

Hiring from Outside the Company: How New People Can Bring Unexpected Problems

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As life-long employment fades and the workforce becomes increasingly mobile, many companies look to hire skilled, experienced workers to improve productivity quickly. Those workers, however, often bring baggage from prior jobs that can negate the benefits of their prior experience, according to new Wharton research.

Companies might be better off investing in training fresh recruits with little experience in an industry so the companies can have more control over how the new workers adapt to their new employer's corporate strategy and culture. The research found that training may be more productive than paying a premium to hire experienced workers who might come from a different sort of corporate environment.

"Human resources managers will want to [hire] people who worked in a related industry or firm for the skills they bring. That makes sense from a human capital perspective, but we question whether that's all they bring with them. Do they bring other experiences ... positive or negative?" asks Wharton management professor Nancy Rothbard, co-author of a paper titled *Unpacking Prior Experience: How Career History Affects Job Performance*. Rothbard wrote the paper with Gina Dokko of New York University's Stern School of Business and Steffanie L. Wilk of Ohio State University's Fisher College of Business.

Drawing on psychological theory, the authors examined employment applications and hiring records at two call centers for a major property and casualty insurance firm. The authors set out to assess not only the impact of bringing in skilled and knowledgeable workers, but also cognitive and behavioral responses that developed during [the new workers'] previous employment.

When More Experience Means Less Success

In interviews with managers early on in the project, Rothbard and her colleagues discovered that the issue of cross-corporation baggage kept coming up. A senior human resource manager told the research team, "We tried to hire from our competitors and paid a premium for the experience -- but those hires were the least successful." Another manager quoted in the paper said: "People are weighed down by the baggage they bring in."

Rothbard says executives at the insurance company told of hiring a talented and highly trained adjustor from another insurance company. While the hiring company provided high-end insurance with a strong emphasis on customer service, the adjustor came from a company that was more focused on keeping costs down. Rothbard says the adjustor just could not help himself from "nickel and diming" customers on their claims, even though that attitude conflicted sharply with the firm's strategic direction and culture.

"It was so embedded in his ideas about how to do the job that even at this other firm, where management tried to instill the other set of values, it didn't translate," explains Rothbard. "He had the skills to get up and running quickly in the [basics] of what an adjustor does, but ... he was ultimately not adaptable to the strategy and norms of the new firm. His experience tended to trap him."

Rothbard describes employment "baggage" as a set of norms and experiences that shape the workers' response to their jobs as much as, if not more than, the industry and occupation-related skills and knowledge they bring to their work.

According to the paper, "Habits, routines, and scripts that contribute to performance in one organizational context may detract from performance in a different organizational context. That is, the relationship between prior related experience and performance may not be wholly positive. Indeed, despite the common assumption that prior related experience will improve performance, past research findings have been mixed about the effect of work experience on performance."

Rothbard and the other researchers were intrigued by the notion that the norms and values employees pick up in the culture of one firm are not easily shed as they cross organizational boundaries. "Those kinds of transfers really are not discussed at all when we talk about mobility of the workforce. We assume people are cogs that can be plugged in and they will perform similarly in different environments."

Incidentally, Rothbard says, managers in certain industries may find the research particularly important. "For example, consulting firms have very large differences in culture and strategy and mission. It can be very difficult to overcome the years of acculturation you get from one firm."

The transition between companies is an increasingly important issue for employers and workers. In the late 1970s, Americans were estimated to have an average of seven employers during their working years. By 2005, the U.S. Bureau of Labor Statistics found the average American worker born in the later years of the baby boom had 10.5 employers by age 40.

The research team reviewed the work history of more than 7,200 employees and applicants to explore the relationships between prior experience and productivity. Their findings show a strong relationship between prior experience and knowledge and skills on the job. At the same time, however, the models indicate that prior experience does not always signal increased productivity.

A Factor in Reviews: 'Cultural Fit'

Beyond those results, the researchers were able to examine employment reviews to delve into the question of individual employee adaptability and the impact on productivity. Supervisors rated employees on adaptability. The researchers found that people who were more adaptable did not reflect a negative relationship between prior experience and effectiveness on the job.

The authors also looked at "cultural fit" within the organization. For employees who felt they fit into the culture of the firm, the negative effects of prior experience in the occupation are not pronounced. For employees who said they did not fit well into the organization, there was a significant indication of the negative effect of prior "baggage."

Rothbard says the research findings are important not only in light of the increasingly mobile workforce, but also because so many companies are in a constant state of change themselves. "If your business has changed, you need to consider trying to retool people, not just in terms of their skills, but in terms of their values," Rothbard suggests. "Not that people can't shed these things. But it may take more training and socialization than you" first expected.

According to Rothbard, companies may want to use a mentoring program to help employees from similar companies readjust to the culture and mores of their new firm. "I know it seems odd that if you hire someone with experience to then say, 'Here's your mentor,'" Rothbard acknowledges. "But maybe they need a mentor for the values of the company, not so much the skills needed for the job."

Rothbard says that when companies hire employees with experience, they tend to rely on that experience as a substitute for training. "Maybe they pay more for those people and invest less in training, but we suggest that might be a mistake. You really need to think carefully about your training and socialization to mitigate the negative effects of the trouble people have transferring the way they think about how the job is done."

Finally the researchers used the data to gain insights into the role of cross-company transfers of skills, as well as cultural baggage, on long-term careers. The research indicates that the advantage of prior task-relevant knowledge and skills diminishes the longer an employee stays at the new firm.

"Over time as individuals become socialized into the new firm, the amount of prior work experience they brought with them matters less for the skills they demonstrate on the job," says Rothbard. "However, the negative direct relationship between prior work experience and performance does not diminish as much, suggesting that the norms and values people bring with them may persist quite substantially."

The new research findings should help companies develop hiring and training strategies that fit well with their own culture, Rothbard adds.

"If you have a strong culture and a clear strategy in doing things that differ from your competitor, you may want to think carefully about whether you want to hire for experience or whether you want to hire people with less experience and invest more in training them in your model," Rothbard advises. "If your competitive advantage is the culture of your company, you want to be careful about bringing in people with a long tenure in their occupation or industry and think about how that prior experience is going to bring positives as well as negatives to the firm."

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