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Choosing and Hiring Candidates

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Hiring Top Performers at MarineMax

Summary

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- ❑ Describe different ways of combining candidates' scores on different assessment methods to calculate an overall score.
- ❑ Describe three different ways of making a final choice of whom to hire.
- ❑ Discuss the factors that influence the content of a company's job offer.
- ❑ Describe the four different job offer strategies.
- ❑ Describe different types of fairness and explain why candidates' perceptions of fairness are important to staffing.

Hiring Top Performers at MarineMax

Recreational boating and yachting retailer MarineMax is a publicly traded, billion-dollar boat broker with over 50 retail locations.¹ Focused on premium brands, such as Sea Ray, Boston Whaler, Meridian, Hatteras, Grady White, and the Ferretti Group, MarineMax complements its industry-leading brands with exclusive, value-added services including dedicated delivery captains, classroom and in-water customer training, professionally organized Getaways! cruises, a no-haggle sales approach, and extensive after-sale service.²

Despite its size and continued growth, MarineMax works hard to retain the high level of service and personal interaction found at smaller companies. To continue its growth, MarineMax needs enthusiastic, talented, and highly motivated employees with leadership potential for jobs across the company.³ The company knows that these people are hard to find and looks for ways to present appealing job offers to top talent. The company's managers know these people are interested in intangible benefits, such as challenging work and advancement opportunities, in addition to top pay.⁴ MarineMax asks you for advice on how it can best persuade its top finalists to accept its job offers without ratcheting up its labor costs more than necessary.

Up to this point in the book, we have focused on planning the staffing effort, attracting applicants, and evaluating job candidates. The next stage of the staffing process involves choosing and hiring the best finalists. Because the cost of making a bad hiring decision is often many times that person's salary,⁵ not to mention the effects of losing a high-potential candidate to a competitor, choosing whom to hire and persuading them to accept your offer are a critical part of the strategic staffing process.

Imagine the following evaluation scores for two finalists for a financial analyst's position: Maria scored 80/100 on a job knowledge test, 35/50 on a structured interview, and 45/50 on a personality and values test designed to assess her fit with the organization's culture and values. Pete scored 70/100 on the job knowledge test, 45/50 on the structured interview, and 35/50 on the personality and values test. Based on these scores, who should be hired? The answer depends on the way the firm weights and combines the scores. If the scores are averaged, Maria would receive the job offer. But if the structured interview scores are given greater weight than the other assessments, Pete might be the preferred candidate. If candidates must score at least 75 on the job knowledge test, however, then Pete would be out of the running.

There are different methods of combining candidates' assessment scores. All the methods are relatively easy to understand, but you need to know how to use them. You also need to understand how to go about persuading the best candidates to join your firm. In this chapter, we discuss the methods used to choose candidates as well as the employment contract and job offer process, negotiation, and closing the deal. After reading this chapter, you should have a good understanding of how best to choose which finalist should receive a job offer, and how to persuade that person to become an employee of your firm.

CHOOSING CANDIDATES

Some candidates are so exemplary that to prevent them from accepting other companies' offers, firms quickly offer to hire them prior to evaluating all their potential candidates. However, this is unusual. It is more common to combine candidates' scores on a variety of assessment methods and compare their overall scores to determine whom to hire. We discuss how this is done next.

Combining Candidates' Scores

There are two ways of combining candidates' assessment scores so that they can be compared with one another: the multiple hurdles approach and the compensatory approach.

THE MULTIPLE HURDLES APPROACH Requiring candidates to perform at a satisfactory level on one assessment before being allowed to continue in the selection process is called a **multiple hurdles approach**. As we explained in Chapter 9, it is common for firefighter candidates to be required to pass a strength test (e.g., a test requiring them to lift 40 pounds) early in the assessment process. If candidates lack the physical capabilities they need, there is no point in wasting

MULTIPLE HURDLES APPROACH
a scoring approach whereby candidates must receive a passing score on an assessment before being allowed to continue on in the selection process

their time as well as the company's time and resources by continuing to evaluate them if they do not exceed a minimum cutoff level of performance on a critical assessment.

The FBI uses a multiple hurdles approach when hiring special agents. Because their cognitive abilities, problem-solving, and decision-making skills are so important, the FBI requires special agent applicants to pass a biodata inventory, a cognitive ability test, and a situational judgment test before being allowed to proceed in the hiring process.⁶ Because the multiple hurdles approach is costly and takes more time, the approach is generally used when the cost of an employee's poor performance is high—for example, when the person has the potential to put people's safety at risk.

American Express uses a three-part multiple hurdle assessment system in which only people performing well on the current assessment are allowed to advance to the next stage of the assessment process. The first assessment is a questionnaire candidates complete on the company's Web site. The questionnaire assesses their work history, degrees obtained, and willingness to relocate. A summary report is then e-mailed to an American Express HR representative, who decides which applicants become candidates and advance to Level 2. Level 2 involves taking a 45-minute test to assess whether candidates have the necessary characteristics identified by a job analysis. Candidates who do well on the test reach Level 3 and are invited for an interview.⁷

THE COMPENSATORY APPROACH When you think about the best professors you have had, do you think they are equally talented in every way? Probably not. It's more likely that your favorite professors had different talents as well as different combinations of them. For example, you might have had a professor with outstanding storytelling skills, whereas another one of your professors who lacked those skills could have been equally effective because of his or her ability to inspire and challenge you. The **compensatory approach** takes differences such as these into account. It allows high scores on some assessments to compensate for low scores on other assessments. For example, a company might allow a candidate's successful work experience to compensate for a lower grade point average (GPA).

There are several ways to execute the compensatory approach. Job experts can review each candidate's scores on the different assessments as well as any notes and other information acquired during the assessment process. The overall judgment of the firm's job experts can then be used to integrate the different scores and determine each candidate's total score. Their judgment can also be used to make the final hiring decision or to determine if a candidate advances to the next phase of the hiring process. However, because different experts are likely to use different criteria and weigh it differently, the risk of legal troubles increases when this method is used. Nonetheless, if the job experts have a significant amount of experience when it comes to making selection decisions, and if their acceptance of the selection process is important, relying on their judgment can be appropriate.

Job experts' ratings may or may not produce the same scores as **unit weighting**. Unit weighting involves giving multiple assessments equal weight when computing a candidate's overall score. If all the assessment methods a firm administers are equally useful predictors of job success, then unit weighting is appropriate. However, as we discussed in Chapter 8, when different assessments are made using different scales (e.g., if an interview is scored on a 1 to 10 point scale but intelligence is scored on a 1 to 60 point scale) simply adding them together to produce an overall score does not equally weight the scores. The importance of the intelligence assessment would be overweighted and the importance of the interview would be underweighted. In this case, the raw scores must be standardized before being combined.

Table 11-1 shows an example of converting raw to standardized scores that are combined using a unit weighting approach. Ying's score of 89/100 is 1.5 standard deviations above average on the standardized interview, and Tony's score of 60/100 is .4 standard deviations above average. Ying's knowledge test score of 25/40 is 1.1 standard deviations above average, and Tony's score of 35/40 is 1.7 standard deviations above average. Ying's assessment center score of 6/10 is .9 standard deviation above average, and Tony's assessment center score of 7/10 is 1.1 standard deviations above average. Because the scoring of the assessment methods is so different, using scales ranging from 1 to 10 and 0 to 100 and then adding candidates' raw scores would greatly overweight their structured interview scores and underweight their assessment center scores. Standardizing these scores makes it possible to compute an overall score for each candidate that can be compared with other candidates' overall scores. In this case, although Tony

COMPENSATORY APPROACH

an approach whereby high scores on some assessments can compensate for low scores on other assessments

UNIT WEIGHTING

giving multiple assessments equal weight when computing a candidate's overall score

TABLE 11-1 Standardizing and Combining Raw Scores Using the Unit Weighted Approach

	Ying		Tony	
	Raw	Standardized	Raw	Standardized
Structured Interview	89	1.5	60	.4
Knowledge Test	25	1.1	35	1.7
Assessment Center	6	.9	7	1.1
Unit Weighted Overall Score		3.5		3.2

outperformed Ying on the knowledge test and assessment center, Ying's strong performance relative to Tony's in the structured interview resulted in her overall score of 3.5. That's greater than Tony's overall score of 3.2, so Ying is determined to be the stronger candidate.

Rational weighting requires experts to assign a different subjective weight to each assessment score. Job experts, including hiring managers, determine the weights based on the extent to which the job experts believe each assessment is important to a person's on-the-job success. A candidate's score on each assessment method is then multiplied by that assessment method's weight, and each assessment's weighted score is then added to produce an overall score. Although this approach has the advantage of recognizing that each score contributes differently to the candidate's overall assessment, it requires the job experts to agree on the weights. In addition, there is no guarantee that the experts' weights will best predict success on the job. Clinical assessments, which we discussed in Chapter 10, utilize the rational weighting approach.

Statistical weighting involves the use of a statistical technique, such as multiple regression, to assign a different weight to each assessment score. A multiple regression analysis, a data analysis tool initially discussed in Chapter 8, is a statistical technique that identifies the ideal weights to assign each assessment score based on each assessment method's correlation with job success and the degree to which the different assessment methods are intercorrelated. A multiple regression analysis is the most scientific approach to determining how to weight each assessment. Recall that the output of a multiple regression includes a formula that looks like this:

$$\text{Overall score} = c + (b_1 \times a_1) + (b_2 \times a_2) + (b_3 \times a_3) \dots$$

Recall also that c is a constant, the b 's are the statistical weights applied to each assessment method to maximize the validity of the group of assessment methods, and the a 's are a candidate's scores on each of the assessment methods. Any number of assessment methods can be used. For example, if the regression equation for a salesperson looked like this:

$$\text{Overall score} = 24 + (.20 \times \text{Cognitive ability}) + (.25 \times \text{Interview}) + (.15 \times \text{Personality})$$

and the candidate's cognitive ability score was 70, his or her interview score was 75, and personality score was 50, then the candidate's overall score would be 64.25:

$$\begin{aligned}\text{Overall score} &= 24 + (.2 \times 70) + (.25 \times 75) + (.15 \times 50) \\ \text{Overall score} &= 64.25\end{aligned}$$

This overall score is then used to evaluate whether the candidate should advance to the next phase of the assessment process or whether a job offer should be extended. This method can produce better hiring outcomes than can either unit weighting or rational weightings by job experts. However, to be accurate, the multiple regression approach requires HR professionals to collect a sample of several hundred or more candidates. If you don't have a large sample size with which to work, unit weighting or rational weighting may be a better choice.

COMBINING THE MULTIPLE HURDLES AND COMPENSATORY APPROACHES Often, some job requirements are essential to performing a job, but others can compensate for each other, as we have indicated. For example, a data entry candidate might need to type a certain number of words per minute with a minimum number of errors. These skills might be used as hurdles in an

RATIONAL WEIGHTING

a weighting method whereby experts assign a different subjective weight to each assessment score

STATISTICAL WEIGHTING

a weighting method using a statistical technique, such as multiple regression, to assign a different weight to each assessment score

initial assessment. However, his or her cognitive abilities, job knowledge, and personality might be compensatory factors. In this case, after clearing the initial hurdles, the person's cognitive abilities, job knowledge, and personality scores would be weighted and combined in a compensatory manner, and the highest scoring candidate offered the job. The FBI special-agent selection process we mentioned earlier in the chapter is an example of such an approach.⁸

Cut scores, rank ordering, or banding can be used to choose which finalists receive job offers. If a cut score is used, only finalists who exceed a minimum score on some or all of the assessments are hired. Cut scores are often determined by job experts based on the job's requirements or by a regression equation. The level of a cut score is based on what level of predicted performance is minimally acceptable. If a company's talent strategy is to hire only the best, the cut score would be set at a high level. By contrast, if a firm is focused on filling vacancies in the short term rather than hiring people for long-term careers, then a lower cut score might be more appropriate. If a company is pursuing a cost-leadership strategy, a lower cut score might be necessary to hire people at the targeted salary level. One problem with high cut scores is that they increase the number of false negatives because they result in the rejection of higher numbers of qualified candidates. Because this can increase the adverse impact of the selection system, a firm might consider lowering its cut scores to reduce the number of false negatives among women and minorities.

Cut scores can be set in three ways. If job experts can establish a minimally acceptable competency level, then the cut score can be set at this level. If the company needs to hire quickly, the first candidate who exceeds the cut score is sometimes hired. However, by taking this approach, the firm risks losing the opportunity to hire a more desirable candidate who might soon be recruited. If a company's strategy is to hire top talent, it makes more sense to generate a pool of candidates before making a final hiring decision unless an exceptional candidate is identified early on.

Another option is to compare candidates' assessment scores to each other and rank order them from highest to lowest score. One of the primary issues with using rank ordering is that it does not guarantee that any of the candidates meet or exceed minimum hiring standards. Cut scores do a better job of reducing the number of unqualified people being hired. Combining the two methods and making job offers to the highest-ranked candidates who exceed a cut score helps to leverage the strengths of both approaches.

Because rank ordering candidates can result in adverse impact, it is not always a desirable way to choose your employees, despite the fact that it can be highly valid and cost-effective. Sometimes banding can be a better alternative. Recall that with banding, everyone who scores within a certain range of scores is considered to have performed equivalently and assigned the same grade. A student earning 98 percent in a course receives the same A grade as a student earning 93 percent. Hiring within the band is then done randomly or based on other factors, such as the firm's Equal Employment Opportunity (EEO) or affirmative action goals, the company's desire to promote an internal candidate who might otherwise leave the company, the experience and languages spoken by candidates, and so forth. The widths of the bands are generally calculated on the basis of the standard error of measurement⁹ described in Chapter 8. Table 11-2 illustrates the use of banding.

Although banding can help reduce adverse impact, it does not always do so.¹⁰ It also cannot remedy deficiencies in the sourcing and recruiting of qualified minorities. However, it can help minimize the impact of measurement errors. After all, is someone with an overall assessment

TABLE 11-2 Banding Candidates

Candidate	Overall Score	Band
Amy	87	1
Yu	85	1
Lee	79	2
Pedro	78	2
Amila	78	2
Bill	65	3
Tim	63	3
Lin	61	3

score of 87.3 vastly better than a candidate whose score is 87.1—or even 86? Probably not. No test is perfect—a candidate's true score is likely to be a little higher or lower than the score the person actually receives. Thus, rank ordering candidates won't always produce the most accurate result or best hire. This is particularly true when the differences between candidates' scores are relatively small or when the standard error of measurement is large.

When using cut scores or rank ordering, an additional decision needs to be made about whether to hire from the top of the list down, or to create a pool of finalists from which to make a final choice. This pool of finalists can then be rank ordered based on overall or specific assessments. Alternatively, the candidates can be randomly selected or banded. There is no one best method of choosing the finalists to whom to extend job offers. At the very least, the firm's cutoff scores should be set high enough so the company's new hires at least meet or exceed any minimum standards of success.¹¹

Who Makes the Final Hiring Decision?

Industrial-organizational psychologists are experts at candidate assessment and test construction. Human resource professionals are experts in the staffing process. Although these people develop staffing policies and procedures, often make initial applicant screening decisions, and either have or know how to find legal and technical information relevant to the assessment and hiring process, it is hiring managers who are usually responsible for making actual hiring decisions. Because the hiring manager will be supervising the person hired, he or she is also one of the primary stakeholders in the staffing process and should be involved in creating and evaluating staffing policies and procedures. If the work is done in interdependent teams, it is also not uncommon for the teams to be involved in making the final choice.

Legal Issues Related to Hiring Candidates

Legal issues are present throughout the hiring process. The candidate-choosing stage is no exception. In addition to the legal issues discussed in Chapter 3, people involved in the staffing process should be familiar with the Fair Labor Standards Act (FLSA), the Family and Medical Leave Act (FMLA), and the Uniform Guidelines on Employee Selection Procedures (UGESP).

THE FAIR LABOR STANDARDS ACT The FLSA¹² covers working hours and the payment of overtime or compensatory time off to nonexempt employees. If an applicant is not hired because the person has previously exercised his or her rights under the FLSA (by requesting earned overtime pay, for example), a court may conclude that the applicant's rights have been violated.

THE FAMILY AND MEDICAL LEAVE ACT The FMLA¹³ entitles qualified applicants up to 12 weeks of unpaid leave for certain reasons. If an applicant is not hired because he or she had previously exercised his or her rights under the FMLA, a court may conclude that the applicant's rights have been violated. For example, a federal appellate court held that an employer violated the act by failing to hire an applicant because, in the opinion of her employer, she had taken a lot of leave.¹⁴

THE UNIFORM GUIDELINES ON EMPLOYEE SELECTION PROCEDURES The UGESP¹⁵ apply to the candidate-choosing process when adverse impact is occurring. The UGESP require firms to either eliminate adverse impact or justify it through validation studies. The UGESP generally state that cut scores should be set no higher than the level necessary for new hires to perform proficiently. Determining the minimum proficiency level is up to the company. The UGESP also state that "the way in which normal expectations of proficiency within the workforce were determined and the way in which the cutoff score was determined" should be described.

As we explained in earlier chapters, to deal with adverse impact problems, the UGESP also discuss the use of "alternative procedures" that cause less adverse impact but that have similar validity to the problematic procedure. A cognitive ability test may do a good job predicting job success but it may result in adverse impact. In contrast, using a structured interview and a work sample may have the same validity without generating adverse impact. The UGESP do not relieve a company of any of its affirmative action obligations, and "encourage the adoption and implementation of voluntary affirmative action programs" for organizations that do not currently have any.

AN EMPLOYER'S PREFERENCE FOR DIVERSITY The Equal Employment Opportunity Commission (EEOC) encourages voluntary affirmative action and diversity efforts to improve opportunities for racial minorities in order to carry out the congressional intent of Title VII, which prohibits discrimination due to race, color, religion, sex, and so forth. According to the EEO commission, "persons subject to Title VII must be allowed flexibility in modifying employment systems and practices to comport with the purposes" of the statute.¹⁶ That said, firms need to carefully implement affirmative action and diversity programs to avoid the potential for legal trouble.¹⁷

So, for example, when a company wants to increase the demographic diversity of its workforce, can it make a hiring decision based on a person's qualifications and a protected characteristic such as age, race, or gender, or must the decision be based solely on the person's qualifications? A common question is whether and under what conditions it is ever legally permissible for a legally protected characteristic to be a factor in candidate choice. Recent court rulings involving public institutions (police forces and universities) indicate that among candidates who are minimally qualified for a job, race can be used as a "plus" factor if an "operational need" justifies the employer's voluntary affirmative action efforts.¹⁸ Whether this ruling will be expanded to cover private employers is unknown.¹⁹ The U.S. Supreme court has not ruled on the issue.²⁰

It is never permissible to hire a nonqualified minority candidate over a qualified nonminority candidate, however. In one case, a court held that a downsizing school district could not choose to retain a black employee instead of a white employee of equal seniority, ability, and qualifications, solely on the grounds of diversity, even though black employees were underrepresented in the school district.²¹ As you can see, it is important to consult legal counsel before using any legally protected characteristic as an employee selection factor.

Pursuing diverse candidates should not begin during the assessment stage of the hiring process. As we have indicated, if qualified diverse candidates are not recruited and, therefore, do not become part of the applicant pool, no selection system can identify them. If a firm's sourcing and recruiting activities identify and attract qualified, diverse applicants, then applying a valid assessment system that has little to no adverse impact should generate quality, diverse hires. Successfully attracting qualified diverse applicants eliminates the need for firms to consider any protected characteristic as a plus factor in candidate choice.²²

JOB OFFER STRATEGIES

Given the importance of choosing the right candidates and the time and money invested in the staffing process, it is amazing how little thought often goes into the job offer process. When a decision is made to extend a job offer, the focus should shift from evaluating the candidate to communicating your enthusiasm for him or her and persuading the person to choose to work for your company. Whether the job offer is standardized or whether a finalist will receive an enhanced offer because he or she has exemplary credentials, some thought should go into both the content of the job offer and its presentation. The goal of a job offer is not only to get the finalist to accept the offer, but also to strengthen his or her commitment to the firm, enhance his or her enthusiasm for joining the company, and reinforce the company's desired image as an employer. It is important to note that this does not mean misleading the finalist about the job or firm. Indeed, one of the best times to present a realistic job preview (discussed in Chapter 7) is after a job offer has been made and before it is accepted.²³

Particularly for firms with a talent philosophy of viewing employees as investors rather than assets, the job offer should maximize the employee value proposition offered to the finalist. As you learned in Chapter 4, the employee value proposition is the balance between the intrinsic and extrinsic rewards an employee receives by working for a particular employer. It is often impossible to list all a job's rewards. Nonetheless, the job offer should be crafted to appeal to the finalist's needs and values and closely mirror the rewards most important to the finalist.

To entice the best and brightest talent to join its workforce, Google offers its employees perks including free cafeteria meals, free use of laundry machines, a child care center, dog-friendly offices, and an on-site doctor. Engineers are also able to devote 20 percent of their time to projects of their choice.²⁴

Of course, before extending a job offer to a finalist, it is always a good idea to verify the truthfulness of any statements made by the applicant that were relied upon in assessing the person—for example, his or her grade point average, prior work experience, and so forth. It is also wise for a firm to try to determine what the finalist's prior salary was. Finally, it is a good idea to identify a backup hire in case your first choice does not take the job.

Creating a Job Offer

The type of job as well as organizational, applicant, external, and legal factors all influence the content of a job offer. Next, we discuss each of these factors.

THE TYPE OF JOB The type of job influences the content of a job offer. Job offers vary depending on whether the position is full or part time, exempt or nonexempt from overtime pay, and the level of the position. Job offers for lower-level positions are often shorter and less detailed than the job offers made to fill executive positions.

ORGANIZATIONAL FACTORS The organizational factors that can influence the content of a job offer include the firm's business strategy, staffing and compensation strategy and policy, internal equity, the company's need to hire someone immediately, and union contracts. For example, a firm pursuing a cost leadership or operational efficiency strategy will likely try to keep its labor costs down. As a result, the company might be less willing to enrich a job offer than a company pursuing a differentiation or innovation strategy for which hiring top talent is a priority. The job offer must also be tied to the firm's compensation strategy. For example, if a company has a policy of extending only standard job offers—in other words, if it doesn't allow the employment terms to differ among different new hires—then the choice of what to include in a job offer is constrained. This has a number of implications, including the amount that a hiring manager can offer a finalist. The hiring manager might also have to get approval from someone else in the organization before making and/or negotiating a wage offer.

Some companies feel that it is important to preserve *internal equity* to ensure that the employment terms of a firm's current employees are as good or better than the terms offered to new hires. For example, around the millennium, Java programming skills were in short supply. One way companies hired Java programmers was by offering them benefits and salaries that in many cases were higher than what existing employees were getting. This can, of course, create hard feelings and lead to morale problems and turnover.

Sometimes a new hire should not be given an enhanced job offer due to internal equity, but business necessity may require giving the person a higher salary. For example, the person could be essential to leading an important project or have special credentials. In the short term, this will help the firm maintain its staffing levels and meet an important short-term need. However, in the long term, it can be costly if the company's current employees threaten to resign if their pay is not increased to the new employee's level of pay.

If a company needs to fill a position immediately, it might decide to enrich a job offer to increase the likelihood that it will be accepted. By contrast, if a company can afford to wait, it might decide to present a more standard offer. Union contracts can also dictate many of the terms and conditions of the employment relationship and affect what must be included in a job offer.

FACTORS RELATED TO THE FINALIST Factors related to a finalist can affect the content of a job offer. These factors include the finalist's fit with the job and organization, compensation and reward requirements, qualifications and experience, previous compensation package, values and needs, and whether the finalist has other job offers pending. If a finalist has good job offers from other firms and needs to make a decision soon, an enticing job offer might need to be presented to the person relatively quickly. Firms sometimes make a new job offer to a current employee in response to an offer he or she received from another employer (a counteroffer). Counteroffers often try to at least match what is being offered by the competitor.

EXTERNAL FACTORS As we have indicated, a number of external factors can affect the content of a job offer. These factors include the tightness of the labor market, the cost of living in an area, the risk and cost of a finalist being hired by a competitor, and the market level of compensation and rewards for the position. If the finalist is the only finalist the organization wishes to hire, it might make a more generous offer to increase the likelihood of the person accepting it. If the area in which the new hire will live is expensive, some firms enrich the job offer to accommodate this additional expense. If the finalist has skills that could jeopardize the company's competitive position if he or she was acquired by a competitor, enhancing the job offer to increase the chances it will be accepted can be strategic. For example, when a hiring manager

TABLE 11-3 Resource Reference Table: Determining Market Compensation Levels

America's Career Infonet: www.acinet.org
 College Grad Job Hunter: www.collegegrad.com
 Jobstar: <http://jobstar.org>
 O*Net: <http://online.onetcenter.org>
 Places Rated: www.bestplaces.net
 Salaries Review: www.salariesreview.com
 Salary.com: www.salary.com
 Salary Expert: www.salaryexpert.com
 The Riley Guide: www.rileyguide.com
 Wageweb: www.wageweb.com

in a well-known investment banking firm announced he had just hired away the competitor's best salesperson, he was asked, "But what will he do for us?" The hiring manager immediately responded, "I'm not sure, but he won't be making \$50 million a year for the competitor!"²⁵

A firm can determine external factors, such as the cost of living and typical compensation levels, via salary surveys, consulting with trade associations, reading employment ads, and visiting competitors' Web sites. Trade associations and trade magazines, employment agencies, and college placement offices can also provide helpful comparative salary information, as can the job offers finalists receive from other companies. Table 11-3 lists some Web resources that can be useful in determining market compensation levels. This information can help identify appropriate market-based salary ranges, but the firm must still decide what it wants its starting salary range and average to be for a given position. To ensure its starting pay offers are fair and consistent, the firm should develop a *starting pay policy*. A starting pay policy should specify what factors will be considered in setting the salary (e.g., education, work experience), identify any cap on the starting pay level (e.g., a job's salary range midpoint or a market reference point), and describe any additional conditions including meeting internal equity standards. A statement of how exceptions to the policy may be granted should also be included, such as documented approval by a superior or by an HRM representative.

LEGAL FACTORS Equal employment opportunity and affirmative action goals are the two primary legal factors that influence the content of a job offer. If a firm has an affirmative action plan or if it is actively pursuing diversity, its progress toward these goals might influence how high a job offer should be. If a company is having trouble getting some subgroups of finalists to accept job offers, enriched offers might be necessary. At the same time, organizations must ensure that job offers are comparable across protected characteristics to avoid charges of discrimination.

Figure 11-1 illustrates the factors that can influence the content of job offers.

Compensation Decisions

How, precisely, do you decide what to offer finalists? As we have explained, the type of job, a firm's business strategy, and staffing and hiring policies can affect the decision. So can external factors, such as tightness or looseness of the labor market and the finalist's situation. A company with a low-cost strategy may offer finalists a salary at or slightly below market, bonuses tied to the individual's and the company's performance, and a standard benefits package. A company pursuing a differentiation strategy, such as billion-dollar boat broker and yacht maker MarineMax, might offer a desirable hire an above-market salary, generous benefits package, personalized inducements such as a company car, extra vacation time, or flexible work hours, and a sign-on bonus. If the labor market is tight and it is difficult to attract and hire qualified candidates, a higher total rewards package and hiring inducements may be required. Companies are also often willing to be more generous and flexible with job offers for leadership and key positions than for entry-level positions that often involve a more standardized job offer. The total rewards package should reinforce the firm's human resource and staffing strategies as well as its desired image and reputation as an employer.

LOW JOB OFFER

a job offer that consists of a below-market rewards package

Another important job offer decision is whether to make a low, competitive, or high job offer, and whether to leave room for further negotiation. A **low job offer** is one that keeps the

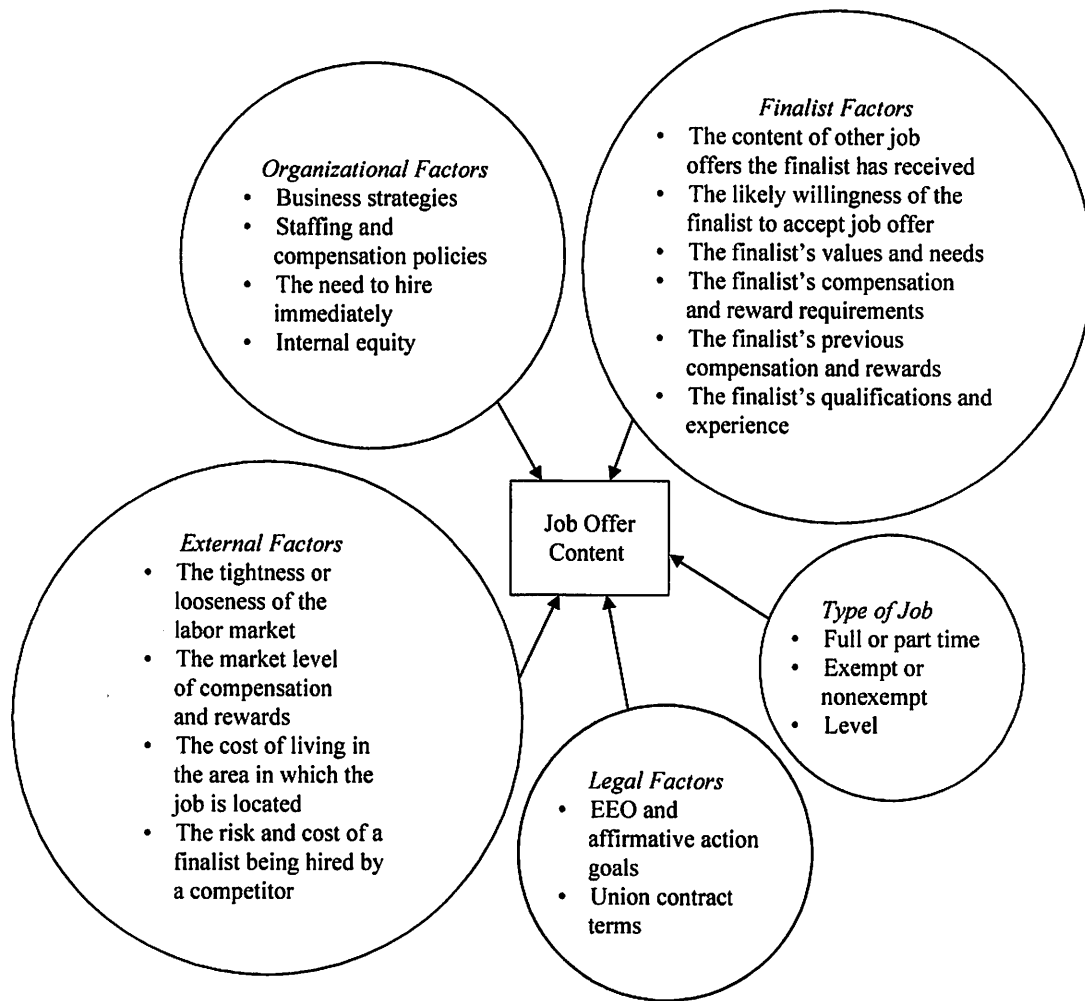


FIGURE 11-1 Factors That Affect the Content of Job Offers

employer's costs as low as possible by offering a below-market total rewards package, including compensation and benefits. Further negotiation of the offer may or may not be allowed. Although firms pursuing a cost-leadership strategy might be tempted to pursue this strategy to contain labor costs, it is not consistent with a talent philosophy of viewing employees as investors and encouraging employees to stay with the firm for long-term careers. High-quality finalists are also less likely to accept low job offers. Low offers are often inappropriate for key positions, particularly in firms pursuing a differentiation strategy or a competitive advantage based on innovation that requires top talent. Because of the importance of having quality talent in leadership roles in any organization, low job offers are not likely to be effective for leadership positions in general. For positions in which higher rates of turnover are acceptable, or when the quality of the people hired is not critical, perhaps for low-skilled or temporary work, this strategy can generate new hires, although at potential risk to the firm's image and reputation as an employer.

A **competitive job offer** is one that offers a total rewards package that is competitive with the market for that position. In other words, the salary, benefits, and inducements are about the same as what competitors are offering similarly qualified candidates for similar positions. Further negotiation may or may not be allowed. Although they are not likely to offend anyone, competitive job offers are less likely to entice top finalists to accept the jobs offered them.

A **high job offer** is one that offers a total rewards package that is above the market. Further negotiation may or may not be allowed. High job offers have the potential to increase an organization's attractiveness among workers who value material rewards and enhance a firm's image and reputation as an employer. To avoid morale problems among their current employees, some firms prefer to offer one-time inducements such as sign-on bonuses, early performance reviews for new hires to speed up their salary increases, and greater relocation allowances while keeping new hires' long-term rewards packages in line with those of their other employees.

COMPETITIVE JOB OFFER

a job offer in which the total rewards package offered is competitive with the market offer

HIGH JOB OFFER

a job offer in which the total rewards package is above the market offer

MAXIMUM JOB OFFER*the company's best and final offer*

When a firm makes a **maximum job offer**, it is extending the finalist its absolute best and final offer. The finalist is informed that this is the firm's best job offer and that no further negotiation is possible. A maximum job offer can be a low, competitive, or high offer. By telling the finalist that the company is offering all that it can afford or equitably do, the firm is communicating its sincere interest in the finalist and, it hopes, reducing or eliminating any negative feelings that might result from the offer being below what the finalist expected. This can be a good strategy if the firm wants to hire someone whose current total rewards package exceeds what the company can offer the person.

Presenting a high maximum job offer can help fill a position quickly or entice a top finalist to join the firm. Such an offer makes sense when a finalist has received a job offer and needs to make a decision quickly. As is the case with a high job offer, a maximum job offer has the potential to damage morale among a firm's current employees who have lower total rewards packages.

THE EMPLOYMENT CONTRACT

Employment contracts can be verbal, written, or a combination of both. Written statements generally supersede verbal statements. However, in the absence of contrary written statements, an employer is open to legal challenges if it breaks verbal promises. To be enforceable, any contract that cannot be performed or fulfilled within one year must be in writing under the statute of frauds. Every employee has an employment contract. As you learned in Chapter 3, at-will employment is an employment relationship in which either party can terminate the employment relationship at any time, for any legal reason, with no liability as long as there is no contract for a definite term of employment. Even if an employee is hired on an "at will" basis without anything communicated in writing, there is still an oral contract in place that in most instances would be just as enforceable as a formal written agreement. The big difference between the two is that the terms of a written agreement tend to be easier to prove than those of an oral one.²⁶

Legally Binding Contracts

A legally binding and enforceable employment contract arises when there is an offer, acceptance of that offer, and sufficient "consideration" to make the contract valid.²⁷ An *offer* contains the terms and conditions of employment as proposed by the employer, and possibly specific requirements for the offer's acceptance, such as a deadline. A job offer's terms must be definite and certain, and allow the job candidate to reasonably expect that the business is willing to be bound by the offer on the terms proposed. Simply telling a person to "come work for me next week" is too vague to be a valid offer.

An *acceptance* is a clear expression of the accepting party's agreement to the terms of the offer. The offer must be accepted as specified in the offer, and not propose any changes. If the offer requires written acceptance by a certain date, the acceptance must be on time and in writing to be valid. Stating, "I'll accept the offer for an additional \$5,000 per year" is a counteroffer, and it becomes the employer's choice to accept or reject it.

Consideration is the bargained-for exchange between the contract parties. In other words, something of value must pass from one party to the other for consideration to have occurred. Each party to the contract must gain some benefit from the agreement and incur some obligation in exchange for that benefit. Typically, this involves an exchange of labor for pay.

Common Contract Content

Employment contracts often focus more on termination issues than on employment. The termination provisions of a contract can include provisions for outplacement assistance, career counseling, and supplemental benefits, such as the ability to continue investing in the firm's 401(k) retirement plan after a person is terminated. However, if a company has a formal severance policy, a separate severance agreement might be unnecessary. For some candidates, the severance terms of the employment contract are a very important factor. This is especially true for CEOs who frequently negotiate for "golden parachutes," or significant benefits including large severance pay packages if their employment is terminated. One chief information officer based his decision on the severance he negotiated. When one company offered three years' pay if the job didn't work out, he accepted it because most executives at that level only receive a year's severance.²⁸

Additional Agreements

Restrictive covenants are contract clauses that require one party to do, or to refrain from doing, certain things. To stay competitive, many companies must protect their most precious assets—human capital, client relationships, and trade secrets.²⁹ Almost all companies require employees who have access to confidential information and technical employees involved in research and development to agree not to divulge trade secrets. The company also often retains the *rights to employee inventions and patents*. This can be particularly important for companies pursuing a competitive advantage based on innovation who need to own and protect their discoveries. *Nondisclosure agreements* are intended to stop a current or former employee from giving away trade secrets or using confidential data, like customer lists, for a competitor's benefit. Nondisclosure agreements can be particularly important for companies relying on innovation or a proprietary technology as a competitive advantage. An example of a nondisclosure clause is, "After expiration or termination of this agreement, [employee name] agrees to respect the confidentiality of [company name] patents, trademarks, and trade secrets, and not to disclose them to anyone."³⁰

Two additional ways to protect these assets are through nonsolicitation and noncompete agreements. Before their actual departure dates, employees have the right to notify their current customers that they are leaving their companies. However, many firms include *nonsolicitation agreements* in their employment contracts to prevent departing employees from actually soliciting their customers for business on behalf of their new employers. (What constitutes "solicitation" is interpreted on a case-by-case basis.) However, after their employment has ended, employees are generally free to do so, provided they do not divulge their former employers' trade secrets in the process.³¹

Noncompete clauses prevent an employee who has resigned from joining a competitor for a certain period of time. For example, before H. J. Heinz lured Daniel O'Neill away from a senior-level job at Campbell Soup, O'Neill had signed an agreement with Campbell that prohibited him from working for a competitor for 18 months after his departure. Because Campbell Soup wasn't willing to let him go, the two companies eventually reached a settlement stating that O'Neill could not work at Heinz for seven more months. When he finally began his new position, O'Neill had to keep a daily log of his business meetings for 11 months (which were monitored by an independent auditor) to assure no transfer of trade secrets or confidential information.³²

In order to be legally enforceable, the terms of the noncompetition should be as detailed as possible as to time, geographic area, and type of business activity. The agreements can include not taking after-hours jobs with competitors or in any other way competing with one's former company. Trade secrets, confidential information, customer lists, or the firm's unique services generally qualify as legitimate business interests that can be protected with noncompete clauses. An example of a noncompete agreement is as follows:

- a. [Employee name] agrees not to compete with [company name] in the practice of [type of business or service] while working for [company name] and for a period of [number and measure of time (e.g., "six months" or "10 years")] after termination of employment within a radius of [number] miles of [company name and location].
- b. For purposes of this covenant not to compete, competition is defined as soliciting or accepting employment by, or rendering professional services to, any person or organization that is or was a client of [company name] during the term of [employee name]'s work with [company name].³³

Noncompete agreements that are too broad in the scope of their time period, geographical reach, or type of work tend to be overturned by the courts if challenged.³⁴ Because state laws differ, it's important to check your state's noncompete covenants. Despite the difficulty of enforcing noncompete provisions, many firms include them in their contracts as a deterrent.³⁵ Offering a consulting contract to departing employees can also prevent them from working for a competitor.

Table 11-4 summarizes some of the content commonly contained in an employment agreement.

RESTRICTIVE COVENANT

a clause in a contract that requires one party to do, or refrain from doing, certain things

TABLE 11-4 Employment Contract Content

Although the content of employment contracts varies, depending on the industry and the particular employee, here are some examples of topics frequently covered by employment contracts:³⁶

- *The job's title, description of position, and job duties.* The contract should outline the position and its duties, or a reference should be made to a specific job description also provided to the finalist. An employer also should include language allowing the company to assign additional duties, as appropriate, to the new hire.
- *The start date.* The start date is typically at least two weeks from the offer acceptance date if the finalist needs to resign from his or her current job.
- *The job's compensation, benefits, and incentive pay.* If any.
- *Any hiring inducements.* Sign-on bonuses, relocation expenses, and so forth.
- *The offer's acceptance procedures.* The firm needs to spell out that by signing the contract, the finalist accepts the employment terms and conditions offered by the employer, subject to the conditions listed in the agreement. The firm should also insist that the acceptance of the job offer be in writing. An acceptance deadline should be included to allow the company to move on to the next finalist if the offer has not been accepted by a certain date.
- *The duration of the contract.* If it's for a limited period of time.
- *Hours of work.* The contract should outline the job's work hours via a statement like the following: "The regular workday shall consist of eight (8) hours of work between 9 a.m. and 5 p.m." or be worded to provide maximum flexibility: "Hours of work will vary and be scheduled as needed."
- *Disclaimers.* A disclaimer explicitly limits an employee right, such as his or her right to employment, and reserves it for the employer. One of the most common disclaimers is a provision that the employment is at will if it is not for a specific time period. A statement to the effect that by accepting the offer, the employee agrees that the organization has not made any promises other than those in the written offer is also a disclaimer.
- *The rights to the employee's inventions and work products.*
- *Termination criteria.* If the contract is not on an at-will basis, it should spell out any specific grounds for termination.
- *An explanation of how disputes will be handled.* One way to avoid the expense of going to court is to agree to arbitrate any future disputes with the employee. Arbitration is also generally much faster than formal court proceedings.

Written employment agreements may be multipage contracts or simple letters—both are legally binding. Large organizations often limit contracts to upper management and give other finalists offer letters that reflect the terms they negotiated.³⁷ An **offer letter** states in clear and precise terms exactly what the compensation structure and terms of the employment will be. Offer letters are often drafted, approved by lawyers, and amended as needed. Figure 11-2 shows an example of a job offer letter.

Statements on a job application blank (e.g., a statement that providing false information is grounds for termination), statements in employee handbooks, and statements in other documents can be interpreted as enforceable contracts. Accordingly, it is important to check them for consistency and to include a statement in the offer letter similar to "no verbal or written agreements, promises, or representations that are not specifically stated in this offer, are or will be binding upon (company)." Consult legal counsel about all contract wording.

PRESENTING A JOB OFFER

A job offer can be presented to a finalist *in writing* via a formal letter like the one in Figure 11-2. The terms and conditions of employment are outlined, and the finalist is asked to either accept or reject the offer as is. In this situation, no personal contact is made with the finalist and further negotiation is not permitted. The finalist must either reject the offer or accept it as is. This approach can be successful for companies doing a lot of hiring. For example, perhaps a firm has opened a new location and hundreds or even thousands of people need to be hired in a short

OFFER LETTER

a written letter describing in clear and precise terms exactly what the compensation structure and terms of an employment contract will be

(Date)

Dear Ms. Lopez,

Welcome to ABC Company! On behalf of ABC Company it is my pleasure to extend the following offer of employment to you. This offer is contingent upon your passing our mandatory drug screen.

Title:

This position will report to:

A job description is attached. An annual base salary of \$55,000 will be paid in equal biweekly installments consistent with the company's payroll practices, subject to deductions for taxes and other withholdings as required by law. Upon satisfactory completion of the first 90 days of employment, you may be eligible for a bonus based on your meeting the goals and objectives agreed to in the performance development planning process with your manager within two weeks of your start date. The bonus plan for this year and beyond, should such a plan exist, will be based on the formula determined by the company for that year.

As discussed during your interview, ABC Company offers employees and their eligible dependents participation in its health and other benefit plans. Your compensation package includes full medical and dental coverage through our company's employee benefit plan, and fringe benefits including a 401(k) and tuition reimbursement as covered in the enclosed pamphlet. Your employee contribution to payment for benefit plans is determined annually. Twelve paid personal days, which are to include vacation days, sick days, and personal emergency days, are accrued annually at a rate of one per month.

I would like to note that your employment with ABC Company will be "at will," meaning that either you or the company may terminate your employment at any time, for any or no reason, and with or without notice.

By signing below you acknowledge that this offer letter, along with any referenced documents, represents the entire employment agreement between you and ABC Company, and that no verbal or written agreements, promises, or representations that are not specifically stated in this offer, are or will be binding upon ABC Company. This offer is valid for 10 business days and our standard noncompete agreement must be signed and returned before this contract will be considered valid.

We look forward to your arrival at our company and are confident that you will play a key role in our company's expansion into new markets. Please let me know if you have any questions or if I can do anything to make your arrival easier.

Signatures:

(For ABC Company)

Date

(Candidate's name)

Date

FIGURE 11-2 A Sample Job Offer Letter

Source: Adapted from Heathfield, S. M., "Job Offer Letter," [Humanresources.about.com](http://humanresources.about.com/cs/policysamples/a/joboffer_2.htm), 2006, http://humanresources.about.com/cs/policysamples/a/joboffer_2.htm. 2006; Texas Workforce Commission, Job Offer Letter, 2006, www.twc.state.tx.us/news/eft/job_offer_letter.html; HR Document Center, Job Offer Letter—Exempt Position, August 1, 2002, http://service.govdelivery.com/service/document.html?code=HRDOC_146.

period of time. However, such an offer is not an effective way to persuade undecided finalists to accept the offers made to them. Neither is the written offer likely to enhance a finalist's enthusiasm for joining the company.

As we have indicated, the other alternative is to present the job offer *verbally*, either face-to-face or by phone. A typical verbal job offer begins with an HR professional or hiring manager congratulating the finalist and letting him or her know that the company is enthusiastic about having them onboard. The job and its salary and benefits are described as well as the work hours and perhaps when the finalist can expect to be evaluated and given a merit raise. The finalist is asked about any reservations he or she may have about accepting the offer or if he or she has any other questions about the job. To persuade a finalist to accept your job offer, it is important to appeal to the finalist's priorities and to address any personal concerns he or she might have. Be sure to respond to any finalist requests for more information. Lastly, the finalist should be given at least 48 hours to consider the offer. A phone offer should also be followed up with a written offer, so the finalist can be sure that the details of the written offer match those conveyed over the phone.

NEGOTIATING

For every employment term and condition, the firm must decide if it is willing to negotiate it and if so, what the lower and upper bounds will be. Similarly, job candidates often establish a lower bound for what they are willing to accept on key dimensions such as pay, benefits, and work hours. So, what terms are negotiable? One survey found that the vast majority of HR professionals believe salaries are negotiable. Roughly one-half of HR professionals believe relocation expenses, flexible work schedules, early salary reviews, paid time off, and sign-on bonuses are negotiable. And at least 20 percent of respondents felt that professional development opportunities, bonuses and incentives, number of work hours per week, and educational assistance are negotiable.³⁸

Indeed, the shift in how people view employment contracts over the past 15 years has given employees and applicants greater individual bargaining power. A Towers Perrin study found that today's workforce is more sophisticated, better informed, and more individualistic than ever before.³⁹ Clearly, employers are feeling more pressured to negotiate with workers as a result. As Edward Lawler, a compensation expert, noted: "It is increasingly likely that organizations will be making individual deals with a large number of their employees. This is particularly likely to be true in the case of knowledge workers and managers. At the executive level, organizations already have elaborate individual contracts that are difficult to compare and evaluate."⁴⁰

Another study found that students who negotiated their job offer received 7 to 8 percent more than their initial offer. But while 52 percent of the men negotiated, only 12 percent of the women did.⁴¹ By not negotiating their salaries, many women sacrifice more than an estimated \$500,000 by the end of their professional lives. Women also tend to use a more cooperative negotiation style than do men, although the difference is fairly small.⁴² The fact that there can be gender differences in negotiation behaviors and outcomes⁴³ is not only important for job seekers, particularly females, but also for companies. Because starting salaries are set in part through the new hire's negotiations, gender-based wage disparities can result and grow quite significant over time. This can put firms at the risk of being sued for discrimination.

An increasing number of employers are offering flexible benefit packages with different options. Often the packages give employees a variety of choices regarding their benefits, including their health, dental, and disability insurance coverage. Severance pay, stock options, and profit-sharing plans can also be negotiable. Table 11-5 summarizes some commonly negotiated elements of a job offer.

Negotiating with New Hires

The degree to which a salary is negotiable depends on the position, the manager, the organization, and your perceived value. The salaries for most entry-level positions are subject to little, if any, negotiation. Likewise, most state and federal government jobs also have rigid, nonnegotiable salary scales based on one's education and experience. However, for mid-level positions in the private sector, employers will generally negotiate within a job's salary range. For example,

TABLE 11-5 Negotiable Job Offer Elements*Salary**Sign-on bonuses and other one-time inducements**Nonsalary compensation: performance bonuses, profit sharing, deferred compensation, severance package, and stock options**Relocation expenses: house-hunting expenses and closing costs, temporary living allowances, travel expenses, and spousal reemployment expenses**Benefits: vacation, sick, and personal days (number, amount paid, and timing), conference attendance, tuition reimbursement, professional memberships, product discounts, and short-term loans**Job-specific elements: the timing of the employee's first performance review and potential raise; the job's title, roles, and duties; the location of the work (e.g., whether telecommuting is allowed), work hours and if they are flexible, and the start date*

a job paying \$40,000 a year might have a salary range of between \$36,000 and \$44,000, and employers will allow a candidate to negotiate between the two. An exceptional finalist might occasionally be offered a salary that exceeds the high end of the range, but only with the approval of the firm's higher-level managers. Higher-level management and executive positions generally offer the greatest opportunities for negotiation. Figure 11-3 shows the bargaining zone for an annual salary.

It should be noted that managers do not always act in the best interests of their employers when they're negotiating starting salaries. Depending on the strength of a manager's desire to hire the finalist and his or her motivation to influence the final compensation package (perhaps to preserve internal equity), the manager's negotiation tactics and goals may differ from those of the firm, and can be costly. For example, some hiring managers might make higher job offers than necessary in an effort to hire a desired candidate or to reduce the time spent negotiating. Consequently, when it comes to negotiating employment packages, organizations need to align the interests of their managers with the firm's goals to ensure that managers negotiate as they're supposed to. If the organizational policy does not allow salary flexibility, being flexible in other areas, such as working hours, relocation expenses, and sign-on bonuses, will increase the likelihood that the agent will act in the best interest of the organization.⁴⁴ People negotiating on behalf of the company should also be given rewards associated with their outcomes (completing the deal on time, negotiating terms the firm desires, controlling salary costs, and so forth).⁴⁵

To successfully negotiate a job offer, you should try to focus on the things that matter most to the finalist. If the person is a middle manager about to put three children through college, money may be important. Often, however, nonmonetary factors, including career advancement opportunities, the opportunity to learn new skills, the community's quality of life, and flexible work hours, are also important to many people. Computer engineers might be most excited about the opportunity to work with the latest technologies. A finalist who has just been laid off might put job security at the top of the list. Selling the opportunity based on the content of the job rewards analysis can be helpful, particularly when done in the context of finalists' own needs and desires.⁴⁶ This chapter's Develop Your Skills feature gives you some tips on negotiating a job offer.

\$70,000	x		
\$65,000	x	x	
\$60,000	x	x	
\$55,000	x	x	The negotiating zone is between \$55,000 and \$70,000
\$50,000		x	
	Acceptable to the Job candidate	Acceptable to the company	

FIGURE 11-3 Salary Negotiating Zone

Renegotiating Contracts

When a person's job responsibilities change, for example, due to a promotion or reorganization, the terms and conditions of his or her employment are also likely to change. Employment contracts are frequently renegotiated to reflect these changes. Some renegotiated employment contracts simply consist of a letter from the employer announcing the change of conditions. Other employment contracts include the terms and processes for renegotiating an employee's conditions of employment, for example, during an annual performance review.⁴⁷

Legally, before the contractual terms of a person's employment can be changed, there must be an offer made to the person, which he or she accepts. If the employee disagrees with the new terms, negotiating will probably be required.⁴⁸ However, if the employee says nothing about the proposed change, he or she will have tacitly agreed to the change, which will become binding on both parties.⁴⁹

If an **explicit employment contract** (written or verbal) does not exist, an **implicit employment contract** or an understanding that is not part of a written or verbal contract, can still exist.⁵⁰ Roughly half of the *Fortune* 500 CEOs work under implicit contracts.⁵¹ Most small business employees are also hired without the formality of a written contract. Although explicit employment contracts are not limited to union members, in 2012 11.3 percent of employed people in the United States were union members and thus covered by explicit employment contracts.⁵² In some cases, labor unions allow workers to coordinate their actions in response to a firm's breaching of the implicit contract it has with its workers.⁵³ Implicit employment contracts tend to be the norm for most positions in most firms.

Although written contracts help to ensure that the employer and employee have shared expectations and curtail future disputes, few employers provide true written contracts to the majority of their employees. If employees receive anything, it is a letter of agreement, which

EXPLICIT EMPLOYMENT CONTRACT

a written or verbal employment contract

IMPLICIT EMPLOYMENT CONTRACT

an understanding that is not part of a written or verbal contract

DEVELOP YOUR SKILLS

Job Offer Negotiation Tips

Because employment is an ongoing relationship between the employee and the employer, negotiating needs to be done in a way that results in a win-win outcome for both parties. Here are some experts' suggestions for being an effective negotiator:⁵⁴

- *Do not look at a negotiation as an either/or proposition.* Negotiating is about compromise. Focus on your goals, not on winning.
- *Identify what you can and cannot part with.* Identify the things most important to you (e.g., your salary, career development, or a signing bonus) and those things that are less important (e.g., receiving a prestigious job title). Establish minimum requirements for the critical issues.
- *Try to identify and use sources of leverage.* Leverage is anything that can help or hinder a party in a bargaining situation. For example, an employer who must hire quickly is at a disadvantage. Therefore, you might be able to negotiate a better offer. Multiple job offers can also increase your leverage.
- *Suppress your emotions.* Negotiations can stir emotions. Constantly reminding yourself of your goal can help you achieve an appropriate level of detachment so that you continue to see the deal clearly.
- *Know your BATNA.* BATNA is an acronym for "best alternative to a negotiated agreement." It is what you could have done had no negotiation taken place, or what you will do if you can't reach an agreement. The purpose of negotiations is to see if your needs can be better met by negotiating an agreement, compared to this next best alternative.⁵⁵ If the negotiations stall, letting the other side know that you're prepared to accept another company's job offer or decline their job offer can also help to get the process started up again.
- *Take time to evaluate the offer.* Consider the total value of the job offer, including the job's benefits. Be prepared before negotiating and ask for what you want in one session. If you keep saying, "I forgot something," you'll appear disorganized, and it can negatively influence the firm's expectations of you as an employee.
- *Be realistic.* Research your market value and typical salary ranges and benefits packages before you begin negotiating. As we have explained, entry-level salaries are less negotiable than mid-level or executive salaries. Some organizations have little flexibility in terms of what they can offer. Others have a lot.
- *Practice your negotiation skills with a friend.*
- *Document and be prepared to discuss your skills and accomplishments.* Employers are also more likely to meet a request if you can demonstrate why you need it.
- *Be appreciative and respectful.* Begin the negotiation by briefly expressing your appreciation for the offer you've been given. Cite specifics about your positive impressions of the organization and reinforce your good fit with the job and company. Don't be greedy or unreasonable, and know when to quit bargaining. Overnegotiating can dampen a company's enthusiasm for hiring you.
- *Remember that employment is an ongoing relationship.* Job negotiations are the foundation of your career with the company. If you get too little, you will be at a disadvantage throughout your career there. However, pushing too hard can damage your relationship with your employer before it even begins.

is less detailed and addresses more basic elements of the employment relationship, including a person's job title and responsibilities, salary and benefits, and start date. Written contracts are usually reserved for higher-level positions and are rarely used for entry-level jobs.

Because binding contracts for employment or for future compensation can be created verbally, great care should be taken during discussions with prospective new hires. Do not make any promises regarding the duration of the person's employment or his or her compensation unless the promises are intended to be contractually binding. An *agent* authorized by the receiver, such as a professional agent for a celebrity or a professional athlete, can negotiate on any finalist's behalf, and agents authorized by the organization, such as executive recruiters and search consultants, can negotiate on behalf of the company. All employees are agents of their firms. If a hiring manager tells a candidate what salary will be offered, it's a binding offer even if the manager is mistaken about what the firm wanted to offer.

CLOSING THE DEAL

While they are considering the offer following negotiations, it is a good idea to stay in contact with finalists to reinforce your enthusiasm about hiring them, and to ensure that they base their acceptance or rejection decision on facts rather than assumptions. Find out how the finalist prefers to be contacted (e.g., via phone or e-mail) and how often. To prevent overwhelming the finalist with a barrage of messages, an HR representative should coordinate any calls and e-mails sent by different people in the company, including the finalist's potential coworkers and hiring manager. When possible, a call from the CEO can also send the message that the finalist is valued and that the CEO cares about the company's employees.

While awaiting an answer from the job finalist, do not turn down your second choice. If the second choice finalist was told of a deadline for making a decision, be sure to contact the finalist before the deadline has passed to say that the position is still open and update the timeline. Be careful not to make the second or third choice finalist feel like a consolation hire. Treat them with enthusiasm—they are strong finalists to have advanced this far in the hiring process. Even if your first choice finalist accepts your offer, your company may want to try to hire the other finalists in the future.⁵⁶

The senior executives at Cisco Systems often take top candidates out to dinner to show the company's strong interest in them.⁵⁷ Offering high-level job offer recipients even their spouses a tour of the area in which they will be working can help them understand what life will be like if they accept the offer. Employees want to feel respected and assured that the company is a good fit for them. Showing your company as a unique or exciting place to work can help close the deal. Emphasizing the selling points of the job itself and the career development opportunities that exist, as well as selling the company's image and brand can increase the appeal of the opportunity. The job rewards analysis should help identify some of a job's most attractive features.

Once a job offer has been accepted, the recruiter's role is to begin the new hire's commitment to the company and enhancing his or her ability to succeed in the new job. (It can also be helpful to future hiring efforts to ask what persuaded the person to say yes and what he or she thought of each company contact and the hiring process.) Many companies send new hires handbooks, work materials, and other job and company information that can help the new hire feel that his or her decision is "official" and help build the new hire's sense of belonging. Sending a welcome package of apparel, pens, etc., with the company name or logo can help the new hire feel that his or her decision is "official" and help build the new hire's sense of belonging. If the new hire is not scheduled to begin work for a few months, as is the case with people who are about to graduate from college, regular calls from the new hire's hiring manager can help maintain the person's enthusiasm for the position. For new hires who live within a reasonable distance, inviting the new hire to celebrations, meetings, and other activities can help the person begin transitioning to his or her new job.

To document verification of the identity and employment eligibility of new hires, employers must complete Form I-9.⁵⁸ Form I-9 must be completed by the employer on the first day of work for pay. After getting the form and supporting documentation from the new hire, the employer must complete the second section by the new hire's third paid workday. Employers may be fined if the form is not complete. Employers must retain a copy of Form I-9 and make it available for inspection upon a request by Immigration and Customs Enforcement (ICE) investigators or other authorized federal officials for three years after the date that employment is terminated, or

FAIRNESS PERCEPTIONS AND REJECTIONS

A person's perceptions of fairness will affect how the applicant reacts to the firm's hiring choices, including the person's willingness to accept the job offer, recommend the company to others,⁵⁹ continue patronizing the company, or file a discrimination or other lawsuit.⁶⁰

Attending to a person's perceptions of procedural and interactional fairness will increase the finalist's willingness to accept a job offer and reduce the negative spillover effects that can occur when applicants are turned down for a job. Many job offer recipients use the job offer and negotiation process to further assess the organization's commitment to them and evaluate what it would be like to work at the company.

As you learned in Chapter 7, there are three types of fairness.⁶¹ Distributive fairness focuses on the perceived fairness of the outcomes received. Candidates receiving a job offer or promotion are more likely to feel that the hiring outcome is fair than those who do not. Given that most applicants for a position do not ultimately get the job, their perceptions of distributive fairness are often low. Procedural fairness addresses the perceived fairness of the policies and procedures used to determine the hiring outcome. If an applicant believes that she was not given a fair chance of being promoted because the hiring manager had a "favorite" candidate, her sense of procedural fairness will be low. The firm's selection procedures, particularly the perceived job relatedness of the selection method used, the opportunity the method afforded the candidate to demonstrate his or her abilities, and the propriety of the questions asked will all affect a candidate's sense of procedural fairness.⁶² If the selection method seems unrelated to the job (lacks face validity)⁶³ or if inappropriate or illegal questions are asked, this particularly increases applicants' perceptions of unfairness.⁶⁴ In short, candidates prefer selection methods that are definitive, valid, job related, and not personally invasive.⁶⁵

The third type of fairness, interactional fairness, relates to the respect and interpersonal treatment candidates perceive they received. For example, if the person negotiating the employment contract seems unreasonable or unhelpful, a candidate's interactional fairness perceptions are likely to be low. For example, we know of one faculty job offer recipient who was very interested in accepting a position until she began negotiating the offer with the dean of the school. Every request she made was quickly met with a "No, we can't do that." The dean made no attempt to negotiate with the candidate nor explain why she wouldn't do so. Ultimately, the professor was so turned off, she declined the job offer—a job offer that she had previously been excited about.

Rejecting

Companies and job seekers can each reject the other. Rejecting happens when the organization rejects an applicant, date, or finalist or vice versa.

WHEN THE COMPANY REJECTS THE CANDIDATE Rejections should be handled carefully and respectfully. At the company might want to recruit those whom it rejected for other job opportunities. As we have explained, too, the firm wants to avoid any negative spillover effects that result from how a candidate was rejected. Some companies often do not give rejected candidates specific reasons for their rejection lest they be perceived as discriminatory. In contrast, in an effort to reduce the negative feelings rejected external candidates often hear, some firms provide their external candidates feedback on why they weren't chosen. They could have done better. In one case, a college dean gave a candidate feedback that he did not have the necessary nonacademic work experience. The college valued the rejected candidate appreciated the dean's candor and the professional development feedback. Three years later the dean hired the candidate after he had worked with outside organizations and built up the skill set he had previously lacked. Developmental plans can be used with internal candidates to help them gain experience and improve their qualifications.

Rejecting internal candidates has additional issues as these candidates are usually even more aware of the procedures, have greater familiarity with other candidates for comparison, and are invested in the process than do external applicants. Internal candidates who are promoted or rejected are also retained as employees in their current jobs. Consequently, applicant reactions could profoundly impact important organizational outcomes such as satisfaction, morale, retention, and performance.⁶⁷

A firm's human resource department should be sure to keep appropriate records of all applicants for equal employment opportunity and affirmative action (EEO/AA) computation purposes, such as applicant flow. If a rejected applicant is qualified for a different position or if they might be hired in the future for the job to which he or she applied, this can help facilitate the future sourcing and recruiting of prequalified applicants. It is important to note that an individual's data cannot be warehoused for future recruiting purposes without the individual's permission to access it every time.

WHEN THE CANDIDATE REJECTS THE COMPANY When a candidate turns down a job offer, the person that made the offer should try to find out whether the person might be willing to accept a better offer if the firm were willing to negotiate one. If the negotiation process breaks down thereafter, the candidate's rejection should be promptly and respectfully acknowledged. One human resources expert suggests that the primary reason many people turn down jobs is because they were treated poorly during the hiring process. Although a candidate might initially give a reason for rejecting the firm, it may not be the real cause. The expert suggests waiting six months before asking candidates precisely why they turned down a job offer.⁶⁸ At this point, they might be willing to talk more candidly about their recruiting experience.

Reneging

Job seekers should never accept a job offer, even verbally, unless they are willing to commit to it. Backing out of a contract after it is accepted is called **reneging**, and is unethical. Many schools actively discourage reneging among their graduating students by threatening to revoke their ability to apply with other on-campus recruiters or revoking their alumni privileges.⁶⁹ Employers should never pressure candidates to renege on other employers. Although reneging is sometimes unavoidable due to a candidate's changing health or family circumstances, it should not be taken lightly.

Employers sometimes renege on the job offers they have extended candidates—sometimes even after the offers have been accepted. Perhaps an employer's business environment changes unexpectedly, the firm experiences a slump, or it is being reorganized, sold, or shut down. Often companies that renege on a job offer will give the job offer receiver compensation for breaking the contract. Instead of reneging, it may be possible to defer the new hire's start date and offer the person a partial salary in the interim. Alternately, it might be possible to hire the individual as a consultant or temporary employee and convert him or her to a full-time hire as soon as possible (e.g., after a hiring freeze is lifted). When many law firms extended job offers to summer interns

RENEGING

backing out of a contract after it is accepted

Hiring Top Performers at MarineMax

To control its fixed labor costs, MarineMax needs to persuade top talent to accept its job offers without paying them more than it has to. Because successful boat retailing depends on developing relationships with customers, and because the company focuses on premium brands, attracting, keeping, and developing its employees are MarineMax's top priorities. The yacht maker knows that its people are critical to its success. As a result, it constantly tries to hire the best candidates to help it achieve its anticipated future growth.⁷⁰ MarineMax pays more than its competitors do, but the company also provides intangibles, such as challenging work and advancement opportunities.

MarineMax tries to tailor its job offers to each finalist. The company is willing to pay what it takes to get top performers. However, to avoid overpaying employees, MarineMax requires candidates to provide the company a full salary history. MarineMax then uses salary surveys and market information to shape each job offer. To avoid having high fixed labor costs, the company uses performance-based pay programs and sometimes negotiates guaranteed performance bonuses for an employee's first year to lure top talent. The company is also willing to use stock options to persuade some top candidates to accept its job offers, which is uncommon in the industry.⁷¹

Top service technician candidates are enticed with a guaranteed opportunity to bill out a certain amount of work and increase their hourly rate by obtaining additional credentials. This signals to top technicians that a job at MarineMax will pay well. MarineMax's standard benefits package includes health benefits, a 401(k) plan with an employer match, an employee stock purchase plan, and an attractive discount on its boats.⁷² Its flexible approach to creating job offers that best appeal to its top candidates has helped make MarineMax a leader in its industry.

before the economic downturn and found that they could not use them after all, many paid the associates a reduced salary to delay their start date or a lump sum to cancel the employment contract.⁷³ Being honest and treating the new hire with respect during the renegeing process can soothe the anger and feelings of inequity the person is likely to experience, protect the employer's reputation and brand, and keep the individual interested in working for the firm in the future.

Summary

There are different ways to combine candidates' scores on different assessments and make a final choice of whom to try to hire. The choice of these methods should be based on the nature of the job, which job elements are essential, and the importance of involving job experts in the final choice. The quality of a strategic staffing system is largely determined by the people who ultimately accept job offers and become employees. Regardless of the quality of a company's sourcing, recruiting, and assessment methods, if it

cannot entice the best candidates to join the company, the staffing system is not as successful as it could be. Although compensation is often cited as an important factor in job choice, other elements of a job offer, including career development opportunities, flexible work schedules, and severance terms, are also important to many candidates. The content of the job offer and its presentation should reinforce the organization's image as an employer as well as its talent philosophy, human resource strategy, and staffing strategy.

Takeaway Points

1. Candidates' scores on different assessment methods can be combined in two different ways. One way is to use a multiple hurdles approach whereby candidates must receive a passing score on an assessment before being allowed to continue on in the selection process. The second way is to use a compensatory approach whereby a candidate's high scores on some assessments can compensate for low scores on other assessments.
2. A final choice can be made using cut scores, which establish a minimum score candidates must exceed; rank ordering, which orders candidates from the highest to lowest depending on their scores; or banding, which assigns candidates to groups based on their overall scores. (After being banded, all candidates in each group are considered to have performed the same on the assessments.)
3. The factors that influence the content of a company's job offer include the type of job as well as the organization, applicant, and external and legal factors.
4. The three compensation strategies firms can choose from are a low strategy (below-market compensation), competitive strategy (at-market compensation), and high strategy (above-market compensation). A maximum strategy (compensation that is nonnegotiable) can be used with any of these three compensation strategies to present a company's best offer.
5. Applicants' perceptions of the distributive, procedural, and interactional fairness of the selection process will influence how they will react when they are offered jobs and rejected for jobs. This can affect whether or not they accept the job offers, recommend the company to others, continue patronizing the company, or file a discrimination, or other, lawsuit.

Discussion Questions

1. Which approach to combining candidates' assessment scores would you favor for choosing candidates? Why?
2. Is it ethical for some new hires to receive different levels of pay and benefits than other new hires? Why or why not?
3. If you received a job offer via e-mail, with no phone or personal contact, how would you feel? Would it influence your decision to accept the offer?
4. If you received a very appealing job offer one week after accepting a different job offer with another company, what would you do?
5. Think about different job offers you have received. What made some of them better than others?

Exercises

1. **Strategy Exercise:** Imagine that you are the manager of a McDonald's restaurant. You are pursuing a low-cost, high-quality service strategy. You believe that the assistant manager you hire is critical to executing your strategy because the person will have a great deal of contact with both your employees and customers. You have just finished interviewing the five finalists for the position. One candidate really stands out: Pat Edwards has three years of relevant work experience and a collaborative and

service-oriented style that will fit your restaurant's culture very well. She also scored high on the interview, job knowledge, and simulation assessments.

Your previous assistant manager had been hired with no job experience and had not done nearly as well during the assessment process. He had been hired six months ago for an annual salary of \$26,000 with two weeks paid vacation, a standard health benefits package, and a \$1,000 sign-on bonus. You

had to let him go last week after his disappointing performance failed to improve. You would like Edwards to accept your offer and start work as soon as possible. Your assignment is to write a job offer letter to Edwards using what you have learned in this chapter.

2. *Develop Your Skills Exercise:* This chapter's Develop Your Skills feature provided several tips on negotiating a job offer. In this exercise, you and a partner will use these tips to role-play a job offer negotiation. When you have finished, switch roles and negotiating partners so that you each have a chance to be the company representative and a chance to be the finalist with someone else. Your instructor will provide you each with more information and goals for your role.
3. *Opening Vignette Exercise:* In this chapter's opening vignette, you learned how MarineMax tries to tailor its job offers to specific candidates. Working in a group of three to five students, reread the vignette and be prepared to share with the class your answers to the following questions:
 - a. Do you think that it is ethical for MarineMax to give different new hires for the same job different amounts of pay and benefits?
 - b. Should MarineMax use a low, competitive, or high job offer? Why? Should the company present a maximum job offer or leave room to negotiate? Why?
 - c. What can MarineMax do to increase the likelihood that the top sales candidates it recruits will accept its job offers?

CASE STUDY

HIRING FBI AGENTS

The FBI is one of the six bureaus of the U.S. Department of Justice and the primary criminal investigative agency of the federal government. The special agents who work for the FBI investigate people and organizations who violate federal statutes. These violations can be related to organized crime, white-collar crime, financial crime, civil rights violations, bank robberies, kidnapping, terrorism, foreign counterintelligence, and fugitive and drug trafficking matters. Special agents also work with other federal, state, and local law enforcement agencies. The work performed by special agents has a daily impact on the country's security and the quality of life of all U.S. citizens.⁷⁴

The FBI has validated a series of assessment methods for its special agent positions. To effectively utilize the assessments, it uses a combination of multiple hurdles and cut scores to make its hiring decisions:⁷⁵

1. *Online Application for the Special Agent Position:* A preliminary online application submitted through an FBI Field Office is used to determine if applicants meet the minimum qualifications of the position,⁷⁶ including citizenship, age, education, work experience, and geographic mobility.⁷⁷
2. *Phase I Testing:*⁷⁸ Applicants passing the second hurdle are given three tests: A biodata inventory, a logical reasoning test, and a situational judgment test. Candidates whose scores exceed a predetermined cut score advance to the next phase.
3. *Phase II Testing:*⁷⁹ Only the most competitive applicants, based on the hiring needs of the FBI, are scheduled for Phase II Testing. Candidates' performance on a structured interview and a written exercise are compared to a cut score. If the applicant's score is at or higher than the cut score, he or she passes Phase II. Candidates who pass this hurdle are sent a letter informing them that they passed and that

they might also receive a conditional letter of appointment, based on the determination of their competitiveness and the needs of the FBI. The final offer of employment is contingent upon successfully completing the physical fitness test, background investigation, and medical examination.

4. *Physical Fitness Test:* To pass the physical fitness test candidates must perform a maximum number of sit-ups in one minute, perform a timed 300-meter sprint, perform a maximum number of push-ups, and perform a timed 1½ mile run. Candidates have a total of three opportunities to pass the physical fitness test.⁸⁰
5. *FBI Background Investigation:* Candidates receiving a conditional letter of employment are subjected to a background investigation including a polygraph test, credit and arrest checks, interviews with associates as well as personal and business references and past employers, and verification of educational achievements. Receiving an FBI Top Secret security clearance is necessary to be eligible for a FBI Special Agent position.⁸¹
6. *Medical Examination:* A thorough medical examination is given to assess whether any medical issue could negatively affect the candidate's ability to perform basic Special Agent job functions. Candidates passing all phases of the hiring process are scheduled for a Special Agent class at the FBI Academy.

Questions

1. What are the advantages and disadvantages of the FBI using a multiple hurdles approach to select special agents?
2. Would such a lengthy selection process appeal to you or turn you off to working at the FBI?
3. What might the FBI do to increase the chances that the applicants it wants to hire accept the job offers extended to them?

Semester-Long Active Learning Project

Describe how candidates' assessment scores will be combined into a single score that can be used to compare candidates. Describe how you will reduce the candidate pool to a group of finalists and how you

will decide which of your finalists will receive a job offer. Using what you learned in Chapter 4, identify how your decision-making plan will enable the company to comply with EEO and other legal requirements.

Case Study Assignment: Strategic Staffing at Chern's

See the appendix at the back of the book for this chapter's Case Study Assignment.

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