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# Employee Disengagement Starts With the Job Offer



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**Putting tight deadlines on job offers may seem like a good way to grab desirable talent, but doing so carelessly damages firms in the long term.**

Among the hindrances to global economic recovery is an epidemic of indifference that has apparently swept through the workforce. Up to 70 percent of employees are disengaged, i.e. alienated from organisational goals, a phenomenon responsible for USD\$500 billion in annual lost productivity for U.S. companies, [according to Gallup](#). Many leaders have tried to address this by making changes to their organisational culture, but the overall level of disengagement hasn't budged since the turn of the millennium.

One reason for this might be that the conversation around employee disengagement has largely ignored the all-important first point of contact between firms and employees: recruitment. Our recent paper in *Decision Analysis*, "[Exploding Offers Can Blow Up in More Than One Way](#)" (co-

authored with Nelson Lau of KCG Asia Pacific), underscores how managers, by using shortsighted tactics to pursue potential employees, are sowing the seeds of disengagement, or worse.

## **Here's Your Contract, Now Punish Me**

Our research explored the knock-on effects of “exploding job offers” – offers that must be accepted soon, sometimes within one day, or else vaporise. In the battle for top talent, exploding offers are a particularly blunt weapon designed to forestall negotiations and comparison-shopping among the most desirable candidates. We hypothesised that hiring candidates via such offers would negatively influence their behaviour as employees. In other words, once installed as staff members, they would be more likely to do the bare minimum than go the extra mile to bring value to their employer.

We involved two groups of people -- INSEAD MBAs as well as participants found through Amazon's Mechanical Turk platform – in a series of behavioural experiments whereby participants played either the firm or the job candidate. The “hiring managers” had the option of making either open-ended or exploding offers. If an exploding offer was made, the “candidate” was told that if he rejected it there was a 50 percent chance of a better offer coming along. This was a basic way of testing whether exploding offers are successful at capturing talent in the first place. We also gave candidates the choice to reciprocate by reducing or increasing a payment to the firm upon acceptance of the offer. In their effects upon the employer, these options roughly correspond to a new hire developing either disengaged or diligent work habits.

Across several variations of the study, we found that not only were exploding offers punished far more often than extended ones, but they also were not appreciably more effective at capturing candidates. As we write in the paper, “The proportion of the responders that would accept an exploding offer was close to 50 percent in three out of four studies (and never significantly higher than 50 percent), but responders reciprocated much less positively to the proposer after accepting an exploding offer than when accepting an extended offer. In other words, the proposers issuing an exploding offer suffered from what we call the *reciprocation curse*.”

## **Behavioural Consistency**

When participants switched roles, things got even more interesting. We found that participants who had accepted exploding offers as candidates were much more likely to make such offers when they moved behind the desk, and those who had rejected exploding offers tended not to make them. This raises the possibility that adherence to the Golden Rule may help account for the enduring popularity of exploding offers: Managers who make such offers are thinking about what they themselves would find acceptable, rather than how their actions would be received by candidates.

## **Changing Perspectives**

If a certain lack of self-awareness characterises the blanket usage of exploding job offers, it follows that considering the situation from the candidate's perspective may cause a hiring manager to think twice. In the final study covered in the paper, we randomly assigned participants, prior to the offer stage, to write short essays from the perspective of either the firm or the candidate. After analysing the word choices in the essays for intensity of emotion, we spotted a correlation: Those who had written feelingly from the firm's perspective were more likely to make exploding offers, and vice versa. Essays with a low emotional intensity were statistically insignificant.

Taken together, the findings indicate that reliance on exploding offers may be based more in emotional bias than in a thoughtful consideration of the facts. But they also suggest that these biases are not irreversible, as long as managers are willing to step outside their own perspectives and try to anticipate how their decisions may affect candidates.

## **Don't Lose Your Detonator**

None of this is to argue that exploding offers are always the wrong way to go. Sometimes they're reasonable: for example, in longer interview processes involving high levels of commitment from both parties. After several rounds of interviews spanning weeks or even months, it may be fair to assume that the candidate has had sufficient time to gather information and deliberate, and should be ready to make a quick decision. And, of course, sometimes a position simply needs to be filled right away, in which case a signing bonus may help to make the candidate feel he or she has been dealt with fairly. (But a signing bonus so small as to be perceived as insulting by the candidate may only make things worse.)

The most important thing to remember is not to underestimate the reciprocation curse. Don't assume that a candidate's signature on an employment contract constitutes an endorsement of the recruitment practices used to get it there. If a working relationship starts off badly, it will likely continue on that note. Sometimes it's better to risk losing a star candidate to a rival firm than to welcome a disengaged or resentful version of that candidate into the fold.

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