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RESEARCH BRIEFS

IS SELECTION THE ANSWER FOR ENCOURAGING MORE EMPLOYEE AUTONOMY?

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RESEARCH QUESTIONS

When companies embrace new business models to become more innovative or customer focused they often need to inspire their employees to think differently about how they approach their jobs. And in some cases this can be extraordinarily difficult. Companies with long, established histories of providing strict oversight of even the smallest employee decisions, for example, will have a hard time implementing new initiatives that are intended to empower employees and allow them to make autonomous decisions. Indeed, employees are often slow to embrace new levels of autonomy even if doing so is in their own best interest. And although employee resistance to change is natural, if management does not deal with it effectively then new initiatives will fail. Consequently, executives committed to making change happen may want to implement new incentives and performance management programs to help overcome employee resistance. Unfortunately, certain types of employee behavior and decision-making processes are harder to influence with traditional management tools. For these situations, managers are faced with a dilemma: do they bring in new people who think and approach decisions in a way that is better aligned with new business strategies or do they apply management controls aimed at motivating resistant employees to change the way they approach decision making?

Fortunately, new research by Dennis Campbell of Harvard University provides some insight to managers facing this dilemma. Campbell explored the role of selection in helping management ensure that employees embrace new strategic initiatives—especially those that require employees to approach decisions in new ways. Specifically, he studied whether different recruitment and selection tactics impact the likelihood that employees will engage in practices that are aligned with the organization's new strategic objectives.

STUDY DESIGN AND METHOD

The sample consisted of credit union employees who were being asked to take on more responsibility for making decisions with customers. The organization replaced its longstanding traditional, centralized approach to decisions that impacted customer service (e.g., fee waivers, underwriting loans) with a decentralized approach that gave employees more autonomy. Indeed, employees were given a tremendous amount of freedom and latitude to make this new "member-first" philosophy succeed. In addition, employees were told to put its customers first to the point that they would never get in trouble for doing right by them.

As this initiative progressed, organizational leaders noticed that while most employees embraced the change, many failed to fully utilize their new decision authority despite repeated reminders and other management encouragement. Campbell explored whether employee recruitment and selection were major factors in explaining who would be more likely to fully embrace the new organizational initiative. Essentially, he examined whether current employees came to the credit union through an internal referral or not when they were job applicants. If an employee was a referral-based hire, Campbell examined whether the source of that referral was an employee who joined the organization when its old centralized decision-making system was in place or whether the referral was by an employee who joined the organization after the new decision-making system was launched. In doing so, he analyzed the personnel and lending records of employees of this federal credit union from 2005 to 2010.

To compare employees, Campbell sorted the personnel records into five categories based on the decision-making system in place (i.e., the old centralized system or the new decentralized system): 1) new system employees referred by other new system employees, (2) new system employees who were not referral hires, (3) new system employees referred by old system employees, (4) old system employees who were not referral hires, and (5) old system employees referred by other old system employees. He then analyzed whether there were differences in how each of these categories of employees utilized their decision-making authority by looking at 134,121 unique loans made to 64,540 unique borrowers during this time period.

KEY FINDINGS

Overall, all types of employees, regardless of how they were recruited and selected, used some of their new decision-making authority in granting and structuring consumer loans. On the other hand, employees selected via channels aligned with organizational objectives used these decision-making options more readily than others. In other words, new system employees referred by other new system employees were more likely to use their decision-making authority than old system employees who were not referral hires or old system employees referred by other old system employees. In addition, new system employees referred by other new system employees demonstrated more effective use of decision-making authority and made less risky decisions. New employees who were referred by other new employees were also more aligned with organizational objectives than new employees who came without a referral, new employees referred by old system employees, and all old system employees. Thus, when and how employees joined the organization was related to whether or not they made decisions in a way that was fully aligned with the new decentralized system.

CONCLUSIONS AND IMPLICATIONS

Campbell viewed his findings through the lens of accounting and management control. Essentially, he argued that employee selection can be an input that management can utilize to exercise more control over an organization—especially when there is not a clear, measurable output. In other words, it is not easy to have a clear incentive system and measurement system that ensure that employees embrace something as abstract as using a decision-making process that puts customers first. Put simply, decision-making autonomy is more difficult to quantify than, say, sales figures or absenteeism rates—things that management can address by measuring, rewarding, or reinforcing specific employee outcomes or behavior.

Instead, Campbell argues that organizations can focus on employee selection as a better way to encourage more employee decision-making autonomy. For example, in the credit union Campbell studied, while executives tried to motivate all employees to embrace more autonomous decision making when interacting with customers, their efforts fell short. Employees simply did not fully embrace the new initiative, despite management's best efforts. Campbell suggested that as an alternative, management should realign their employee selection methods to increase the odds of hiring employees who will be more comfortable engaging in autonomous decision making. Over time, this will also help management foster a stronger organizational culture where employees' values more closely align with firm objectives and direction. Moreover, organizational culture can serve as another leverage point to reinforce the kind of employee thinking and behavior that is aligned with key business objectives.

Although Campbell doesn't address it directly, this research offers new insight into employee referrals as an important source of job candidates. Human resource management scholars have long argued that internal sources of recruitment have both advantages and disadvantages over external recruiting sources. A key advantage of internal referrals is cost—they are cheaper than external recruiting. Moreover, it is easier to assess certain factors often missed during traditional job interviews (e.g., whether candidates are a good fit to the corporate culture) with internal referrals. Finally, internal referrals tend to have a more realistic view of what the job involves than external candidates. On the other hand, relying on internal sources may limit opportunities for bringing in diverse candidates who have different perspectives and backgrounds than people currently in the organization.

Campbell's work builds on the research on referrals in two ways. First, he illustrated the differences between employees who were referred by an internal source and those were not. He also distinguished between types of employees who made internal referrals. This added an important distinction—if an internal referral is made by a current employee who views his or her job in a way that is aligned with current organizational objectives, then the outcomes is more likely to be a new hire who will also embrace those objectives. This research makes the case that employee referrals can be an effective tool for finding talent—as long as the employee making the referral thinks and performs in a way that is aligned with company objectives.

Clearly, changing the way employees think and make decisions is a challenging task. Trying to create such change via traditional management tools (e.g., performance appraisals or incentive programs) can prove extraordinarily difficult. And Campbell's work suggests that savvy organizational leaders should find ways to assess job candidates' decision-making styles as part of the hiring process rather than dealing with the challenge of molding employees' approach to decision making after they are hired. Selecting employees who already think in a way that is aligned with organizational objectives will create an environment where less direct management control will be needed. Perhaps smart selection practices can liberate executives from having to invest so much time and money in often futile efforts to shape employee decision making.

REFERENCE

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