

3

PEOPLE, DECISIONS, AND THE SYSTEMS APPROACH

LEARNING GOALS

By the end of this chapter, you will be able to do the following:

- 3.1 Explain why it is important always to take into account the costs as well as the anticipated consequences of decisions
- 3.2 Identify what makes decision or utility theory unique
- 3.3 Understand the difference between organizations as open versus closed systems
- 3.4 Describe how concepts from supply-chain analysis might apply to the staffing process
- 3.5 Explain what it means to optimize staffing outcomes
- 3.6 Describe the employment process as a network of sequential, interdependent decisions
- 3.7 Identify key interactions among the various elements of the employment process
- 3.8 Explain how organizational exit influences, and is influenced by, prior phases in the employment process

COSTS AND CONSEQUENCES OF DECISIONS—A WAY OF THINKING

Decisions, decisions—which applicants should be hired, who should be promoted, how much money should be allocated to research and development? Any time a person or an organization is confronted with alternative courses of action, there is a decision problem. For managers and HR professionals, such problems occur daily in their work. Decisions to hire, not to hire, or to place on a waiting list are characteristic outcomes of the employment process, but how does one arrive at sound decisions that will ultimately spell success for the individual or organization affected? Principles are needed that will assist managers and individuals in making the most profitable or most beneficial choices among products, investments, jobs, curricula,

and the like. The aim in this chapter is not to present a detailed, mathematically sophisticated exposition of decision or utility theory (cf. Boudreau, 1991; Cabrera & Raju, 2001; Cascio & Boudreau, 2011a; Cronbach & Gleser, 1965) but merely to arouse and to sensitize the reader to a provocative way of thinking.

Utility theory is engaging, for it insists that costs and expected consequences of decisions always be taken into account (Boudreau & Ramstad, 2003; Cascio & Boudreau, 2011a). It stimulates the decision maker to formulate what he or she is after, as well as to anticipate the expected consequences of alternative courses of action. The ultimate goal is to enhance decisions, and the best way to do that is to identify the linkages between employment practices and the ability to achieve the strategic objectives of an organization. For example, the management of a professional sports team must make a number of people-related decisions each year in the annual draft of the top college players. Size and speed are two common selection criteria; present ability and future potential are two others. In all cases, the decision maker must state clearly his or her overall objectives prior to actually making the decision, and then he or she must attempt to anticipate the expected consequences of alternative choices in terms of the strategic objectives of the organization.

It should serve as some comfort to know that all employment decision processes can be characterized identically (Cronbach & Gleser, 1965). In the first place, there is an individual about whom a decision is required. Based on certain information about the individual (e.g., aptitude or diagnostic test results), the decision maker may elect to pursue various alternative courses of action. Let's consider a simple example. After an individual is hired for a certain job with an electronics firm, he or she may be assigned to one of three training classes. Class A is for fast learners who already have some familiarity with electronics. Those assigned to class B are slower learners who also possess a basic grasp of the subject matter. Class C individuals are those whose skills are either nonexistent (e.g., the hard-core unemployed) or so rusty as to require some remedial work before entering class B training.

The firm administers an aptitude test to each individual and then processes this diagnostic information according to some strategy or rule for arriving at decisions. For example, assuming a maximum score of 100 points on the aptitude test, the decision maker may choose the following strategy:

Test Score	Assignment
90–100	Class A
70–89	Class B
Below 70	Class C

In any given situation, some strategies are better than others. Strategies are better (or worse) when evaluated against possible outcomes or consequences of decisions (payoffs). Although sometimes it is extremely difficult to assign quantitative values to outcomes, this is less of a problem in business settings, since many outcomes can be expressed in economic (dollar) terms. Once this is accomplished, it becomes possible to compare particular decisions or general strategies, as Cronbach and Gleser (1965) noted:

The unique feature of decision theory or utility theory is that it specifies evaluations by means of a payoff matrix or by conversion of the criterion to utility units. The values are thus plainly revealed and open to criticism. This is an asset rather than a defect of this system, as compared with systems where value judgments are embedded and often pass unrecognized. (p. 121)

In the previous example, individuals were assigned to training classes according to ability and experience. Alternatively, however, all individuals could have been assigned to a single training class regardless of ability or experience. Before choosing one of these strategies, let's compare them in terms of some possible outcomes.

If the trainees are assigned to different classes based on learning speed, the overall cost of the training program will be higher because additional staff and facilities are required to conduct the different classes. In all likelihood, however, this increased cost may be offset by the percentage of successful training graduates. For strategy I (differential assignment), therefore, assume a \$150,000 total training cost and a 75% success rate among trainees. Alternatively, the overall cost of strategy II (single training class) would be lower, but the percentage of successful graduates may also be lower. For strategy II, therefore, assume that the total training cost is \$110,000 and that 50% of the trainees successfully complete the training program. Payoffs from the two strategies may now be compared:

	Total Training Cost	Percentage of Successful Grads
Strategy I—differential assignment	\$150,000	75%
Strategy II—single training	\$110,000	50%
Program strategy II—total payoff	+ \$40,000	-25%

At first glance, strategy II may appear cost effective. Yet, in addition to producing 25% fewer graduates, this approach has hidden costs. In attempting to train all new hires at the same rate, the faster-than-average learners will be penalized because the training is not challenging enough for them, while the slower-than-average learners will be penalized in trying to keep up with what they perceive to be a demanding pace. The organization itself also may suffer in that the fast learners may quit (thereby increasing recruitment and selection costs), regarding the lack of challenge in training as symptomatic of the lack of challenge in full-time jobs with the organization.

In summary, utility theory provides a framework for making decisions by forcing the decision maker to define clearly his or her goal, to enumerate the expected consequences or possible outcomes of the decision, and to attach differing utilities or values to each. Such an approach has merit, since resulting decisions are likely to rest on a foundation of sound reasoning and conscious forethought. As we will see in Chapters 9 through 16, the systematic consideration of the costs and consequences of decisions is an extremely useful tool for the I/O psychologist or HR professional. Another useful tool, one that forces the decision maker to think in terms of multiple causes and multiple effects, is systems analysis.

ORGANIZATIONS AS SYSTEMS

In recent years, much attention has been devoted to the concept of “systems” and the use of “systems thinking” to frame and solve complex scientific and technological problems. The approach is particularly relevant to the social sciences, and it also provides an integrative framework for organization theory and management practice.

What is a system? One view holds that a system is a collection of interrelated parts, unified by design and created to attain one or more objectives. The objective is to be aware of the variables involved in executing managerial functions so that decisions will be made in light of the overall effect on the organization and its objectives. These decisions must consider not only the organization itself but also the larger systems (e.g., industry and environment) in

which the organization operates (Kendall & Kendall, 2014). Classical management theories viewed organizations as closed or self-contained systems whose problems could be divided into their component parts and solved. The closed-system approach concentrated primarily on the internal operation of the organization (i.e., within its own boundary) and tended to ignore the outside environment.

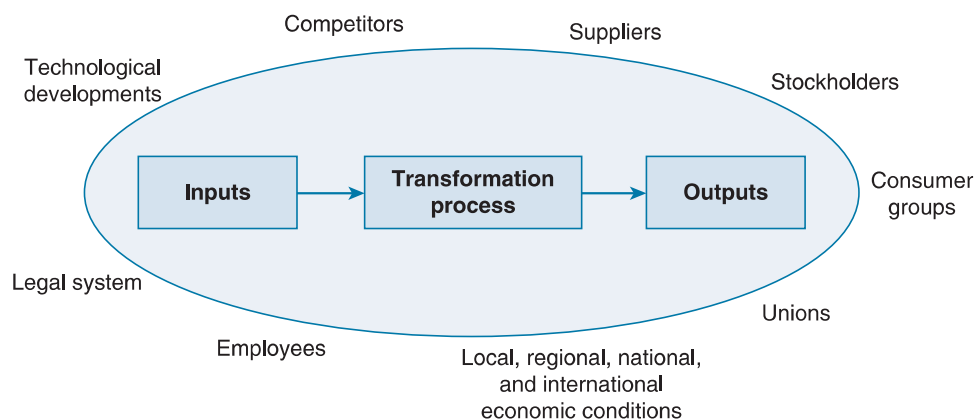
This approach was criticized on several grounds. In concentrating solely on conditions inside the firm, management became sluggish in its response to the demands of the marketplace. Sadly, the strategy literature is littered with examples of firms that failed to react appropriately to developments in their external environments. As Lei and Slocum (2014) note, yesterday's winners often morph into tomorrow's dinosaurs. As examples, consider Circuit City, Borders, Filene's Basement, Blockbuster, MCI Worldcom, and Tyco. Kodak failed to react to developments in digital photography. Neither Intel nor Microsoft gained a foothold in the mobile market, which was transformed after Apple introduced the iPhone in 2007. Indeed, since Apple's iPad emerged in 2010 sales of personal computers have been mainly declining (Clark & Stynes, 2016). Obviously the closed-system approach does not describe organizational reality. In contrast, a systemic perspective requires managers to integrate inputs from multiple perspectives and environments and to coordinate the various components.

The modern view of organizations, therefore, is that of open systems in continual interaction with multiple, dynamic environments, providing for a continuous import of inputs (in the form of people, capital, raw material, and information) and a transformation of these into outputs, which are then exported back into these various environments to be consumed by clients or customers (see Figure 3.1).

Subsequently, the environments (political, economic, social, technical, legal, and the natural environment) provide feedback on the overall process (Cascio, 2015; Hitt, Ireland, & Hoskisson, 2015). Senge (1990) described the process well:

Systems thinking is a discipline for seeing wholes. It is a framework for seeing interrelationships rather than things, for seeing patterns of change rather than “snapshots.” It is a set of general principles—distilled over the course of the twentieth century, spanning fields as diverse as the physical and social sciences, engineering, and management. It is also a specific set of tools and techniques. . . . [D]uring the last thirty years these tools have been applied to understand a wide range of corporate, urban, regional, economic,

FIGURE 3.1 ■ Organizations Are Open Systems in Continual Interaction With Multiple Dynamic Environments



political, ecological, and even physiological systems. And systems thinking is a sensibility for the subtle interconnectedness that gives living systems their unique character. (pp. 68–69)¹

The hierarchy of systems should be emphasized as well. A system comprises subsystems of a lower order and is also part of a supersystem. However, what constitutes a system or a subsystem is purely relative and depends largely on the level of abstraction or complexity on which one is focusing the analysis. As members of organizations, people are organized into groups, groups are organized into departments, departments are organized into divisions, divisions are organized into companies, and companies are part of an industry and an economy. There seems to be a need for this inclusive, almost concentric mode of organizing subsystems into larger systems and supersystems in order to coordinate activities and processes. It provides the macro-view from which to visualize events or actions in one system and their effects on other related systems or on the organization as a whole (Katz & Kahn, 1978).

In summary, systems theory has taken us to the edge of a new awareness—that everything is one big system with infinite, interconnected, interdependent subsystems. What we are now discovering is that managers need to *understand* systems theory, but they should resist the rational mind's instinctive desire to use it to predict and control organizational events. Organizational reality will not conform to any logical, systemic thought pattern (Daft, 2016; Senge, 1990). Having said that, it is important to emphasize the implications that systems thinking has for organizational practice—specifically, the importance of the following:

- The ability to scan and sense changes in the outside environment
- The ability to bridge and manage critical boundaries and areas of interdependence
- The ability to develop appropriate strategic responses

Much of the widespread interest in corporate strategy is a product of the realization that organizations must be sensitive to what is occurring in the world beyond (Daft, 2016). The next section shows how systems thinking might be applied to a much narrower issue, the staffing process.

A SYSTEMS VIEW OF THE STAFFING PROCESS

Staffing is a key element of talent management. Traditionally, activities like sourcing, recruitment, initial screening, selection, offers, onboarding of new hires, performance management, and retention tended to be viewed as independent activities, each separate from the others. Such a micro-level, or “silo,” orientation has dominated the area of staffing almost from its inception, and within it, the objective has been to maximize payoffs for each element of the overall process. Systems theory offers an opportunity to develop and apply an integrative framework whose objective is to *optimize* investments across the various elements of the staffing process, not simply to maximize payoffs within each element. Supply-chain logic illustrates this kind of thinking quite clearly (Cascio & Boudreau, 2011b).

Optimizing Staffing Investments

Supply-chain analysis seeks to optimize costs against price and time, to achieve levels of expected quality or quantity and risks associated with variations in quality or quantity. If

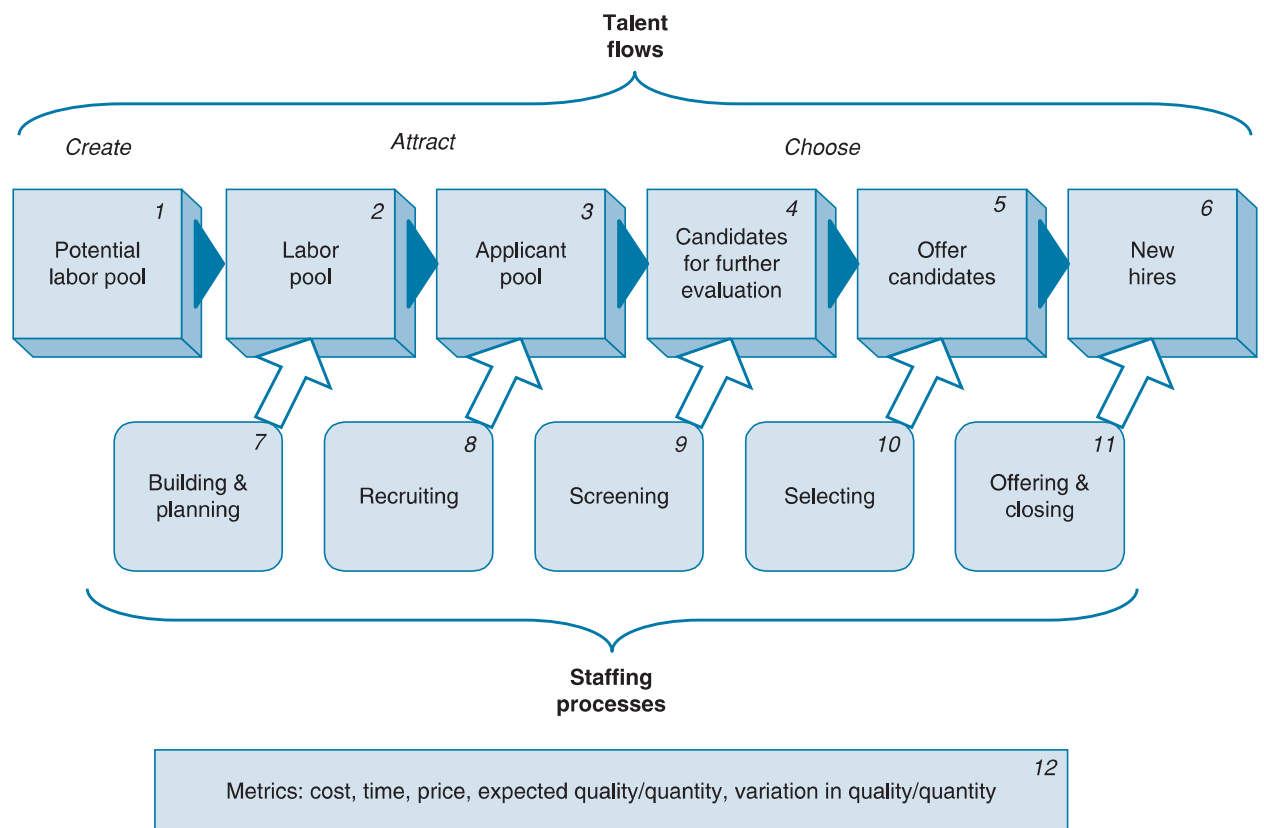
¹ Senge, P. M. (1990). *The fifth discipline: The art and practice of the learning organization*. New York City, NY: Doubleday.

the quality or quantity of acquired resources falls below standard or exhibits excessive variation, the organization can evaluate where investments in the process will make the biggest difference. Figure 3.2 illustrates the external staffing process from the perspective of a supply chain.

Groups of individuals (talent pools) flow through the various phases of the staffing process, with each phase serving as a filter that eliminates a subset of the original talent pool. The top row shows the results of the filtering process, beginning with a potential labor pool (individuals who might become qualified candidates) (Box 1), which is developed into an available labor pool (all qualified candidates) (Box 2). Organizations then winnow the labor pool through recruitment and selection (Boxes 8, 9, and 10) to a group that receives offers (Box 5). This group is then winnowed further as some accept offers (Box 11) and remain with the organization (Box 6).

The “staffing processes” in the lower row show the activities that accomplish the filtering sequence, beginning in Box 7 with building and planning (forecasting trends in external and internal labor markets, inducing potential applicants to develop qualifications to satisfy future talent demands), leading in Box 8 to recruiting (attracting applicants who wish to be considered), then in Box 9 to screening (identifying the clearly qualified and/or rejecting the clearly unqualified), moving in Box 10 to selecting (rating those who remain), and ending in Box 11 with offering and closing (creating and presenting offers, and getting candidates to accept).

FIGURE 3.2 ■ External Staffing Supply Chain



Source: Cascio, W. F., & Boudreau, J. W. (2011). Utility of selection systems: Supply-chain analysis applied to staffing decisions. In S. Zedeck (Ed.), *APA handbook of industrial and organizational psychology* (Vol. 2, p. 426). Washington, DC: American Psychological Association.

Notice also the box at the bottom of Figure 3.2 that reflects various metrics. At every phase of the staffing process, one could evaluate the cost and time invested in staffing processes, against the price of the talent that flows from those processes, and the resulting average and variation in their quantity and quality. Cascio and Boudreau (2011b) described how this approach might be used to optimize staffing outcomes.

Optimizing Staffing Outcomes

Consider some potential process improvements at each phase of the talent flows shown in Figure 3.2. At the phase of enticing those in the labor pool to apply for openings, we might include the cost of enhanced recruitment so that an organization might become more attractive to the top candidates (is it a world-class destination for those who want to work with new technology, for example?), or employ more aggressive recruiting at the “top schools,” etc. Those enhancements might generate significant improvements in the average quality of those applying. However, an optimum system would also need to consider how to entice candidates to join, so it is necessary to consider the costs of various elements of each offer, such as salary, benefits, professional development, and work–life fit. It is necessary to consider the costs of these elements and their likely effect both on the mean and on the standard deviation of qualifications.

Depending on costs and effects on the average and variability of quality, it might be better for an organization to enhance its job offers so that it keeps more of the stars it already has recruited and selected. However, it might also discover that at a lower cost of more aggressive recruitment, it would be able to tap in to a much higher quality group of applicants who didn’t know about the organization, and they are as likely as current applicants to accept offers. With more complete data, one can imagine a very specific mathematical algorithm that would calculate the change in the average and standard deviation of test scores for a given investment at each phase, or that would allow an organization to calculate break-even levels. For example, if investing a million dollars in better technology for these professionals to use at work would increase both the quality of applicants and their likelihood of accepting offers, that might be superior to investing in enhanced selection that must strive to find better candidates from a rather mediocre pool of applicants.

Note the strong similarity between systems thinking and supply-chain logic, and their implications for optimizing staffing outcomes. There is great potential for this approach and its application to more enlightened talent management. The next section presents a systems view of the broader employment process, beyond staffing per se.

A SYSTEMS VIEW OF THE BROADER EMPLOYMENT PROCESS

To appreciate more fully the relevance of applied psychology and talent management to organizational effectiveness, it is useful to view the employment process as a network or system of sequential, interdependent decisions (Cascio & Boudreau, 2011b; Cronbach & Gleser, 1965).

Each decision is an attempt to discover what should be done with one or more individuals, and these decisions typically form a long chain. Sometimes the decision is whom to hire and whom to reject, or whom to train and whom not to train, or for which job a new hire is best suited. While the decision to reject a job applicant is usually considered final, the decision to accept an individual is really a decision to investigate him or her further. The strategy is, therefore, sequential, since information gathered at one point in the overall procedure determines what, if any, information will be gathered next. This open-system, decision-theoretic model is shown graphically in Figure 3.3.

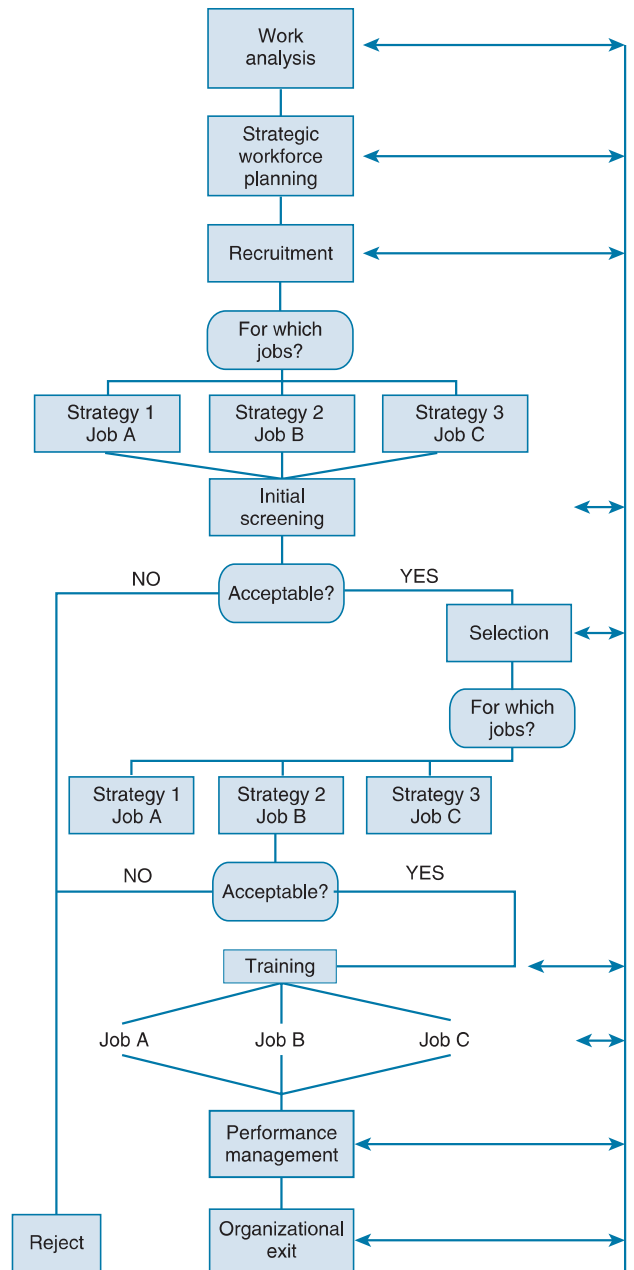
Although we will describe each link in the model more fully in later sections, it is important to point out two general features: (1) Different recruitment, selection, and training strategies are used for different jobs; and (2) the various phases in the process are highly interdependent, as the feedback loops indicate. Consider one such feedback loop—from performance management to work analysis. Suppose both supervisors and job incumbents determine that the task and personal requirements of a particular role have changed considerably from those originally determined in work analysis. Obviously, the original work analysis must be updated to reflect the newer requirements, but this may also affect the wage paid on that job. In addition, workforce planning strategies may have to be modified to ensure a continuous flow of qualified persons for the changed role, different recruiting strategies may be called for in order to attract new candidates for the role, new kinds of information may be needed in order to select or promote qualified individuals, and, finally, the content of training programs for the role may have to be altered. In short, changes in one part of the system have a “reverberating” effect on all other parts of the system. Now let’s examine each link in the model in greater detail.

Work Analysis

Work analysis is the fundamental building block on which all later decisions in the employment process must rest. Whether we are dealing with recruitment, selection, training, pay, or performance management, all require information about the task and personal requirements of a given job or role. The process of matching the individual and the job typically begins with a detailed specification by the organization of the work to be performed, the skills needed, and the training required by the individual jobholder in order to perform the job satisfactorily.² This is the purpose of work analysis.

Work analysis supports many organizational activities, but one of the most basic is job evaluation. To pay people fairly for the work they do, organizations must make value judgments on the relative importance or worth of each job to the organization as a whole—that is, in monetary terms. Divisional managers are paid higher salaries than secretaries. Why is this? We may begin to answer this question by enumerating and then comparing jobs on certain factors (so-called compensable factors) or aspects of jobs that

FIGURE 3.3 ■ Organizations Are Open Systems in Continual Interaction With Multiple Dynamic Environments



² One question that has taken on added significance, especially with the increase in mechanization (the replacement of a human skill by a machine) and in automation (not only replacement of a human skill by a machine, but also automatic control and integration of a process), is whether, in fact, people should be in the system at all (Cascio & Montealegre, 2016).

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organizations are willing to pay for. Four such factors specified in the Equal Pay Act are skill, effort, responsibility, and working conditions.

When these differences among jobs are tallied across all jobs in the organization, the job-evaluation process becomes a rather formidable task requiring detailed methods and replicable procedures that can be applied to all jobs (Newman, Gerhart, & Milkovich, 2016). Alternative methods of job evaluation are available, but whichever method is adopted must be acceptable, as well as understandable, to employees, boards of directors, and other concerned groups.

Theoretically, both job analysis and job evaluation are performed independently of the particular individuals who currently happen to be performing the jobs. In theory at least, jobs and wages remain the same even though people come and go. This is job-based, as opposed to person-based, job evaluation. The latter focuses on skill-based or competency-based pay systems (Newman et al., 2016).

Strategic Workforce Planning

Strategic workforce planning (SWP) is concerned with anticipating future staffing requirements and formulating action plans to ensure that enough qualified individuals are available to meet specific staffing needs at some future time. SWP systems include four key elements. First, the organization must devise a talent inventory that reflects the available knowledge, abilities, skills, and experiences of present employees. Second, it must develop forecasts of the internal and external supply of and demand for talent. This requires a thorough understanding of strategic business plans (Gamble, Thompson, & Peteraf, 2017); hence, I/O psychologists and HR professionals must become full partners with those responsible for strategic business planning. Third, on the basis of information derived from the talent inventory and talent supply and demand forecasts, various action plans and programs can be formulated in order to meet predicted staffing needs; such programs may include training, transfers, promotions, or recruitment. Finally, control and evaluation procedures are necessary in order to provide feedback on the adequacy of the SWP effort. Adequate and accurate SWP is essential if organizations are to cope effectively with the radical macroeconomic, demographic, and technological changes that organizations are facing. By examining the systemwide ramifications of all talent-management activities, we can plan effectively, lending both direction and scope to subsequent phases in the employment process.

Recruitment

Equipped with the information derived from work analysis and strategic workforce planning, we can proceed to the next phase in the process—attracting potentially acceptable candidates to apply for the various jobs. The recruitment machinery is typically set into motion when the HR office receives a staffing requisition from a particular department. Questions such as the following often arise in recruitment: How and where should we recruit? What media or other information sources should we use? Assuming the recruiting will not be done in person, what type and how much information should we include in our advertisements? How much money should we spend in order to attract qualified or qualifiable applicants?

Two basic decisions that the organization must make at this point involve the *cost of recruiting* and the *selection ratio* (Aamodt, 2016; Yu & Cable, 2014). For example, the cost of recruiting a design engineer is likely to be high and may involve a nationwide effort. Furthermore, the demanding qualifications and skills required for the job imply that there will be few qualified applicants. In other words, the selection ratio (the number hired relative to the number that apply) will be high or unfavorable from the organization's point of view. On the other hand, a majority of workers probably can perform a job involving scanning tickets at a concert

venue. Therefore, a narrower search effort is required to attract applicants; perhaps an online ad or a bonus to current employees to refer a friend will do. Given a relatively loose labor market, the probabilities are high that many potentially qualified applicants will be available. That is, because the selection ratio will be low or favorable, the organization can afford to be more selective.

Recruitment is critically important in the overall selection and placement process. The impression left on an applicant by company representatives or by media and Internet advertisements can significantly influence the future courses of action both of the applicant and of the organization (Dineen & Soltis, 2011; Ryan & Delaney, 2017). For example, Cisco's successful approach to attracting technical talent included low-key recruitment efforts at home and garden shows, microbrewery festivals, and bookstores—precisely the places that focus groups suggested were most likely to yield desirable prospects.

Initial Screening

Given relatively favorable selection ratios and acceptable recruiting costs, the resulting applications are then subjected to an initial screening process that is more or less intensive depending on the screening policy or strategy adopted by the organization.

As an illustration, let's consider two extreme strategies for the ticket-scanner job and the design engineer's job described earlier. Strategy I requires the setting of minimally acceptable standards. For example, no educational or experience requirements may be set for the ticket-scanner job. This strategy is acceptable when an individual need not have developed or perfected a particular skill at the time of hiring because the skill is expected to develop with training and practice. Such a policy may also be viewed as eminently fair by persons with disabilities (e.g., the blind worker who can probably scan tickets quickly and accurately as a result of his or her finely developed sense of hearing), and by members of other protected groups.

Strategy II, by contrast, may require the setting of very demanding qualifications initially, since it is relatively more expensive to pass an applicant along to the next phase. The design engineer's job, for example, may require an advanced engineering degree plus several years' experience, as well as demonstrated research competence. The job demands a relatively intense initial-screening process.

Because each phase in the employment process involves a cost to the organization and because the investment becomes larger and larger with each successive phase, it is important to consider the likely consequence of decision errors at each phase. Decision errors may be of two types: erroneous acceptances and erroneous rejections. An *erroneous acceptance* is an individual who is passed on from a preceding phase, but who fails at the following phase. An *erroneous rejection*, by contrast, is an individual who is rejected at one phase, but who can succeed at the following phase if allowed to continue.

Different costs are attached to each of these errors, but the costs of an erroneous acceptance are immediately apparent. If the organization has invested \$20,000 in an applicant who subsequently fails, that \$20,000 is also gone. The costs of erroneous rejections are much less obvious and, in many cases, are not regarded as “costly” at all to the employing organization—unless the rejected applicants go to work for competitors and become smashing successes for them!

Selection

Selection is the central phase in the process of matching individual and job. During this phase, information is collected judgmentally (e.g., by interviews), mechanically (e.g., by written tests), or in both ways. Scorable application forms, written or performance tests, interviews, personality inventories, and background and reference checks are several examples of

useful data-gathering techniques. These data, however collected, must then be combined judgmentally, mechanically, or via some mixture of both methods (Aiken & Hanges, 2017a). The resulting combination is the basis for hiring, rejecting, or placing on a waiting list every applicant who reaches the selection phase. During the selection phase, considerations of utility and cost should guide the decision maker in his or her choice of information sources and the method of combining data. For example, the interviewers' salaries, the time lost from production or supervision, and, finally, the very low predictive ability of the informal interview make it a rather expensive selection device. Tests, physical examinations, and credit and background investigations also are expensive, and it is imperative that decision makers weigh the costs of such instruments and procedures against their potential utility.

We point out the key considerations in determining payoffs, or utility, in Chapter 13, but it is important at this point to stress that there is not a systematic or a one-to-one relationship between the cost of a selection procedure and its subsequent utility. That is, it is not universally true that if a selection procedure costs more, it is a more accurate predictor of later job performance. Many well-intentioned operating managers are misled by this assumption. Procedures add genuine utility to the employment process to the extent that they enable an organization to improve its current hit rate in predicting success (at an acceptable cost), however success happens to be defined in that organization. Hence, the organization must assess its present success rate, the favorableness of the selection ratio for the jobs under consideration, the predictive ability of proposed selection procedures, and the cost of adding additional predictive information; then it must weigh the alternatives and make a decision.

Applicants who accept offers are now company employees who will begin drawing paychecks. After onboarding the new employees and exposing them to company policies and procedures (Bauer & Erdogan, 2011), the organization faces another critical decision. On which jobs should these employees be placed? In many, if not most, instances, individuals are hired to fill specific jobs (so-called one-shot, selection-testing programs). In a few cases, such as the military or some very large organizations, the decision to hire is made first, and the placement decision follows at a later time. Since the latter situations are relatively rare, however, we will assume that new employees move directly from onboarding to training for a specific job or assignment.

Training and Development

Organizations can increase significantly the effectiveness of their workers and managers by employing a wide range of training and development techniques. Payoffs will be significant, however, only when training techniques accurately match individual and organizational needs (Brown, 2017; Brown & Sitzmann, 2011; Noe, 2017). Most individuals have a need to feel competent (Lawler, 1969; Ryan & Deci, 2017; White, 1959)—that is, to make use of their valued abilities, to realize their capabilities and potential. In fact, competency models often drive training curricula. A *competency* is a cluster of interrelated knowledge, abilities, skills, attitudes, or personal characteristics that are presumed to be important for successful performance on a job (Noe, 2017). Training programs designed to modify or to develop competencies range from basic skill training and development for individuals, to team training, supervisory training, executive-development programs, and cross-cultural training for employees who will work in other countries.

Employee selection and placement strategies relate closely to training and development strategies. Trade-offs are likely. For example, if the organization selects individuals with minimal qualifications and skill development, then the onus of developing capable, competent employees moves to training. By contrast, if the organization selects only those individuals who already possess the necessary abilities and skills required to perform their jobs, then the

burden of further skill development is minimal. Given a choice between selection and training, however, the best strategy is to choose selection. If high-caliber employees are selected, these individuals will be able to learn more and to learn faster from subsequent training programs than will lower-caliber employees.

Earlier we emphasized the need to match training objectives accurately to job requirements. In lower-level jobs, training objectives can be specified rather rigidly and defined carefully. The situation changes markedly, however, when training programs must be designed for jobs that permit considerable individual initiative and freedom (e.g., selling, research and development, product design) or jobs that require incumbents to meet and deal effectively with a variety of types and modes of information, situations, or unforeseen developments (e.g., managers, detectives, engineers, astronauts). The emphasis in these jobs is on developing a broad range of skills and competencies in several areas in order to cope effectively with erratic job demands. Because training programs for these jobs are expensive and lengthy, initial qualifications and selection criteria are likely to be especially demanding.

Performance Management

In selecting and training an individual for a specific job, an organization is essentially taking a risk in the face of uncertainty. Although most of us like to pride ourselves on being logical and rational decision makers, the fact is that we are often quite fallible. Equipped with incomplete, partial information about present or past behavior, we attempt to predict future job behavior. Unfortunately, it is only after employees have been performing their jobs for a reasonable length of time that we can evaluate their performance and our predictions.

In observing, evaluating, and documenting on-the-job behavior and providing timely feedback about it to individuals or teams, we are evaluating the degree of success of the individual or team in reaching organizational objectives. Although success in some jobs can be assessed partially by objective indices (e.g., dollar volume of sales, number of errors), in most cases, judgments about performance play a significant role.

Promotions, compensation decisions, transfers, disciplinary actions—in short, individuals' livelihoods—are extraordinarily dependent on performance management. Performance management, however, is not the same as performance appraisal. The latter is typically done once or twice a year to identify and discuss the job-relevant strengths and weaknesses of individuals or teams. The objective of performance management, by contrast, is to focus on improving performance at the level of the individual or team every day. This requires a willingness and commitment on the part of managers to provide timely feedback about performance while constantly focusing attention on the ultimate objective (e.g., world-class customer service) (Aguinis, 2019; DeNisi & Murphy, 2017).

To be sure, performance appraisals are of signal importance to the ultimate success and survival of a reward system based on merit. It is, therefore, ethically and morally imperative that each individual is treated fairly. If supervisory ratings are used to evaluate employee performance and if the rating instruments themselves are poorly designed, are prone to bias and error, or focus on elements irrelevant or unimportant to effective job performance, or if the raters themselves are uncooperative or untrained, then our ideal of fairness will never be realized. Fortunately, these problems can be minimized through careful attention to the development and implementation of appraisal systems and to the thorough training of those who will use them. We have more to say about these issues in our treatment of performance management in Chapter 5, but, for the present, note the important feedback loops to and from performance management in Figure 3.3. All prior phases in the employment process affect and are affected by the performance management process. For example, if individuals or teams lack important, job-related competencies—for example, skill in troubleshooting

problems—then work analyses may have to be revised, along with recruitment, selection, and training strategies. This is the essence of open-systems thinking.

Organizational Exit

Eventually everyone who joins an organization must leave it. For some, the process is involuntary, as in the case of a termination for cause or a forced layoff. The timing of these events is at the discretion of the organization. For others, the process is voluntary, as in the case of a retirement after many years of service or a voluntary buyout in the context of employment downsizing. In these situations, the employee typically has control over the timing of his or her departure.

The topic of organizational exit may be addressed in terms of processes or outcomes at the level of the individual or organization (Hom, 2011; Lee, Hom, Eberly, Li, & Mitchell, 2017). Consider involuntary terminations, for example. Psychological processes at the level of the individual include anticipatory job loss; shock, relief, and relaxation; concerted effort; vacillation, self-doubt, and anger; and resignation and withdrawal. Organizational processes relevant to involuntary termination are communication, participation, control, planning, and support (De Meuse, Marks, & Dai, 2011; Dewitt, 2012). At the level of the individual, involuntary job loss tends to be associated with depression, hostility, anxiety, and loss of self-esteem (Hargrove, Cooper, & Quick, 2012).

A key outcome at the level of the organization is the reactions of survivors to layoffs. They experience stress in response to uncertainty about their ability to do much about the situation and uncertainty over performance and reward outcomes (Siegrist & Dragano, 2012). At the level of society, massive layoffs may contribute to high levels of cynicism within a nation's workforce. Layoffs signal a lack of commitment from employers. As a result, employees are less likely to trust them, are less likely to commit fully to their organizations, and work to maximize their own outcomes (Cascio, 2002a; De Meuse et al., 2011).

Retirement is also a form of organizational exit, but it is likely to have far fewer adverse effects than layoffs or firings, especially when the process is truly voluntary, individuals perceive the financial terms to be fair, and individuals control the timing of their departures. Each of these processes includes personal control; due process, personal control, and procedural justice are key variables that influence reactions to organizational exit (Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Rupp, Shapiro, Folger, Skarlicki, & Shao, 2017).

As shown in Figure 3.3, organizational exit influences, and is influenced by, prior phases in the employment process. For example, large-scale layoffs may affect the content, design, and pay of remaining jobs; the recruitment, selection, and training of new employees with strategically relevant skills; and changes in performance management processes to reflect work reorganization and new skill requirements.

In writing this book, we have attempted to frame our ultimate objectives realistically, for it would be foolish to pretend that a single volume holds the final solution to any of these nagging employment problems. Solutions are found in concerned people—those who apply what books can only preach. Nevertheless, by urging you to consider both costs and anticipated consequences in making decisions, we hope that you will feel challenged to make better decisions and thereby to improve considerably the caliber of talent management practice. Nowhere is systems thinking more relevant than in the talent management systems of organizations. As we noted earlier, the very concept of a system implies a design to attain one or more objectives. This involves a consideration of desired outcomes. In Chapters 4, 5, and 6, we consider the special problems associated with developing reliable success criteria—that is, outcomes of the talent management process.

EVIDENCE-BASED IMPLICATIONS FOR PRACTICE

Employment decisions always include costs and consequences. Utility theory makes those considerations explicit, and in doing so, makes it possible to compare alternative decisions or strategies. Such a framework demands that decision makers define their goals clearly, enumerate expected consequences of alternative courses of action, and attach different values to each one. This is a useful way of thinking. Here are three other useful frameworks:

- Open-systems theory, which regards organizations as interacting continually with multiple, dynamic environments—political, economic, social, technological, legal, and the natural environment
- Supply-chain analysis—an integrative framework whose objective is to *optimize* investments across the various elements of that process
- The employment process as a network of sequential, interdependent decisions, in which recruitment, staffing, training, performance management, and organizational exit are underpinned and reinforced by work analysis and strategic workforce planning

Discussion Questions

1. How is decision or utility theory useful as a framework for making decisions?
2. Why must considerations of utility always be tied to the overall strategy of an organization?
3. Describe three examples of open systems. Can you think of a closed system? Why are organizations open systems?
4. Why is it useful to view the employment process as a network of sequential, interdependent decisions?
5. What is the difference between an erroneous acceptance and an erroneous rejection? Describe situations where one or the other is more serious.
6. Suppose you had to choose between “making” competent employees through training, or “buying” them through selection. Which would you choose? Why?
7. What are some limitations of the “silo” approach to activities like sourcing, recruitment, initial screening, selection, offers, onboarding of new hires, performance management, and retention?
8. What might be some advantages to viewing the staffing process through the lens of supply-chain analysis?
9. Why is environmental scanning so critical to effective talent management?
10. Why might organizations choose to ignore key developments in the multiple environments in which they operate?