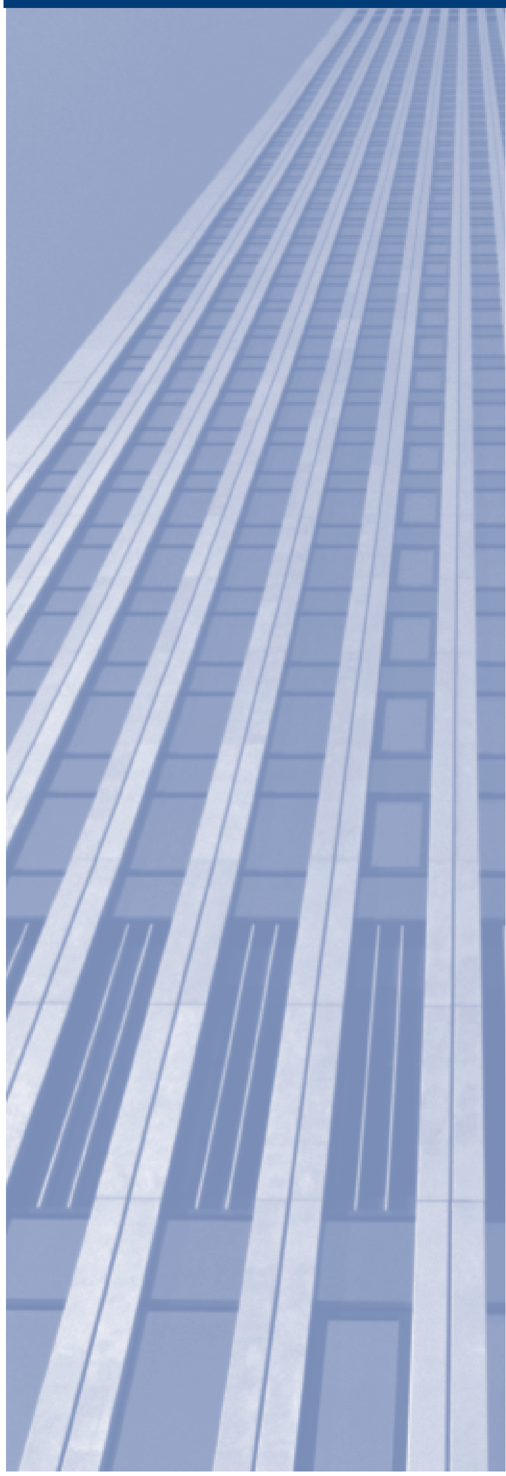
Volume 2 · Issue 2 · October 2006

Journal of Corporate Recruiting Leadership

www.crljournal.com



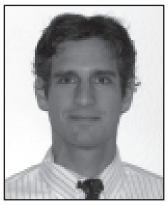
Focus: DISPERSED WORKFORCES

Laura Randell shares what she learned from selecting HR technology for Sydney-based Woolworth's 14 brands and 145,000 employees (p.15). Steven Hunt looks at metrics (p.3), and Ron Chapman and Michael Bell consider the potential impact of appearance (p.29).

Also in this issue:

published by eremedia

Dear Recruiting Leader,



When Lee Baca runs, he runs hard. Baca, the Los Angeles County Sheriff, is 30 years my senior but only seven seconds slower than me in a 5k race—20:17 vs. 20:10 (fortunately I don't have much experience running from the law).

I don't where he gets his energy, but he needs it. According to the *Los Angeles Times*, "high attrition and low morale pervade his 8,000-officer force, charged with the Herculean tasks of policing 2.7 million people over an area of more than 3,000 square miles as well as guarding 18,000 increasingly violent inmates in America's biggest jail system." Homicides are up 25% in Baca's territories.

Baca is one of LA's best-known politicians and one of America's highest-paid elected officials. But as important as public safety—actually, hand in hand with public safety—is recruiting. He needs to hire 1,000 deputy sheriff generalists per year. Many members of the military, a logical pool of candidates, are overseas. The cost of housing in California has made home ownership unaffordable for many. Poor public education in California has deprived the Sheriff's department of skilled candidates.

Baca has been putting recruiting billboards up not just out of the county, but out of the state, in Nevada, to try to lure candidates. He and Lt. Joe Fennell are also trying a little employment branding, portraying their jobs as the opportunity to be a hero.

Baca's just everywhere: 5k races; temples; mosques; churches; CNN; the Red Button memorial service; the Chamber of Commerce; and often, hanging out with the area's large Church of Scientology community.

Many of America's biggest challenges are converging on Lee Baca's lap right now: immigration, safety in metropolitan areas, public education, and most of all, the need for skilled employees. Keep your eyes on Lee Baca, who's racing hard to address them.

Todd Raphael, *Editor in Chief*
todd@ere.net

Editorial Advisory Board

Journal of Corporate Recruiting Leadership

EDITORIAL OFFICE
ERE Media
580 Broadway
Suite 304
New York, NY 10012
tel. (1) 212-671-1181
Email: editor@ere.net
www.crljournal.com

EDITOR IN CHIEF
Todd Raphael
todd@ere.net

CONTRIBUTING EDITORS
Jim Dalton
jim@ere.net

Kate Bruener
kate@ere.net

Elizabeth Saperstein
elizabeth@ere.net

SUBSCRIPTION MANAGER
Danielle Zittel
danielle@ere.net

SPONSORSHIP DIRECTOR
Kevin Plantan
kevin@ere.net
tel. (1) 804-262-0189

MARKETING DIRECTOR
Scott Baxt
scott@ere.net

PUBLISHER
David Manaster
david@ere.net

CRLJOURNAL.COM WEBSITE
Elliott Carlson
elliott@ere.net

EDITING & CREATIVE
Barbara Hodge
barbarahodge@bellsouth.net

Judy Gouldthorpe
jgouldthorpe@comcast.net

Next Issue: Leadership

SOAPBOX

Using Metrics to Guide Staffing Strategies Across Dispersed Workforces

A description of metrics that are likely to be useful for staffing dispersed workforces, as well as risks associated with improperly interpreting what staffing data truly tell us about staffing performance.

By Dr. Steven Hunt

A challenge to managing staffing for large workforces, particularly ones that are geographically dispersed, is simply keeping track of what is going in the company's various business units. How can you efficiently monitor and manage staffing processes being used in scores of business locations that you have neither the time nor resources to physically visit? A common and effective method to address this problem is to use staffing metrics. Staffing metrics can provide a centralized staffing organization with considerable insight into the performance of staffing processes being used in remote company locations. Metrics are also effective for directing staffing energy toward specific organizational goals since "what gets measured gets managed." Anyone who has overseen staffing for dispersed workforces knows that metrics are critical for effectively managing staffing operations. But what metrics are the most useful and how should they be used? Addressing this question is the main focus of this article.

This article has two objectives. The first is to emphasize the value of collecting different kinds of data to guide staffing strategies and to describe some metrics that are likely to be useful for staffing dispersed workforces. The second objective is to discuss issues that should be considered when using staffing metrics. This part of the article focuses on the five risks that occur when a company incorrectly interprets what staffing data tells us about staffing performance.

Part 1. Useful Staffing Metrics

The ultimate goal of staffing is to provide companies with high quality, stable workforces. Effectively achieving this goal for companies with dispersed workforces requires utilization of a variety of staffing metrics. These metrics are necessary to gain insight into staffing performance in remote locations that may be subject to a range of business needs, work environments, and economic conditions. Table 1 lists 20 staffing metrics that can provide considerable value for managing staffing operations. Each of these metrics will be discussed in greater detail.

The metrics are broken into two categories: pre-hire statistics of staffing efficiency and applicant quality, and post-hire statistics focusing on employee performance and the business impact of staffing practices. Each metric

Pre Hire Metrics

- Number of Hires
- Applicant Volume
- Applicant Source
- Time to Hire
- Time to Fill
- Cost per Hire
- Applicant Quality
- Applicant-to-Hire Ratio
- Offer-to-Acceptance Ratio
- Applicant Demographics and EEO Statistics
- Applicant Reactions

Post Hire Metrics

- Productive Performance Metrics
- Counterproductive Performance Metrics
- Tenure
- Time and Attendance
- Hiring Manager Attitudes
- Employee Attitudes
- Training Performance/Time to Competence
- Turnover Costs
- Employee Demographics and EEO Statistics
- Internal Promotions and Transfers
- Turnover Reasons

Table 1: Staffing Metrics

provides a view into different aspects of the staffing process and has unique value for monitoring and improving staffing operations. Some metrics are much easier to collect than others. While certain metrics such as "time to fill" and "applicant demographics" are critical for determining staffing effectiveness, a company does not need to collect all 20 of these metrics to efficiently run its staffing processes. This list is also not intended to be exhaustive. I am sure there are other useful metrics that companies might collect that are not mentioned here.

Pre-Hire Metrics

Number of Hires. This indicates the number of people who have been hired into various job types at different locations over a set period of time (e.g., monthly, yearly). This is the most basic metric of staffing activity, and provides a quick sense of staffing trends within an organization. Knowing your number of hires always tells you something, but having high or low numbers of hires is not necessarily good or bad. Sometimes it reflects recruiting effectiveness, other times it reflects turnover issues, and in other cases it simply reflects company growth or changes in seasonal workforce needs.

The most direct way to determine whether a company's staffing methods are having a positive impact on applicant views of the company is to simply ask them.

Applicant Volume. This indicates how many applicants are applying for positions in the company. Applicant volume gives some sense of the efficacy of the company's recruiting methods and how easy it is for applicants to apply. It does not provide any insight into the quality of candidates, and when interpreted by itself it can be misleading since there is no value in attracting large amounts of unqualified applicants.

Applicant Source. This indicates where applicants are coming from. Did they apply as a result of a career fair, an employee referral, a job board advertisement, or through some other recruiting source? The more specific this information is, the better. For example, knowing that applicants applied as a result of job fair is useful but knowing which specific job fair led them to apply is even more valuable.

Applicant source data is primarily used to target recruiting efforts. For example, I worked with a company that discovered that virtually none of the applicants they hired were coming through newspaper ads. This led them to discontinue the use of newspaper ads altogether, which resulted in a considerable cost savings.

Research has also shown that there is value in giving priority to applicants from certain sources. For example, one company found that applicants referred by high-performing employees were more likely to be good performers themselves.

Time to Hire. This reflects the time elapsed between initial posting of a requisition and the final hiring decision. This is one of the most widely used staffing metrics, but it is also one that can be misleading. First, it does not provide any insight into candidate quality. It may even pressure recruiters and hiring decision-makers into lowering their standards simply to decrease the time to hire. Second, from an operational standpoint, companies are not actually interested in how long it takes to hire someone but in how long it takes to fill a vacant position with a fully effective employee (see "Time to Fill").

Time to Fill. This reflects the time elapsed between the identification of a hiring need (i.e., an open position) and the date this need has been fully addressed. From an operational standpoint, time to fill is one of the most important staffing metrics. That's because it indicates how long a staffing need is going unaddressed. Although time to fill is related to time to hire, the two should be treated separately. There's a difference between the processes and time needed to hire new employees and the processes and time needed to train and transfer existing employees to fill specific staffing needs within the company. Companies have reduced time to fill for critical positions from months to days while maintaining time to hire levels at a constant level. This is achieved by treating time to fill as an operational metric that depends on accurately forecasting future workforce needs and maintaining an adequate supply of "ready now" internal talent to fill positions when they become vacant. Time to hire is treated purely as a staffing metric used to track the efficiency of processes for bringing new talent into the organization.

Cost Per Hire. This is another frequently used staffing metric and reflects the resources that must be expended to hire a new employee. Typical cost per hire metrics include recruiting costs and costs associated with new hire paperwork. Ideally, cost per hire metrics should also reflect less tangible costs associated with filling new positions such as the time spent by managers interviewing and training new employees.

Applicant Quality. The goal of staffing is not simply to hire people but to hire the right people. Oddly enough, relatively few companies track metrics that provide insight into the quality of applicants. Applicant quality can be measured using a variety of tools including whether they meet minimum job qualifications, how they score on automated staffing assessment tools (e.g. tests given to applicants to determine if they possess the skills and capabilities needed to succeed in the job), or the results of other tools used to evaluate whether a candidate should be hired, such as reference check results or interview ratings.

Without collecting some measure of applicant quality, it is difficult to determine if recruiting methods are actually effective. For example, one might discover through applicant volume statistics that a job fair generated a large number of applicants. But determining whether the job fair is effective requires knowing something about the quality of the applicants it generated. Staffing methods that generate large numbers of poor quality applicants may be more harmful than helpful. In contrast, expensive recruiting techniques that only generate a few applicants may be worth every penny if these applicants are consistently of high quality.

It is impossible to know if a staffing process is working without collecting some form of information about the performance of employees after they are hired.

Applicant-to-Hire Ratios. This metric indicates the average number of applicants that hiring decision makers consider before making a hiring decision. If applicant-to-hire ratios are low, companies may be at risk of hiring lesser-quality candidates simply because they are the only ones available. For example, if a hiring manager sees only two applicants, his decision will be limited to choosing between which of these two applicants are the best, even if neither applicant is good. But high applicant-to-hire ratios are not necessarily desirable either, particularly if the company does not have an effective way to select among different applicants. There is little value in overwhelming hiring decision makers with dozens of applicants if they do not have efficient methods for screening and ranking these candidates based on minimum qualifications and overall candidate potential.

Offer-to-Acceptance Ratio. This indicates the number of people who accept versus decline job offers. An offer-to-acceptance ratio of one means that every candidate who is offered a job accepts the offer. A ratio well above one tells you that otherwise qualified candidates are choosing not to work for your company. This may point to problems with how a job is designed, the benefits and compensation package attached to the job, a mismatch between recruiting strategies and the realities of the position, or potential problems with the hiring manager or department where the candidate would work.

Applicant Demographics and EEO Statistics. These metrics require gathering data from applicants about their ethnic background, age, gender, and other variables that have important legal and cultural value to the organization. There are strong legal reasons related to EEO legislation for collecting demographic information from applicants early on in the staffing process. Demographic information can also provide companies with insight into whether different recruiting strategies serve to increase or decrease the flow of applicants from specific demographic populations.

Applicant Reactions. Staffing is not merely about a company recruiting, evaluating, and selecting applicants. It is also about applicants evaluating whether they want to work for the company. Recruiting and selection practices have a significant impact on applicant attitudes toward an organization. Staffing practices can influence whether applicants are likely to apply for a job, accept a job offer if one is given, and perceive a company's staffing methods as fair, equitable, and legal. The most direct way to determine how applicants view a company's staffing methods is to ask them. This can be done by surveying applicants and potential applicants about how they perceive the company, asking applicants questions about their perceptions regarding different aspects of the staffing process, and following up with newly-hired employees to get their feedback on the effectiveness and appropriateness of the company's staffing methods.

Post-Hire Metrics

Productive Performance Metrics. Effective staffing comes down to hiring people who do the things the company wants them to do. It is impossible to know if a staffing process is working without collecting some form of information about the performance of employees after they are hired. In most cases, this information is collected anecdotally based on hiring managers' informal comments and feedback. While useful, such informal performance information does not allow companies to implement the kinds of data-driven, continuous improvement methods required to build truly high performance staffing systems.

The following is a partial list of performance metrics that can be useful for improving staffing methods: sales volume, productivity data, customer service evaluations, and manager and co-worker performance ratings. All of these metrics are heavily influenced by individual differences in employee behavior. As a result, they can all be improved by changing the methods used to recruit and select employees to encourage hiring people with attributes that are associated with effective job performance.

The most effective performance metrics for evaluating staffing effectiveness tend to be those that provide an accurate picture of actual employee behavior. In most cases, this means ratings from managers, co-workers, or customers that evaluate the behavior of individual employees. Assuming they are appropriately collected, behavioral ratings tend to provide a more accurate picture of new hire performance than other performance outcome measures such as sales volume. That's because performance outcome measures like sales depend on a wide variety of environmental factors that are out of the control of individual employees (e.g., the stores they work in, the shifts they are assigned). In contrast, behavioral ratings are designed to directly measure what it is that employees are doing on the job that makes them more or less effective.

When collecting behavioral ratings of performance, it is important to follow some careful practices around the design of the rating forms and use of rater training to ensure the behavioral ratings are accurate. People sometimes argue that these kinds of behavioral ratings of performance are overly subjective or too time consuming to collect. It is true that performance ratings based on a manager's memory of past employee behaviors are subjective. On the other hand, they are probably no more subjective than budget numbers scribbled on a white board based on general predictions about future business performance. Few companies would dismiss the need for budget estimates because they are too time-consuming and subjective. But many companies put little emphasis on the importance of collecting accurate performance ratings. This is somewhat illogical given that most financial numbers are a direct result of employee behaviors. If companies wish to systematically influence financial measures they might do well to get more serious about collecting accurate behavioral measures of employee performance.

If companies wish to influence financial measures, they should get more serious about collecting accurate behavioral measures of employee performance.

Counterproductive Performance Metrics. Effective staffing means hiring people who do things that help the business and avoid hiring people who do things that hurt it. Productive employees are less likely to engage in counterproductive behavior, but productive and counterproductive performance are not inextricably linked. Many loss-prevention experts can point to examples of employees with strong performance records who were also involved in theft of company property. Because counterproductive performance behavior is highly costly and somewhat independent of productive performance behavior, there is value in tracking counterproductive performance metrics and exploring how they are influenced by different staffing strategies. Some counterproductive performance metrics that may be significantly influenced through more effective employee recruitment and selection include accidents, flagrant violations of company policies, employee theft, incidents of aggressive behavior toward co-workers or customers, and fraudulent insurance claims. Manager ratings of counterproductive employee behaviors can also be useful for measuring certain counterproductive behaviors that are hard to assess directly (e.g., theft).

Tenure. Every time a company hires someone, it initially loses money. The costs associated with staffing are not recovered until the newly hired employee generates enough revenue to recoup the money and time spent on sourcing, recruiting, selecting and training them. For this reason, employee tenure is one of the most important metrics for evaluating staffing effectiveness. The only metrics more important than tenure are those used to measure productive and counterproductive employee performance.

It is important to emphasize tenure—as opposed to turnover—when evaluating staffing performance. Tenure reflects the average length of service of newly hired employees. Turnover reflects the relative number of employees leaving the workforce. Turnover depends on employee length of service, the number of employees in the workforce, and the time period used to calculate the turnover number (e.g., monthly, annually). Because turnover mixes together several different variables, it can be misleading. For example, a company where one out of five employees quit in the first 30 days and the rest stayed more than a year might be viewed as not having any retention problems since its overall turnover level would be 20%. In contrast, analysis of tenure statistics would call attention to the fact that 20% of the company's employees quit shortly after starting and probably should not have been hired in the first place.

Staffing methods that generate large numbers of poor quality applicants may be more harmful than helpful.

Time and Attendance. From a theoretical perspective, attendance metrics might be listed under the categories of productive or counterproductive performance metric. But from an operational perspective there is value in treating attendance data as a separate category. First, many companies have ready access to a wealth of attendance data through their workforce scheduling software. The availability of this data makes it particularly attractive as a metric for evaluating the quality of hires provided by the company's staffing processes. Second, while attendance is an aspect of performance, it tends to be somewhat independent of other types of performance. Just because an employee is punctual is no guarantee that they will be a strong performer. Conversely, the world is full of bright, clever, and charming people who rarely arrive to meetings on time. For these reasons, it is worth considering time and attendance data as its own category of metric for evaluating staffing performance.

The importance of attendance varies depending on the nature of the job. For most hourly jobs, it is among the top reasons for performance failures. It is also something that can be significantly influenced through staffing strategies. For example, one company discovered that simply ensuring that people are hired into jobs that provide them with the work schedules they requested on their initial application led to substantial improvements in attendance and retention. Such a finding may not seem surprising in retrospect, but until it was pointed out, many hiring managers appeared to "force fit" applicants into the work schedules the company needed only to have the applicants quit shortly after being hired.

Hiring Manager Attitudes. Hiring managers (and you might consider putting field recruiters in this group, depending on how your organization is structured) are one of the most important customer groups served by staffing organizations. Consequently, there is value in collecting customer feedback from hiring managers regarding their perceptions toward the efficiency, fairness, and effectiveness of the company's staffing practices. This feedback should be considered seriously, but should also be interpreted taking into account a hiring manager's particular perspectives and background toward the staffing process as a whole. For example, hiring managers may not fully understand the value of using certain methods to select employees. They also may not understand the business and legal risks that might be incurred if they were given more leeway to use their own personal methods to recruit and evaluate applicants. The information gleaned from hiring managers doesn't necessarily have to be used to change a company's staffing practices. But it may help identify where hiring managers lack understanding about why certain staffing methods are used and how they can use them more effectively.

Employee Attitudes. Increasing attention has been placed in recent years on the importance of "employee engagement." Engaged employees are less likely to quit and are more willing to exert effort above and beyond normal job roles to help the organization succeed. As an industrial-organizational psychologist, all this talk of employee engagement strikes me largely as "organizational commitment" and "job satisfaction" bottled up in a new package. But buzzwords aside, it is great to see business leaders recognizing the fact that employee attitudes are an important predictor of employee performance. One way to build an engaged, motivated workforce is to use staffing practices that hire people who want the kind of work environment and career opportunities the company offers. To achieve this, staffing organizations should incorporate employee surveys and other metrics reflecting employee attitudes into the processes used to analyze the quality of hires being made by the organization.

There is little value in overwhelming hiring decision makers with dozens of applicants if they do not have efficient methods for screening and ranking these candidates based on minimum qualifications and overall potential.

Training Performance/Time to Competence. New employees vary substantially in terms of the level of experience and natural talents they bring to the job. Those employees with the greatest initial "fit" with a position tend to learn new job skills faster, perform better in new hire training courses, and more rapidly come up to speed in the job itself. In some jobs these differences in employee performance may persist for years, while in others they may decrease in a few weeks. Even in jobs where performance differences decrease over time, companies can still benefit by hiring people who learn the job faster and become fully competent and effective quickly. Because these differences are a direct result of individual differences in the attributes of the employees hired into the job, staffing organizations should track the initial performance of newly hired employees as a key metric for evaluating and improving quality of hire.

Turnover Costs. Much has been written about the costs incurred when good employees leave an organization. The cost of losing an employee can range from several thousand dollars for hourly employees to more than $1 million for key sales and marketing people, research and development experts, or mission-critical business leaders. Companies should consider turnover costs when designing staffing practices for different positions. Staffing processes used for positions with high turnover costs should invest more time and resources into the use of assessment tools to decrease the risk of making the wrong hire.

Employee Demographics and EEO Statistics. Most companies in the U.S. strive to employ a workforce whose demographic characteristics mirror those of the people in the company's larger community and/or customer base. One of the major challenges to this goal lies in creating a diverse workforce at the outset. People tend to prefer working with people with whom they feel comfortable. Part of this comfort derives from a sense of similarity and commonality with coworkers. As a result, companies that do not employ many people from certain demographic groups find it harder to recruit applicants from those groups. In others words, creating a diverse workforce takes a lot more effort than maintaining one after it has been established.

If one of the goals of your staffing organization is to encourage workforce diversity, you should consider metrics of current employee demographics when designing and evaluating staffing strategies. These metrics can be used to evaluate the effectiveness of prior efforts at diversity. They can also be used as diagnostic measures for identifying where additional resources may be needed to encourage minority applicants to apply to business units that currently lack diversity.

Internal Promotions and Transfers. Many companies with dispersed workforces rely extensively on internal promotions and transfers to fill key operational and leadership positions within the company. The growing shortage of skilled talent in the U.S. workforce is further increasing the emphasis on using internal employees as the primary talent pool to fill more specialized positions within an organization. As companies come to rely more on internal promotions and transfers, greater emphasis needs to be placed on staffing practices that facilitate the use of internal talent pools. Staffing organizations can track internal promotion and transfer rates to evaluate how effectively the company is leveraging its internal talent. Tracking those rates will also help determine whether the processes used to hire new employees are bringing in people who can develop capabilities needed to move into jobs beyond those that they were initially hired into.

At some point every employee you hire will leave your organization. But whether employee turnover is good, bad, or simply unavoidable depends on the reason the employee is leaving.

Turnover Reasons. At some point every employee you hire will leave your organization. But whether employee turnover is good, bad, or simply unavoidable depends on the reason the employee is leaving. As a result, turnover reasons provide a key metric for evaluating quality of hires. Employee turnover due to poor performance, quitting without notice, or bad job fit is often a result of poor staffing practices. In essence, the departing employees should never have been hired to begin with. Employees who leave because they were returning to school or their family situation changed, or because of a seasonal workforce reduction or plant closing, says little about the quality of staffing practices. These are things that have nothing to do with a company's hiring practices. Higher employee turnover on account of internal promotions and transfers may actually reflect effective staffing methods.

It can be something of a challenge to collect accurate data on turnover reasons. In many cases, employees leave without an explanation. When asked, they sometimes give vague or inaccurate answers. One method for gathering turnover reasons is to have managers complete surveys asking why an employee left as part of the process of removing the employee from the payroll system. Another method is to conduct follow-up exit interviews with employees several weeks after they have left the job. Putting some time between the date the employee leaves and the time of the exit interview can reduce anxiety the employee may feel toward leaving and may result in more accurate information.

Collecting and analyzing data for all 20 of the metrics listed in the Staffing Metrics table in this article would certainly be an ambitious undertaking. I have yet to encounter a company that systematically collects even half of these metrics. But I have worked with many companies that have gained considerable business advantages through collecting and analyzing data on just a few of these metrics. Examples include collecting and analyzing data to discover relationships between pre-hire Applicant Source and post-hire Employee Performance and Tenure, or examining relationships between Applicant Quality and post-hire Time & Attendance and Counterproductive Performance. Furthermore, as staffing technology systems continue to develop, they are providing companies with greater levels of access to these kinds of staffing metrics. As companies find it easier to access different staffing metrics, they are increasingly appreciating the advantages of having data that provides a detailed view of the efficiency and effectiveness of their staffing methods.

Part 2. Staffing Data vs. Manager Opinions

Over the last few years, there has been a much-needed increase in the use of metrics and sophisticated data analysis to guide staffing operations. Largely fueled by advances in staffing automation technology, many companies now amass large sets of statistics about various aspects of their staffing process. Staffing directors in these companies can quickly access a range of metrics reflecting aspects of applicant flow, staffing efficiency, and quality of hires. Staffing professionals in some organizations could spend their entire workday in front of a computer analyzing trends and relationships found in their companies' staffing data. Such analyses can paint a very interesting picture of staffing activities taking place within the company.

On the other hand, one might question whether companies' increasing use of quantitative data analysis to understand staffing truly captures the staffing realities faced by managers in the field. Does someone analyzing numbers "back in corporate" have a better understanding of staffing issues than people on the front line, who are actually working to attract, select, and retain employees in the company's various remote and potentially far flung locations? It would be hard to argue against the value of staffing metrics for guiding staffing strategies at a general level. But one can definitely argue over how much weight should be given to views based on analysis of staffing metrics versus views based on the intuitive beliefs of the operational leaders who are ultimately responsible for hiring and managing employees.

One need not look far to find examples where companies have placed too much emphasis on the staffing data they have available and not enough on things that may not be so easily measured.

Before I go further, let me be perfectly clear about my views about staffing data. I believe that effectively managing staffing processes for any company with a large, distributed workforce requires extensive use of staffing metrics. Companies can and should be collecting a range of data to ensure that their staffing practices are operating at peak performance levels (see Part 1 of this article). But companies must also recognize that while staffing data can provide valuable insight into complex staffing issues, it does not provide a full picture of staffing realities. Data can give a false sense of security of knowing what is truly going on in an organization. We tend to believe "what the numbers say" but forget that numbers do not actually say anything. We give them meaning, and what we think they mean is not always an accurate portrayal of the true state of things.

Listed below are five specific risks associated with the misuse of staffing data. The risks range from a failure to adequately consider available data to over-relying on data. Examples are provided that illustrate how each risk can negatively impact staffing strategies. These examples are based on the kinds of events I have seen while assisting companies with staffing large, geographically dispersed workforces, but in the interest of client confidentiality are not verbatim examples from specific companies.

Risk #1: Ignoring the data you have

For staffing data to be effective, it has to be analyzed and reported back to organizational leaders in a way they can use it. Many companies have database servers loaded with highly meaningful staffing data that has yet to influence any actual leadership decisions. Leaders in these companies regularly make decisions based on anecdotal evidence without ever stopping to think, "Is this something we can test with the data we already have available?" Meanwhile these company's staffing departments struggle to share the data they have in a way that allows leaders to effectively leverage it to guide operational actions.

As an example, imagine being drawn into a series of conversations prompted by a hiring manager's complaint that a new staffing technology system had eliminated applicant flow in his business unit. His comments about "applicants not being willing to use computers" probably generated more than 40 hours of internal e-mails and conference calls about whether the system should be turned off. Eventually, someone in the staffing department had the presence of mind to actually review the system's applicant flow data. The data showed that although a few days had passed when no applicants applied, the manager's business unit had been receiving a relatively large number of applicants. Apparently, the hiring manager had only accessed the system a single time. When he found no applicants, he leapt to the assumption that the system "didn't work."

The problem was eventually resolved through a series of short emails presenting data that illustrated the true state of his applicant flow. But attention initially given to the hiring manager's anecdotal statements about the system "not working" cost the company more than $10,000 dollars worth of person-time. This waste of money does not necessarily fall at the feet of the hiring manager. The staffing organization also shares some of the blame for not making the applicant-flow data readily accessible to the hiring manager and the people to whom he complained.

Risk #2: Not accounting for random chance

Anyone who has visited Las Vegas knows that many people either do not understand or choose to willingly ignore the laws of probability. This aspect of human nature frequently affects the use of staffing metrics when people draw inferences from small sets of data that are heavily susceptible to influences caused by random chance. Imagine, for example, having to respond to a call from a regional HR representative expressing concern that the staffing assessment used by her company was displaying adverse impact against an EEO-protected minority group. The company was using the assessment to guide hiring decisions in more than 500 independent business units. Extensive analysis was done using national-level data from more than 100,000 applicants to ensure the assessment did not exhibit adverse impact. Nevertheless, this person was certain that it was displaying adverse impact in her particular business unit. Upon further investigation, it is revealed that her claim of adverse impact was based on looking at the assessment results of five candidates, three of whom were members of an EEO-protected minority group. All three of the minority candidates had failed the assessment while the other two candidates had passed. One might understand why this result may have raised concerns about adverse impact. But from a statistical viewpoint, this finding is not only insubstantial as evidence of adverse impact, it is a result one would expect to occur by chance in several of the company's business units.

Drawing conclusions about adverse impact based on five applicants while ignoring the results of an analysis based on 100,000 applicants is like claiming a coin is unfair because it came up heads five times in a row, even though in the 100,000 prior tosses, it came up heads 50% of the time. From a statistical standpoint, one would expect that a fair coin tossed 100,000 times would come up heads five or more times in a row every now and again.

There is evidence that people are neurologically preprogrammed to infer trends in even the smallest set of observations. It has been suggested that this inclination to see patterns even in random information may provide some evolutionary advantages that help us make sense of a complex world. But this inclination also creates a tendency to attribute meaning to patterns in small sets of staffing data that do not account for the influence of random chance. As soon as you start providing people with access to staffing data, they will start seeing trends and patterns whether they are there or not. Care should be taken to ensure that conclusions people draw based on their informal analysis of staffing data accurately reflect statistical realities and are not merely tricks of the mind.

The best decisions are neither purely intuitive nor purely data rational but a mix of both.

Risk #3. Over-emphasizing available data

If you hang around statisticians long enough, you will invariably hear a reference to the "drunk under the lamp." This refers to the story of a drunk looking for his apartment keys at night under a lamppost. A passerby offers to help and asks, "Where exactly did you drop your keys?" The drunk gestures toward the darkness down the street and responds, "About a half a block that way." "So why are you looking here?" asks the passerby. The drunk replies, "This is the only place where there's any light to see by."

This story calls attention to problems that occur when people over-interpret the value of the data they have while downplaying the relevance of other factors that may not be reflected in the available data. We often focus our attention on the things we can measure even if they are not the things that matter most. Staffing is rife with stories that bring to mind the drunk under the lamp. One need not look far to find examples where companies have placed too much emphasis on the staffing data they have available and not enough on things that may not be so easily measured.

One example of this is staffing performance scorecards that emphasize statistics on applicant flow and time to hire without considering how this data may or may not relate to the actual quality of the people who were hired. This kind of measurement focus can encourage recruiters to lower their standards simply as a way to fill a position as quickly as possible. But to quote an old marketing tagline, "What's so great about making the wrong hire quickly?" I have also seen companies zero in on tenure as the sole criteria for evaluating the accuracy of staffing decisions, while ignoring the fact that many aspects of performance, such as sales volume and productivity, are often negatively associated with retention. The best-performing employees are often the most ambitious, and may tend to leave for other job opportunities faster than their less ambitious, less productive co-workers. So what's better: high-performing employees who leave quickly or lousy employees who never quit?

The best way to address this risk is not to downplay the value of existing data but to emphasize the need for additional data that might paint a different story of staffing performance if it were available. Staffing organizations are unlikely to ever have access to all the data they want, and as a result, they must make due with the data they have. But when analyzing this data, it is important to frequently remind oneself about all the things that are not being measured and how the absence of this data may be skewing the company's view of reality.

Risk #4. Inappropriate statistical methods

When analyzing staffing data, one hopes to find results that achieve something called "inter-ocular significance." That is, the results are so obvious they hit you right between the eyes. Unfortunately, such results are more the exception than the rule. Using data to identify changes in staffing performance or uncover relationships between different staffing techniques often requires use of very sophisticated statistical analysis.

Consider the problem of determining whether implementation of a new staffing process in a chain of retail stores has a meaningful impact on the average sales achieved by newly hired employees. In order to accurately address this question, it is necessary to statistically control for a range of confounding variables that might influence sales, such as the shifts employees are working, where the stores are located, and changes in overall store sales volumes associated with broader economic factors. While staffing data makes it possible to gain considerable insight into the effectiveness of a company's staffing process, doing so often requires leveraging the skills of people with considerable levels of specialized statistical training.

Having to rely on statistical experts to tell you how your staffing practice is doing is somewhat like having to rely on German auto engineers to tell you how your car is running.

Having to rely on statistical experts to tell you how your staffing practice is doing is somewhat like having to rely on German auto engineers to tell you how your car is running. If you ask them to explain what is going on, they tend to use a lot technical jargon that one can't understand without several years of advanced education. Consequently, to a large degree, you just have to trust them. While these sorts of situations can give us anxiety, most of us would still trust the credibility of a German auto engineer to diagnose our Volkswagens and BMWs rather than taking the car to our next-door neighbor to get advice based on his experience fixing lawn mowers. Similarly, companies must recognize when the complexity of their staffing data requires analytic skills that go beyond the limited Excel wizardry that may be available to them from their organizations' in-house analysts.

Human resources is usually not viewed as an area of business that requires advanced mathematical skills. The day when companies put the same level of resources into analyzing and understanding staffing data that they invest into financial and marketing data is probably a long way off. Nevertheless, while do-it-yourself analysis of complex staffing data may continue to be the norm because it's cheap and expedient, it can also be misleading. For example, I have seen companies make major decisions about the value of staffing methods based on in-house analyses of employee performance that fail to adjust for differences in performance related to tenure. These analyses treated newly hired employees exactly the same as longer tenured employees without considering how experience might influence employee performance. This is the kind of mistake that seems obvious once it has been pointed out, but statistically controlling for influences due to things like tenure is not something you can do simply by creating different kinds of Excel graphs. Furthermore, these simple kinds of mistakes can lead to highly skewed interpretations of data.

The flip side of having to rely on statistical experts to analyze your staffing data is the concern that "maybe these experts don't know what they're doing." Worse, maybe these experts have an agenda, and they are not giving us a truly honest picture of what the data is saying. Both concerns are valid, but the latter is the one that personally gives me the most cause for concern. Statistical analysis is not an exact science. A lot of assumptions are made when analyzing complex data, and these assumptions can change what the results look like. Professional statisticians usually have very strong ethical principles around accurate and honest portrayals of data and would never intentionally hide data or otherwise try to mislead a client through questionable analysis. But like all things, there are undoubtedly a few "bad apples" that might focus on selectively reporting results in order to tell you what they want you to hear, rather than giving you a fully accurate and forthright portrayal of the data.

If you are relying on a statistician who you suspect may not be truly objective, take it upon yourself to ask them to explain exactly how he arrived at his conclusions. If the explanation seems overly confusing or inadequate, it may be worth the money to retain the services of another statistician to review their work. This is not unlike getting a second opinion from a doctor. Whether you feel it's necessary will depend both on your level of trust in the doctor and the ramifications of a misdiagnosis.

Risk #5: Dismissing intuition

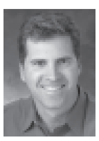
A few years ago, a book called "Blink" was published that discussed the role intuition plays when people make decisions. The first half of the book provides examples illustrating how powerfully correct our intuitions can be, while the second half provides an equally compelling set of examples showing how powerfully wrong our intuition often is. The book leaves one with the clear sense that although intuitive beliefs are frequently wrong, they should rarely be ignored completely.

Many people fall into one of two opposing camps regarding the importance of intuition vs. data when making organizational decisions. Some view decisions based on data as far more objective and accurate than making decisions based on intuition. Others prize intuition as the only true guide to making effective leadership decisions, dismissing data analysts as out of touch, academic eggheads.

As is usually the case, the truth probably lies somewhere between. As illustrated by Risks #1 and #2, intuitive beliefs about staffing effectiveness that are based on anecdotal data or small samples of observations are often incorrect. But intuitive beliefs can also reflect truths about staffing practices that may go undiscovered using more rational data analysis methods. This is particularly likely if the people expressing these intuitive beliefs are operational leaders with extensive experience hiring and managing employees. When such people express an intuitive opinion about staffing, it is best to treat them like critical feedback from a spouse: whether accurate or not, it is a good idea to take it seriously and seek to understand why it was expressed in the first place.

Having access to lots of data gives some people a sense of security and even superiority that their view of the world is somehow inherently "better" than those held by people who are less data-centric. But many great companies were built using staffing processes based primarily on the intuition of managers with very little use of systematic staffing data. No matter how extensive a company's set of staffing metrics may be, it will never provide the same kind of information leaders gain by spending time out in the organization interacting directly with candidates, employees, and customers. Leaders at all levels should use staffing data to challenge and formulate their assumptions and strategies for attracting and selecting the best talent. But at the end of the day, they should make staffing decisions based on what they truly believe and not just "what the numbers say." The best decisions are neither purely intuitive nor purely data rational but a mix of both.

The two parts of this article sought to achieve two goals that might be seen as both contradictory and complementary. The first goal was to provide a list of staffing metrics that companies can use to more effectively monitor and improve their staffing practices. The second goal was to highlight several risks associated with the use of staffing data. Achieving success through the use of staffing metrics requires attending to both of these goals. The systematic collection of staffing data is critical for building optimally effective organizations. However, company performance will not increase merely through the collection of staffing data. This data must be appropriately analyzed, interpreted, and reported to staffing decision makers throughout the organization if it is to lead to lasting improvements in the methods companies use to attract, select, hire and retain talent.



Dr. Steven Hunt
shunt@kronos.com
Dr. Steven Hunt is a Chief Scientist in Kronos' Talent Management Division, where he assists organizations with designing, deploying, and leveraging a variety of automated staffing tools and methods, including applicant tracking and pre-screening systems, employee reliability and customer service measures, predictors of culture fit and retention, interactive job simulations, and assessments of leadership potential. Emphasizing the alignment of staffing methods with other strategic human resource practices, he also has experience with performance development, talent management, and succession planning.

TECHNOLOGY

Selecting and Maximizing HR Technologies

Consider all stages of the employment life cycle.

By Laura L. Randell, Head of Organizational Effectiveness, Australia and New Zealand

Rabobank International

One of the key challenges to getting the most out of technology is making the right choices before implementing or upgrading. The best way to do that is to take a big-picture view of the HR practices and processes that require technology support and determine whether there's a system that can automate them all. Where that's not practical or feasible, consider how multiple systems can be integrated to produce the same outcomes. A single solution or a well-integrated network will ensure that you have ease of use and visibility of employee data through all stages of the employment life cycle, as shown in Figure 1, below.

If you can't find one solution to meet all your needs, or cannot change the systems you have right now, you may have to manage multiple vendors, implementations, and upgrades, but the decision to do that should be made as early as possible in the process. It may be more effective to implement or upgrade one module or system at a time, with an ultimate goal of total system integration or replacement of multiple systems with one system to meet all your needs.

The decision to use technology to support any HR function, but most commonly payroll and recruitment, is often made without having considered how those functions interact and what impact technology will have on those interactions. Some recruitment processes kick-start or tie in to other processes in payroll and affect how they are managed.

For example, employee start date and salary are determined during the recruitment process and should be recorded for payroll purposes at this point. If this information is not placed in the appropriate database required to run payroll, the individual will not be paid. Understanding how and when things are done within each functional area and the impact on each other area is important when determining what technology to select, or what to upgrade. Even if you presently use technology to support one or more processes, it's never too late to take an integrated approach to support them all.

Considering the many actions taken by HR in the employment life cycle is a good first step to understanding what the best technical solution may be. At each step of the employment life cycle, HR is responsible for many processes (recording employee data, training history, potential and preferred employment location, maintaining contact with alumni) and outputs (reports, managing frameworks for succession planning, talent management, and other programs). These are often done manually and are time-consuming, but they can be automated. Often one area of HR that has numerous manual or tedious processes is deemed to be a priority when considering technology, but it may not be the area of most need. Many HR leaders assume that they must solve the obvious problems first, but do not see the bigger picture or understand how making the wrong decisions about technology can have far-reaching effects in the medium to long term.

Selecting a recruitment system, for example, that cannot integrate with other products is almost certainly going to be a mistake. While it may solve an immediate need, the decision will soon show its shortcomings.

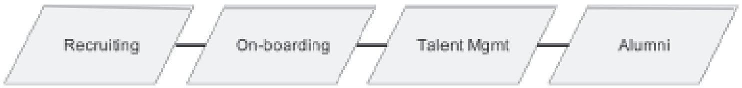


Figure 1: The Employment Life Cycle

Some questions to consider in this case are: How will information about new employees be uploaded into the HRMS or payroll system? Will it require file transfers and manual input, or will it be a seamless process because the systems are integrated and therefore able to communicate without human intervention? Where will employee-development plans and performance appraisals be housed, and what linkages will be possible between quality of hire, ongoing performance, and training and development opportunities?

If your recruitment vendor does not provide solutions to these problems, you may have to revisit the technology-selection process in the very near future as you seek to automate other HR processes, including developing and tracking performance and succession plans, expat movements, training, and communicating with alumni.

The same considerations apply if you are thinking about replacing your recruitment system or upgrading it. You may have mapped your recruitment processes effectively to the functionality of a system, but find after implementation that they are not working as effectively as they used to or that some are now no longer necessary. Automating recruitment processes should not just mirror your manual activities, but be used instead to identify the gaps in your previously manual processes. Your vendor should help you to maximize the system once it's in place to gain efficiencies and to be more effective.

Companies are often dissatisfied with their recruitment provider in the first 12 months because they didn't forecast how their business and recruitment requirements would change, or develop a functional specification list for what they really needed a system to do. What are often considered unnecessary functionalities may turn out to be what you really needed from the start, or will need very soon after implementation. If you didn't do a thorough analysis of your needs prior to selection, then you should do so before you either change vendors or upgrade your current system. The important thing is to consider how technology can enable and enhance what you already do across multiple functions within HR.

When selecting a new HR technology or making enhancements to current systems, it's important to consider how they will interact with other technology platforms, or modules within the same system, to manage the following:

- Employee details (name, address, etc.)
- Recruitment
- On-boarding
- Talent management (performance management, succession planning)
- Expat management
- Contingent workforce management
- Employee-development plans and performance appraisals
- Employee training history
- Exit data
- Reporting on all of the above

These considerations are important for several reasons, and an example of how they apply to contingent staffing illustrates a few of them very clearly.

Some of the key success factors for a contingent staffing system are how well it can 1) allocate staff according to skills, experience, and training; 2) redeploy staff on an as-needed basis; and 3) forecast future staffing requirements.

A major challenge in scheduling contingent staff (temporary or casual employees of the organization) is understanding the characteristics of those employees in order to allocate staff in the most efficient and cost-effective way. Placing detailed information about employee skills, training, and experience into a system that determines the jobs people are allocated to simplifies decisions about where skills can best be used.

One of the benefits of implementing technology for contingent staffing should be a reduction in staff costs through improved scheduling. The ability to plan ahead should significantly reduce the need to call in contingent staff. However, this can be accomplished only by having an accurate record of employees' skills and training history and by scheduling the talent pool to complete all of the jobs required on any given day. A system that cannot do this is bound to fail.

Typical information that could be housed in a contingent-staffing module includes the recording and tracking of:

- Employment details (department, job title, location, etc.)
- Leave and absentee information
- Workers' compensation

- Return-to-work records
- Employee contact details (name, emergency contact, address, etc.)
- KPIs (key performance indicators)
- Scheduled and completed training

Some of this information would normally be housed in other databases or systems, such as the HRMS. The ability to quickly and easily access all required information is an important part of HR's role to deliver quality service and reporting to the line. If this information is available only within a contingent-staffing module of a system or within the HRMS, which would each have limited access, it is of little value. Having one system that maintains all this information is the best solution, but if that's not possible, a well-integrated network of the various systems that allows access for everyone who needs the information is a viable alternative. The key to having useful information is ensuring it is accessible to all those who need it.

Any contingent-staffing technology should be able to either track or link to other technologies that capture skills, training, or capabilities that are also important in the on-boarding, talent management (succession planning, performance management), expat management, and alumni recruitment processes.

Talent management and the various frameworks, processes, and reports that are generated as a result are an important part of the employment life cycle and can benefit greatly from automation. Employee training history, performance appraisals, personal-development plans, potential for advancement, and mobility are just some examples of information that is essential in talent management. If this information is gathered and maintained in an ad hoc way, within spreadsheets and other documents, it's almost impossible to share effectively and to report on. A cumbersome process makes it difficult to engage line managers in developing and managing talent, and their involvement is critical to the success of most talent-management initiatives.

Whether you manage the development of only a small number of high-potential employees or large numbers of employees across all levels and regions, the information required often comes from different sources, including the HRMS and payroll systems. Using a single system or having at least some level of system integration that allows end users to access all required information at the same time will increase the level of accuracy and effective reporting, which is essential to achieving the objectives of talent management.

Automating HR processes across multiple functions has obvious benefits. It allows more time for line managers to focus on coaching and managing their employees, and removes time-consuming and often duplicated manual processes. Having all your employee data housed in one system will ensure the most streamlined process, but using different technologies that are properly integrated can also be a viable option. (Operating several systems at once, however, is costly, can require extra resources, and often fails to deliver the most critical and relevant information when it's needed most.)

Technology is an important investment for any organization and should be selected or upgraded only after a review of how all the key areas of HR link together and can benefit from automation. The benefits of having one system or an integrated network of different systems include ease of reporting, economies of scale, and ease of access by end users. If you manage the process of selecting or maximizing your technology well, you will be a model to others within your organization. In a global business, what you do could influence decisions about how technology is used in other parts of the world.

Laura L. Randell, Head of Organizational Effectiveness, Australia and New Zealand, Rabobank International
laura.randell@rabobank.com
Rabobank International is a private global agribusiness bank headquartered in Utrecht. Laura Randell is responsible for recruitment for the Australia and New Zealand region. Formerly with Woolworth's, she has consulted to industry on HR technologies for the past 10 years.

Developing High-Performing Teams in a Dispersed Workforce

Mergers, acquisitions, curtailment of travel budgets, global competition, and advances in technology have resulted in an expanding geographically dispersed workforce.

By Brett Minchington, author of Your Employer Brand: Attract-Engage-Retain.

Driven by the emerging talent-supply chains in India and China, the rise in the number of dispersed workforces is likely to continue at an increasing rate over the next decade. In spite of geographical separation, time differences, and greater dependence on technology for communication, teams must remain productive while no longer being co-located.

The digital age has changed the way the workplace operates. The people and functions that used to be under one company ceiling have become a dynamic network of electronically connected resources—some outsourced, some simply spread out more, working from home and other virtual offices, locally and around the world. This has created additional challenges in attracting and retaining talent.

Virtual workplaces are growing at many times the rate of the traditional workforce, and by 2009, one quarter of the world's workforce, or 850 million people, will use remote access and mobile technology to work on the go or at home, according to research firm IDC. It is essential to reevaluate work relationships, methods, and communication practices to be certain that productivity goals and worker satisfaction are not compromised in dispersed workforces.

Companies establishing systems, processes, and metrics to develop leadership capabilities in dispersed work teams while fostering an environment that encourages collaboration and innovation built on trust and effective communication will be well-positioned to maximize the productivity gains and employee satisfaction that dispersed workplaces can bring.

Emerging Economies

The International Labour Organization estimates that China and India will account for 40% of the world's workforce by 2010. Jobs in manufacturing and services are being transferred, particularly to China and India, and the process is only in its infancy. Labor costs in China are less than 5% of those in the United States or the European Union, and the bulk of the Western manufacturing base will be relocated to lower-cost countries.

Unsustainably high consumption and current trade deficits in countries such as the United States, Great Britain, Australia, and New Zealand are masking the tumultuous pace of the shift of economic gravity to Asia. The increase in geographically dispersed workforces that has resulted from this shift is causing companies to rethink their dispersed-workforce strategies to ensure that talent acquisition remains high on their list of recruitment priorities.

Talent Supply Chains

There has been a focus in India and China over the past eight years on increasing the number of college graduates in an attempt to meet the demand for skilled workers in these economies. In China, the number of university students has soared from 3.4 million in 1998, when the government began the overhaul of the system, to 16 million today.

About 98% of China's population is literate, compared with less than half of India's. In 2005, India produced 440,000 technical school graduates and nearly 2.3 million undergraduates, plus thousands more master's grads. But these gross figures conceal the varying standards of higher education.

The risks of these talent-development strategies, however, must also be considered by companies focused on building high-performing teams in these regions. Even in India and China, where one-third of the world's population lives, skilled talent is in short supply. Of the new college graduates that India produces each year, it is estimated that only 10% to 25% possess the skills and language abilities necessary to work for a U.S. or Western European firm (in China and other developing Asian markets, the proportion is much smaller).

Another major issue is that there aren't enough jobs in the regions to meet the supply. India's economy will have to accommodate 70 million more working-age people between now and 2010 (China will need to create 63 million jobs). Unless growth rates of 8% to 10% can be sustained in India (they are typically 7% to 8%), the burgeoning workforce could become a serious problem. This may increase mobility of workers from these regions and fragment the global workforce even further unless the local economy can provide employment. This will make it increasingly challenging for recruitment firms to maintain contact with quality candidates for future job opportunities.

Technology Has Changed the Way We Work

Across the world there are an estimated 922 million to 1,032 million unique individuals with access to over 17 billion websites, serviced by more than 171 million Web hosts. The known Internet—excluding the deep Web (a vast repository of underlying content, such as documents in online databases that general-purpose Web crawlers cannot reach, that is estimated to be 500 times the size of the surface Web)—is growing by more than 10 million new, static pages each day.

However, the rate of technology change is not being matched by comparative increases in labor supply. Information technology underpins every industry and profession. In Australia there are an estimated 356,000 information and communications technology workers (3.6% of the total workforce), who are spread across all sectors of the economy. Australia's fastest-growing industries—property and business services, mining, finance, communications, education, and construction—are already greatly dependent on IT and are spending record amounts on it to stay competitive.

The major issue for the information and communications technology industry in Australia is the fact that women are deserting IT studies and jobs in droves. Total student enrollments have fallen 20% a year for the past two years, but it is young women who are disappearing fastest; enrollments for young women have fallen 50% in the past year, according to Philip Argy, president of the Australian Computer Society. This talent bank is a valuable resource for companies that have opportunities for virtual employees. In the accounting profession, flexible work hours and the option of working from home have kept women in the workforce or attracted them back.

Similar changes are occurring in the IT sector. For example, 32% of IBM's 10,000 IT employees are women; 6% of staff work full-time from home; 38% work in the field; 5.2% are part-time; and 17% of women are part-time. A targeted talent-acquisition strategy will ensure that companies continue to attract, recruit, and retain workers who are culturally adaptable, with the ability to handle the constant change that dispersed workforces bring.

A Road Map to Building High-Performing Teams in Dispersed Workforces

1. Establish a System to Predict Your Future Staffing Needs

As a result of the growth rate of dispersed workplaces, companies have to establish strategies to predict future labor needs based on employee turnover rates, demographic changes (changes such as the acceleration of the retirement of the baby boomer population over the next five to eight years), and improvements in technology to ensure that their talent-supply chains are proactive rather than reactive.

2. Establish a Foundation of Trust After They Accept an Offer

Underlying every successful relationship is trust. Without it, people become suspicious, noncommittal, disengaged, and undermining—all of which leads to deteriorated and nonproductive relationships. This further leads to unpleasant work environments, disgruntled workers, frustrated customers, dejected leaders, and unprofitable organizations. It is particularly vital that virtual team members establish confidence in relationships with colleagues and supervisors because distance and the absence of day-to-day interactions can create pressure that will erode trust. The trust-building process begins at the earliest stages of recruitment and should be a major focus of the orientation phase.

Managers should be responsible for getting to know their employees socially before they start working with them, either by convening in a "virtual social space" or, alternatively, by meeting in real space. Professor Dorothy Leonard of Harvard Business School recommends that supervisors hold one or more "kickoff meetings" before every project in order to develop good manager-employee relationships, build team morale, and heighten the sense of responsibility and involvement felt by each telecommuting employee.

Although the shift to the dynamic workplace gives companies access to larger pools of diverse talent, research shows that trust breaks down under such circumstances because of the reduction in face-to-face communication and increased cultural diversity. This corporate fragmentation has the potential to exacerbate the problems of high-performing teams such as workplace conflict and disengagement, leading to higher turnover rates, increased recruitment costs, and a devaluing of the employer brand.

Research has shown that the things that create trust in a virtual team are similar to what creates trust when everyone is in the same room. In the late 1990s, researchers at Harvard Business School, led by Professor Leonard, conducted a very helpful case study about the benefits and drawbacks of organizing telecommuters into online project teams. They studied virtual teams at American Management Systems, an international consulting firm with 7,000 employees around the world. While most employees are based in one of the company's 47 offices, many work from remote locations, either at home or from a client's headquarters.

The researchers found that the most successful virtual teams placed a heavy emphasis on interpersonal relationships and group psychology. At American Management Systems, virtual teams were able to build lasting, socially satisfying relationships among telecommuting employees. These relationships did not evolve naturally, as they do with "real space" teams. Thirty online managers took an active role in directing the social development of their project teams, organizing scheduled social events and beginning each new project with a "kickoff party" so that team members could get acquainted.

3. Know and Nurture Your Team Early in the Orientation Phase

Managers must clarify each member's role on the team in order to ensure that employees' goals are linked to organizational objectives. Communications should be kept in a shared database for use in new-member orientation. The database, as much as possible, should house formal and informal knowledge of the organization, including history of client relationships and the skills and attributes of team members, in addition to the standard information that would normally be found on a company intranet.

Managers must learn to consider the amount and quality of an employee's work, without regard to physical

Figure 1: A Road Map to Building High-Performing Teams in Dispersed Workforces

presence. This requires that companies create a new basis for determining professional advancement, a standard that rewards the quality of an employee's work product rather than the amount of face-time the employee puts in at the office. Managers must assure employees that this new standard will be enforced by giving telecommuters adequate praise for work well done. To this end, managers must come up with new and innovative ways to recognize and reward telecommuters, as traditional office incentive systems have relied heavily on physical rewards such as bigger offices, windows, and closer parking spaces.

4. Maintain Regular Contact with Team Members

Some managers should be assigned to supervise only remote workers. Managers with both telecommuting and office-based employees often give more attention to those in the office, forgetting about their virtual employees without the "push" of physical contact. To combat this out-of-sight, out-of-mind reaction, make sure that some managers have remote workers as their only responsibility. Managers should provide more formal communication than in traditional same-time, same-place teams.

Include face-to-face communication when possible. People who can meet face-to-face have the opportunity for much richer communication and the ability to understand each other faster. This is why people should meet face-to-face at the beginning of any major, prolonged, virtual activity. People have a hard time trusting each other unless they've met previously (see Figure 1).

5. Be Creatively Accessible

Communication tools should be designed to fit the team environment; don't force the team to adapt its behavior to the "latest" software. Integrated communication using mediums such as teleconferencing, video email, streaming, email, phone, PDAs, and VoIP will allow managers to maintain regular contact with their virtual teams.

The establishment of virtual project teams may be one of the easiest ways to build an online community within a company because it promotes ongoing interaction among telecommuters. Online communities are most successful when their members meet regularly in a "virtual space," recognize one another's identities and personalities, and have some record of how other members have behaved in the past.

6. Develop Communication Capabilities

Technological tools at your disposal allow you to be the generators of news and information as well as the consumers, whether you want to tell five people your news and information or 500 or 5,000.

A 10-minute corporate update delivered by the CEO or president using podcasting—to which employees can subscribe via the company intranet or directly from the CEO's blog—can have a big impact on employee engagement.

Technological tools at your disposal allow you to be the generators of news and information as well as the consumers, whether you want to tell five people your news and information or 500 or 5,000.

Hearing the voice of a CEO or a subject-matter expert or the sales director adds a human and informal touch to what is too often the starched formality of organizational communication. This can boost employee engagement.

7. Let Them Bump Into Each Other in the Early Hiring Stages

Delegating tasks and responsibilities can be an unnerving proposition for some people, especially those who like to be in control of things or on top of details. Virtual workers have the added dynamic of distance, resulting in the sense of even less control, more frustration, and elevated worrying. Distance delegation, however, won't be riskier or more haphazard if both the delegation and the follow-up are handled properly. When delegating from afar, it's important to clearly communicate the task to be accomplished, listen carefully for confusion or concerns, discuss issues, clarify agreements and follow-up action, and establish communication points and accessibility guidelines.

Managers must recognize their role as coach and mentor. In many cases they'll be one of the junior employee's only senior contacts within the company, so they should take the responsibility of acting as a positive role model seriously. To this end, managers should ensure that telecommuters' "virtual space" includes an area for junior and senior employees to casually "bump into" one another and form these types of informal mentoring relationships, especially in the early stages of hiring.

8. Create an Environment That Fosters Collaboration and Innovation

Engage the team in setting expectations about behavior and performance. Record the team's decisions and commitments to each other. Encourage social communication that accompanies task completion at the outset and be enthusiastic in email dialogues.

Managers should ensure that telecommuting employees have the resources to stay involved in the project. This may mean assigning them a team "buddy" who can update them when they miss a meeting, or simply processing their request for videoconferencing software. As the telecommuters' primary contact at the company, the manager must take on some of the administrative duties that are typically left to staff members under the traditional management hierarchy.

Companies must create virtual workspaces that are perceived as safe places in which to try new ideas. A good example of this was highlighted in the March 26, 2006, issue of the *New York Times*. The story, called "Here's an Idea: Let Everyone Have Ideas," showcased a software company called Rite-Solutions that has developed an online stock exchange for idea creation and development.

Each employee, regardless of where he or she works, is given 10,000 units of purchasing power and voluntarily buys into "stocks" representing new ideas. Working together, the employees build the value of the stock by collaborating on the idea. If the stock develops enough volume and value, the idea might be turned into a new product or internal process. If a product is actually built and sold, the shareholders get a portion of the real revenues in relation to their original ownership positions in the idea. In this instance, Rite-Solutions has created a virtual innovation climate where trust is inherent in the environment: it is open and inspiring, and it motivates people to take action. Trust is developed through a shared set of goals and a sense of interdependence, and through a leadership that openly demonstrates a tangible commitment to innovation.

9. Educate and Train Leaders

Research has shown that virtual teams take on the same basic structure and dynamics as "real" teams. The early stages are characterized by a certain amount of randomness, chaos, and ad hoc decision-making. As the team matures, processes are put in place and the team becomes more efficient.

Managers should attend their company's telecommuting training programs, even if these managers work in the office. This is standard policy at Merrill Lynch, for it enables supervisors to anticipate and address the Internet-specific problems (social, technological, or otherwise) that telecommuters will encounter in the course of their employment.

10. Create and Sustain a Compelling Recruiting Brand

A focus on developing your employer brand will assist in attracting the right "talent fit," which will lead to shorter recruitment lead times, decreased turnover rates, and the opportunity to tap into hidden talent pools that are attracted to working in virtual teams—e.g., nonworking mothers. Ensure that your employer value proposition is well defined and is reflected in the actions of leaders at all levels of the organization.

Brett Minchington, author of Your Employer Brand: Attract-Engage-Retain.
brett@collectivelearningaustralia.com
Brett Minchington is an Australian talent management/employer brand expert and author of the book Your Employer Brand: Attract-Engage-Retain. *Minchington, the managing director of Collective Learning Australia, consults to a number of blue-chip companies in Australia in employer branding, leadership development, and managing generational diversity.*

Recruiting for Dispersed Workforces

As the numbers of employees working in remote locations increases, corporate recruiters are following.

By Leslie Stevens-Huffman

Growth in the information and service sectors has been a significant contributor to the creation of jobs that are performed outside the walls of the traditional corporate office. As the job locales have changed, the personalized nature of sourcing has sent recruiters out on the road in search of candidates. With the virtual recruiter now recruiting the virtual worker, the question of providing the right infrastructure, support, and accountability to assure the success of the remote recruiting function is becoming a greater issue for executives who oversee the business unit.

"There have always been dispersed workforces, but technology in the form of cell phones, laptops, and BlackBerrys have allowed this employee to stay in touch. So technology has become an enabler of the dispersed workforce," says Paul Sanchez, global director of employee research with Mercer HR Consulting.

For recruiting executives, the desire to stay close to internal customers such as hiring managers, combined with the need to secure large numbers of candidates in sometimes isolated, tight labor markets completes the compelling need to decentralize recruiting.

Digging for Deeper Oil

Roy Schroer, assistant vice president of recruitment for Union Pacific, manages a division that is accountable for keeping 45,000 positions filled across 23 Western states.

"It's always been a challenge," says Schroer, "We have to find workers who will monitor and maintain the rail system as we move goods through some pretty desolate places and I'm not saying that we've mastered this. Our goal in setting up our structure was to give our field recruiters the freedom and the license to try some different things," says Schroer.

That autonomy allows Union Pacific's recruiters to operate within a budget, while determining the most effective way to reach the prospective local workforce. Staff buy local radio spots and classified advertising for new workers based upon their knowledge of the market and the prospective candidate base, thus acting as local experts. They develop relationships with local media contacts and recruit in-person at community events and trade schools. Schroer monitors the accumulated applicant inquiries in the database from the various markets and can augment budgets and increase press releases into the area if the supply base becomes low.

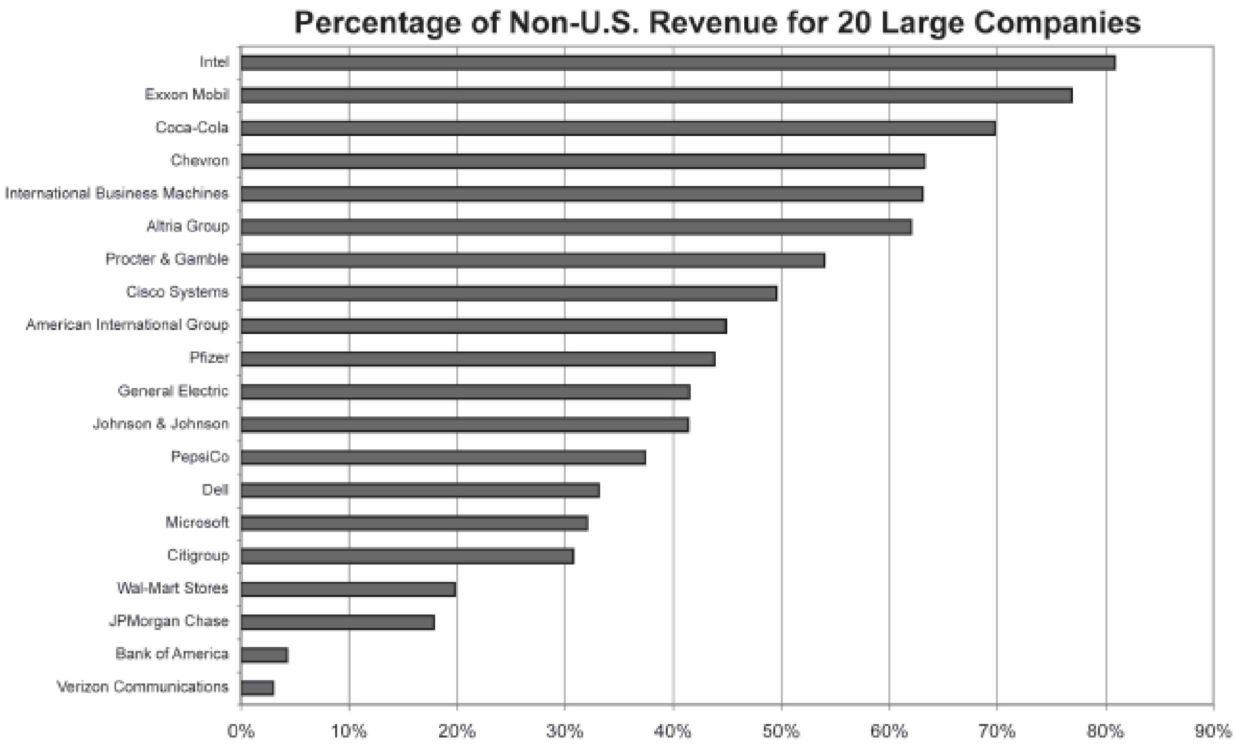
Schroer adds that Union Pacific offers a signing bonus based upon the locale in order to provide the support to attract candidates in tight labor markets.

Chevron also offers pay premiums, as well as bonus opportunities for signing, hardship, and employee retention that are specific to the needs of the location. Those types of tools can be deployed at the discretion of the manager, according to Courtney Coffman, manager of special projects for the company. He says that oil exploration has brought new meaning to the term dispersed worker, as drilling and new strikes are located in increasingly remote locations and deeper below the surface of the earth and sea.

By being local, recruiters meet face-to-face with candidates and the interviewing and selection process is executed more quickly, enabling greater speed-to-market under competitive labor circumstances.

"We employ contact metrics that define how often we touch candidates as they move beyond the initial screening stage, says Lisa Calicchio, director of professional recruiting for Johnson & Johnson. "These are designed to reduce the effect of candidates potentially 'dropping into a black hole.'"

Calicchio says that all candidates are touched no less than every 30 days, either on the phone or by letter.



Source: T. Rowe Price, Prudential, Factnet; data is for the fiscal year ending 2004

The Union Pacific headquarters' recruitment staff initially screens resumés that are collected in the applicant tracking system and then invites the selected candidates to a day-long orientation and selection event. Following a presentation that provides an overview of the job specifications and the company, candidates are tested and then interviewed by both recruiters and managers. Selected applicants leave with an offer of employment, subject to background, drug, and medical screenings. By teaming together in a single location, managers and recruiters can make on-the-spot hiring decisions.

While providing autonomy to managers and recruiters to spend funds as they deem necessary helps to insure success, having the right reporting and communications structure is also vital.

Structured for Success

A frequent debate among recruitment executives is whether a function that supports dispersed recruiting is so unique from those located at a company headquarters that it should be supported by its own management team, enabling it to focus on the needs of the department.

At J&J, 1,500 dispersed sales associates have been hired through July of this year. That has all been accomplished by a team of 20 recruiters and 18 sourcing personnel who are supervised by three field-based regional managers, according to Cindy Burkhardt, director of sales recruiting for the company.

The recruiters are dispersed into a geographic territory that is defined by volume, and they stay in touch through on-line meetings, conference calls, and e-mails, says Burkhardt.

At Union Pacific, there are eight field-based recruiters who were added in response to a tightening labor market in 2004. They work under a matrix structure aligned by both geographical and functional specialization, which allows the recruiters to become experts for the various types of trade positions they are filling. These "craft" specializations hold the recruiters accountable for activities that generate candidates for certain job classifications, regardless of the geographic territory. They contact candidates from downsizing industries, such as the automobile sector, and each recruiter also becomes an expert in specialized job boards that drive candidates to the specific "craft" positions. At Union Pacific, the craft recruitment specialists and the headquarters team report to one director.

Both J&J and Union Pacific employ functional line management. These line managers roll up to a single manager who is accountable for all recruiting. Under this structure, line managers are able to hone the skills and activities that correlate to success in dispersed recruiting and define accountability for results that are tailored to the job.

The "Real Measurements"

At J&J, the recruiters are measured on the number and quality of recruits, cycle time, managing budgets, and the return on investment.

Burkhardt says that each recruiting event is entered into J&J's database with an event ID. That allows the company to measure the number of applicants for the event, as well as the cost. His recruiters have accountability for managing the number of events and the associated event ROI.

Burkhardt says that the company expects the hiring process to be complete within six weeks for an open pharmaceutical sales position and eight weeks for a medical-device sales person. In addition, electronic surveys are sent to internal managers at the end of each month, measuring the feedback gleaned from their interactions and impressions of the unit's performance. Rating the comments as red, yellow, and green, Burkhardt reviews the feedback each quarter, tying the comments back to the individual recruiter and using the system to conduct a continuous-improvement process.

At Union Pacific, recruiters are measured on specific activity goals and the number of vacancies in their territories.

"We measure vacancy rates and achieving on-time fills because we know that result has the greatest impact on the business," says Schroer.

According to Mercer's Paul Sanchez, these metrics, along with placement success, are standard performance metrics that should be measured in all recruiting organizations.

"Definitely, companies should track the time to place a person in a dispersed position, vacancy rates, and cycle time. In addition, recruiters should be held accountable for their placements, so companies should track how well that candidate is working out at three months, six months, and a year after hire as well as how quickly they become productive, which is definitely easy to do in most jobs such as sales," says Sanchez.

He also says that a formula for an ROI equation should track the department's cost to source and hire a candidate, as compared to what it would cost to source and hire a candidate using any other kind of process (such as centralizing or outsourcing).

"The real measurements should be whether you have fewer openings and are they [being] filled faster and do the candidates stay longer, as well as the ROI," says Sanchez.

Improving Accuracy of Projections

As the practice of recruiting for dispersed workforces continues to mature, there are emerging best practices and measurements. While some of the improvements are targeted toward measuring recruiter performance and gaining efficiencies, many of the new processes are geared toward finding additional candidates and treating them well.

Roy Schroer says that at Union Pacific they're looking to shorten and automate much of their orientation,

Dispersed Recruiting Performance Benchmarks

Recruiters are measured on projected vs. actual results.

1. Cycle time
2. Number of unfilled positions
3. Number of new hires meeting performance expectations at 3 months, 6 months, 1 year
4. Time for new hires to reach production standards
5. Cost per hire

Source: Mercer HR Consulting

testing, and training sessions in order to attract more passive candidates, and they are looking at offering relocation bonuses for select markets.

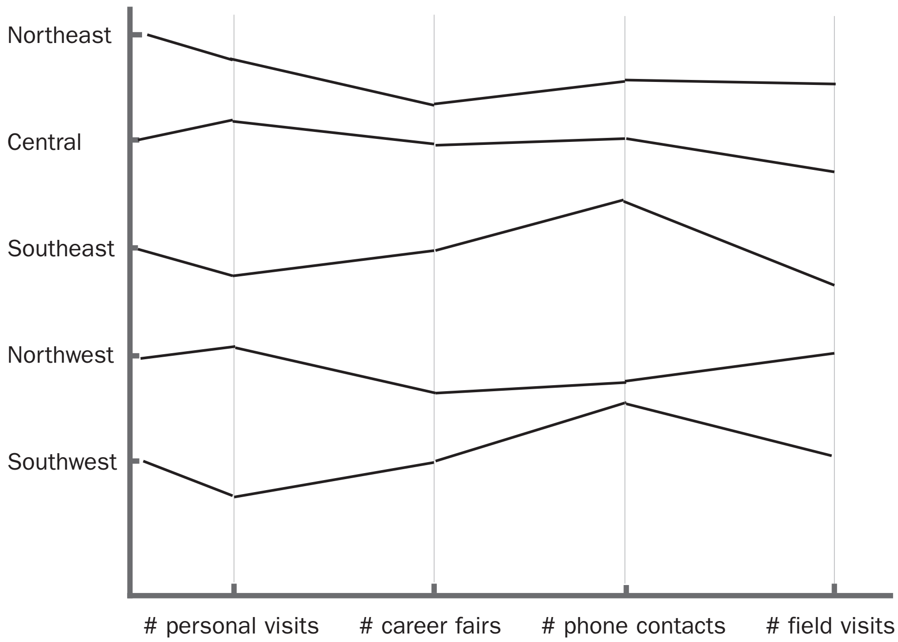
"We are looking at the possibility of moving the testing to a vendor's office and having the applicants view the orientation on a DVD as well as completing their new hire paperwork on line. We also want to conduct some of the sessions in the evenings and on the weekends so that we have an applicant-friendly environment," says Schroer.

At J&J, measuring candidate perceptions of their hiring process is on the agenda, along with developing candidate contact metrics and a formula for tracking the ROI of recruitment source.

Projecting future hiring needs with greater accuracy is a goal of both organizations. Given the outlook that labor shortages will continue in many disciplines, having a sharp eye on candidate satisfaction is probably a first step in the right direction toward keeping positions filled. Extending the high-touch process as the candidate moves to employee status is a second-level best practice that companies should consider along with including recruiter accountability for new hire assimilation, says Paul Sanchez.

"I think that sometimes the recruiting function works hard to get the candidates through the door, but the handoff doesn't work. The recruiter should stay involved with that new hire for at least the first 30 days—especially for the dispersed employees. The recruiters have bonded with them and in remote environments the risk of losing that new employee is higher," says Sanchez.

Sample Union Pacific Field Recruiting Manager Matrix



Monthly Recruiter Goal Requirements

Additional recruiter responsibilities:

- complete weekly report
- update recruitment events calendar
- participate in weekly recruiter call
- partner with sourcing specialist to monitor applicant pool for assigned geographical location and internal customer
- manage specific industry and diversity focus

Leslie Stevens-Huffman
esliestevens@cox.net
Leslie Stevens-Huffman is a freelance writer who previously worked as an executive in the staffing field for 25 years.

Optimize Volume Hiring: The Supply Chain Approach to Improved Performance

by Guy Gauvin, EVP of Global Services, Taleo Corporation

The hiring process in a small operation is frequently a one-on-one process. But in large enterprises with dozens to hundreds of branches, stores, or offices, that process simply does not scale. Your operations may suffer from high turnover and low productivity. But analyzing the variability in process and performance becomes complex.

Just like in any supply and demand relationship, a supply needs to match the demand in three key areas: volume, time, and quality. In the talent management world, there are severe consequences if these are not met, including high employee turnover rates and extraneous costs.

Supply chain management has been dealing with these issues for years in order to establish a process that applies your best practice criteria across your enterprise. Taking a supply chain approach is your solution for consistent success.

Apply Supply Chain Principles

Effective talent management can be simplified by applying supply chain principles. To achieve success in high volume hiring, you need to establish consistent best practices that scale to satisfy the needs of the enterprise. The consequences of this will be a higher quality hire, a reduction in turnover, and increase in retention. Focus on these key areas:

1. Establish consistent automated processes. Automated processes eliminate manual steps by key personnel on non value-added tasks. Automation also increases efficiency by enabling more tasks to be completed within a shorter time. It has been proven that best practices and technology combine to create immediate value through automated talent management and staffing processes.

2. Reduce cycle times. Keep all parties in sync. Integrating your talent supply chain reduces cycle times. Workflow management synchronizes tasks, information, and status between candidates, recruiters, and managers. The role of each contributor is supported for maximum effectiveness. Managers are instantly notified when a top candidate is identified, and requisitions are pushed to recruiters immediately upon approval. Action triggers eliminate the need for manual intervention.

3. Identify higher quality candidates. With a systematic talent management process including assessment, you identify and acquire higher quality candidates. Improving the match rate between job requirements, competencies, and other candidate factors delivers more successful hires in larger volumes. Integrated sourcing tools feed better candidates in a pipeline to meet changing demand.

See Bottom Line Results

For many organizations, savings are proportional to size and volume. Measured process yields increases to the bottom line. Companies also cite increased productivity from higher quality employees. Clients report a total return on investment in as little as one quarter following implementation.

Leading global companies in financial services, retail, and hospitality use talent management and supply chain principles from our services organization to meet their volume hiring needs for call centers, branches, stores, and hotels. They experience impressive results, including:

- dramatic impact on revenues and costs in the millions
- reduction in hiring cycle times of 70 percent
- reduction in cost per hire of 50 percent
- increased retention of up to 15 percent
- shorter new hire time to contribution.

With an understanding of supply chain systems, you can apply those principles to high volume hiring. The combination of Internet technology, focused assessments, and talent process automation has proved to deliver substantial value.

As Taleo's Executive Vice President of Global Services, Mr. Gauvin is responsible for overseeing the company's global services organization. Before joining Taleo in August 1999, Mr. Gauvin was vice president of global services at Baan Supply Chain Solutions. Taleo delivers on demand talent management solutions that enable organizations of all sizes to recruit, assess, and manage their workforces for improved business performance. Contact: info@taleo.com.

SUBSCRIPTION FORM

Subscription Form

Journal of Corporate Recruiting Leadership

To subscribe go to **www.crljournal.com** or complete this form and send it to:

ERE Media, 580 Broadway, Suite 304, New York, NY 10012, USA • Fax: (1) 646-219-6753

NAME

TITLE

COMPANY

ADDRESS

CITY STATE ZIP

TELEPHONE FAX

E-MAIL

Charge my Credit Card: ❑ Visa ❑ Mastercard ❑ Amex for $395 for a 1 year subscription

to *The Journal of Corporate Recruiting Leadership*

CARD HOLDER'S NAME (IF DIFFERENT FROM ABOVE)

CREDIT CARD NUMBER

EXPIRATION DATE

CARD HOLDER'S SIGNATURE

Alternatively you may attach a check for $395 made out to ERE Media.

Please note, subscriptions will not be made active until ERE has received payment.

LEGAL UPDATE

Considering Personal Appearance in the Recruiting Process

Many appearance-discrimination lawsuits are brought in the "termination" context rather than the "failure to hire" context. However, the same legal principles apply to both types of cases.

By Ron Chapman Jr. and Michael H. Bell of Ogletree Deakins

Physical appearance is, in many ways, the linchpin for much of employment-discrimination law, especially in the "failure to hire" context. After all, employers often perceive whether prospective employees fall within many protected categories, such as race, sex, age, national origin, and disability, by simply looking at applicants. Fortunately, employers have become increasingly cognizant of the dangers inherent in basing employment decisions (including hiring decisions) on such protected characteristics. This recognition has been aided by the fact that these characteristics are generally considered by society to be "natural"; that is, employers easily recognize that candidates cannot help being female, or a given ethnicity, or over a certain age.

In the past few years, however, some employees and applicants have brought discrimination lawsuits on the basis of physical characteristics many may consider to result from personal preference, such as body art, makeup, transsexuality, weight, and general physical appearance. To support their claims, these plaintiffs have attempted to shoehorn themselves into protected categories (e.g., tattoos as religious expression, transsexuality as sexual identity, obesity as a disability). Given this trend, hiring managers should carefully consider any employment decisions that are based on candidates' personal appearance, weighing the importance of the appearance factor to the employer against the probability the recruit will be able to craft a successful argument for inclusion in a protected category.

Many appearance-discrimination lawsuits are brought in the "termination" context rather than the "failure to hire" context, often because fired employees tend to be more litigious than applicants who simply failed to land a position. However, the same legal principles apply to both types of cases. If a court finds that an employee was improperly discriminated against with regard to a termination decision, it is extremely likely that the same court would find in favor of an unsuccessful job applicant alleging the same discrimination. Thus, the trends highlighted in this article are just as important to consider in the hiring process as they are in the termination process.

Appearance-Discrimination Claims Based on Religion

Religious-discrimination claims have proven to be popular for plaintiffs alleging discrimination based on appearance. These claims are particularly dangerous because religion is perhaps the protected characteristic that is least susceptible to discovery through a simple visual examination of the employee or applicant. While a tattoo or body piercing is often easy to see, it may be much more difficult to discover whether the body art is religiously significant to the individual.

For example, in one actual lawsuit, an employee of the restaurant chain Red Robin claimed that tattoos, which were Coptic inscriptions less than a quarter-inch wide, encircling his wrists were expressions of his faith in the Kemetic religion, a modern practice of ancient Egyptian traditions. The employee had received the tattoos during a religious ceremony after undergoing a rite of passage involving communal prayer and meditation. The employee was terminated after refusing management's request to cover the tattoos with wristbands. After the employee's termination, he sued Red Robin, alleging religious discrimination.

The court denied Red Robin's motion for summary judgment, holding that the employee offered competent testimony that displaying the tattoos was a deeply held religious belief and that Red Robin couldn't show it exercised good faith to reasonably accommodate the employee or that accommodating him would have been an undue hardship. The case later settled for $150,000. Notably, Red Robin's case was not helped by the statements of its former CFO at an investment meeting, where the CFO said the company had "Christian" values and sought out "that all-American kid" from the suburbs for its server positions, not those with "that urban kind of experience."

A personal-appearance policy should not require conformity to outdated stereotypes.

In contrast, in a case from Indiana, an employee was less successful with his claim that his membership in the "Church of the American Knights of the Ku Klux Klan" entitled him to display a tattoo featuring a hooded figure standing in front of a burning cross. The court did not reach the question of whether the tattoo was actually a bona fide expression of religious beliefs. Rather, the court ruled against the plaintiff because he failed to show that the employer's requirement to cover up his tattoo at work conflicted with his religious beliefs. Even if he had made such a showing, said the court, the employer's decision to permit him to work with the tattoo covered in all areas besides the washroom was a reasonable accommodation, especially in light of evidence that others in the workplace were offended and threatened by the tattoo.

Similarly, a Costco employee recently lost her lawsuit claiming she was subjected to religious discrimination because Costco asked her to cover her eyebrow piercing with a Band-Aid while on the job. The employee claimed she should have been exempted from the employer's ban on body piercings because of her membership in the Church of Body Modification (CBM), an organization that teaches its members to engage in body piercing and other art as a means of "growth in mind, body and spirit." As in the above case, the court didn't address whether the CBM was a bona fide religious organization. Rather, the court found that Costco's request that the piercing be covered with a Band-Aid was a reasonable accommodation, and allowing the employee to display the piercing would have been an undue hardship on Costco in light of the "neat, clean and professional image" it strove to present to its customers.

In general, the keys to evaluating potential liability in a religious-discrimination case based on a personal-appearance policy are (a) whether the policy flatly prohibits tattoos or piercings, or simply requires them to be covered; and (b) whether the applicant can show that displaying the tattoo, piercing, or other body modification is actually a bona fide religious practice. As a matter of practice, an employer will have an easier time upholding these policies if the body art in question is offensive or inflammatory and the employer offers the applicant the option of covering or obscuring the body art.

Appearance-Discrimination Claims Based on Sex

Unequal treatment of personal appearance between males and females has formed the basis for several successful sex-discrimination claims. For example, in a Massachusetts case, a clerk at a box company sued her employer for gender discrimination, alleging a male employee was not required to cover his Navy tattoo but she was required to cover a heart-shaped tattoo on her forearm. The company's rationale for requiring the female employee to hide her tattoo was that customers would think "she was either a prostitute, on drugs, or from a broken home." The court held for the employee, finding that the company's reasoning was based on outdated gender stereotypes and was an unlawful basis for treating men and women differently.

However, not every difference in personal-appearance standards for men and women will sustain a sex-discrimination claim. In a case against Harrah's casino in Reno, a former employee filed suit after she was terminated for refusing to comply with a casino's new requirement that all female bartenders wear makeup. The employee claimed sex discrimination, arguing that the makeup policy reflected improper gender stereotyping, but the district court granted summary judgment for the casino. On appeal, the court of appeals affirmed, reasoning that the employee had not shown it was more onerous for females to comply with Harrah's grooming standards than males. Further, the court did not agree that the policy was based on a sexual stereotype, finding instead that the impression was one individual's "subjective reaction" to a grooming code.

Likewise, in another case, a Pennsylvania district court dismissed the sex-discrimination claim of a male optometrist who was fired for wearing an earring to work in violation of a company dress code prohibiting men from wearing jewelry. The court's reason for dismissing the case was that the optometrist had not alleged that the company's grooming policies were unevenly enforced between male and female employees.

For an excellent resource on issues related to this topic, including a useful guide to terminology, see *Transgender Issues in the Workplace: A Tool for Managers*, Human Rights Campaign Foundation, http://nmmstream.net/hrc/downloads/publications/tgtool.pdf.

There are a growing number of discrimination lawsuits based on transsexuality. One court of appeals has upheld the claim of a transsexual lieutenant in the Salem, Ohio, fire department who was diagnosed with Gender Identity Disorder, a condition that features a conflict between one's biological sex and psychological gender identity. Following doctor's orders, the lieutenant began expressing a more feminine appearance at work. Soon thereafter, his co-workers began to complain about his non-masculine appearance and mannerisms. Eventually, city officials suspended the lieutenant for three days, and he sued. The district court found that transsexuality was not protected by Title VII and dismissed the lieutenant's case. On appeal, however, the Sixth Circuit reasoned that just as an employer that discriminates against women because they refuse to wear dresses or makeup is engaging in sex discrimination because the discrimination would not occur but for the employee's sex, an employer that discriminates against men because they do wear dresses and makeup is likewise engaging in sex discrimination. Thus, the court reversed in favor of the lieutenant.

Unequal treatment of personal appearance between males and females has formed the basis for several successful sex-discrimination claims.

Courts in other areas of the country have been less willing to follow the Sixth Circuit, however. In one case, the Utah District Court specifically disagreed with the gender-stereotyping rule adopted by the Sixth Circuit. In the court's view, this rationale would prevent an employer from stopping a *non*-transsexual male employee from dressing as a woman and using female restrooms, since this would be viewed as an attempt to get the male employee to conform to an accepted male stereotype.

For appearance-based gender-discrimination cases, the catchphrase to remember for employers is "equal application." Courts will generally uphold employers' policies controlling makeup, jewelry, and dress, so long as the policies are not more burdensome for one gender than another and do not perpetuate outdated gender stereotypes.

Allegedly Not Hiring Because of a Disability

Transsexual plaintiffs have not brought claims based on disability discrimination, largely because Congress specifically excluded transsexuality from the definition of "disability" in the Americans with Disabilities Act. However, the ADA regulations do include cosmetic disfigurement in the definition of "disability." Although disfigurement claims are relatively rare, the EEOC has been vigorous in enforcing these ADA regulations.

For example, in Oklahoma, an employer was sued because it allegedly failed to hire a high school student for a part-time position at an ice cream store, regarding her as substantially limited in working as a result of her cleft palate, a visible cosmetic disfigurement. The case was settled for $55,000 and a two-year consent decree with reporting requirements. Likewise, in a Kansas case, an applicant with Treacher Collins Syndrome, a birth defect characterized by malformed cranial bones and asymmetrical eye placement, was not hired while others with comparable qualifications were. The case was settled through a payment of $34,000 to the plaintiff, a written apology, and an agreement by the employer to further train its managers and human resources employees.

Generally speaking, there is no specific protection for overweight people in the employment context, but disability-discrimination arguments may be changing this fact. Recently, a policy of a New Jersey casino has come under attack for its mandate that employees not gain more than 7% from their weight at the time of hire. The policy is currently being challenged under both the Americans with Disabilities Act and the New Jersey state statute. In addition, an Oregon trucking company has been sued twice by truckers who claim their morbid obesity led to adverse employment actions in violation of the Oregon state statute prohibiting discrimination on the basis of disability. In one case last year, a jury awarded a 550-pound plaintiff his back wages and $100,000 in noneconomic damages. The same plaintiff's lawyer has filed a second lawsuit against the same trucking company on behalf of a 450-pound trucker who was fired.

Because cosmetic disfigurement is included in the ADA's definition of "disability," disability-discrimination lawsuits based on appearance have been particularly successful. Thus, employers should be very careful not to implement policies that adversely impact cosmetically disfigured applicants. Employers will probably have more success with job-related weight policies, but these may still be vulnerable to disability-discrimination claims.

Hiring People Who Conformed to the "Ideal"

The last rationale for appearance-discrimination claims that plaintiffs commonly cite is race discrimination. This argument recently received considerable publicity in the class-action litigation brought against the retail store Abercrombie & Fitch by representatives of African-American, Asian, and Latino classes, alleging that the "Abercrombie & Fitch look" desired by the national retailer led to discrimination against minorities and women. The plaintiffs alleged that store managers were strongly encouraged to hire only associates who conformed to the company's all-American, Caucasian, physically fit, blond-haired, blue-eyed ideal. The lawsuits ultimately were settled for $50 million, plus Abercrombie's agreement to hire more black, Asian, and Latino employees and create a diversity office.

In addition, some appearance-discrimination claims have arisen based on the alleged disparate impact of employer grooming policies on certain races. For example, in a Nebraska case, an African-American employee alleged that his employer's requirement that employees be clean-shaven discriminated against his race, as African-American men are predisposed to a condition called pseudofolliculitis barbae (PFB), which is characterized by painful shaving bumps that can be cured only by growing a beard. The court of appeals held that because PFB affects black males almost exclusively, and the policy operated to exclude affected black men from employment, the plaintiff had stated a prima facie case of racial discrimination. The case was sent back to the trial court to determine whether the policy could be justified by "business necessity."

In light of the landmark Abercrombie settlement, race-discrimination claims based on appearance may soon see a spike.

However, such claims are not always as successful. In a New York case against United Parcel Service, a plaintiff challenged UPS's policy that employees not wear their hair in dreadlocks, claiming it singled out African-Americans on the basis of a hairstyle characteristic to that race. The court disagreed, pointing out that UPS did not differentiate between black employees with locked hair and other employees with locked hair. Interestingly, the court hinted that if the plaintiff had claimed the dreadlocks were a religious expression, the result might have been different.

In light of the landmark Abercrombie settlement, race-discrimination claims based on appearance may soon see a spike. Thus, employers should ensure that they do not adopt selection criteria that prefer or disfavor physical features inextricably intertwined with any particular race, or that place a burden on any particular race.

Five Questions About Hiring Policies

In summary, prospective employees have a wide variety of discrimination arguments available to them if they are treated differently because of their appearance. Employers may be held liable for discrimination when applicants can show that the "appearance discrimination" is merely another manifestation of discrimination on the basis of religion, sex, disability, race, or another protected characteristic. Therefore, when considering whether to follow or implement a policy preferring one appearance over another, a hiring manager should look at several factors, including:

- Whether the policy applies equally to male and female employees;
- Whether the policy requires conformity to gender stereotypes;
- Whether the policy may have an especially drastic impact on a particular race;
- Whether customer preference is a legitimate justification for the policy; and
- If an applicant has an objection to the policy, whether the objection is based on the applicant's membership in a protected category.

As a general rule, a personal-appearance policy should be no more restrictive than is necessary to further an employer's legitimate business interests and philosophy, and should be tailored, where possible, to the requirements of the specific job. For example, customer preference may be a sufficient justification for enforcing reasonable appearance standards with regard to a sales associate position, but will probably not be a sufficient justification with regard to a factory worker job, even though the employer is the same.

Such a policy should also be flexible enough to accommodate situations in which a particular employee or applicant demonstrates that a physical feature that would otherwise be prohibited under the policy (such as a tattoo or piercing) is necessary for him or her to display because of a protected characteristic (such as religion). Furthermore, a personal-appearance policy should not exceedingly burden one sex or race, or require conformity to outdated stereotypes. Even the most carefully crafted and wisely implemented policy can come under attack from a litigious applicant or employee, however, and given the always-evolving law in this area, it is important to have personal-appearance policies regularly reviewed by counsel.

Note: This article is provided for informational purposes only and is not intended to offer specific legal advice. You should consult your legal counsel regarding any threatened or pending litigation.

Ron Chapman Jr., Shareholder, Ogletree Deakins
ron.chapman@ogletreedeakins.com

Michael H. Bell, Associate, Ogletree Deakins
michael.bell@ogletreedeakins.com

Chapman and Bell both routinely represent employers in employment law matters. They can be reached at (214) 987-3800. Ogletree Deakins has 25 offices across the country and is online at ogletreedeakins.com.

DASHBOARD

FAR EAST

Top Ways to Attract and Retain Employees in China

Attractive salary and benefits package	23%
Opportunities for career development	19%
Meaningful and creative work	7%
Unique organizational culture	7%
Company location	3%

Source: Mercer survey of 114 organizations in Greater China. Twenty-four percent were from high-tech; 19% consumer; 14% chemical; 11% pharmaceutical; 8% automotive; 6% services; 18% other industries.

"Companies in China are starting to realize that they need to be more sophisticated in their approach to employee attraction and retention," says Mercer Principal Brenda Wilson. "Those that offer variable pay, promote 'softer' benefits like flexible work, and provide meaningful career opportunities are most likely to keep hold of their best employees."

HIRING

Finding Creative People

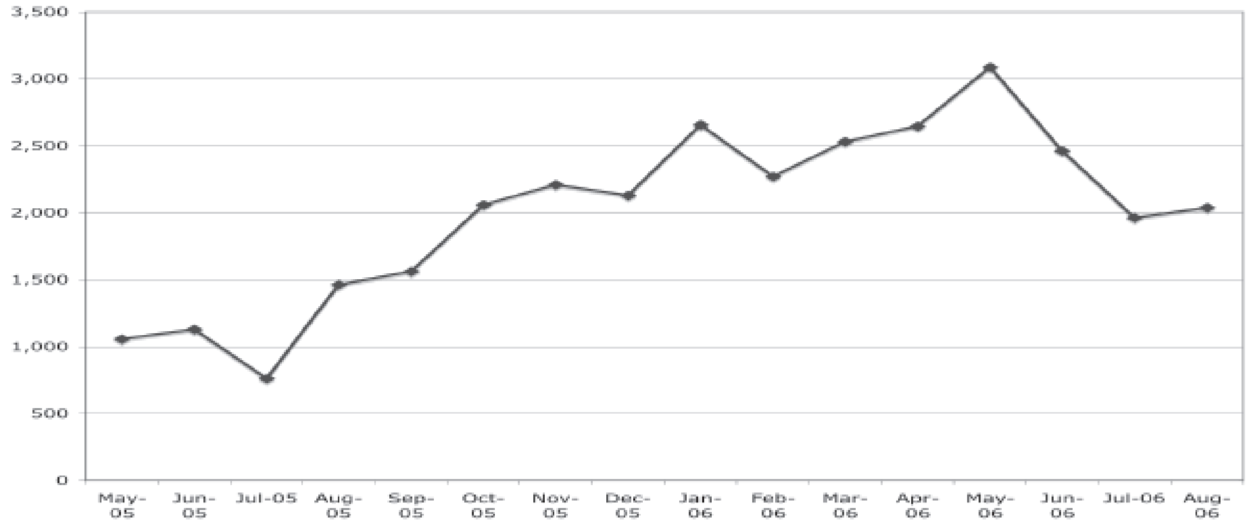
Advertising and marketing executives were asked, "Which of the following recruiting tactics are you using more frequently than you were a year ago?"

Recruiting tactic	% using more frequently
Placing want-ads online	48%
Networking	42%
Enlisting help of staffing/recruiting firm	36%
Placing want-ads in print publications	21%
Offering employee referral bonuses	20%
Other/don't know	5%

Conducted by an independent research firm for The Creative Group; includes 250 responses—125 from advertising executives with America's 1,000 largest ad agencies and 125 from senior marketing execs with the 1,000 largest U.S. companies. Multiple responses permitted.

EXECUTIVE CHANGES

Monthly Turnover of CEOs, CFOs, Directors, and VPs



Source: Source: Liberum Research study of SEC filings and other public information.

JOB MARKET

Headed in the Right Direction . . .

Here are the areas, among large cities, where nonfarm employment rose the most over the past year, on a percentage basis.

Area	% change in employment
Las Vegas-Paradise, Nevada	5.6%
Phoenix-Mesa-Scottsdale, Arizona	5.1%
Orlando-Kissimmee, Florida	4%
Seattle-Tacoma-Bellevue, Washington	3.8%
Riverside-San Bernardino-Ontario, California	3.3%
Charlotte-Gastonia-Concord, N. & S. Carolina	3%

. . . And in the Wrong One

Here are the areas, among large cities, where nonfarm employment *decreased* the most over the past year, on a percentage basis.

Area	% change in employment
Detroit-Warren-Livonia, Michigan	-0.7%
Indianapolis-Carmel, Indiana	-0.4%

Source: U.S. Bureau of Labor Statistics

COMPENSATION

Recruiter Salaries

One hundred ERE members were asked in an informal online poll, “How do you expect your 2007 income to compare to 2006?” Apparently it will compare quite favorably. The plurality of the respondents, 32%, said it will be at least 10% higher next year. Another 14% said it will be 7 to 10% higher. Twenty-three percent project a 4 to 6% hike; 14% a 1 to 3% uptick; and 16% believe it will be the same or go down next year.

COMPENSATION

Base Pay Increases

Projected 2007 annual base pay increases and inflation rates—ranked by projected pay above inflation.

Top 5 ranked countries	% ave. pay increases*	% inflation rates*
Latvia	11.1	4.3
Paraguay	10.8	4.4
China	7.2	2.2
Indonesia	11.4	6.6
Dominican Republic	9.8	5

Bottom 5 ranked countries	% ave. pay increases*	% inflation rates*
Germany	2.3	2.5
Hungary	4.8	5.5
Ukraine	10.2	12.5
Argentina	11.8	15
Puerto Rico	4.5	9

Other select countries	% ave. pay increases*	% inflation rates*
Costa Rica	13.1	11
Singapore	4	1.9
Ireland	4.5	2.5
United Kingdom	3.6	1.9
Canada	3.7	2
Czech Republic	4.1	2.5
Hong Kong	3.6	2.1
United States	3.7	2.4
France	3	2
Spain	4	3
Venezuela	17.4	17.3
Netherlands	2.5	1.8
Mexico	4.5	3.7

* projected rates, 2007

Source: Mercer Human Resource Consulting, 2007 Global Compensation Planning Survey

ere media

ERE Media
580 Broadway
Suite 304
New York, NY 10012
U.S.A.

PRSRT STD
U.S. Postage
PAID
SIDNEY, OHIO
Permit No 100