

## Improving Store Performance at Caribou Coffee

After establishing their first coffee house in 1992, Caribou Coffee Company cofounders John and Kim Puckett quickly grew the company. Headquartered in Minneapolis, Minnesota, Caribou Coffee Company is now the nation's second largest specialty coffee company with almost 500 company-owned stores and over 6,000 employees.<sup>1</sup> The company also sells its coffee, equipment, and other goods through the Caribou Coffee Web site and various retail partners.

Caribou's leaders logically assumed that customer service was the reason customers returned to their stores. This made sense, particularly given the company's emphasis on the customer service skills of all of its employees, including district managers who were responsible for eight to fourteen locations. But the fact that store success varied more across district managers than within a single district manager's stores created a puzzle: If there was an across-the-board focus on customer service, why was the performance of each district manager's stores so similar, but the performance of each district manager different? Did the higher-performing district managers communicate more effectively to customers and associates? Were they better at developing employees? What exactly accounted for the difference?<sup>2</sup>

Imagine that Caribou Coffee approaches you for ideas as to what its highest-performing district managers must be doing or offering to consistently outperform the others. After reading this chapter, you should have some good ideas.

People's efforts, talents, knowledge, and skills matter to organizations. If you don't believe this is true, then fire all your organization's employees and replace them with cheaper labor. Few successful organizations would accept this challenge because they understand that their people are the key to their performance and survival. A *competitive advantage* is something that a company can do differently from its rivals that allows it to perform better, survive, and succeed in its industry. Sometimes an organization's competitive advantage is defined by its technology. Other times, innovative product lines, low-cost products, or excellent customer service drive competitive advantage. In each case, the company's employees create, enhance, or implement the company's competitive advantage.

How do people make a difference? At companies like Facebook and Google, key technology is devised, implemented, and updated by the people who create and use it. Employees at Apple Computer, Pfizer, and 3M create and sell new and innovative product lines. Employees identify and implement the manufacturing system improvements that create low-cost, high-quality automobiles at Hyundai. Finally, the service at Starbucks is all about employee–customer interactions and experiences. In each of these cases, employees influence and implement the key drivers of the success of the business. Depending on the business, it may be true that the decisions made by marketing, finance, R&D, or some other department are the most impactful for a company. But all business decisions are made by employees. Hiring and retaining only mediocre talent is likely to result in mediocre decisions and performance. Moreover, bad hires can be very costly to organizations in terms of revenue or productivity losses, legal issues, and lowered employee morale and client relationships.<sup>3</sup>

Effective staffing is the cornerstone of successful human resource management—it lays the foundation for an organization's future performance and survival. Why is it so important? Staffing is important because its outcomes determine who will work for and represent a company, and what its employees will be willing and able to do. As a result, staffing influences the success of future training, performance management, and compensation programs as well as the organization's ability to execute its business strategy. Perhaps no other single activity has the potential to have as great an impact on employees' capabilities, behaviors, and performance as identifying and obtaining the talent that the organization will ultimately use to produce its products or services. For some jobs, the performance difference between an average and an exceptional performer can be quite high. For example, because Google knows that an exceptional technologist's performance is as much as 300 times higher than that of an average one, it is willing to invest heavily in sourcing, recruiting, and hiring top technical talent.<sup>4</sup> Many successful companies give employee recruitment, retention, and motivation the same high-level attention as their other core business functions, such as marketing, finance, and research and development. Research has

confirmed that staffing practices are positively related to both profitability and profit growth.<sup>5</sup> Effective staffing can also enhance the performance of an organization's shares in the stock market. A survey by a large consulting

firm found that a strong staffing function led to greater shareholder return. In particular, companies that had a clear idea of whom they wanted to hire and that judged applicants against clear criteria outperformed companies with weaker staffing functions.<sup>6</sup>

By collaborating with hiring managers and influencing the flow of talent into, through, and out of an organization, staffing professionals play an important strategic role in organizations. Effective staffing requires a partnership between hiring managers and staffing professionals in the human resource management department. Staffing professionals bring expertise to the workforce planning and staffing processes, including evaluating what a job requires; identifying what competencies, skills, personalities, and so forth, are required for job success; and assessing those characteristics in job applicants. As the expert in the job itself, the hiring manager provides input throughout the process and typically makes the final hiring decision after the staffing specialist generates and screens a much larger pool of applicants. In addition to promoting the goals of their firms, staffing professionals promote the goals of society by helping match people with jobs and organizations in which they are able to be successful and happy.

This chapter begins with an explanation of the context in which staffing operates, followed by a definition of strategic staffing. We then discuss how strategic staffing is different from less strategic ways of looking at staffing, what strategic staffing entails, and why it matters. We then describe the importance of integrating staffing with the other areas of human resource management (i.e., training, compensation, performance management, career development, and succession management). Finally, we explain our plan for the rest of the book and describe some of the core ideas that we will present in each chapter. After reading this chapter, you should understand why a company's staffing practices must be consistent with its business strategy and with the other areas of human resource management if they are to support the larger goals of the organization.

## The Staffing Context

There are almost 6 million employers in the United States,<sup>7</sup> employing anywhere from one to hundreds of thousands of people. Over 143 million jobs existed in the United States in May of 2013.<sup>8</sup> Millions of employees are hired or separated every month, making staffing a multibillion-dollar business.<sup>9</sup>

Many forces in an organization's environment influence its staffing activities. For example, as globalization expands, companies are increasingly searching the world for talent. This has resulted in greater competition for top talent and has made it more difficult for firms to hire the best workers. Global competition for a firm's products and services also influences staffing because the increased competition can lower the company's profit margins and leave fewer resources available for its staffing activities.

Technological changes have also dramatically influenced the ways in which firms hire and manage their employee relationships. Technology has made it easier for firms to track and develop their employees' skills as well as recruit and hire new employees. The Internet and mobile technologies have changed the way organizations recruit and hire, and changed the ways many people now look for jobs. Similarly, database software systems have greatly facilitated the staffing evaluation process, making it easier to evaluate a staffing system and address any underperforming parts.

Many different legal and societal forces shape firms' staffing activities, too. For example, firms face antidiscrimination laws and laws that hold them responsible for the damaging actions of their employees if they fail to exercise reasonable care in hiring them. Applicants responding negatively to a firm's recruiting or selection methods, employees demanding greater work-life balance, or customers no longer buying the products of a firm that lays off domestic workers and hires cheaper labor abroad can influence a firm's future staffing choices as well.

Together these forces drive the way organizations identify, attract, assess, and integrate talent into the workforce. **Talent management** is the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining, and utilizing people with the required skills and aptitude to meet current and future business needs.<sup>10</sup> As one expert put it, "The ability to execute business strategy is rooted in the ability to attract, retain, and develop key talent. Successful talent management creates the most enduring competitive advantage. No company can afford to be unprepared for both the best and worst of times."<sup>11</sup> This book addresses the role that staffing can play in the talent management process.

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**Talent Management**

*attracting, developing, retaining, and utilizing people with the required skills and aptitudes to meet current and future business needs*

## Defining Strategic Staffing

**Strategic staffing** is the process of staffing an organization in future-oriented, goal-directed ways that support the business strategy of the organization and enhance its effectiveness.<sup>12</sup> This involves the movement of people into, through, and out of the organization.

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### **Strategic Staffing**

*the process of staffing an organization in future-oriented, goal-directed ways that support the business strategy of the organization and enhance its effectiveness*

This definition differs from the way companies often staff themselves. For example, too many organizations still fill a job opening by putting the same job announcement they have been using for years in one or two recruiting sources, such as a job board or newspaper, and make a hiring decision based on a gut feeling they get during an interview. In other words, they don't put sufficient thought or planning into hiring in the way that best helps the firm execute its business strategy with an eye toward the future.<sup>13</sup> The focus of strategic staffing is the integration of staffing practices with business strategy and with the other areas of human resource management to enhance organizational performance.

## How Strategic Staffing Differs from Traditional Staffing

A **strategy** is a long-term plan of action to achieve a particular goal. Traditional staffing tends to focus on quickly and conveniently filling an opening rather than on aligning the staffing effort with the long-term strategic needs of the organization. By contrast, strategic staffing entails both short- and long-term planning. The process involves acquiring, deploying, and retaining the right number of employees with the appropriate talents to effectively execute this strategy, focusing on maximizing return on investment rather than simply minimizing costs. When done strategically, staffing can enable a company to acquire a sustainable competitive advantage that allows it to successfully fulfill its mission and reach its goals. To illustrate what we mean by strategic staffing and how it differs from “less strategic” ways of thinking about staffing, let’s consider how two hypothetical organizations fill job openings. The first company, Treds, has a less-strategic staffing process.

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### **Strategy**

*a long-term plan of action to achieve a particular goal*



As the store manager of Treds, a popular shoe store in a local shopping mall, Ron knows he cannot afford to be understaffed during the upcoming holiday season. As soon as his assistant manager, Sandy, tells him she is quitting, Ron reaches into his file drawer and pulls out the job description (description of the job requirements) and person specification (description of the qualifications and competencies required of a person performing the job description) he used to hire her two years earlier. He quickly scans it, decides that it would be all right to use it again without making any changes, and forwards it to his regional manager along with a job requisition to get permission to hire a replacement.

When Lee, who is in Treds's human resource department, receives the approved job requisition and job description from Ron's boss, she checks how the company typically finds assistant managers. She sees that when it last hired an assistant manager, the firm posted an ad in the local paper. Lee can't tell from the company's records how many people had applied after seeing the ad. However, she decides that if it worked before, it should work again. So, she places the same "help wanted" ad in the store's local paper.

After two weeks, seven people have responded to the recruitment ad and submitted their résumés. Three of them lack the previous retail experience Lee sees as a minimum qualification for the position. After reading the other four résumés, Lee sets up telephone interviews with all four of them. She never gets back to the three applicants who lack retail experience to let them know that they are not being considered further.

After interviewing the four candidates over the phone about how interested they are in the job and confirming they have appropriate education and experience, Lee decides that three of them merit an interview and schedules them to meet with Ron at the store. At that point, Lee does not let the rejected candidate know that she is no longer being considered for the position.

Ron asks the three candidates individually about their work history and what they are looking for from the job and decides to hire Alex. Alex seems eager to start as soon as possible. Although he doesn't have a lot of retail management experience, Ron hopes he will be able to learn quickly on the job even though Treds doesn't have a formal training program. Alex receives a job offer contingent upon his passing a drug test and background check. After the background report and drug tests come back favorably, Alex accepts the job offer.

Ron sends Alex a copy of Treds's policy manual and schedules, and he reports to work the following Monday. The other finalists are not informed that the position has been filled until they call Ron to follow up.

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The second company, Soles, illustrates a better strategic staffing process.

Amy, the manager of popular shoe retailer Soles, has to replace her departing assistant manager, Ken, who has worked with her for the past two years. To be prepared for the upcoming holiday season, Amy would like to replace Ken as quickly as possible. She sets aside some time in her busy day to think about what she needs in an assistant manager.

Amy goes to her computer and reviews the job description she used when hiring Ken two years ago. "It is a good description of the job," she thinks, "but it seems like something is missing." Amy thinks about how the store's competitive landscape has changed over the past few years. When she first started working at Soles four years ago, there was only one other shoe retailer in the mall in which it is located. Now there are five, and two of them offer lower prices on shoes that compete with some of Soles's key product lines. Amy knows that her company can't lower its prices, but she feels that if her store offers excellent customer service, her customers will be willing to pay higher prices for her store's shoes. Also, Soles is planning to move all store transactions to tablets rather than the fixed register stations, so having an assistant manager with technological skills would also be useful.

Amy calls her human resource representative, Mike, to get some assistance in analyzing what her new assistant manager should be able to do. After performing a job analysis and determining what the job requires, Amy sends a revised job description to her regional manager along with a job requisition to get permission to hire a replacement.

After receiving hiring approval, Mike gives some thought to the qualifications and competencies Amy listed for the position. He tries to figure out where people with those qualifications might be so that he can find a way to let them know about the job opportunity. Mike realizes that the company's salary is competitive with the other stores in the mall but not different enough to attract applicants. He thinks about the other aspects of the job that could appeal to a talented potential recruit. The company has good benefits, a good performance assessment and training program, and tries to promote from within. Although he probably won't be able to hire a very experienced assistant manager in light of the salary he can offer, the opportunity should appeal to someone with at least some experience—someone who would like to advance through Soles's managerial ranks.

Mike reviews the data about how the company has been most successful in hiring past assistant managers. He then brainstorms with Amy about where they might find qualified and interested people. He also decides to visit some of the other stores in the mall to evaluate their employees and see if any of them might be suited for the job. While at the stores, he pays particular attention to how the assistant managers there interact with customers and evaluates the strength of their customer service skills. In addition, Mike

posts a job advertisement on the job board of a local college that offers a degree in fashion design. The ad emphasizes that Soles is searching for someone with managerial experience, fashion knowledge, technological skills, and excellent customer service skills.

Within two weeks, Mike has recruited five promising mall employees to apply for the position and received 15 applications from the college's job board. He screens the résumés for retail and managerial experience, and identifies three mall employees and seven candidates from the college who appear to be promising candidates. He immediately sets up phone meetings with all ten of them, and asks them each a series of questions designed to assess their knowledge of retail management and their customer service orientation. He then evaluates their answers and invites five of them to take a written test that assesses their management skills and intellectual curiosity (which the company has identified as being related to better customer interactions, service performance, and continuous learning on the job). The five applicants who are not being considered further are sent a letter thanking them for their interest in the position and explaining that they are not being considered further.

During the testing phase, the five candidates are given instructions and asked to perform several timed tasks using the Internet. Mike then shows them around the company's regional headquarters and answers their questions about the company and the job opportunity. He schedules the three top scorers to meet with Amy at the store, and calls the other two to let them know that they are no longer being considered for the position.

Amy goes online to the company's hiring resource center and downloads a series of questions the company has developed to assess the competencies needed for the job and some questions the company uses to assess customer service skills. She completes the brief online training refresher module on conducting and scoring the interviews, and meets with the three candidates. She finds all three impressive but feels that Jose is most qualified for the position. After passing a drug test and background check as well as some additional screening, Jose accepts the job.

Before Jose works in the store, he reviews the company's policies online and receives a copy of the store's policy manual. He is introduced to the assistant managers at several other Soles locations, given their contact information, and encouraged to call them if he has any questions about the job. Amy meets with Jose to review the company's performance expectations and answer any questions he has. She also schedules him to work with her for a few shifts to help him quickly learn his new job.

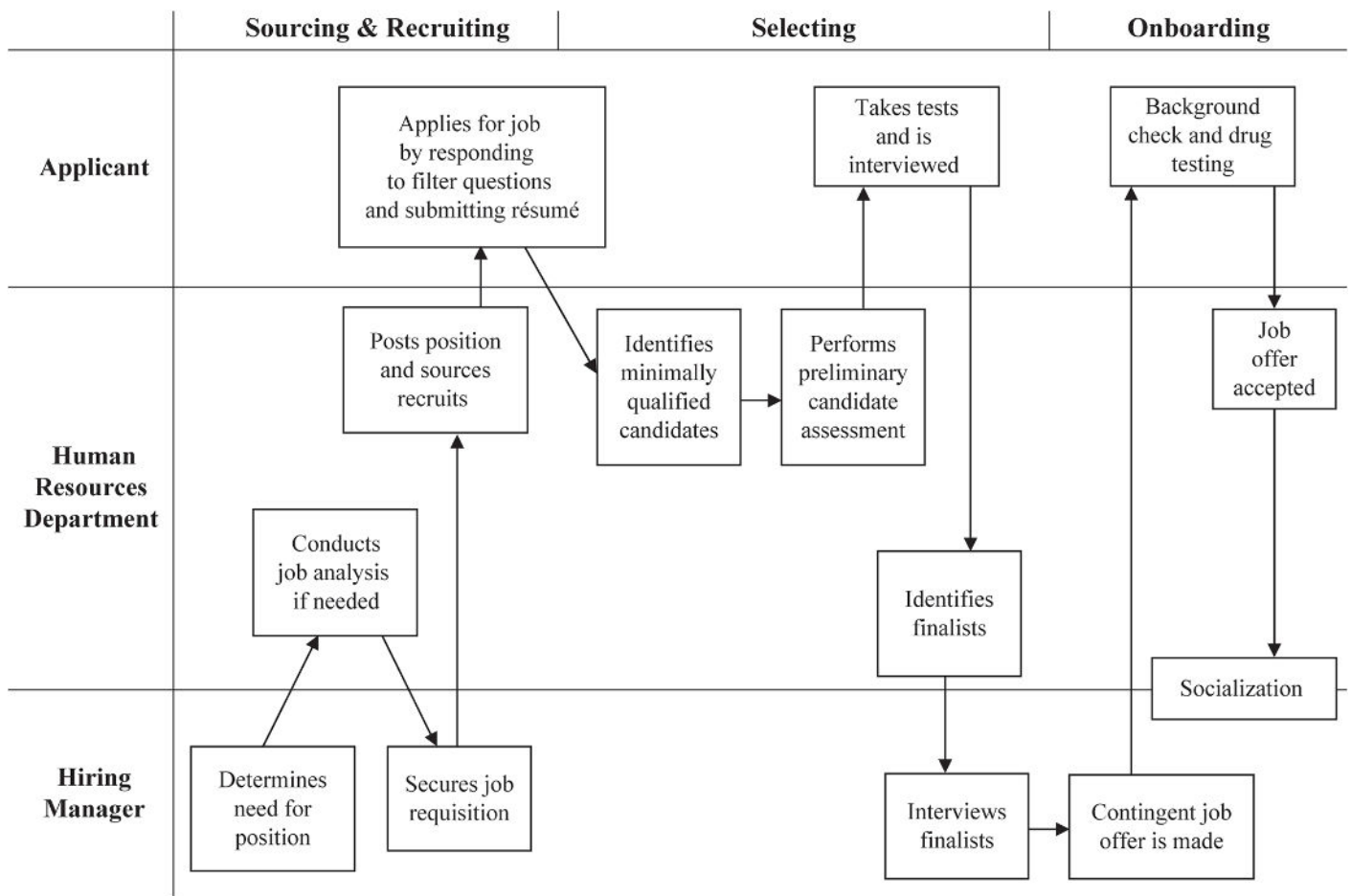
Mike contacts the other two finalists to let them know that although they did not get the job, he feels that they would be very competitive for other assistant manager positions. He then asks if they would be interested in being considered for other job opportunities that come up in the next few months. Mike knows that the turnover of assistant managers is typically 20 percent a year. Consequently, he expects the company to have three more openings in nearby stores within a month or two. The two finalists say yes, giving Mike two very strong candidates for his next openings.

Mike then ensures that the data on each of the job applicants is successfully entered into Soles's staffing evaluation database, including the recruiting source that produced them, and whether they were hired or not. He knows that this will be useful for future recruiting purposes.

Which company is likely to perform better as a result of its staffing process? Good strategic staffing systems incorporate the following:

- Longer-term planning
- Alignment with the firm's business strategy
- Alignment with the other areas of human resources
- Alignment with the labor market
- Targeted recruiting
- Sound candidate assessment on factors related to job success and longer-term potential
- The evaluation of staffing outcomes against preidentified goals

Clearly, this better describes Soles's staffing process.



**Figure 1-1**

A Flowchart of the Staffing Process

Both companies would say they engage in the staffing process as mapped in **Figure 1-1**. Both planned, decided where to advertise the job opening, recruited applicants, and selected who should receive a job offer, but clearly they did so in very different ways. Mike’s decision to seek out local college students was aligned with his need to hire people with fashion knowledge and a willingness to learn, and who likely have retail experience. Getting back to rejected applicants

to let them know that they are no longer being considered helps keep them feeling positive about the company so they will be willing to shop at Soles and apply for jobs with it again in the future.

**Figure 1-1** illustrates the general staffing process and identifies whether the applicant, human resource department, or hiring manager is responsible for each stage. The staffing process begins when a hiring manager determines there is a need for a position, which could be due to turnover or the creation of a new job. If necessary, the human resource department conducts a job analysis, and the hiring manager gets a job requisition approved that authorizes him or her to fill the position. Human resource personnel then recruit appropriate applicants and advertise the job opportunity. Applicants apply for the job, and the human resource department screens them to identify those to consider further. By further assessing the remaining candidates, the department screens out applicants who are a poor fit for the job and identifies the finalists for the position. The hiring manager subsequently interviews them and determines who should receive the job offer. The firm then makes a job offer contingent upon the candidate passing any background check, drug test, or other tests. If that candidate turns down the offer or fails to pass the assessment, another candidate receives a contingent job offer until someone is hired. The organization begins socializing the new employee to familiarize him or her with the job and the organization and to help the new employee become productive as quickly as possible.

Companies also differ in how proactively they manage their existing workforce. Software company SAS developed an employee retention program that crunches data on the skills, profiles, studies, and friendships of employees who have quit in the past five years and then finds current employees with similar patterns. Another SAS program identifies the workers most likely to experience accidents.<sup>14</sup>

Our goal in this book is to help you understand how to design and better strategically execute the staffing process in ways that will lead to higher-quality staffing decisions and enhanced organizational performance. We will not only describe the strategic staffing process, but also discuss how to make it more effective in helping a firm meet its goals. When we use the term *staffing* in this book we are referring to *strategic staffing*.

## The Components of Strategic Staffing

There are seven staffing activities that, if done well strategically, create a staffing system that supports business strategy and organizational performance. The seven activities are planning, sourcing, recruiting, selecting, acquiring, deploying, and retaining talent. **Table 1-1** summarizes how each of the seven is important strategically. We next discuss each of these seven activities in more detail.

### **Table 1-1 Seven Components of Strategic Staffing**

#### Workforce Planning

**Workforce planning** is the process of predicting an organization's future employment needs and assessing its current employees and the labor market to meet those needs. This means that the firm's managers and HR personnel have to evaluate the company's current lines of business, new businesses it will be getting into, lines of business it will be leaving, and the gaps that exist



between the current skills of its workforce and the skills the workforce will need in the future. For example, if a manufacturing business is planning to expand, then it will likely need to hire more people in areas like sales and production. If the company is planning to automate some of its production activities, then it will likely need fewer employees, but the employees it already has may need new skills related to the new technologies.

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### **Workforce Planning**

*the process of predicting an organization's future employment needs and the availability of current employees and external hires to meet those employment needs and execute the organization's business strategy*

Workforce planning usually involves the joint efforts of both the hiring manager and a staffing specialist. The staffing specialist looks at the organization's forecasted business activities and determines the *number and types of people* needed by the organization. The staffing specialist then uses the organization's business strategy to specify further the *competencies and talents* the organization will need to execute its business strategy. To plan for expected job openings, the staffing specialist assesses both the organization's current employees and the external labor market of potential new hires to gauge the availability of desired talent. The specialist then secures the resources needed to engage in an appropriate staffing effort. After working with the hiring manager to identify the talent profiles most appropriate for an open position, the staffing specialist develops recruitment and selection strategies to obtain the desired talent.

Without first identifying the competencies and behaviors the firm needs to execute its business strategy, it is difficult, if not impossible, to develop effective recruiting, staffing, and retention plans to meet those needs. Identifying and securing necessary resources, delegating responsibilities, and creating a timeline are also important outcomes of the planning stage. Planning activities can be *short-term* and focus on an immediate hiring need, or *long-term* and focus on the organization's needs in the future. Workforce plans are more strategic if they better address both the firm's short- and long-term needs. The plans can also address how a firm will address demographic issues, such as an aging workforce and diversity issues.

## Sourcing and Recruiting Talent

**Sourcing** is a component of recruiting that focuses on locating qualified individuals and labor markets from which to recruit. For example, a sourcing specialist responsible for identifying potential applicants for pharmaceutical sales representative positions may learn that experienced nurses make excellent pharmaceutical salespeople because of their ability to communicate with physicians, and persuade them to prescribe the firm's drugs. The sourcing specialist then identifies where nurses can be found and how best to reach them, perhaps by placing recruiting advertisements in nursing publications.

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### **Sourcing**

*locating qualified individuals and labor markets from which to recruit*

**Recruiting** refers to all organizational practices and decisions that affect either the number or types of individuals willing to apply for and accept job offers.<sup>15</sup> Recruiting is how firms of all sizes generate a sufficiently large group of applicants from which to select qualified individuals for available jobs.<sup>16</sup> Sourcing focuses on identifying desirable people and finding ways to reach them; recruiting converts these people into actual applicants. Many organizations consider sourcing to require different skills than recruiting. Consequently, they hire both sourcing specialists and recruiting specialists. Because people who don't apply can't be hired, sourcing and recruiting are critical to an effective staffing effort.

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### **Recruiting**

*all organizational practices and decisions that affect either the number or types of individuals willing to apply for and accept job offers*

Recruiting practices include evaluating which recruiting sources generate greater proportions of high-performing employees who do well in their jobs<sup>17</sup> and improve the firm's performance.<sup>18</sup> A firm's recruiters, their behavior, the messages they send, and the sources from which they recruit affect whether people choose to become or remain applicants of the firm and accept its job offers.<sup>19</sup> The primary goal of recruiting is to get the right people interested in working for an organization or in a specific job, persuade them to apply for it, and then ultimately accept the job offer if it's extended.

If recruiting is done poorly, few people will apply for a job with the company, and more of those who do apply will drop out of the hiring process. In other words, organizations that disrespect job candidates or who fail to meet their information-gathering needs during the

recruiting process will be less able to hire them. As a result, more of the company's job offers will be rejected, and the people who end up being hired might not be as committed to the job or the company as they would if a better recruiting job had been done. Moreover, applicants with a bad recruiting experience are likely to tell others about it, making it harder for the organization to recruit people in the future.

Because they are unlikely to apply for future jobs with the company, the company is likely to lose the opportunity to hire unhappy current job applicants for future jobs as well.

Both organizations and individuals use a screening process when forming an employment relationship. Applicants can select themselves out of consideration for a job at any time. It is thus important that recruitment activities continue during the candidate assessment and selection process to maintain candidates' interest in the job and organization.

Another component of recruiting is *employer branding*, or creating a favorable image in desired applicants' minds about the organization being a good place for them to work. For example, Royal Philips Electronics tells potential employees that the company gives them an opportunity to work in an environment where "you can touch lives every day."<sup>20</sup> When potential applicants are considering whether to apply to a particular organization, they evaluate factors including whether the organization is a place they would like to work. Because most applicants do not know very much about what different organizations are like as employers, many companies proactively craft employer brands for themselves through marketing and advertising. For example, Federated Department Stores created an employment brand and recruitment Web site called [Retailology.com](http://Retailology.com). Starbucks has employed a "Program Manager for Employer Branding," whose job it is to promote the coffee chain as a great place to work.

## Selecting Talent

The **selection** process involves putting applicants through activities such as skills tests and employment interviews to evaluate their capabilities and qualifications so that the organization can choose whom to hire. The methods an organization uses to assess and select job candidates will determine how well the firm's new hires, and thus the company as a whole, will perform.<sup>21</sup>

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### **Selection**

*assessing job candidates and deciding whom to hire*

Of course, the effectiveness of the selection process depends in part on recruitment. If a recruiting effort generates 1,000 applicants but only a few of them are qualified, this bogs down the selection process.

Targeted recruiting practices that prescreen applicants can result in fewer but higher quality applicants than can general recruiting practices. For example, if a pharmaceutical sales position requires a certain amount of medical knowledge that nurses with certain credentials have, then the recruiting effort might prescreen applicants by locating nurses with the required credentials. Prescreening saves the organization both time and money because it does not have to sift through as many underqualified applicants during the selection process.

In contrast, if recruitment efforts fail to generate qualified applicants, then it is impossible for any selection system to identify them. It is not surprising that the effectiveness of various selection practices, such as interviews and skill testing, vary dramatically with a firm's recruitment practices.<sup>22</sup> Historically, organizations have tried to maximize the quality of their new hires by focusing on recruiting a large number of applicants, then relying on various applicant assessment methods to identify the highest quality candidates. However, it is important to note that there is no guarantee that the appropriate qualifications will be present in any applicant pool, regardless of its size.

The goal of strategic recruiting, therefore, is to attract a greater percentage of applicants who are likely to meet minimum hiring requirements and reduce the burden on the selection system. It is also very possible that the hiring gains will come with a reduced administrative burden and lower cost per hire, even if the initial cost of the recruiting system is higher. When we examine staffing and retention from these perspectives, it is easy to see why many companies make the search for the right talent their top priority. As a manager of one high-technology company stated, "The quality of our talent is as important as our technologies.

The quality of our talent is how we win in our business.”<sup>23</sup> The same is true for most nontechnology-oriented businesses as well.

## Acquiring Talent

*Acquiring* talent involves putting together job offers that appeal to chosen candidates and persuading job offer recipients to accept those job offers. Although many job offers are presented on a take-it-or-leave-it basis, organizations sometimes *negotiate* job offer terms with the candidates they want to hire. Job offers can include salary, health care, retirement contributions, vacation time, relocation expenses, housing allowances, and other benefits. The *employment contract*,

or written offer to the candidate, then formalizes the outcome of the negotiations. In addition to specifying the job's compensation, such as salary, bonus, long-term accounting, and stock-based compensation, the employment contract addresses other aspects of the relationship between the employee and the firm—for example, retirement or severance payments, procedures governing conflict resolution, and restrictions on the employee's ability to engage in other activities, such as doing similar work for other firms.

Although the terms of an employment contract help to align a new hire's behavior with the firm's business strategy, many companies do not have comprehensive explicit (written) employment agreements or they have an explicit agreement that covers only limited aspects of their relationships. A case in point: in 2005, less than half of S&P 500 firms had an explicit written employment contract with their CEOs.<sup>24</sup> In lieu of an explicit agreement, these firms and their CEOs rely on implicit contracts through which the CEO is employed "at will." We will discuss employment contracts in greater detail in **Chapters 3** and **11**.

## Deploying Talent

**Deployment** involves assigning talent to appropriate jobs and roles in the organization. The deployment of new talent and the redeployment of existing employees as needed are both relevant to optimally leveraging an organization's talent. For example, assigning a technically capable programmer who dislikes interacting with people to a sales position would be a talent deployment mistake.

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### ***Deployment***

*assigning talent to appropriate jobs and roles in the organization*

Socialization is the process of familiarizing newly hired and promoted employees with their jobs, work groups, and the organization as a whole. It is an important step in terms of getting these people up to speed quickly.<sup>25</sup> Some organizations simply give new hires a manual of company policies and show them to their desks. Instead, it is critical to take the time to help them form appropriate expectations about the company's corporate culture, suggest ways for them to adjust and perform well in their new jobs, provide them with the emotional support they need to improve their satisfaction and job success, and increase their commitment to the firm.<sup>26</sup>

Over time, firms can develop employees' skills and capabilities, resulting in a broader set of deployment options. Through *succession management* and *career development*, employees can acquire new skills and be prepared to assume different and higher-level positions in the organization. Internal talent development sometimes enables faster transitions and higher performance than does external hiring because existing employees are familiar with the organization's culture, customers, and how work gets done most efficiently (i.e., they understand how the firm's internal systems work and the strengths and weaknesses of people in key positions).

## Retaining Talent

Succession management and career development are also effective tools for retaining high-performing employees. It can be frustrating to locate and hire the right talent only to watch these people leave after a short time. Turnover is expensive, especially when it is the best performers who are leaving. Although the turnover of poor performers can be beneficial, the departure of key employees can be devastating. Losing excellent employees to a competitor is an even greater loss. Retaining successful employees also means that the organization spends less time and fewer resources filling job vacancies in the future.



## Matchmaking Process

Strategic staffing is a matchmaking process that involves much more than simply generating applications for an open position. Recruiting and selection are interdependent, two-way processes in which both employers and recruits try to look appealing to the other while learning as much as they can about their potential fit. Although applicants choose organizations as much as organizations choose applicants, too often organizations focus exclusively on selection at the expense of effective recruitment. Because applicants can drop out of the hiring process at any time, recruitment does not end when the employment application is submitted. The applicant is no longer a recruit only when either side is no longer interested in pursuing an employment relationship. Recruitment continues throughout the selection and acquisition process until the

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person is no longer a viable job candidate, or until a job offer is accepted and the person reports for work. Some firms even try to continuously “recruit” employees to maintain their attractiveness as an employer and enhance retention.

# The Goals of Strategic Staffing

## Identifying Staffing Goals

Creating hiring goals that are clearly linked to organizational strategies and objectives guides the strategic staffing process. *Process goals* relate to the hiring process itself, including how many of what quality applicants apply, attracting appropriate numbers of diverse applicants, and meeting hiring timeline goals, such as completing interviews within two weeks and making job offers within one week of the final interview. *Outcome goals* apply to the product of the hiring effort and include the number and quality of people hired, the financial return on the staffing investment, and whether the staffing effort improved organizational effectiveness.

**Table 1-2** presents a sampling of the many possible staffing goals.

### **Table 1-2 Examples of Staffing Goals<sup>27</sup>**

Not all these goals will be relevant in every hiring situation. Different goals are likely to take priority at different times. It is also common for staffing goals to conflict. For example, it can be challenging to hire top performers who will stay with the organization for many years while simultaneously filling jobs quickly and minimizing staffing costs.

Firms that do not staff strategically are often focused on goals such as the time it takes to fill an opening, the number of hires a recruiter produces in a period of time, and the cost per hire. Although these can be useful goals for improving the *efficiency* of the staffing process, they are not necessarily aligned with improving the *strategic performance* of the staffing system. For example, if executing the firm's strategy requires hiring top-tier talent, the company's recruiting goals should emphasize the quality of applicants versus hiring speed. For some positions, hiring top talent that will stay with the organization for a long time might be critical (perhaps if the positions are in management, long-term research and development projects, or sales). There may be other positions for which average talent and moderate turnover is acceptable.

The key objectives of the staffing effort<sup>28</sup> can change over time and be different for different positions, too. Because, over time, jobs change and different technologies emerge, the people best able to do a job as it exists today may be less able to do the job in a few years. And because different organizations pursue different business strategies, each organization's staffing goals are likely to be different as well. Furthermore, differences usually exist in a single organization's staffing goals across positions and over time because positions change, and different positions require different talents.

Each organization needs to identify what its staffing goals are for any position, recognizing that its goals may change over time as the organization changes its strategy or faces changes in its labor or product markets. These goals should be based on the priorities of the organization as well as the needs of the hiring managers. **Table 1-3** contains some key questions managers and human resource personnel need to ask themselves before setting strategic staffing goals.

### **Table 1-3 Questions to Ask When Setting Staffing Goals**

Believe it or not, planning the “churn” of employees can also be an organizational goal. In some cases, particularly when technology is changing rapidly, organizations prefer a steady supply of new hires whose skills are as current as possible rather than continually retraining their existing employees. If the skill sets of employees who have been with the company for several years become inferior to those of new hires, planning for regular churn is a better strategic choice. For example, a small software development firm that does not have a lot of money to invest in training might plan to replace most of its programmers every two to four years and offer two-year contracts to its workers. Other organizations, like SAS, the world’s largest privately held software company, value long employee tenure with the company and prefer to invest in ongoing employee development. If building and maintaining customer relationships is important, if unique organizational knowledge is critical for getting the firm’s work done, or if the company plans to develop its future leaders from within, then a more appropriate staffing goal may be a reduction in turnover.

The goals of the firm’s staffing effort should also be consistent with the goals of the firm’s other stakeholders, including the individual hiring managers to whom new hires will report. Each work group and supervisor differs with regard to the type of person wanted to fill a job. Identifying these differences is important. One of the key roles of the recruiter is to partner with hiring managers to assess their underlying needs in this regard. For example, if a firm’s Web site development function is being outsourced, then hiring someone with Web site development skills might not be what the hiring manager really needs—even if an employee with these skills has left recently. As we have said, jobs change, and the talent mixes of work groups change. Because hiring managers don’t always recognize changing talent needs or know what they need in a new hire, they should see recruiters as partners in this process.

The ultimate goal for a staffing system is to hire people who can perform well, contribute to the execution of the company’s business strategy, and increase profits. Doing so as quickly as possible and experiencing a good return on the time and resources invested in the staffing effort are also important. Staffing goals should be identified in the early stages of

staffing planning, and the staffing system should be evaluated to ensure that it is meeting these goals. (Evaluating the staffing system is discussed in the next section.)

Many resources exist to help staffing professionals stay current and informed. This chapter's Develop Your Skills feature lists several Internet staffing resources.

### Evaluating the Staffing System

Linking the goals of a staffing effort directly to the evaluation criteria the firm will use in assessing the staffing system is key to its success. For example, if filling positions quickly is an important goal, then the time it takes to fill each position should be tracked and evaluated for each

recruiting source. However, it should be recognized that filling positions quickly may require the recruiter to make a trade-off against the quality of the talent pool that will be quickly accessible. If recruiting high-quality applicants is an important goal, then the quality of recruits from different recruiting sources should also be tracked and evaluated. Because a firm's staffing goals should be closely aligned with the organization's business strategy, it is important to evaluate the staffing system to be sure these goals are being met.

## Integrating the Functional Areas of Human Resource Management

In addition to laying the foundation for a firm's strategic execution, staffing impacts the effectiveness of the other human resource management practices within the firm. Because the various functional areas of human resource management (e.g., staffing, training, performance management, and compensation) interact with each other,<sup>29</sup> getting enough people with the right qualifications and competencies to apply for jobs with the organization in the first place will impact these functions. That is, the firm's ability to train, motivate, and retain its employees will be affected. Therefore, it is critical for all human resource functional areas to be aligned with each other.<sup>30</sup>

When Robert Eckert became CEO of toy giant Mattel, he developed a staffing and workforce management strategy that supported the company's new strategic objectives of improving productivity, globalizing and extending the firm's brand name, and creating new brands. His goal was to change Mattel's culture to motivate employees to work together, give them more discipline, and improve their skills as well as their internal mobility and retention. Eckert did this by creating employee development programs that would generate a more skilled and competitive workforce, establishing metrics to understand how the workforce was performing, and developing a systematic succession strategy that would enable the company to retain the valuable talent it developed.<sup>31</sup> "The institutionalization of people development is what I would love my legacy to be," Eckert said, "so that nobody necessarily remembers who I am, but that there is a people development machine that lives on forever."<sup>32</sup> Today, Mattel's staffing, performance measurement, and training programs support each other and reinforce the firm's corporate goals, too.

Develop Your Skills Internet Staffing Resources



*The Equal Employment Opportunity Commission*

([www.eeoc.gov](http://www.eeoc.gov))—provides information about the laws enforced by the EEOC and compliance guidance

*Electronic Recruiting Exchange*

([www.ere.net](http://www.ere.net))—has information and articles related to recruiting and employer branding

*Human Resource Planning Society*

(<http://hrps.org>)—provides information, publications, and resources on staffing and talent management

*O\*Net Center*

(<http://online.onetcenter.org>)—a government site that provides labor and occupational market information useful for doing a job analysis

*Corporate Executive Board's Recruiting Leadership Council*

([www.recruitingroundtable.com](http://www.recruitingroundtable.com))—provides information, best practices, tools, metrics, and networking for recruiting executives

*Society for Human Resource Management*

([www.shrm.org](http://www.shrm.org))—provides articles and other resources on staffing including *Staffing Management* magazine articles

*Staffing.org*

([www.staffing.org](http://www.staffing.org))—has information and resources about staffing processes, practices, tools, and metrics

*Workforce Management*

(<http://workforce.com>)—contains articles and resources on staffing and legal issues pertaining to staffing

*World at Work*

([www.worldatwork.org](http://www.worldatwork.org))—a not-for-profit professional association focusing on attracting, motivating, and retaining employees

If even a single functional area reinforces goals that are different from the other functional areas, executing the company's strategy will be much more difficult. Let's now look at the other HR functions and how they are affected by the firm's staffing system.

## Training

Strategic staffing ensures that new hires are ready and able to benefit from the organization's training and development programs. Training is often expensive; therefore, one of the first things to consider in terms of developing a staffing strategy is to decide whether new hires should already possess certain competencies at the time they are hired or whether the firm will help them develop those competencies via training. If the staffing function fails to hire candidates with appropriate qualifications, training them may be an organization's only option. Even if the firm chooses to train its new hires, they need to possess at least the minimum qualifications and motivation needed to succeed in the training or the effort is likely to be futile.<sup>33</sup> It is also important to identify how long employees tend to stay with the company. Training might not be the right choice if employees tend to leave the organization before it recoups the cost of training them. For example, some retailers have turnover rates approaching 200 percent. If a retailer wants to invest significant time and resources training its employees, it should focus on identifying and hiring employees who are likely to remain with the organization to recoup its training investment.

## Compensation

The level of pay an organization is willing and able to invest in salaries can both determine and be determined by its ability to hire people with the necessary qualifications. If an organization is willing to pay premium wages, its staffing effort can focus on identifying and attracting the most qualified candidates. If an organization would like to pay lower wages, but is unable to hire the candidates it would like at its preferred salary levels, then it may be forced to raise its salaries to be competitive in the labor market or to make investments in training and development. When the labor supply is tight, the firm might need to increase its salaries just to be able to hire candidates with minimum skill levels and qualifications. For example, professors in engineering and business are able to command higher wages in today's market because there is a shortage of people with the qualifications they have. If higher pay is not an option, recruiting from nontraditional sources might allow the organization to overcome its compensation challenges. For example, Grocery chain ShopRite has hired hundreds of welfare recipients who went through a 16-week program to acquire the skills required for different jobs in its stores.<sup>34</sup> If hiring from nontraditional labor pools is unsuccessful, automating the job, increasing the training the organization provides its employees, or reducing the required qualifications of new hires may be the only alternatives.

The success of incentive pay programs can also be influenced by hiring outcomes. An organization that wishes to motivate its employees to be more productive by using a pay-for-performance or merit pay system will not be able to fully leverage its programs if the skills of the workforce are lacking. Performance incentives are only effective if the individuals have the potential to perform well in the first place. Ensuring that new hires have the potential to succeed is one of the primary goals of staffing.

Consider an organization that has developed a comprehensive merit pay compensation system. The organization pays employees an above-market base salary, plus up to a 20 percent bonus if they meet or exceed their performance goals. But suppose the labor market is tight, so the organization hires several new employees who do not have the skills or experience to perform at the expected levels. In this case, their performance levels will not be consistent with their above-market base compensation. They also will earn no bonuses, which will tend to cause them to further underperform. To avoid this situation, organizations need to assess the availability of their sought-after competencies in the labor market and use recruitment and effective selection practices to ensure that new hires have the requisite skills, background, and motivation so the firm's compensation system works as it's intended. It should be noted, too, that paying top dollar to hire the highest quality candidates is not always the best strategy if the company doesn't really need top talent or if the performance difference between average and star performers in a job is not that great. In other words,

sometimes the greater productivity of the most talented applicants is not enough to offset their higher salaries. For example, does every employee in a research unit really need a PhD?

## Performance Management

Performance management involves setting goals, appraising and evaluating past and current performance, and providing suggestions for improvement. Without this information, employees will be unable to adjust their behavior. Staffing influences the effectiveness of a performance

management system by providing the raw talent that the system will manage. Even the best performance management system cannot replace important capabilities that employees must have to do their jobs well.

Conversely, performance management systems affect a staffing system's effectiveness. Without performance goals, employees will not know what aspects of their jobs to focus on nor the performance levels expected of them. As a result, they will tend to underperform, and some will quit or need to be replaced, potentially bogging down the staffing system. Even if highly talented employees are hired, they won't perform at their best if they get no or inaccurate performance feedback. If they perceive that the feedback they've been given about their performance is unfair, they will not be motivated to contribute as much as they could.

## Career Development and Succession Management

The future success of any organization depends on its next generation of leaders. An organization is likely to flounder and perhaps even go out of business if it is lacking qualified successors to manage the business after the inevitable departure of its current leaders. When Yahoo!'s chief technology officer Farzad Nazem announced that he was leaving the company, there was immediate investor concern that the company might not be able to retain key talent.<sup>35</sup> A. G. Lafley was asked to come out of retirement to resume his position as CEO at P&G when his replacement unexpectedly retired without a successor.<sup>36</sup>

Succession management and career development activities can help to ensure that an organization has people ready to assume leadership positions when they become available.

Staffing practices can influence and be influenced by an organization's career development activities and the career advancement opportunities that exist in the company. An organization unable to offer employees opportunities for challenging work and career advancement is likely to have a low job offer acceptance rate. In addition, high-potential new hires who do actually go to work for the company are likely to quit sooner as a result of their being overqualified and underchallenged. This might prompt staffing personnel to recruit less qualified individuals who are less likely to quit but who may also be lower performers. Obviously, this is an even larger problem if the people being hired for current jobs are intended to be the employees upon whom the firm focuses its succession efforts. So, if the firm's current hiring efforts fail to produce employees with the potential for promotion, the organization's future leadership capabilities are likely to be compromised. Thus, organizations that rely on internal recruiting and promoting as part of their succession plans need to consider the long-term potential of candidates they hire from outside of the firm as well as their ability to perform the jobs they're currently applying for.

## The Organization of This Book

This book is broken into four sections. Section 1, “The Staffing Context,” contains **Chapters 1** through **4**. In **Chapter 2**, “Business and Staffing Strategies,” we discuss how the organization’s business strategy and competitive advantage influence the organization’s human resource strategy and staffing strategy. We next discuss how to design a firm’s staffing strategy to reinforce its business strategy. **Chapter 3**, “The Legal Context,” describes the legal environment in which staffing must operate. Laws and regulations play an important role in determining how an organization recruits, hires, promotes, and terminates employees. Barriers to legally defensible recruiting and hiring are also discussed. **Chapter 4**, “Strategic Job Analysis and Competency Modeling,” covers job analysis, job rewards analysis, and competency modeling. To identify the best person to hire, the job and its role in the execution of the business strategy must first be understood.

Section 2, “Planning, Sourcing, and Recruiting,” explains how job applicants are identified, attracted, and recruited. Planning is the first step in the strategic staffing process. It involves estimating the numbers and types of employees the company will need based on its strategy, what the hiring timeline is, and what the firm’s staffing budget will allow. Because people who never apply for a position cannot become employees, sourcing and recruiting qualified and interested applicants are the next critical steps in the strategic staffing process. **Chapter 5**, “Forecasting and Planning,” describes how organizations translate business forecasts into future labor demand estimates. Labor supply forecasts are then compared with labor demand estimates to identify



where the organization needs to focus attention to ensure it has the right talent in the right place at the right time. Techniques for forecasting labor supply and demand are presented in this chapter. We also discuss issues regarding the planning of a recruiting and hiring initiative. **Chapter 6** , “Sourcing: Identifying Recruits,” discusses applicant sourcing, or the identification and targeting of recruits. **Chapter 7** , “Recruiting,” focuses on getting the people identified through sourcing to apply to the organization and accept job offers if extended.

Section 3, “Selecting,” covers the assessment of job candidates and the evaluation of their fit with the job and organization. **Chapter 8** , “Measurement,” describes some of the issues regarding candidate assessment. We also present basic staffing-related statistical concepts in an easy-to-understand way. **Chapter 9** , “Assessing External Candidates,” discusses methods of assessing the qualifications of people who do not currently work for the company. **Chapter 10** , “Assessing Internal Candidates,” covers the methods used to assess the qualifications of current employees being considered for other positions in the firm, including career planning and performance appraisal.

Strategic staffing involves the movement of employees into and through an organization. Section 4, “Managing the Staffing System,” covers choosing whom to hire, negotiating the employment contract, and socializing new employees. **Chapter 11** , “Choosing and Hiring Candidates,” describes the process of deciding which job candidate(s) should receive job offers and subsequently negotiating those offers. Persuading job-offer recipients to join the company and negotiating hiring agreements with them is an important part of talent acquisition. If the right people apply to an organization but ultimately turn down job offers, the staffing effort cannot be considered effective. **Chapter 12** , “Managing Workforce Flow,” covers socializing new hires, different causes and types of turnover, and methods of retaining valued talent. It also discusses terminations, downsizings, and layoffs. In **Chapter 13** , “Staffing System Evaluation and Technology,” we describe the ways in which many organizations are leveraging technology to enhance their staffing systems, the importance of evaluating a staffing system’s effectiveness, the staffing system evaluation process, and specific staffing system metrics.

## Improving Store Performance at Caribou Coffee<sup>37</sup>

Caribou Coffee wanted to know what accounted for the differences in average store performance for its district managers. It assumed that customer service had a lot to do with it, but wanted to objectively evaluate what its best performing district managers did so that it would know for sure and could use this information to improve the future staffing of its district manager positions.

Caribou discovered that its district managers' skills did vary. Some were really customer focused, as it expected. But the sales figures of those stores were not always the best. Caribou discovered that the most important district manager competency was his or her ability to effectively staff the store manager position. When a district manager took the time to find the best replacement for a store manager instead of automatically promoting the shift supervisor with the most tenure, the results had a strong impact on revenue.

Caribou's ability to show its district managers concrete evidence that hiring the right store managers positively impacts sales has been critical in focusing district managers on the careful staffing of its store manager positions. Not only have sales increased in the previously underperforming stores, the district managers appreciated the information and assistance as well in improving their own performance.

## Summary

Strategic staffing is a complex process of planning, acquiring, deploying, and retaining talent that enables the organization to meet its hiring objectives and to execute its business strategy. This process supports the movement of talent into, through, and out of the organization in a way that enables the organization to compete successfully in its marketplace. Because an organization's people are central to its development of a competitive advantage and the execution of its business strategy, strategic recruitment and staffing activities are a cornerstone of organizational effectiveness.

A strategic staffing effort focuses on first understanding the organization's mission and objectives as well as its business