APPLIED PSYCHOLOGY
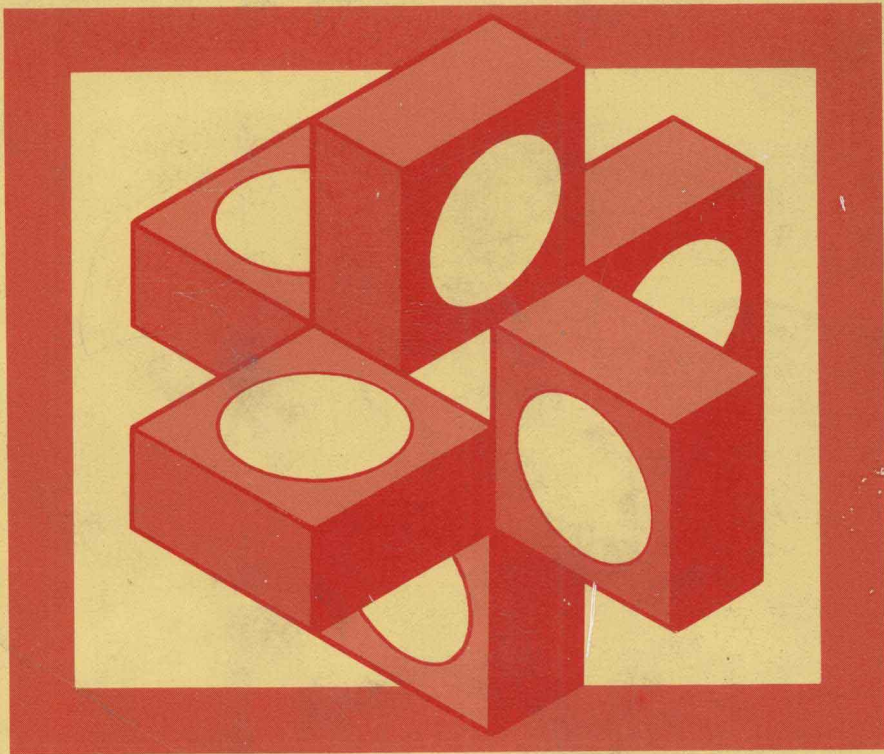## IN
PERSONNEL
MANAGEMENT
SECOND EDITION

WAYNE F. CASCIO

APPLIED PSYCHOLOGY IN PERSONNEL MANAGEMENT

Second Edition

WAYNE F. CASCIO

Professor of Management and Organization
University of Colorado at Denver

Editorial/production supervision by
    Norma M. Karlin
Manufacturing buyer: Ron Chapman

10 9 8 7 6 5 4 3

TO MY MOTHER AND DAD

whose generosity and self-sacrifice
enabled me to have what they did not

Preface to the
Second Edition

As in the first edition of *Applied Psychology in Personnel Management,* I have tried to create an interdisciplinary-oriented, psychologically-based personnel text. My subject matter is personnel psychology—the application of psychological research and theory to problems of organizational human resource utilization. As an applied area of psychology, personnel psychology's objectives are to make organizations more effective and more satisfying as places to work.

Personnel psychology represents the overlap between psychology and personnel management. It is a subfield within personnel management, excluding, for example, such topics as labor and compensation law, organization planning, industrial medicine, labor relations, and employee benefits and services. Personnel psychology is also a subfield within industrial/organizational (I/O) psychology—the study of human behavior in the work setting. Today, with the tremendous growth of I/O psychology in a variety of directions, personnel is appropriately considered only one of many areas to which I/O psychologists have turned their attention.

To be sure, the personnel function has changed drastically in the last decade. No longer is personnel concerned only with housekeeping, file maintenance, and organizational firefighting. Today's personnel manager (often known as Director of Human Resources) is in on the initial stages of important policy decisions and frequently carries a vice-presidential rank. Civil rights legislation, close scrutiny of personnel practices of public and private sector organizations by compliance agencies of the federal government, the spectre of civil suits or loss of government contracts, the growing administrative complexity of numerous personnel programs—for all of these reasons and many more, the responsibility of today's personnel manager has increased dramatically. Personnel professionals must, therefore, have a sound understanding of the theory, assumptions, and implications of their policies and procedures, for blatant mistakes in this area can be *very* expensive. The cost in dollars, efficiency, and employee frustration simply cannot be tolerated.

As in the first edition, therefore, I have included material of a decidedly theoretical, statistical, or psychometric nature where relevant. No doubt some readers will criticize the book on these grounds and charge that "things just aren't done that way in the real world." Perhaps not, for I agree that some of the ideas and techniques in this book (e.g., decision-theory and integrated human resource planning systems) are probably used by very few organizations. Nevertheless, having consulted with (and having testified either for or against) both public and private sector organizations, I firmly believe that these newer ideas should be more widely adopted. The book is designed to be forward-looking and progressive, and even though some of the material is presented in a conventional manner with a dose of statistical, psychometric, or psychological theory thrown in, I believe that in the last analysis nothing is more practical.

In writing this book, I have made two assumptions about my readers: (1) that they are familiar with the general problems of personnel management and/or industrial psychology, and (2) that they have some background in fundamental statistics—at least enough to understand statistical procedures on a conceptual level, and preferably enough to compute and interpret tests of significance. As in the first edition, my goals are: (1) to challenge the field to advance rather than simply to document past practice; (2) to present a model toward which personnel specialists should aim; and (3) to present scientific procedure and fundamental theory so that the serious student can develop a solid foundation upon which to build a broad base of knowledge.

My overall objective is to integrate psychological theory with tools and methods that will enable the student or professional effectively to translate theory into practice. I realize that in the complex and dynamic environment in which we live and work, scientific and technological advances are occurring faster than ever before. Hence, education must be a lifelong affair if one is to avoid what Armer (1970) calls the "Paul Principle": over time individuals often become uneducated, and therefore incompetent at a level at which they once performed quite adequately. If the book projects this one message, then the personnel profession will be enriched immeasurably.

The response to the first edition of this book in psychology departments and in business and professional schools was particularly gratifying. However, new ideas and research findings in all the areas covered by the book made a second edition necessary so that the book can continue to reflect the state of the art in personnel psychology. Every single comment or suggestion (and there were many) provided by users and reviewers was considered carefully in reworking the manuscript. I wrote the second edition during my tenure as a visiting professor with a joint appointment in the Department of Psychology and the School of Business at the University of California–Berkeley. The opportunity to work on an interdisciplinary-oriented text such as this in such a delightful and intellectually stimulating atmosphere was a definite advantage. Many individuals—students as well as faculty members—helped me rethink virtually every statement in the text. Such constant questioning, probing, and challenging no doubt

helped to strengthen and improve the final product, though if errors were made, the responsibility is purely mine.

At Berkeley, two people in particular were of enormous help to me, though they themselves would be the last to seek acknowledgment—Charles O'Reilly in the Business School and Shelly Zedeck in the Psychology Department. Both of their doors were always open, both were only too willing to give unselfishly of their time and resources. They are true colleagues in every sense of the word, and I am deeply grateful to them for helping me to grow both personally and professionally.

Since publication of the first edition, there has been a new addition to our family—a son Joey. I hope that the ideas in this book will help to enrich and fulfill his working life as well as the lives of others of his generation. Perhaps the ideas about managing people that we think are so forward-looking today will become common practice in his world of work. That would be the most gratifying outcome of all.

Finally, this list of acknowledgments would be incomplete if I did not recognize the moral support and encouragement (and many times the patience!) throughout this project of my wife Dorothy, whose love and devotion make good times better, and bad times a little easier to take.

WAYNE F. CASCIO

Contents

APPENDICES

CONTEMPORARY ISSUES IN APPLIED PSYCHOLOGY AND PERSONNEL MANAGEMENT

Organizations, Work, and Applied Psychology

Human organizations are all around us—businesses, hospitals, political parties, military organizations, men's and women's social clubs, churches, Boy and Girl Scouts, and Little Leagues, just to name a few. Each organization has its own particular set of objectives, and, in order to function effectively, each organization must subdivide its overall task into various jobs. Jobs differ in their requirements. Likewise, people differ in aptitudes, abilities, and interests, and along many other dimensions. Faced with such variability in people and jobs, programs for efficient human resource utilization are essential.

In modern industrialized society it is apparent that work is becoming the center of life. Twenty years or more may be spent in preparation for work and as much as half an individual's waking hours may be spent at work or commuting to or from it. However, recent evidence indicates that many people are dissatisfied with their jobs or alienated from work in general—with unfortunate consequences for individuals, organizations, and society.

Guided by the fundamental assumption that in a free society every individual has a basic and inalienable right to any job for which he or she is qualified, we turn to a consideration of how personnel psychology can contribute to a wiser, more humane use of our human resources. If present legal, social, political, and economic indicators predict future concerns, personnel psychology will play an increasingly significant role in the world of work during the 1980s, the 1990s, and beyond.

The Pervasiveness of Organizations

Throughout the course of our lives each of us is deeply touched by organizations of one form or another. In the normal course of events as a child matures, he or she will be exposed to a school organization, a church or religious organization, perhaps a Little League or a Boy or Girl Scout organization, as well as the social organization of the local community. After leaving the school organization the young person may choose to join a military, business, or service organization, but in order to qualify for membership he

3

may have to join a union organization. The point is simply that our everyday lives are inseparably intertwined with organizational memberships of one form or another.

What common characteristics unite these various activities under the collective label "organization"? The question is not an easy one to answer. Many different definitions of organization have been suggested and each definition reflects the background and theoretical point of view of its author with respect to what is relevant and/or important. Yet certain fundamental elements are recurrent in these definitions. In general, an organization is a social unit deliberately designed to achieve some specific goal or goals (Reitz, 1981). Another useful concept views an organization as a system of inputs, throughputs, and outputs. Inputs (raw materials) are imported from the outside environment, transformed or modified (e.g., every day tons of steel are molded into automobile bodies), and finally exported or sold back into the environment as outputs (finished products). Although there are a bewildering variety of inputs to organizations (energy, raw materials, information, etc.), people are the basic ingredients of *all* organizations, and social relationships are the cohesive bonds that tie them together. This book is about *people as members and resources of organizations*, and what personnel psychology can contribute toward helping organizations make the wisest, most humane use of human resources. *Personnel psychology is concerned with individual differences in behavior and job performance and with measuring and predicting such differences.* In the following sections we will consider some of the sources of these differences.

Differences in Jobs

In examining the world of work, one is immediately awed by the vast array of goods and services which have been and are being produced as a result of organized effort. This great variety ranges from the manufacture of tangible products, such as food, automobiles, plastics, paper, textiles, and glassware, to the provision of less tangible services, such as

legal counsel, medical care, police and fire protection, and education. Thousands of jobs are part of our workaday world, and the variety of task and human requirements necessary to carry out this work is staggering. Faced with such variability in jobs and their requirements on the one hand, and with people and their individual patterns of values, aspirations, interests, and abilities on the other, programs for efficient human resource utilization are essential.

Differences in Performance

People represent substantial investments by firms—as is immediately evident when one stops to consider the costs of recruiting, selecting, placing, and training as many people as there are organizational roles to fill. But psychology's first law is that people are different. People differ in size, weight, and other physical dimensions, as well as in aptitudes, abilities, temperaments, and interests, and along a myriad of other psychological dimensions. People also differ greatly in the extent to which they are willing and able to commit their energies and resources to the attainment of organizational objectives.

If we observe a group of individuals doing the same kind of work, it will soon be evident that some are more effective workers than others. For example, if we observe a group of carpenters building cabinets, we will notice that some work faster than others, make fewer mistakes than others, and seem to enjoy their work more than others. These observations pose a question of psychological interest. Why? What "people differences" cause these "work differences?" Perhaps these variations in effectiveness are due to differences in abilities. Some of the carpenters may be stronger, have keener eyesight, and have more finely developed motor coordination than others. Perhaps another reason for the observed differences in behavior is motivation. At any given point in time, the strength of forces impelling an individual to put forth effort on a given task, or to reach a certain goal, may vary drastically. In other words, differences in individual performance on any