



Building Competitive Companies Since 1946

Risk Management and the Frontline Employee

It seems like “risk management” has become the buzzword of the decade in business. It has been used to refer to everything from disaster planning to global competition. However, the biggest risks in business today are not things like regulatory compliance, occupational fraud, or political interference. The biggest risks companies face are the everyday behaviors and decisions of frontline employees. Companies sink or swim on the basis of employee judgment and conduct.

For better or for worse, it is frontline employee decisions and behaviors that power the business machine. All of the automation, computerization, and regulation in the world cannot overcome the human element at work. Fortunately, companies can have influence over employee behaviors and decisions with the approaches they take to employee recruitment, selection, evaluation, development, and retention. Each of these functions has an enormous impact on the success of a business and, thus, on its risk profile.

RECRUITMENT

Hiring frontline employees who make good decisions and who perform well begins with the recruitment process. To evaluate your recruitment efforts, ask yourself two important questions. 1) Are you developing an applicant pool of people who have made good choices thus far? 2) Are you recruiting people

who already have demonstrated the behaviors you seek? Honest answers to these questions give an indication of the risk you are taking in your recruitment process. To reduce risk and improve your “catch”, fish in the right streams.



SELECTION

Selecting frontline employees who think and behave in ways that suit your business needs requires precision in applicant screening tools. Well designed and validated employment tests are an excellent cost effective approach. Structured behavioral interviews are another.

The goal in frontline employee selection is to pick people who already possess the characteristics you need, rather than attempt to train new hires on such basics as appropriate judgment and conduct.

Hiring the right people reduces risk and PSP has online pre-employment screening tests to help you hire right - the first time.

EVALUATION

Managing risk in frontline employee decisions and behaviors involves the provision of regular and frequent feedback on work performance. Many companies are moving toward formalized semi-annual or quarterly performance reviews with one’s supervisor. Other companies are using 360 feedback surveys in annual performance evaluations.

Research long ago established that knowledge of one's results improves a person's decisions and behaviors. The more frequent the feedback on one's results, the more senior management can minimize employee risk factors. PSP's Motivator 360 survey can be used both for employee development and performance evaluation, without bias or favoritism.

DEVELOPMENT AND SUCCESSION

Training has longed been recognized as a tool for risk management. Regulations frequently are rewritten, management philosophies often are modified, market conditions regularly change. Frontline employees must be kept abreast of such changes in order to make productive decisions and display behaviors in keeping with the current modus operandi.

Succession planning also is a tool for managing risk. With inevitable retirements and turnover in the supervisory ranks, preparing frontline employees to become the next generation of supervisors makes good business sense. Developing people who already have a track record at your company minimizes the risk inherent in hiring outside candidates. PSP's Leadership Dashboard is a web-based tool that monitors progress and accelerates preparation for future supervisory assignments

RETENTION

Employee retention reduces risk by keeping good decision-makers and high performers in your company. Once an organization invests itself in recruiting, selecting, evaluating, and developing excellent people, the last thing it wants to do is to lose them to a competitor. In today's knowledge-based businesses, such "brain drain" is a risk few companies can afford.

Retaining quality in the workforce is related directly to the provision of a specific set of motivators and rewards. Employee retention surveys targeting these motivators and rewards are an excellent way to assess and address turnover risk among frontline employees. PSP's Organizational Climate Survey gauges employee "flight risk" quickly and provides practical action plans for keeping your best people.

AUDITING AND MITIGATING RISK



Risks to our companies cannot be prevented, but they can be better managed. As a first step, consider asking a reputable consulting firm to conduct an objective audit of your HR risk factors. Results of the audit will enable you to pinpoint specific HR functions that need improvement.

Upgrading techniques in frontline employee recruitment, selection, evaluation, development, and retention may not be a panacea in risk management, but mismanagement of these functions surely is courting failure. By paying attention to the people side of risk management, companies can mitigate the biggest risks to their success.

For an audit of your HR risk factors or more information on tools for addressing HR risk management, contact your PSP Metrics industrial psychologist.

PSP Metrics is a leading provider of pre-employment screening tools for the manufacturing, consumer products, utility and service industries. We adapt applicant screening tools to the information needs and budget of each customer and provide 24-hour turnaround of test results worldwide. We also design tools for employee retention, management development, and succession planning.