

Finding the perfect employee

November 23 2021



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There is an eternal question when hiring: "Is this person really the right fit?" Even if a candidate has the skills for the job, does their personality fit the company culture? Do their goals align with those of the organization? In the very short span of a selection process, it is very difficult to get to know the person behind the mask and find the answers

to these questions. A new paper published in *Management Accounting Research*, however suggests there could be a simpler, more subtle way to find these answers, and proposes a means of filtering for candidates who identify with organizational goals and are willing to go the extra mile.

Dr. Bart Dierynck, Professor in Accounting, Tilburg University in the Netherlands and co-author of the paper, explains: "Our research shows that relying on managerial discretion to evaluate employees (compared to solely relying on objective performance measures) attracts employees who identify more strongly with the organization's objectives."

Put more simply, when an [employee](#) knows that their manager will discretionarily adjust their performance evaluation, and, consequently, their pay, they are more likely to choose organizations whose goals they identify with. This discretion would be based on observations of the employee's daily behavior, willingness to share knowledge with colleagues, unsolicited suggestions to improve company performance, etc., during their time of employment.

After performing an elaborate scenario-based experiment that comprised three steps, participants were first given a task aimed at eliciting their identification (or not) with an organizational objective; in this case, the objective was carbon emission reduction. In the second step, a portion of the participants were made to role play employees and given the choice between a fixed-wage contract and a performance-based wage contract, with or without the possibility of a discretionary adjustment by the manager. In the final step, employees indicated, on a scale of 1 to 10, how much extra effort beyond their regular job they were willing to put into meeting the organizational goal, that is, finding ways to reduce carbon emissions. This effort was factored directly into their wage calculations in the performance-based model, and all employee-participants had access to those calculations.

The researchers concluded that those who strongly identified with the organizational goal were indeed willing to expend significantly more effort towards finding ways to reduce carbon emissions. As expected then, these employees were more likely to choose performance-based pay when given the possibility of discretionary adjustment. Conversely, under the discretionary adjustment condition, those who weakly identified with the organizational goal were more likely to choose the fixed-pay model.

The bottom line is that the discretionary adjustment component is designed to reward employees for going above-and-beyond their roles to help the company meet its goals.

If an employee does not care for these goals, then a fixed-pay model pays better.

"Working for an organization with objectives that one identifies with has benefits for the organization, employee health, and society," says Dr. Victor van Pelt, Assistant Professor in Management at the WHU-Otto Beisheim School of Management, Germany. "Our study shows that when employees expect managerial discretion to be used to evaluate them, they are more likely to sort themselves into organizations with objectives they identify with."

Further study is needed under various conditions of employment to evaluate these findings. But this study provides a smart solution for attracting the "right" employees and deterring those who would not fit the bill in the long run.

More information: Bart Dierynck et al, The sorting benefits of discretionary adjustment to performance-based pay, *Management Accounting Research* (2021). [DOI: 10.1016/j.mar.2021.100755](https://doi.org/10.1016/j.mar.2021.100755)

Provided by Elsevier

Citation: Finding the perfect employee (2021, November 23) retrieved 27 June 2024 from <https://phys.org/news/2021-11-employee.html>

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