

1. Camille Olson, Noah Finkel, and Russell Gore, "Overtime Exemptions for White-Collar Employees: New Regulations Clarify Status," *SHRM Legal Report,* June 2004, 6–9.

2. Society for Human Resource Management, *The SHRM Learning System Module 4: Compensation and Benefits* (2006), 9–17.

3. Ibid.

Shanan M. Mahoney

FLEXTIME

Flexible work schedules, also known as alternative work schedules, are alternatives to the traditional eight-hours-a-day, five-days-a-week work schedule. Flexible types of schedules are becoming more and more prevalent in today's workplace. By offering flexible work schedules, employers can help to better meet the changing needs and expectations of the workforce by providing employees with options that give greater flexibility in creating work schedules.

Flexible Work Schedule Options

As businesses become more focused on retention initiatives, employee motivation tools, and finding ways to meet employees' needs for a work/life balance, human resource professionals will need to be familiar with flexible work schedule options and know how to successfully implement them in the workplace. Flextime, job sharing, compressed work weeks, regular part-time, hoteling, and phased retirement are a few of the options employers and employees are using.

Flextime

One of the most popular flexible work schedules is known as flextime. In this option, employees have the ability to set their own hours while still covering core hours each day (hours that all employees must be at the workplace). For example, a company may still require employees to work eight hours a day, but the employees have the flexibility to work those hours anytime between 6:00 AM and 6:00 PM The core hours that all employees must be present at work would be between 9:00 AM and 3:00 PM (assuming each employee takes a one-hour lunch).

Flextime is especially useful for companies that operate in large metropolitan areas where heavy commuter traffic is an issue and for companies that provide services in multiple time zones.

Job Share

Job sharing allows two part-time employees to share responsibility for the hours and duties of one position within an organization. This type of flexible work schedule provides the company with full-time coverage for a position, while allowing the individual members of the job share to work a reduced number of hours during the week. The job share partners, sometimes referred to as partners in practice,[1] or PiPs, must have excellent communication skills between themselves and with customers, in order to be successful in the job share partnership.

Compressed Work Week

This option allows employees to work the required number of hours each pay period, but to do so in a limited number of days. The most common form of compressed work week is the "4/40" schedule where an employee works four 10-hour days in order to meet the required 40 hours per week.

Regular Part-time

Employees who are regularly scheduled, but work less than a full-time schedule, are usually considered to be at regular part-time status. The number of hours and scheduling varies from company to company. Employers also vary in the benefits packages that are offered to part-time employees versus full-time employees.

Hoteling

Hoteling is a flexible work schedule option that is most often used with employers who have a workforce that does not need on-site workspace for an entire day. Employees can reserve "an office," which generally includes a desk, phone, and computer equipment, for a specific time period. This allows one workspace to be utilized by many employees.

Phased Retirement

In phased retirement, an employee gradually reduces the number of hours worked, in preparation for full retirement. As the baby boomer generation prepares for retirement, a phased retirement system allows for a smoother transfer of knowledge and a more controlled succession plan.

Conclusion

The availability of flexible work schedules is one option that employers can use to increase workers' freedom and motivation. Flexible work schedules have been shown to decrease tardiness and absenteeism, increase employee company loyalty, and are viewed as a positive recruitment tool.[2]

See also: Job Sharing; PTO (Paid Time Off) Bank

Resources:

Society for Human Resource Management. *The SHRM Learning System Module 5: Employee and Labor Relations* (2007), 59–64.

NOTES

1. Pamela M. Dixon-Krausse, "Integration of Learning and Practice for Job Sharing Partnerships," in proceedings of *Academy of HRD* (Indianapolis: 2007).

2. David A. DeCenzo and Stephen P. Robbins, *Human Resource Management,* 6th ed. (New York: John Wiley & Sons, 1999), 111–15.

Shanan M. Mahoney

GRIEVANCE

The last 25 years has witnessed a significant decline in the percentage of unionized workers in the U.S. workforce, from 30 percent in 1975 to just under 14 percent today.[1] Despite this, unionization remains the norm in many industries, including services industries such as transportation, education, and hospitality, and unions are making concerted efforts to grow their membership base and organize employees in new industries.[2] Moreover, grievance procedure is a mandatory item in any collective bargaining agreement eventually reached between an employer organization and a collective bargaining unit as represented by a specific labor union. For these reasons, HR must be informed about the normative union grievance process.

Typical Grievance Procedure Steps

By definition, a grievance is a complaint from a unionized employee that has been formally documented and submitted. The grievance process is fairly normative across organizations and industries and includes the following progressive steps:[3]

- *Step 1: Discussion of written grievance*—the employee discusses the grievance with the union steward (the union's representative on the job) and the employee's supervisor.
- *Step 2: Meeting between union steward and supervisor's manager and/or HR manager*—if still unresolved, the union steward then elevates the grievance to a discussion with the supervisor's manager.
- *Step 3: Grievance committee consideration*—if still unresolved, the union steward elevates the grievance for consideration by the union's grievance committee, which in turn discusses the grievance with appropriate company managers.
- *Step 4: Meeting between national union representatives and executives of the company*—if still unresolved, the grievance committee elevates the grievance to the national union office, which in turn engages the executives of the company relative to the grievance.
- *Step 5: Grievance arbitration*—if still unresolved, the national union office elevates the grievance for adjudication by an impartial third party for ultimate resolution.

Grievance Procedure as Strike Aversion Tool

A well-designed and managed grievance procedure can help an organization avoid a costly and potentially disastrous strike situation. In the end, virtually all strikes are overwhelmingly costly for all involved, propagating collective bargaining as a zero-sum game. Thus, HR must proactively employ the grievance procedure as a catalyst for resolving employee complaints before they escalate to a strike.[4]

See also: Arbitration, Bargaining Unit, Collective Bargaining, Labor Unions

NOTES

1. U.S. Bureau of Labor Statistics, http://stats.bls.gov.
2. Stacy Hirsch, "Unions Reach Everywhere for New Members," *Baltimore Sun,* January 25, 2004.
3. Robert L. Mathis and John H. Jackson, *Human Resource Management* (Cincinnati, OH: South-Western College Publishing, 2000), 628.
4. Jeffrey A. Mello, *Strategic Human Resource Management* (Mason, OH: Thomson South-Western, 2006), 536.

Scott A. Quatro

INDEPENDENT CONTRACTORS

An organization must comply with Internal Revenue Service (IRS) regulations in its role as an employer. One of the responsibilities of an employer is the accurate categorization of workers as either employees or as independent contractors (IC), with the corresponding tax withholding and reporting functions inherent in either category of workers. Categorizing a worker as an IC exposes the organization to the greatest amount of risk since the IRS assumes that all workers are employees unless it can be documented otherwise. Failure to properly classify individuals can result in assessment of taxes, penalties, and interest.

Employee or Independent Contractor?

Organizations are responsible for determining the status of their workers for compensation, benefits, and tax purposes. The difference between employees and independent contractors proves critical.

Employees

Essentially, all individuals performing services for the organization for which they will be compensated are presumed to be employees unless they meet the criteria of independent contractor status discussed below.

Generally, current employees who perform additional services for which they will be compensated in addition to their regular duties will still be classified as employees. The following IRS questions provide additional guidance on determining employee status:

- Does the employee receive instructions on how the job is completed? (ICs do not receive instructions.)
- Does the employee receive training for the job? (ICs do not receive training.)
- Are the employee's services integrated into the business operations?
- Are the services rendered personally? (ICs can provide other employees to complete an assignment.)
- Does the employee work with assistants? (ICs hire, fire, and pay for their own assistants.)
- Is there a continuing relationship with the employer? (ICs do not have a continuing relationship.)
- Does the employee have set hours? (ICs set and control their own hours.)
- Is the work considered full time?
- Is the work completed on the organization's property? (ICs can complete the work any place they desire.)
- Is the work completed in a sequence set by the organization? (ICs have control over how a result is to be achieved.)
- Does the organization require regular or written reports?
- Is the employee paid by time rather than by the project? (ICs are typically paid by the job and not by time worked.)
- Is the employee reimbursed for expenses (for example, travel)? (ICs are paid by the job and generally not reimbursed for expenses.)
- Does the organization supply tools and materials? (ICs normally provide their own tools and materials.)
- Does the individual have an investment in the facilities or tools he is using? (ICs have a significant investment.)
- Can the individual realize a profit or loss?
- Does the individual work for more than one firm at a time? (ICs are free to work for more than one firm at a time.)
- Does the individual make his services available to the general public? (ICs make their services available to the general public.)
- Does the organization have the right to discharge the individual? (ICs can only be terminated for failure to comply with the terms of the agreement.)
- Does the individual have the right to quit the job? (ICs have a liability to complete the project to the satisfaction of the organization in accordance with the contract or agreement.)

The above questions are designed to determine who exercises control over the individual. If the organization has the legal right to control both the method and the result as to

where, when, by whom, and how the work is to be performed, then the individual should generally be classified as an employee.

Another determining factor is which party is carrying the worker's compensation insurance? Most ICs carry their own worker's compensation insurance policy. They should provide the organization with a certificate of insurance before the work is completed.

Employees are paid through payroll and are subject to withholding of appropriate taxes. They will receive a W-2 at the end of the calendar year. ICs typically bill the organization for work or services rendered.

Independent Contractors

The general rule is that an individual is an independent contractor if the organization has the *legal right* to control or direct *only* the results of the work but not the means and method used in accomplishing the result. Generally, ICs hold themselves out in their own names as self-employed and make their services available to the public. Examples of individuals who might be considered for IC status include

   a. Individuals providing professional services such as architects, accountants, attorneys, models, or medical providers; or
   b. Consultants who routinely hold themselves out to the public and provide service for a fee.

Under certain circumstances, employees could be considered independent contractors if the following conditions are met:
• They operate a business outside the organization and offer their services to the public.
• They provide their own equipment and supplies.
• They complete the work on their own time and at their own discretion.

When paying an independent contractor, the organization typically completes a written agreement and a purchase order. The contract generally specifies work to be completed, time frame, and cost.

A Form W-9 "Request for Taxpayer's Identification and Certification" must be completed by the independent contractor and submitted to the organization to support the payment request to the accounts payable office. The Form W-9 can be found at http://www.irs.gov/pub/irs-fill/fw9.pdf.

Independent contractors are typically paid through accounts payable. Taxes are not withheld and the compensation will be reported to the individual at the end of the calendar year on an MISC 1099 for all amounts over $600.

See also: Exempt-Nonexempt Employee
Resources:
IRS Publication 15-A, "Employer's Supplemental Tax Guide" (Washington, DC: Internal Revenue Service, 2007), http://www.irs.gov/publications/p15a/index.html.
 IRS Publication 15-B, "Employer's Tax Guide to Fringe Benefits" (Washington, DC: Internal Revenue Service, 2008), http://apps.irs.gov/publications/p15b/ar01.html.

Edward Dorman

LABOR UNIONS

Unions function as legal representatives of workers in many industries and are a way for the workers to have a voice within an organization. In the past, unions not only fought

for better working conditions for employees but also higher wages and benefits. Because of these and similar issues, unions and management were, and sometimes still are, on different sides of the labor bargaining table.

History of Labor Unions

The labor/trade union can trace its history back to 1794 with the formation of the Federal Society of Journeymen Cordwainers (shoemakers), which was organized in Philadelphia.[1] What could be considered the first nationwide strike took place within the railroad industry in 1877. During this strike a large number of railroad employees lost their lives: this violence was a precursor of things to come.[2] After the national railroad strike, workers seemed ready to do anything to protect their way of making a living and earning the American dream. In these early years, union members committed murders, beatings, bombings and other terrorist-like actions in an attempt to make their point with management.

For their part, management was not totally innocent in these labor wars. Employers would sometimes hire armed guards to intimidate workers or engage in strong armed strategies to thwart a union movement or break up an existing union. Many times after an employee vote to strike, management would hire nonunion workers to cross the picket line and take over production. In many instances violence ensued.

Unions Today

The modern workplace has improved dramatically, with much of the credit attributed to unions. Unions continue to fight for improved working conditions, wages, benefits, and involvement in decision making, while yielding significant political clout.

Union membership reached a high in 1954 with over a quarter of the workforce—17 million out of a possible 60 million workers—represented by a union. As of 2006 that number had fallen to only 12 percent out of a possible 128.4 million employed, which equates to 15.4 million individuals belonging to a union.[3] This reduction is due to drastic declines in the number of workers at U.S. automobile and steel plants, an increase in the ability of nonunion companies to secure contracts and market share, rising health and benefit costs, and falling interest in unions on the part of workers. The largest U. S. labor unions today are the AFL-CIO and the Change to Win Federation, which split from the AFL-CIO in 2005. Most union gains have been in the service sector and education.

Union Legislation

Private sector unions are regulated by federal and state laws. At the federal level, the National Labor Relations Act (NLRA), passed in 1935, is administered by the National Labor Relations Board (NLRB), the overseeing body. Each state also has its own labor laws and labor board. Under the NLRA, even a vote from a minority of employees enables them to form a union, which can then represent the rights of only those who voted in favor of the union. Although once widely used, the minority model was abandoned when unions began to consistently win majority support. This "members only" model is being considered once again as unions lose employee support and labor laws curb workers' ability to organize.

Shops

Companies that employ union workers are described as closed, union, agency, or open shops. Closed shops employ only workers who are already union members; the company is required to recruit from the union membership. Union shops may hire nonunion workers but establish a time limit within which new employees must join the union. An agency shop allows nonunion works but requires them to pay a fee to the union for its services (for example, negotiating the contract). An open shop may have both union and nonunion employees, and does not require the nonunion workers to pay a fee to the union or contribute to the collective bargaining process. In some states, "right-to-work" laws mandate open shops.

Implications for Managers and HR

Unions represent the interests of their members in the workplace, which is an important consideration for all managers and HR personnel. Unions, for example, are responsible for negotiating employment wage ranges, annual pay increases, and benefits for all members. They also establish policies and procedures for hiring, promotion, termination, other employment actions, grievances, and due process. Union members view their representatives as a necessary buffer or layer of protection between themselves and management. Management and HR often perceive unions as intrusive entities that interfere with employer-employee relationships and business practices.

The challenge for managers and HR personnel is to develop successful working relationships that benefit employees and the company. Understanding labor laws and the company's specific union contract is the first step in effectively managing a unionized work force.

See also: Grievance; Labor-Management Relations Act; National Labor Relations Act

NOTES

1. Samuel Gompers, "Labor Unions: Facts and Figures," *American History* 7 (2006): 43.
2. Mark Rathbone, "Trade Unions in the USA," *History Review,* December 2005, 1–6.
3. Yoonsoo Lee and Beth Mowry, "Union Membership," *Economic Trends,* November 9, 2007, 16–17.

Ryan Skiera and Ann Gilley

LAYOFFS AND DOWNSIZING

Layoffs or downsizings are organizational interventions used to reduce the number of employees in an organization. These are typically associated with organizational conditions such as mergers and acquisitions, declines in market positions, reduction in revenue or capital position, technology and/or industry changes, or an implementation of new organizational structures.[1]

Though layoffs and downsizings are widely practiced, many potentially damaging effects can result when an organization chooses to reduce its workforce. The process by which an organization approaches layoffs and downsizings will have a dramatic influence on its short- and long-term successes.

Methods

There are times when an organization realizes a downturn in performance calls for a reconsideration of current employee size, structure, and strategy. If layoffs/downsizings are considered, they must improve the organization's financial condition and effectiveness and not just be perceived as an easy or quick fix. Several approaches can be used to administer layoffs or downsizings. Commonly these include offering employees voluntary retirement, severance and attrition, not backfilling positions, and employee sabbaticals. These offer employees an option of leaving the organization either permanently or temporarily.

Consequences

Most layoffs and downsizing efforts occur because organizations want to attain outcomes such as lower expense ratios, increased profits and return on investments, improved stock prices, lower overhead, better communication and productivity, and enhanced efficiency.[2] These goals, however, rarely actualize and, quite often, negative consequences stem from layoffs and downsizing efforts. Evidence from long-term evaluations of downsizing efforts shows that rarely are the results for productivity improvement, enhanced profitability, or expanded global competitiveness realized.

The negative consequences associated with layoffs and downsizings can be of individual/personal, organizational, and/or community natures.[3] Results for those let go, such as displacing employees and their families and psychological and emotional damage, are likely to occur. For the employees who remain in the organizations, feelings of guilt due to being retained are common. Furthermore, reduced performance, namely in the forms of reduced creativity, increased fatigue and stress, amplified resentment toward the organization, and intense risk of aversive choices and behavior, are often unforeseen and unaddressed.[4] Additionally, employees of organizations who experience layoffs and downsizings express feelings of job insecurity, loss of stability, lowered attachment to the organization, an invalidation of the psychological contract, and a higher intent to leave.

Organizations, often through the voluntary loss of gifted members who were initially retained, experience a reduction of experience, knowledge, skills, and abilities throughout.[5] Additionally, a reduced ability to be flexible, lowered morale, and less frequent instances of organizational citizenship behavior are often experienced. Furthermore, drain on the organization's learning efforts, lower customer satisfaction levels, and damage to the organization's reputation are also unanticipated results. Finally, and likely most importantly, a decline in performance is often the most telling effect of the downsizing or layoff effort.

Layoffs and downsizings can easily result in societal or community-based negative consequences as well. Lowered levels of attachment to organizations can occur because of downsizing experience with an organization. Additionally, lack of community support and a reduction in customer willingness to continue past purchase behavior often transpire.

There are also possibilities for positive consequences because of layoffs and downsizing efforts, though there has not been the empirical linkage of these in research to date. Employees who are retained in layoff/downsizing efforts may experience opportunities for career and personal growth, job enhancement, improvements such as better communication from a flattening of the organization, greater instances of teamwork, and a broader consideration of who the organizations' constituents or stakeholders are.

Advantages of Layoffs and Downsizing

The most important advantage of layoffs and downsizing is the immediate reduction in labor costs of the company. For many organizations their highest cost is labor, which includes salaries and benefits, and these can be cut dramatically in a layoff and downsizing effort. If a firm loses some of its profitability due to an increase in costs or a decrease in market share and sales, layoffs and downsizing will have an immediate, short-term benefit of improving the bottom line. This cost reduction has the added benefit of costing very little to implement and is very easy to accomplish. Another benefit is that processes are often improved, with employees able to do more with less, when layoffs and downsizing are combined with a reengineering effort. Some organizations found that, over time, they had built redundant or inefficient processes. Organizations that have gone through a layoffs and downsizing hope to be more flexible and adaptable to fluctuations in the market.[6]

Disadvantages of Layoffs and Downsizing

Although extremely popular at one point, layoffs and downsizing have recently been viewed more unfavorably. Layoffs and downsizing by making personnel cuts across the board without process improvement may mean that the organization loses many valuable workers. Many companies that have downsized have faced increased business without having enough human resource capacity to take advantage of the upturn.[7] Employees who are left behind after a layoffs and downsizing are often demoralized and overworked, leading to burnout and survivor guilt, along with poor customer service and quality.[8] Another disadvantage of layoffs and downsizing is that job seekers may see a downsized company as less attractive, unless layoffs and downsizing were accompanied by lots of support for and communication with employees.[9] Twenty-six percent of middle managers report that their organizations are mismanaged as a result of layoffs and downsizing.[10] Despite hopes to the contrary, stock prices have not been boosted as a result of layoffs and downsizing efforts by organizations.[11]

Considerations

If downsizing is implemented, there are several processes to follow for an improved chance at achieving the desired outcomes. Several things should be considered: short-term cost savings, costs related to severance and placement services, and the expenses associated with long-term workforce rebuilding needs. Additionally, a focus on the stakeholders, both internal and external, must occur. Similarly, customers' experiences should be kept in mind. Services for those who are retained, such as those that provide emotional support and recovery, are also necessary. Communication must be a primary focus of everyone from the leader of the organization to the immediate frontline managers.[12] A focus on being honest and transparent when handling all decisions and acting with integrity and ensuring that all promises that were made are kept should be priorities.

See also Organizational Development and Change: An Overview; Organizational Design; HR Strategy; Termination; WARN Act

NOTES

1. Wayne F. Cascio, "Downsizing: What Do We Know? What Have We Learned?" *Academy of Management Executive* 7 (1993): 95–104.

2. Kenneth P. De Meuse and Mitchell Lee Marks, *Resizing the Organization* (San Francisco: John Wiley & Sons, 2003).

3. Gail T. Fairhurst, Francois Cooren, and Daniel J. Cahill, "Discursiveness, Contradiction, and Unintended Consequences in Successive Downsizings." *Management Communication Quarterly* 15 (2002): 501–40.

4. Jeffrey E. Lewin and Wesley J. Johnston, "The Impact of Downsizing and Restructuring on Organizational Competitiveness," *Competitiveness Review* 10 (2000): 45–55.

5. Ibid.

6. Tahira M. Probst, Susan M. Stewart, Melissa L. Gruys, and Bradley W. Tierney, "Productivity, Counterproductivity and Creativity: The Ups and Downs of Job Insecurity," *The British Psychological Society,* September 2007, 479–97.

7. Henry Mintzberg, "Productivity is Killing American Enterprise," *Harvard Business Review,* July–August 2007, 25.

8. Philip Cheng-Fei Tsai, Yu-Fang Yen, Liang-Chih Huang, and Ing-Chung Huang, "A Study on Motivating Employees' Learning Commitment in the Post-downsizing Era: Job Satisfaction Perspective," *Journal of World Business,* June 2007, 157–69.

9. John Kammeyer-Mueller and Hui Liao, "Workforce Reduction and Job-Seeker Attraction: Examining Job Seekers' Reactions to Firm Workforce-Reduction Policies," *Human Resource Management* Winter (2006): 585–603.

10. Michael Laff, "Middle Managers Feel Squeezed," *Training and Development,* June 2007, 20.

11. Philip Cheng-Fei Tsai, Yu-Fang Yen, Liang-Chih Huang, and Ing-Chung Huang, "A Study on Motivating Employees' Learning Commitment in the Post-downsizing Era: Job Satisfaction Perspective," *Journal of World Business,* June 2007, 157–69.

12. James R. Morris, Wayne F. Cascio, and Clifford E. Young, "Downsizing After All These Years: Questions and Answers About Who Did It, How Many Did It, and Who Benefited from It," *Organizational Dynamics* 23, no. 1 (1999): 78–87.

Anne E. Herman and Barbara A. W. Eversole

MEDIATION

Mediation is a type of alternative dispute resolution, in which a neutral third party facilitates disputes between individuals, groups, organizations, communities, or governments in order to reach a negotiated and voluntary resolution.[1] Mediation utilizes a variety of techniques to initiate and/or enhance communication between parties in a dispute. For instance, parties involved in mediation are offered the chance to discuss the issues in a dispute, identify each other's concerns, clarify misinformation or misunderstandings, and discover common ground. In general, mediation assists people to agree on a mutually acceptable resolution.[2]

Mediation is an attractive form of conflict resolution because it increases cooperation and communication, while typically being free, fair, confidential, and empowering. Mediation also saves time and money, as well as helping avoid litigation.[3] Mediation can be utilized to prevent disputes and anticipate contentious issues before they occur. In general, mediation is used to help resolve disputes involving families, divorces, estates, workplace conflicts, environmental issues, landlord/tenant conflicts, and school conflicts. In relationship to human resource management, mediation can play a central role in resolving many conflicts. The most common HR-related conflicts for which mediation is regularly employed are EEO-related grievances and collective bargaining impasses.

In fact, both the EEOC (Equal Employment Opportunity Commission) and the NLRB (National Labor Relations Board) can be viewed as mediation agencies, both with the mission of assisting in the resolution of HR-related conflicts without involving judicial proceedings whenever possible.

Principles and Techniques

Mediation is founded on principles of respect for others' views, impartiality, voluntary participation, and the authority of the mediator.[4] Typically, a mediator does not directly resolve the dispute at hand, but instead begins by informing the interested parties about the process of mediation and that he is a neutral party in the dispute. A mediator must be aware of people's personalities and any behaviors not constructive to the process of mediation. During the mediation process, a mediator facilitates a discussion which evaluates the potential impacts of various solutions on the table and then offers opportunities to refine those solutions. A typical mediation includes the following steps:
- Introduce and establish credibility of the mediator
- Introduce the participants
- Establish mediator's role of authority in the mediation process
- Establish mediator's impartiality
- Emphasize the consensual nature of the mediation process
- Review the mediation process and outlining of procedures
- Establish trust that the mediation will be confidential
- Ensure people with authority to settle the dispute are present
- Clarify parties' willingness to mediate in good faith
- Engage in bargaining and negotiation
- Reach consensus and resolution
- Gain commitment to ensure resolution takes place[5]

  See also Arbitration; Conflict Resolution; Grievance; Negotiation

NOTES

1. U.S. Equal Employment Opportunity Commission, "Facts about Mediation," United States Government, http://www.eeoc.gov/mediate/facts.html (accessed December 8, 2007).
2. Ibid.
3. Ibid.
4. Marian Roberts, *Developing the Craft of Mediation: Reflections on Theory and Practice* (London and Philadelphia: Jessica Kingsley Publishers, 2007), 94–108.
5. Sharon C. Leviton and James L. Greenstone, *Elements of Mediation* (Pacific Grove, CA: Brooks/Cole Publishing), 22–37.

Matt Neibauer

NEGOTIATION

Whether we realize it or not, we negotiate every day. We negotiate with family and friends, co-workers, supervisors, clients, providers, competitors, and the community. Negotiation is the communication between two or more people trying to agree on conflicting interests. Negotiation is "an interaction in which people try to meet their needs

or accomplish their goals by reaching agreement with others who are trying to get their own needs met."[1]

The Negotiation Process

The negotiation process is more than just the meeting itself. What leads up to the actual negotiation meeting can be an important determinant of its success. Negotiation is a five-part process; the first three parts are pre-negotiation, which sets the stage for a successful negotiation:[2]

1. Defining the Problem—How does each party define the problem? Do they share an interest in seeing it solved? Are all members of a party on the same page?
2. Producing a Commitment to a Negotiated Settlement—Is negotiating better than living with the problem? Is the other party willing to negotiate in good faith? Is a fair settlement possible?
3. Arranging Negotiations—Setting the time, location, feasibility, who will be at the table, seating arrangements, and cultural considerations.
4. The Actual Negotiation—Coming together with effective communication to seek agreement.
5. Implementation—Parties should have a stake in implementing the agreement reached. Until the agreement is successfully implemented the negotiation itself is not a success.

Approaches to Negotiating

Negotiation styles can vary. Some people are hard negotiators, some are soft, and some fall in the middle. Negotiators sometimes stay fixed on their position and try to force the other party or parties into giving them their way. This hard stance approach is sometimes referred to as zero-sum, distributive, or positional bargaining. It is characterized by forcefulness, tricking, making smaller concessions than the other and claiming they are big, trying to out think the other and wearing them down;[3] basically playing hardball. There are those that favor this model where, "Negotiation then is primarily a process of splitting the pie."[4] Hard negotiating can have its drawbacks, however, because it erodes the relationship between the negotiators, making interaction strained and future negotiations less likely. Also, hard negotiators tend to see only limited resources and solutions, and thus he best solution possible may be overlooked altogether.

Some people want to avoid conflict or repercussions and simply give in to others' demands. Parties making quick concessions and agreements that do not meet their needs characterize this soft approach. People rarely get what they want with this method of negotiation, and it can be especially devastating when the other party participating is a hard negotiator. It also can set a precedent for future negotiations that may make it harder to accomplish goals and can foster feelings of exploitation and resentment against the other party.

Both the hard and soft approaches to negotiation can produce less than optimal results. There is another way, however. This approach has been called mutual gains, integrative, or interest-based.[5] It is a way of looking at interests rather than positions, sharing information, using creative problem solving, and looking for ways to enlarge the pie. Yes, there is a benefit to trying to get other party's needs met as well as one's own.

In *Getting to Yes*, this is called "principled negotiation" and a strong argument surfaces for this type of approach.[6] The following well-known story about an orange illustrates the possible benefits. Two children both wanted an orange, but there was only one.

They fought over who should have it and each ended up with half. This was the solution of positional bargainers. Each wanted the orange; that was their position. From this standpoint only one could truly get what she wanted, so they both failed to reach their goals. This is an example of splitting the pie versus expanding the pie for all. If only these children knew to discuss interests instead of positions they would have found that each wanted a different part of the orange: One, the peel for baking, the other the flesh for eating. They could have both had what they wanted without depriving the other, but instead neither got what she really wanted or needed.

Interests and Positions

What are positions and interests? "Your position is something you have decided upon. Your interests are what caused you to so decide."[7] Identifying positions is rarely difficult, although identifying interests can be. For example, a supervisor stating, "I wish that just once you would show up on time!" surely is letting you know her position. What is behind that statement? What does she need? Perhaps a deadline is looming and she is nervous about missing it? Maybe she has been reprimanded for her staff being late? These are a few examples of what the supervisor's interests may be underlying her position.

Tips and Pitfalls in Negotiation

Looking at interests rather than positions in a negotiation is just one way to strengthen your power in finding the best solution. The following lists provide a number of suggestions for what to do and what not to do.

Tips for Successful Negotiation
- Take into account not just our own needs, but the needs of the other party.
- Look for ways to expand the pie—"create value, expand options, develop win-win outcomes."[8]
- Be aware of and respectful of cultural differences.
- Don't take it personally
- Try to see the other's point of view, put yourself in her shoes.
- Be a good listener as well as a good speaker.
- Take both short- and long-term goals into account.
- Be creative, brainstorm.
- Look at the interests behind the positions: yours and theirs.
- Try to uncover shared interests.
- Look for uncommon interests that can be dovetailed.
- Separate the people from the problem.
- Be honest.
- Look to the future, not the past
- Know your Best Alternative to a Negotiated Agreement, or BATNA.[9]

Pitfalls to Successful Negotiation
- Having overconfidence.
- Not valuing other parties' concessions.
- Focusing only on positions.
- Making assumptions.
- Being dishonest.
- Being closed-minded.

- Seeing a fixed pie.
- Being stubborn.

Conclusion

"The goal of negotiators is to improve upon available alternatives to agreement and to do so in ways that push toward efficient, mutually beneficial deals."[10] Being a successful negotiator involves many elements. There are different approaches, and negotiators may define their successes differently. In many cases though, looking at interests rather than positions, seeing the issue from the other's point of view, and generating the greatest number of possible options can point one in the right direction for a successful negotiation.

See also: Arbitration; Conflict Resolution; Mediation

NOTES

1. Bernard S. Mayer, *The Dynamics of Conflict Resolution: A Practitioner's Guide* (San Francisco, CA: Jossey-Bass, 2000).

2. J. Wm. Breslin and Jeffrey. Z. Rubin, eds., *Negotiation Theory and Practice* (Cambridge, MA: Program on Negotiation Books, Harvard Law School, 1993.)

3. Deborah M. Kolb and Linda Putnam, "Through the Looking Glass: Negotiation Theory Refracted through the Lens of Gender," in *Workplace Dispute Resolution: Directions for the Twenty-first Century,* ed. S. Gleason (East Lansing: Michigan State University Press, 1997).

4. Ibid., 253.

5. Kolb and Putnam, "Through the Looking Glass."

6. R. Fisher and W. Ury, *Getting to Yes* (New York: Penguin Books, 1991).

7. Ibid., 41.

8. Mayer, *The Dynamics of Conflict Resolution,* 145.

9. Fisher and Ury, *Getting to Yes.*

10. Kolb and Putnam, "Through the Looking Glass," 231.

Sarah E. Asmus Yackey

OMBUDSMAN

Ombudsman is a noun with an etymological origin from the Old Norse word *umboths-mathr,* meaning "commission of man." The modern definition derives its meaning from Sweden or New Zealand and represents a government official who is "appointed to receive and investigate complaints made by individuals against abuses or capricious acts of public officials, or one that investigates reported complaints (as from students or consumers), reports findings, and helps to achieve equitable settlements."[1]

The term ombudsman may have derived from a Teutonic word usage characterized by an impartial agent tasked by an "aggrieved party" to collect payment on behalf of a client of another party.[2] The idea was to use an unbiased party who was known to hold legal abilities, possess impeccable integrity, could conduct an impartial investigation without political opinion, and would be charged with the task of investigating matters involving dispute.

The use of ombudsmen began during the early 1700s when the king of Sweden, Charles XII, was in exile in the Ottoman Empire due to the defeat of the Swedish Army

at the battle of Poltava. During the period Charles XII was in exile, he commissioned an ombudsman, later called the Office of the King's Chancellor, to ensure statutes and civil servants were within the prescribed parameters of the kingdom. Within a hundred years, the Swedish parliament added the position of ombudsman to its constitution.

The ombudsman concept spread to North America in the 1960s and, although the Canadian national government did not adopt the concept, ten Canadian provinces created positions. Initiatives to gain official mandated Ombudsman positions within the United States failed during the mid 1960s and early 1970s. Nassau County, New York, became the first governmental agency within the United States to create an ombudsman position in 1966. As a result of the action in New York, several states followed suit, which caused rapid growth of the concept.

The Ombudsman Today

An ombudsman has five essential traits: first, status as an officer of the legislature rather than the executive branch of government; second, political and investigative independence; third, the lack of any ability to impose any remedy; fourth, an independent power to begin investigations; and finally, the ability to provide for direct, informal, speedy, and cheap resolution of appeals.[3]

Office of the National Ombudsman

By design and regulation, the National Ombudsman is an independent, impartial and confidential agent who investigates small business complaints (and comments) in the regulatory enforcement and compliance arena.[4] The Small Business Administration of the U.S. government has a functioning National Ombudsman. The National Ombudsman is housed in Washington, DC, in the Office of the National Ombudsman (ONO), which is a subagency of the U.S. Small Business Administration. (The mission of the SBA is to ensure a fair and timely business environment for small businesses.)

The ONO works closely with the Regulatory Fairness Board to review enforcement and regulatory issues, which may have an adverse impact on the millions of small businesses within the United States. The goal of the ONO is to remove or reduce small business impediments rather than force small businesses to circumvent federal mandates, rules, and requirements.

Building partnerships with small business is the goal of the ONO, which is designed to build and foster an atmosphere and environment of partnership by improving the regulatory requirements placed on small business in the spirit of cooperation and assistance. The Office of the National Ombudsman acts promptly and thoroughly on comments received from small businesses. The ONO sees the submission of comments as an excellent opportunity to foster and maintain a sound, working relationship with small businesses. Knowledge is gained in four important areas through the receipt of small business comments: first, these allow for a timely, high-level review of small business concerns; second, these allow the ONO to evaluate their field practices; third, small business comments give the ONO an avenue to evaluate the effectiveness of regulatory requirements; and, fourth, they provide the Federal Administration and Congress with a forum to address reforms. Efforts by the Office of the National Ombudsman and small businesses have realized social and political capital, allowing each to continue working in a friendly allied environment.

Implications for Managers and HR

Within organizations, the investigation of employee complaints typically falls within the domain of the HR or legal departments. The skill set of the HR practitioner may be richer than that of the ombudsman, with far greater reach and impact when applied to all of the environments in which results are a mainstay. The most important ombudsman skill possessed by managers and HR professionals is that of an impartial mediator who seeks consensus through negotiated resolution, cooperation, and reduction of conflict. Core competencies such as essential business knowledge and skills, communications, leadership, problem solving, and political navigation facilitate stakeholder problem resolution and equip internal professionals with a well-developed tool kit that exceeds that of the typical ombudsman.

See also Arbitration; Conflict Resolution; Mediation; Negotiation

NOTES

1. Merriam-Webster, Inc., *Merriam-Webster Dictionary* (Springfield, MA: Merriam-Webster, 2007).

2. N. Nemeth, *News Ombudsmen in North America, Assessing an Experiment in Social Responsibility* (Wesport, CT: Praeger, 2003).

3. Donald C. Rowat, *The Ombudsman Plan: The Worldwide Spread of an Idea* (Lanham, MD: University Press, 1985).

4. Small Business Administration, *Fostering a More Business Friendly Regulatory Enforcement Environment, FY 2000 Report* (Washington, DC: GPO, 2001).

Dean Nelson

OUTSOURCING

Today's global economy encompasses an expanded marketplace for products and services that has forever changed the competitive landscape. Organizations have turned to outsourcing as a means to sustain a competitive advantage. The decision to outsource is a strategic one, which must take into consideration several factors.

Definition

An organization represents a buyer of raw materials, which it subsequently transforms into finished products and services for another individual, the customer. "Customers, in turn, use, consume, or transform these outputs in their own processes."[1] A buyer may contract with a supplier to purchase raw materials in the form of products and services. In this type of an arrangement, the buyer provides the supplier with specifications and instructions on how to perform the work. A buyer may also choose to outsource a process to a supplier. In this situation, the outsourcing buyer communicates the desired results but surrenders control over how the supplier or outsourcing provider achieves those results. Peter Bendor-Samuel, CEO of the Everest Group and Outsourcing Center, explains, "It is the transfer of ownership that defines outsourcing."[2]

Organizations have opted to outsource aspects of their work to achieve growth and increase efficiency in their operations. Suppliers presumably have special expertise and economies of scale in the areas of work for which they assume responsibility and are held

accountable. Economies of scale are achieved when the average cost per unit of a product or service decreases as more units are produced in a large-scale operation.[3]

Location

Location must be considered when deciding to outsource a particular process or function rather than keeping it inhouse. *Offshoring* by U.S. organizations involves outsourcing overseas to India, China, and other such countries. Outsourcing offshore has been widely debated in the media as a source of concern for the loss of domestic jobs. *Nearshoring* offers offshore locations but with outsourcing providers in neighboring countries, such as Canada. This option is sometimes perceived as less risky and less politically charged.[4] Domestic outsourcing is an alternative to establishing work abroad and should not be overlooked, especially by small to midsize businesses. Rural sourcing, for example, involves setting up operations in small towns and remote regions of the country instead of in large cities at a fraction of the cost. *Onshoring* within the United States is becoming attractive also for foreign-based outsourcing providers to better meet the needs of their American counterparts.[5] The local workforce where these new facilities are located benefit from employment and specialized training opportunities.

Additional Considerations

Outsourcing became popular in the early 1990s and was spurred even further after the bust of the "dotcom" bubble in 2001 and the economic recession that followed.[6] Organizations approached outsourcing as the solution to meet growing demands for higher quality products and services at lower costs. Unfortunately, some organizations' expectations were never fully realized because of cultural differences, language barriers, time zones, and so forth. Moreover, inefficient processes were being off-loaded in the hopes that lower wages in the offshore locations would offset the additional personnel needed to resolve the problems.[7] Yet, changing locations alone did not improve performance. These trials and pitfalls were not unique to the United States, as Asia, Europe, Latin America, and other regions around the world looked to position themselves in the global economy and compete for off-shoring work. Today executives recognize the need to consider the potential advantages and disadvantages of outsourcing more carefully, and make decisions that are deliberate and strategic. A thorough analysis of existing operations should be conducted before an outsourcing location is selected to define and understand the drivers and barriers of performance and cost.[8]

Reasons to consider outsourcing are numerous and include lowering costs, increasing efficiency, expanding geographical reach, harnessing talent, and catalyzing innovation. For small and midsize businesses, many outsourcing options exist today compared to just a decade ago. Reasons for them to consider outsourcing are more compelling than ever and include access to specialists on a part-time basis, low startup costs, reduced capital requirements, and fast startup time.[9]

Organizations must make staffing decisions about who to hire and where the individuals will work. Such determinations will affect not only the organizations but also the local and national economies over time. "Labor will be the driving factor that changes outsourcing in 2008"[10] and beyond. Organizations must balance risks and benefits concerning whether an outsourcing provider, perhaps located offshore, or their own inhouse staff

should have direct contact with customers. Outsourcing was once reserved for nonessential activities, but today it pertains to these and core processes alike. Core processes are those key processes that are essential to the organization's success.[11] For example, the decision to outsource a call center is a critical one that could lead to either increased effectiveness of the service or decreased customer satisfaction.

Given today's competitive environment, organizations should consider adopting a global sourcing strategy according to current and future business demands. Companies that do not embrace outsourcing may lose ground to their competitors. Executives should evaluate the big picture and develop a performance improvement program[127] which incorporates performance measures to "establish the outsourcing relationship, measure progress, and support negotiations for renewals or contract changes."[13] The partnership should be actively managed such that the outcomes are not left to chance but rather are thoughtfully considered at each stage within the aspect of the work being outsourced and are results based not process based. Outsourcing can be a useful management tool with the proper planning and management structures to support its success.

See also Competitive Advantage; HR Strategy; Staffing: An Overview

NOTES

1. Arthur R. Tenner and Irving J. DeToro, *Process Redesign: The Implementation Guide for Managers* (Reading, MA: Addison-Wesley, 1997), 59.

2. "What is outsourcing?" *OutsourcingFAQ.com,* OutsourcingCenter, An Everest Group Company, http://www.outsourcing-faq.com/1.html (accessed March 29, 2008).

3. "Economies of scale," *Dictionary.com, The American Heritage Dictionary of the English Language, Fourth Edition* (Houghton Mifflin Company, 2004), http://dictionary.reference.com/browse/economies of scale (accessed March 29, 2008).

4. Jennifer Mears, "Offshoring Closer to Home," *Network World,* March 14, 2005, http://www.networkworld.com/news/2005/031405-nearshoring.html (accessed March 29, 2008).

5. Denise Dubie, "Outsourcing Moves Closer to Home," *Network World,* November 29, 2007, http://www.networkworld.com/news/2007/112907-nearshoring.html (accessed March 29, 2008).

6. "Offshoring Work: Business Hype or the Onset of Fundamental Transformation?" *Long Range Planning* 39, no. 3 (2006): 221.

7. Geraldine Fox, "Fix and Mix Approach to Offshoring," *Network World,* February 14, 2008, http://www.networkworld.com/news/2008/021408-fix-and-mix-approach-to.html (accessed March 29, 2008).

8. Ibid.

9. Dan Twing, "10 Reasons Why Small Businesses Should Consider Outsourcing," *Network World,* July 5,2006, http://www.networkworld.com/newsletters/asp/2006/0703out1.html (accessed March 29, 2008).

Peter Bendor-Samuel, "The Two Ways Offshoring Will Change Outsourcing in 2008," Outsourcing Center. An Everest Group Company, http://www.outsourcing-journal.com/nov2007-everest.html (accessed March 29, 2008).

10. Peter Bendor-Samuel, "The Two Ways Offshoring Will Change Outsourcing in 2008," Outsourcing Center. An Everest Group Company, http://www.outsourcing-journal.com/nov2007-everest.html (accessed March 29, 2008).

Arthur R. Tenner and Irving J. DeToro, *Process Redesign: The Implementation Guide for Managers* (Reading, MA: Addison-Wesley, 1997).

11. Arthur R. Tenner and Irving J. DeToro, *Process Redesign: The Implementation Guide for Managers* (Reading, MA: Addison-Wesley, 1997).

12. Fox, "Fix and Mix Approach to Offshoring."

13. Amy Schurr, "Study Shows Buyers Less Than Enamored with Their Outsourcers," *Network World,* August 21, 2007, http://www.networkworld.com/newsletters/asp/2007/0820itlead1.html (accessed March 29, 2008).

Alina M. Waite and Lisa Scott Brinkman

OVERTIME

Overtime is the amount of time an employee works in excess of his or her normal working hours. Due to changing demographics, societal trends, and globalization, overtime is becoming an increasingly confusing issue for many organizations regardless of the number of people employed.

Overtime laws were put in place by the Federal Fair Labor Standards Act (FLSA) of 1938. This law applies to employees who work in businesses and industries that engage in or produce goods for interstate commerce, which is virtually every firm. The FLSA established the standard 40-hour workweek and mandated additional pay of 1.5 times the worker's standard rate for hours worked in excess of 40.[1]

The intent of this statute was twofold: to reward individuals who put in long hours and to increase the level of employment within the United States. Framers of the law believed that it would be cheaper for an organization to hire more workers than it would be to pay existing ones the overtime rate. Although this idea was effective in 1938, companies today are finding that it is more cost effective to pay overtime rates to existing employees than to hire additional workers and pay the associated costs of health care and other benefits.

Two classes of worker are defined by the FLSA—exempt and nonexempt. Employees who are exempt from the law, and thus not entitled to overtime pay, include independent contractors and those who are not employees of the company, outside sales people, certain agricultural, live-in, and transportation employees, and certain administrative, professional, and executive (sometimes called salaried or white-collar) employees. To be exempt, administrative, professional, and executive workers must meet varying tests of salary and duties.[2]

Implications for Managers and HR

Organizational managers and HR professionals must understand the nuances of all employment laws, including the FLSA. Several trends challenge complying with overtime laws, including the increase in telecommuting, flexible work, global markets, and technology. For example, some employees prefer comparable time off (called "comp" or "compensation" time) in lieu of overtime pay. Although many managers are sympathetic to this preference and may see this as an opportunity to save the company money, they must understand that this practice is illegal in the private sector under the FLSA. (It is legal for the public sector.) Another common attempt to save money involves managers who require that their employees work "off the clock," which occurs in a variety of ways. Employees may be prohibited from "punching in" or recording actual time worked, or they may not be paid for mandatory travel, meetings, or training. Actions such as these violate the FLSA and may subject the organization to fines and penalties (or lawsuits by disgruntled employees).

HR professionals should stay abreast of employment laws and adequately inform their company's managers and supervisors of the law, its requirements, and consequences for noncompliance. Any questions regarding overtime requirements, the classification of

employees, or other tenets of overtime can be answered at the Department of Labor Web site, www.dol.gov.

NOTE

1. U.S. Department of Labor, http://www.dol.gov.
2. Ibid.

Ryan Skiera

PTO (PAID TIME OFF) BANK

Paid time off (PTO) is generally considered a part of an employer's benefits package to its employees. It is a bank of hours that employees can use for absences from work.

How PTO Works

Most PTO banks are used as a replacement to the traditional vacation, sick, and personal days and holiday employee benefits. Employers establish an accrual system for employees to earn PTO hours; these accrual systems are most often based upon hours worked or a set amount per pay cycle. Table 10.1 shows a sample PTO accrual schedule.

Once the employee has earned PTO time, he may use the PTO hours to be paid for any time away from work, such as vacation, personal illness, caring for a sick dependent, personal days, or holidays. Most employers require that use of PTO be preapproved, except in the case of unforeseen circumstances.

Special Features

Some employers choose to offer special features associated with their PTO bank benefits. These may include the ability for employees to cash out unused PTO, donate PTO hours to another employee in cases of emergency, carry over PTO hours from year to year, or to go into a negative PTO balance with the expectation that the PTO will be earned in a future pay period. These types of special features vary from company to company and must have carefully created plan documents to administer.

Advantages of PTO

Employers are recognizing that there are many advantages of offering PTO. The use of PTO systems has been increasing over the past several years. In 1998, 25 percent of employers offered PTO, whereas in 2005, 67 percent of employers offered PTO benefits.[1]

Table 10.1   Sample PTO Accrual Schedule

Years of Service	*PTO Earned per Hour (in hours)*	*Max PTO Earned per Pay Period (in hours)*	*Max PTO Earned per Year (in hours)*
0–5 years	0.100	8.00	208
5–10 years	0.125	10.00	260
10+ years	0.150	12.00	312

One of the biggest advantages to companies is that PTO encourages employees to schedule time off, instead of having unplanned absenteeism. Being able to use their PTO bank for more vacation days rewards employees who rarely call off work due to illness. It also provides more control to employees in how they use their time off work and is seen as a positive recruitment and retention tool.

Disadvantages of PTO

There are some disadvantages of a PTO system that human resources professionals need to understand. One financial disadvantage that companies may be concerned about is that PTO systems can potentially cost more because employees who may not have used all of their previous sick hours will use all of their PTO hours. Another disadvantage is that employees can start to view all of their PTO hours as vacation hours, and will not call in sick at times when they should stay home.

Conclusion

As more employers are choosing to offer PTO plans in lieu of the traditional time off programs, human resources professionals will need to understand how PTO plans work, and the advantages and disadvantages of these plans.

See also: Benefits, Vacation/Holiday Policy

Resources:

F. John Reh. "Sick Leave vs. Paid Time Off." *Your Guide to Management.* http://management .about.com/od/conflictres/a/SickLvPTO1104.htm (accessed September 26, 2007).

NOTE

1. Steven F. Cyboran and Thomas M. Morrison, Jr., "Paid-Time-Off Programs: Giving Employees More Control Over Leave," http://www.shrm.org/rewards/library_published/benefits/nonIC/ CMS_018373.asp (accessed September 26, 2007).

Shanan M. Mahoney

SECURITY

Security can be defined as freedom from risk or danger; safety.[1] The terms security and safety are often used interchangeably, although security means protection from intentional, even malicious acts of others. Security is, therefore, essential to a business because the people and information contained within are exclusively the responsibility of the business itself. Security risks affect information about how the business operates such as the methods for production and/or services, financial information, customer data, and physical safety and records of employees.

If company, employee, or customer information should become compromised, stolen, or tampered with, or employee safety is at risk, the consequences to the firm could be grave. For example, public and private organizations—even the government—have experienced embarrassing and financially costly losses of assets and data, including inventory, laptop computers with sensitive information, and prototypes of new products. Computer viruses and the destruction and chaos they are capable of causing are nearly legendary.

And deliberate harm to employees, customers, students, or innocent bystanders by individuals bent on revenge, notoriety, or other purposes wreak havoc on those directly or indirectly impacted and drive demands for greater security.

Security Risks

The complexity of organizational competitive environments gives rise to numerous business, regional, national, and international security risks, including the following:
- Data/information security
- Computing/IT/network security
- Theft/fraud
- Physical security
- Financial security
- Home security
- Airport security
- Resource security (for example, food, water, oil, natural gas, steel, lumber, minerals, and so on)
- Homeland/public security/national security
- International security

Security is further defined by perils, risks, and threats. A peril or risk is a cause of loss, such as a fire, earthquake, flood, or theft.[2] A threat is a means by which an event is triggered, such as by a storm, thief, or terrorist. Organizations enhance their security by engaging in "risk management," which is the process of assessing current and potential threats to security (perils, risks) and formulating plans to minimize the threats of loss.

Minimizing Losses, Maximizing Security

Organizations have many tools at their disposal to enhance security for their companies, employees, customers, and any other stakeholders. Commonly deployed strategies include:
- Internal police/security guards
- Audio and video surveillance of employee work spaces, storage facilities, retail areas, and all other business grounds/property
- Insurance
- Employee training
- Establishment of security manuals, policies, and procedures
- Digitation and networking of internal control systems
- Continuous monitoring and enhancement of computer systems to prevent "hacking"
- Rewarding security actions (and punishing violators)

Managers and HR personnel are often heavily involved in security measures, which pervade all aspects of organizational life. HR personnel draft and execute employment letters and contracts that specify terms and conditions of employment, employee confidentiality and intellectual property agreements, policies regarding sharing of employee and company information, security clearance screenings, background and reference checks, and exit interviews, to name a few. Managers and HR professionals collaborate with company security personnel to identify current or potential risks along with possible courses of action to remedy security problems.

Nothing is more important than the security of an organization's people, products, customers, and information. Proper security measures prevent information from being

stolen, protect company assets, and prevent harm of employees, customers, or other stakeholders.

See also Disaster Recovery Plan; Emergency Preparedness Plan

NOTES

1. "Security," *Dictionary.com Unabridged* (v1.1) (Random House, Inc.), http://dictionary .reference.com/browse/security (accessed December 1, 2007).

2. George E. Rejda, *Principles of Risk Management and Insurance,* 10th ed. (Boston, MA: Pearson/ Addison-Wesley, 2008).

Chris Armstrong and Ann Gilley

SEPARATION AGREEMENTS

Separation agreements, also known as termination agreements or severance agreements, serve as a contract between organizations and terminated employees detailing the relinquishment of the right to sue by the employee in exchange for monetary benefit. Separation agreements are most often used when a reduction-in-force occurs due to a merger, acquisition, or economic pressures. Rarely are separation agreements provided to employees who choose to leave the organization or who are fired for cause. Advocates of separation agreements maintain that, when constructed and presented correctly, they can serve as a reflection of an organization's desire to treat its employees fairly and with dignity.[1] Additionally, separation agreements can include clauses covering noncompete and nondisparagement agreements, thereby protecting the organization against additional litigation.

Rationale for Separation Agreements

Managers and HR professionals need to maintain separation agreements as they would any other HR policy, including yearly reviews and ad-hoc updating as necessary. While terminating an employee or planning a reduction-in-force are not events that any manager or HR professional relishes, a pre-prepared agreement can reduce some concerns. Additionally, having a standard policy and separation agreement in place can shield organizations from claims of discrimination because all terminated employees will receive the same information. Finally, because a standardized policy shows an organization's commitment to fair treatment of employees, equity is promoted among employees and the organization's reputation as a fair employer is maintained in the market, which is crucial for future recruiting efforts.[2]

Legal Concerns with Using Separation Agreements

While there are no federal mandates that specifically cover the utilization of separation agreements, employers should check with legal council to ensure compliance with state laws. The Age Discrimination in Employment Act and the Older Workers Benefit Protection Act legislate that employees over the age of 40 are guaranteed a longer review period before deciding whether to sign a separation agreement. Additionally, though not directly affected, separation agreements may be considered a benefit under the Employee

Retirement Income Security Act and should therefore be treated like any other benefit, for which employees have a defined procedure for filing claims, an identified plan administrator, and an appeal procedure for denials. Finally, although separation agreements are designed to protect organizations against lawsuits, employees can not sign away their right to file charges with the Equal Employment Opportunity Commission.[3]

When preparing a separation agreement, the wording should be clear and specific enough to prevent the possibility of future claims of "ignorance" by the employee regarding its contents. Additionally, employees should not be expected to sign the agreement on the spot. Suggesting that the employee consult his own legal counsel reinforces the organization's desire to treat employees fairly. Finally, employees should not be coerced into signing the agreement. Organizations are not required to pay out the financial benefits offered in lieu of a signed agreement if the employee chooses not to sign it.

See also Age Discrimination in Employment Act; Employment Law: An Overview; Retirement; Older Workers Benefit Protection Act; Termination

NOTES

1. John L. Hines, Jr. and Michael H. Cramer, "Protecting Your Organization's Reputation against Cybersmear," *SHRM Legal Report,* December 2006, c (accessed March 9, 2008).

2. Betty Sosnin, "Orderly Departures," *HR Magazine,* November 2005,: 74–78.

3. Condon A. McGlothlen, "Voluntary Separation Programs: A Safer Approach to Downsizing," *SHRM Legal Report,* December 2006, http://www.shrm.org/hrresources/lrpt_published/CMS_007247.asp (accessed March 9, 2008).

Heather S. McMillan

SUBSTANCE ABUSE

Substance abuse is the overindulgence in or dependence on a drug or chemical that harms one's physical and/or mental health or that of others. Those who abuse substances often experience adverse social consequences, including interference with work, family and social conflicts, or legal problems. Substance abuse often leads to addiction or substance dependence, despite the negative consequences. Tolerance occurs when an individual must use a larger amount of the substance to produce the same level of feeling (intoxication). Cessation or reduction of use of a substance may cause withdrawal, which can produce a range of reactions from anxiety or depression to hallucinations and seizures.

Organizations are concerned about substance abuse by employees and the resultant negative consequences for the individual, workforce, and company. Substance abuse leads to greater conflict and violence in the workplace, more accidents, and lower productivity.

Reasons for Substance Abuse

Individuals abuse substances for numerous, complex reasons. For some, abuse of substances is an attempt to self-medicate and improve one's state of happiness or pleasure, or relieve real or perceived pain. For others, abuse of substances may have been prevalent in the home and thus is seen as normal or expected, or behaviors may have been acquired through participation in a peer group (peer pressure may or may not have been an issue).

Regardless of the reason, the cost of substance abuse borne by society is high. Treatment programs, hospitalization, crime, jails, and prisons attest to the link between substance abuse and dysfunctional behavior.

Substances

Many substances are abused by members of society, including drugs, tobacco, and alcohol. Drugs include prescription, nonprescription, and illegal forms, many of which are inexpensive and easily obtained. Marijuana, LSD, cocaine (crack, coke), heroine, methamphetamines (meth, speed, crystal), and club drugs (ecstasy, GHB, and others) are commonly abused. The symptoms of withdrawal may range widely, from confusion and headaches to aggression and stroke.

Tobacco is addictive due to nicotine, although the host of chemicals contained within cigarettes damage health. People use tobacco to relieve depression, curb hunger, lose weight, heighten attention, and so on. Smoking is responsible for the deaths of nearly half a million people each year and related to direct and indirect health care costs estimated at $100 billion per year.[1] Withdrawal symptoms include headaches, sleep disturbances, anxiety, hunger, and depression.

Alcohol, like tobacco, is relatively inexpensive and legal—and therefore readily attainable. Although often used socially or perceived as an "upper," alcohol is actually a depressant. Alcohol lessens one's inhibitions and decreases muscle control and reaction time. Symptoms of withdrawal include anxiety, anger, irregular heartbeat, sleep disturbances, and hallucinations, among others.

Company Policies on Substance Abuse

Most organizations strive to maintain healthy, productive workplaces that are free from the illegal use, possession, or distribution of alcohol or controlled substances. Recently, more and more firms have restricted the use of tobacco products as well, citing workplace environmental quality concerns and the rising cost of health care. Written policies that address substance abuse and consequences must be clear and communicated to all personnel; training of all employees (including supervisors and managers) is highly recommended. Substance abuse policies must clearly specify that employees shall not use illegal substances or abuse legal substances in a manner that impairs work performance, organizational activities, or other stakeholders (employees, customers, vendors) in any way. Employees who violate substance abuse policies must be subject to specified corrective action, up to and including treatment or dismissal under applicable company policies and labor contracts.

Compliance with Federal or State Laws

Challenges to substance abuse policies are uncommon; however, employers must be aware of the laws to which they must abide. Some states have drug testing statutes, restrict testing, or specify procedures to be followed. Some also deem that a worker injured due to serious misconduct or abuse of substances is ineligible for workers' compensation benefits.[2]

The Americans with Disabilities Act prohibits discrimination against a "qualified individual with a disability...because of his disability." This definition does not include any applicant or employee who is currently abusing drugs or alcohol. The act does permit

employers to adopt and enforce drug testing and drug-free workplace policies and to prohibit employees from using illegal drugs. A "qualified individual," however, may be someone who has successfully completed a rehabilitation program or is in such a program and no longer using illegal substances.

The Federal Drug-Free Workplace Act requires that all federal contractors or grant recipients of $100,000 or more must comply with its requirements. Drug testing is not required under the law.

These are but a sampling of the issues and laws relative to substance abuse. Employers must determine which laws exist in their states.

See also Americans with Disabilities Act; Drug-Free Workplace Act of 1990; Employee Assistance Programs; Wellness Programs

NOTES

1. eMedicineHealth, http://www.emedicinehealth.com (accessed April 8, 2008).
2. U.S. Drug Enforcement Agency, http://www.dea.gov (accessed April 8, 2008).

Ann Gilley

SUGGESTION SYSTEMS

A suggestion system process enables employees to voice concerns, make recommendations, or submit ideas regarding company processes, procedures, new ideas, working conditions, and benefits. A suggestion system is a traditional form of employee involvement. Recently they have shown amazing staying power, transitioning from "the box on the wall" to continuous improvement models, and further onto innovation and idea management systems involving wider areas such as creativity, innovation, employee communication, employee involvement, employee motivation, and ideas to improving customer service and to changing culture. Suggestion systems have many benefits, and companies can design a system that fits their culture and ties to company goals.

Benefits of Employee Suggestion Systems

"Companies that set up effective suggestion systems are finding that employees have ideas that can lower costs, increase revenues, improve efficiency, or produce greater quality," said Charles Martin, author of *Employee Suggestion Systems: Boosting Productivity and Profits.* For instance, a study of 47 companies with nearly 450,000 employees showed that employee ideas saved the organizations more than $624 million in 2003, according to the Employee Involvement Association (EIA), a Dayton, Ohio, based organization of professional managers of employment involvement programs. Companies that set up suggestion systems are also seeing an increase in teamwork as employees work together to submit an idea. In addition, employees begin to think more like managers, looking beyond the scope of their own jobs.

Essential Elements of an Employee Suggestion Program

For suggestion systems to be effective, seven key elements should be in place: senior management support, a simple, easy process for submitting suggestions, a consistent process

for evaluating and implementing suggestions, a communication strategy for informing employees of the system and publicizing employee recognition, champions to sustain the system, a fair and motivating reward structure, and a program focused on key organizational goals.

For a suggestion system to be effective, senior management needs to support the system, have a say in the program's focus, and participate in the recognition. Senior management involvement can start with the appointment of an executive sponsor of the program who will be responsible for providing updates in executive meetings, and who can assure the appropriate approvals are being considered.[1]

Submitting ideas is easy with technology. Many companies have a link on their Web site to a form that employees can complete. If the company does not have a Web site or the program is being implemented in a single function of a company, the form can be distributed to the employees and submitted through email. If the program is through email, companies may need to have a box as well if employees want to remain anonymous.

A consistent process for evaluating and implementing the system is critical. Companies can create an evaluation committee and an implementation committee. Both committees should report to the executive sponsor and have a lead overseeing each committee. The committees usually consist of managers and an HR representative. In addition, the implementation committee should have a project manager on the team to ensure any new process identified through the suggestion system is created and completed.

A communication strategy is needed to inform employees about the system and to publicize employee recognition. Communication of the program and recognition can be covered in emails, posted on the company Website or in the newsletter, and announced in team meetings and town halls. In addition, some companies innovate by creating a catchy title for the program and providing employees information in a brochure or a company trinket.

Many suggestion systems are perceived poorly by employees because companies have not created a sustainable system. Having a fresh set of eyes can keep the program alive. This can be accomplished by monitoring the program to ensure it still meets the company's goals. Many companies utilize HR for this process. Rotating committee members and the executive sponsor annually, offering a 30-day special reward for a short-term lift, and asking employees for suggestions all contribute to a successful and well-received system.

Companies tend to be hesitant to start suggestion systems because of the cost. For a program to be fair and motivating it does not need to be expensive. Some companies do reward employees monetarily but many companies focus on the recognition and provide employees with a small gift, gift certificate, shirts with the company logo, or recognize the employee in the company newsletter.

Tying the program to organization goals has many benefits. The program supports the culture the company is creating; it can improve customer service and engage employees in the overall mission and vision of the company.

Suggestion programs are undergoing a new round of revitalization as more companies are looking for ways to involve and engage their employees. When companies truly value receiving input from employees on a regular basis, suggestion system programs are successful and companies have clear and valuable results to show for it.

See also Continuous Improvement Plan; Productivity Improvement Plan

NOTE

1. Susan J. Wells, "From Ideas to Results, To Get the Most from Your Company's Suggestion System, Move Ideas up the Ladder through a Formal Process," *SHRM F Whitepaper,* February 2005.

Cyndi Stewart

SURVEILLANCE

Surveillance is defined as "systematic ongoing collection, collation, and analysis of data and the timely dissemination of information to those who need to know so that action can be taken."[1] Surveillance is important as it allows for protection of a business, its employees, and its customers. In addition, surveillance can assist management to ensure work is being performed properly and in a timely manner.

Surveillance may occur via simple, low-technology methods such as observation or inspection, or via more sophisticated technology, including:
• Telephone tapping
• Eavesdropping or "bugs"
• Closed-circuit television or miniature cameras
• Directional microphones
• GPS tracking
• Electronic tagging
• Internet and computer monitoring
• Aircraft or satellite

Although surveillance is prevalent in our society and cannot be completely avoided, some question the methods or rationale used to support employee monitoring. Challenges to privacy rights surface when employees are uncomfortable with workplace monitoring, commonly as it relates to Internet and email privacy. Recent court rulings, however, have determined that employees should have no expectation of privacy when using employer email, computers, or other equipment. Federal and state laws do prohibit certain surveillance techniques; for example, the monitoring of telephone calls is prohibited without informing both parties (unless one has a warrant), and some states prohibit or regulate "bugs" and/or other surveillance devices. Further, employees do have a reasonable expectation of privacy in such places as locker rooms and bathrooms.

Benefits of Surveillance

Surveillance can protect a business, its employees, and its customers. A business utilizes surveillance to prevent theft, leakage of sensitive information, harassment and discrimination, and vandalism. If a person decides to steal money, information, or other assets, a video monitoring system will identify the individual or individuals responsible for the theft. Acts of vandalism or destruction of company property are also less likely to happen.

Surveillance systems protect employees from multiple harms, including workplace violence or hostility, harassment, false accusations, or injuries. Customers benefit when surveillance decreases shoplifting or stock shrinkage (due to internal or vendor theft) and keeps the cost of goods down. Customers also benefit when they are protected from false accusations (such as for breakage of stock or shoplifting) or injury while on the company's premises with no one nearby to assist—the chance of the patron being seen is improved because people

monitoring the surveillance system are more apt to notice strange behavior. This will assist in customer safety as it will speed up the response time to a medically related incident.

Management Tool

A growing number of organizations are monitoring their employees' and customers' activities due to the low cost of modern technology. Surveillance can be a useful and effective management tool to ensure that work is being performed by the employees accurately and on time, to observe the efficiency (or lack thereof) of processes, and to document work actions. With the use of surveillance, managers have proof that their employees were not performing their duties to an acceptable extent. This information can then be shared with the employees and appropriate positive or corrective action taken.

Implications for Managers and HR

Organizations have a responsibility to maintain healthy, productive work environments for all of their members. One tool useful in protecting the company, its employees, and customers is surveillance. Managers already use their powers of observation to monitor employees, and the use of computer/Internet monitoring is commonplace. HR personnel should inform managers of legal and illegal monitoring methods, keep them apprised of changes in the law pertaining to surveillance, and clarify for all employees the responsibilities, benefits, and consequences of all surveillance.

Conclusion

Surveillance is important to businesses, their employees, and customers to ensure safety, enhance processes, protect information and assets, maintain customer satisfaction, and prevent theft. Surveillance can be used as an effective management tool by ensuring that employees are performing their duties, documenting malfunctions in processes, and reducing workplace violence. Managers and HR personnel are challenged to incorporate surveillance strategically while complying with applicable federal and state laws.

See also: Privacy Rights

NOTE

1. Glossary, "Managing Effective Risk Response: An Ecological Approach (MERREA)," http://www.merrea.org/glossary%20s.htm (accessed November 29, 2007).

Chris Armstrong

TELECOMMUTING

Commuting from the bedroom to the office and drinking morning coffee in pajamas sounds very appealing to today's workforce. In recent years, telecommuting has become second only to salary as the best way for attracting potential employees. In fact, according to a survey of 1,400 CFOs conducted by Robert Half International, 33 percent said telecommuting was *the* leading attraction.[1]

Telecommuting is defined as a work arrangement whereby employees for an organization or self-employed workers benefit from the flexibility in both working location and

hours. Telework is a broader term that refers to the telecommunications aspect of working from a remote location, communicating via Internet, telephone, and so on. This allows for the employee to work from home, from a client's office, or on the road. As technology progresses, the need for organizations to house employees in a stationary work environment decreases. In fact, an increasingly popular motto is, "Work is something you do, not something you travel to."[2]

The Telework Movement

Coined in 1973 by physicist and engineer Jack Nilles, telecommuting or telework, began in the 1970s when mainframe computers paved the way for the first usage of telephone lines as a "network bridge."[3] Since then, telecommuting has gained popularity in the technological corporate community and increasingly in most government entities for federal employees as well.

The Evolution

Nilles, often referred to as the "father of telecommuting," published the first book on telecommuting in 1976,[4] outlining the benefits of telework as it relates to management and development in corporate America. With advances in technology, telecommuting increased. In fact, there were 4 million teleworkers in the United States alone in 1995[5] as compared to 19.6 million in 1999 and 44.4 million in 2004.[6] Therefore, as technology continues to advance, more people may find themselves in a virtual office environment over the traditional office in the future.

Future of Telework

Telecommuting has found a niche in some of the more traditional jobs, which includes data entry, word processing, and the accounting fields. However, more industries are finding that the virtual office can accommodate a wide range of occupations in various industries such as legal, medical, and engineering. As organizations evolve, so will the job market and the need to expand outside of the traditional office environment. According to John Edwards, president of the International Telework Association and Council, some areas in the country could have a telecommuting population as high as 60 percent in the near future.[7]

Telecommuting—Solution or Liability?

As the idea of telecommuting grows, many organizations are faced with deciding whether to join the proverbial bandwagon. How much of a cost savings is it? Will productivity increase or decrease? There are both pros and cons in allowing employees to work outside of the office, which have been analyzed and demystified.

The Virtual Office

When an employee telecommutes, generally there is a place in the home from which he or she can set up a computer and work. In doing this, the organization's overhead is reduced, which, in turn, reduces the need for office space. Both the employee and employer benefit from this situation as the employee is able to write off his/her work expenses and the employer is able to decrease overhead costs. Although there may be additional technological costs for the telecommuter, cost and availability of private networks, high-speed Internet, and so on have become quite reasonable in recent years.

The Accidental Employee

Teleworkers have flexibility compared to traditional office workers and increased productivity because of it. In fact, telecommuting employees are often 20 to 25 percent more productive than the traditional office worker and save employers an average of 63 percent on absenteeism.[8]

One of the disadvantages, however, is that fewer promotions may occur due to lack of visibility in a telecommuting role. Employers can easily take on an "out-of-sight, out-of-mind" mentality since their employees are not seen in the day-to-day operations. Therefore, it is important for teleworkers to effectively communicate using email, telephone, and so on, to exhibit a regular presence in the organization. Effective communication may also cut down on whether or not the teleworker feels social isolation as well.

For some teleworkers, another communication disadvantage is the increase in work load. Since most managers supervise their workers by observation and not by specific objectives, a noticeable increase in work can take place. This causes the teleworker to feel *more* overworked as a telecommuter than in a traditional office.[9]

Another communication issue having a negative impact on the teleworker is adapting to corporate culture. Although apparent in a traditional work environment, culture may be difficult for teleworkers to embrace due to the distance factor and lack of camaraderie with other employees. Therefore, it is management's responsibility for modifying this so they too can acclimatize within the organization.

Big-picture Effects

A recent measure introduced by Senators Ted Stevens and Mary Landrieu is called the Telework Enhancement Act of 2007.[10] This legislation aids in the decrease of pollution caused by commuter traffic, thus reducing greenhouse gas emissions and dependency on oil. In fact, not only is it "green" to telecommute, but there are tax incentives to telecommuting as well. Senator Rick Santorum introduced a tax break with the Telework Tax Inventive bill in June 2005. The introduction of the Parents' Tax Relief Act of 2007 by Senator Sam Brownback and Representative Lee Terry would establish a telecommuting tax credit for parents who telecommute at least 40 percent of the time.[11]

Confidentiality

Although decentralizing information has grown in recent years with the increase of technology, information shared within an organization still needs to follow strict protocol. Teleworkers usually have company data on their personal PCs or laptops, thus increasing the risk for data loss, compromising data integrity, and losing organizational control over the information. This also needs consideration prior to setting up an employee for telecommuting.

NOTES

1. The Telework Coalition, "Telework Facts," Washington, DC, http://www.telcoa.org/id33_m.htm (accessed July 2, 2007).

2. Woody Leonhard, *The Underground Guide to Telecommuting* (Reading, MA: Addison-Wesley, 1995)

3. Jack M. Niles, *Managing Telework: Strategies for Managing the Virtual Workplace* (New York: John Wiley & Sons, 1998).

4. Jack M. Niles, *The Telecommunications-Transportation Tradeoff: Options for Tomorrow* (New York: John Wiley & Sons, 1976).

5. The Telework Coalition, "Telework Facts," Washington, DC.

6. Katharine Hansen, "Making Your Case for Telecommuting: How to Convince the Boss," *Quintessential Careers,* http://www.quintcareers.com/telecommuting_options.html (accessed June 25, 2007).

7. Hope Deutscher, "Working from Home is Becoming a Trend," Prairie Public, http://www.prairiepublic.org/features/ebusiness/future/telecommuting.html (accessed June 25, 2007).

8. The Telework Coalition, "Telework Facts," Washington, DC.

9. The Telework Coalition, "Telework Facts," Washington, DC.

10. U.S. Senator Ted Stevens, "Senators Stevens and Landrieu Introduce Legislation to Promote 'Telework' for Federal Employees," http://stevens.senate.gov/public/index.cfm?FuseAction=NewsRoom.PressReleases&ContentRecord (accessed June 25, 2007).

11. Kristin Durbin, "Terry Introduces Parents' Tax Relief Act," Congressman Lee Terry, http://leeterry.house.gov/Article_Details.aspx?NewsID=1443 (accessed June 25, 2007).

Nicole Brown

TEMPORARY/SEASONAL EMPLOYEES

Many firms utilize a mix of full-time, part-time, temporary, seasonal, and contract workers to fulfill their long- and short-term staffing needs. A temporary/seasonal employee is a worker hired for a specific duration of time. Temporary workers are temporary employees that can work a specified duration of time, given local and state laws. Seasonal employees are workers that are hired for the duration necessary to perform during certain seasons, such as the autumn apple harvest.

Seasonal Employees

Seasonal employees are used in companies whose business fluctuates or is not stable throughout the whole year. Industries for seasonal work can vary from agriculture and entertainment to manufacturing and service. There are times in the year when food cannot be produced, theme parks are closed for the winter, or when a manufactured product will not sell (for example, a snow plow service is of little value in the summer). As such, different industries have seasonal employees on whom they rely during peak times, yet do not employ certain workers when demand is nonexistent.

Temporary Employees

An employee is considered a temporary worker if he or she is employed by a temporary employment agency and is placed in a temporary job at another company's work site. The work might be overseen by a supervisor from either the host company or the temporary agency.[1] Temporary workers are valuable when short-term projects or one-time projects are being undertaken by the company as it eases the workload of other employees or avoids hiring more full-time employees.

Costs and Benefits

Organizations derive numerous benefits from hiring temporary employees, including greater flexibility, cost savings, and the ability to engage and fully prescreen potential permanent workers. Firms commonly use temporary employees during peak times, for

short-term projects, and to fill temporary vacancies. Employees who work on temporary assignments also enjoy greater flexibility, varied work engagements, the potential to learn new skills, and the ability to investigate the desirability of a potential permanent employer.

While hiring temporary workers may save a firm money, some studies show that the cost of hiring temporary workers is just slightly less or about the same as compared to hiring a full-time worker. Of the amount of wages paid, the temporary employee receives only a portion of what is charged by the agency to the host firm. The overage is markup over wages paid to cover the agency's administrative costs. Markups vary depending on the assignment, job specialty, experience required, and other special requirements as stipulated by the company. Markups can range anywhere from 25 percent to over 100 percent.[2] It is important to perform a cost/benefit analysis to determine whether temporary workers or full-time workers are preferred. Also, while benefits do not have to be paid to temporary workers, the questions of quality and reliability must be considered.

Legal Issues Involving Temporary Workers

Confusion sometimes arises as to whether a temporary worker is an independent contractor or a temporary worker. The IRS' test for determining a worker's employment status is called the "common law test." Three areas are used to determine how much control an employer has over an employee. The areas are behavioral control on the job, financial control, and the relationship with the employee.[3] The more control the employer has over an employee, the better the chance the employee is a temporary worker and not an independent contractor. Independent contractors have more freedom in how they perform their job duties and have more say in the amount they receive for duties performed, but often have to purchase their own supplies and work in their own manner.[4]

Conclusion

Seasonal employees work part of the year as their services are needed, while temporary employees work for a specified duration. Both seasonal and temporary workers benefit employers that need to fill talent gaps for the short-term, such as when a company has a one-time project or expects seasonal demand to peak. The additional cost of hiring temporary or seasonal employees must be considered and balanced in contrast to hiring additional full-time employees who may be more qualified or reliable.

See also Independent Contractor

NOTES

1. "Temporary Employees—Know Your Rights," Equal Rights Advocates, http://www.equalrights .org/publications/kyr/temporary.asp (accessed April 10, 2008).

2. "The Cost of Temporary Workers," AllBusiness, http://citationmachine.net/index.php?reqstyleid =2&reqsrcid=39&mode=form&more= (accessed April 11, 2008).

3. "Independent Contractors," IEEE, http://www.ieee.org/portal/pages/services/financial/tax/ independentcontractors.html (accessed April 11, 2008).

4. "Independent Contractor—Pros of Working as an Independent Contractor," About.com, http:// jobsearchtech.about.com/od/jobs/l/aa083099_2.htm (accessed April 11, 2008).

Chris Armstrong

TERMINATION

Terminations, the ending of employment relationships, present real challenges for human resource professionals and frontline managers. Whether the ending of the employment relationship is due to an economically motivated reduction in force, as is often the case for layoffs or downsizing, or "for cause" (based on specific performance deficits), careful attention to the protocols followed can make a difference in the impacts of termination on individuals and organizations.

Terminations during Layoffs or Downsizing

The way in which the reduction is done impacts the amount of bitterness or dissatisfaction felt both by the laid-off workers and survivors. Giving advance notice of downsizing can help reduce negative reactions. Providing outplacement programs for downsized workers is relatively common. A downsizing effort may be received more positively if an employer has attempted other alternatives such as worksharing, instituting a hiring freeze, or offering early retirement packages. When terminating a group of employees particular attention should be paid to potential adverse impacts on protected groups. For instance, does the layoff or downsizing impact older workers disproportionately? Failure to pay attention to the differential impacts on particular employee groups can lead to legal claims against the former employer.

When it comes to implementing a layoff, some commonsense guidelines can help. Here are some "dos:" (1) give as much warning as possible (and in the case of large layoffs legal protections such as WARN Act may apply), (2) if possible, deliver the termination information in a brief meeting in a private office or conference room, (3) provide information about any benefits associated with severance, (4) express appreciation for the individual's contributions, (5) control your emotions, and (6) encourage the employee to move forward in a positive direction.[1]

Involuntary Termination

Involuntary terminations take place for a number of reasons, such as poor performance, violation of organizational policies or procedures, absence, tardiness, or insubordination. While technically termination may be permissible for nearly any reason under employment-at-will conditions, a number of negative consequences can emerge for individuals and organizations if terminations are handled poorly.

A sound performance management system is a key to employee development and organizational success; if done well, it also lays the foundation for dealing with terminations if the need arises. Such a system has several characteristics including clear job expectations, ongoing supervisory feedback on job performance, regular formal performance appraisals which include goal setting for future performance and growth, and a well-designed and administered progressive discipline system.

Progressive discipline systems provide a series of steps designed to address and improve employee performance deficits. Typical steps in such systems include (1) oral counseling, (2) oral warning, (3) written warnings, (4) suspension or demotion, (5) final written warning and/or last chance meeting, and (6) termination.[2] By carefully following such a protocol the employee receives guidance and a time frame for improvement. The process also holds employees accountable and establishes plans for performance improvement.[3] Sound record keeping is imperative, since many claims are made against former

employers each year, frequently resulting in lawsuits.[4] Careful documentation of performance appraisals and any disciplinary actions helps assure fair treatment of individuals while protecting the organization.

The Termination Process

There are many suggestions offered for how to proceed with terminations. In general the process should include careful preparation, a termination meeting, the exit process, and post-termination follow up.[5] Good preparation includes being current on state, federal, and local laws related to involuntary terminations. Preparation may also include an investigation that is thorough, complete, and well documented.[6] This can include a review of relevant disciplinary records, examination of all documentation, and a comparison with discipline used in similar situations in the past. Depending on the cause for termination, the investigation may include interviews with parties familiar with the situation. In many cases the decision to terminate follows a careful progressive discipline process as described earlier.

The termination meeting should adhere to five guidelines:

1. Present the situation clearly and concisely, without making excuses.
2. Avoid debates because this is not the time to have arguments about past performance.
3. Treat the employee with dignity and respect.
4. Show empathy but do not compromise.
5. Describe next steps.[7]

Next steps can include provision of a letter indicating any severance, benefits, or outplacement information. In cases where there are significant concerns about security, company officials may make arrangements for the employee's personal materials to be packed and given to the worker directly after the termination meeting.

Post-termination activities can include updating personnel files, documenting any agreements, and a review of job descriptions and workplace policies. This is done to determine if there are improvements that could be made in terms of hiring and performance management that could improve future staffing and organizational performance. Depending on the nature of the termination the employer may also administer ongoing insurance benefits.[8]

Claims of Wrongful Termination

A terminated employee may make a number of claims against a former employer. These may include claims of constructive discharge, retaliatory discharge, or coerced retirement.[9] Constructive discharge can cover a wide variety of complaints, often linked to perceived unfair labor practices, discrimination, or violation of the Americans with Disabilities Act. Such a claim may also occur if an employee is forced out of a job with an ultimatum to resign or face an unpleasant consequence such as intolerable working conditions, demotion, or reassignment.[10] Some courts have held that constructive discharge takes place if a reasonable person in the employee's place would have felt pressured to resign. A former employee may claim retaliatory discharge if he feels that he was punished for engaging in a protected activity, which can include opposing unlawful employer practices, filing a discrimination charge, or testifying, participating in or assisting in an investigation against an employer in situations such as those involving workers'

compensation, OSHA, or unemployment compensation. Former employees may also claim that they were coerced to take retirement if demotion or dismissal were the other options provided. The former employee may seek to prove he was coerced due to age considerations. In addition to adhering to quality performance management approaches mentioned earlier, employers should carefully examine which workers (especially those in protected classes) will be impacted in a reduction, obtain valid waivers and releases, and in all cases treat workers, remaining or departing, with dignity.[11]

Conclusion

A sound performance management system is the foundation to both avoid unneeded terminations, and for protection of the worker and employer if termination occurs. Whether termination is for cause or is part of a layoff or downsizing, careful planning, clear communication, and purposeful follow-up are guidelines for handling these situations professionally and ethically.

See also Downsizings; Disciplinary Procedures; Documentation; Employment-at-Will; Separation Agreement; WARN Act; Wrongful Termination/Discharge

NOTES

1. *The SHRM Learning System: An Educational Resource for Today's HR Professional, Module Three: Staffing* (Alexandria, VA: Society for Human Resource Management, 1999), 74.

2. H. John Bernardin, *Human Resource Management: An Experiential Approach,* 4th ed. (New York: McGraw-Hill Irwin, 2007), 315; and Jane Gould, *The Fairness Factor: How to Manage Employee Termination to Minimize Legal Liability,* Film and Leader's Guide (Carlsbad, CA: CRM Films, 1998), 6.

3. Paul Falcone, "Employee Separations: Layoffs vs. Terminations for Cause," *HR Magazine,* October 2000, 189.

4. Paul Falcone, "A Blueprint for Progressive Discipline and Terminations," *HR Focus,* August 2000, 4.

5. Wendy Bliss and Gene Thornton, *The Employment Termination Source Book: A Collection of Practical Samples* (Alexandria, VA: Society for Human Resource Management, 2006), 5.

6. Francis T. Coleman, "Cardinal Rules of Termination," SHRM Legal Report, July 1995, reviewed June 2006, http://www.shrm.org/hrresources/lrpt_published/CMS_000943.asp.

7. Wayne F. Cascio. *Managing Human Resources: Productivity, Quality of Work Life, Profits,* 7th ed. (Boston, McGraw-Hill Irwin, 2006), 563–64.

8. H. John Bernardin, *Human Resource Management: An Experiential Approach,* 4th ed. (New York: McGraw-Hill Irwin, 2007), 319.

9. *The SHRM Learning System: An Educational Resource for Today's HR Professional, Module Three: Staffing,* 76.

10. Robert J. Paul and Kathryn Seebeger, "Constructive Discharge: When Quitting Constitutes Illegal Termination," *Review of Business,* Spring 2002, 23.

11. *The SHRM Learning System: An Educational Resource for Today's HR Professional, Module Three: Staffing,* 76.

Dave O'Connell

TRADE SECRETS (INTELLECTUAL PROPERTY)

Trade secrets and intellectual property, often termed proprietary information, are the terms used for the company specific information that is considered confidential or that

may give the organization a competitive edge. Proprietary information defines the level of confidentiality that is given to a document or information of value to an organization. When a document or organizational information is termed "proprietary," the intent is to limit who can view it or become familiar with the contents. It further implies that the information is a "trade secret" or vital to the success of the organization's competitive edge.

According to the World Intellectual Property Organization, intellectual property are those items that are creations of the mind, or inventions, literary and artistic works, symbols, names, images, and designs used in commerce.[1] In a business setting, this may include such items as blueprints, product recipes, designs, formulas, financial information, research and development products, manufacturing information, or other such related information.

While technology has brought many innovations to the business world, it has also created a myriad of concerns. One of the major concerns is that of employee privacy and intellectual property rights. As computer attacks occur worldwide, one of the most severe security concerns is that of employee data confidentiality and the liability associated with the organization in the event of a security breach.[2] Additionally, protecting intellectual property is even more vital with today's emerging technology and research developments. Organizations are developing electronic communication policies that clearly define permitted electronic activities, use of employer computer systems, and the monitoring of email. Many organizations have banned the use of cellular cameras and instant messaging on computers due to the risk of intellectual property theft, and to prevent the intrusion of a virus or Trojan attack on the organization's computer network system.

The Economic Espionage Act of 1996

The Economic Espionage Act of 1996 (18 USC 1831–39) states that "trade secrets are all forms and types of financial, business, scientific, technical, economic or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how they are stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if:
- The owner thereof has taken reasonable measures to keep such information secret, and;
- The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by the public."[3]

There is no single or definitive standard used by an organization to discern what is proprietary or what may not be considered as proprietary, as it will vary by industry or organizational type. An organization that seeks to protect any information considered to be proprietary or a trade secret needs to have an economic value attached for the loss of this information, and therefore must take appropriate steps to maintain the confidentiality. The consideration of value must be instilled in the event that any legal recourse may be required in the event that proprietary information may be lost or disclosed. Organizations often require their employees sign noncompetition or proprietary information agreements to prevent employees from disclosing certain information during their employment, and to prevent them from disclosing information should they

terminate employment. The organization can take further precautions by limiting employee access to computer files, maintaining secure areas where sensitive information is stored, and limiting visitor access to premises or certain areas within the facility. The Economic Espionage Act of 1996 is the first federal act dealing with the theft of trade secrets, which imposes severe penalties for stealing and disseminating trade secrets from an organization.

Licensing and Franchising

While expansion of the organization is always a desirable concept, there is the added concern of intellectual property and/or trade secret loss. Additional care is required to protect that intellectual property that is being shared, particularly for recipes, formulas, trademarks, brand names, methods, procedures, and the like. Both licensing and franchising are special arrangements in which the parent organization is required to provide technical information and assistance; however, the franchisee or licensee is obliged to use the rights responsibly and to additionally protect that intellectual property or information being shared.[3] Thus, sound written contracts and agreements must be put in place to bind the partnering organization to the parent organization in equal responsibility to protect intellectual property, trade secrets, and "proprietary information."

NOTES

1. World Intellectual Property Organization, "What Is Intellectual Property?" (n. d.), http://www.wipo.int/about-ip/en/.

2. H. John Bernardin, *Human Resource Management: An Experiential Approach,* 4th ed. (Boston: McGraw-Hill, Irwin, 2007).

3. Texas A&M Research Foundation, "Proprietary Information and Trade Secrets" (n. d.), http://rf-web.tamu.edu/security/secguide/S2unclas/Propriet.htm.

Frank E. Armstrong

TRAVEL

Traveling, in relation to business, encompasses the travel of employees from their home to work, employees moving around inside the company from one workstation or site to another, or going to a different business in which the employer either purchases or supplies products and/or services or travels to clients. Aside from the daily commute, traveling from one location to another requires a travel policy with clear details, enabling an employee a fair understanding of what company money is allocated to certain expenses for him to eat and sleep in a different location. Traveling, however, can occur inside a company itself, if the building is large enough or has multiple sites. Understanding the importance, relevance, and issues that ensue during travel will ensure that business operations progress smoothly.

Traveling to and from Work

For a business to operate, it must have employees perform job duties upon a daily basis on the designated days of operation. As such, the employees have to travel to and from work. The time spent traveling to and from work is not compensable, because the employee is

not performing an essential job function by traveling to work. But upon arrival and situating himself, he is then capable of performing essential job functions and therefore must be paid for duties performed.

Travel Inside the Workplace

There are instances when employees will need to travel around the workplace. While the travel time may range from under a minute to multiple minutes, this time adds up in the scope of a year, which is money paid for travel time. This time is compensable as it may be required in the employee's job duty to travel from one station to another to perform his functions. However, it is to be noted that in some instances where it would appear that an employee should not be compensated, he is entitled to compensation. For instance, in the case of *IBP v. Alvarez,* a lawsuit was filed in which the workers were not getting paid for putting on and taking off their protective clothing. As was found by the Ninth Circuit and affirmed by the Supreme Court, time spent donning and removing the protective clothing essential to performing their job duties was compensable time.[1] This is enforceable under the Fair Labor Standards Act (FLSA Section 4) and by the Portal-to-Portal Act.[2] Not all time spent preparing for work is compensable, however. For example, if a particular uniform is available at work but not necessary to be worn to perform essential job functions, the individual is then not entitled to compensation pay for the time it takes him or her to put on the uniform. If any uncertainty exists as to whether or not the individual is to be compensated, it is best to use caution and pay the individual and research the laws for future reference.

Travel Policies

Some employees might be required to travel to other locations or other companies. As such, a company must have a travel policy established. When the decision is made to send an employee to another location, a travel budget must be made and approved. The considerations to be planned for involve method of travel, traveling time, lodging expenses, and dining and miscellaneous expenses allocation. Having a detailed expense policy will not only save the company money but will also help avoid confusion that the employee might have on how to spend the company's money.[3]

Conclusion

Overall, there are different applications of travel and while some traveling on behalf of the employee is not compensable, some travel is; the daily commute to and from work is not compensable, but time spent preparing for work in the workplace might be, depending upon the work. Thus, it is best for HR professionals to research and understand the laws regarding these issues. The more detailed and developed a travel policy is will result in less confusion and better accountability of expenses.

   Resources:
"Travel," *Dictionary.com Unabridged (v1.1),* Random House, Inc.,http://dictionary.reference.com/browse/travel (accessed December 13, 2007).

Chris Armstrong

NOTES

1. David Walsh, *Employment Law for Human Resource Practice* (Mason, OH: Thompson Higher Education, 2007).

2. Charles Mataya, "Supremes Clarify Portal-to-Portal Act?" FindLaw for Legal Professionals, http://library.findlaw.com/2005/Dec/21/241505.html (accessed January 3, 2008).

3. "Developing a Travel Policy," AllBusiness, http://www.allbusiness.com/accounting-reporting/expenses-expense-accounts/1368-1.html (accessed April 2, 2008).

WORK ELIGIBILITY

Work eligibility provisions are in place to protect employees, whether they are United States (U.S.) workers or immigrant workers, from discrimination in hiring and firing practices based on national origin.[1] The provisions make sure that workers are able to earn the same wages regardless of their work status. According to the Immigration and Nationality Act, "Employers may hire only persons who may legally work in the United States (e.g., citizens and nationals of the U.S.) and aliens authorized to work in the U.S.[2] It is illegal for employers to knowingly employ workers who are not eligible to work in the United States.

Prevailing Wages

The United States' economy is not static as workers will continue to work for prevailing wages. The Department of Labor has established minimum wage requirements that cover a majority of workers who are not otherwise exempt.[3] The implications for not having some type of work eligibility are lower wages for all employees and higher unemployment for U.S. workers as jobs would be given to those illegal workers who are willing to work for lower wages.

Documentation and Rules for Workers

Employers are required to keep employment records on each employee, which include wages, time sheets, and verification of employment eligibility with an I-9 form and copies of the verifying documentation. Documents that can be used to show work eligibility include the following documents that show both the worker's identity and eligibility to work in the United States:

U.S. Passport; Permanent Resident Card or Alien Registration Receipt Card (form I-551); an unexpired foreign passport with a temporary I-551 stamp; an unexpired Employment Authorization Documentation that contains a photograph of the person; or an unexpired foreign passport with an Arrival-Departure Record. If documents are not available that establish both the eligibility and identity of an employee there is a list of documents that establish the identity of a worker which include: Driver's license or ID card issued by a state; School ID card with photograph; voter's registration card; U.S. military card; Military dependent's ID card; U.S. Coast Guard Merchant Mariner card; Native American tribal document; Driver's license issued by a Canadian government authority; or approved documents for workers under the age of 18 and one of the following documents which verify employment eligibility including: U.S. Social Security card; Certification of Birth Abroad issued by the Department of State; original or certified copy of birth certificate; Native American tribal document; U.S.

Citizen ID card; ID card for use of Resident Citizen of the U.S. (Form I-179); or an unexpired document of employment authorization issued by DHS.[4]

The penalty to the organization for not having a completed and retained I-9 form is not less than $100 or more than $1,000 for each individual employee not in compliance.

Rules and regulations regarding work eligibility and the verification of seasonal or temporary foreign workers remains in flux with new rules being implemented continuously as economic pressures require. In February 2008, the U.S. Department of Homeland Security proposed a set of rule modifications that would increase the number of days that a foreign worker could stay in the United States after completing his current employment and decrease the number of days that workers would have to remain out of the country prior to reentry for temporary employment.[5]

Compliance Assistance

The U.S. Department of Justice has established the "Office of Special Counsel for Immigration Related Unfair Employment Practices" for the protection of the rights of all workers, U.S. citizens, and legal immigrants. This office investigates complaints from employees who think that they have been unfairly discriminated against and provides dispute resolution assistance and a community educational outreach component.[6]

NOTES

1. U.S. Department of Labor, http://www.dol.gov/compliance/guide/aw.htm#who (accessed February 16, 2008).

2. Ibid.

3. Fair Labor Standards Act of 138 (FLSA) as amended, http://www.dol.gov/compliance/guide/minwage.htm#who (accessed February 22, 2008).

4. Form I-9 Employment Eligibility Verification, http://www.uscis.gov/files/form/i-9.pdf (accessed February 16, 2007).

5. U.S. Homeland Security, "DHS Proposes Changes to Improve H-2A Temporary Agricultural Worker Program," http://www.dhs.gov/xnews/releases/pr_1202308094416.shtm (accessed February 16, 2008).

6. Office of Special Counsel for Immigration Related Unfair Employment Practices, U.S. Department of Justice, http://www.justice.gov/crt/activity.html#osc (accessed February 16, 2008).

Debora A. Montgomery-Colbert

Part V

Checklists and Tools

This page intentionally left blank

Contents

Communications/Planning
        Creating a Strategic Communications Plan
        Summary of Effective Communication Techniques
        Assessment of Communication Effectiveness
        Disaster Planning
        Costs of a Disaster Protection/Business Continuity Plan
        Employee Safety Checklist
        Emergency Supplies Checklist

HR Practice
        Recognition and Reward Strategies
        Illegal/Legal Interview Questions
        Ineffective/Effective Interview Questions
        Major HRM Laws
        Designing Jobs
        Preparing for an Overseas Assignment
        Facilitating Effective Meetings
        New Employee Checklist
        Resignation/Termination Checklist
        Employee Exit Interview Form
        Death of an Employee
        Keys to Managing Sexual Harassment
        Major Motivators of Employing Internal vs. External Recruitment

Change Management

Change Audit

I. Historical Perspective of Change

In the past, what was the **culture** of the organization with respect to change (e.g., resistant, noncommittal, aggressive, successful, inconsistent, etc.)?

What types of change have occurred?

___Small (e.g., changes in policy, procedures, etc.)
___Moderate (e.g., new product, competitive challenges)
___Large-scale (e.g., merger, acquisition)

Specifically, describe the change initiatives:

Who was responsible for leading and implementing the change(s)?

Why was this particular person responsible?

When did the change effort occur?

How was the change implemented?
What were the **barriers** to change within the firm (e.g., culture, poor management, lack of/poor communications, insufficient resources, etc.)?

What were the results? Define based on
• Congruence with organizational goals, mission, and vision
• Impact on people
• Impact on processes/efficiency/service
• Impact on profitability
• Evidence that the changes were adopted and are now part of the daily workings of the firm
What would have been necessary for the change to have been (more) successful?

II. Current State of Readiness for Change

What is the current culture of the organization with respect to change (e.g., resistant, noncommittal, aggressive, successful, inconsistent, etc.)?

Is the firm in the midst of any current change(s)? If so, describe:

What types of change are occurring?

___Small (changes in policy, procedures, etc)
___Moderate (new product, competitive challenges)
___Large-scale (merger, acquisition)

Specifically describe the change initiatives:

Who is responsible for leading and implementing the change(s)?

Why is this particular person responsible?

How is the change being implemented?

Describe the level of **willingness** of people to change.
• Do they recognize the need to change?
• What is the level of predisposition (or resistance) to change?
Describe the ability of people within the organization to change based on their
• Knowledge of change
• Change skills
• Resilience
What barriers to change exist within the organization? Typical barriers include:
• Policies, procedures
• Organizational apathy or overconfidence
• Dysfunctional culture
• Poor leadership/management
• Insufficient resources
• Lack of rewards or consequences
• Etc.
What will be necessary for the change to be successful?

III. Action Plan

What must happen for change to occur successfully? How can willingness be enhanced? How can the gaps in ability be lessened? How can barriers be reduced or eliminated?

Describe the desired outcome of the change. How will we measure results? Define based on
• Congruence with organizational goals, mission, and vision
• Impact on people
• Impact on processes/efficiency/service
• Impact on profitability
• Evidence that the changes were adopted and are now part of the daily workings of the firm

Who should lead the change(s) and why? Who else must be involved?

How should the change be implemented? What is the timeframe?

What resources are needed?

How can we overcome the barriers to change?

How should we celebrate our successes?

Source: Ann Gilley, *Manager as Change Leader* (Westport, CT: Praeger, 2005).

Identifying Barriers to Change

List the most common barriers to change within your organization. Barriers occur at all levels and within all people. Identify the cause or source, and develop a strategy to address it. Common barriers include: lack of leadership; lack of organizational support; dysfunctional culture; poor communications; lack of information about the change; cumbersome policies/procedures; lack of rewards or consequences.

Barrier	Cause/Source	Strategy to Overcome

Source: Adapted from Ann Gilley, *Manager as Change Leader* (Westport, CT: Praeger, 2005).

Responding to Change

1. Identify the words and behaviors that reveal individuals' emotions and perceptions regarding an impending change.
2. Develop strategies to help individuals work through their issues and toward successful change (communication, involvement, and support are essential).

Words/Behaviors	Perception of Change	Strategy to Move Forward
"Don't worry, it won't happen." This doesn't affect me."	Denial	Communications, information
"I hate this." "They can't make me."	Resistance	Communications, feedback, information, support, training
"I'll try it." "This might work."	Exploration	Support, communication, rewards
"I like this." "It's about time." "This works."	Commitment	Recognition, rewards, feedback

Source: Adapted from discussions by Cynthia D. Scott and D. T. Jaffe, "Survive and Thrive in Times of Change," *Training and Development Journal* 42, no. 4 (1988): 25–27.

Comprehensive Model for Change

1. Recognize that change is immensely complex; nonlinear.
2. Understand individual and organizational responses (resistance) to change, and how to deal with these responses.
3. Create a culture that supports change.
4. Establish a vision for change.
5. Build a guiding coalition for the change.
6. "Sell" the change to all levels of the organization; help individuals understand that the change is necessary, urgent; teach that change is good, desirable.
7. Remove barriers to action.
8. Involve employees at all levels in the change process (including planning, implementation, monitoring, and rewarding).
9. Communicate proficiently; solicit input and share information with those impacted by the change.
10. Prepare for and plan responses to resistance; treat resistance to change as an opportunity; understand that resistance is a symptom of a deeper problem (e.g., poor management or strategy, ineffective communication, etc.).
11. Deal with employees and their reactions individually, not as a group.
12. Execute the change in small increments.
13. Constantly monitor progress of the change initiative and refine/adjust as needed.
14. Reward individuals and groups for engaging in change.
15. Celebrate short- and long-term wins.
16. Solidify the change in the newly emerged culture.

Source: Ann Gilley, *Manager as Change Leader* (Praeger, 2005).

Create an Environment of Change

What	How
Hire individuals with a predisposition to change and high tolerance for ambiguity.	
Enhance your own change skills.	
Encourage and reward innovation, creativity, and risk-taking.	
Do not micromanage; be a resource, coach, partner, and guide.	
Identify and remove barriers to change.	
Fight for resources.	
Allow failure and encourage people to learn from their mistakes.	
Trust your people—and make certain they know it.	
Involve people at all levels in change.	
Engage in change frequently and incrementally.	
Promote the benefits of change and help people to see change as an opportunity.	
Help individuals assess how change will benefit them personally.	
Encourage people to work through change together.	
Provide forums for discussion; actively seek and act on feedback.	
Celebrate small victories and milestones.	
Reward those who change, both individually and in groups.	
Other:	
Other:	

Source: Ann Gilley, *Manager as Change Leader* (Westport, CT: Praeger, 2005).

Myths and Realities of Change

Myth of Change	Reality of Change
Organizations are rationally functioning systems that adjust strategically to changing conditions.	Organizations operate irrationally (because they're composed of people) and are wired to protect the status quo.
Employees operate in the best interests of the organization.	People act in their own best interests, often seeking to preserve or enhance number one. Further, they only want to know what's in it for them.
Individuals engage in change because of its merits.	Most people engage in change to avoid unnecessary difficulties or personal pain.
Change can occur without creating conflict in the system.	By definition, change upsets the current state and will always create some degree of conflict. Effective change management understands, allows, and prepares for conflict. Institutions are often unrealistic about the amount of conflict that occurs as a result of change, and naively expect change to be accepted wholeheartedly by employees.
Successful long-term change can be accomplished through short-term leadership.	Short-term leadership typically lacks the commitment and long-term foresight necessary to make change last—in essence, they don't have to live with the consequences of their decisions.
Change is easy.	Rarely. In fact, effective change processes are quite complex, as are the individuals required to embrace change.
Change is always good.	Not always. Change is often ill-conceived or poorly planned. Further, most institutions do not refer to their guiding principles and values when initiating change, but rather are reacting to external pressures such as changing regulations or the need for greater revenue.
Conflict is always bad.	Not always. A certain amount of conflict can be healthy, particularly when it acts as a catalyst for positive change.
Leadership/management always wants change while only employees resist.	Quite the contrary. Leaders have their own preferences and agendas, which don't always align with the proposed change.
People must be *forced* to accept change.	Although many fear change, the fault usually lies with management's failure to properly communicate the reasons for and benefits of change. Well-planned and communicated change may have advocates at all levels within the firm.
People opt to be architects of the change affecting them.	Most individuals do not participate in a pro-active manner in initiating change, preferring instead to be its victims.

Source: Ann Gilley, *Manager as Change Leader* (Westport, CT: Praeger, 2005).

Popular Change Models

Step	Lewin's Model	Gilley's 7-step Model	Ulrich's 7-step Model	Kotter's 8-step Model
1	Unfreeze	Communicate the Urgency for Change	Lead Change	Establish a Sense of Urgency
2	Movement	Provide Leadership	Create a Shared Need	Form a Powerful Guiding Coalition
3	Refreeze	Create Ownership and Support	Shape a Vision	Create a Vision
4		Create a Shared Vision	Mobilize Commitment	Communicate the Vision
5		Implement and Manage Change	Change Systems and Structures	Empower Others to Act on the Vision
6		Integrate Change into the Culture	Monitor Progress	Plan for and Create Short-term Wins
7		Measure and Monitor Change	Make Change Last	Consolidate Improvements and Produce Still More Change
8				Institutionalize New Approaches

Source: Adapted from Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD* (Cambridge, MA: Perseus Publishing, 2003); John Kotter, *Leading Change* (Boston: Harvard Business School Press, 1996); Kurt Lewin, *Field Theory in Social Sciences* (New York: Harper, 1951); and David Ulrich, *Human Resource Champions* (Boston: Harvard Business School Press, 1998).

Why Change Initiatives Fail

1. The change is ill-conceived.
2. No one is in charge of facilitating and managing the change initiative.
3. The change initiative plan lacks structure.
4. The change initiative plan lacks details.
5. The change initiative is under-budgeted.
6. Only the change initiative team is interested in the end result.
7. Insufficient resources are allocated to facilitate and manage the change initiative.
8. The change initiative is not tracked against its project plan.

9. The change initiative team is not communicating.
10. The change initiative strays from its original goals.
11. The change initiative is a solution in search of a problem.

Source: Adapted from Ann Gilley, *Manager as Change Leader* (Westport: CT: Preager, 2005).

Strategy

SWOT Analysis

Strengths and weaknesses are internal, and over which an organization has control. Opportunities and threats are external to an organization, yet create conditions to which a response may be required.

Strengths—list positives that the organization controls related to quality of products, company reputation and goodwill, research and development, leadership and workforce talent, facilities, processes, internal policies, customer service levels, customer satisfaction, distribution channels, technology, and so on.

Weaknesses—list negatives within the company's control, such as poor leadership/management, dysfunctional culture, policies, procedures, or processes, product quality issues, ineffective marketing or distribution, outdated technology, facilities, or equipment, financial position, and so forth.

Opportunities—list conditions beyond the organization's control that may positively impact the business, such as the economy, legislative environment, weather or natural disasters, war, consumer trends, changes in competitors' positions, global pressures, etc.

Threats—list conditions beyond the organization's control that may negatively impact the business such as the economy, legislative environment, weather or natural disasters, war, consumer trends, changes in competitors' positions, global pressures, etc.

Problem-Solving Model

1. **Findings:** Gather evidence (facts, data, statistics) regarding the problem, opportunity, or situation. Evidence in the form of quantifiable and qualifiable data will be housed in historical documents (company annual reports, department/division reports, human resource files) as well as with members of the organization (via observations, interviews, focus groups, and so forth).
2. **Problem(s) or Opportunity(ies):** Thorough analysis of the findings should reveal a problem(s) to be solved or opportunity(ies) to be pursued. Identify true causes of problems or opportunities, not merely symptoms.
3. **Alternatives** (to solve the problem or capitalize on the opportunity): Identify multiple alternative means by which to approach the problem or opportunity. The first alternative is always "no change." For each alternative, thoroughly assess its viability by determining the costs, benefits, pros, cons, timeframe, and viability (realistic assessment).
4. **Recommendation(s):** Following a thorough evaluation of alternatives, a recommendation(s) should logically flow.

Source: Adapted from Ann Gilley, *Manager as Change Leader* (Westport, CT: Praeger, 2005).

Planning for Conflict and Resistance

___Understand that conflict and resistance are natural human responses to change.

___Make no assumptions that "everyone is on board."

___Recognize that conflict can be healthy—it is not always negative.

___Resistance is a symptom of an underlying root cause; it provides an opportunity to address questions, concerns, and problems associated with change.

___Involve others in developing solutions to conflict and resistance.

___Discuss the potential for conflict or resistance with those who will be impacted by the change by asking, "How will this change impact you?" "What conflict(s) do you think will occur?" "How can we resolve the conflict?" "What will you as an individual need to work through this change?"

___Plan to share information in a timely, substantive fashion. Resistance is often the result of insufficient information regarding the impending change.

___Communicate in ways that meet individuals' needs (e.g., face-to-face, in writing, via e-mail, etc.).

___Change, resistance, and conflict are very personal. Treat people as unique.

___Share your feelings and strategies for overcoming your own resistance or conflicts.

___Encourage others to resolve their own interpersonal conflicts.

___Know when to intervene in others' conflicts and when to back off.

___Help create "win-win" situations; that is, benefits for all parties.

___Reward individuals and groups for resolving conflicts or overcoming resistance.

Source: Adapted from Ann Gilley, *Manager as Change Leader* (Westport, CT: Praeger, 2005).

Strategic Planning

1. Invite employees at all levels to contribute to the process.
2. Determine the strengths, weaknesses, opportunities, and threats (SWOT) of an organization via internal and external environmental analysis.
3. Identify organizational values and guiding principles.
4. Develop the organization's ideal vision.
5. Create the organization's mission.
6. Establish supporting organizational goals and objectives.
7. Develop action plans to achieve goals and objectives.
8. Locate places within the organization where readiness for change is acute.
9. Identify and enlist key organizational players to motivate action.
10. Establish a formal feedback system that gathers immediate reactions from decision-makers and employees.
11. Implement strategic plans in a timely, efficient manner.
12. Conduct formative and summative evaluations to determine the overall success of the strategic plan.
13. Recognize and reward employees appropriately.

Sample Vision, Mission, Goals

A vision statement broadly conveys the organization's desire to be the best, usually in one sentence, and drives the mission. A mission statement identifies stakeholders while supporting the vision. Goals and objectives specify how the organization will serve its stakeholders and achieve its mission (and, ultimately, vision).

Vision: To be the nation's leading provider of X.

Mission: To provide our employees with a healthy work environment, our customers with a quality product, our shareholders with a fair rate of return, and our community with a responsible employer.

Goals: Increase revenues to $1.5 million this year
Bring three new products to market this year
Reduce employee turnover to 5 percent
Reduce workplace accidents by 10 percent
Provide an 11 percent rate of return to our shareholders
Donate 2 percent of profits to local charities/the community

S.M.A.R.T. (w). Criteria for Developing Goals

Specific—Strategic goals that are well-defined and clear.
Measurable—Every strategic goal must be quantifiable—measured in some way (e.g., number/quantity, quality, time, percentage, and cost).
Agreed Upon—Members of the organization must agree on the strategic goals, which enhances buy-in and support.
Realistic—Goals must be attainable given the resources and time available. Unrealistic goals are demotivating, which is a precursor to frustration and failure.
Timely—All strategic goals must be tied to a timetable (e.g., six months, this fiscal year, December 31) to ensure their completion.
Written—All strategic goals should be documented to record desired outcomes. Written goals communicate importance of and commitment to their completion.

Source: Adapted from Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD* (Cambridge, MA: Perseus Publishing, 2003).

Using the Balanced Scorecard

The balanced scorecard is a strategic management tool that measures performance and links an organization's strategic objectives to certain comprehensive indicators. The balanced scorecard measures four key "hard" and "soft" perspectives, thus reflecting a more accurate "balance" than just financial measures. The four categories measured are:
— Financial (e.g., profitability, growth, and return on assets reflected by gross margins, sales, cash flows, revenue growth, cost reductions, working capital, etc.)
— Customer (e.g., customer acquisition, satisfaction, and retention as revealed by customer service, customer satisfaction, number of complaints, response time, market share, quality, etc.)
— Internal (e.g., improved core competencies, technologies, processes and morale as reflected by development/lead/cycle times, efficiency, reduction in waste, employee morale and suggestions, sales per employee, etc.)
— Innovation and learning (e.g., continuous improvement, new product development, and employee growth and development as reflected by number of new products brought to market, employee training hours, learning of strategic skills, ability to change, alignment of individual and organizational goals, etc.)

Using a balanced scorecard requires

1. Refining corporate strategy, key objective, and critical success factors.

2. Determining what to measure (financial, customer, internal, and/or innovation/learning).
3. Creating a plan to measure strategic, goals, and success factors.
4. Implementing the plan (involve, communicate, implement, monitor).
5. Share results regularly (e.g., daily, weekly, monthly, quarterly).
6. Use the results to improve performance.
7. Review and revise the plan.

Source: Adapted from: Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Boston: Harvard Business School Press, 1996); Robert S. Kaplan and David P. Norton, *The Strategy-focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* (Boston: Harvard Business School Press, 2000).

Systemic Strategic HR Alignment

HR strategy must be designed and developed to reinforce the overall strategic vision and mission of the firm. This HR strategy is then reinforced via intentionally designed and implemented HR practices, which in turn are interdependent. That is, the Performance Management process reinforces the achievement of tasks in line with the firm's overarching strategic goals, and such achievements are then rewarded via the Compensation process. Significant shortfalls surfaced via the Performance Management process are addressed via subsequent Training and Development initiatives at both an individual employee and enterprise-wide level, or via Staffing through the hiring of external talent.

Source: Adapted from Jeffrey A. Mello, *Strategic Human Resource Management* (Mason, OH: Thomson South-Western, 2006), 171.

Traditional HR vs. Strategic HR

Traditional HR	Strategic HR
Personnel Administration	Human Capital Management
Specialist HR Roles	Generalist HR Roles
Compliance Focus	Business Focus
Support Function	Strategic Driver
Cost Center	Investment Center
Centralized Control of HR	Shared Ownership of HR
Transaction Focus	Value-Added Focus

Source: Adapted from Jeffrey A. Mello, *Strategic Human Resource Management* (Mason, OH: Thomson South-Western, 2006), 165.

A Model for Contemporary HR Success

Contemporary HR professionals must first establish credibility as a Business Partner to their client groups. This involves understanding both then ongoing and immediate business challenges of the groups. Once this understanding is developed the HR professional has earned the right to employ their HR expertise as an HR Consultant for their client groups, adding value in addressing the business challenges via HR practices. Lastly, after demonstrating a track record of value-added success, the HR professional can begin operating as a Change Leader, assertively advocating for necessary change within their client groups.

Performance

Sample 360-Feedback Form

Performance Assessment

Employee _____ Date _____
Supervisor _____

Indicate your relationship to the individual you are rating:

☐ Self
☐ Manager
☐ Colleague/peer
☐ Direct report (I am evaluating my manager)
☐ Internal customer (I am evaluating a colleague outside of my department)
☐ External customer
☐ Other

You have been identified by the person being rated in this evaluation as someone who can provide valuable input to the employee on his/her performance. Your responses will remain anonymous; only composite information will be provided to the employee. Please return this form to _____(supervisor)_____ by _____(date)_____.

How well does this person perform this competency? Please use the following scale for your evaluation. N is appropriate when you are unfamiliar with behavior in certain areas:

(5) **Exceptional**—This individual consistently exceeds behavior and skills expectations in this area.

(4) **High**—This individual meets most and exceeds some of the behavior and skills expectations in this area.

(3) **Meets**—This individual meets a majority of the behavior and skills expectations in this area for this job. There is generally a positive perspective toward responsibilities.

(2) **Low**—This individual meets some behavior and skills expectations in this area but sometimes falls short.

(1) **Poor**—This individual consistently fails to reach behavior and skills expectations in this area.

(N)—**"Not applicable"** or **"Not observed"**

Customer Service

Treats customers like business partners   N 1 2 3 4 5

Presents ideas simply and clearly   N 1 2 3 4 5

Listens actively to internal and external customers   N 1 2 3 4 5

Solicits and provides constructive and honest feedback   N 1 2 3 4 5

Keeps others informed   N 1 2 3 4 5

Balances requests with business requirements   N 1 2 3 4 5

Responds to appropriate needs of customers   N 1 2 3 4 5

Comments: _____
_____
_____

Teamwork

Supports team goals   N 1 2 3 4 5

Puts interest of team ahead of self   N 1 2 3 4 5

Builds consensus and shares relevant information   N 1 2 3 4 5

Builds and maintains productive working relationships   N 1 2 3 4 5

Treats others fairly   N 1 2 3 4 5

Actively seeks involvement/uses input from people   N 1 2 3 4 5
with different perspectives

Recognizes and respects the contributions and needs   N 1 2 3 4 5
of each individual

Comments: _____
_____
_____

Business and Individual Skills

Demonstrates broad business knowledge and skills   N 1 2 3 4 5

Acts to add value to the business   N 1 2 3 4 5

Recognizes problems and identifies underlying causes   N 1 2 3 4 5

Makes timely decisions   N 1 2 3 4 5

Coaches and develops others   N 1 2 3 4 5

Is trustworthy, open, and honest   N 1 2 3 4 5

Visualizes the present and future, and develops strategies to get there   N 1 2 3 4 5

Comments: _____
_____
_____

Professional and Technical Knowledge

Demonstrates professional/technical expertise   N 1 2 3 4 5

Shares expertise with others   N 1 2 3 4 5

Organizes work   N 1 2 3 4 5

Acts dependably to get things done right the first time   N 1 2 3 4 5

Improves existing processes and/or introduces new methods   N 1 2 3 4 5

Actively increases personal skills, knowledge, and technical base   N 1 2 3 4 5

Motivates others to achieve results through example and encouragement   N 1 2 3 4 5

Comments: _____
_____
_____

Manages Resources

Takes initiative to make things happen   N 1 2 3 4 5

Takes informed, calculated risks   N 1 2 3 4 5

Makes well-reasoned, timely decisions   N 1 2 3 4 5

Follows through to deliver results   N 1 2 3 4 5

Uses resources efficiently   N 1 2 3 4 5

Communicates a clear direction   N 1 2 3 4 5

Anticipates and prepares for change   N 1 2 3 4 5

Comments: _____
_____
_____
Overall comments regarding this individual and his/her performance/behavior: _____
_____
_____
_____

Evaluation Problems—Halo and Horn Effects

The **horn** and **halo** effects occur when a supervisor provides an overly favorable or harsh evaluation of an employee. Both biases may be overcome by:
- Conducting frequent/multiple evaluations throughout the year
- Involving a third party to evaluate the employee
- Having the employee complete a self-evaluation
- Using multi-rater (360-degree) feedback

The **halo effect** occurs when one overrates an employee, which occurs due to:
- *Recency*—allowing a recent positive event to distort judgment of the individual's entire performance
- *Blind spot effect*—overlooking performance deficiencies because the organization leader likes the employee for some reason
- *Compatibility*—overlooking negative performance because an individual is easy to work with, has a pleasing manner, or highly desired personality
- *Previous outstanding performance*—previous success overshadows current performance
- *Similar to me*—rating a person highly due to perceived similarities to oneself
- *Favoritism*—allowing poor performance to be overshadowed by qualities the organization leader personally finds appealing in the employee
- *Overemphasis*—giving too much weight to one outstanding factor, good or bad
- *No-complaint bias*—an average individual has received no negative criticisms or complaints (e.g., no news is good news)
- *One-asset person*—certain characteristics such as advanced degrees or impressive appearance may be ranked higher than work performance

- *High-potential effect*—persons who *could* achieve or accomplish a great deal are given undue consideration
- *Leniency*—some evaluators fail to adequately address poor performance by being too "forgiving"

The **horn effect** is the opposite of the halo effect and occurs when one rates an employee lower than circumstances justify, and occurs due to:

- *Recency*—allowing a recent negative event or poor performance to distort judgment of ones entire work
- *Grouping* (tarnishing or whitewashing)—painting all employees in a work group with the same perceptional brush
- *Prejudice*—allowing good performance to be overshadowed by an individual's traits or qualities that the organization leader finds unattractive
- *Guilt by association*—employees are prejudged due to the company they keep
- *Dramatic incident effect*—one recent mistake or poor performance offsets the entire year's achievements
- *Difficult employee effect*—irritating, contrary, or opposite personality characteristics overshadow actual performance
- *Maverick effect*—the nonconformist may be downgraded because he or she is different
- *Weak team effect*—exemplary performance may be downplayed because the individual belongs to an underachieving work group
- *Unrealistic expectations effect*—expectations that are too high are brought about by the evaluator's perfectionism
- *Personality trait effect*—faculty or staff members exhibit certain personality traits considered inappropriate
- *Self-comparison effect*—bias due to differentiation in the way the supervisor perceives a job should be carried out

Source: Adapted from Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD* (Cambridge, MA: Perseus Publishing, 2003).

Concerns about Performance Appraisals

Both managers and employees have concerns about performance appraisals, which should be addressed prior to the discussion.

Managers' Concerns

1. What is the employee doing well or need to improve?
2. What can I do to support my employee in his/her quest to improve?
3. How should I share negative information?
4. How will the employee respond?
5. How do I follow up with my employee to ensure improvement?
6. What is the best way to evaluate his/her work?
7. What changes are likely to occur in the organization in the months ahead that might impact this employee, his or her job, and performance?
8. How can I adequately reward/recognize my employee for change, improvement, and/or exemplary performance?

Employees' Concerns

1. How am I doing?

2. What is my raise?
3. How qualified is my supervisor to evaluate me and my performance?
4. What can I do to improve?
5. How will I be punished if I don't improve?
6. Do I have a chance for advancement?
7. What will be expected of me prior to my next performance appraisal?
8. How can my work be evaluated during this time?
9. What kind of help or attention can I expect from my performance coaches or supervisor?
10. What changes are likely to occur within the organization that affect my job and/or performance in the months ahead, and how will they affect me?

Developmental Evaluations

Developmental evaluations focus on improving employee performance. The Developmental Appraisal Form reviews goals and performance for the past period, while the Performance Growth and Development Plan looks to the future. To conduct a developmental evaluation:

1. Gather employee performance data.
2. Compare performance results with performance standards and expectations.
3. Share observations and opinions with the employee that includes perceptions of her strengths and weaknesses, record of performance, and abilities and attitudes toward performance activities.
4. Allow the employee to contribute and respond to manager's critiques.
5. Discuss manager and employee differences.
6. Discuss development opportunities that will enhance the employee's skills and abilities.
7. Identify, isolate, and eliminate performance interference.
8. Create a growth and development plan based on the employee's strengths.
9. Identify performance consequences that will motivate the employee to engage and produce at an acceptable or exemplary level.

Source: Adapted from Jerry W. Gilley and Ann Maycunich, *Beyond the Learning Organization* (Cambridge, MA: Perseus Publishing, 2000).

Developmental Appraisal Form

Employee _____   **Date** _____
Supervisor _____   **For the period from** _____ **to**_____

Goal for the Past Period	Accomplishment(s)	Shortfall(s)
1.		
2.		
3.		

Employee Signature _____   **Date** _____
Supervisor Signature _____

Source: Adapted from Jerry W. Gilley and Ann Maycunich, *Beyond the Learning Organization* (Cambridge, MA: Perseus Publishing, 2000).

Performance Growth and Development Plan

Employee _____ **Date** _____

Supervisor _____ **For the period from** _____ **to**_____

Goal	Completion Date	Supervisor Support/ Resources/Date
1.		
2.		
3.		

Date of follow-up/next meeting _____

Employee Signature _____ **Date** _____

Supervisor Signature _____

Source: Adapted from Jerry W. Gilley and Ann Maycunich, *Beyond the Learning Organization* (Cambridge, MA: Perseus Publishing, 2000).

Coaching

Benefits of Coaching to...		
Individuals	**Managers**	**Organizations**
Better relationship with manager	Better relationship with employees	Fewer complaints, grievances, lawsuits
Self-esteem	Understanding of employees' strengths & weaknesses	Better communication among all levels
Job satisfaction	Motivated, productive workforce	Capacity, productivity, resilience, and superior results
Advancement/career opportunities	Superior results through their people	Enhanced collaboration, teamwork, and competitiveness
Individualized attention	Enhanced interpersonal and managerial skills	Improved culture and work environment
Treatment as a unique being	Opportunities to serve personnel	Organizational learning
Personal and professional growth and development	Career opportunities	Competitive advantage through people

Source: Jerry W. Gilley and Ann Gilley, *The Manager as Coach* (Westport: CT: Preager, 2007).

Providing Performance Feedback

1. Provide timely feedback, immediately after the event if possible.
2. Use the "+" "−" "+" rule, which means start with brief positive feedback, address the negative, and end on a positive note. For example, "...your work is typically of high quality (+)..., however, your recent interactions with certain colleagues has caused conflict that has hindered team performance and must be addressed (−)..., I'm confident in your ability to... (+)."
3. Tell the employee exactly what was done incorrectly and the resulting consequences.
4. Offer tangible evidence of the poor performance.
5. Allow the employee to respond to feedback; listen to the employee's response and pay attention to his or her nonverbal behavior.
6. Describe the appropriate performance that the employee must demonstrate, which may include exact steps to be followed, changes to be made, or means by which to enhance quality.
7. Provide examples of ways to improve performance and ask for the employee's ideas.
8. Identify the skills and/or knowledge necessary to improve performance.
9. Communicate to the employee the penalties and consequences of poor performance (discipline, suspension, termination, etc.) and the reward for adequate or exemplary work.
10. Make sure the employee understands it is his responsibility to correct performance and that he is accountable for solving of the performance problem.
11. Express your confidence in the employee's skills and ability to improve.

Source: Adapted from: Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD* (Cambridge, MA: Perseus Publishing, 2003)

Common Errors in Performance Evaluation

Type of Error	How to Correct
Bias/stereotyping—showing partiality or prejudice due to preconceived opinions and/or attitudes regarding a person or group.	Training of evaluators; provide evaluation guidelines; employee self-evaluation Forced ranking or distribution technique; employee self-evaluation
Central tendency—avoids high and low ratings; ranks all employees as average.	Forced ranking or distribution technique; employee self-evaluation
Halo effect—consistently overrates employees due to overemphasis of a single positive trait, skill, or behavior.	Use multi-rater (e.g., 360-degree) feedback
Horn effect—consistently underrates employees due to overemphasis of a single negative trait or behavior.	Use multi-rater (e.g., 360-degree) feedback
Leniency/severity—rating groups of employees as all high or all low performers.	Use multi-rate (e.g., 360-degree) feedback; forced ranking or distribution technique; employee self-evaluation
Recency—assessing employees either favorably or negatively based on their most recent performance rather than performance for the entire period.	Frequent evaluations over the entire performance period; employee self-evaluation
Similarity/contrast—bias due to perceived similarity or contrast between work behaviors of the rater and employee.	Training of evaluators; provide evaluation guidelines; multi-rate and/or employee self-evaluation

Evolution of Leadership

Leaders and organizations have and continue to evolve. Traditional leadership has its roots in the industrial revolution, when organizations were suddenly faced with the challenge of managing a large, previously agricultural workforce.

Contemporary leaders are described as "servant," "learning," and "developmental" based on the focus of their actions. Servant and learning leaders focus on their organizations by improving the talent and quality of their workforces. Developmental leaders focus on employees' growth and development, and recognize that the organization will ultimately benefit.

```
|--------------|-----------------|-----------------|----------------|----------|----------------|--→
Traditional   Charismatic   Transactional   Transformational   Servant   Learning   Developmental
```

Traditional—Hierarchical, bureaucratic, command/control; management makes all decisions; employees are paid to work, not provide input.

Charismatic—rely on personality (e.g., charming, persuasive, bullying) to influence others.

Transactional—view relationship with employees as a series of give and take (reward and punish) transactions.

Transformational—view change as critical; move the organization to the "next phase;" willing to downsize, rightsize, or outsource to meet organizational goals.

Servant—put the needs of employees and the organization first; fight to provide employees with the resources necessary to be successful; long-term focus.

Learning—recognize and model the importance of continuous learning at all organizational levels in order to grow (and occasionally reinvent) the organization.

Developmental—focus on employee growth and development in order to grow and develop the organization.

Communications/Planning

Creating a Strategic Communications Plan

I. Map the communications strategy.

1. Identify the target audience—who needs to know (e.g., shareholders, customers, community, vendors, employees—at what levels)?
2. What specific information should be shared?
3. How should the information be shared—by what method?
   a. Individually, face-to-face
   b. Group meeting
   c. Personal phone call
   d. Formal letter
   e. Company memorandum
   f. E-mail
      i. Personal
      ii. Group, department, or division
      iii. Company-wide
   g. Press release
   h. Other
4. When is the information necessary—pre-event, during, post?

II. Create a detailed communications time line.

Audience	Specific Information to be Shared	Method or Media	Timeframe/Date(s)

Source: Ann Gilley, *Manager as Change Leader* (Westport, CT: Praeger, 2005)

Summary of Effective Communication Techniques

Active Listening — Looking someone in the eye and concentrating on what is being said. The result is "hearing" and clearly understanding what is being communicated.

Clarifying — Building a clear understanding of others by asking them to elaborate or confirm.

Encouraging — Persuading others via statements or gestures that reveal your support.

Interpreting — Decoding or translating information to draw meaning and understanding.

Paraphrasing — Restating others' ideas or words to demonstrate your understanding.

Questioning — Using inquiry to gather additional information necessary for understanding.

Silence — Intentional quiet that enables meaning to resonate or adjust the pace of interaction.

Summarizing — Reviewing what has transpired in order to check levels of agreement and understanding by participants.

Reflecting — Imitating another's message content by stating your understanding of his or her feelings and attitudes.

Tentative Analysis — Drawing a conclusion based on initial testing of a thought or idea expressed by another.

Source: Adapted from: Jerry W. Gilley and Ann Gilley, *Strategically Integrated HRD* (Cambridge, MA: Perseus Publishing, 2003).

Assessment of Communication Effectiveness

- What effort do I make to genuinely understand others?
- To what degree does my personal history affect conversations?
- To what degree is my self-concept at risk?
- How threatened do I feel while communicating?
- How often am I misunderstood?
- How frequently do I misunderstand others?
- Do I hear others correctly?
- Do I really understand what others are saying?
- How threatened are others during interactions with me?
- How might I reduce defensiveness?
- Do I make any unjustified assumptions during interactions?
- Does my attitude toward others distort my perceptions?
- What are the interpersonal styles of those with whom I interact? How do they match my own?
- Do I consciously adjust to others to accommodate their interpersonal styles?
- What problems have resulted due to my communications methods or style?
- How can I improve my interpersonal interactions with others?

Disaster Planning

1. Build a disaster planning team—include personnel who represent security, facilities, human resources, management, and an experienced disaster planner (external resource if necessary).
2. Complete a risk assessment—identify vulnerabilities within your organization as well as external risks. Consider risks related to employees, products, customers, the industry, etc. Identify and align resources for future need, including surveillance and alarm systems, insurance coverage, storage facilities, IT backup, etc.
3. Develop a Disaster Plan—list:
    a. Location of off-site control center
    b. Key personnel and contact information, including after-hours
    c. Chain of command, include responsibilities and limits of authority
    d. Prioritized functions and activities
    e. Floor plans, evacuation routes and procedures
    f. Sources and locations of information, including off-site and after-hours
    g. Directory of vendors/suppliers of emergency equipment and supplies
    h. Prioritization and procedures for tasks to be completed during and after recovery
4. Test the Plan—engage in a real-life test run to assess the effectiveness of the plan and make modifications.
5. Implement the Plan—communicate the plan to employees, provide training, conduct routine emergency drills.
6. Review, Revise, and Improve the Plan—routinely revisit the plan and revise as necessary to maintain current with organizational realities and objectives; communicate all changes to employees.

Costs of a Disaster Protection/Business Continuity Plan

No Cost
- Establish a disaster protection/emergency preparedness team or committee.
- Meet with insurance provider to review current and needed coverages.
- Create evacuation and shelter procedures.

- Communicate disaster plan procedures and expectations to all employees.
- Create an emergency contact list for all employees.
- Create a list of critical business contactors and others to be called upon in an emergency.
- Analyze potential emergency threats and risks, both internal and external.
- Determine in advance what will happen if your building is unusable.
- Create a list of equipment, inventory, and files.
- Discuss alternatives and back-up options with utility service providers.
- Include emergency preparedness procedures information in new employee orientation, staff meetings, newsletters, Intranet, periodic emails and updates, etc.

Less than $500
- Purchase fire extinguishers and smoke alarms.
- Purchase emergency supplies for each unit/department.
- Establish a telephone call-tree, password protected web page, email alert, or call-in voice recording to communicate with employees during an emergency.
- Provide first aid and CPR training to key employees.
- Maintain up-to-date computer antivirus software and firewalls.
- Stabilize cabinets and equipment to walls or other stable equipment; place heavy or breakable objects on low shelves or in easily accessible areas.
- Elevate valuable machinery, equipment, and files in case of flooding.
- Back up records, files, and critical data; keep a copy off-site.
- Conduct routine safety drills.

More than $500
- Purchase additional insurance to cover business interruptions, flood, or earthquake.
- Install a back-up generator and/or provide for other alternative utility back-up options.
- Install automatic sprinklers, fire hoses, and fire resistant doors and walls.
- Hire a professional engineer to evaluate your buildings' wind, fire, and seismic resistance; update facilities if necessary.
- Engage a security professional to evaluate and/or create a disaster preparedness plan.
- Provide training for safety and key emergency response personnel.
- Provide first aid and CPR training to most or all employees.

Employee Safety Checklist

XYZ, Inc.

These guidelines have been established to ensure safe working conditions. You will be informed of any changes or additions in safety regulations as they arise and are included in company policy and the Employee Handbook.

- ☐ Safety Rules
- ☐ Emergency Response Team
- ☐ Safety Committee
- ☐ OSHA Hazard Communication Standards
- ☐ Smoking and Tobacco Policy
- ☐ Accident or Injury on the Job
- ☐ First Aid
- ☐ Serious Injury/Emergency Procedures
- ☐ Fire Evacuation Routes and Procedures
- ☐ Tornado Procedures
- ☐ Earthquake Procedures

The safety section of the Employee Handbook has been discussed with me and I intend to follow the regulations and procedures as outlined.

_____
Employee Signature   Date

_____
Human Resources Representative   Date

Emergency Supplies Checklist

Recommended emergency supplies include the following:
- ☐ Water—store at least one gallon of water per person per day
- ☐ Food—at least a three-day supply of nonperishable food
- ☐ Can opener
- ☐ Battery-powered radio and extra batteries
- ☐ Flashlight and extra batteries
- ☐ First aid kit
- ☐ Whistle (to signal for help)
- ☐ Matches or lighter
- ☐ Dust or filter masks
- ☐ Moist towelettes
- ☐ Wrench or pliers
- ☐ Plastic sheeting or duct tape
- ☐ Garbage bags and plastic ties
- ☐ Blankets, towels, rags

HR Practice

Recognition and Reward Strategies

Monetary Rewards	Nonmonetary Rewards
Individual bonuses	Appreciation ("thank you")
Conference/workshop attendance	Interesting work or special project
Group/team bonuses	Challenge
Gift certificates	Involvement
Company stock	Vacation, leisure time
Company product(s) or discounts	Responsibility and authority
Percent of cost savings for new ideas	Recognition certificates or plaques
Gift for children or spouse	"Employee of the month" award
Individual or group lunches	Flexible work schedule
Etc.	Freedom and independence
	Fun
	Special privileges (e.g., close parking space, first use of new technology)
	Etc.

Managers who effectively provide recognition and rewards...
- Describe the employee's specific desirable/exemplary behavior.
- Explain the benefits of the desirable behavior.
- Express appreciation for the employee's continued efforts.
- Continually monitor employee efforts and follow-through with additional rewards to encourage continued positive behavior.

Illegal/Legal Interview Questions

Topic	May Not Ask	May Ask
Age	What is your date of birth?	Are you 18 or older?
	How old are you?	
	When did you graduate from high school?	
	When do you plan to retire?	
Citizenship	Are you a U.S. citizen?	Are you legally able to work in the United States?
	What country are you from?	
	Do you have a "green" card?	
Credit Rating	What is your credit score?	May we have your permission to run a credit report?
	Have you ever declared bankruptcy?	
Criminal Record	Have you ever been arrested?	Have you ever been convicted of a felony?
Disabilities	Are you disabled?	Are there any functions of this job that you would be unable to perform?
Gender	What is your sexual preference?	Don't ask.
Height/Weight	How tall are you?	Don't ask unless a BFOQ.
	How much do you weigh?	
Marital/family status	Are you married?	Don't ask.
	What will your husband/wife do if you take this job?	
	Do you have children?	

	Do you plan to have more children?	
	Who takes care of your children?	
	Are you pregnant?	
	You're engaged; do you still plan to work after getting married?	
Military Record	When were you discharged?	Are you a military veteran?
	Were you dishonorably discharged?	
	In what unit/branch did you serve?	
Organizations	What social organizations do you belong to (if would reveal individual's race, religion, etc.)?	Don't ask unless a BFOQ.
Race, national origin, or language	What country are you from?	What other languages do you speak (if a BFOQ)?
	What is your nationality?	
	What is your native language?	
	What language do you speak at home?	
	What organizations do you belong to?	
Religion	What is your religion?	Are you able to work any day/time?
	What church do you attend?	Are you unable to work any day/time?
	What religious organizations do you support?	
	Can you work on Sunday (or any other specific day that might reveal religious preference)?	

Ineffective/Effective Interview Questions

The following ineffective questions, while sometimes humorous, often fail to reveal a candidate's skills, behaviors, and appropriateness for the job. Carefully consider what you are attempting to measure and what job-related questions will enhance your ability to choose high performers.

Ineffective Questions

Ineffective questions allow an applicant to describe him or herself, yet fail to reveal knowledge, skills, and abilities necessary for a job. Examples of ineffective questions are:
- What kind of an animal would you be and why?
- What is your favorite color and why?
- An airplane crashes on the border of the United States and Mexico. Where should they bury the survivors?
- How many barbers are in Chicago?
- Give me two reasons why I should not hire you.
- What are your greatest strengths/weaknesses?
- What don't you want me to know about you?

Effective Questions

Effective questions focus on behaviors and what a candidate can do or has done, not how he/she says he can do. Ask a candidate to *describe, explain, show,* or *tell* you how he or she has handled a specific situation in the past. Look for behaviors and skills that will enable the individual to succeed in the job. For example:
- Describe a time when you encountered conflict with a coworker and how you handled that.
- How do you handle multiple tasks or competing demands?
- Sell this coffee mug to me (if interviewing a potential salesperson).
- Explain in detail how you handle an irate customer.
- Describe the process you go through when facilitating a department meeting.
- Tell me how you handle your employees' performance issues.

Major HRM Laws

Civil Rights Act (CRA) of 1964	Prohibits discrimination on the basis of race, religion, color, gender, or national origin; applies to employers with 15+ employees
Civil Rights Act (CRA) of 1991	Strengthened the CRA of 1964 by allowing compensation and punitive damages for discrimination
Age Discrimination in Employment Act	Prohibits discrimination against individuals who are age 40 or older; restricts mandatory retirement
Vocational Rehabilitation Act (VRA)	Prohibits discrimination on the basis of physical or mental disability
Americans with Disabilities Act (ADA)	Strengthened the VRA of 1973 by requiring employers to provide "reasonable accommodations" to disabled employees to allow them to work

Equal Employment Opportunity Laws

Equal Pay Act (EPA) of 1963	Requires that men and women be paid the same for equal work
Family and Medical Leave Act (FMLA)	Requires employers with 50 or more employees to provide up to 12 weeks of unpaid leave for certain family (e.g., birth or adoption of a child) or medical reasons

Compensation/Benefits Laws

Occupational Safety and Health Act (OSHA)	Established mandatory safety and health standards for organizations
Fair Labor Standards Act (FLSA)	Established the standard 40-hour workweek, and set requirements for minimum wage, overtime pay, child labor, and record keeping

Health/Safety Laws

Designing Jobs

The following steps assist in the design of effective jobs.
- Create a Competency Map consisting of the skills, knowledge, and attitudes needed to complete performance activities used to generate performance outputs. These are essential when recruiting and selecting employees for given job classifications.
- Identify Performance Activities (the steps or micro tasks) that collectively constitute an employee's job.
- Identify Desired Performance Outputs that represent the deliverables (tangible outcomes) that employees generate via their performance activities.

- Establish Performance Standards that measure the quality and efficiency of employee outputs and activities.
- Create Job Descriptions that demonstrate the relationship between performance outputs and activities; Job Descriptions clearly identifying performance outputs for each job, performance activities required by employees to create deliverables, and the relationship between activities and outputs.

Source: Adapted from: Gary Rummler and Alan Brache, *Improving Performance* (San Francisco: Jossey-Bass, 1995).

Preparing for an Overseas Assignment

1. Analyze the assignment; determine what job(s) is to be performed by who, where, and when.
2. Identify and compile sources of information (current employees in the foreign country, if any; U.S. embassy or consulate; Internet; *CIA World Factbook;* tourist handbooks, etc.)
3. Learn as much as you can about the country (languages, currency, customs, history, laws/rules/regulations, weather, politics, religions and holidays, etc.)
   a. Learn key words and phrases in the native language
   b. Become familiar with local currency
4. Understand the local culture, including
   a. Differences between the sexes
   b. Manners, hospitality, mealtime customs
   c. Language, humor, and gestures
   d. Money, tips
   e. Giving and receiving gifts
   f. Transportation
   g. Laws and police customs
5. Determine passport/visa/travel and inoculation requirements; make arrangements well in advance.
6. Plan for return to the United States (time frame, work responsibilities, next assignment)

Facilitating Effective Meetings

Meetings are a reality of organizational life, although they are not necessarily effective or efficient. Successful meetings enhance communications, improve decision-making, productivity, and motivation, and save time and money.

1. **Plan the meeting**—topic, desired outcomes, facilitator, attendees, time, place, refreshments.
2. **Develop an agenda**
   a. Prioritize items to be covered
   b. Indicate time to be devoted to each item
   c. Start with discussion of your responsibilities (e.g., time manager, facilitator) and meeting rules (e.g., no interruptions, respect opinions, no personal attacks, etc.)
   d. Include "review" or "wrap-up" in final 2–5 minutes
3. **Start on time**—do not delay the start of the meeting for any individual or group who is/are late. Delays punish those who arrived on time and send the message that they are less important than those who are late.
4. **Stick to the agenda**
   a. The facilitator must be the time manager!
   b. Manage attendees—do not allow violation of meeting rules
   c. If a topic exhausts assigned time, "table" it to the next meeting or force a decision

5. **Wrap-up**
    a. Review decisions made, assignments for next time, date and time of next meeting. Thank attendees for their participation.
6. **End on time!**
7. **Assess meeting effectiveness**—Make notes/initial plans for next meeting.

New Employee Checklist

Name		Start Date
Position	**Department**	**Insurance Effective**
Employee #	**SSN**	

- ☐ Offer acceptance date _____
- ☐ Send welcome letter (include employment verification documentation list) specifying when and where to report on first day.
- ☐ Post internal welcome
- ☐ Create agenda for first day (HR information, meet with department manager, tour)
- ☐ Create training schedule
- ☐ Skills profile

Orientation Packet	
Receipt of handbook	Safety orientation materials
Training schedule	Benefits summary
Security form	Health plan comparison
Employee data sheet	Prescription drug list
I-9	Dental plan summary
W-4	Vision plan summary
Time card	COBRA notice
Pay period information	Long-term disability info sheet
Additional information sheet and handouts	Health Plan enrollment form
Retirement plan info	Dental enrollment form
Vacation/personal day information	Vision enrollment form
Skills profile	Long-term disability enrollment form

Forms for Employee Completion	Forms for Human Resources
Employee information sheet	Personnel change notice
W-4	Eight-week orientation notice
I-9	I-9
Receipt of handbook	New-hire report
Security form	Enter birthday/anniversary
Benefit enrollment form	COBRA notice to employee's home
Health plan enrollment form	New-hire forms to payroll
Dental enrollment form	Benefit enrollment forms
Vision enrollment form	Vacation notice
Long-term disability enrollment form	
First-year vacation options/notice	

Resignation/Termination Checklist

Name		Date Last Employed
Position	**Department**	
Employee #	**SSN**	

Forms to be Completed by HR	
	Date Sent
Information letter to employee –COBRA continuation options, retirement plan distribution, etc.	
Exit interview and form, if applicable	
Personnel change notice to Payroll	
COBRA/HIPAA	
Receipt of employee keys/key card	
Benefits status change—notify vendor	
Remove from internal systems—notify IT	

Form to be Completed by Employee	
	Date Received
Retirement Plan Distribution Request	

Employee Exit Interview Form

Name		Date Last Employed
Position	**Department**	
Employee #	**SSN**	

Indicate completion of the following, including date if required:

____ Accounting (cash advances, company credit card, etc.)
____ Telephone operations (password, voice mail, phone bill, etc.)
____ Library (books out, unpaid fees)
____ Keys (employee is responsible for returning keys to facilities)
____ E-mail cancelled (and any other Web-based access)
____ W-4 change (address, exemptions)
____ Direct deposit (continue or close account?)
____ Last regular check (does not include vacation)
____ Unused vacation payoff (approximately ____ hours)
____ Sick leave payoff (**retirement only,** approximately ____ hours)
____ Security/ID card—notify security
____ Parking permit (return to public safety or HR)
____ COBRA information sent on ____/___/_____
____ Insurance coverage ends on ____/___/_____

My signature on this form certifies that I understand all of the above information, which has been discussed with me. I understand it is my responsibility to satisfy, or make arrangements to satisfy, all debts and obligations with XYZ, Inc. prior to my last official date of employment.

_____ _____
Employee's Signature   **Date**

_____ _____
HR Representative Signature   **Date**

Death of an Employee

Name		Date Deceased
Position	**Department**	
Employee #	**SSN**	

Beneficiary/representative _____

Complete all of the following items:

_____ Discuss with beneficiary/dependents the date that insurance coverage will end and any other related issues (e.g., beneficiary changes, settlement options, continuing health plan coverage, etc.).

_____ Explain insurance continuation eligibility through COBRA.
Date of COBRA notification to dependents: _____

_____ Obtain certified copy of Death Certificate to process life insurance claim. Discuss amount of policy with **named beneficiary only.**

_____ Notify employee's retirement plan and health care provider(s) of death.

_____ Contact Payroll to determine status of last paycheck and payment of vacation/sick leave to beneficiary.

_____ Notify Social Security Office.

Notify Departments to do the following:

_____ Complete Employee Change Notice (copy to home department and HR).

_____ Change employee's voicemail.

_____ Change computer passwords and stop e-mail access (IT/help desk).

_____ Coordinate with beneficiary/family members to pick up/deliver personal items.

_____ Secure keys, ID card, parking permits.

_____ Send gift to family (HR).

_____ Schedule memorial if applicable (home department with HR).

Keys to Managing Sexual Harassment

- Develop and disseminate clear policies relative to sexual harassment, including examples of unacceptable behavior and summaries of applicable laws.
- Delineate how sexual harassment policies are anchored in the culture of the organization.
- Investigate all complaints thoroughly and promptly.
- Document all process steps and discussions.
- Openly consider both sides of the dialogue, ensuring that both the complainant and the accused are afforded equitable due process.
- Achieve resolution of all complaints as expeditiously as possible, including all necessary actions.
- Require that both the complainant and the accused sign written statements attesting to the accuracy of the documented specifics.
- Ensure consistency in all actions.

 Source: Adapted from Jeffrey A. Mello, *Strategic Human Resource Management* (Mason, OH: Thomson South-Western, 2006), 165.

Major Motivators of Employing Internal vs. External Recruitment

External Recruitment Motivators	Internal Recruitment Motivators
New perspective	Insider knowledge
Applicable new skills	Directly relevant skills
Change stimulus	Stability reinforcement
Talent acquisition	Talent development
Market-driven	Meritocracy-driven
Reinforces vitality	Reinforces loyalty
Culture enhancement	Culture congruence

Part VI

Resources

This page intentionally left blank

Articles

Abrahamson, Eric. "Change without Pain." *Harvard Business Review,* July/August 2000, 75–79.

Amundson, Norman E. "Mattering: A Foundation for Employment Counseling and Training." *Journal of Employment Counseling* 30 (1993): 146–52.

Ashton, Chris, and Lynne Morton. "Managing Talent for Competitive Advantage." *Strategic Human Resources Review,* July/August 2005, 28–31.

Becker, Brian E., and Mark A. Huselid. "Strategic Human Resource Management: Where Do We Go from Here?" *Journal of Management* 32, no. 6 (2006): 898–925.

Beer, Michael, R.A. Eisenstat, and B. Spector. "Why Change Programs Don't Produce Change." *Harvard Business Review,* November/December 1990, 158–66.

Boyle, Matthew. "Happy People, Happy Returns." *Fortune* 153, no. 1 (2006): 100.

Branine, Mohamed. "Job Sharing and Equal Opportunities under the New Public Management in Local Authorities." *The International Journal of Public Sector Management* 17, no. 2 (2004): 136–52.

Breaugh, J.A., and M. Starke. "Research on Employee Recruitment: So Many Studies, So Many Remaining Questions." *Journal of Management* 26, no. 3 (2000): 405–34.

Brookfield, Steven D. "Analyzing a Critical Paradigm of Self-Directed Learning: A Response." *Adult Education Quarterly* 36, no. 1 (1985): 60–64.

Butler, Kelley. "EAP Benefits Worth More Than Their Price Tag." *Employee Benefit News,* September 2007, 9.

Capozzoli, Thomas. "How to Succeed with Self-Directed Work Teams." *Supervision,* February 2006, 25–26.

Carmeli, Abraham. "The Relationship between Emotional Intelligence and Work Attitudes, Behaviors and Outcomes." *Journal of Managerial Psychology* 18, no. 8 (2003): 788–813.

Cheng-Fei Tsai, Philip, Yu-Fang Yen, Liang-Chih Huang, and Ing-Chung Huang. "A Study on Motivating Employees' Learning Commitment in the Post-Downsizing Era: Job Satisfaction Perspective." *Journal of World Business,* June 2007, 157–69.

Coles, Sarah. "Satisfying Basic Needs." *Employee Benefits,* October 2001, 3–7.

Cote, S., and M. Miners. "Emotional Intelligence, Cognitive Intelligence, and Job Performance." *Administrative Science Quarterly* 51, no. 1 (2006): 1–28.

Dean, Peter J. "Examining the Practice of Human Performance Technology." *Performance Improvement Quarterly* 8, no. 2 (1995): 68–94.

Deci, Edward L., and Richard M. Ryan. "The 'What' and 'Why' of Goal Pursuits: Human Needs and the Self-determination of Behavior." *Psychological Inquiry* 11, no. 4 (2000): 227.

Denning, Steve. "Transformational Innovation." *Strategy & Leadership* 33 (2005): 11–16.

Deutschman, A. "Change or Die." *Fast Company,* May 2005, 54–62.

Fairhurst, Gail T., Francois Cooren, and Daniel J. Cahill. "Discursiveness, Contradiction, and Unintended Consequences in Successive Downsizings." *Management Communication Quarterly* 15 (2002): 501–40.

Falcone, Paul. "Employee Separations: Layoffs vs. Terminations for Cause." *HR Magazine,* October 2000, 189.

Frase-Blunt, Martha. "Short-Term Executives: Companies That Need an Executive for a Special Purpose—To Launch a Project, To Fill In During an Absence—Are Hiring Temps for the Job." *HR Magazine,* June 2004, 6.

Furnham, A., and K.V. Petrides. "Trait Emotional Intelligence and Happiness." *Social Behavioral and Personality* 31, no. 8 (December 2003): 815–24.

Gan, Marie, and Brian H. Kleiner. "How to Write Job Descriptions Effectively." *Management Research News* 8, no. 28 (2005): 48–54.

Gardner, Randy, Julie Welch, and Brooke Grechus. "Choosing the Right Retirement Plan for a Self-Employed Individual." *Journal of Financial Planning,* February 2004, 28–32.

Gibson, Jane Whitney, and Dana V. Tesone. "Management Fads: Emergence, Evolution, and Implications for Managers." *Academy of Management Executives,* November 2001, 122–33.

Gilley, Jerry W., and Michael W. Galbraith. "Examining Professional Certification." *Training and Development Journal* 40, no. 6 (June 1986): 60–61.

Grossman, Robert. "The Under-Reported Impact of Age Discrimination and Its Threat to Business Vitality." *Business Horizons* 48, no. 1 (2005): 71–78.

Grossman, Robert J. "New Competencies for HR." *HR Magazine,* June 2007, 58–62.

Hackman, J. Richard, and Ruth Wageman. "A Theory of Team Coaching." *Academy of Management Review* 30 (2005): 269–87.

Hallock, Daniel E., Ronald J. Salazar, and Sandy Venneman. "Demographic and Attitudinal Correlates of Employee Satisfaction with an ESOP." *British Journal of Management,* December 2004, 321–33.

Hurtz, G.M., and J.J. Donovan. "Personality and Job Performance: The Big 5 Revisited." *Journal of Applied Psychology* 85, no. 6 (2000): 869–79.

Huselid, Mark A. "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance." *Academy of Management Journal* 38 (1995): 635–72.

IBM. "Expanding the Innovation Horizon: The Global CEO Study." *IBM Global Business Services,* 2006.

Judge, T.A., C.A. Higgins, and D.M. Cable. "The Employment Interview: A Review of Recent Research and Recommendations for Future Research." *Human Resource Management Review* 4 (2000): 383–406.

Kammeyer-Mueller, John, and Hui Liao. "Workforce Reduction and Job-Seeker Attraction: Examining Job Seekers' Reactions to Firm Workforce-Reduction Policies." *Human Resource Management,* Winter 2006, 585–603.

Karsen, Rudy. "Calculating the Cost of Turnover." *Employment Relations Today,* Spring 2007, 33–36.

Kerr, Steven. "On the Folly of Rewarding A, While Hoping for B." *Academy of Management Executive* 9, no. 1 (1995): 7.

Kluger, Avraham N., and Angelo DeNisi. "The Effects of Feedback Interventions on Performance." *Psychological Bulletin* 119, no. 2 (1996): 254.

Kotter, John P. "Leading Change: Why Transformational Efforts Fail." *Harvard Business Review,* March/April 1995, 59–67.

Laff, Michael. "Middle Managers Feel Squeezed." *Training and Development,* June 2007, 20.

Latham, Gary P., and Craig C. Pinder. "Work Motivation Theory and Research at the Dawn of the Twenty-first Century." *Annual Review of Psychology* 56, no. 1 (2005): 485.

Levering, Robert. "Creating a Great Place to Work: Why It Is Important and How It Is Done." *Corrections Today,* 66, no. 5 (2004): 86–88.

Lewin, Jeffrey E., and Wesley J. Johnston. "The Impact of Downsizing and Restructuring on Organizational Competitiveness." *Competitiveness Review* 10 (2000): 45–55.

Lockwood, Nancy R. "Talent Management Driver for Organizational Success." *HR Magazine,* June 2006, 1–11.

Maltbia, Terrence. "Diversity's Impact on the Executive Coaching Process." *Proceedings of the Academy of Human Resource Development,* February 2005, 221–28.

Mintzberg, Henry. "Productivity is Killing American Enterprise." *Harvard Business Review,* July–August 2007, 25.

Morris, James R., Wayne F. Cascio, and Clifford E. Young. "Downsizing after All These Years: Questions and Answers about Who Did It, How Many Did It, and Who Benefited from It." *Organizational Dynamics* 13, no. 2 (1999): 78–87.

Nadler, David A., and Michael L. Tushman. "Beyond the Charismatic Leader: Leadership and Organizational Change." *California Management Review,* Winter 1990, 77–97.

Norhia, N., W. Joyce, and B. Robertson. "What Really Works." *Harvard Business Review* 81 (2003): 43–52.

Orenstein, Ruth L. "Executive Coaching: It's Not Just about the Executive." *Journal of Applied Behavioral Science,* September 2002, 355–75.

Paulas, P.B., and H. Yang. "Idea Generation in Groups: A Basis for Creativity in Organizations." *Organizational Behavior and Human Decision Processes* 82, no. 1 (2000): 76–87.

Pereira, Gloria M., and H.G. Osburn. "Effects of Participation in Decision Making on Performance and Employee Attitudes: A Quality Circles Meta-Analysis." *Journal of Business Psychology,* July 2007, 145–53.

Preskill, Hallie. "The Use of Critical Incidents to Foster Reflection and Leaning in HRD." *Human Resource Development Quarterly* 7, no. 4 (1996): 335–47.

Probst, Tahira M., Susan M. Stewart, Melissa L. Gruys, and Bradley W. Tierney. "Productivity, Counterproductivity and Creativity: The Ups and Downs of Job Insecurity." *The British Psychological Society,* September 2007, 479–97.

Rathbone, Mark. "Trade Unions in the USA." *History Review,* December 2005, 1–6.

Ready, Douglas A., and Jay A. Conger. "Make Your Company a Talent Factory." *Harvard Business Review,* June 2007: 68–77.

Robinson, Karyn-Siobhan. "HR Needs Larger Role in Off Shoring." *HR Magazine,* May 2004.

Rynes, S.L., K.G. Brown, and A.E. Colbert. "Seven Misconceptions about Human Resource Practices: Research Findings Versus Practitioner Beliefs." *Academy of Management Executive* 16, no. 3 (2002): 92–103.

Schmidt, F., and J.E. Hunter. "The Validity and Utility of Selection Methods in Personnel Psychology: Practical and Theoretical Implications of 85 Years of Research Findings." *Psychological Bulletin* 124, no. 2 (1998): 262–74.

Scott, Cynthia D., and D.T. Jaffe. "Survive and Thrive in Times of Change." *Training and Development Journal* 42, no. 4 (1988): 25–27.

Sisk, Michael. "Reward Systems That Really Work." *Harvard Management Update* 10, no. 9 (2005): 1.

Thach, Liz, and Tom Heinselman. "Executive Coaching Defined." *Training and Development Journal,* March 1999, 34–40.

Thompson, L. "Improving the Creativity of Organizational Work Groups." *Academy of Management Executive* 17, no. 1 (2003): 96–111.

Turner, A.N. "Consulting Is More Than Giving Advice." *Harvard Business Review* 61, no. 5 (1983): 120–29.

van Mierlo, H., C.G. Rutte, J.K. Vermunt, M.A.J. Kompier, and J.A.M.C. Doorewaard. "Individual Autonomy in Work Teams: The Role of Team Autonomy, Self-Efficacy, and

Social Support." *European Journal of Work and Organizational Psychology* 15, no. 3 (2006): 282–99.

Witherspoon, Robert, and Randall P. White. "Executive Coaching: A Continuum of Roles." *Consulting Psychology Journal: Practice and Research,* Spring 1996, 87–95.

Wong, Chi-Sum, and Kenneth S. Law. "The Effects of Leader and Follower Emotional Intelligence on Performance and Attitude: An Exploratory Study." *The Leadership Quarterly* 13, no. 3 (2002): 243–74.

Yukl, G., and C.M. Fable. "Influence Tactics and Objectives in Upward, Downward, and Lateral Influence Attempts." *Journal of Applied Psychology* 75, no. 3 (1990): 133.

Books

Ahlrichs, Nancy S. *Competing for Talent: Key Recruitment and Retention Strategies for Becoming an Employer of Choice.* Palo Alto, CA: Davies-Black, 2000.

Allen, David. *Getting Things Done: The Art of Stress-Free Productivity.* New York: Viking Books, 2001.

Anderson, D., and L.A. Anderson. *Beyond Change Management: Advanced Strategies, for Today's Transformational Leader.* San Francisco: Pfeffer, 2001.

Argenti, P.A., and J. Forman. *The Power of Corporate Communications: Crafting a Voice and Image of Your Business.* New York: McGraw-Hill, 2002.

Argyris, Chris, and Donald Schon. *Organizational Learning II: A Theory of Action Perspective.* Reading, MA: Addison-Wesley, 1996.

Armstrong, Michael. *Performance Management: Key Strategies and Practical Guidelines.* London: Kogan Page, 2006.

Bacon, Terry R. *Effective Coaching.* Durango, CO: International Learning Works, 1997.

Bakke, D.W. *Joy at Work.* Seattle: PVG, 2003.

Baldwin, Timothy T., William H. Bommer, and Robert S. Rubin. *Developing Management Skills: What Great Managers Know and Do.* New York: McGraw-Hill/Irwin, 2008.

Bass, Bernard. *Bass and Stogdill's Handbook of Leadership.* New York: The Free Press, 1990.

Becker, Brian E., Mark A. Huselid, and Dave Ulrich. *The HR Scorecard.* Boston: Harvard Business School Press, 2001.

Beer, Michael, and Nitin Nohria. *Breaking the Code of Change.* Boston: Harvard Business School Press, 2000.

Bell, Chip R. *Managers as Mentors: Building Partnerships for Learning.* San Francisco: Berrett-Koehler, 2002.

Bellman, G.M. *Getting Things Done When You Are Not in Charge.* San Francisco: Berrett-Koehler, 2001.

Bennis, Warren. *On Becoming a Leader.* Cambridge, MA: Perseus, 1989.

Berger, Lance A., and Dorothy R. Berger, editors. *The Compensation Handbook: A State-of-the-Art Guide to Compensation Strategy and Design,* 4th ed. New York: McGraw-Hill, 1999.

Bernardin, H. John. *Human Resource Management: An Experiential Approach,* 4th ed. New York: McGraw-Hill/Irwin, 2007.

Berns, Gregory. *Satisfaction.* New York: Holt, 2005.

Biech, Elaine. *The Pfeiffer Book of Successful Team-Building Tools: Best of the Annuals.* New York: John Wiley, 2001.

Bliss, Wendy, and Gene Thornton. *The Employment Termination Source Book : A Collection of Practical Samples* Alexandria, VA: Society for Human Resource Management, 2006.

Block, Peter. *The Empowered Manager: Positive Political Skills at Work.* San Francisco: Jossey-Bass, 1987.

———. *Flawless Consulting: A Guide to Getting Your Expertise Used,* 2nd ed. San Diego: Pfeiffer, 1999.

———. *Stewardship.* San Francisco: Berrett-Koehler, 1992.

Bohlander, George. and Scott Snell. *Managing Human Resources,* 14th ed. Mason, OH: Thomas South-Western, 2007.

Bolles, Richard. *What Color is Your Parachute?* Berkeley, CA: Ten Speed Press, 2001.

Bolman, L.G., and Terrance Deal. *Reframing Organizations: Artistry, Choice, and Leadership,* 3rd ed. San Francisco: Jossey-Bass, 2003.

Bolton, Robert. *People Skills: How to Assert Yourself, Listen to Others, and Resolve Conflicts.* New York: Simon & Schuster, 1986.

Bolton, Robert, and Dorothy Grover Bolton. *People Styles at Work: Making Bad Relationships Good and Good Relationships Better.* New York: AMACOM, 1996.

Boudreau, John W., and Peter M. Ramstad. *Beyond HR: The New Science of Human Capital.* Boston: Harvard Business School Press, 2007.

Boverie, Patricia E., and Michael S. Kroth. *Transforming Work: The Five Keys to Achieving Trust, Commitment, and Passion in the Workplace.* Cambridge, MA: Perseus, 2001.

Bredin, Alice. *The Virtual Office Survival Handbook.* New York: John Wiley, 1996.

Brinkerhoff, Robert O., and Steven Gill. *The Learning Alliance.* San Francisco: Jossey-Bass, 1994.

Brinkerhoff, Robert O., and A.M. Apking. *High Impact Learning: Strategies for Leveraging Business Results from Training.* Cambridge, MA: Perseus, 2001.

Broad, Mary, and John Newstrom. *Transfer of Training. Action-Packed Strategies to Ensure High Pay-off from Training Investment.* Reading, MA: Addison-Wesley, 1992.

Buckingham, Marcus, and Donald O. Clifton. *Now, Discover Your Strengths.* New York: The Free Press, 2001.

Buckingham, Marcus, and C. Coffman. *First, Break All the Rules: What the World's Greatest Managers Do Differently.* New York: Simon & Schuster, 1999.

Buckman, R.H. *Building a Knowledge-Driven Organization.* Boston: McGraw-Hill, 2004.

Burke, Warren W. *Organization Change: Theory and Practice.* Thousand Oaks, CA: Sage, 2002.

———. *Organizational Development: A Process of Learning and Changing.* Reading, MA: Addison-Wesley, 1992.

Business: The Ultimate Resource, 2nd ed. Cambridge, MA: Basic Books, 2006.

Cascio, Wayne F. *Managing Human Resources: Productivity, Quality of Work Life, Profits.* New York: McGraw-Hill, 2005.

Clifton, Donald, and Paula Nelson. *Soar with Your Strengths.* New York: Delacorte, 1992.

Cloke, K., and Joseph Goldsmith. *Resolving Conflicts at Work: A Complete Guide for Everyone on the Job.* San Francisco: Jossey-Bass, 2001.

Codling, Sylvia. *Benchmarking.* Brookfield, VT: Grower, 1998.

Collins, Jim. *Good to Great: Why Some Companies Make the Leap . . . and Others Don't.* New York: Harper Collins, 2001.

Conger, Jay A., and Beth Benjamin. *Building Leaders: How Successful Companies Develop the Next Generation.* San Francisco: Jossey-Bass, 1999.

Conner, Donald. *Managing at the Speed of Change.* New York: Villard Books, 1992.

Cooperrider, David, and Suresh Srivastava. *Appreciative Inquiry in Organizational Life.* Greenwich: JAI Press, 1987.

Cummings, T.G., and C.G. Worley. *Organizational Development and Change,* 8th ed. Cincinnati, OH: South-Western College Publishing, 2005.

Dana, D. *Conflict Resolution.* New York: McGraw-Hill, 2000.

Dawson, Roger. *Secrets of Power Negotiating,* 2nd ed. Franklin Lakes, NJ: The Career Press, 2001.

———. *Secrets of Power Persuasion: Everything You'll Ever Need to Get Anything You'll Ever Want.* Eaglewood Cliffs, NJ: Prentice Hall Press, 2001.

Deci, Edward. *Intrinsic Motivation.* New York: Plenum, 1975.

Deluca, Matthew J. *Best Answers to the 201 Most Frequently Asked Interview Questions.* New York: McGraw-Hill Professional Publishing, 1996.

De Meuse, Kenneth P., and Mitchell Lee Marks. *Resizing the Organization* San Francisco: John Wiley & Sons, 2003.

Dessler, Gary. *Human Resource Management.* Upper Saddle River, NJ: Pearson Prentice Hall, 2005.

Deutsch, M., and P.T. Colemen. *Handbook of Conflict Resolution: Theory and Practice.* San Francisco: Jossey-Bass, 2000.

Dixon, N.M. *Common Knowledge: How Companies Thrive by Sharing What They Know.* Boston, MA: Harvard Business School Press, 2000.

Dotlich, David L., and Peter C. Cairo. *Action Coaching: How to Leverage Individual Performance for Company Success.* San Francisco: Jossey-Bass, 1999.

Drucker, Peter. *The Effective Executive.* New York: Harper Collins, 2002.

———. *Management Challenges for the 21st Century.* New York: Harper Collins, 1999.

Edwards, Mark R., and Ann J. Ewan. *360° Feedback: The Powerful New Model for Employee Assessment & Performance Improvement.* New York: AMACOM, 1996.

Ehrlich, C.J. "Human Resource Management: A Changing Script for a Changing World." In *Tomorrow's HR Management: 48 Thought Leaders Call for Change,* edited by David. Ulrich, M.R. Losey, and G. Lake. New York: Wiley & Sons, 1997.

Eichinger, R., and David Ulrich. *Human Resource Challenges.* New York: The Human Resource Planning Society, 1995.

Fisher, Roger, William Ury, and Bruce Patton. *Getting to Yes: Negotiating Agreements without Giving In.* New York: New Rutherford, NJ: Penguin, 1991.

Fitz-enz, Jac. *The ROI of Human Capital: Measuring the Economic Value of Employee Performance.* New York: Amacon, 2000.

Flannery, T.P., D.A. Hofrichter, and P.E. Platten. *People Pperformance and Pay: Dynamic Compensation for Changing Organizations.* New York: The Free Press, 1996.

Fleischer, Charles. *HR for Small Business.* Naperville, IL: Sourcebooks, 2005.

Fombrun, Charles J., and Mark D. Nevins. *The Advice Business: Essential Tools and Models for Management Consulting.* Upper Saddle River, NJ: Pearson/Prentice Hall, 2003.

Fossum, John A. *Labor Relations: Development, Structure, Process.* Chicago: Irwin, 1995.

Fournies, Ferdinand F. *Coaching for Improved Work Performance.* New York: McGraw-Hill, 2000.

———. *Why Employees Don't Do What They're Supposed To Do: And What To Do About It.* New York: McGraw-Hill, 1988.

Francis, Huw, and Michelyne Callan, *Live and Work Abroad: A Guide for Modern Nomads.* Cincinnati, OH: Seven Hills Book Distributors, 2001.

French, Wendell L., and Cecil H. Bell, Jr. *Organizational Development: Behavioral Science Interventions for Organizational Improvement.* Englewood Cliffs, NJ: Prentice-Hall, 1999.

Fulmer, Robert M., and Marshall Goldsmith. *The Leadership Investment: How the World's Best Organizations Gain Strategic Advantage through Leadership Development.* Washington, DC: AMACOM, 2000.

Gerdes, S. *Navigating the Partnership Maze: Creating Alliances That Work.* New York: McGraw-Hill, 2002.

Giaclone, Robert A., and Carole L. Jurkiewicz, editors. *Handbook of Workplace Spirituality and Organizational Performance.* Armonk, NY: M.E. Sharpe, 2003.

Gibson, James L., John M. Ivancevich, James H. Donnelly, Jr., and Robert Konopaske. *Organizations: Behavior, Structure, Processes,* 12th ed. New York: McGraw-Hill/Irwin, 2006.

Gilley, Ann. *Manager as Change Leader.* Westport, CT: Praeger, 2005.

Gilley, Jerry W. *Improving HRD Practice.* Malabar, FL: Krieger Publishing, 1998.

Gilley, Jerry W., and Nathaniel W. Boughton. *Stop Managing, Start Coaching!* Chicago: Irwin Professional Publishing, 1996.

Gilley, Jerry W., Nathaniel W. Boughton, and Ann Maycunich. *The Performance Challenge: Developing Management Systems to Make Employees Your Organization's Greatest Asset.* Cambridge, MA: Perseus Books, 1999.

Gilley, Jerry W., and Amy J. Coffern. *Internal Consulting for HRD Professionals: Tools, Techniques, and Strategies for Improving Organizational Performance.* New York: McGraw-Hill Professional Publishing, 1994.

Gilley, Jerry W., and Steven A. Eggland, *Marketing HRD Programs within Organizations: Improving the Visibility, Credibility, and Image of Programs.* San Francisco: Jossey-Bass, 1992.

Gilley, Jerry W., Steven A. Eggland, and Ann Maycunich Gilley. 2002. *Principles of Human Resource Development,* 2nd ed. Cambridge, MA: Perseus, 2002.

Gilley, Jerry W., and Ann Gilley. *The Manager as Coach.* Westport, CT: Praeger, 2007.

———. *Organizational Learning, Performance, and Change: An Introduction to Strategic HRD.* Cambridge, MA: Perseus, 2000.

Gilley, Jerry W., and Ann Maycunich, *Beyond the Learning Organization: Creating a Culture of Continuous Growth and Development through State-of-the-Art Human Resource Practices.* Cambridge, MA: Perseus Books, 2000.

Goleman, Donald. *Emotional Intelligence.* New York: Bantam Books, 1995.

———. *Working with Emotional Intelligence.* New York: Bantam Books, 1998.

Greene, Robert. *The Art of Seduction.* New Rutherford, NJ: Penguin Putnam, 2003.

———. *The 48 Laws of Power.* New Rutherford, NJ: Penguin Putnam, 2000.

Greenleaf, Robert K. *On Becoming a Servant Leader.* San Francisco: Jossey-Bass, 1996.

Grote, Dick. *The Complete Guide to Performance Appraisal.* New York: AMACOM, 1996.

Guba, E.G., and Y.S. Lincoln. *Effective Evaluation: Improving the Usefulness of Evaluation Results through Responsive and Naturalistic Approaches.* San Francisco: Jossey-Bass, 1988.

Guirdham, Maureen. *Communicating Across Cultures.* West Lafayette, IN: Purdue University Press, 1999.

Hale, Judy. *The Performance Consultant's Fieldbook: Tools and Techniques for Improving Organizations and People.* San Francisco: Jossey-Bass and Pfeiffer, 1998.

Hamel, Gary. *Leading the Revolution.* Boston, MA: Harvard Business School Press, 2000.

Hammer, Michael, and J. Champy. *Reengineering the Corporation: A Manifesto for Business Revolution.* New York: Harper Business, 1993.

Heneman, Robert L., and Jon M. Werner. *Merit Pay—Linking Pay to Performance in a Changing World,* 2nd ed. Charlotte, NC: Information Age Publishing, 2005.

Holbeche, Linda. *Aligning Human Resources and Business Strategy.* Woburn, MA: Butterworth-Heinemann, 1999.

Holden, Philip. *Ethics for Managers.* Brookfield, VT: Grower, 2000.

Holton, Edward. F., III, Tim. T. Baldwin, and Sharon Naquin. *Managing and Changing Learning Transfer Systems.* San Francisco: Berrett-Koehler, 2004.

Hudson, Frederic M. *The Handbook of Coaching: A Comprehensive Resource Guide for Managers, Executives, Consultants, and Human Resource Professionals.* San Francisco: Jossey-Bass, 1999.

Ivancevich, John M., Robert Konopaske, and Michael T. Matteson. *Organizational Behavior and Management.* Boston: McGraw-Hill, 2008.

Jamison, Kay R. *Exuberance: The Passion for Lfe.* New York: Knopf, 2004.

Jay, Ros *Ultimate Book of Business Creativity: 50 Great Thinking Tools for Transforming Your Business.* Oxford: Capstone, 2001.

Kaner, Sam, Lenny Lind, Catherine Toldi, Sarah Fisk, and Duane Berger. *Facilitator's Guide to Participatory Decision-Making.* British Columbia: New Society Publishers, 1996.

Kanter, Rosabeth M. *The Change Masters.* New York: Simon & Schuster, 1983.

Kaplan, Robert S., and David P. Norton. *The Balanced Scorecard.* Boston: Harvard Business School Press, 1996.

Katzenbach, J.R., and D. Smith. *The Wisdom of Tteams.* Boston: Harvard Business School Press, 1993.

Kaye, Beverly L. *Up Is Not the Only Way: A Guide to Developing Workforce Talent.* Palo Alto, CA: Consulting Psychologists Press, 1997.

Kaye, Beverly L., and Sharon Jordan-Evans. *Love 'Em or Lose 'Em: Getting Good People to Stay.* San Francisco: Berrett-Koehler, 1999.

Kissler, G.D. *The Change Riders: Managing the Power of Change.* Cambridge, MA: Perseus, 1991.

Knowles, Malcolm. *Self-Directed Learning.* New York: Association Press, 1975.

Kotter, John. *Leading Change.* Boston: Harvard Business School Press, 1996.

Kotter, John P. *Power and Influence.* New York: Free Press, 1985.

Kouzes, James M., and Barry Z. Posner, *The Leadership Challenge: How to Get Extraordinary Things Done in Organizations.* San Francisco: Jossey-Bass, 1991.

Kreitner, Robert. *Foundations of Management: Basics and Best Practices.* Boston, MA: Houghton Mifflin, 2005.

Kroth, Michael. *The Manager as Motivator.* Westport, CT: Praeger, 2007.

Kroth, Michael, and Patricia E. Boverie. *Transforming Work.* Cambridge, MA: Perseus, 2002.

LaFasto, Frank M., and Carl E. Larson. *When Teams Work Best: 6,000 Team Members and Leaders Tell What It Takes to Succeed.* Thousand Oaks, CA: Sage, 2001.

Larson, Carl E., and Frank M.J. LaFasto. *Teamwork: What Must Go Right, What Can Go Wrong.* Newbury Park, CA: Sage., 1989.

Lawler, Edward E. *Rewarding Excellence: Pay Strategies for the New Economy.* San Francisco: Jossey-Bass, 2000.

Leas, S.B. *Discover Your Conflict Management Style.* Washington, DC: Alban Institute, 1998.

LeBoeuf, Michael. *Getting Results: The Secret to Motivating Yourself and Others.* New York: Berkeley Books, 1985.

Leed, David. *The 7 Powers of Questions: Secrets to Successful Communications in Life and at Work.* New York: Perigee Books, 2000.

Lencioni, Patrick. *Silos, Politics and Turf Wars.* New York: Jossey-Bass, 2006.

Levitt, Julie G. *Your Career: How to Make It Happen,* 4th ed. Florence, KY: South-Western Educational Publishing, 1999.

Lewicki, R.J., B. Barry, D.M. Saunders, and J.W. Minton. *Essential Negotiation,* 3rd ed. New York: McGraw-Hill/Irwin, 2003.

Lewin, Kurt. *Field Theory in Social Science.* New York: Harper, 1951.

Locke, E., and G. Latham. *A Theory of Goal Setting and Task Performance.* Englewood Cliffs, NJ: Prentice Hall, 1990.

Lomax, Stan. *Best Practices for Managers and Expatriates: A Guide on Selection, Hiring, and Compensation.* New York: John Wiley, 2001.

Lussier, Robert N. *Management Fundamentals: Concepts, Applications, Skill Development,* 4thd ed. Mason, OH: Thomson South-Western, 2009.

Mager, Robert F. *Preparing Instructional Objectives.* 2nd ed. Belmont, CA: Fearon, 1975.

Marquardt, Michael J. *Action Learning in Action: Transforming Problems and People for World-Class Organizational Learning.* Palo Alto, CA: Davies-Black, 1999.

Martin, C.L., and R.E. Kidwell. *HRM from A to Z.* New York: McGraw-Hill, 2001.

Maurer, Robert. *Beyond the Wall of Resistance: Unconventional Strategies That Build Support for Change.* Austin, TX: Bard Books, 1996.

Mayer, John D., and Peter Salovey. "What Is Emotional Intelligence?" In *Emotional Development and Emotional Intelligence: Implications for Educators,* edited by Peter Salovey and D. Sluyter, 3–31. New York; Basic Books, 1997.

Mayer, John D., Peter Salovey, and David Caruso. "Models of Emotional Intelligence." In *The Handbook of Intelligence,* edited by R.J. Sternberrg, 396–420. New York; Cambridge University Press, 2000.

McDonnell, Sharon. *You're Hired! Secrets to a Successful Job Search.* New York: Macmillan, 1999.

McLagan, Patrica, and N. Christo. *The Age of Participation.* San Francisco, CA: Berrett-Koehler, 1995.

Mello, Jeffrey A. *Strategic Human Resource Management.* Mason, OH: Thomson South-Western, 2005.

Michaels, Ed, Helen Handfield-Jones, and Beth Axelrod. *The War for Talent.* Boston: McKinsey & Company, 2001.

Mink, Oscar G., P. W. Esterhuysen, Barbara P. Mink, and Keith O. Owen. *Change at Work: A Comprehensive Management Process for Transforming Organizations.* San Francisco: Jossey-Bass, 1993.

Mink, Oscar G., Keith Owen, and Barbara Mink. *Developing High-Performance People.* Cambridge, MA: Perseus, 1993.

Mitroff, Ian I. *Managing Crises Before They Happen.* New York: AMACOM, 2000.

Myers, Isabel Briggs, with Peter B. Myers. *Gifts Differing: Understanding Personality Type.* Mountain View, CA: Davies-Black, 1980.

Nadler, David. *Champions of Change.* San Francisco: Jossey-Bass, 1998.

Nilson, C. *The Performance Consulting Toolbook: Tools for Trainers in a Performance Consulting Role.* New York: McGraw-Hill, 1999.

Nkomo, S., M. Sottler, and R. B. McAfee. *Human Resource Management Applications Cases, Exercises, Incidents, and Skill Builders.* Mason, OH: Thomson South-Western, 2008.

Northouse, Peter G. *Leadership Theory and Practice.* Thousand Oaks, CA: Sage, 2007.

O'Hair, Dan, Gustav W. Friedrich, and Lynda Dee Dixon, *Strategic Communication in Business and the Professions,* 5th ed. Boston, MA: Houghton Mifflin, 2005.

O'Shaughnessy, Lynn. *Retirement Bible.* New York: Hungry Minds, 2001.

Parker, G. M. *Team Players and Teamwork: The New Competitive Business Strategy.* San Francisco: Jossey-Bass, 1990.

Patterson, James. *Coming Clean about Organizational Change.* Arlington, VA: American Association of School Administrators, 1997.

Peterson, David. B., and M. D. Hicks. *Development First: Strategies for Self-Development.* Minneapolis: Personnel Decisions International, 1995.

———. *Leader as Coach: Strategies for Coaching and Developing Others.* Minneapolis: Personnel Decisions International, 1996.

Pettinger, Richard. *The Learning Organization.* Oxford, UK: Capstone, 2002.

Pfeffer, Jeffrey. *Competitive Advantage Through People.* Boston: Harvard Business School Press, 1994.

Pfeffer, Jeffrey, and Robert I. Sutton. *The Knowing-Doing Gap.* Boston: Harvard Business School Press, 2000.

Phillips, Barty. *The Home Office Planner.* San Francisco: Chronicle Books, 2000.

Porter, Lyman A., Gregory A. Bigley, and Richard M. Steers, editors. *Motivation and Work Behavior.* Boston: McGraw-Hill/Irwin, 2003.

Porter, Michael E. *Competitive Advantage: Creating and Sustaining Superior Performance.* New York: The Free Press, 1985.

———. *On Competition.* Boston, MA: Harvard Business School Publishing, 1998.

Proctor, Tony. *Creative Problem Solving for Managers.* New York: Routledge, 1999.

Raines, C. *Connecting Generations: The Sourcebook for a New Generation.* New York: Crisp Publications, 2003.

Ramey, Ardella. *A Company Policy and Personnel Workbook,* 4th ed. Central Point, NY: Oasis Press, 1999.

Reardon, Kathleen K. *The Secret Handshake: Mastering the Politics of the Business Inner Circle.* New York: Doubleday, 2001.

Reilly, Peter. *Flexibility at Work: Balancing the Interests of Employer and Employee.* Burlington, VT: Ashgate, 2001.

Rejda, G. E. *Principles of Risk Management and Insurance,* 10th ed. Boston, MA: Pearson/Addison-Wesley, 2008.

Rigsbee, E. *Developing Strategic Alliances.* New York: Crisp Publications, 2000.

Roberts, Marian. *Developing the Craft of Mediation: Reflections on Theory and Practice.* London and Philadelphia: Jessica Kingsley Publishers, 2007.

Robinson, Dana G., and James. C. Robinson. *Moving from Training to Performance: A Practical Guide.* San Francisco: Berrett-Koehler, 1998.

———. *Performance Consulting: Moving Beyond Training,* 2nd ed. San Francisco: Berrett-Koehler, 2008.

Rogers, Everett. *Diffusion of Innovations,* 5th ed. New York: The Free Press, 2003.

Rosenberg, Deanne. *A Manager's Guide to Hiring the Best Person for Every Job.* New York: John Wiley, 2000.

Rosenberg, Marc J. "Human Performance Technology: Foundation for Human Performance Improvement." In *The ASTD Models for Human Performance Improvement: Roles, Competencies, and Outputs,* edited by William Rothwell. Alexandria, VA: American Society for Training and Development, 1996.

Rossett, Allison. *First Things Fast: A Handbook for Performance Analysis.* San Francisco: Pfeiffer, 1998.

Rothwell, William. *Beyond Training and Development: State-of-the-Art Strategies for Enhancing Human Performance.* New York: AMACOM, 1996.

Rummler, Gary A., and Alan P. Brache. *Improving Performance: How to Manage the White Spaces on the Organizational Chart.* San Francisco: Jossey-Bass, 1995.

Russo, J. Edward, and Paul J. Schoemaker. *Winning Decisions: Getting It Right the First Time.* New York: Doubleday, 2001.

Ryan, Kathleen D., and Daniel K. Oestreich. *Driving Fear Out of the Workplace: Creating the High-Trust, High-Performance Organization.* San Francisco: Jossey-Bass, 1998.

Schein, Edgar H. *The Corporate Culture Survival Guide.* San Francisco: Jossey-Bass, 1999.

Schon, Donald A. *Educating the Reflective Practitioner: Toward a New Design for Teaching and Learning in the Professions.* San Francisco: Jossey-Bass, 1987.

Schuler, Randall S., and Susan E. Jackson. *Strategic Human Resource Management,* 2nd ed. San Francisco: Blackwell, 2007.

Senge, Peter M. *The Fifth Discipline: The Art and Practice of the Learning Organization.* New York: Doubleday, 1990.

Shell, G. R. *Bargaining for Advantage: Negotiation Strategy for Reasonable People.* New Rutherford, NJ: Penguin Books, 2000.

Simonsen, Peggy. *Promoting a Development Culture in Your Organization: Using Career Development as a Change Agent.* Palo Alto, CA: Davies-Black, 1997.

Sims, Ronald R. *Changing the Way We Manage Change.* Westport, CT: Quorum Books, 2002.

———. *Human Resource Management: Contemporary Issues, Challenges, and Opportunities.* Charlotte, NC: Information Age Publishing, 2007.

Sims, Ronald R., and Scott A. Quatro, editors. *Leadership: Succeeding in the Private, Public, and Not-for-Profit Sectors.* Armonk, NY: M.E. Sharpe, 2005.

Smalley, Larry R. *Interviewing and Selecting High Performers.* San Francisco: Jossey-Bass, 1997.

Spector, Paul E. *Industrial and Organizational Psychology: Research and Practice.* Hoboken, NJ: John Wiley, 2006.

Stolovitch, Harold D., and Erica J. Keeps. *Handbook of Human Performance Technology: Improving Individual and Organizational Performance Worldwide.* San Francisco: Jossey-Bass, 1999.

Straus, D., and T. C. Layton. *How to Make Collaboration Work: Powerful Ways to Build Consensus, Solve Problems, and Make Decisions.* San Francisco: Berrett-Koehler, 2001.

Tenner, Arthur R., and Irving J. DeToro. *Process Redesign: The Implementation Guide for Managers.* Reading, MA: Addison-Wesley, 1997.

Thomas, Kenneth W. *Intrinsic Motivation at Work: Building Energy and Commitment,* 1st ed. San Francisco: Berrett-Koehler, 2000.

Thompson, Leigh L. *Making the Team: A Guide for Managers.* New Jersey: Pearson Prentice Hall, 2004.

Thorne, J.D. *A Concise Guide to Successful Employment Practices.* Chicago: CCH Incorporated, 2000.

Tinder, G. *Political Thinking: The Perennial Questions,* 6th ed. New York: Longman, 2003.

Tisch, James. *The Power of We: Succeeding Through Partnerships.* New York: Wiley, 2004.

Treacy, Michael, and Fred Wiersema, *The Discipline of Market Leaders.* New York: Basic Books, 1995.

Turner, Chris. *All Hat and No Cattle.* Cambridge, MA: Perseus, 2000.

Ulrich, David. *Human Resource Champions.* Boston: Harvard Business School Press, 1998.

Ulrich, Dave, and Wayne Brockbank. *The HR Value Proposition.* Boston: Harvard Business School Press, 2005.

Ulrich, David, James Zenger, and N. Smallwood. *Results-Based Leadership: How Leaders Build the Business and Improve the Bottom Line.* Boston: Harvard Business School Press, 1999.

Ury, William L. *Getting Past No: Negotiating Your Way from Confrontation to Cooperation.* New York: Bantam, 1993.

Vaile, Peter. *Learning as a Way of Being.* San Francisco: Jossey-Bass, 1996.

Vengel, A. *The Influence Edge: How to Persuade Others to Help You Achieve Your Goals.* San Francisco: Berrett-Koehler, 2001.

Vicere, Albert A., and Robert M. Fulmer. *Leadership by Design.* Boston, MA: Harvard Business School Press, 1998.

Vroom, Victor H. *Work and Motivation.* New York: Wiley, 1964.

Watling, Brian. *The Appraisal Checklist: How to Help Your Team Get the Results You Both Want.* Philadelphia , PA: Trans-Atlantic Publications, 2000.

Waugh, William L. *Living with Hazards, Dealing with Disasters: An Introduction to Emergency Management.* New York: M.E. Sharpe, 2000.

Wendelton, Kate. *Job-Search Secrets.* New York: Five O'Clock Books, 1997.

Westgaard, Odin. *Tests That Work: Designing and Delivering Fair and Practical Measurement Tools in the Workplace.* San Francisco: Jossey-Bass/Pfeiffer, 1999.

Wheatley, Margaret J. *Leadership and the New Science.* San Francisco: Berrett-Koehler, 1999.

Wilson, G.K. *Business and Politics: A Comparative Introduction,* 3rd ed. Chatham, NJ: Chatham House, 2003.

Yate, Martin J. *Great Answers to Tough Interview Questions.* Dover, NH: Kogan Page, 2001.

Zachary, Lois J. *The Mentor's Guide: Facilitating Effective Learning Relationships.* San Francisco: Jossey-Bass, 2000.

Zeitz, P. *The Art and Craft of Problem-Solving.* New York: Wiley, 1999.

Journals and Magazines

Academy of Management Executive
Academy of Management Journal
Academy of Management Review
Administrative Science Quarterly
Advanced Management Journal (SAM)
American Psychologist
Applied Psychology
Assessment Journal
Association Management
British Journal of Management
Business Communication Quarterly
BusinessWeek
California Management Review

Career Development International
Compensation and Benefits Review
Compensation and Working Conditions
Creativity and Innovation Management
Disaster Prevention and Management
Disaster Recovery Journal
Employee Benefits Journal
Entrepreneur
Fast Company
Forbes
Fortune
Harvard Business Review
HR Focus
HR Magazine
Human Performance
Human Resource Development Review
Human Resource Development Quarterly
Human Resource Management
Human Resource Management Review
Inc.
Industrial Relations
International Journal of Coaching
International Journal of Innovation Management
International Journal of Management Practice
International Journal of Strategic Change Management
Journal of Applied Behavioral Science
Journal of Applied Psychology
Journal of Behavioral Decision Making
Journal of Business and Leadership
Journal of Business Ethics
Journal of Change Management
Journal of Communication Management
Journal of Innovation Management
Journal of Knowledge Management
Journal of Leadership and Organizational Studies
Journal of Management
Journal of Management Development
Journal of Management Education
Journal of Management Studies
Journal of Managerial Psychology
Journal of Organization Behavior
Journal of Organization Behavior Management
Journal of Organizational Change Management
Journal of Organizational Excellence
Journal of Workplace Learning
Leadership and Organizational Development Journal
Leader to Leader
Leadership Quarterly
Management Decision
Management in Practice
Management Today

McKinsey Quarterly
OD Practitioner
Organization Development Journal
Organizational Dynamics
Organization Management Journal
Performance Improvement Quarterly
Personnel Management
Personnel Psychology
Personnel Review
Psychometrika
Public Manager (The)
SAM Advanced Management Journal
Sloan Management Review
Strategic Change
Strategic Direction
Strategic Management Journal
Strategy + Business
Strategy and Leadership
Supervision
Team Performance Management
Training
Training & Management Development Methods
Workforce

Organizations

Academy of Human Resource Development
College of Technology
Bowling Green State University
Bowling Green, OH 43403-0301
419-372-9155
http://www.ahrd.org

Academy of Management
235 Elm Road
P.O. Box 3020
Briarcliff Manor, NY 10510-8020
914-923-2615

American Association for Affirmative Action
P. O. Box 14460
Washington, DC 20044
800-252-8952
http://www.affirmativeaction.org

American Benefits Council
1212 New York Avenue NW, Suite 1250
Washington, DC 20005
202-289-6700
http://www.americanbenefitscouncil.org

The American Coaching Association
P.O. Box 353
Lafayette Hill, PA 19444
610-825-4505

American Creativity Association (ACA)
P.O. Box 5856
Philadelphia, PA 19128
888-837-1409
http://www.amcreativityassoc.org

American Federation of Coaches
http://www.americanfedcoaches.org

American Institute for Managing Diversity
50 Hurt Plaza, Suite 1150
Atlanta, GA 30303
404-302-9226
http://www.aimd.org

American Institute of Stress
124 Park Avenue
Yonkers, NY 10703
914-963-1200
http://www.stress.org

American Management Association
1601 Broadway
New York, NY 10019
212-586-8100 or 800-262-9699
http://www.amanet.org

American Payroll Association
660 North Main Avenue, Suite 100
San Antonio, TX 78205-1217
210-226-4600
http://www.americanpayroll.org

American Productivity and Quality Center
123 N. Post Oak Lane, 3rd Floor
Houston, TX 77024
800-776-9676
http://www.apqc.org

American Psychological Association
750 First Street, NE
Washington, DC 20002-4242
202-336-5580
http://www.apa.org

American Society for Payroll Management
P.O. Box 117
Stormville, NY 12582
800-684-4024
http://www.aspm.org

American Society for Training and Development
1640 King Street
Box 1443
Alexandria, VA 22313-2043
704-683-8103
http://www.astd.org

American Staffing Association
277 South Washington Street, Suite 200
Alexandria, VA 22314
703-253-2020
http://www.staffingtoday.net

Association of Internal Management Consultants
http://www.aimc.org

Association for Strategic Planning
12021 Wilshire Boulevard, Suite 286
Los Angeles, CA 90025
866-816-2080
http://www.strategyplus.org

The Center for Creative Leadership
1 Leadership Place
P.O. Box 26300
Greensboro, NC 27438-6300
336-545-2810
http://www.ccl.org

Center for the Study of Work Teams
University of North Texas
Terrill Hall 343
P.O. Box 311280
Denton, TX 76203-1280
940-565-3096
http://www.workteams.unt.edu

Employment Conditions Abroad
One Rockefeller Plaza, Suite 325
New York, NY 10020
212-582-2333
http://www.eca-international.com

Hay Group
101 Hudson Street
Jersey City, NJ 07302
201-557-8400
http://www.haygroup.com
Provides comprehensive business information, including best practices, salaries, benefits, etc.

Human Resource Planning Society
317 Madison Avenue, Suite 1509
New York, NY 10017
212-490-6387
http://www.hrps.org

Institute of Management and Administration (IOMA)
29 West 35th Street, 5th Floor
New York, NY 10001-2299
212-244-0360
http://www.ioma.com

International Association of Career Coaches
P.O. Box 5778
Lake Havasu City, AZ 86404
866-226-2244
http://www.iaccweb.org

International Association of Management
P.O. Box 64841
Virginia Beach, VA 23467-4841
757-482-2273
http://www.aom-iaom.org

International Communication Association
1730 Rhode Island Avenue NW, Suite 300
Washington, DC 20036
202-530-9855
http://www.icahdq.org

International Public Management Association for Human Resources
1617 Duke Street
Alexandria, VA 22314
(703) 549-1700
http://www.ipma-hr.org

International Society for Performance Improvement
1400 Silver Spring Street, Suite 260
Silver Spring, MD 20910
301-587-8573
http://www.ispi.org

International Telework Association and Council
401 Edgewater Place, Suite 600
Wakefield, MA 01880
202-547-6157
http://www.telecommute.org

National Commission on Entrepreneurship
444 North Capital Street, Suite 399
Washington, DC 20001
202-434-8060
http://www.ncoe.org

Organization Development Network
71 Valley Street, Suite 301
South Orange, NJ 07079-2825
973-763-7337
odnetwork@ODNetwork.org
http://www.ODNetwork.org

The Outsourcing Institute
Jericho Atrium
500 N. Broadway, Suite 141
Jericho, NY 11753
516-681-0066
http://www.outsourcing.com

Risk and Insurance Management Society
655 Third Avenue, 2nd Floor
New York, NY 10017
212-286-9292
http://www.rims.org

Society for Business Ethics
Management Department, School of Business Administration
Loyola University Chicago
820 N. Michigan Ave.
Chicago, IL 60611
312-915-6994
http://www.luc.edu/depts/business/sbe

Society for Human Resource Management
1800 Duke Street
Alexandria, VA 22314
800-283-SHRM
http://www.shrm.org

Society for Personality Assessment
6109H Arlington Boulevard
Falls Church, VA 22044
703-534-4772
http://www.personality.org

U.S. Citizenship and Immigration Services
800-375-5283
http://www.uscis.gov
A division of the U.S. Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 29528
202-282-8000
http://www.dhs.gov

U.S. Department of Labor
Frances Perkins Building
200 Constitution Ave, NW
Washington, DC 20210
866-487-2365
http://www.dol.gov

U.S. Equal Employment Opportunity Commission
1801 L Street, NW
Washington, DC 20507
202-663-4900
800-669-4000
http://www.eeoc.gov

U. S. Office of Personnel Management
1900 E Street, NW
Washington, DC 20415
202-606-1800
http://www.opm.gov

Work in America Institute
700 White Plains Road
Scarsdale, NY 10583
914-472-9600
http://www.workinamerica.org

Web Sites
http://www.advisorteam.com/user/ktsintro.asp
The Keirsey 70-question personality assessment

http://www.ahrd.org
Academy of Human Resource Development

http://www.apa.org
American Psychological Association

http://www.apqc.org/best
APQC's Benchmarking and Best Practice site

http://www.astd.org
American Society for Training and Development

http://www.balancedscorecard.com
Gives access to a version of the Balanced Scorecard

http://www.benchmarkingnetwork.com
Comprehensive benchmarking site

http://www.benchmarkingplus.com
Benchmarking information

http://www.benefitslink.com
Benefits information and links

http://www.bls.gov
U.S. Bureau of Labor Statistics

http://www.bls.gov/ncs/ebs
Employee benefits statistics from BLS data

http://www.business.com

http://www.business.gov
Information on starting and managing a business, business law, government forms

http://www.capt.org
Center for Applications of Psychological Type

http://www.careerbuilder.com Job search resource; list of interview questions (legal and illegal)

http://www.careercity.com
Career information

http://www.careermag.comInformation on career strategies, resumes, job listings, and placement

http://www.coachingnetwork.org
Coaching and Mentoring Network

http://www.compensationlink.com
Information on pay programs, articles, links, etc.

http://www.content.monster.com
Tough interview questions

http://www.cpp.com
Consulting Psychologists Press; employment tests including the Myers-Briggs Type Indicator
    (MBTI), the Parker Team Player Survey, and others

http://www.creativitypool.com
Database for creative problem-solving.

http://www.cvandresumetips.com
Resume and curriculum vitae advice

http://www.disabilityinfo.gov
Information on disability programs, services, laws, and benefits.

http://www.dhs.gov
U.S. Department of Homeland Security

http://www.dol.gov
U.S. Department of Labor; provides labor statistics, salary data, forms, minimum wage guide-
    lines, etc.

http://www.dol.gov/elaws
Employment law information

http://www.eeoc.gov
U.S. Equal Employment Opportunity Commission; provides information regarding EEO laws, harassment, discrimination, filing charges, etc.

http://www.entrepreneur.com
Information for small business owners

http://www.ethics.org
Ethics Resource Center

http://www.equalemployment.com
Links to companies committed to EEOC

http://www.fema.gov
U.S. Federal Emergency Management Agency

http://www.findlaw.com
Information on employment and business law

http://www.globalassignment.com
An e-newsletter for expatriates

http://www.gohome.com
Advice on home offices

http://www.govbenefits.gov
Information on government benefit and assistance programs

http://www.hr.blr.com
A comprehensive-membership, fee-based site that lists HR resources, tools, sample forms, checklists, salary finders, etc.

http://www.haypaynet.com
Subscription access to Hay's PayNet databases of pay rates in more than 60 countries

http://www.healthyplace.com/site/tests/psychological.asp
Online personality tests

http://www.humanresources.about.com
HR guides, forms, checklists, resources

http://www.humanresources.com
Professional information, HR job postings, and related information

http://www.hr.com
HR.com

http://www.hr-guide.com
HR Internet guide; provides hundreds of links to HR-related Web sites

http://www.hrtools.com
Registration required: forms, and training resources

http://www.hrvillage.com
HR resources, advice, forms

http://www.hrzone.com
HR articles, news, legal information

http://www.humanresources.org/
National Human Resources Association

http://www.innonet.org
Innovation Network

http://www.inc.com
Magazine for entrepreneurs

http://www.inquiryinc.com
Center for Inquiring Leadership

http://www.ioma.com
IOMA Report on Salary Surveys (monthly report)

http://www.ipma-hr.org
International Public Management Association for Human Resources

http://www.ispi.org
International Society for Performance Improvement

http://www.ivillage.com
Job search help

http://www.jobhuntersbible.com
Job search help, salary information, etc.

http://www.jobstar.org
JobStar Central

http://www.kmresource.com
Knowledge management resources

http://www.leadersdirect.com
Tips for leaders and managers

http://www.leadershipcoachacademy.com
Leadership Coach Academy

http://www.learnaboutcultures.com
Information on cultures of different countries

http://www.mentoring.org
The National Mentoring Partnership

http://www.mentoringgroup.com
The Mentoring Group

http://www.monster.com
Resource for help with resumes, cover letters, job searches

http://www.opm.gov
Office of Personnel management; provides an "HR Tool Kit," salary/wage data, information for job
    seekers, etc.

http://www.obmnetwork.com/
Organization Behavior Management Network

http://www.odnetwork.org/
Organizational Development Network

http://www.opm.gov
U.S. Office of Personnel Management

http://www.opm.gov/perform/teams
Links to articles, tools, and measures for teams

http://www.osha.gov
U.S. Occupational Safety and Health Administration

http://www.outsourcing.com
Site for the Outsourcing Institute

http://www.overseasjobs.com
Information on employment overseas

http://www.personalitypage.com
Online personality profile, small fee

http://www.prometheon.com
Training resource site: articles, surveys, etc.

http://www.psychtests.com
Online psychological tests

http://www.ready.gov
Department of Homeland Security–sponsored site

http://www.recruitersnetwork.com
Recruiters Network

http://www.recruitersonline.com/index.phtml
Recruiters Online Network

http://www.regulations.gov
Information on government regulations

http://www.relo-usa.com
U.S. relocation information

http://www.relocationcentral.com
Relocation Central, a relocation directory.

http://www.resume.com
Sample resumes

http://www.resume.monster.com
Resume-writing information

http://www.retireplan.about.com
About.com's site for retirement planning

http://www.rileyguide.com/salguides/html
The Riley Guide to Salaries

http://www.salary.com
For national, regional, and local salary information

http://www.salarycenter.monster.com
Salary information

http://www.salariesreview.com
Salary and cost-of-living information

http://www.shldirect.com
Practice tests and advice from SHLDirect, a test publisher

http://www.shrm.org
Society for Human Resource Management

http://www.smartbenefits.com
Benefits information and links

http://www.stress.org
The American Institute of Stress

http://www.teamspirit123.com

http://www.testpublishers.org
Association of Test Publishers

http://www.tjobs.com
Telecommuting jobs

http://www.usa.gov
Government information by topic, federal forms, and other business/HR information

http://www.uscis.gov
U.S. Citizenship and Immigration Services; a division of Homeland Security.

http://www.workforce.com
An online HR magazine

http://www.workindex.com
Lists work-related Web sites, human resource tools, and other HR information

http://www.worldatwork.org
Information for HR managers

Index

About the Editors and Contributors

Ann Gilley is an Associate Professor of Management at Ferris State University. Formerly on the faculty at Colorado State University, she is author and co-author of several books, including *Manager as Change Leader; The Performance Challenge; Beyond the Learning Organization;* and *Organizational Learning, Performance, and Change,* and she is the recipient of the Academy of Human Resource Development book-of-the-year award in 2000.

Jerry W. Gilley is a Professor of Organizational Development and Change at Colorado State University and the President of the Academy of Human Resource Development (AHRD). Dr. Gilley has authored and/or co-authored 18 books, which include *Manager as Coach, Manager as Political Navigator; Strategically Integrated HRD; Principles of Human Resource Development; The Manager as Change Agent: Philosophy and Practice of Organizational Learning, Performance, and Change;* and *Organizational Learning, Performance, and Change: An Introduction to Strategic HRD,* which was selected the HRD Book of the Year (2000) by the Academy of HRD.

Scott A. Quatro is Associate Professor or Management in the Department of Business Administration at Covenant College, a selective liberal arts college in the Reformed Christian tradition. Dr. Quatro's teaching, consulting, and research activities are focused on systemic human resource management practices, holistic leadership development, and organizational purpose/spirituality. His consulting clients have included both Fortune 500 firms and small to mid-sized organizations, including Chattem, Merrill Lynch, Payless ShoeSource, DriveTime, Cold Stone Creamery, and Meritage Homes. He has authored or co-authored four books and a total of 13 articles and chapters that have appeared in a wide variety of scholarly and practitioner publications. Dr. Quatro serves as a peer reviewer for *Human Resource Development Review* and the *Journal of Business Ethics.* He received a BA in English from Pepperdine University and an MBA from the College of William and Mary, and he holds a Ph.D. from Iowa State University.

Pamela Dixon is an Assistant Professor of Business Administration at Wayne State College. Pamela has over 15 years of experience as a practitioner in Human Resources and Organizational Development. She holds a Ph.D. in Organizational Performance and Change from Colorado State University, an M.Ed. in Instructional Technology, with an emphasis in Adult Learning, and a BA in Organizational Studies.

Chris Armstrong is a graduate student at Ferris State University where he is pursuing a Master of Science in Information Systems Management with a concentration in Information Security and Networking Management. He earned his Bachelor of Science in Management with minors in Research Methods and Applications and Computer Information Systems.

Frank E. Armstrong is an adjunct Professor of Management at Ferris State University, a professor at the University of Phoenix, and a professor at California National University for Advanced Studies. He is the author of several articles published in *Quality Digest* and *Quality* magazine. Frank has been in the quality arena of manufacturing for the past 20 years, is an RAB Auditor and a certified IATCA Quality Auditor.

James Steven Beck has his MBA from Centenary College of Louisiana and is a CPA with over 30 years of experience in the manufacturing and service industries. He is currently the Vice President of Administration for Eltron Research and Development, Inc., located in Boulder, Colorado, and is a Ph.D. candidate in the Organizational Performance and Change program at Colorado State University in Fort Collins, Colorado.

Dana M. Borchert is an Industrial/Organizational Psychology doctoral student at Saint Louis University. She is an integral part of the research team at Saint Louis University. Her specific interests are focused in the constructs of Emotional Intelligence and Work Affect. She presented a paper entitled *Are They Blind: Emotional Intelligence and the Recognition of Ethical Violations* at the Midwest Academy of Management Conference in the fall of 2007.

Shay Bright is an assistant director in the office of Conflict Resolution and Student Conduct Services at Colorado State University. She provides conflict resolution services to students, faculty, and staff, coordinates the Restorative Justice Program, and conducts training throughout campus. She has a master's from the Institute for Conflict Analysis and Resolution at George Mason University and is currently pursuing a Ph.D. in Organizational Performance and Change at Colorado State University.

Lisa Scott Brinkman is a Ph.D. candidate in the College of Applied Human Science in Organizational Performance and Change at Colorado State University and a freelance business consultant. She provides change management, process, and performance metrics consulting, facilitates procedures and policies sessions for organizations and designs and facilitates aligning employees with organizational strategy.

Nicole Brown is a recent graduate of Colorado State University's Master program in Organizational Performance and Change. Home-based in Denver, she has spent the last seven years working in the medical field as a liaison between medical insurance carriers and attorneys representing clients in workers' compensation claims. She aspires to do more freelance writing as well as teaching business in an adult education forum.

Jim Byrne is a police detective as well as principle speaker and trainer for Rocky Mountain Training Group. His focus is on organizational communication issues in the private and public sectors.

Meghan Clarisse Cave is a Financial Aid Administrator at the Colorado School of Mines. In 2003 she earned her BS in Natural Resource, Recreation and Tourism and in 2007 her M.Ed., both from Colorado State University. As a student, she was highly involved in the student chapter of the Society for Human Resource Management, and in 2007 she was awarded the SHRM Graduate Student Leader Scholarship.

Everon Christina Chenhall is a Ph.D. student in the College of Applied Human Science in Organizational Performance and Change at Colorado State University.

Thomas J. Chermack is an assistant professor in the Organizational Performance and Change program at Colorado State University. Formerly a consultant with Personnel Decisions International, his research focuses on the effects of scenario planning in organizations and on theory building methods in applied disciplines. He also manages Chermack Scenarios (www.thomaschermack.com), a scenario planning consultancy through which he has consulted with organizations such as General Mills, Saudi Aramco, and Motorola. Chermack's research has focused on the outcomes of scenario planning and has appeared in scholarly publications such as *Futures, Futures Research Quarterly, Human Resource Development Review, The Academy of Strategic Management Journal,* and the *Journal of Leadership and Organizational Studies.*

Teresa K. Cook is an Assistant Professor of Accounting at Ferris State University. She is a Certified Management Accountant and has nearly 20 years of experience in the corporate world, much of which covered benefit plan administration.

Julianne Daniels works in health care and holds a master's degree in Communications.

Beverly DeMarr is a Professor of Management and currently teaches courses in Negotiation, Organizational Behavior, Human Resource Management, and Compensation. Dr. DeMarr holds a Ph.D. from the School of Labor and Industrial Relations at Michigan State University and is active in the Academy of Management and Organizational Behavior Teaching Society. She is also a board member and volunteer mediator for the Westshore Dispute Resolution Center and is currently writing two textbooks on negotiation and dispute resolution, which will be published by Prentice-Hall.

Laura Dendinger is an Associate Professor of Business at Wayne State College and a member of the Nebraska State Bar Association. She teaches in the area of business communication, law, ethics and alternative dispute resolution.

Victoria T. Dieringer is a Program Manager for Raytheon Intelligence and Information Systems. A retired Lieutenant Colonel in the USAF Reserves, she has over 24 years of experience in government service. She is a doctoral candidate in the Organizational Development and Change program at Colorado State University.

Edward Dorman is a faculty member of accounting and the former Director of Accounting Services for Ferris State University.

Linda S. Dorré has been a Human Resources professional for over 20 years. She recently received her M.Ed. from Colorado State University in the area of Organizational Performance and Change.

Teresa Dwire has taught high school social studies and German for the past seven years and recently received her M.Ed. from Colorado State University's Organizational Performance and Change program. She currently is the Operations Manager for the Western Colorado Math and Science Center.

Amanda Easton is an Employee Relations Specialist for Easton Consulting. Easton provides employee relations consulting, writes personnel policies, designs and facilitates harassment prevention training, and conducts independent human resources investigations.

Barbara A. W. Eversole is an Assistant Professor at Indiana State University. She is the Founder and Senior Consultant of Transformations Unlimited Associates, an organizational consulting firm specializing in executive, management, and organization development. Dr. Eversole has 20 years of experience in management, training and development, and coaching, and recently she conducted research on CEOs for her dissertation. Her Ph.D. is in Organizational Performance and Change from Colorado State. She also holds an MBA and an MA in Counseling, and has received charter certification to administer the Myers-Briggs Type Indicator.

Jen Fullerton is a Ph.D. student in the Organizational Performance and Change program at Colorado State University. She is a former compensation professional who worked at Level 3 Communications as a Compensation Analyst and played a critical role in a company-wide job evaluation and market analysis using benchmark jobs.

Marisha L. Godek is the Associate Research Director of the Orthopaedic Bioengineering Research Laboratory at Colorado State University. Her research and publications focus on physiological responses to surgically placed biomaterials. Specific research regarding the immune system and collaborations with leading academic and business leaders have yielded relevant correlations between the body and organizations.

Igor Golovatyy is a graduate student at Colorado State University with the Organizational Performance and Change program.

Michael J. Gundlach is an Associate Professor of Management at California State University, Chico. Dr. Gundlach specializes in human resource management and received his Ph.D. in organizational behavior and human resource management from Florida State University. He has published research in outlets such as *Academy of Management Review; Journal of Management; Human Relations; Journal of Leadership and Organizational Studies;* and *International Journal of Selection & Assessment.* He also has published work in books and edited series and has presented research at international conferences. His research and consulting include areas such as teamwork, training and development, and whistle-blowing.

Jessica Haas is a recent graduate of the Organizational Performance and Change Master program at Colorado State University. Her background includes marketing communications, training implementation, branding, and marketing program development.

Lea Hanson is the Associate Director of Admissions at Colorado State University and a Ph.D. candidate in the university's Organizational Performance and Change program. She earned her master's degree in Higher Education from CSU and her undergraduate degree in Psychology from the University of North Dakota.

Derrick E. Haynes is the owner of AIJH Consulting Group and is pursuing his Ph.D. in Organizational Performance and Change at Colorado State University.

Maureen S. Heaphy is a Fellow of the American Society for Quality and a faculty member in the College of Business Graduate Program at Ferris State University. She teaches classes for the Master of Business Administration degree.

Douglas G. Heeter is a management professor at Ferris State University, where he teaches graduate and undergraduate courses in insurance and business management. He holds professional and educational designations including the Chartered Life Underwriter (CLU) and the Chartered Property and Casualty Underwriter (CPCU) and has taught professional insurance courses leading to the IIA/INS and CLU designations. Dr. Heeter consults for lawyer groups that require insurance research, has edited textbooks for McGraw-Hill Publishing, and created the National Exam for Insurance Agent Qualification—1998–2002 for the ASI Group—Educational Testing Service. The Michigan Association of Insurance Agents honored Dr. Heeter with Presidential Awards in 1996 and 2000, and he was inducted into the Michigan Insurance Hall of Fame in September 2003.

Anne E. Herman serves as a Research Consultant in the Kenexa Research Institute and has consulting experience in organizational assessment and change, organizational strategy, creativity and innovation, employee selection and promotion, performance management, program evaluation, and statistical methodology. She has spoken at many conferences and her research has appeared in several publications. She is also a member of the Society of Industrial and Organizational Psychology, Academy of Management, American Psychological Association, and the Organization Development Network. She holds a Master of Arts degree in psychology and is currently a doctoral candidate in Industrial and Organizational Psychology at the University of Nebraska.

Gina Hinrichs is president of Hinrichs Consulting LLC and an adjunct professor for Benedictine University, Capella University, and Lawrence Tech University. She is author and co-author of several articles and chapters on the topic of teams, whole systems change, and organizational design.

Brad M. Jensen is a Ph.D. candidate in the Organizational Performance and Change program at Colorado State University and the director of a 1,200-member nonprofit organization in Fort Collins, Colorado.

Lynda Kemp is pursing an Ed.D. in Organizational Performance and Change at Colorado State University. She recently completed an M.Ed. in Human Resource Development with an emphasis in Counseling and Career Development and currently advises business students at the University of Colorado. Previously, she spent nearly 20 years working as a city planner.

Jason Karsky is an Associate Professor in the Department of Sociology, Psychology, and Criminal Justice at Wayne State College. He authored the new curriculum in emergency management and serves on the campus Disaster Planning Group. Over the years, he has traveled to many conferences and presented on various emergency management related topics. He has secured grant funding and developed two large-scale multi-agency mock disaster scenarios. One involved a bus accident with over 50 victims, while another involved an airplane crash into a fertilizer chemical company. He is the 2006 George Rebensdorf Teaching Excellence Award Winner for the Nebraska State College System.

Steven J. Kerno Jr. is a doctoral candidate at St. Ambrose University (Davenport, Iowa) in business administration. He is also employed full-time as a parts cross-reference analyst at John Deere PDC in Milan, Illinois. He has written feature articles on the changing nature of non-management careers for trade/occupation magazines such as *Mechanical Engineering; Resource; P; IE; Welding; Modern Materials Handling; Appliance;* and *Inbound Logistics* and will be contributing a chapter to be titled "Protean Professionalism and Career Development" to the forthcoming book *Career Development in Bioengineering and Biotechnology.* He resides in Rock Island, Illinois, with his wife, Tammy, and four children (Brett, Stephanie, Scott, and Andrew).

Martin Kollasch is the Manager of International Operations at the National Board of Chiropractic Examiners and a Ph.D. candidate in Organizational Performance and Change at Colorado State University.

Robin R. Labenz is a student at Wayne State College, majoring in Business Administration and minoring in Human Resource Management.

Henry H. Luckel Jr. is a bi-vocational minister working at Hewlett-Packard as an Informational Technology Support Specialist. He is the Pastor of Prairie Church in Yoder, Colorado, and is the president of the Southern Baptist Bi-Vocational Ministers Association. He is currently working toward his doctorate in Education and Human Resources Studies (Organizational Performance and Change) at Colorado State University.

Shanan M. Mahoney has over 15 years of experience in human resources and is an owner and Senior Consultant at the HR consulting firm, NorthPoint, LLC. Shanan received her bachelor degree in business administration from Ohio University in Athens, Ohio, and earned her Master of Science in Management from Regis University in Denver, Colorado. Shanan is a member of the Society for Human Resource Management (SHRM) and is certified as a Senior Professional in Human Resources (SPHR).

Jennifer A. Majkowski is a human resource professional and former corporate recruiter who specializes in recruitment and benefit/compensation strategies.

Douglas Maxwell has a 25-year career in human resources administration with rural and urban nonprofit healthcare systems and national healthcare companies. He is a principle with Diversity Roadmap, LLC, whose purpose is to advance the Diversity Roadmap Model as the transformational process to spotlight individual and organizational value through learning and development change process. Doug is an adjunct professor of Management at Grand Canyon University, Maricopa Community College District, and a faculty member of the Arizona Healthcare Leadership Academy. He is the author of the article "Workforce Diversity: HR's Call to Leadership" in *The American Society for Healthcare Human Resources* (Winter 2006) and coauthored a chapter, "Ethics in Diversity Management Leadership," in *Executive Ethics: Ethical Dilemmas and Challenges for the C-suite,* edited by Scott A. Quatro and Ronald R. Sims (2008).

Elizabeth A. McCane is a Registered Environmental Manager (REM) and a Registered Environmental Assessor (REA) currently working as the Environmental Compliance Program Manager for the Colorado Army National Guard. She previously worked as an environmental protection specialist for the Colorado Air National Guard; the Department of the Army (Fort Irwin, California); and as an Environmental, Safety and Health specialist for the National Aeronautics and Space Administration (NASA) Goldstone Deep Space Communication Complex, Barstow, California.

Scott McDonald is a Program Director with the Office of Continuing Education at the University of Illinois at Urbana-Champaign. Scott is also a Ph.D. student in the area of Organizational Performance and Change at Colorado State University.

Heather S. McMillan is an Assistant Professor of Management at Southeast Missouri State University. Certified as a Professional in Human Resources (PHR) by the Society for Human Resource Management, she has eight years of progressive experience in corporate human resource management. Her primary research interests are in the areas of work-life balance, HR metrics, and practitioner development.

Fred Miles spent 26 years with Motorola and retired in 2001. His career in Human Resources included numerous assignments in staffing, employee relations, training and development, and organizational effectiveness. Fred is Principle of The Miles Alliance, which provides Human Resources Solutions, and is an Adjunct Faculty member teaching various human esources classes in undergraduate and graduate programs throughout the valley for Grand Canyon University. Retired as a USAF Lt. Colonel in 1992, he spent six years on active duty and 19 in the reserves.

Carol Miller is a faculty member of Business, Management and Marketing, and program chair of Business, Accounting and Economics at the Community College of Denver. She is pursuing her Ph.D. in Organizational Performance and Change through Colorado State University.

Debora A. Montgomery-Colbert has a Master of Science of Management degree from Regis University and is currently completing a Ph.D. in Organizational Performance and Change at Colorado State University. She has spent over 11 years working in the field of Distance and Continuing Education and is the Director of Online/Distance

Learning for Colorado State University Division of Continuing Education. She resides in Colorado with her husband, Jonathan, and three children (Robert, Kathryn, and Curtis).

Michael Lane Morris is a 2005–2006 William B. Stokely Faculty Scholar and an Associate Professor/Program Director of Human Resource Development in the Department of Management, College of Business Administration at The University of Tennessee. He serves as President of the Academy of Human Resource Development. In 2004 and 2005, he served as the Program Chair and Proceedings Editor of the Academy of Human Resource Development (AHRD) Conferences and Proceedings. In 2005, he was elected a member of the AHRD Board of Directors and is a member of numerous top-tier editorial boards. His research interests include various work/family/life issues, promotion of health and wellness, and evaluation strategies.

Matt Neibauer is a Research Associate for the Colorado Water Resources Research Institute at Colorado State University. He has co-authored *Linking Public Attitudes with Perceptions of Factors Impacting Water Quality and Attending Learning Activities; Land and Water Inventory Guided for Landowners in Areas of Coal Bed Methane Development; Water Conservation In and Around the Home;* and *Glossary of Water Terminology.*

Dean Nelson is a doctoral student in the Organizational Performance and Change program at Colorado State University.

Lori Nicholson is an Assistant Professor of Computer Science at Wayne State College in Wayne, Nebraska.

Betsy Nolan is currently employed in the metal manufacturing industry as the Assistant Controller and Assistant HR Manager of Metal Components. She is a graduate of Ferris State University.

Dave O'Connell is an Associate Professor of Management at St. Ambrose University. He holds a DBA in Organizational Behavior from Boston University. He teaches courses in HR and Organizational Behavior at the undergraduate, master, and doctoral levels. Dave has published articles in the *Journal of Management Education; Journal of Leadership and Organizational Studies; Leadership and Organizational Development Journal;* and *The CASE Journal.* His research has focused on contingent employment, team development, leadership competencies, adaptability, and case pedagogy. Currently, he is exploring the development and dissemination of organizational vision. Prior to doctoral studies, he served with the Public Service Company of New Mexico in a number of communications and research capacities from 1979 through 1993.

Al O'Connor is President of O'Connor HR CareerCoaching, a career consulting company whose mission is to assist human resources professionals in enhancing their careers through new opportunities. He has over 40 years of combined human resources and career management experience.

Roger Odegard is a Ph.D. student in Organizational Performance and Change at Colorado State University.

Brenda E. Ogden is a full-time instructor in the College of Business at Colorado State University. She teaches strategic communication, general management, and leadership courses at the undergraduate level and as an adjunct professor in the Distance MBA program. She spent 15 years in organizations before pursuing a teaching career and currently consults with organizations on issues in communication, change, and time management. She has co-authored articles on communication and technology, values-based management, and a communications resource book. Her research focus is on communication and change management with emphasis on intercultural, gender, generational, and team issues.

Debra Orr is an assistant professor of Organizational Leadership at Roosevelt University in Chicago. As a scholar-practitioner, she consults in organization development, teaches, and writes.

Robert Paxton is Vice President, Human Resources, for Whirlpool's global talent acquisition, talent management, and employee engagement activities. He has held various HR leadership roles in North America, Europe, and Asia. Bob holds an MBA from the University of Houston-Victoria and an undergraduate degree in Human Resources Management from Ohio University. He is a certified Senior Professional in Human Resources (SPHR) from the Human Resources Certification Institute and the Society for Human Resource Management.

Kevin F. Preston is a doctoral student in Colorado State University's Organizational Performance and Change program. Kevin is also a learning professional at a large national healthcare provider where he focuses on learning technology, governance, design, and community.

Tim Reynolds is Vice President of Human Resources for Whirlpool Corporation's Global Design, Technology and Sourcing Organization. His work is focused on the delivery of global human capital strategies and tactics to build a profit growing culture and customer loyalty centric enterprise. He holds a Master degree in Labor and Human Resources and a BBA in HRM/MGT. He has served as a member of the HRM Advisory Board and is a current member of the Executive Advisory Board for the College of Business at Ohio University. Tim has published articles in HR/OD journals and has been a regular speaker at national conferences.

Cynthia Roberts is an Associate Professor and Chair of the Business and Organizational Leadership departments at Purdue University North Central where she teaches leadership, team development, organizational behavior, ethics, and diversity. She holds dual M.S. degrees from Loyola University Chicago in training as well as organizational development and is nearing completion of her Ph.D. in Organizational Development at Benedictine University. Her research interests include leadership development, gender and leadership, and team development.

Stephanee Roessing, SPHR, is a Sr. Consultant, Talent and Organization Development at Level 3 Communications, Inc. She holds an M.Ed. in Organization Performance and Change from Colorado State University and a MA of International Studies from the University of Denver.

Paul Rosser has 25 years of experience in hospital-based business development and physician practice management. He also has extensive experience in development of hospital-based and freestanding outpatient diagnostic centers. For the past six years Mr. Rosser has taught in the Regis University MBA program. He is a candidate for a Ph.D. in Education and Human Resource Studies, specializing in Organizational Performance and Change, at Colorado State University.

Dean M. Savoca, CTACC, is a performance consultant, speaker, and trainer and holds a Master degree from Colorado State University in Organizational Performance and Change. He is principal of *SynergyLife LLC* partnering with entrepreneurs, sales professionals, and organizations to improve performance. He has over 13 years of experience in the performance improvement industry including 10 years with Maritz Performance Improvement and Maritz Travel Companies. He has extensive sales experience and served as general manager of a destination management company and is certified in Appreciative Inquiry and Emotional Intelligence. He serves on the Board of Directors of the Cherry Creek Chamber of Commerce in Denver, Colorado, and is a Results Coach with Anthony Robbins Companies.

Pat Schneider has over 16 years of business and human resources experience in various industries including hospitality, security services, and financial services. For the past 10 years he has held senior-level human resource positions with responsibility for providing leadership and strategic direction in the areas of organizational development, staffing, compensation, performance management, benefits, and employee relations. A Certified Professional in Human Resources (PHR) and a member of the Society for Human Resource Management (SHRM), he has a Bachelor of Art degree in Psychology with a minor in Human Resource Management from the University of Wisconsin–Eau Claire. He holds a Master degree in Education in Organizational Performance and Change from Colorado State University.

Brad Schroeder, SPHR, is the Director of Talent Management for Blue Cross Blue Shield of Nebraska. He has worked in various Human Resource positions over 10 years with Health Care Service Corporation, the parent company of the Blue Cross and Blue Shield plans of Illinois, Texas, New Mexico, and Oklahoma. He holds two degrees from the University of Illinois at Urbana–Champaign, including a Master degree in Labor and Industrial Relations with a specialty in Human Resource Management.

Kerry Schut is a Graduate of Ferris State University with a BS in Business Administration. She lives in the Grand Rapids, Michigan, area with her husband and two children.

Marie Shanle is a student at Wayne State College, majoring in Business Administration and minoring in Human Resource Management.

Paul M. Shelton is an Assistant Professor of Management at the University of Central Oklahoma. He spent 10 years working for the U.S. Immigration Service and the U.S. Department of Homeland Security as a Border Patrol Agent, Deportation Officer, Adjudications Officer, Congressional Liaison, and manager. He holds a Ph.D. in Organizational Performance and Change from Colorado State University and an MBA from Azusa Pacific University.

Ronald R. Sims is the Floyd Dewey Gottwald Senior Professor in the Mason School of Business at the College of William and Mary. He received his Ph.D. in Organizational Behavior from Case Western Reserve University. His research focuses on a variety of topics which include leadership and change management, HRM, business ethics, employee training/management/leadership development (e.g., human resource development), learning styles, and experiential learning. Dr. Sims is the author or co-author of 27 books and more than 80 articles that have appeared in a wide variety of scholarly and practitioner journals.

Ryan Skiera is currently performing adjunct duties for the Management Department of Ferris State University. He received his Bachelor of Science degree from Ferris State University and earned his MBA from Grand Valley State University. He has worked in a number of capacities for different chemical manufacturers, most notably Pfizer.

Robert M. Sloyan is currently the Vice President of Human Resources for a manufacturing organization located in the Midwest. He has negotiated and/or managed collective bargaining agreements with the Service Employees International Union (SEIU), the Communications Workers of America (CWA), and the International Brotherhood of Electrical Workers (IBEW). He holds an MBA in Finance (2001) and Human Resources (1994) from St. Xavier University. He is currently a Ph.D. candidate at Benedictine University. He lives in the Chicago area with his wife and three sons.

Matt Springer has served as a police officer with the Aurora Police Department, near Denver, Colorado, for four years. He is currently pursuing his Ph.D. in Organizational Performance and Change at Colorado State University.

Cyndi Stewart is currently Vice President of Human Resources for Lehman Brothers Mortgage Capital Division. Prior to Lehman Brothers, she held senior human resources positions for Citigroup and Hyatt. She holds a BS from the State University of New York–Utica and an MS in Organizational Performance and Change from Colorado State University.

Kyle B. Stone is a Ph.D. student in the Organizational Performance and Change program at Colorado State University and holds a Master degree in Adult Education and Training from Colorado State University. He has been working in manufacturing for over 17 years primarily in the role of plant and operations management. He has been actively involved in implementing continuous improvement, workforce development, organizational development, plant design, and startup in the automotive and utility truck industry.

Merwyn L. Strate is an Assistant Professor of Organizational Leadership at Purdue University. His research interests include complex adaptive systems, adaptive competence, intergenerational issues in the workplace, and qualitative research methods for business and industry.

Nancy Svoboda, SPHR, is the Senior Vice President of Human Resources at The Integer Group, LLC. She received a Bachelor of Science degree in Business Administration from Illinois State University and a Master degree in Education with a specialization in Organizational Performance and Change at Colorado State University. She has more than 20 years of business and human resources experience in various industries including childcare, retail, and advertising/marketing. For the past 12 years she has held senior-level human resources positions with responsibility for providing leadership and strategic direction in the areas of organizational development, staffing, compensation, performance management, benefits, and employee relations.

Susan Sweem is a senior human resources manager for Akzo Nobel, a global chemical/coatings company headquartered in The Netherlands. In this capacity, she is responsible for the coordination of HR activities in the United States which include compensation, benefits, expatriate administration, and mergers and acquisitions. Prior to joining Akzo, she worked in the home hardware and healthcare industries. She has a Bachelor degree in Sociology from Iowa State University and a Master degree in Industrial Relations from Loyola University and is currently a doctoral candidate in Organization Development at Benedictine University.

Alison Thero currently works for Hewlett-Packard as an Engineering Program Manager. She has 12 years of program and project management experience in implementations of enterprise-wide Forecasting and Planning Solutions with Advanced Micro Devices, Celestica, i2 Technologies, Amkor, and Hewlett-Packard. She holds a BA from the University of Texas at Austin and an MBA from Colorado State University. She is currently working toward a Ph.D. in Organizational Performance and Change at Colorado State University. Her spare time is spent with her family, running, and playing the harp.

Maria Valladares is a public relations professional and graduate of Ferris State University.

Adam VanDreumel is an Account Manager with Delios Computer Solutions, Inc., specializing in the technology needs of small to medium-sized businesses. He holds several technology-related certifications, a BS in Business Administration from Ferris State University, and is currently assessing postgraduate programs. He is married and has two sons.

Lory-Ann Varela has worked more than a decade in higher education in the fields of career services, multicultural affairs and residence life at both public and private universities. She completed her M.Ed. in Counselor Education from the University of Florida and an M.Ed. in Social Justice in Education from the University of Massachusetts–Amherst. She is currently enrolled in the Organizational Performance and Change Ph.D. program at Colorado State University.

Donald L. Venneberg, Ph.D., is Assistant Professor of Organizational Performance and Change at Colorado State University. He is also a former federal senior executive who led large organizations in the logistics and information technology fields.

Alina M. Waite is a full-time Instructor of Organizational Development and Change at Colorado State University. She teaches performance consulting, action research, and learning transfer courses at the graduate level both on campus and via distance learning. Her research focuses on performance improvement, process improvement, and analysis. She has over 15 years of experience working in the health care industry and has served in a variety of leadership capacities both in the United States and abroad. Prior to her current position, she was the Director of Research and Development of an international organization specializing in the design, development, and manufacture of medical devices.

Elizabeth Wheeler is the Human Resources Manager for a distance education school. She is responsible for all aspects of the human resources function.

Sarah E. Asmus Yackey owns Northern Colorado Mediation Institute, a division of Smiling Lab Communications, Inc. She has been working in the conflict resolution field for six years with an emphasis on mediation and restorative justice. Sarah has a master's in Conflict Resolution and is a professional member of the Association for Conflict Resolution (ACR) and the Colorado Council of Mediators (CCMO). She has worked in both the public and private sectors and has presented at regional conferences in her field. She teaches courses in restorative justice at Front Range Community College in Fort Collins, Colorado.

Suzanne Zivnuska is an Associate Professor at California State University, Chico, specializing in human resource management. Dr. Zivnuska's doctorate is in Organizational Behavior and Human Resource Management from Florida State University, and her major research interests in human resource management include the effects of impression management and politics on performance as well as work-family balance issues. Her work has appeared in journals such as *Human Relations; Journal of Applied Psychology; Journal of Organizational Behavior; Journal of Applied Social Psychology;* and *Leadership Quarterly.*